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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT: MANAGEMENT CHALLENGES AND STRATEGIC OBJECTIVES

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, ORGANIZATION, AND PROCUREMENT

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT: MANAGEMENT CHALLENGES AND STRATEGIC OBJECTIVES

TUESDAY, APRIL 28, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
ORGANIZATION, AND PROCUREMENT,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 9 a.m., in room 2154, Rayburn House Office Building, Hon. Diane E. Watson (chairwoman of the subcommittee) presiding.

Present: Representatives Watson, Connolly, Cuellar, Hodes, Bilbray, and Duncan.

Staff present: Bert Hammond, staff director; Valerie Van Buren, clerk; Adam Bordes, professional staff; Dan Blankenburg, minority director of outreach and senior advisor; Adam Fromm, minority chief clerk and Member liaison; Ashley Callen and Daniel Epstein, minority counsels; and Glenn Sanders, minority Defense fellow.

Ms. WATSON. I would like to call to order the hearing of the Subcommittee on Government Management, Organization, and Procurement. We also include Government oversight. We will come to order.

Today's hearing will examine the short and long term management challenges and strategic objective of the U.S. Agency for International Development as it contends with its ever increasing portfolio of foreign assistance needs and geopolitical objectives.

Without objection, the Chair and the ranking minority member will have 5 minutes to make opening statements, followed by opening statements, not to exceed 3 minutes by any other Member who seeks to be recognized.

Without objection, Members and witnesses may have 5 legislative days to submit a written statement or extraneous materials for the record.

Today we are holding this hearing on the U.S. Agency for International Development [USAID], its management challenges and its strategic objectives.

USAID is the lead Federal agency that directs and manages U.S. development assistance programs. Over the past decade, USAID's role has been expanded to meet the many new challenges of the post-cold war and 9/11 world. Reflecting the newfound importance of our Nation's foreign assistance programs, USAID's budget and responsibilities have been significantly enhanced over the past dec-

ade. Furthermore, the growing importance of the Agency's mission is articulated in the President's elevation of development to theoretically equal footing with defense and diplomacy as part of the three Ds of U.S. national security policy.

The question arises as to whether USAID is equipped to meet the new set of challenges. Many believe it is not and that the Agency lacks a clearly defined development strategy, and suffers from significant management and human capital challenges, and program duplication and overlap.

I am struck, for example, by the number of U.S. Government agencies that plan and implement foreign assistance programs. They have become so numerous that the Department of State and USAID control a little over half of the U.S. foreign assistance budget. Taken alone, USAID, it is my understanding, manages just over 40 percent of the total U.S. foreign assistance budget. The proliferation of foreign assistance programs throughout the U.S. Government has resulted in a patch-work of different programs with different strategic objectives. Many, if not most, of these programs are important and beneficial, but I am concerned that there is a lack of coordination to ensure that the full benefits of these programs are realized.

If USAID were in counseling, I would observe that it is a patient that suffers from serious identity issues. In effect, USAID has become everything to everyone. Each year USAID is given new marching orders and budget authority. The problem is that there is no programmatic consistency for meeting the Agency's long term strategic goals and objectives. Programs may take years to implement on the ground, but the Agency's legislative authority may not reflect the realities of implementing programs on the ground.

USAID's development strategy and strategic objectives may be further blurred by the semi-merger, in 2006, of the Department of State and USAID. As a result of the creation of the "F" Bureau and the Director of Foreign Assistance at State, USAID and State share identical strategic goals. The question arises: are USAID's strategic goals too broad and oversized? Are we muddling foreign policy objectives with development objectives?

Clearly, USAID's problems, if we are completely honest, are in part the making of ourselves, the Congress. Many of us are aware that Congress has not passed a foreign assistance authorizing bill since 1985. In effect, the authorizing committee has been marginalized. I applaud and fully support Foreign Affairs Committee Chairman Berman's efforts to overhaul the antiquated Foreign Assistance Act of 1961 and to reinvigorate the authorization process. I believe the success of these efforts will have direct bearing on the future viability and success of the program.

To date, the administration has not named a new Administrator for USAID. It is my sincere hope that the administration will name the new Administrator as soon as possible. Let me assure my colleagues on the subcommittee that I intend to hold a followup hearing on USAID and invite the new Administrator to testify once he or she has been put in place.

Finally, I want to thank all the witnesses that are here today for taking time to appear before our subcommittee. Most of them have decades of experience working at USAID and have devoted their

careers to development work. I look forward to their comments on an issue that is sometimes overlooked by Congress but is nonetheless an essential element of our Nation's foreign security status.

All right, the ranking member.

Mr. BILBRAY. Thank you, Madam Chair. Madam Chair, to expedite the process I would like to introduce my opening statement in a written form, please.

Ms. WATSON. No objection.

Mr. BILBRAY. Without objection, thank you.

Let me just say, though, briefly that I think USAID has a long history of service around the world. I think that, frankly, historically it has taken what is thrown at them and responded as best they could.

Let me say, though, getting back to this issue of building on the concept of teaching people to fish rather than giving them fish, my biggest concern is that there may be a lot of fault for USAID for problems that we face today. A lot of it may not be rightfully pointed out at the organization because, like the Chair pointed out, there is a whole lot of other agents out there under the guise of USAID.

I think that one of the things that I would ask us to take a look at is where we are going long range with this. Let me just say this to the gentlemen here: You have a Democrat and Republican standing in front of you. We have a new administration that doesn't even have a head yet. I would like these hearings to be set as a proactive process rather than a reactive judgment.

The proactive process is pointing out to the new administration the pitfalls and the mistakes in the past, and the opportunities and successes of the past, so they can avoid those pitfalls and take advantage of the opportunities. I hope all of you approach this with the attitude that here is a chance for your information and your experience, both positive and negative, to be contributed to help this new administration maximize those opportunities and avoid the pitfalls.

I think that is one thing Republicans and Democrats can do on this Oversight Committee now, rather than waiting for a couple of years and then having Republicans find ways of attacking the new administration and finding fault, is for Democrats and Republicans to work together to point out problems and challenges so that the new administration can avoid them.

Let me just say that one of the things that I feel really concerned about is that a lot of our foreign aid goes in under the guise of teaching capitalism, teaching independence, and teaching productivity. What we end up doing, then, is teaching them corruption, mismanagement, and all the negative things that we point to other countries about.

Many times this is the only face except for the military that parts of the world know. And the last thing we want them to think is that what America is about is big guns and stupid Government programs or inefficiency and corruption. I think that is the big challenge. You just have to admit, around the world, some of them have to shake their head in how could America be as successful as it is if this is what it is all about.

So I just have to tell you frankly, my perceptions—and I do not blame USAID alone on this—my perceptions of the greatest challenges we face today in Afghanistan are not military. I think the front line failure in Afghanistan has been in our inability to go in and appropriately apply aid during the period of opportunity we had over the time. I say this to the Bush administration. As big as a supporter as I have been on certain issues, I think that the USAID program in Afghanistan has been a disaster. There are always reasons for that.

Believe me, I was a mayor when I was 27. I know it is easy for those who have never done anything to second guess those who are in there. Those who have never done anything have never made a mistake. But what I really would ask you to do is point out how we could have done it better in places like Afghanistan so that the new administration can figure out how to avoid the problems, so that our men and women who are fighting over there won't have to fight this war again, and so it will actually be a success.

I think the success, Madam Chair, in our last two interventions is not going to be counted by the men and women who won the war. It is going to be counted by the economic and social success that we leave behind. Our USAID programs are actually going to be the ones that pull that off.

With that, I yield back, Madam Chair.

Ms. WATSON. Thank you, Congressman Bilbray.

Now I will yield to Congressman Cuellar.

Mr. CUELLAR. I don't have a statement. Thank you, Madam Chair.

Ms. WATSON. All right.

Congressman Connolly, do you have a statement to make?

Mr. CONNOLLY. Thank you, Madam Chairwoman.

Last week, Secretary Clinton testified before the Committee on Foreign Affairs, of which I am a member. I was pleased to hear that the State Department is pursuing a more comprehensive approach to diplomacy, one that will consist of something more than reaching for the holster.

In the last 8 years, USAID has been hollowed out. We need to restore USAID to being the premier development agency of the U.S. Government. An ambitious foreign aid agenda is the necessary complement to this more thoughtful approach to diplomacy.

As we learned and continue to learn from Afghanistan, it is essential to maintain a level of trust among the general populations in which the United States has a national security interest. Only in the context of widespread fear and distrust of the United States can regimes such as the Taliban emerge and consolidate power. We witness similar problems now in Pakistan where the Taliban has unfortunately a growing influence.

Since prior to the Soviet invasion, we have invested billions of dollars in military aid for various factions and governments in Afghanistan and Pakistan. Yet those countries are now controlled or in danger of falling under the control of factions whose raison d'etre is opposition to U.S. influence. Clearly, our aid has not been as efficacious as it could have been.

I would suggest that our foreign aid must be closely linked to our national security objectives but must not be perceived as entirely

self-interested. This necessitates investing in countries where there is not necessarily an immediate and clear national security interest.

Moreover, aid should not be based on political alliances with certain parties of politicians. When we were funding Afghan revolutionaries in the 1980's, we did not anticipate that they would use their newfound skills to attack America two decades later. Our aid to Israel may be a model. Regardless of which party has been in power, the United States has provided aid to Israel with great effect.

Within this context of depoliticizing aid on one level so that it actually reflects our national agenda, I greatly appreciate the testimony we will hear today. James Kunder notes in his testimony that we should have a more comprehensive strategic vision to guide our distribution of aid. It is kind of a long term strategic planning could help avoid reactionary programs such as political interventions that sometimes end up being counterproductive.

Michael Walsh emphasizes the importance of maintaining USAID connections to small contractors because these non-governmental organizations are often closest to the people we want to serve. If we are attempting to build trust with populations in areas that are important to our national security, then this is an important ingredient of success.

Again, I want to thank you, Chairwoman Watson, for holding this hearing. I look forward to our ongoing efforts to enhance the efficacy of USAID.

Ms. WATSON. Thank you. If there are no additional testimony, the subcommittee will now go to the witnesses before us today.

It is the policy of the Committee on Oversight and Government Reform to swear in all witnesses before they testify. I would like to ask all of you to please stand and raise your right hands.

[Witnesses sworn.]

Ms. WATSON. Let the record reflect that the witnesses answered in the affirmative. Now let me begin again by welcoming and thanking our distinguished expert panelists for agreeing to be with us this morning.

First, Mr. Michael F. Walsh is the director of Programs for Finance, Grants, and Contracts at InsideNGO, an association for chief financial officers and grants and contract managers for non-governmental organizations working in international development and humanitarian relief programs. He previously served in various roles for two decades at the Agency for International Development and most recently worked as USAID's Chief Acquisition Officer and Procurement Executive.

Then, Mr. James Kunder is a founding member of the Kunder/Reali Associates, an Alexandria-based consulting firm focusing on international development and reconstruction issues. He is a senior resident fellow in economic policy at the German Marshall Fund of the United States. Since 1987, he has served in multiple senior positions at USAID both domestically and abroad, and until January 2009 was Acting Deputy Administrator. In addition, he has published numerous articles on international humanitarian issues, peacekeeping, and crisis management.

Mr. George Ingram is the executive director of the Education Policy and Data Center in the Academy for Educational Development. The Center works to improve education policies and programs in developing countries through better access, use, and analysis of education data and information. He also serves as president of the U.S. Global Leadership Campaign, an alliance of more than 400 companies and NGO's that promote greater resources for U.S. engagement in international affairs. Prior to his work in the private sector, Mr. Ingram was a senior staff member of the House of Representatives Committee on Foreign Affairs responsible for international economic and development issues.

Then, Dr. Thomas Melito is a Director in the International Affairs and Trade team at GAO. In this capacity, he is primarily responsible for GAO work involving the management of development assistance by the U.S. agencies and multi-lateral organizations. Over the past 10 years, Mr. Melito has been focusing on a wide range of issues including U.N. management reform, peacekeeping procurement, the efficacy of international food assistance, and combating human trafficking. Mr. Melito holds an M.A. and Ph.D. in economics from Columbia University and a B.S. in Industrial and Labor Relations from Cornell University.

I welcome all the witnesses and we look forward to your testimony. I would ask that each of the witnesses now give a brief summary of their testimony and try to keep this summary under 5 minutes if you can. Your complete written statement will be included in the hearing record.

So Mr. Walsh, we will start with you. Please proceed.

STATEMENTS OF MICHAEL WALSH, FORMER DIRECTOR OF PROCUREMENT, USAID INSIDENGO; JAMES KUNDER, FORMER DEPUTY ADMINISTRATOR, USAID & BUREAU HAD FOR IRAQ AND AFGHANISTAN PROGRAMS; THOMAS MELITO, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; AND GEORGE INGRAM, ACADEMY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF MICHAEL WALSH

Mr. WALSH. Thank you. I would like to thank the subcommittee for taking the time to look into these important issues and for the opportunity to share my perspective. This morning, I would like to speak to you about the opportunities and challenges facing USAID and the broader NGO community.

As I was leaving USAID in 2007, an estimated 50 percent of USAID foreign service officers were eligible for retirement. As they leave, their years of experience leave with them. Since then, approximately 50 percent of the USAID officers have less than 5 years experience with USAID.

These newly minted officers represent a new USAID. This is a new USAID that: one, must bridge the experience gap by bringing in more mid-level foreign service officers and providing the entire work force with better training and supervision; two, do more than just award grants and contracts but support their procurement system with more staff and funding to update policies and procedures and to roll out worldwide systems; and three, address real oper-

ational issues—those identified by a formal committee of USAID, NGO, and contractor operational professionals—with congressional support to look at the actual nuts and bolts of implementing foreign assistance. Now is the time to commit to change.

Regarding my first recommendation, USAID staff need more technical and professional training. They have simply lost their technical edge. Beyond classroom training and Web-based training, they need knowledge management systems, conferences, and other opportunities for professionals to share ideas and experiences, especially with experts in the broader sector. Also, USAID needs the authority to hire mid-level staff to narrow the technical and experience gap.

Until this can be done, USAID will continue to bundle larger awards made through limited competition. As a consequence, small and medium sized organizations have difficulty competing. The large get larger and the others don't. The resulting concentration of the sector means fewer new ideas and approaches to address the challenges of development.

The burden of over regulation and multiple layers of audit coupled with staff with limited experience result in a compliance oriented, risk avoidance approach to management. We heard of a technical representative who tracked all grantee travel and field trips with a matrix to carefully ensure that they performed as proposed. He didn't have time to visit the field sites to get a firsthand look at the work. We have to get beyond auditing to the penny and support managing to the dollar, risk management rather than risk avoidance.

The contracting officers I supervised in east Africa flew into souther Sudan and saw firsthand the challenges of working there. The terminal is often just a cluster of thorn trees and the roads are only notional. Yet the NGO's working there must still comply with Buy American, Fly American, and Drive American while documenting every penny and every partner. I expect my COs, my contracting officers, to understand this context and manage it appropriately within the rules and regulations.

USAID's experienced procurement policy and support staff have this development perspective as well, yet they are overwhelmed. At this point, there is one person responsible for all grant policies at USAID, which represents approximately $4 billion annually. Another specialist is responsible for personnel services contracts, which is the employment mechanism used to engage half of USAID's work force, especially overseas. Only four people are available to negotiate overhead and that is probably the largest ratio of negotiators to cognizant agencies of any other civilian agency in the Government. Just four people conduct audits around the world.

They need help, especially if USAID is to move forward with a new work force and a new Foreign Assistance Act. As you address issues in the Foreign Assistance Act, please do not neglect to increase the efficiency and effectiveness of implementation. The fly by Drive American requirements come from another area. The importance of development to national security suggests that Congress should consider tradeoffs between tied aid and the effective use of the development dollar.

Further, the approvals associated with these requirements are very cumbersome, requiring, for example, every single international trip to have prior approval and a protracted waiver process to purchase laptops and right hand drive vehicles because none are made in the United States.

We encourage Congress to consider establishing a formal advisory committee of USAID, NGO, and contractor representatives and an operations issues review committee to examine longstanding impediments to efficient and effective implementation. We ask for congressional support to assure that the new USAID and its contractors and grantees are not saddled with encumbrances from the old USAID. Development is simply too important to tolerate this any longer.

I spent 3 years as the Director of OAA trying to update policies, roll out systems, and upgrade the skills of our staff with budgets that were regularly cut. It doesn't work. USAID represents so much to the world, they must be supported with adequate funding and renewed support for efficient and effective aid delivery.

I am happy to respond to your questions and look forward to working with you as you undertake this important endeavor. Thank you.

[The prepared statement of Mr. Walsh follows:]

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Committee on Oversight and Government Reform

Subcommittee on Government Management, Organization, and Procurement

Testimony of Michael F. Walsh

Thank you for the opportunity to testify before your subcommittee. I'd like to make three points on the Contracting/Grant-making function at USAID and its impact on the development mission.

1. USAID staff, including technical and support staff, American and local nationals, need better training and supervision to bridge the staffing gap created over the years.
2. The policy and support function of the Office of Acquisition and Assistance (OAA) must be fully staffed and funded to keep up with increased demands placed on the Agency and to update policies, systems and procedures long obsolete.
3. The underlying operational aspects of implementing development must be addressed in re-writing the Foreign Assistance Act, with input from a formal advisory committee.

I speak to you as a former USAID Foreign Service Officer, having worked as a Contracting Officer in Bangladesh, Cairo, Kenya and Washington, D.C. I retired as the Director of the Office of Acquisition and Assistance (OAA) and Chief Acquisition Officer (CAO) in 2007.

I also speak as the Director of Programs for Finance, Grants and Contracts for InsideNGO, an association of over 240 nongovernment organizations engaged in humanitarian relief and development. InsideNGO's membership is comprised of Chief Financial Officers, Human Resource Directors, legal counsel and grant and contract managers. Initially formed in 1977 as a forum for information exchange and training, for the last 15 years it has actively engaged in providing constructive input to various federal agencies concerning government policies and procedures that affect the operation and administration of foreign aid programs. Our efforts have been reflected in numerous policy documents issued by OMB, USAID, State and others. Since 1991, InsideNGO has offered a training course entitled "USAID Rules and Regulations" that has been offered nearly 200 times in the United States and worldwide.

The perspective I offer today reflects over 25 years as a Development Professional. I call myself a "development professional," because like so many of my former USAID and current NGO colleagues, we've dedicated our lives to bringing hope to the poor and desperate overseas. Development is a difficult and risky endeavor. It needs the resources provided by taxpayers and private donors. While

lives have improved in many places overseas due to these efforts, the administration of donor regulations associated with their generosity have made this work increasingly difficult, expensive and risky.

Better Training and Supervision

That is why, after welcoming the surge of staff for USAID recently, we are hugely concerned that these junior staff must take on roles and responsibilities well beyond their level of training and experience - compounding the problems faced by the sector in implementing development. Many new staff are directing programs, supervising teams of FSNs that have deeper expertise and experience, and administering huge awards with limited knowledge of or experience with the rules and regulations. Only a few years ago, over 50% of the Foreign Service Officers were eligible for retirement. Now, over 50% have been with the agency less than five years. Who will provide on-the-job training, mentoring and supervision necessary to prepare a workforce capable of accomplishing its demanding mission?

Until USAID strengthens its technical/program staff, the capacity of implementing contractors and grantees will be limited by less than state-of-the-art scopes of work, technical evaluations will be less refined and monitoring of performance and compliance with the rules and regulations will be ill-informed and inadequate. Unless USAID develops its capacity more broadly, contract and grant awards will grow in size to reduce the number of transactions they must manage. This is detrimental to competition, to the ability of small and medium size firms and organizations to participate on projects and to the capacity of the sector more broadly. And until USAID reinforces training with better guidance and supervision, it will continue to blur the important distinctions between acquisition (contracts) and assistance (grants and cooperative agreements) to the detriment of an independent PVO/NGO sector. Many of these PVO/NGOs have been in existence helping the poor around the world for longer than USAID. Yet the PVO/NGOs' experience, extensive expertise and credibility can be blunted by USAID's trend towards short-term return-on-investment type programming rather than longer-term activities and the micro-management of grants and cooperative agreements by inexperienced staff.

Accordingly, there is an immediate urgency to implement a comprehensive workforce strategic plan, as recommended by GAO, to hire, train and supervise additional staff. USAID is an implementing agency – a contracting agency – so the plan must include not only those who negotiate and award contracts and grants, but also those who design the programs, evaluate proposals and monitor/manage performance. More than half of these employees are Foreign Service Nationals and they must be trained as well.

Training must be reinforced with effective supervision to assure quality and effectiveness of performance. It takes over 5 years to develop a CO who can operate effectively overseas. When I was supervising the regional contracting office in Nairobi, I surveyed my client offices within East Africa about the qualities of an ideal CO. They consistently identified three important qualities – Strong knowledge of the contracting and grant-making rules & regulations, a development orientation, and a constructive attitude. Training helps with the rules and regulations, but supervision assures that the COs know their mission and work to make it happen, not simply enforce the regulations. The envisioned Contracting Officers are "Development Professionals." They know firsthand the

challenges of complying with the FAR, AIDAR, 22 CFR 226, 22 CFR 228 and OMB Circular A-122 regulations, not to mention, Buy American, Fly American and Drive American in performing work in the furthest reaches of Sudan; conducting business in a collapsed economy; or finding qualified local staff when so many have fled a war or genocide. You can hire those who want to work in development, but you've got to grow them well beyond basic training and provide strengthened support and more appopriate, up-to-date policies.

Strengthened Policy and Support Functions

Just as urgent as a better trained workforce is a strengthened policy and support function of the Office of Acquisition and Assistance, which was depleted to staff the Iraq, Afghanistan and PEPFAR priorities. When I was Director we had one policy expert to provide guidance on al Personal Services Contractors, representing the majority of the USAID workforce. We had one Grant Policy Analyst, responsible for all assistance policy, again roughly half the USAID portfolio. We had a five person branch who conducted audits for USAID around the world. A four person branch was cognizant for more overhead agreements than any other civilian agency. The Evaluation Division, responsible for rolling-out the Scorecard system described in the GAO report, was down to 5 people. Recent hires have enabled the office to get them back to pre-Iraq levels, but they are still not adequately staffed to support current and future operations of the office.

The Policy Division, for example, must prioritize implementation of new statutes or regulations imposed by Congress or the Administration. Little time is available to provide interpretation support to the field, research the policies and practices of other agencies or update current policies. They also serve as a quality control, assuring that formal policy is well-drafted and is publicly vetted. This task has become increasingly difficult as other Washington offices and field missions continue to impose policies and standards on contractors and grantees that are often ill-conceived, non-compliant with existing policies and not publicly vetted in accordance with the Administrative Procedures Act. Additional policy staff will be able to research and issue more policies through the public vetting process and begin turning lessons learned into more appropriate and responsive policies.

The sense of the NGO community is that USAID staff micro-manage awards in a risk averse, compliance-oriented manner due to their inexperience, limited training and the administration of dated policies and procedures. Implementation is increasingly delayed by approval bottlenecks in certain critical Missions as the contractor/recipient seeks waivers for vehicles, equipment, supplies and consultant nationality, to name a few. There is a common perception among the NGOs that USAID audits to the penny rather than manages to the dollar. This is especially troublesome as USAID outsources risk management and many of its functions to the implementing partners, while providing limited management flexibility and no tolerance of financial failures. This orientation is reinforced by Congress' suspicion of contractors and grantees as well as several layers of auditors. The risk equation will not be rebalanced until Congress and the Administration recognize that as Development is elevated in importance to national security, there must be greater tolerance of risk and a deregulation of the process. Accountability to auditors, risk aversion and over-regulation are very expensive burdens on the sector. The large contracts and grants used to implement huge programs are the equivalent of B-52s in the development sector – not well suited to winning the hearts and minds on the front-lines of poverty. Rebalancing the risk equation can only begin with the Foreign Assistance Act re-write.

Operational Input to FAA Re-Write

An important basis for re-balancing accountability and results will be the authorities and flexibilities provided in a revised Foreign Assistance Act. InsideNGO proposes the establishment of a formal advisory committee to review operational issues and make recommendations to USAID leadership and Congress. The focus of the proposed Operational Issues Review Committee will be policies, authorities and their flexibility as they apply to contracts, grants, cooperative agreements and alternative implementing arrangements. In addition to soliciting input from the public, the committee will also review possible lessons from other agencies. While implementing in developing countries has its unique challenges, other agencies have faced workforce and regulatory issues in effectively managing greater numbers and larger volumes than USAID and may have authorities and practices of value to foreign assistance.

Until then, simple and straightforward steps to eliminate and reduce inappropriate and unnecessary award actions and to communicate and reinforce the appropriateness of those steps throughout USAID components should go hand-in-hand with the appropriate hiring, training, and evaluation initiatives suggested here and by others. We believe that these steps, many of which have been authorized for more than 15 years, would have a pronounced impact on workload management. Our policy agenda document points the way to many of these steps and can be made available to the subcommittee.

A New USAID

Ultimately this is all about bringing hope to the poor overseas. USAID and its implementing partners are all staffed with people who want to make a difference. But they all need to be better prepared to take on increased responsibilities. More USAID staff, better trained, must be reinforced with supervision. These development professionals must have adequate support and appropriate, up-to-date policies, geared to field realities, to permit them to manage the accomplishment of development rather than simply impose regulation compliance. And Congress must support these aspirations with appropriate authorities and flexibilities and most importantly, funding. Thank you.

Feeding the Beast: Reporting on Development Programs and Outcomes

One of the most important but often mismanaged areas of foreign assistance is data collection and reporting.

Data and information are important because managers and senior leaders must have a basic understanding of how resources are used and with what results; and, when they cannot answer basic questions about their programs, they look incompetent or worse. Every administration has attempted to improve the collection and reporting of program information, and most administrations have committed millions of dollars and person years to this effort without substantially improving the speed or quality of real-time information about programs and program outcomes. This is in part because it takes time for new leadership to become knowledgeable enough to lead this effort, and in part because bureaucracies, contrary to common wisdom, have a tendency to over-respond and to build mini-bureaucracies around those responses.

The new administration would be well advised (and well rewarded) by a fundamentally different approach, characterized by:

- *Simplicity*: Ask who needs what information for what purpose. Data collection and reporting requirements can be time consuming and expensive and produce much irrelevant information, so keep it simple and stay focused on the purpose and audience for the information. A fundamental problem is there are many audiences and shifting demands.

  Reliance (at least initially) on existing systems: Start with the assumption that systems are in place to deliver basic information for planning and reporting, and give them a chance to work. Avoid reinventing the wheel. Basic questions which the system can or should answer include:

How much are you spending?	Who are you reaching?
What change is occurring?	Why or why not?

  *Prioritize **doing** over **counting***: Be clear about what information you need and why you need it. The people who are asked to provide information are the same people who actually perform the work they are reporting on. Don't lose sight of the balance in this zero-sum game. At present, the balance is off.

Differing Approaches to the Issue

- Approach 1: Levels – Project, Program, Sector, Strategic Objective
  - How much are you spending?
  - How many people are you reaching?
  - What change is occurring?

- Approach 2: The Audience
    - What does the internal audience need to know?
    - What does the external audience need to know?
        - If the external audience is Congress, the questions often boil down to: what works, how do you know, can you scale it?

Challenges

1. *The "tyranny of rolling up -- drilling down" – what happens to data integrity/data utility when the focus becomes aggregating or too detailed?*

The tyranny of rolling up is balanced by the "danger of drilling down" – that if you get too detailed, it becomes difficult to show causal impact. Activities might be critical to the ultimate sustainability and impact of the program but be tough to capture in a bottom line number. Examples of this would include health (communication activities are essential to a successful program but don't have a 1:1 ratio to net usage) and education (difficult to link strengthening ministries and administrative structures to learning outcomes).

Information gets less credible as you aggregate. The indicators we end up being most interested in are the responsibility of the mission across a program using a myriad of supporting factors. There is a level of information that is essential to how missions decide to allocate resources across communications, management support, technical assistance, etc., which makes the achievement of program objectives possible. There is a possible danger that the more Washington focuses on the higher-level indicator, the more missions or program implementers will also match their efforts at performance against those indicators, undermining support to other less clear, but equally important, program elements. "If you begin to think that high-level indicators are the end-all and be-all, other pieces of your program will get undervalued."

There is a linkage between this issue and the LOG Frame (Logical Framework). This approach provided the narrative context that linked goals to purpose to outputs to inputs. It detailed the critical assumptions and helped focus thinking. As with any tool there was a risk that some might look at it as simply a matter of "filling in boxes," but, if people knew how to use it well and understood that it included an underlying theory of change, it was quite effective and helped develop a shared vocabulary.

2. *Indicators – important to have a finite number that are agreed to and for which there is a common understanding (if each party has a different understanding of the indicator, the integrity is lost).*

Reporting on indicators: (a) serves a purpose in reporting to stakeholders; (b) provides discipline within a mission to look at a program and assess performance; and (c) enables

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Washington to have an intermediate look at how programs are tracking against objectives (enabling both functional and regional oversight).

F's "400 indicators" are both too much and not enough. The concern is that missions may end up funding only things with indicators and as a result will not support comprehensive programs.

It is difficult to determine the "right" number and level of indicators. No one wants to report failure, so people will tend to low-ball their expectations in order to then exceed them. There is much in the literature about the need for foreign assistance to be "risk-taking", but reporting and demonstrating achievement quash this. We don't want a system in which staff is "chasing the indicators." Programs need the flexibility of matching programs to needs/effectiveness irrespective of what the indicators might require. Missions either need more resources to report broadly or to let the available time determine how much to report.

3. Division of labor between DC and the field

Washington headquarters is responsible for:

- global development strategy & global and regional priorities;
- coherence among USG policies and programs;
- review of five-year country strategies;
- technical integrity of programs and projects; and
- review of annual or biannual report on progress.

Mission is responsible for:

- 5-year country strategy, insuring consistency with U.S. development strategy and local needs and input;
- develop program and project content and implementation tactics; and
- project management.

4. *Clarify the use of performance data for management purposes versus higher order data for reporting on effectiveness.*

Often there is a demand for too much data at the higher level (headquarters, Congress) that isn't really relevant to policy makers.

It would be useful to think through the interests of Congress and DC when it comes to reporting through the lens of a Global Development Strategy – use a framework of the major strategic goals and then think through what this might look like for foreign assistance in a particular regional or functional area.

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May be useful to compare and contrast some of the models that are out there, for example the Malaria model v. PEPFAR. They are similar insofar as they look at a particular disease and focus on the country level and a specific set of interventions, but are different in terms of their reporting requirements (Malaria has fewer requirements for indicators and financial data). Note that this may also relate either to legal requirements which differ as well as the clearly multi-agency component of PEPFAR.

Things That Have Worked:

- USAID's 5-year country strategy;
- 5-year renewable contracts and grants which inherently acknowledge a long-term process
    - Contracts and grants are time- and resource-intensive to develop and compete
    - Need the flexibility to alter workplans based on available funds as well as performance and outcomes
- R4 (Results, Review, Resource, Request) process: common indicators across countries, reporting moved to every other year and timed to <u>not</u> impact the obligation of funds
    - On a yearly basis, what is the funding needed over the next two years to move forward
    - A single report contained a large amount of information with a minimum burden of reporting
    - Linked progress (with indicators) to budget requests and provided the story behind the numbers
    - Over time, a common understanding of the format and the indicators evolved
    - Compare to the Operational Plan – for the latter there is insufficient time for substantive review and too many indicators
    - The R4 had a better balance of results (outcomes vs. outputs), was timed to enable a solid review (both at the technical/functional level and the bureau level with specific stakeholders), and empowered the Mission's voice.
- E&E Bureau developed a menu of 13 strategic objectives that allowed missions to aggregate funding and results in a manageable and meaningful 13 buckets.
- F's hierarchy
    - The hierarchy goes from the Objective, to the Area, to the Element, to the Sub-Element level. Perhaps helpful for Congress and DC, but not necessarily for program management.
    - Before F, USAID had strategic objectives, but there was no uniformity and there were too many.
    - For Health the F plug-in has been easier and there is an easier connection to funding. Health can talk about its programs within this framework.
    - The "vertical axis" of country categories is not useful; it seems forced.

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Appendix 1: Improving the Consultative Process between the USG and Its Grantees and Contractors

Objective: An effective consultative process between government and its grantees and contractors (the implementing community) ensures an open, transparent and ethical exchange of information regarding government requirements and the implementing community's capability. The value of this two-way information flow is to create greater awareness and understanding of the needs of beneficiaries, leading to more competition and higher-quality proposals. It also encourages exchanges regarding best practices and innovative approaches which can inform the development of sound technical requirements by government.

From the government side, the steps and measures needed to establish a strong consultative process would include regular and clear communications that:

- Describe in broad terms the government's priorities with respect to geographies, countries, and sectoral issues;
- Articulate key development challenges and U.S. objectives;
- Discuss operating constraints such as earmarks or changes in notification requirements;
- Engage industry in technical exchanges to develop and explore new and innovative approaches to pressing development issues;
- Present an overview of resource allocations with respect to bureaus, countries and functional accounts; and
- Provide early notification to implementing partners regarding specific procurement opportunities, while maintaining procurement integrity.

The ready availability of such information will allow implementing partners to better understand and prepare for specific procurement opportunities, which leads to greater competition. Additionally, a great deal of technical expertise resides within the community of implementing partners. Both the implementing community and the USG would benefit from structured discussions regarding alternative approaches to addressing specific development challenges. For example, are there best practices or promising new approaches to job creation in post-conflict countries? This information can then be used to inform the development of technical requirements for new procurements.

On the other hand, competition is stifled when information flows are weak or incomplete. The failure to share information broadly can lead to a competitive advantage for individual implementers that have a strong ongoing relationship with government decision makers. Furthermore, the technical requirements within the procurement document may not reflect the knowledge or hard-won experience of implementing partners leading to repetition of failed approaches.

USAID Current Status: The current status of the dialogue between USAID – the primary USG development assistance agency – and the implementing community is a mixed bag. USAID's Procurement Forecast was recently reinstated but it proved to have

very poor predictive value regarding the agency's actual requirements. Online information regarding country strategies and budgets is incomplete and often dated.

From the implementing community's point of view, advanced knowledge of potential procurement opportunities is imperative in order to prepare properly. The term "bluebird" is used by grantees and contractors to describe opportunities that only become known when the procurement document is issued. Chasing down bluebirds is not generally regarded as a sound business development strategy, and USAID does not always recognize the critical importance of advanced notification.

The willingness of individual USAID officials to discuss opportunities that are in the planning stage varies widely. It is not clear whether there is any consistent training on this point. While the FAR encourages the sharing of information with implementing partners at the earliest possible opportunity, many officials, particularly more junior officers, decide the safest course is to say nothing at all.

Different parts of USAID have dealt with the issue of establishing a dialogue with implementers around best practices and promising new approaches, with varying degrees of interest and effectiveness. USAID's recently created Global Development Commons is an effort to harness technology to improve collaboration between USAID and its implementing partners but, overall, the net result is a patchwork of events and activities with very uneven coverage across the major technical areas.[2]

Other Experience: The issue facing USAID is not at all dissimilar from the challenge faced by other entities within the USG. There are many other agencies and departments that, like USAID, outsource much or most of their work. It may be that there are valuable lessons or models that could be used to improve USAID's efforts in this area. While there are important differences in the types of services that USAID obtains, the basic task of acquiring services under the FAR is the same for USAID as for other parts of the USG.

For example, some USG agencies and departments make extensive use of Request for Information (RFI). This is a great technique for identifying the key players with respect to a particular issue and gaining insight on alternative approaches to thorny technical problems. The intent is to incorporate community-wide best practices into a new solicitation document. The RFI helps ensure that the government understands the implementing community's capabilities.[3]

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[2] Micro-enterprise development, on one hand, has an active breakfast seminar series. Invitations recently went out for seminar number 35, which engages technical experts from the implementing community and USAID in a dialogue around critical issues. The EGAT Bureau in contrast has had approximately two partner days to discuss broad economic growth issues within the past five years.

[3] A defense agency recently issued an RFI to understand best practices in the private sector regarding network protection, which required only a 5-page response. Selected firms were invited in to expand on their approach.

Other examples involve issuing draft scopes of work based more on performance requirements rather than a specified solution. This approach allows innovation to take place in advance of the procurement. While the implementing community is sometimes hesitant to share intellectual capital over concerns that it will become available to competitors, they are often willing and able to provide comments that enable their own solution. The benefit to government is that it does not inadvertently write requirements in a way that limits competition or precludes an innovative approach.

"Partner days" are another way of furthering the dialogue with the implementing community, as well as creating networking opportunities that help foster healthy and ethical working relationships. Partner days can take a variety of forms. Some allow the government to set out a broad statement of its needs and requirements; others focus on a specific technical area, such as health or micro-enterprise. Panel discussions can draw together thought leaders from government, industry, academia, and civil society to explore recent developments in a specific discipline. The impact of such events can be amplified using technology to share information and knowledge.

IMPLEMENTATION OF ASSISTANCE

GOAL: To improve the planning, design, responsiveness and delivery of U.S. humanitarian and development assistance through greater coherence across USG development actors, expanded local and country involvement, increased effectiveness through an emphasis on long-term planning and program continuity, and more effective coordination with the policies and programs of host country governments and other donors.

SUMMARY

PROCESSES: The steps involved in delivering humanitarian and development assistance take place in four distinct stages:

- Problem Identification – Identification and definition of the development need;
- Project Design and Planning – Selecting the technical intervention;
- Procure Needed Goods and Services – Determining the appropriate funding mechanisms, soliciting proposals, and disbursement of funding from headquarters to the field; and
- Project Management and Results Reporting – Tracking of project outcomes, monitoring of project requirements against objectives, accounting for changing conditions, evaluating need for project redesign or extension, and reporting results to headquarters, Congress, and other stakeholders.

STEPS TO IMPROVED PROCESSES:

- Transparency – Greater transparency at all stages will allow for broader stakeholder input and ownership, better understanding of program strategies and designs, enhanced synchronization with recipient countries' national development strategies and other donors' programs, as well as improved understanding of – and realistic expectations about – development successes, key constraints, and outstanding challenges.
- Flexibility – Increased flexibility will make U.S. assistance programs more dynamic and responsive to evolving country circumstances, beneficiary needs, and U.S. development priorities.
- Time – U.S. Government (USG) development professionals are overburdened with reporting requirements that detract from the management and oversight of activities, and these responsibilities are increasingly being passed on to implementing entities and their local partners. Streamlining decision making and eliminating nonessential paperwork and bureaucratic tasks will permit both USG and implementing entity staff to devote more time to program implementation.
- Staffing – Provide adequate staffing and training, with an emphasis on enhanced resources in technical areas, so that the development agency has the human

resources and technical capacity to fulfill its responsibilities in each stage, from planning to program management and M&E.

- Harmonization and Consistency – The harmonization of rules and procedures across USG development programs and agencies, and the provision of common training across and within agencies, will reduce program and agency-specific policy conflicts and lead to greater coherence across U.S. development assistance. To the extent possible, work to harmonize reporting requirements and procedures with other donors or develop the means to repurpose information to minimize the burden on host country governments, implementation entities, and their local partners.

ANALYSIS

PROBLEM IDENTIFICATION – Identify the Development Need. Based on a careful needs analysis and consultation with beneficiaries, the host country and other key stakeholders identify the root causes, available resources, and binding constraints associated with key development challenges, including linkages with the strategic priorities of the national government, USG regional, national, and sectoral development plans, and initiatives undertaken by other donors. Undertake a value-chain analysis, including an inventory of existing development initiatives, to determine which existing programs and authorities are available, and what new program requirements will be required during the course of the program design phase.

Recommendations:

- **Make the strategic planning process more transparent.**
  - Engage the broad community of stakeholders in defining the problem and identifying linkages with other strategic priorities.
  - Publish the strategic plan, with details on proposed interventions, to inform the host country, beneficiaries, potential implementers, other donors, and the general public about where the USG will be investing public resources. The MCC provides a useful model.
  - Make additional strategic planning information available in a timely manner, enabling both incumbent implementers and new entrants, especially small and medium-sized implementers, to make more effective use of scarce proposal development resources in competing for awards.
  - Synchronize program activities (relief to development) to avoid gaps in performance and support that are detrimental to the ability of implementing organizations and their local partners to sustain their performance capacity.

- **Streamline programming process to reduce time and staffing demands**. USG technical staff spend an inordinate amount of time justifying programs and budgets every year, often at the expense of program oversight. Similarly, the USG's implementing partners bear a

weighty administrative burden for programs with one-year funding cycles (e.g., OFDA, PEPFAR, etc.), which require annual proposal submissions and constant reporting, and are often duplicative. In each case, these requirements stifle creativity and limit time spent on actual program implementation.

- **Establish a mechanism for quickly re-programming resources** in response to changing circumstances in the field (e.g., civil unrest, natural disaster, changing recipient country priorities, availability of new resources, entry of new development actors, etc.).

- **Collaborate with other donors**, in coordination with the host government, on problem identification, program design, selection of funding mechanism, and monitoring and evaluation (M&E).
    - Establish common definitions of problem and, with other stakeholders, agree on performance metrics and the definition of success, etc.
    - Avoid duplication of effort by harmonizing what are now separate and disparate instruments and uncoordinated M&E efforts.
    - Create and adequately staff a new independent office for evaluating aid programs across all agencies and programs.

- **Ensure that all members of the USG implementation team are involved in program planning** (Program, Technical, Finance, Contracts/Grants, etc.). Encourage information sharing to ensure that subsequent decisions are better informed and made more quickly. Seek partner input as much as possible, to take advantage of multiple knowledge centers.

PROJECT DESIGN AND PLANNING – Select a technical intervention. Based on known best practices, identify the approach that is most responsive to specific development/relief needs.

Recommendations:

- **Develop greater understanding and awareness of latest technologies and approaches** by supporting venues for richer dialogues between the USG and the implementing community.
    - Invest in knowledge management and research, and in professional skills development for USG staff and implementing partners.
    - Organize regular conferences and "trade shows" that go beyond USG "talking heads." Engage different perspectives from stakeholders such as donors, implementers, academia, host governments, and civil society to discuss current trends and promising approaches or technologies. (Examples include state-of-

the-art conferences on IT, Security, HIV/AIDS, etc. See appendix 1 for more detail.)

- **Develop capacity of USG staff to more effectively define statements of work and program descriptions.**
  - Create training programs that give USG development professionals a greater understanding of the development problem to be addressed, the available technical interventions at their disposal, and the communications skills required to effectively relate to beneficiaries, implementing partners, and stakeholders.
  - Continue the practice of publishing draft solicitations. Encourage feedback from and interaction with development partners in a manner that facilitates the piloting and rapid deployment of innovative approaches while providing safeguards for the protection of proprietary information.
  - Develop templates that will directly translate information on background, results and metrics from program documents into work requirements to assure accurate targeting and greater transparency of development investments.

- **Expand the inventory of funding instruments** that promote greater flexibility, account for the presence of other funding sources, and allow the pooling of funds from multiple sources.
  - Develop clear guidance on what funding instruments fit certain circumstances, accounting for the comparative advantage and capacity of potential implementing partners.
  - Develop more appropriate risk management strategies that promote country ownership by allowing and encouraging greater reliance on recipient country mechanisms when those countries have adequate capacity.

- **Harmonize interventions** across the spectrum of U.S. development actors and programs and with other donors.
  - Authorize co-mingling of USG resources with that of other donors to permit more efficient management of resources by implementers.
  - Monitor USG mechanisms in an integrated manner and empower a single USG official to monitor multiple USG awards in the field.

PROCURE NEEDED GOODS AND SERVICES – Determine the appropriate funding mechanisms, solicit proposals, negotiate, and select an awardee that has the technical expertise and capacity to accomplish the humanitarian or development objective effectively and efficiently.

Recommendations:

- **Hire more staff**, both contracting and technical, to effectively implement the USG's business models. Prioritize the hiring of local national staff to more effectively manage programs in the field. Identify opportunities for the strengthening of host country capacity for managing procurement with the goal of advancing greater local ownership.

- **Identify and eliminate unnecessary approval requirements**. Adjust the role of USAID personnel to reflect current personnel resources and expertise limitations. Promote a cultural change so that USG development professionals focus on key decisions and approval of systems, not micro-management of minor issues.

- **Regularly publish and update** procurement plans for USG foreign assistance by sector and region, including awards of IQC Task Orders and Associate Awards under Leader with Associate Awards. Systematically publish requests for task order proposals.

- **Provide information publicly on program implementation** so partners know of the USG's achievements and best practices.

- **Make awards long-term** (e.g., 5-year renewable contracts and agreements) to allow sufficient time to achieve sustainable results, reduce transaction costs, and provide implementers with the incentive to address complex challenges through innovative solutions that are not contingent upon strict requirements to demonstrate "immediate returns on investment."

- **Describe in each solicitation why a particular acquisition or assistance mechanism is being used** (i.e., contract or grant), taking into account the comparative advantage and capacity of different development partners, beyond merely asserting that assistance is to support a "public purpose."

- **Develop a better understanding of the implementing community** by capturing and reporting complete and accurate data on procurement (acquisition and assistance) transactions. Supplement federal government-wide reports found in fpds-ng.gov with foreign assistance specific reports on transactions by sector and region.

- **Allow implementing partners to bear a heavier risk burden, given that that the USG out-sources risk and has zero tolerance for financial deficiencies**. Implementing instruments must be calibrated to balance risk and oversight, and should allow for management prerogatives to handle risk without severe penalties.

- **Reduce the cost of regulatory compliance (training, systems, oversight), and risk of non-compliance**, by establishing a unified set of rules and regulations for all foreign assistance funds. Establish a task force to identify issues and draft policies and procedures that expedite the process of designing and managing development programs across USG development actors. Keep these policies relevant and effective through a consultative process with the implementing community that has the standing of an Advisory Council (such as ACFVA). Assure the unified rules contain special authorities that enable the USG to approve exceptions to requirements in response to circumstances encountered in the field.

- **Taking the previous recommendation one step further, "harmonize" rules and regulations with other bilateral and multi-lateral donors.** Promote the adoption of model agreements developed through consultation with multiple donors. Donors, in turn, decide whether or not to accept the standard agreements.[1]

- **Streamline competitive selection process** to minimize cost to USG and potential implementers.

- **Promote the greater use of pre-qualified applicants, offerors and commercial practices** (FAR Part 12).

- **Double the number of USAID staff and train them** so that the agency is not forced to bundle multiple awards into consolidated procurements that are difficult to manage and discriminate against development partners that lack the capacity to manage large awards or contracts.

- **Streamline separate awards** from multiple agencies, bureaus, and offices when they go to a single implementer operating in a country or geographic region. Modify a recipient's award to accommodate other funding sources (e.g., create a single award to a particular implementer for its activities in Sudan, rather than separate agreements from OFDA, OTI, FFP, AFR).
    - Concentrate responsibility with a single Contracts Officer or Agreements Officer for a country/region.
    - Concentrate responsibility with a single CTO with representatives for each program area making recommendations for actions/approvals/acceptance.
    - Promote greater flexibility and responsiveness by encouraging in-country missions and their implementing partners to combine funding from multiple sources, eliminating bureaucratic

[1] The International Federation of Consulting Engineers [FIDIC] provides a useful model. Its national councils participate in a worldwide congress to establish provisions and clauses for its construction contracts.

restrictions and stove-piped approaches to funding that hinder implementation of U.S. foreign assistance.

PROJECT MANAGEMENT AND RESULTS REPORTING – Implement the proposed intervention, assuring effective oversight, and report on the results.

Recommendations:

- **CTOs should spend the majority of their time on post-award monitoring and management,** rather than on pre-award administration.

- **Provide development programs with adequate staff in the field,** especially technically qualified and trained local nationals.

- **Train and mentor USG development professionals to monitor awards** in a manner appropriate to the business arrangement (contract, grant, cooperative agreement, etc.).

- **Require Post-Award conferences** with all appropriate parties to the award.
    - Establish common objectives, communication standards, clear relationships, means of identifying, elevating and resolving problems, etc.
    - Establish a more trusting relationship, getting beyond "us versus them" perceptions that focus on compliance with rules and regulations at the expense of the accomplishment of the development objectives.

- **Create a system for tracking program results and expenditures by country, geographic region, or functional program area when awards are spread across multiple agencies** (see Sudan example on pg 5). The integration of programs across offices, bureaus, agencies and departments is impeded by the need for those entities to justify their budgets through a demonstration of immediate returns. Accordingly, implementers with integrated programs in a single award must be able to track results and associated funds/costs back to the source of funding. The costs for specific results/metrics must be tracked sufficiently to justify the development investment.

- **Implementers must complement the transparency of the program development and procurement stages** by publicly disclosing information about costs and associated development/relief results. This information informs potential offerors for anticipated follow-on activities or extensions. Solicitations for these follow-on activities ought to be open for transparent public competition, further leveling the playing field.

- **Create and adequately staff a new independent office for evaluating aid programs** across all agencies and programs.

NOTE ON DONOR COORDINATION

- **To the extent possible, the USG should collaborate with other donors (bilateral, national, private)**, in coordination with the host government, on the activities of planning, program design, procurement, and project management identified above.
    - Establish common definitions of the development problem and, with stakeholders, agree on performance metrics and the definition of success, etc.
    - Avoid duplication of effort by harmonizing what are now separate and disparate instruments and uncoordinated M&E efforts.

USAID STAFFING

ISSUE

USAID lacks the staff resources to carry out its mandate and functions, leading recent administrations to circumvent the agency when faced with a new opportunity or challenge. AID lacks both the numbers and technical skills required to function in its prior role as a premier development agency. Restoring this capability is constrained by a failure within the U.S. government to acknowledge that the ability to maximize the impact of U.S. assistance is directly related to the capability to manage those resources, the absence of a vision and strategic plan for human resources, and inadequate capacity to hire and train staff. Staffing inadequacies too often are dealt with through contract "workarounds" that are inefficient and costly, and can create a "them vs. us" mentality in the workforce.

BACKGROUND & ANALYSIS

The number of employees at USAID has dropped from 4,300 in 1975, to 3,600 in 1985, to 3,000 in 1995. As of September 2007, USAID was staffed with 2,417 direct hire staff (1,324 foreign service officers and 1,093 civil servants) and 908 staff with limited appointments (628 personal services contractors and 280 Pasas, Rasas, and others). In addition, the agency employed 4,557 Foreign Service nationals at missions overseas. While staffing levels have declined, program responsibility has increased from approximately $8 billion in 1995 to approximately $13 billion in 2007 (in 2005 dollars). USAID has set a target of a contracting officer managing a range of $10-14 million per year, but the current level is at an average of $57 million.

There are inadequate numbers of experienced career officers; as a result, management oversight of programs is at risk. Fifty percent of Foreign Service officers were hired in the last 7 years. One hundred percent of Senior Foreign Service officers will be eligible to retire in 2009. Of 12 Career Ministers, six will reach the mandatory retirement age of 65 in 2010. Mid-career Foreign Service officers in their mid-40s have less than 12 years of service. Until 2007, 70-80 members of the Foreign Service would leave the service annually, 85% for retirement; that rate has fallen to 45-55%. Of 122 new hires in 2007, only 10% were experienced mid-career hires. While the Foreign Service union recognizes the need for mid-career hires, its membership has responded negatively to hiring at the level of FS 03 and 02.

USAID partially meets staffing needs through over 900 "temporary" employees (hired through personal service contracts, inter-agency transfers, and other mechanisms), with different salary scales and contract arrangements. These personnel system "workarounds" – some 23 different modes of hiring – create inefficiencies and are costly

(PASA overheads range from 23-38%). The Foreign Service Act restricts AID to only 25 PSCs in Washington. Contract personnel lack "inherently governmental authorities" and are treated as lower-class employees. Some would opt for permanent status if given the choice, but AID lacks OE and/or conversion authority, and they would have to compete for their current positions.

USAID has lost the ability to hire additional and support existing staff. The HR office is geared to bring in 40 new hires a year, but at least for a few years is projected to process several hundred new hires annually. USAID lacks a full-time Career Development Executive to build career paths and link assignment opportunities to those paths, or sufficient staff to build the training function (in 1990, HR training had 6 secretaries; today, there are 6 staff in total in the training division). DOD maintains a 10% float (for training and placing staff in other agencies and organizations). AID has float of ½ of a percent, little training, and is unable to take opportunities for placing staff in other agencies and organizations.

The distinction between operating expense and program funds is a distinction not replicated in other foreign affairs agencies. It reflects a lack of trust by Congress, a failure to appreciate that much of USAID staff are part of the process of delivering development (not just overhead), and significantly constrains operational flexibility. Certain functions are understaffed (40 of 140 contracts positions are vacant).

The small size of USAID contributes to GS attrition due to limited upward mobility. USAID hires, trains and loses qualified civil servants to larger USG agencies – "mass exodus of GS 12-14s." Approximately 80 GS staff depart every year, 85% to other government agencies.

AD (Administrative Determination) placement has been politicized and needs to be returned as an authority to hire individuals with needed technical and managerial skills.

Once commissioned, Foreign Service officers can leave the agency for several years and come back under reappointment, but they must return at the same level as when they departed. Rehired FS officer annuitants, a potentially rich pool for special projects, are disadvantaged at having their annuity frozen during their period of reemployment.

There are major constraints on filling staffing needs overseas: money, bodies, space, security, and NSDD 38 (ambassador approval of USG positions in-country).

As a result of Consolidation of Administrative Services, FSNs performing administrative functions in USAID missions have been reduced in numbers. Also, direct hire FSNs have no reemployment rights if they leave for national service or serve USAID as TCNs.

The Agency and the Administration recently have recognized many of these shortcomings, and in 2008 instituted the Development Leadership Initiative (DLI) to hire

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120 new Foreign Service staff in 2008, 300 in 2009, and additional hiring in subsequent years, toward a target of more than doubling the number of Foreign Service officers by 2012. In addition, USAID is ramping up training, instituting competency-based promotion precepts, and a "USAID online University" to consolidate in one locale all USAID training opportunities. The training budget was $10.3 million in 2008 and is proposed at $20 million for 2009 and $25 million for 2010. The DLI has some training built into it; central bureaus provide some program-funded training.

RECOMMENDATIONS

Build on Recent Initiatives – DLI program to double the number of FS officers to 2250 by 2012; competency-based promotion precepts; "USAID online University".

Strategic Plan – Develop a USAID HR strategic plan that ties the number and capabilities of staff to a new Executive/Congressional accord on objectives, priorities, and the type of organization and program management that best meets U.S. foreign assistance needs in the 21st century. The plan should identify staff training and development requirements. If rapid staff and training build-up is required, consider time-limited outsourcing.

Float – Like the military, USAID should have a designated float, e.g., 10%, of staff that are engaged in professional development: training; advanced education; assignment to other governmental, international, and private-sector organizations.

Career Development – AID should have integrated career maps, competency models, and training plans to effectively develop employee skills and knowledge. Training and development opportunities should address technical, management, and leadership skills for both FS and CS staff.

Operating Expenses – Eliminate OE as a funding category. Set a notional percentage for administrative expensive. Acknowledge that the work of many AID employees is devoted to advancing the agency's policies and programs and is part of the development process, not just administrative overhead.

Hiring Authorities – Consolidate hiring authorities into a smaller but more flexible set.

Tap into Outside Skills and Knowledge – Knowledge and skills advance faster than any single organization can keep pace with. AID needs the most advanced and current knowledge and information. It can access those through: professional staff development; a fellows program that brings academic, research, and private-sector experts into staff jobs for 6 months to 2-5 years; and contracting for particular skills (but through carefully developed mechanisms, not the current maze of work-arounds).

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Employment Incentives – In recognizing that career paths in the 21st century are no longer for an individual to work for the same organization for his/her entire career, that demands of family and professional experience can require an interregnum in one's employment, and that periodically the agency will have a need for additional advanced skills and capabilities, USAID needs the authority to establish personnel policies that are more flexible, such as allowing an employee to take a break from service without disadvantaging his/her career and providing incentives for employees to remain in or return to service (e.g., ability to return at a higher grade if appropriate competencies and experience can be demonstrated; limited term appointments for reemployed SFS annuitants with no loss of annuity).

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MONITORING & EVALUATION: A LEARNING ENVIRONMENT

THE PATH TO POSITIVE CHANGE

Commitment to evaluation is a signal about the importance of achieving results and the transparency of management.

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Increasingly we are hearing demand for evidence—proof that our funds, time, and effort have been well spent, and that together we are doing things that make sense and are efficient and effective in contributing to our goals of alleviating global poverty and promoting global economic growth, effective governance, and community and individual wellbeing.

letrics

The focus on metrics as a way to communicate successes in a measurable way – minimizing multiple interpretations and controversies – must be balanced with more nuanced and analytic methods to illuminate realities that statistics cannot easily capture or convey. Education policy is a good example of the adverse impacts that can occur when testing and metrics supplant informed judgment and attention to important individual/subgroup needs, when statistics become more important than stories. On the other hand, stories are certainly never the "whole story." The key is to balance statistics and stories to produce a genuine *understanding* that will inform both policymakers and taxpayers.

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aking

Building a monitoring and evaluation capability that is independent, rigorous and reliable across U.S. foreign assistance activities will contribute to restoring the United States as a credible partner and ensure that U.S. taxpayer funds are invested well. Monitoring and evaluation (M&E) inform program and policy decision makers about *whether* a desired result is or is not being achieved, as well as *for whom* and *why*. Monitoring and evaluation serve multiple purposes at different levels of foreign assistance decision making, requiring M&E systems that are both disciplined enough to ensure high-quality work and flexible enough to cope with the requirements of a complex and decentralized foreign assistance structure.

Quality monitoring and evaluation are critical components of effective governance—including development assistance. USAID, once a leader in project design, monitoring, and evaluation, has lost much of that capacity due to changes in priorities and lost technical expertise.

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M&E systems as a whole help stakeholders know if problems are being correctly diagnosed and responded to effectively (doing the right things), and if interventions are being implemented as intended (doing things right).

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ɪaluation?

Monitoring and evaluation are types of **applied research** that address practical, real-world questions at different stages in a project's life:

1) Regular **monitoring** activities, conducted principally in-house, inform the timely decision making of intervention managers by tracking changes in operating environments, advances in implementation, and progress toward achieving objectives (benchmarks).

2) Periodic **evaluations** help stakeholders assess an intervention's effect on a given problem, such as by analyzing an intervention's relevance, efficiency, effectiveness, sustainability or impact. The critical element that distinguishes evaluation from monitoring is its emphasis on the *analysis of the original theory and hypotheses* which shaped the project or program.

- **Mid-term evaluations**, normally performed by a combination of in-house and external experts, identify contextual factors (bottlenecks, constraints, unintended events) and judge whether intervention activities are bringing about desired changes. Findings and recommendations contribute to managerial decision-making and resource accountability. Such evaluations are done on an exceptional, as-needed basis and occasionally will review project design and propose tactical or strategic mid-course corrections.
- **Operations research** can be used to understand how to improve service delivery to maximize the effectiveness of an intervention and is useful when addressing complex or less familiar problems with more innovative or project specific interventions.
- **End-of-project evaluations**, usually led by external experts, tell managers and donors whether or not a project achieved its objectives and how well it was implemented, providing learning that can inform future project designs. End-of-project evaluations assess the extent to which predicted outcomes and results were achieved and why, and identify unpredicted outcomes and their relationship to the project's activities. Reports can inform decision makers about the potential for impact and sustainability, but cannot test for these results.
- **Impact evaluations** determine to what degree a program has led to significant, sustainable, positive changes. They are best performed and reviewed by independent experts. They inform implementers, funders, and policy makers as to policies and interventions that worked and did not work – what groups were affected positively or negatively by the project and why, and the policy implications of these impacts. They usually require more rigorous and systematic

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evaluation research designs. Because of the costs involved, the selection of a project for an impact evaluation must be carefully considered.

- **Sector Assessments**: Impact evaluations focused on an investment sector, e.g., health, roads, micro-enterprise, etc., provide a valuable perspective for analysis of what may or may not succeed under certain conditions on a country-wide, regional, continental or even broader basis. They can indicate valuable sector patterns and uncover information which can, in turn, be used in future **feasibility assessments** for new projects and help policy makers and project designers across the development assistance spectrum.

vercoming
bstacles to
&E

Time and Money: Positive Benefit/Cost Ratio?
Costs – both financial and in terms of human resource allocation – look high, but thoughtfully spent, justify the benefits. Implementers often prefer to undertake activities than to pause to assess their progress, either through monitoring or, when warranted, mid-term evaluations. Inadequate resources, overburdened staff, and tight timeframes can lead agencies to cut monitoring and evaluation in the interest of maximizing their investment in project activities. Often the net effect is precisely the opposite, and missteps are realized only much later, long after the ability to do anything to correct them. Yet, monitoring and evaluations can save time and money and increase reach over a project's life by helping to ensure that inputs are well used and the project is on track to achieve its goal.

End-of-project evaluations and, even more so, impact evaluations can seem to come at a high cost, with uncertain benefits off in the future. Yet, project managers and policy makers use the findings of these evaluations to avoid repeating mistakes or sub-optimal designs, to replicate or tweak successful approaches to similar or new environments, and ideally, to innovate and design more effective projects and policies.

Hide Mistakes or Tell All?
Good evaluations focus on learning what works and why, but when future funding depends on past success, agencies are likely to soften conclusions and hide, rather than learn, from mistakes. Policy makers want to hear "success stories" and rarely if ever ask for "mistake stories" or lessons learned.

Measure the Trees or Remember the Forest?
While on-going accountability is critical, emphasis on reporting short-term results (often goods and services delivered) can take resources away from assessing longer-term effects. Metrics can easily measure progress in putting resources into place, but are only a means to the larger objective of whether inputs were timely received by the beneficiaries *and* demonstrably improved their lives.

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On Balance Attribution: Who's Responsible?
Every intervention is implemented in a multi-faceted, volatile environment in which many other interventions may be on-going simultaneously. Therefore, it is nearly impossible to attribute successes or failures solely to a project's activities, nor is it necessary. However, M&E can identify and consider the potential synergies or counter forces in a project environment and suggest ways to maximize/minimize their effect on a project. Impact evaluators need careful analysis and judgment in drawing conclusions about effectiveness, synergies, impact and net contribution of project activities and the extent to which the project can be judged a good investment.

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THE ESSENTIAL FRAMEWORK OF M&E

- Leadership: There is no substitute for this essential *sine qua non* in setting and sustaining the mandate for monitoring and evaluation and assuring its central role in strategic program direction and project design. Without meaningful support from the top, effective M&E will not happen.
- Stakeholder buy-in: Educate all involved on why and how M&E can make their projects better—how it is a tool for them, not a threat to be used against them. Commitment to M&E must be instilled at all levels, in Washington and in the field, if it is to be successful.
- Dedicate adequate resources: Financial, human (technical capacities), time. Build these into project and program designs.
- Promulgate evaluations: Ensure transparency, accessibility and distribution of findings and recommendations. Do not let findings and recommendations become compromised or buried.
- Commit to learning: Apply lessons learned to guide strategic programs and project designs – follow the LOOP: design, monitor, evaluate – design, monitor, evaluate.
- Ensure that evaluation is independent, rigorous and objective regardless of the methodologies: Both anecdotal reporting as well as fully supported statistical analyses can contribute to project effectiveness, and all methodologies have a place in the hierarchy of M&E investigations.

RECOMMENDATIONS

- Appoint committed leadership who understand the value of creating **and funding** a learning environment and maintaining its focus year after year.

- Create Focus and Promulgate a M&E Mandate: Establish an independent office for monitoring and evaluating foreign assistance programs – either within a consolidated foreign assistance agency or, if there is no consolidation, then across all foreign assistance agencies – that is responsible for: setting standards; training

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and mentoring; guiding, responding to and supporting implementing units; conducting external studies, such as multi-country evaluations, meta-evaluations, and impact evaluations; and collecting and making accessible to the public all evaluations for the purposes of transparency, accountability and learning.

- Broaden Participation:
  - Appoint an independent external advisory group to provide oversight and advice and to lead external peer reviews of impact evaluations; **include citizen participation**.
  - Actively engage international and domestic organizations promoting higher-quality evaluation performance, such as: the OECD DAC Network on Development Evaluation; International Initiative for Impact Evaluation (3ie); and professional evaluation associations.

- Evaluate the progress of building a **learning environment**. Participation, responsiveness, level of effort, quality, relevance—these and other aspects of an M&E initiative should be formally reviewed on a regular basis.

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Process Paper: Strategic Planning and Budgeting

Introduction

Strategic planning and budgeting are of critical importance to any development organization. Articulating how to spend scarce resources in order to achieve desired outcomes is a first-order requirement for delivering effective assistance. Despite the fact that it gives more in Official Development Assistance than any other country in the world, the United States does not have a coherent strategic planning process to prioritize *all* of its various development activities, nor does it have a budgeting process that adequately links strategic priorities to activities in the field. Unless the strategic planning and budgeting mechanisms for development assistance are improved, all other reforms of the foreign assistance architecture are unlikely to be successful.

Background

USAID has had effective strategic planning processes in years past, particularly in the 1960s and 1970s. Missions used to prepare five-year Country Plans to delineate development priorities for countries where they served. These strategies were heavily informed by interaction with local civil and governmental leaders, and crafted with substantial input from USAID development officers in the field. With fewer congressional earmarks mandating spending priorities, mission directors had much greater latitude to adjust funding commitments commensurate with changing circumstances on the ground.

This process has broken down in critical ways. First, congressional earmarks on development programs have proliferated to such an extent that mission directors often have discretionary control over less than ten percent of their budgets. This reflects not only Congress' lack of confidence in seasoned USAID development professionals, but it also demonstrates the inability to set strategic priorities in budgetary planning in a way that accurately reflects realities on the ground or broad U.S. foreign policy and development objectives.

Second, expertise and input from the field are no longer the principal factors in the development of budgets or plans. The centralization of budget decisions in Washington leaves little room for development experts in the field to shape their own aid budgets according to local priorities. Without the ability to tailor budgets, crafting locally-relevant strategic plans for development is an exercise in futility. Budgets must reflect strategic priorities, and both need to have significant input from experts in the field if they are to be of maximum benefit for beneficiaries.

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Third, there is no strategic planning process that is applicable to all U.S. government agencies that provide some form of development assistance. Even if one argued that the "F" process was a useful means of coordinating development programs with strategic objectives, it is only applicable to the State Department and USAID. Assistance activities under the remit of the Departments of Defense, Agriculture, Justice, Treasury Commerce, Health and Human Services and other agencies are not coordinated with each other through any coherent strategic process, nor designed to support a clearly-articulated vision of development.

Fourth, while Congress plays a vital role in shaping the budget through its appropriations and earmarks, there is no strategic framework governing these decisions. Earmarks proliferate independent of any coherent logic about development or foreign policy priorities.

As a result of all of these trends, the financial resources available to Mission Directors generally are not very flexible, not tied to a broader strategy, not coordinated with other USG agencies, and not entirely indicative of their priorities in the field. This state of affairs cannot continue if American development assistance is to be effective in meeting the needs of its beneficiaries and in supporting American foreign policy.

Recommendations

PROMULGATE A NATIONAL DEVELOPMENT STRATEGY

Within its first year, the next administration should promulgate a National Development Strategy articulating the role of development assistance in U.S. foreign policy and the means by which it will pursue development programs around the world. Such a document should be derived from the National Security Strategy, using it as a framework to identify strategic development priorities, which could include poverty reduction, promoting democracy, strengthening global health systems, and other crucial functions supportive of American foreign policy. Drafting the National Development Strategy would be a process that would involve all government agencies with a stake in development programming, and would thus highlight many of the point of conflict and consensus within the USG on these issues. It must be directed and driven by the National Security Council to achieve the level of interagency cooperation required to produce a coherent product. Finally, the NDS would be applicable to all USG agencies with development activities, and it would provide a framework for discussions with Congress regarding the budget appropriations for all ODA.

HOLD A CONGRESSIONAL RETREAT ON DEVELOPMENT ASSISTANCE

At the start of the next Congressional budget cycle, Congressional leaders and relevant senior officials from the executive branch should meet to articulate a shared vision for U.S. development assistance discuss the broad parameters for a FY2010 budget. This process should include:

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- An agreement that each year's budget negotiation should start from the previous year's budget bill;
- A commitment to inclusion and transparency in the budgetary process;
- An agreement between the executive and legislative branches on the purposes of development assistance;
- Input from representative field-based USG development officials present at the retreat; and
- An agreement on the percentage of the development budget to be spent on particular sectors (health, education, governance, etc.) commensurate with agreed-upon strategic objectives.

REFORM OR ELIMINATE THE "F" BUREAU IN THE STATE DEPARTMENT

Many development experts believe that the "F" process has not provided sufficient strategic clarity to U.S. development programs. It has, however, centralized decision making for development programs in Washington, disempowered USG development experts in the field, and added unproductive layers of bureaucracy. Nevertheless, a coordinating function to rationalize development budgets with strategic objectives around the world is necessary. To be effective, the F process must be refocused to set strategic priorities for development assistance globally. It should rationalize spending on certain sectors in particular countries as opposed to different levels of spending for other sectors in other countries, all consistent with a coherent set of strategic priorities. As a corollary, the policy function currently resident in the F bureau should be returned to USAID to facilitate long-term thinking and planning on development policy for the U.S. government.

Should such reform prove unworkable, then the F bureau should be eliminated. In its place, the USG should have a NDS which lays out strategic priorities for U.S. development assistance and a budgetary allocation developed through a cooperative process between Congress, the Washington-based executive branch officials, and development experts in the field. Mission Directors should be trusted with much greater flexibility in spending those funds consistent with the strategic priorities outlined by Congress and the executive branch, but consistent with local needs and their own development expertise.

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Ms. WATSON. Thank you so much, Mr. Walsh.

Now, Mr. Kunder, you may proceed.

STATEMENT OF JAMES KUNDER

Mr. KUNDER. Thank you, Madam Chair. I want to jettison my prepared remarks because I have had the honor of testifying many times before the House of Representatives and I have to say that I just think that the opening statements have captured many of the issues perhaps better than I have every heard them captured in opening statements before.

I think the lesson of USAID, the history of USAID and our country's foreign aid program, is a story of recapturing the same lessons over and over again. During the height of the cold war, we understood that if America's foreign policy was going to work we were going to have to reach the hearts and minds of people in Africa, Asia, and Latin America. That is why we built up something like the U.S. foreign aid program that had about 10,000 employees at that time.

Then, during the 1990's with the breakup of the Soviet Union, with moves toward greater Government efficiency, we decided we really didn't need all these tools of foreign policy. We let the number of USAID foreign service officers—the American technical experts that we send to Africa, Asia, and Latin America—decline to just over 1,000 scattered across 85 countries of the developing world. Now I think once again, in the context of Afghanistan and the many other threats to our national security in the developing world, we understand once again that this is a capacity that we have needed and desperately need today.

So the four points I touch on in my testimony, Madam Chair, are simply these: First, we do need a comprehensive strategy. We do not have a consensus within the U.S. Government between the Congress and the administration, the previous one or this one, on what exactly we want to accomplish with our foreign aid program. Do we want to help our friends or do we want to eliminate illiteracy and disease from the face of the earth?

I would respectfully submit that if the Congress ordered the U.S. Agency for International Development to eliminate illiteracy from the face of the earth in the next 20 years and said we don't care where you give the money, we don't care how much money our friends get, we just want you to eliminate illiteracy, they would eliminate illiteracy. But the problem is they are told to eliminate illiteracy, protect mountain gorilla habitat, give money to our friends, and about 20 other objectives. That is what causes confusion in our foreign aid program.

Second, we do need to rebuild the staffing. As I mention, we have had about an 80 percent decline in our foreign service officer work force at USAID. It strikes me as very telling that our Nation has recently made a decision that potential instability in Africa is critically important and therefore has created U.S. Africa Command, a new U.S. military command to treat problems of instability in Africa.

I have nothing against the U.S. military; I was proud to wear the American military uniform myself. But it strikes me that at AFRICOM headquarters in Stuttgart, Germany, we have 1,600 per-

sonnel. We have 1,600 American personnel there because we care about instability in Africa. USAID has 460 officers scattered across all of Africa actually working in the African countries to address instability. So somehow we have let our numbers and our toolkit get distorted over the last couple of years.

The third point I make in my testimony is that, as a number of the Members have said, we do have a proliferation of more domestic agencies getting involved in the foreign aid program. I take a somewhat iconoclastic point of view, Madam Chair. I don't think you can put the genie back in the bottle. I don't think you can tell the U.S. Environmental Protection Agency, don't think about Africa or don't think about Latin America, because these environmental problems are global. We have the same thing with Centers for Disease Control. Obviously, today the headlines are Swine Flu. We can't let health care protection stop at the national boundaries.

We need to pay attention to what is going on globally but we do need to create, I argue, a new set of coordination mechanisms under the USAID Administrator so that all cylinders are firing together and all parts of the U.S. Government that have some overseas responsibilities are coordinating their efforts.

Then the fourth point, which a number of Members also touched on already, is that this question of consolidation between State and USAID. I touch on the security issues. What distinguished the U.S. foreign aid program positively during much of its history was the people to people aspect of it with American technical experts reaching out to Africans, reaching out to Asians, reaching out to Latin Americans. In our current security environment, what we are doing is instead of having these folks out in the rice paddies and out in the farmers' fields, more and more we are consolidating our development experts, out of security concerns, in these fortress embassies around the world.

Whereas before a women's group in Africa or a farmers' group could walk up to the USAID office building, knock on the door, and actually meet some Americans and find out we don't all have horns, now they can hardly get past the Marine guard detachment to actually meet any Americans. So I think there are some real challenges in this consolidation of State and USAID that I think are undercutting our attempts to increase American influence in the developing world.

I just want to add, as Mr. Walsh said, I really appreciate the committee taking an interest in this because it is an area that most folks don't pay much attention to. But it is critically important to our Nation's foreign policy.

Thank you, Madam Chair.

[The prepared statement of Mr. Kunder follows:]

STATEMENT OF

JAMES KUNDER

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, ORGANIZATION, AND PROCUREMENT

HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

"USAID: MANAGEMENT CHALLENGES AND STRATEGIC OBJECTIVES"

28 APRIL 2009

I appreciate the opportunity to appear before the Committee on the important topic of "USAID: Management Challenges and Strategic Objectives." The Committee's interest in this topic is timely and crucial to our nation's foreign policy success abroad.

I recently completed thirteen years of service at the U.S. Agency for International, including assignments as Director of U.S. Foreign Disaster Assistance, Mission Director in Afghanistan, Assistant Administrator for Asia and the Near East and, most recently, Acting Deputy Administrator. I will draw upon these experiences, as well as tours of duty in the NGO community, as a consultant to the United Nations, and in the U.S. military in my observations to the Committee today.

The first area I would like to address, in response to the Committee's questions, is USAID's long-term strategic plan. Regrettably, this is an area of weakness in our foreign aid program and our foreign policy writ large. While we perform many important humanitarian and development services around the world, it is notable that there is not a comprehensive model for foreign aid from the United States that addresses, worldwide, our nation's strategic goals and the needs of the developing world. This is a subject on which the Congress could and should demand higher levels of strategic planning and analysis.

Let me explain what I mean in more detail. If, in a corporate setting, the sales division approached the board and asked for a larger marketing staff, the board would naturally ask, first, "what are we trying to accomplish?" "What are our overall marketing goals?" "What additional market share are we attempting to achieve?" In that corporate setting, we would demand to know, first, the quantifiable objectives in terms of marketing expectations before determining how many salesmen the firm wants to hire. Analogously, the U.S. military has developed its well-known Quadrennial Defense Review process, which assesses the military threats facing the nation, and determines

how the U.S. military will face those threats. Once the Quadrennial Defense Review process establishes the level of the threat and the strategies necessary to meet those threats, the "force planners" at the Department of Defense begin the complex analytical process of determining how many soldiers, sailors, airmen, and Marines our nation will need to meet the mission of fighting and winning the nation's wars.

In the civilian diplomatic and development realms, we should make the same effort to establish, on a periodic basis, program objectives on which staffing levels can reasonably be built. This would naturally require a significant shift in how State, USAID, and the Congress itself, establish priorities and allocate resources. For example, if the Congress established as a clear-cut program objective for the foreign assistance program meeting on-time the Millennium Development Goal for basic education, allocating sufficient program dollars to achieve the USG portion of this goal, then workforce planners at USAID would have a laser-beam formula for building the education technical specialist workforce to accomplish this goal. Such an approach, explicitly linking program outcomes with staff size and configuration, is complex and difficult in the foreign assistance field, but no more so than in the military field, where the Department of Defense proceeds with a similar process.

In short, inadequate long-term strategic planning is probably the single biggest challenge facing USAID and the U.S. foreign assistance program in general. Establishment of a comprehensive set of strategic goals for the U.S. foreign aid program is management challenge number one, and should be the centerpiece of any effort to re-write foreign aid legislation in this Congress.

The second issue I would like to address is the question of human capital challenges at USAID. What kind of foreign aid workforce do we need, and what skills do they need? USAID recently launched the Development Leadership Initiative. The Development Leadership Initiative is the Agency's plan to reverse a precipitous decline in Foreign Service Officer staffing in the past twenty-five years. USAID concluded, and concluded correctly, that the steady erosion of U.S. Foreign Service Officer development specialists – from a high of over 10,000 during the Vietnam War to a low of just over one thousand two years ago – made it virtually impossible to carry out the range of relief, reconstruction and development missions assigned to USAID. USAID officers serve in more than 80 developing countries, where the absence of crucial systems makes the development mission challenging in the best of times. Having just over 1000 of these development specialists available in 85 countries worldwide significantly undercut our nation's ability to address underlying causes of poverty and instability.

In essence, the Development Leadership Initiative proposes a four-year plan to double the size of the American Foreign Service Officer workforce at USAID and significantly increase our nation's ability to project the health, education, governance, infrastructure, relief and other programs that are so critical to United States foreign policy and the well-being of billions of individuals in developing countries. A crucial component of the Inititive is increasing the size of the contracts officer workforce at USAID, in order to

improve oversight of our assistance and acquisition instruments. I know this is an area of great interest for the Committee.

This Initiative, which has enjoyed the support of the Congress thus far, must be sustained over the full four-year planned lifecycle, in order to achieve its important goals. So, I would request that funding continue to be made available for USAID's Development Leadership Initiative, in Fiscal Years 2009, 2010 and 2011, and that funding be appropriated to sustain the increased staffing levels from Fiscal Year 2012 forward.

I want to suggest that efforts to increase the size of State and USAID's respective workforces must be complemented by investments in tools and skills that these workforces will require to optimize America's investment in a robust 21st Century workforce. Some of these complementary investments are obvious: new and existing employees at USAID must be given the computing and telecommunications technology they need to accomplish their missions. USAID needs to implement fully, for example, the Agency's new Global Acquisition and Assistance System. I believe we must think of each one of our USAID development specialists and State diplomats – in whom our nation has invested so much – as a human asset that must be equipped with the very latest technology we have to offer. Each USAID officer deployed abroad should be deployed with the very latest geo-referencing systems, ability to teleconference, ability to operate in classified or non-classified environments, ability to interface with other bilateral and multilateral development agencies, ability to call on security assets, and other tools that will enhance each officer's ability to achieve his or her development mission.

Beyond technical tools, I believe USAID's rebuilding efforts must be accompanied by a dramatic increase in training investments. The USAID officers comprising a 21st Century workforce need to know how to deal with their colleagues in the other U.S. government agencies, with their military colleagues, with their foundation and NGO colleagues, with the staff at multilateral financial institutions, with their private sector colleagues to leverage public investments, and with the media, in order to optimize development messages. USAID officers have significant, often world-class, skills in their technical specialties, but not all officers have developed the strategic planning skills required to ensure optimal use of tax dollars funding foreign assistance programs. And, the deterioration of USAID staffing levels over the past several decades has, regrettably, been accompanied by a decline in measurement and evaluation skills, with the relentless demands to deploy ever fewer officers to an ever larger list of countries. Developing these skill sets will require the development of new curricula, and it will require carving out training assignments. In short, it will require additional resources to ensure that the new USAID hires do, in fact, form a 21st Century workforce.

Third, I would like to touch on the issue the Committee raised on the proliferation of foreign assistance programs in agencies throughout the U.S. government, and their impact on USAID. Ensuring that the civilian foreign policy workforce can do a "21st Century" job new levels of coordination and maximizing existing assets.. Currently, more U.S. government agencies with primarily domestic mandates are becoming active in the international arena, consistent with the globalization of both problems and

opportunities. In general, this entry of new federal agencies into the international arena can be an asset. But it requires new levels of coordination, under the overall mandate of the chief of mission. I would recommend that the Committee examine carefully the new concept of a "Country Assistance Strategy" developed by USAID, as a mechanism for ensuring that all U.S. government agencies operating in a given country are coordinating their assistance operations. Coordination, as well as hiring, equipping and training, is an important aspect of a modern workforce.

Fourth, I would like to comment on another major management challenge at USAID: the topic of personal security for our civilian workforce, and – in the dangerous environments in which many of these courageous Americans go abroad – whether there should be some alteration in our government's method of addressing personal security. It goes without saying that, in a world of extremism and suicide bombers, some risk is inherent in taking on diplomatic or developmental assignments abroad. In general, I believe our U.S. Ambassadors, USAID Mission Directors, and Diplomatic Security personnel are striking a reasonable balance between allowing staff to accomplish their objectives and preventing unnecessary casualties.

Where I would suggest the Committee could most usefully focus its attention in the area of personal security is in the statutes that currently impel joint embassy platforms abroad. Increasingly, as is widely recognized, U.S. embassies are taking on a fortress-like aspect, isolated – both in location and in terms of access – from the people and institutions of the countries in which they are located. From USAID's perspective, this new approach to consolidated, isolated, fortress-like embassies provides a special challenge to accomplishing the mission of the Agency. When, previously, the majority of USAID offices were located outside Embassy compounds, these offices served as outreach centers for local individuals, local civil society organizations, local farmers groups, local women's groups, and similar entities. Now, these groups have difficulty gaining the same level of access to Americans stationed in their respective countries, and as more and more services are consolidated between State and USAID, USAID development specialists can find themselves restricted in reaching out to local partner organizations.

Also on this topic, the continuing trend toward consolidating embassy platforms, in my view, will significantly restrict the ability of State, USAID, and other federal agencies to deploy the planned levels of new employees abroad. I would recommend that the Committee seek a study specifically assessing how the current planning for consolidating embassy platforms and services will affect public diplomacy and development efforts abroad, and whether the current consolidation schedule is consistent with plans to revitalize the U.S. government's overseas civilian workforce.

Thank you again for the opportunity to share these observations with the Committee.

Kunder

1. USAID officer need more technical and professional training—web based training, knowledge of management systems.

2. Need to hire more mid-level professional staff to narrow the technical and experience gap.

3. Concentration of awards to large sized contractors, at expense of smaller contractors, a result of loss of technical expertise in agency.

4. Burden of overregulation. Risk aversion in award of contracts (Walsh)

5. Buy America provisions, tied-aid, should be reconsidered by Congress if aid to be used more effectively.

6. Establish a formal advisory committee of USAID, NGO, and contractor reps. and operations issues review committee to examine longstanding impediments to efficient and effective implementation. (Kunder)

7. Office of Acquisition and Assistance (OAA) must be fully staffed and funded to keep up with increased demands.

8. Operational aspects of Agency must be addressed in rewriting FAA, with input from formal advisory board (Walsh—see Kunder in #6).

9. Create comprehensive workforce strategic plan, as recommended by GAO, to hire, train and supervise additional staff (Walsh).

10. Creating comprehensive set of strategic development goals (creation of separate Department of Foreign Aid) that gives USAID the specific task of eliminating illiteracy, disease, etc.

Ms. WATSON. Thank you so much.

Now we are going to go to Dr. Melito. You may proceed.

STATEMENT OF THOMAS MELITO

Mr. MELITO. Madam Chairwoman and members of this subcommittee, I am pleased to be here to discuss the challenges currently facing the U.S. Agency for International Development in establishing a strategic acquisition and assistance work force plan.

USAID's total foreign assistance has more than doubled since fiscal year 2002 from about $5 billion to about $11 billion in fiscal year 2008. Most notably, obligations overseas increased by 600 percent from about $1 billion in fiscal year 2002 to about $6 billion in fiscal year 2008. Given USAID's reliance on non-governmental organizations to implement its activities, it is vital that the Agency effectively manage those activities, especially overseas.

My testimony today is based on a report we issued in September 2008. I will focus on three topics. First, I will discuss USAID's capacity to develop and implement a strategic acquisition and assistance work force plan. Second, I will describe the extent to which USAID can evaluate its acquisition and assistance function. Finally, I will summarize our recent recommendations as well as the actions that USAID has taken in response.

Regarding the first issue, in September 2008 we reported that USAID lacked the capacity to develop and implement an acquisition and assistance strategic work force plan. We found that the Agency lacked sufficiently reliable and up to date overseas staff level data, including information on their competencies. USAID staff are responsible for monitoring activities of recipients to provide reasonable assurance that the funds provided are used in accordance with applicable regulations and sound business practices. Without sufficiently reliable and up to date data on its overseas staff levels and their competencies, USAID cannot identify its critical staffing needs and adjust staffing patterns to meet those needs.

We witnessed this weakness during our field visits to seven USAID missions last year. At five missions we visited, the number of staff with the necessary competencies were considerably less than adequate. At two missions they were more than adequate. For example, mission officials in Mali said they had delayed time sensitive seasonal agricultural projects because staff was not available when needed to approve contracts.

Our survey of acquisition and assistance staff overseas supported these findings from our field work. For example, about 70 percent of respondents overseas reported that it was somewhat or very difficult to alter staffing patterns to meet the demands of changing workloads.

USAID has launched some ad hoc attempts to address weaknesses in its acquisitions and assistance work force. However, these efforts lack critical elements of a strategic work force plan, particularly comprehensive information on its staff overseas.

I will now turn to my second topic. USAID has not implemented an evaluation mechanism to provide adequate oversight of its acquisition and assistance function. Such oversight is essential for ensuring adherence to USAID regulations and policies, especially overseas.

In fiscal year 2007, USAID developed an annual scorecard evaluation as a mechanism for assessing weaknesses in operations. The scorecard would also function as a risk-based approach to determine locations for onsite visits. While USAID has finished piloting the scorecard evaluation, it has not implemented it. Without implementing this mechanism, USAID cannot certify the overall adequacy and effectiveness of management controls for its acquisition and assistance function.

To address the concerns I just summarized, we recommended in our September 2008 report that the Administrator of USAID develop and implement a strategic acquisitions and assistance work force plan that matches resources to priority needs such as the evaluation function. USAID agreed that it needed to put in place a strategic work force plan that includes all of USAID's acquisition and assistance staff at overseas missions.

While USAID officials informed us that they have improved guidance to missions for preparing staffing data, they cannot ensure that all missions are accurately capturing these data or instituting procedures to ensure that the data reported from overseas missions are reliable. In addition, USAID officials do not expect to begin collecting competency information for overseas staff until 2011 at the earliest.

Finally, USAID has increased its staff for evaluations from four in fiscal year 2008 to nine as of April 2009. However, it has not implemented the evaluation mechanism and has completed evaluations of only two missions since the time of our report. USAID officials said that they have been unable to make further advances due to other priorities.

Madam Chairwoman and members of the subcommittee, this concludes my prepared statement. I would be happy to answer any questions you may have.

[The prepared statement of Mr. Melito follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Government Management, Organization, and Procurement, Committee on Oversight and Government Reform, House of Representatives

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USAID ACQUISITION AND ASSISTANCE

Challenges Remain in Developing and Implementing a Strategic Workforce Plan

Statement of Thomas Melito, Director
International Affairs and Trade

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GAO-09-607T

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Highlights

Highlights of GAO-09-607T, a testimony before the Subcommittee on Government Management, Organization, and Procurement, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

The U.S. Agency for International Development (USAID) has shifted from conducting its own activities to managing acquisition and assistance (A&A) instruments—contracts, grants, and cooperative agreements—it awards to implementing organizations. From fiscal years 2002 through 2008, USAID's A&A obligations increased from about $5 billion to about $11 billion. A&A staff—contracting officers (COs) and A&A specialists—are primarily responsible for managing A&A instruments. This testimony is based on a September 2008 GAO report that examined USAID's capacity to develop and implement a strategic A&A workforce plan and the extent to which USAID has implemented a mechanism to evaluate its A&A function.

What GAO Recommends

In its September 2008 report, GAO recommended that the Administrator of USAID develop and implement a strategic A&A workforce plan that matches resources to priority needs, such as the evaluation of the A&A function. Specifically, GAO recommended that the plan includes a process to collect, analyze, and maintain sufficiently reliable and up-to-date data on its A&A staff levels, and comprehensive information on the competencies of the A&A staff. USAID acknowledged that improvements are needed in the areas recommended. However, USAID continues to experience challenges with collecting data on A&A staff while working on its competency assessments.

To view the full product, including the scope and methodology, click on GAO-09-607T. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov.

April 28, 2009

USAID ACQUISITION AND ASSISTANCE

Challenges Remain in Developing and Implementing a Strategic Workforce Plan

What GAO Found

USAID lacks the capacity to develop and implement a strategic A&A workforce plan because it is missing two elements: (1) sufficiently reliable and up-to-date data on its overseas A&A staff levels and (2) comprehensive information on the competencies of its overseas A&A staff. Data on the numbers of overseas A&A specialists collected by two USAID offices were unreliable or out of date. GAO found significant discrepancies between these offices' data sets and officials acknowledged that their A&A staff level data are neither reliable nor up-to-date. Also, USAID has not collected comprehensive competency information on its overseas A&A specialists. GAO's model of strategic workforce planning notes the importance of these data in developing a plan that could enable the agency to better match staff levels to changing workloads. During fieldwork at 7 USAID missions, GAO found that the numbers and competencies of A&A staff did not match A&A workloads at some missions. The numbers of A&A staff with the needed competencies were less than adequate at some missions, while at others they were more than adequate. For example, officials at the mission in Mali said they had delayed time-sensitive projects because key A&A staff were not available when needed to approve contracts, while officials at the mission in Peru said the current number of A&A staff may be more than adequate. In GAO's survey administered to USAID A&A staff in headquarters and overseas, most of the survey respondents overseas reported difficulty in altering staffing patterns to meet A&A workloads. USAID's efforts to address its A&A workforce issues do not constitute a strategic A&A workforce plan that takes into account the entire A&A workforce. Without accurate and reliable A&A staff data, USAID does not have adequate information to address current workload imbalances.

USAID has not implemented an evaluation mechanism to provide oversight of its A&A function. The Evaluation Division in the Office of Acquisition and Assistance is responsible for providing this oversight to ensure that A&A operations follow USAID policies, primarily by assessing A&A operations worldwide. In fiscal year 2007, the division developed an evaluation mechanism that combines scorecard evaluations, in which COs self-assess their A&A operations, and onsite visits by division staff to selected locations based on the scorecard results and other factors. The division has completed scorecard evaluations at 4 missions and identified weaknesses in A&A operations. For example, the division found that one mission lacked resources to adequately monitor contractor performance. The division has set a goal of implementing this evaluation mechanism, including on-site visits to 5 missions within a 2-year period. However, according to agency officials, the division did not have the staff level needed to fully implement this evaluation mechanism. The division has increased its staff levels from 4 staff in fiscal year 2008 to 9 staff as of April 2009 and completed two more evaluations. However, USAID officials told us that OAA has not implemented the evaluation mechanism due to other priorities. As a result, USAID cannot certify the adequacy and effectiveness of management controls for the A&A function.

April 28, 2009

Madam Chairwoman and Members of the Subcommittee:

I am pleased to be here to discuss the management challenges currently facing the U.S. Agency for International Development (USAID) in developing and implementing a strategic acquisition and assistance (A&A) workforce plan. This hearing is of particular importance given that USAID is primarily responsible for managing U.S. humanitarian and development assistance efforts worldwide, and its total foreign assistance obligations has more than doubled from about $5 billion in fiscal year 2002 to about $11 billion in fiscal year 2008.

Over the last few decades, as the U.S. government has increasingly come to rely on the private sector to perform various functions, USAID has shifted from conducting its own activities to managing A&A instruments, which are awarded to and implemented by nongovernmental organizations. For example, as we noted in previous work, USAID and other government agencies have increasingly relied on contractors in Afghanistan and Iraq to carry out their missions.[1] USAID staff are responsible for monitoring the activities of A&A recipients to provide reasonable assurance that the funds provided are used in accordance with applicable regulations and policies and sound business practices. These staff include contracting officers (CO)—assisted by A&A specialists—who have primary responsibility for managing A&A instruments. In headquarters, these staff are part of USAID's Office of Acquisition and Assistance (OAA); abroad, they are part of USAID's missions. Cognizant technical officers (CTO), who work in USAID functional or geographic bureaus or overseas missions, also design and manage assistance activities. In addition, they share some of the responsibility of managing A&A instruments.

My testimony today is based on a report we issued on September 26, 2008.[2] I will focus on three topics. First, I will discuss USAID's capacity to develop and implement a strategic A&A workforce plan. Second, I will

[1]GAO, *Contingency Contacting: DOD, State, and USAID Are Taking Actions to Track Contracts and Contractor Personnel in Iraq and Afghanistan*, GAO-09-538T (Washington, D.C.: Apr. 1, 2009).

[2]GAO, *USAID Acquisition and Assistance: Actions Needed to Develop and Implement a Strategic Workforce Plan*, GAO-08-1059 (Washington, D.C.: Sept. 26, 2008).

describe the extent to which USAID has implemented a mechanism to evaluate its A&A function. Finally, I will summarize our recent recommendations regarding the importance of a workforce plan for the A&A function, as well as the actions that USAID has taken in response to our reported findings and recommendations.

In preparing this testimony, we largely relied on our September 2008 report and additional information provided by USAID in April 2009 on the management of USAID's A&A function. To address our objectives, we focused on USAID's administration of the A&A process. We analyzed USAID's documents related to the A&A function; conducted audit work at USAID headquarters in Washington, D.C., as well as at missions in Cambodia, Indonesia, Kazakhstan, the Kyrgyz Republic, Mali, Peru, and Thailand; conducted interviews with USAID and nongovernmental organization officials; and administered a survey to USAID A&A staff in headquarters and overseas, for which we received a response rate of 95 percent—150 respondents out of a total of 158 surveyed. Both our prior and current performance audits were conducted in accordance with generally accepted government auditing standards. These standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions and recommendations based on our audit objectives.

Background

USAID is headquartered in Washington, D.C., and has field locations in approximately 90 countries to provide economic, development, and humanitarian assistance worldwide in support of U.S. foreign policy goals. USAID's OAA has overall responsibility for the administration of A&A instruments in headquarters. Its A&A staff provide professional advice and technical support to USAID's functional and geographic bureaus for developing and managing A&A instruments. USAID A&A staff at overseas missions provide advice and support to mission staff who design and manage assistance activities; they also have overall responsibility for the administration of A&A instruments at overseas missions. A&A offices are typically headed by a CO who reports to the mission director or deputy mission director. At most bilateral missions, COs are co-located with A&A specialists and CTOs. However, under USAID's regional mission structure, COs often provide A&A support to more than one mission and are not necessarily co-located with either the CTOs or the A&A specialists who assist them. Some missions with no on-site CO may instead have on-site A&A specialists who provide A&A support to CTOs. Within USAID, the

Office of Human Resources (OHR) is the primary office that defines and manages the agency's workforce planning process, including managing the human resources databases and directing the workforce planning program.

USAID's total obligations for A&A instruments more than doubled from about $5 billion in fiscal year 2002 to about $11 billion in fiscal year 2008. Most notably, A&A obligations overseas increased by 600 percent, from about $1 billion in fiscal year 2002 to about $6 billion in fiscal year 2008. In fiscal year 2008, A&A obligations managed by overseas missions made up a little more than half of A&A obligations. USAID's total number of A&A instruments from fiscal years 2002 through 2008 also increased substantially, from about 6,000 to about 13,000. In fiscal year 2008, about 62 percent of the total number of A&A instruments was managed by overseas missions.

USAID Lacks Sufficiently Reliable Human Capital Data Needed for a Strategic A&A Workforce Plan

USAID Lacks Sufficiently Reliable and Up-to-Date Data on A&A Staff Levels

In September 2008, we reported that USAID lacked the capacity to develop and implement an A&A strategic workforce plan because the agency lacked sufficiently reliable and up-to-date overseas A&A staff level data and comprehensive information on the competencies of its A&A staff, who play a critical role in assisting COs and CTOs in overseas missions.[3]

Two offices in USAID collect data on A&A staff levels—the Office of Human Resources (OHR) and the Office of Acquisition and Assistance (OAA). We found that the data collected by OHR was not sufficiently reliable and OHR officials acknowledged that they had concerns about the reliability and accuracy of overseas staffing level data reported by its

[3]In our April 1, 2009 testimony, we also noted that USAID's ability to make informed resource allocation decisions was impaired by not considering contractor resources when developing an assistance strategy for Afghanistan. GAO-09-538T.

overseas missions. These officials added that misclassification and inaccurate reporting of A&A staff levels may occur because mission staff may not have received adequate guidance for classifying overseas staff positions. Furthermore, OHR officials do not validate or confirm the data they collect from missions nor do they know if overseas missions validate the data before submitting it to OHR, according to these officials.

We also noted that OAA does not systematically track the number of overseas A&A specialists, and its data on overseas A&A staff levels are out of date. According to OAA officials, the office's most recent data on the agency's entire A&A workforce are the result of a fiscal year 2005 survey of all overseas missions to analyze workload and staffing within OAA. While OAA's data are not current, the OHR officials told us that OAA's data may still be more accurate than the data collected by OHR in fiscal year 2005.

Our analysis of OAA's and OHR's separately collected data on overseas A&A staff levels for the end of fiscal year 2005 revealed substantial discrepancies. For example, comparing the two sets of data showed that OAA's reported total overseas A&A staff levels for fiscal year 2005 were more than 78 percent higher than those reported by OHR—OAA reported 264 overseas A&A staff, while OHR reported 148. In addition, we found that, at certain missions, OHR's data showed no A&A specialists, whereas OAA's data indicated several A&A specialists.

Although ready access to the OHR's databases would allow other USAID offices to identify and resolve discrepancies in their staffing data, the offices lack such access. To date, according to OHR officials, OAA has not specifically requested OHR staffing data in order to compare them to its own.

USAID Lacks Comprehensive Information on A&A Staff Competencies

We also reported that USAID has not collected comprehensive information on the competencies—including knowledge, skills, abilities, and experience levels—of its overseas A&A staff. In May 2008, OAA and OHR jointly conducted competency assessments for A&A staff in headquarters and COs in overseas missions. These assessments identified key A&A staff competencies, assessed A&A staff competency levels, and established strategies to reduce skill gaps through recruitment and training. However, USAID has not yet begun similar competency assessments of A&A specialists at overseas locations and, according to OHR officials, USAID will likely not begin implementation until fiscal year 2011 at the earliest. Without sufficiently reliable data on its entire A&A workforce—including

A&A specialists overseas—USAID cannot collect comprehensive competency information; identify gaps in the numbers, skills, and competencies of its A&A workforce; and develop strategies to address them.

USAID Has Not Matched A&A Staff to Workload at Missions We Visited

A possible effect of USAID's lack of reliable and up-to-date data on the level of A&A staffing at its overseas locations is that the numbers and competencies of A&A staff do not match A&A workload. At some missions we visited last year, the numbers of A&A staff with the necessary competencies were considerably less than adequate, while at other missions they were more than adequate, according to mission officials.

Officials at five missions we visited—Thailand, Cambodia, Kazakhstan, the Kyrgyz Republic, and Mali—told us that at times their A&A staff could not provide adequate and timely support, such as providing guidance to CTOs and approving A&A documents, primarily because the numbers of A&A staff with the necessary competencies to manage their workloads were insufficient. We found several such examples, including the following:

- A CO at the regional mission in Thailand said that she sometimes could not address some missions' needs in a timely manner because of competing workload demands. Staff at Cambodia, one of the missions for which the regional mission provides A&A support, told us that at times they have not received adequate A&A support, primarily due to a decline in A&A specialist staff levels as well as the inexperience of the mission's one remaining on-site A&A specialist. The mission director told us that, as a result, she has had to perform tasks that are among A&A staff's responsibilities, such as revising A&A documents.
- The mission director and A&A staff in Kazakhstan—a regional mission responsible for A&A activities at missions in Kazakhstan and four other Central Asian countries that do not have on-site A&A specialists—told us that they could not adequately support A&A activities at those four missions because of a heavy workload and competing demands from other missions in the region. Staff at one such mission, in the Kyrgyz Republic, noted that A&A staff were unavailable when needed to provide more guidance to their less experienced CTOs.
- Officials at the mission in Mali, which received A&A support from COs at the regional mission in Ghana, told us that these remotely located COs were sometimes not available to assist them in meeting their activities'

goals. For example, they said they had delayed time-sensitive seasonal agricultural projects because the CO was not available when needed to approve contracts.

Our survey of A&A staff overseas generally supported these findings from our fieldwork. For example, about 70 percent of A&A respondents overseas reported that it was somewhat or very difficult to alter staffing patterns to meet the demands of changing workloads. Most notably, one respondent reported a disparity between the workload, numbers, and competencies of A&A staff levels at the missions to which she was previously and currently assigned. While the respondent found the workload to be less manageable at her prior mission with inexperienced A&A staff, she found the workload at her current mission more easily manageable because it had more experienced A&A staff.

In contrast, we noted that two missions we visited—Peru and Indonesia—had more than adequate numbers of A&A staff with the necessary competencies to manage their workload. Some staff even indicated to us that these missions may not need all of their assigned COs to adequately manage their A&A work. For example, a CO at the mission in Peru told us that because the mission had so many experienced or competent A&A staff, the A&A workload was more easily managed, and staff even had sufficient time to volunteer the mission as a location for USAID to pilot a new system through which USAID A&A instruments will be awarded.

USAID's Recent Planning Efforts Do Not Comprehensively Address Its Strategic A&A Workforce Planning Needs

USAID has launched some ad hoc attempts to address its A&A workforce issues. However, as the following indicates, these efforts lack critical elements of a strategic A&A workforce plan, particularly comprehensive information on its A&A specialists overseas:

- *Proposal to increase OAA staff levels.* In May 2008, OAA officials proposed to the Management Bureau an increase in staff from 133 to 218 in OAA headquarters. According to Management Bureau officials, OAA has been approved for 154 positions for fiscal year 2008. This proposal only addresses A&A staff levels in headquarters, however, and does not consider A&A staff levels overseas.

- *Development Leadership Initiative.* This agencywide, multiyear effort is intended to recruit U.S. staff to be placed overseas. Under this initiative, USAID plans to hire 120 staff, including 15 COs, in fiscal year 2008. However, this initiative only seeks to increase the levels of overseas COs, not the levels of A&A specialists.

- *A&A Workforce Capability Assessment.* As mentioned earlier, this was a May 2008 effort to identify and assess the competencies of all COs, as well as A&A specialists in headquarters. Competency assessments of A&A specialists overseas are not expected to begin until fiscal year 2011 at the earliest.

- *Workforce planning model.* This agencywide management tool projects the number, type, and location of staff needed to accomplish the agency's mission, based on expectations for future program funds as well as the size and location of overseas missions. However, the model does not incorporate data on either the current A&A staffing levels or the competencies of existing A&A staff.

Effective workforce planning entails that an agency determine the number of staff, and critical competencies of those staff, to achieve the agency's goals.[4] Taken together, these efforts do not constitute a strategic A&A workforce plan that takes into account the entire A&A workforce. USAID has yet to take an integrated approach to develop and implement such a workforce plan.

USAID Has Not Implemented the Evaluation Mechanism of Its A&A Function

USAID has not implemented an evaluation mechanism to provide adequate oversight of its A&A function. OAA's Evaluation Division is responsible for providing this oversight to ensure that A&A operations follow USAID policies, primarily by assessing the agency's A&A operations worldwide. GAO's internal control standards emphasize the importance of evaluations—whether in the form of self-assessments or other means—to ensure an agency's operational effectiveness and compliance with applicable policies. In fiscal year 2007, the Evaluation Division developed an annual scorecard evaluation, intended to be completed by all COs as a self-assessment of their A&A operations. The division was to review the scorecard evaluations and use a risk-based approach to determine locations for further on-site visits. The division has finished piloting the

[4]GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning,* GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

scorecard evaluations at four missions and identified weaknesses in A&A operations. For example, the division found that one mission lacked resources to adequately monitor contractor performance. The division has set a goal of implementing the scorecard evaluation and on-site visits to at least 5 missions within a 2-year period. However, agency officials informed us that the Evaluation Division did not have the staff needed to fully implement the evaluation mechanism. In addition, officials told us that the agency lacked a system that contains all the missions' A&A files, which could facilitate the evaluation process. Without implementing the evaluation mechanism it has developed, USAID cannot certify the overall adequacy and effectiveness of management controls for the A&A function.

Conclusions

As USAID increasingly relies on nongovernmental organizations to implement its activities, the agency's responsibility to effectively manage the implemented activities gains in importance. Critical to its success in this area is USAID's management of the A&A function. As the amount of its A&A obligations and the number of A&A instruments continue to increase, especially at overseas missions, USAID should work to ensure that the appropriate number of staff, with the requisite competencies and skills, are available to manage A&A operations. Without sufficiently reliable and up-to-date data on its overseas A&A staff levels and comprehensive information on the competencies of the A&A staff, which are key elements of federal workforce planning models, USAID cannot identify its critical staffing needs and adjust its staffing patterns to meet those needs. In addition, a critical component of USAID's oversight of its A&A operations is the successful implementation of its new evaluation mechanism. The mechanism is designed to ensure that A&A operations follow USAID policies, primarily by assessing A&A operations that manage about $11 billion worldwide. However, until USAID has the capacity to implement the evaluation mechanism, it lacks the ability to ensure that potential weaknesses in the A&A process are quickly identified and corrected.

GAO Recommendations and Agency Response

To address the concerns I have just summarized, we recommended in our September 2008 report that the Administrator of USAID develop and implement a strategic A&A workforce plan that matches resources to priority needs, such as the evaluation of the A&A function. Specifically, we recommended that the strategic A&A workforce plan includes a process to collect, analyze, and maintain (1) sufficiently reliable and up-to-date data on the agency's A&A staff levels and (2) comprehensive information on the competencies of the A&A staff.

USAID informed us that, as of April 2009, USAID continues to experience challenges with collecting information needed to develop a strategic A&A workforce plan. USAID agreed that it needed to put in place a strategic A&A workforce plan that includes all of USAID's A&A staff at overseas missions. OAA has not updated staffing data on its entire A&A workforce since fiscal year 2005; rather, OAA relies on the staffing data collected by OHR. While OHR officials informed us that they have improved guidance to missions for preparing staffing data, they cannot ensure that all missions are accurately capturing these data or that missions have instituted procedures to ensure that the data reported to OHR are reliable. OHR and OAA officials also told us that they have collected competency information for 85 percent of its A&A staff in headquarters and its COs at overseas missions and have established a training schedule for A&A staff to address some competencies. However, OHR and OAA do not expect to begin collecting competency information for A&A specialists overseas until 2011, at the earliest. Under the Development Leadership Initiative, USAID planned to hire 15 COs to be placed overseas. To date, USAID has hired 12 COs who will soon be deployed overseas and it expects to fill the other three positions by the end of fiscal year 2009. Finally, the Evaluation Division has increased its staff levels from 4 staff in fiscal year 2008 to 9 staff as of April 2009. However, according to USAID officials, OAA has not fully implemented the evaluation mechanism of its A&A function and has completed evaluations of only two additional missions since the time of our report. OAA officials said they have been unable to make further advances due to other priorities.

Madam Chairwoman and members of the subcommittee, this concludes my prepared statement. I will be happy to answer any questions you may have.

GAO Contact and Staff Acknowledgments

For questions regarding this testimony, please contact Thomas Melito at (202) 512-9601 or melitot@gao.gov. Other major contributors to this testimony were Zina Merritt, Acting Director; Debbie Chung; Mark Dowling; Joel Grossman; Victoria Lin; and James Strus.

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Ms. WATSON. Thank you very much.

Now, Mr. Ingram, you may proceed.

STATEMENT OF GEORGE INGRAM

Mr. INGRAM. Madam Chair and members of the subcommittee, I am going to focus on the strategic aspects and the strategic infrastructure that is necessary to get to those management challenges and changes. I have provided a rather detailed statement but I am going to follow the outline that occurs at the back of it in the last three pages, which tries to set out an overall picture of the steps that are necessary to bring a coherent, elevated development function to the U.S. Government.

One is leadership. The U.S. Government needs to be structured with strong leadership that has the ability to speak with a single voice on development issues, and that therefore can leverage and maximize the impact of U.S. investment in development.

Two, as Mr. Kunder said, we need a plan. We need a global development strategy that is constructed in an open, transparent fashion that articulates a coherent, realistic set of objectives and priorities for U.S. assistance and how we will accomplish them.

Three, that strategy should contribute to an executive branch-legislative branch agreement on the purposes and objectives of foreign assistance. It should be codified in a new statute that replaces the Foreign Assistance Act and provides a clear statement of the goals and priorities, lines of authorities and accountability, and that allows the managers of our assistance programs the flexibility that is needed to respond to the opportunities in developing countries.

Four, all core development activities should be streamlined into a single organizational entity built on the best practices of all the component parts. Some functions may maintain their unique characteristics and identity, such as the MCC and PEPFAR. Others may remain independent, such as OPIC and TDA and regional foundations, but are brought into a close coordination with the core development organization.

This development function needs to be both independent and integrated with the rest of the U.S. Government. It needs a degree of separation from the demands of other U.S. Government policies in order to preserve the programs that will address the long term nature of development. But it also needs to be integrated to ensure that development programs are consistent and support U.S. foreign policy objectives.

The mechanisms to accomplish this duality include, on the independence side, USAID having strong respected leadership that is empowered to lead the U.S. Government on development issues. And USAID needs a direct reporting line to OMB.

On the integrated side, USAID must operate under the foreign policy of the Secretary of State. There needs to be a Government-wide global development strategy to lead what all Departments are doing in the development area. USAID country missions must operate as part of the U.S. Government country teams under the direction of an ambassador.

And there would be joint staffing including, I would suggest, that responsibility for multi-lateral assistance and policy toward devel-

opment-related international organizations should be brought into a new USAID office of multi-lateral development that is jointly staffed by professionals from USAID, the Treasury Department, and the State Department.

Finally, the Agency needs its systems and processes and staffing rebuilt and redesigned along the lines that my colleagues have spoken of.

Thank you.

[The prepared statement of Mr. Ingram follows:]

TESTIMONY

GEORGE M. INGRAM
VICE PRESIDENT, AED

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, ORGANIZATION, AND PROCUREMENT
HOUSE COMMITTEE ON GOVERNMENTAL REFORM

APRIL 28, 2009

In articulating the rationale for what became known as the Marshall Plan (1948), arguably the most notable and successful US assistance program, George Kennan asserted that US assistance should aim "to combat, not communism, but the economic maladjustment which makes European society vulnerable to exploitation by any and all totalitarian movements."[1] *The contemporary version of this rationale is the cogent statement in a March 2008 op-ed by retired General Anthony Zinni and Admiral Leighton Smith: "our enemies are often conditions".*[2]

Confronted with a myriad of global threats – rapidly moving diseases, regional instability, poverty, global warming, fanaticism, illiteracy, nuclear theft, corruption, narcotics and human trafficking – from which America cannot hide, it is incumbent on the Congress and the Administration to maximize American and international capabilities to address these challenges.

DEVELOPMENT

The Bush Administration recognized the centrality of these challenges to US foreign policy through the articulation of the three Ds – Defense, Diplomacy, Development – in the national security strategies of 2002 and 2006. President Obama gave heightened prominence to development in a variety of statements and commitments during the presidential campaign. This testimony will set forth a series of actions that would transform US development efforts into the force that is envisioned in these policy commitments by leaders of both parties.

The end goal is to maximize the **effectiveness and results** from the investments the United States makes in development, as recognized by the focus of this hearing on the implementation of US assistance programs. The starting point is with the leadership, policies, and support structures that empower and guide the management of assistance programs.

Economic assistance can be divided into three categories according to the objectives: development, humanitarian, and diplomatic/foreign policy. This testimony will not deal

[1] Nicolaus Mills, *Winning the Peace*, Wiley, 2008, page 109.
[2] *A smarter weapon*, USA Today, March 27, 2008.

with US humanitarian assistance, which, while open to improvements, is widely recognized for its robustness, responsiveness, and effectiveness; nor with assistance designed to meet diplomatic and foreign policy needs, which appropriately is directed by foreign policy decision-makers, specifically at the Department of State and the National Security Council. Much of the latter, however, is delivered through development assistance mechanisms that can be made more effective by many of the steps laid out below. This statement will focus on development and related assistance programs and policies.

While the US today is viewed widely as a leader in the delivery of humanitarian assistance, it no longer is seen as a leader in development assistance. This is ironic and unfortunate, as the US remains the largest foreign assistance donor. Historically the US led the donor community, and there is a new-found recognition of the importance of development to our national interest.

In considering issues of foreign assistance reform generally, it is best to think of USAID as two entities – the Washington headquarters and the USAID missions overseas. The majority of the issues and recommendations here are designed to strengthen the headquarters, a much maligned agency whose depleted status is largely a result of policy makers in the Executive Branch and Congress viewing development simply as a tool rather than as a core US national interest, and therefore providing it neither the necessary leadership nor resources. In contrast, USAID missions are widely respected for their knowledge of the host country and the relevance of their programs, and the USAID brand often is the strongest US Government symbol in a country. The objectives of strengthening USAID are to make it a more effective Washington policy player and to enhance its ability to support and deliver country-level programs.

It also is important to acknowledge that USAID is staffed by many intelligent, hardworking, dedicated development professionals who are overworked and caught in an environment and structure that are less than encouraging to innovation and creativity.

ELEVATION AND COHERENCE – A fundamental objective of foreign assistance reform and modernization is to elevate the development function within US government policy councils and to enhance the coherence of US development policies. With some twenty US government agencies involved in providing development assistance, there is no government official whose full time job is to oversee the wide range of development policies and activities. This means the development function often is not represented in senior policy councils, and there is no single government development policy maker who can speak authoritatively for the United States. A foreign official wanting to understand or negotiate US policy on food and agriculture in developing countries, or HIV/AIDS, has to meet officials at multiple US agencies and then try to figure out what US policy is and with whom it is best to deal. US representation at development-focused international meetings shifts from one forum to the next, resulting not only in a lack of continuity, coherence, and follow up, but requiring intense inter-agency negotiations that can be cumbersome and lead to lowest common denominator positions. The result is the US

approach is fragmented, undermining the leverage and results from our investment in development.

Among the steps that would elevate development and enhance coherence are:

- Appoint an **administrator** respected for his/her strong development, political, and leadership skills to head the Agency for International Development
- Designate the administrator as a permanent member of the **National Security Council** and give him/her the authority to convene around issues of development
- Formulate a **global development strategy**
- Rebuild the cadre of **development professionals** at USAID
- **Consolidate** core development activities in USAID, including those from the Department of Defense, along with commensurate resources.

STREAMLINE AND CONSOLIDATION – THEN COORDINATION

Consolidation

A key initial step is to bring like functions and programs together in the same agency. The goal is to achieve efficiency and consistency by streamlining and consolidating similar activities and programs. Some of the greatest efficiency gains will come from reducing duplication in program planning, management, and implementation capacity (why do USAID and the State Department make grants to civil society organizations in the same country!). The process should involve identifying best practices that can be preserved and spread to all component activities. Guidelines for consolidation include:

- Consolidate those functions which have development as their primary goal.
- Maintain as separate those development functions that have mixed goals and/or can better accomplish their goals as independent entities (regional foundations; OPIC; TDA).
- Functions that have unique characteristics and a clear brand (MCC; PEPFAR) can be consolidated but can retain certain characteristics and even their identity.

Coordination

Since not all developed-related functions will be consolidated, coordination across government agencies is important to reduce duplication, inconsistency, and conflicting policies and practices. This coordinating function would typically be led by the principal development agency --USAID and NSC now jointly chair the Development Inter-Agency Policy Committee.

SEPARATION AND INTEGRATION

It may appear contradictory, but the development function needs to be both separate from and integrated with other US government functions.

Separate

On one hand, the determination of certain policies (i.e., sector strategies; policies for collaboration with donors and other development partners), the design and

implementation of development programs, and formulation of the development budget, need a degree of independence and separation from the demands of other government agencies. The Department of State and USAID are natural allies in international affairs, but the expertise and culture of the two agencies are very different. Diplomacy is focused on political analysis, reporting, and negotiating; the development function on social and economic analysis, program implementation, and performance measurement. The knowledge, experience, and analysis required to conduct US foreign policy are very different from that required to assess a country's development needs and manage an education or health program. Planning and accomplishing long-term development activities are fundamentally different from responding to the immediacy of foreign policy needs and should be led by experts charged with a development mandate:

- USAID needs to be empowered and held accountable for the use of development funds and the management of programs; this accountability begins with the Congress investing the authorities and responsibilities for development in the USAID – thereby making it clear whom the Congress can hold accountable.
- USAID needs to have a direct reporting relationship to OMB, but also needs to closely coordinate its budget with the Department of State, which should have the opportunity to provide input into the development budget and should have access to the proposed development budget as that is important information in building the diplomatic/security budget.

But Integrated

While USAID requires a measure of independence to be effective, US development and foreign assistance must be joined -- integrated and coordinated -- with diplomacy into the "smart power" called for in recent studies and by the President and the Secretary of State:

- **Global Development Strategy** – The US Government needs a plan for development. It needs a whole-of-government global development strategy, a companion to the national security strategy, that puts all government agencies involved in issues affecting development (assistance, trade, finance, immigration, etc.) on the same page. A global development strategy would help bring agreement between the Executive and the Congress on core objectives and would provide a plan as to how those objectives are to be accomplished and the respective roles of government agencies.

- **Country Policy** -- When policies affecting development are under consideration – take Afghanistan and Pakistan – USAID needs to be at the table (1) to inform policy makers as to what likely can and cannot be achieved through assistance and (2) to make sure its policies and programs are consistent with overall US government objectives. These discussions should be informed by the knowledge and experience of a development voice.

- **In-Country** – At the country level, the USAID mission, working under the leadership of the Chief of Mission, should (1) be the principal, but not sole, contributor to the US development strategy for that country, (2) inform US policy

making as to what is achievable in development and with foreign assistance programs, and (3) ensure that the US assistance program is consistent with US policy.

- **Exchange of Personnel** -- Another point of integration involves the interchange of personnel and sharing of certain responsibilities. Every USAID geographic bureau would benefit by the presence of several State Department officials knowledgeable about the region. And most State Department bureaus would benefit from several development experts. Another example is the glaring disconnect between bilateral assistance being the purview of USAID (and other agencies), multilateral assistance under the purview of the Department of the Treasury, and assistance to development-oriented international organizations under the purview the Department of State. These three functions should be joined in the development agency in order to achieve consistency of policy and leverage of US policy and funding. But not at the loss of the expertise and credibility that Treasury brings on financial and debt matters, and that State brings on international organizations. So, one solution is the creation within USAID of an **Office of Multilateral Assistance**, with all three agencies contributing staff to the office and representation to the multilateral banks and international organizations. This would lead to a more coherent US development policy and more consistent US policies on development across the three agencies.

- **Inter-Agency Collaboration** – USAID is the US government agency with the expertise in the design and management of development activities in the often difficult context of developing countries. When properly staffed, it also would have much of the required sector-specific technical skills. Even so, other government agencies have experts with technical skills and experience useful to the design and management of specific programs. The US Government needs inter-agency structures and incentives that not just allow, but encourage, agencies with specific technical skills to collaborate with USAID in development activities.

HUMAN CAPITAL

USAID has neither the number of employees nor skills needed to carry out what should be its development mandate. The number of direct hire (Foreign and Civil Service) staff fell from 4300 in 1975, to 3000 in 1995, to 2417 in 2007. At the same time, the funds it managed grew from $8 billion in 1995 to $13 billion in 2007. (The Agency also employs some 4500 Foreign Service nationals in missions overseas) Due to a decade of recruiting freezes, the Agency's senior cadre of Foreign Service officers is nearing retirement and the mid-career ranks are short on numbers and experience.

Recent administrations have "worked around" this reality by diverting new or expanded assistance functions to other or new agencies and through acquiring temporary contract personnel through a maze of 23 different modes of hiring that are inefficient and costly. Some of these contract personnel are providing unique services that the Agency would

not normally have on staff; but many are performing what are essential government functions that would more appropriately be handled by direct hire employees.

Rebuilding the human capacity of USAID is an essential part of elevating development, leveraging the investment we put into foreign assistance, and ensuring that our development efforts are effective. Among the relevant actions are:

- **Build on Recent Staffing Initiatives** – The Bush Administration at the end of its tenure and now the Obama Administration have recognized the lack of USAID staffing and have begun to hire and train additional staff. This commitment needs to be sustained over a period of time.

- **Strategic Plan** – USAID should craft a human resource plan that flows directly from the Global Development Strategy and from how it identifies the objectives, priorities, and types of organization and program management that will best meet U.S. foreign assistance needs in the 21st century.

- **Career Development** – USAID should have integrated career maps, competency models, and training plans to effectively develop employee skills and knowledge. Training and development opportunities should address technical, management, language, and leadership skills for both Foreign Service and Civil Service staff.

- **Float** – Like the military, USAID should have a designated float, e.g., 10%, of staff that are engaged in professional development: management and language training; advanced education and technical skills; assignment to other governmental, international, and private-sector organizations.

- **Operating Expenses** – In place of a separate account for operating expenses, a notional percentage of program funding should be provided for administrative expense, much as is done in other federal agencies. It is important to acknowledge that the work of many USAID employees is devoted to advancing the agency's policies and programs and is part of the development process, not just administrative overhead.

- **Tap Outside Skills** – Knowledge and skills advance faster than any single organization can keep pace with. USAID needs the most advanced and current knowledge and information to deal with the complex issues of development. It can access those through: hiring development professional with the right skills and training existing staff; a fellows program that brings academic, research, and private-sector experts into staff jobs for 6 months to 2-5 years; and contracting for particular skills (through carefully developed mechanisms, not the current maze of work-arounds).

PLANNING

Among lessons to be learned from the US military is that planning is essential to achieving outcomes. Identifying where and how to spend resources in order to achieve desired results is a priority to the effective delivery of assistance. USAID once had a relatively effective strategic planning process, built around five-year country plans that delineated development priorities for US assistance to a country. These strategies were developed by the USAID country mission, with technical expertise and strategic guidance from USAID headquarters and consultants, input from host country government and civilian experts and leaders, and input and review by the Department of State and other relevant US government agencies. This approach to country planning was abandoned in 2006. That same year USAID's ability to engage in broad strategic setting, policy formulation, and budget planning was stripped away with the shifting of most of the personnel of the Bureau for Policy and Planning Coordination to the new Office of the Director of Foreign Assistance ("F") in the Department of State. Accompanying this shift was a concomitant centralization of policy making and budgeting in Washington, in the new "F" bureau. Just when the global development community is coming to recognize that effective development assistance requires local ownership and design/implementation of programs, USAID has been deprived of this very capability and traditional strength of its country missions driving its programs.

Actions to rebuild and strengthen the US government's ability to engage in strategic planning and policy making include:

- **Global Development Strategy** – Consistent with the quadrennial defense review, prepare a government-wide Global Development Strategy to articulate the role of development in promoting US interests in the world and the priorities and means with which it will pursue development goals. The process by which the strategy is developed is as important as the content and should be open and transparent and involve all relevant agencies, with input from the Congress and civil society.

- **USAID** – As explained above, restore USAID's ability and authority to engage in strategic planning, policy formulation, and budget.

- **Decentralization** – Return to a more decentralized country planning and budgeting process that empowers USAID missions (and therefore also the US embassy team) to determine program and funding priorities.

GRAND BARGAIN – REPLACE THE FAA

Agreement on a US global development strategy, reached through an open and transparent process, is one of two mechanisms for achieving a new accord between the Congress and the Executive Branch on the objectives and priorities for US foreign assistance. The other is a new law to replace the Foreign Assistance Act of 1961 (FAA) and related legislation. Almost fifty years old, designed at the height of the Cold War, amended hundreds of times, running over 700 pages, setting forth an untold number of

objectives (an accounting 20 years ago came to a total of 33)[3], and filled with inconsistent provisions, the FAA is past being revised and should be replaced. Recognizing the debilitated state of the FAA, in recent years the Congress has punted by enacting new or revised foreign assistance programs either through providing "not with standing" authority (which appears 275 times in various foreign assistance statutes!)[4] and through free standing statutes (there are now some twenty related foreign assistance laws). In combining the authorities for all foreign assistance programs into a single, updated statute, the process will bring the Congress and the Executive Branch into closer accord on the fundamental purposes and priorities and conform assistance policies and programs to the realities and dynamics of a post-Cold War, 21st century.

OPERATIONAL PRINCIPLES

A global development strategy and a new governing statute should reflect best practices. There has emerged in recent years an expanding consensus on key principles that are essential to effective development. These principles include:

- **Ownership and Participation** – Ownership and Participation by the intended beneficiaries (partner country government, communities, and organizations) is critical if an activity is to be relevant, accepted, and subsequently sustained. In general, our development activities should support partner country priorities.
- **Harmonization and Alignment** – Harmonization and Alignment of objectives, assistance activities, processes, and requirements among donors and stakeholders can enhance the effectiveness of assistance activities and reduce duplication, inconsistencies, contradictions, and burdensome demands on the time and resources of the host government and local communities. These goals should be implemented in a manner that respects the benefits that come from diverse approaches and multiple partners.
- **Results Management** – To be effective, assistance activities must be designed and managed to produce identifiable results. What must be avoided is letting this worthy objective interfere with long-term impact. Development takes time but managers need to show results "now". The imperative to "show results", and US-centric laws and regulations, such as the bean-counting approach of GPRA[5], can lead to activities that show quick outcomes and can be quantified and make nice photo-ops but contribute little to sustainable development.
- **Transparency and Accountability** – Donors and recipients must be accountable for their actions. The best path to accountability is transparency in budgets, decision making, and implementation. Also instrumental is effective monitoring and evaluation. Only rigorous, objective monitoring and evaluation will produce the information and knowledge necessary to know whether assistance activities are effective and to inform whether and how they should be continued or modified. Development activities and their evaluation must be based on realistic goals and

[3] Committee on Foreign Affairs, *Report of the Task Force on Foreign Assistance*, February, 1989.
[4] Oxfam America, *Failing the Cardozo Test: Why US foreign assistance legislation needs a fresh start*; and updated Oxfam memo, March, 2009.
[5] Government Performance and Results Act of 1993

should be designed to be of benefit not just to donor organizations but to the intended beneficiaries and indigenous institutions.

- **Analysis** – Benchmark data and solid analysis of relevant political, social, and economic factors are critical to the design and implementation of effective development programs. The clearest example is the importance of careful gender analysis. Too often women, and sometimes men, are left out of the development process because of inadequate consideration of the respective roles of each in the dynamics of a family, a community, a nation. Women and men have different roles in home life, in the economy, in governance; they have different health needs; education systems can be skewed to the exclusion, more often of women, but sometimes of men. Men and women play different roles and respond differently, so policies and activities must be based on careful gender analysis to ensure that both sexes are brought into the development process if assistance is to be effective and development is to benefit the broadest population. Leaving a large population segment out of development retards progress and is inequitable. Good gender analysis is important to strategic planning and to the design and implementation of programs and requires the appropriate support structures and resources.

PROCUREMENT

USAID has a procurement system that has become cumbersome, opaque, and, at times, a confusing administrator of development funds, seemingly more focused on program administration than achieving development results. This is partially due to the Agency being severely understaffed and not provided with the resources necessary to develop and implement efficient management systems, and its diminished role in implementing the overall development agenda for the U. S. Government

It is not that the Agency is unaware of shortcomings with its procurement system. It is implementing a new software (GLAAS) that should improve the flow of and access to information. It is undertaking a major initiative to bring on new staff. The new Administration needs to bring concerted leadership and commitment to modernizing USAID's procurement system.

It should be recognized that in designing means for contracting and procuring development services there are few absolutes and the process is fraught with tensions. Carrying out development activities involves a balancing of conflicting objectives and goals, including:

- The need of policy makers and program managers to demonstrate short-term results versus the long-term nature of development
- The importance of accountability versus the need to take risks
    - And, to join these two together, the conflict between showing near-term results versus demonstrating sustainable results – you can demonstrate action by counting the inputs and outputs, but those are hardly results – sustainable results require time, innovation, and risk taking

- The benefits of sustained partnerships between the Agency and its implementing partners versus the need for open and fair competition
- The roles and authority levels between headquarters and those of USAID country and regional missions
- Transparency and accountability versus the need for prompt action
- Balance between the sometimes competing perspectives and priorities of the Congress, Executive Branch, USAID country missions, host government, and American and host country civil society.

Modernizing procurement starts with many of the recommendations set forth earlier in this testimony, particularly with good planning – promulgating a **global development strategy** so there is a level of commonality between the Administration and the Congress on development priorities and expectations – and continues through other recommended steps designed to elevate and bring coherence to the development function.

Among the aspects of procurement that could be improved are:

Staffing – USAID's Office of Acquisitions and Assistance is experiencing large numbers of staff leaving the Agency through retirement and transfer to other agencies. While USAID has been able to attract some new staff—for example, mid-level staff transferring from other U.S. government agencies or the private sector—the process has been unfortunately slow. The resulting staffing shortages have caused Contracting and Agreement Officers to assume larger portfolios in order to oversee the increased procurement activities of the Agency. This increased work load also impacts the contractors and NGOs working with USAID as the response time is reduced. USAID needs a larger number of procurement staff that is better trained with well-thought out incentives to keep that staff at the Agency.

Rationalize staff time – As a result of many of the regulatory requirements, much staff time is devoted to checking boxes, responding to administrative requests that require approval, and, at times, micromanaging contracts and cooperative agreements. The number of administrative approvals that a USAID implementing partner has to obtain on an USAID contract can be staggering. For example, some contracts require not only that all staff be approved prior to hiring, but each time a consultant is used, that person must go through an approval process as well. In addition, travel must be authorized and approved, as well as most purchases of equipment. While USAID does have a fiduciary responsibility for the funds it disburses, many of these items were already disclosed and approved in the implementing partner's proposal that was negotiated and awarded. Thus, further approvals of the same items seem redundant and a misuse of valuable USAID staff time, not to mention creating time-consuming paperwork and delays for the implementing partner. In issuing a contract or a cooperative agreement, USAID procurement officers have to certify the ability of the implementing partner to carry out and manage the activity. If USAID were to let the implementing partner manage the project without the added constraints of layers of duplicative approvals, its fiduciary responsibility could still be assured by annual audits that can catch any abuse or potential

weaknesses in the implementing partner's internal management systems, freeing up USAID procurement officials to focus on higher level functions.

Transparency – Providing advance information on upcoming solicitations is one easy way to improve the quality and relevance of proposals submitted by implementing partners. In some situations USAID provides the development community with draft requests for proposals (RFPs) and requests for applications (RFAs) for their comment. In providing such input, USAID implementing partners assist in refining the RFP/RFA draft scope of work, both technically and financially/contractually, resulting in a better RFP/RFA. Having such expert input does not diminish competition or unduly influence USAID, but in fact, provides USAID with a better product with fewer questions and delays during the procurement process and post-award. Given the low staff numbers currently at USAID, having this extra input is almost like providing another level of staff to the Agency.

Furthermore, making public longer-term procurement forecasts and background documents produced in preparation for a solicitation would permit bidders to be more responsive and understand better the needs of the Agency and the country where the program will be undertaken. Transparency keeps public and implementing partners informed of the Agency's plans and priorities, allows the public to better hold the Agency accountable, and produces a better informed and responsive constituency. The transparency should include periodic meetings with partners that are substantive, air misunderstandings and problems, and produce specific steps to improve the relationship.

Clarify mechanisms -- USAID's principal funding mechanisms – grants, cooperative agreements, and contracts – have become conflated and the distinctions between them clouded. Procurement rules governing contracts differ widely from those of cooperative agreements and grants, and are governed by separate U.S. government regulations and directives. To ensure that they follow the regulatory intent and do not add an extra burden on themselves or the recipient of a contract or cooperative agreement, USAID staff need clear guidelines under what circumstances each procurement instrument is appropriate and staff training on using the guidelines. In some situations, procurement officers include language in cooperative agreements that procurement regulations specify should only be used in a contract, often resulting in the implementing partner having to provide additional levels of documentation or certifications. These extra requests are not only an additional burden to the implementing party and contrary to stated procurement regulations, but often result in heavier burdens on the contracting officers in the amount of data they then must review, which can extend and delay the time period of a procurement. Every solicitation should explain why the particular mechanism [grant, cooperative agreement, contract] was chosen with standardized requirements in each mechanism, allowing greater efficiency in the procurement process.

Unified rules and regulations – Unclear, inconsistent rules and regulations, and government-wide regulations that are inappropriate in developing countries, raise costs and cause confusion and caution – even inaction. USAID (with some leeway and authority from the Congress and OMB on laws and regulations such as FAR, GPRA, and

Buy America) needs to make its rules and regulations simple, clear, consistent, and relevant to the circumstances. The result would be an increase in efficiency and effectiveness of US assistance.

Collaboration – With the expansion in the number and variety of development donors – countries, international organizations and funds, private foundations, corporations, individuals – and the growing importance of local ownership of development activities, USAID rules and regulations need to encourage leveraging US assistance and collaboration – within the US government, with the US private and NGO sectors, with other governments, and with local civil society. Collaboration requires flexibility, innovation, and risk taking.

Innovation – USAID has developed a reputation for being risk adverse and discouraging innovation. In the private sector innovation is rewarded and failure is accepted as a risk of doing business; in government failure is not allowed and innovation is stifled. Despite the failure (along with some success) in the US of countless private and public efforts to bring progress to blighted urban and rural areas of our country, we expect every one of our efforts in some of the most challenging environments in the developing world to bring success. That is not going to happen, especially if those responsible for managing our investments are denied the flexibility to innovate and design interventions that are responsive to the particular conditions. The Congress needs to send the message to those responsible for our development policies and programs that innovation is good and to be encouraged and that it understands that not all activities will be successful. In fact, mistakes in some failures have produced lessons learned and redesigned approaches, resulting in better programs that otherwise might not have occurred. While failures must be minimized, we must allow for them to happen, especially in new areas where there is little past experience to draw upon. Misuse or corrupt use of development dollars is unacceptable; failure that stems from innovation and programmatic risk-taking should be viewed as part of the development learning process.

Results – better, more rationale M&E – The trend toward focusing on the results of development projects is a good thing. We should care about whether our development dollars are invested in ways that improve peoples' lives. But the demands of Congressional and Executive Branch stakeholders for results, particularly quantitative results, too often are dumbed down to general administrative matters. The "F" process created some 400 indicators for US development activities that were both much too detailed and yet didn't come close to measuring the full range of US development activities. Clearly it is important to have good quarterly and annual monitoring of projects to make sure that the intended outputs are produced and money is spent as intended. But more important is to have an effective evaluation system that judges the outcomes and results and produces lessons learned. An effective evaluation system needs to have "ownership" by the Agency but also a degree of "independence" to protect the integrity of its methodology and findings.

ATTACHMENT

VISION FOR AN ELEVATED, PROFESSIONAL U.S. DEVELOPMENT FUNCTION

VISION – Recognizing that the basic condition of peoples and communities in poor countries has a powerful impact on their ability to participate as citizens and consumers, which in turn has a direct impact on America, the US government establishes the promotion of development as a US national interest.

LEADERSHIP – The US Government is structured so as to be able to speak with a single, strong voice on development matters and to leverage and maximize the impact of its investment in development. The US is a vigorous participant through its programs and intellectual leadership on global development issues. USAID is respected for its development knowledge and skills and is looked to by the rest of the US government and international community for the sound intellectual underpinnings of its policies and programs, its willingness to promote innovation and take risks, and its vision on development matters.

STRATEGY – US leadership needs to be strategic and well planned. A US Global Development Strategy is constructed in an open, collaborate manner. It provides an overarching rationale for US development programs and policies, articulates a coherent and realistic set of core objectives and priorities for US assistance and how they will be managed, and gives clear guidance on how to strike a balance between achieving long term goals and responding to immediate needs.

CONGRESS/ADMINISTRATION ACCORD – The Global Development Strategy establishes the foundation for Congressional/Executive Branch agreement on the purposes and objectives of US development and foreign assistance. This is codified in a new law that replaces the Foreign Assistance Act and provides a clear statement on goals and priorities and lines of accountability. This, in turn, creates a level of common purpose and trust that allows the managers of our assistance programs the flexibility to respond to needs and opportunities in recipient countries and with development partners, including the private sector.

CONSOLIDATION – All core development activities are streamlined into a single organizational entity (USAID), built on the best practices of the component activities. Some functions may maintain their unique characteristic and identity (MCC and PEPFAR). Others (regional foundations; OPIC; TDA) may remain separate but work in close coordination. This streamlining and consolidation increases the efficiency and effectiveness of US development and allows the US to speak with one voice and leverage our investment and influence.

INDEPENDENT BUT INTEGRATED

(a) A reinvigorated, strengthened development function requires:
A measure of independence -- a degree of separation from the demands of other US government policies in order to preserve policies and programs that address the long-term nature of development challenges, BUT
Integrated into US foreign policy – also needs to be integrated to ensure that development programs are consistent with US foreign policy objectives, humanitarian response is linked to companion US government capabilities, and USAID knowledge and experience is used to inform and implement diplomatic assistance (e.g., ESF).

(b) Mechanisms to accomplish this duality include:
Independent

- USAID has strong, capable, respected leadership that is empowered to convene high level meetings on development matters
- USAID is represented in the interagency process by chairing the IPCC for development and having a voting seat on the Deputies Committee for Foreign Policy
- USAID has a direct reporting line on budget issues to OMB

Integrated

- USAID operates under the foreign policy guidance from the Secretary of State
- All US government development policies and programs flow from the Global Development Strategy, which is linked to the national security strategy
- USAID country missions operate as part of the US government country team under the direction of the ambassador
- Joint Staffing – for example, USAID, the Department of State, and the Department of Defense create mechanisms to more easily exchange personnel; a USAID Office of Multilateral Development is staffed by personnel from USAID, Department of State, and Department of the Treasury

21st DEVELOPMENT AGENCY – USAID is strengthened and redesigned to meet the demands and dynamics of a 21st Century globalized world:

- **STAFFING** – The number and qualifications of USAID staff are considerably increased to provide intellectual capacity and operational control of US programs. USAID is turned to domestically and internationally for its knowledge, intellectual rigor, and expertise. USAID becomes a place that development professionals look to for fulfilling and advancing their careers. Just as the US military has learned to maintain a 10% float to ensure the advancement of staff capabilities, so USAID needs to be provided with excess staff capacity to allow opportunity for professional development -- advanced degrees, management and leadership training, and assignment to other agencies.

- **INTELLECTUAL RIGOR** – USAID, through the professional capabilities of its staff, through it's interaction with academic, research, and corporate communities,

and through the strength of its evaluation activities and the research it sponsors, becomes an intellectual leader of development – that improves the effectiveness of its programs and contributes to advancing global knowledge on development.

- **PARTNERS –** Corporations, foundations, and NGOs seek out USAID as a partner because it has the intellectual and programmatic leadership, competence, resources, creativity, and flexibility to work as a good development partner.

- **SYSTEMS** are rationalized and structured to support the goal of effective development –

    - Procurement – The Office of Acquisitions and Assistance is adequately staffed to manage the workload; the workload is focused more on functions that will enhance results and less on administrative tasks; rules and regulations are rationalized and simplified; processes are transparent; innovation and risk taking are permitted and encouraged.
    - Information and data are readily available.

Ms. WATSON. I want to thank all of the witnesses for your testimony. We are going to now move to the question period and proceed under the 5-minute rule.

I am going to begin with questioning Mr. Kunder and then I would like all of you to address this particular question. Mr. Kunder, you stated in your testimony that establishment of a comprehensive set of strategic goals for the U.S. foreign aid program is management challenge No. 1 and should be the centerpiece of any effort to rewrite foreign aid legislation in this Congress. What elements or point do you think should be incorporated into a strategic plan for USAID and should a new set of strategic goals be the centerpiece of any foreign aid rewrite? Then the others can chime in when you finish.

Mr. KUNDER. Thank you, ma'am. We could obviously have 3 day workshop on that question.

I think our Nation understands that it is in our strategic interests to help our allies at one level, and that at another level to take on the global scourges that make people discouraged, distraught, and become terrorists around the world. Obviously, there are a lot of suffering people around the world who give up, who are desperate, and who are attracted by extremist ideologies.

Conceptually, what we need to do is run a foreign policy that operates at both levels. We need to help our strategic friends but we also need to take on these long term issues that afflict mankind which lead to hurting our Nation in the long run.

The British system has recognized this explicitly. They have both the Department of Foreign Affairs and then the Department for International Development. So they have explicitly taken both challenges on within the structure of their executive branch. We have not done that. We don't have a department for international development.

But I would argue that what this strategy should do is explicitly give USAID the function of taking on the long term challenges. Have them take on the health care challenges, take on the unemployment challenges, the desperation challenges, and the lack of literacy.

In a place like Afghanistan, probably more than half of the population can't even read. So here we are trying to convince folks of a certain world view that supports our foreign policy when they can't even read information that we distribute in the country. So you have to take on that level of issues.

So my argument would be to create a strategic plan embedded in the Foreign Assistance Act that does take into account the priorities of the Congress and the administration but gives USAID the task of eliminating illiteracy, eliminating disease, and making sure that people have access to credit around the world so they can get a decent job.

I would agree with what Mr. Bilbray said earlier. This can't all be a Government function. We need to work directly with people, with private sector organizations, as well as Government.

Those would be, we could go into more detail, but those would be what I would consider the core elements of a long term strategic plan for our foreign aid program.

Ms. WATSON. Mr. Walsh.

Mr. WALSH. I would simply add that these strategic aspirations need to be properly resourced. If you speak to these, getting microfinance to the villagers and what have you, you need to have mechanisms and a staff that can actually do that. So I just plead that you don't neglect the resourcing aspects of this strategy. Thank you.

Ms. WATSON. Dr. Melito.

Mr. MELITO. I would add that USAID's management structure is sort of very decentralized when it comes to overseas. They don't have a good handle of the staff levels overseas. Actually, they can't even really control them very much in terms of certain staff functions overseas. So if it does something at headquarters in a strategic manner, it needs to confront the decentralized leadership it has overseas.

Ms. WATSON. Mr. Ingram.

Mr. INGRAM. I would just add that I think there are a couple of aspects of the global development strategy that are important.

First, there should be a focus on local capacity building. Almost all of our programs should focus on helping the people in-country own the programs that are being carried out and buildup their own capacity.

Second, I think there should be an emphasis on innovation and risk taking. I would love to see a message sent from the Congress to the managers of our foreign assistance programs that we expect you to take risks. We don't expect corruption and misuse of money, but we expect you to take programmatic risks and to find those new, innovative interventions that are going to make a difference.

Ms. WATSON. Your testimony said that USAID's technical tools are lacking like georeferencing systems, the ability to teleconference, the ability to call in security assets, and so forth. How can USAID improve in this area?

Mr. KUNDER. The Agency has, in my view, a strange appropriations account structure vis-a-vis the Congress. That is to say it is given what are called program funds, the money to actually run the health care programs, the education programs, and so forth, and then given a separate operating expense budget. This has been a series of decisions over the last decades, both by the administrations and by the Congress under both Democratic and Republican leadership on both sides.

In my view, we have simply under-resourced the organization. The operating expense budget has resulted in an 80 percent decline in staffing. The argument I was making, Madam Chair, is that I don't think that we need a million people running foreign aid. I think it should be a relatively small, highly trained cadre of people. But that is why I made the point that if we are going to put 1,300 people in Stuttgart, Germany just for AFRICOM headquarters, we certainly need more than 1,000 officers scattered around the entire world because you do have to get out and talk to people.

But the particular point I was making is that if we are going to send these officers out to the field, they need world class technological systems. If they find a disease in a village, they should be able to take a blood sample, plug it into their computers, transmit the data back to headquarters, and find out what is going on. It is cost effective to magnify the impact of each of these small num-

ber of officers by giving them the technological capability that they need.

That is something that, because of year after year having very constrained operating expense budgets at USAID, I would agree with Mr. Walsh, they simply don't have the technological edge they once did. These were the folks who brought the world the green revolution back in the 1970's. They were at the technological cutting edge at one point. As Mr. Ingram just said, they are no longer there. That is what I was arguing in my testimony. We need to reinvest in these people.

Ms. WATSON. Thank you.

Let me just throw this out to Mr. Ingram. You are a former Capitol Hill staffer with years of experience in the Foreign Affairs Committee. It is my understanding that you were the principal lead staffer on a massive rewrite of the Foreign Assistance Act over a decade ago. What is the single most important factor or element, in your opinion, that needs to be included in a successful Foreign Assistance rewrite?

Mr. INGRAM. Thank you, Madam. I think it starts with getting broad ownership in rewriting the act. When we tried to rewrite the act, and we did 20 years ago in the House Foreign Affairs Committee, it passed the House but we never garnered the interest or the support of the Senate or the administration. I would love to see this next rewrite started with a joint drafting committee by the House, the Senate, and the executive branch.

I think your committee getting interested in this, getting other committees interested in it, will broaden the ownership and involvement of Members of Congress to create a critical mass that would allow you to get this through final enactment.

I think the other quick thing I would say is that the congressional leaders in this need to set out a vision and the principles for what they expect to be in this act. I use the example of the Millennium Challenge account where the President set out a clear vision with parameters on what was going to be in it. The players, both in the Congress and in civil society, stayed within those parameters and kept certain negative aspects out of that legislation.

Ms. WATSON. Thank you so much.

I now recognize our ranking member, Mr. Bilbray for his 5 minutes.

Mr. BILBRAY. Thank you.

Mr. Kunder, thank you very much for pointing out this issue that we need to understand the end game. I guess one of the things that those of us in the First World forgot was the great struggles that we have had in the last century of eliminating infant mortality. Infant mortality being eliminated or reduced substantially, we thought it was a great thing. But we did that and didn't develop the economic backbone to be able to support an economy to support the increased population. Then we are upset about how many people are starving in the Third World. So I think outcome does matter.

Any of us that grew up in neighborhoods like I grew up in know that you only want to live in a Government built society if the private sector society isn't available. I think public housing is a good example. None of us would wish that on somebody unless it was

just a last ditch chance. So I think we have to remember that outcome is a strong social/economic structure for the community wherever we are working.

I have a question for you. We have how many agents in Africa right now?

Mr. KUNDER. We have 460 American foreign service officers. USAID does one very excellent thing around the world. That is, if you were to go to one of our offices in Africa, we hire a lot of African technical experts. So that is a feature, but I am talking about the 460 USAID American foreign service officers across Africa.

Mr. BILBRAY. I have an Australian cousin so actually it worked with the American side of this thing. What do we have in Central America right now? Do you have any idea what we have south of Mexico and north of Colombia?

Mr. KUNDER. Less than that, sir.

Mr. BILBRAY. Substantially less?

Mr. KUNDER. One of the unfortunate aspects when you squeeze the staffing was that we actually diverted staff to Asia and Africa because that is where the terrorist threat was. One of the horrible outcomes is we have stripped our staff from the western hemisphere.

Mr. BILBRAY. Madam Chair, I only bring this up because this really has been an issue, that we have ignored our own backyard. Just in the last 2 months, we have lost two governments that were very pro-United States and very pro-private investment. They have gone totally south on us because we sort of ignored our friends in our own backyard. So I just wanted to raise that as we raise this issue.

I hope that there is an awareness that a lot of the challenges we have in the United States are directly related to Central America. We just look totally past it. The Bush administration did it, too. We talk about Colombia and talk about Brazil, but my God, it just seems like we totally ignore countries like Nicaragua, and El Salvador, and Costa Rica, and Panama.

Let me go over to Mr. Walsh. I have a question for you. What happens when a non-profit ends up claiming to have planted crops to get a grant and they certify their grant? In fact, let me say this because young people are here. We all know that in Alexandria if somebody said, I planted almonds in Alexandria, you would give the address. They are at this location. Most young people don't know that in the Third World, there are no addresses. In fact, most of the time, there are no street names except for highway names. We know how you would identify in it Alexandria. How would you identify a field in Kandahar?

Mr. WALSH. I understand that in places like Afghanistan and southern Sudan and many places where the NGO community is working, they rely on GPS data. In fact, I believe that the Office of Foreign Disaster Assistance has routinely requested that kind information because the refugee camps are oftentimes moving and such. So they have tried to capture that data, although I cannot say that it is comprehensive and complete. I can give you more detail.

Mr. BILBRAY. That obviously is the kind of new technology we not only should be using but that we have to use. What you run

into, Madam Chair, is you run into somebody who will get a grant and get credit for it, and they will actually have photos of somebody else's orchard field plugged in as the documentation. As you pointed out, there is this issue of we want to know was the arborist who planted the trees made in America, but nobody ever goes out to see if the trees were ever planted in the field at the GPS location they pointed out.

I am glad to hear you say that because that is one of those great breakthroughs we have had. Around the world, one of the biggest problems is you don't know how to tell somebody how to get somewhere because they don't have addresses. The great thing is now the GPS location, those two lines of five digits, are going to be our addresses in the future. It is a great breakthrough. I am glad to hear you say that.

The big question I have, though, and I will say this again, Mr. Walsh, is I think that the amount of money we threw in Afghanistan in the non-profits was a very large amount for how much oversight we had. How can we crack down on this? A good example was in 2008, we had USPI charged with conspiracy and fraud in connection to services rendered in Afghanistan. What does the Inspector General have to do to make sure that we eliminate that kind of fraud in our programs? We talk so much about the for-profit problems, but it is almost as if somebody files and becomes a non-profit they are exempt from all the temptations that apply to for-profit.

Mr. WALSH. In fact, I would offer that the non-profit world is sensitive about the care with which they manage not only the taxpayers' money but the donations that they receive from private citizens. They have a track record of preserving that and managing that as effectively as they can because it is one thing to have a disallowance in an audit under a grant with USAID, but it is another thing to have in the paper that the donations that are going to this organization are being used to finance a tennis court in Kandahar or something like that. That kind of publicity doesn't work for these NGO's. They are very careful about how they spend the money.

Now, having said that, we recognize that there are always going to be risks. So their challenge has been to manage risk in a highly compliance oriented environment and also a very risk adverse environment where not only do you have the issues that I mentioned, but also the auditors that are there and the investigators that are more than eager to look for malfeasance and such. They are very self conscious about this.

Their challenge is trying to do it in the same sort of resource constrained environment as USAID. They have pressures on their overhead, they have pressures on their direct costs, and they are trying to do, basically, development on the cheap as well everybody else.

Afghanistan is a huge challenge. I believe it was moving quickly and probably they weren't fully resourced on the operational side. So you are just going to have these kinds of vulnerabilities.

Mr. BILBRAY. Let me just tell you that from my personal observation, not just as Congressman but as somebody who spent some time in the Third World with the locals, that the non-profits tend

to stick in their faces even more than the government operations. The feedback is that you have non-profits that are using resources in a manner that the locals see as flaunting just huge amounts of wealth. I just found a lot of resentment for the non-profits.

I think the problem is, because there may be non-profits managing here in the United States, they are not spending enough time down looking at exactly how the money is being spent out in the Third World. The people on the front lines, the citizens of these Third World countries, they see it right along. They see it when some young kid goes by in a huge yacht with a big non-profit name across it. They are saying, you know, my God, that could be 100 pongas used to help to feed 10 villages.

So that concern of oversight is something that I think that we have not focused enough on, that non-profit oversight. I hope to be able to see us do that.

I would like, and this is what I was saying when I started this off, I would really, really like to ask how we help this new administration avoid those pitfalls and focus on that. I think that too many of us have had the problem that with for-profit we had a certain mind set, and for non-profit, we had a separate mind set. I think we need to put it back together and understand the potential for problems exist in both of these vehicles. We need to make sure we have the oversight.

You have real problems here and we can talk about that in the future, about your transition with your experience. We can put up tag teams where you have experienced guys and new guys going in so there is a learning process. The way we phaseout law enforcement is we always made sure that we tried to put the more experienced officer with the less experienced officer so that gets transferred through use.

I yield back, Madam Chair.

Ms. WATSON. Thank you.

I now recognize Mr. Connolly.

Mr. CONNOLLY. Thank you, Madam Chairwoman.

It seems to me in listening to the testimony that we sort of have three broad problems with USAID. One is, what is its purpose and what is its mission in the post-cold war era? The second is its capacity, that it has been hollowed out. The third is sort of that it is an orphan. To whom does it report? Is it an adjunct of the State Department or is it a free standing agency? We have sort of gone back and forth over the decades as to what is the proper model. Let me start with that third piece for a second.

Secretary Rice created the Office of DFA. I last was up here 20 years ago and I worked with George Ingram and I worked with Margaret and some others on the Foreign Aid Bill. In fact, I think we were the last crowd to pass a foreign aid authorization bill. I don't understand what motivated the Secretary to create this Office when you had a USAID Administrator. How did it work? What is the relationship between the USAID Administrator and the DFA? Should we change that as we are looking at this overhaul?

Mr. Ingram? Any of you can answer but I will start with George.

Mr. INGRAM. Thank you. I think administrations for 20 years have been coming up with new programs and new initiatives and have looked at USAID and said, that is a mishmash; I am not sure

what it is and I don't know if it can manage this so I want a new entity to manage it. This has gotten out of hand over recent years.

The Director of Foreign Assistance was created in the State Department, as I understand it, because the Secretary could not obtain the knowledge she wanted on what was happening in democracy. So she said, we are going bring together the information and consolidate. What happened was it turned into not just an information center, but a decisionmaking center. Decisions were taken from the field and from USAID and put in this Washington-centric entity that was unfortunately removed from what was going on in the field.

The second problem with it is that it really only had jurisdiction over a large part of USAID and part of the State Department, but not over a lot of foreign assistance that other agencies do nor even parts that the State Department does.

So absolutely the effort to reform, to consolidate, and to streamline needs to include the Office of the Director of Foreign Assistance. The State Department clearly needs the capacity to look at foreign assistance from a strategic point of view and from a foreign policy point of view, but it needs to, as it did in the 1960's and 1970's and even 1980's, I would argue, respect the role of the implementing organization to set the policies and to manage the programs.

Mr. CONNOLLY. Mr. Kunder.

Mr. KUNDER. Sir, first of all I basically agree with what George said. Secretary Rice famously asked one meeting about how much money we are giving to Pakistan. The folks from the International Narcotics and Law Enforcement Bureau raised their hands and said what they were doing. Then the folks from the Bureau for Democracy, Human Rights, and Labor raised their hands and said what they were doing. And USAID raised its hand. She finally pounded her fist and asked, well, who has the total number. Of course, the answer was nobody did.

So it was, as George said, seen as a reform where we can get all the numbers on the right page and have some clear cut hierarchical system for allocating the resources. I think what has happened, sir, is that two things have gotten confused here. One is a perfectly natural desire to have transparency in the budget. As George said, you can create a budget shop that adds up all the numbers and makes sure they all add up. That has gotten confused with a bureaucratic tendency on the part of the State Department, which has been at least in the last 8 years buffeted by DOD, to pull aid ever closer to itself.

Part of that is, in my view, misguided efficiency moves: Wouldn't it be better if we had one paper copier Lilongwe, Malawi rather than two? Some of it is just small bureaucratic thinking. Part of it is that State has felt overwhelmed by DOD and probably the biggest thing that they have going for them to have a face, a visibility, is a humanitarian implement though USAID.

So I think two things have gotten unfortunately confused in this whole DFA process. That is my interpretation, sir.

Mr. CONNOLLY. Let me just ask a followup to that. One of the concerns I have always had about that kind of consolidation within the State Department is that you are melding an operational agen-

cy, or at least it once was an operational agency, they actually did things, Mr. Bilbray pointed out that in the local government we actually do things, we build things, we provide services and so forth, whereas State Department is a policy shop. So you now have an operational agency coming ever closer within the bosom of an agency that frankly isn't operational in that sense. I just think that is a clash of cultures that doesn't work very well.

Mr. INGRAM. I think we would absolutely agree with you.

Mr. KUNDER. Sir, I had the honor of serving in the U.S. Marine Corps and for 200 years the U.S. Army said, it would be a lot more efficient if we just moved the Marine Corps into the Army. I felt the same way at USAID. There are always some budgetary reasons why we can save a few dollars but unfortunately what you do is undercut our Nation's foreign policy toolbox by bringing these organizations together.

Mr. CONNOLLY. Mr. Chairman, my time is up. I hope we will have another round because I have a lot more to go into. But I certainly would hope that on our agenda and on the Foreign Affairs Committee's agenda, as we look a rewrite of Foreign Aid, with the best of intentions we have to look at sort of the structure that we are inheriting. It doesn't seem to be very functional.

Mr. HODES [presiding]. Thank you.

I recognize myself for 5 minutes. In reading the GAO report and talking about the difficulties with overseeing the A&A process, I note the growth from $5 billion to $11 billion. What I want to ask about is this: In the ideal world, if you could fashion our international assistance and development efforts from scratch, what model would we best follow? Would it be a model where we were supervising contractors, a model where the agency in whatever form, assuming in an appropriate form, itself undertook the operations, or some form of both? Mr. Melito, do you want to start?

Mr. MELITO. I am hesitant to say what is the best model because I don't know if there is a best model. I do want to stress, though, that whatever model you choose, you need to implement it fully and take oversight very seriously.

When we began work, USAID had only four individuals responsible for overseeing all of the contracts and assistance agreements worldwide. At that time, it was $10 billion overseen by four people. That was their evaluation function. The IG at the time said that they were basically only able to visit nine missions overseas over a 3-year period. So I don't think USAID had any capacity to say that it was able to control its money, to know that its systems were in place, or that it actually had any assurance that any particular regulations, any concerns it had over the proper use of money, were actually implemented. That is not to say that it wasn't, that money was stolen or anything, just that they had no way of assuring that itself.

So I would say that whatever model you choose, please make sure that oversight and evaluation is a part of that model. I do think there is recent evidence that USAID is taking that seriously. They have pushed up that staff from four to nine. But it is $11 billion and 60 percent of it occurs overseas. But I am not sure what the right number is and I am not sure exactly how they are going to do that. But it is not yet the priority it needs to be.

Mr. HODES. Are there any other thoughts from the panel? Mr. Walsh.

Mr. WALSH. Yes, I would like to offer that one of the challenges the U.S. Government has in general is in sustaining a technical edge because it is very expensive to invest in the training and to take people offline considering the work force. So the best model would be, in terms of achieving or utilizing technical excellence, to rely on the commercial or the private sector. Then, hopefully, the expectation is that the Government would have the ability to define the requirement and monitor accomplishment. But the technical excellence is usually in the private sector. It is sort of more efficient to sustain that.

Mr. HODES. Mr. Ingram.

Mr. INGRAM. I would just say that you answered the question yourself when you said both at the end. USAID needs a larger number of better trained and skilled staff who have the technical capacity and experience to design programs and to manage and oversee programs that are carried out in the field by non-profit and for-profit organizations that have more detail specific expertise.

They also, you need to understand that with that expertise of USAID staffers, they spend a lot of time engaging with their counterparts in developing countries in ministries and other institutions. That is part of the development process. In that, USAID staff needs to be sufficiently knowledgeable that they can transfer information to those senior officials that they are dealing with.

So they play both. They design the projects and oversee them but they also provide advice.

Mr. HODES. Mr. Kunder.

Mr. KUNDER. Sir, I thank you for asking that question. This is what I spent a good bit of my time wrestling with the last 7 years.

My view is that clearly there has to be some balance between making use of the enormous capacity in the American private sector in universities, private businesses, and so forth and on the other hand having enough people internally, as Dr. Melito is saying, to oversee this. Because if you don't know what you are talking about, then the private sector is going to snooker you sometimes. So I think the pendulum has swung a bit too far on the side of not having enough oversight within the Government. That is why Dr. Melito is talking about these pathetically small numbers, four versus nine. Come on, we have to get serious about this. We are managing billions of dollars of the taxpayers' money.

We have a locust plague reliably every 17 years in Africa. We do not need to have world class entomologists on staff waiting for 17 years. When we need them, we should hire them from the private sector. But certainly we need people on staff who can oversee the technical specialists that we hire.

Right now, the pendulum has swung way too far and we don't have enough bodies to oversee the taxpayers' dollars.

Mr. HODES. Thank you. I yield back both my time and the gavel.

Ms. WATSON [presiding]. The ranking member and I were just discussing how best to manage because it is management, I think, that is really important. I really feel that the non-profits, the people on the ground that have been there in the villages and so on,

let us take Africa, for instance, can relate better to the circumstances.

But in some places they might be too young and in some places they might be too irrelevant. I do know that in more traditional societies, you really have to go to the chief. At my station, it was Aman Marqui [phonetic], someone who could really interpret. Could I hear some comment about that?

I don't think one pattern fits the global environment if we are going to restructure. I think we have to go region by region. I would like to get some response from any of you who would like to speak to that. How do we manage these programs? How do we supervise them and who should?

Mr. WALSH. I would offer that there are many different approaches among the NGO's as to their intervention and how they relate to the villages and what have you. There are some that have numerous expatriates, for example, operating from the country level down and they may have a presence in the village. There are others where they don't, where they have purely local nationals managing the country office and they just have headquarters staffing them.

I think everybody who has worked in development and has been out to those villages realizes, we hope, and appreciates that one of the skills that you have to bring is the ability to relate effectively with the villages and the beneficiaries. So every organization that is engaged in these sort of activities is operating a little bit differently or is structured a little bit differently, but I hope that they would have that standard of effective engagement with the beneficiaries. If there are exceptions to that, I don't have an explanation.

Ms. WATSON. Dr. Melito.

Mr. MELITO. The model that USAID uses is a hybrid model of using a number of individuals hired in the country that are providing the services as well as a cadre of international, American-led staff. It works very well in certain cases. In some instances, it doesn't work well at all.

Part of my other work is looking at food assistance. We were struck when we visited Zambia a couple of years ago that for the projects that we were visiting, no American USAID official had visited there in several years. It turns out that there had only been nine monitors for food assistance for a $2 billion budget worldwide. So there were concerns with timeliness. We had also cases where food basically had rotted. So definitely there were concerns we were raising.

Part of what we were finding was that there was not a good information flow from the field back to headquarters on how to address these things. So there needs to be the right balance between having permanent staff who can monitor as well as people hired in the field who actually have good working knowledge.

Ms. WATSON. Mr. Ingram.

Mr. INGRAM. There is a whole section of my statement where I talk about the importance of analysis. It is not just having different operating mechanisms by region. It is by whether or not you are working at the community level or the national level. It depends upon whether or not you are in a middle income country or you are

in Sudan or Somalia. So what you have to do is, before you get involved in an activity, you have to be very careful in analyzing the dynamics in that community, in that country, in that situation. Then gear your interventions according to is the decisionmaker the chief; is the decisionmaker the church in that entity; do you need to bring community organizers in there just to bring the community together to begin with to see what their interests are. So you have to have multiple mechanisms. But it starts with good analysis.

Ms. WATSON. I am going yield to the ranking member, Mr. Bilbray.

Mr. BILBRAY. To followup on this, Mr. Ingram, a good example is when we send somebody in and an NGO feels, OK, we are in Afghanistan so we will go into Kabul and hire somebody to be our liaison. If you send somebody from Kabul into Kandahar to talk to a Pashtun and not go to the chief, the chief now sees that the agent that we are using is a competitor to his authority. That creates a whole new dynamic that creates a lot of problems. We have seen this happen again and again. We take our First World mentality and try to apply it there.

I was just telling the chairwoman that one of the first things you do in a Polynesian or Micronesian island is to go and meet with the chief of the island so you get permission. Even when you go to places like the San Blas Islands in Panama, you always go to the elder. We bypass that to a large degree because we have gone to Kandahar and think that an Afghan is an Afghan is an Afghan.

How do we avoid this in the future? I am open to comments on that. If you think this is a wrong observation, I would encourage you to state it.

Mr. WALSH. I would say that in my statement, I emphasize the need to improve the technical capacity of USAID. I also should have said that we need to improve the cultural knowledge and the regional knowledge of the staff, and to improve their language capabilities.

I think a mistake we have made, both when we went into Iraq and when we went into Afghanistan, is we didn't listen to some of our old hands who had been around those parts of the world for 20 and 30 years and really knew the culture and the political dynamics. We need to spend more resources and more time planning on some of that cultural and political analysis.

Mr. BILBRAY. Mr. Walsh, how much of this could have been, though, the State Department's and the military's concept in Afghanistan of wanting to reinforce the authority of the central government because there had been such a lack of central authority in Afghanistan? How much of this could have been a direct, conscious effort at strengthening the new government rather than trying to work with the traditional structure?

Mr. WALSH. I simply don't know the circumstances. But I would offer that most of the people who work with these NGO's are country directors that have been there in programs oftentimes for 5, 10, or 15 years. So I have no explanation as to why there was a cultural disconnect. More often than not, the NGO's have been there before USAID showed up and before there was an intervention. They should have some cultural sophistication but there are no

guarantees on that. But I don't know to what extent the politics that drove it.

Mr. KUNDER. Mr. Bilbray, to defend my USAID colleagues a little bit, I think they fully well understand that an Afghan is not an Afghan is not an Afghan. The problem in my view, respectfully, has been one of resources. Twenty years ago, when USAID sent somebody upcountry in Laos they spoke Lao. They probably had been trained in all the kinds of things you are correctly pointing out in terms of cultural awareness and anthropological mapping and all that. The reality is, with the breakup of the Soviet Union, USAID was sent into a lot more countries in central Asia. We went into more countries, as Dr. Melito pointed out, and handed more dollars to programs in more program areas, the environment and so forth, while the whole time the staff was shrinking by 80 percent.

With all due respect, the kind of assignments we made were if we had a warm body, we sent him to Anbar Province or Ghazni. We didn't have the time to give them the language training. So to me, the question you are raising, and it is a very profound question, is directly related to the resourcing issue.

USAID needs more staff because then they will have time to do the language training and the cultural awareness training. You are pointing out a critical point. But you give them 1,100 officers around 85 countries and with the demand right now, we need more people in the PRTs in Afghanistan. We need more USAID officers to advise our military officers. Well, do I have time to send them to Pashtun training? Of course not. I mean not me anymore, but the guys who are there now. Anyway, I see this as directly related to the resources, sir.

Ms. WATSON. Mr. Hodes, do you have additional questions? Then we will have Mr. Connolly. Mr. Hodes.

Mr. HODES. Thank you, Madam Chair. I want to talk a little bit about the problem of coherence and vision. Throughout the testimony of the panel, it is clear to me at any rate that not only do we need a coherent national security strategy but one in which development assistance and our smart power is integrated as an essential part of an overall national security strategy. Within the realm of our assistance and aid, it strikes me that we need to establish priorities and come up with a coordinating vision that will guide our efforts.

One of the things that I note is the spread of our development efforts across the governmental agencies with 53 percent USAID and the rest spread through multiple agencies. So somebody in a foreign country who wants to deal with a development issue may go to the Agriculture Department for one thing, the Department of Energy for another, and may come to USAID people for another.

How do we get a handle on this in the intervening time, starting now, between where we are and ultimately where we want get to with the rewrite of the bill and all that? What do we do now in order to get a handle on this and start coordinating our development efforts amongst all these governmental agencies? Is that an impossible idea? Mr. Kunder, do you want to start?

Mr. KUNDER. Sir, it is a very critical question. I would point out that the answer to it lies in part in what Mr. Ingram said. U.S. foreign policy and U.S. foreign aid are coordinated partially in

Washington and they are coordinated partially at our embassies around the world. So you have to address it, I would argue, at both ends.

I have argued, and I have touched on this in my statement, that we need to create a new set of coordination mechanisms. That is why I mentioned that I didn't think the genie could be put back in the bottle. You can't tell the Energy Department, in our globalized world, that they have nothing to do with the international arena and have to stay here. Of course they are going to be involved. EPA is going to be involved. CDC is going to be involved.

So my view is that you would create under the USAID Administrator a new administration development coordination council where each of the Assistant Secretaries from the relevant domestic departments would attend. There would be some shared information. We would establish across the Government strategic goals. Then at the country level you would have, again under the USAID mission director in that country, you would write a country strategic plan. What are the United States of America development objectives in this country? Is it family planning; is it education; is it health care? Then all of the Government agencies present in that country would be working together toward that set of goals.

So my view is that both in Washington and in the field we need to create, and I would say this should be put into the rewrite of the Foreign Assistance Act, some new set of coordination mechanisms that simply don't exist now. When the Foreign Assistance Act was written, we didn't have this kind of globalization of the domestic departments so we didn't perceive the need for these kinds of mechanisms. Today, we desperately need such new coordination mechanisms.

Mr. HODES. Are there any other thoughts from the panel? Mr. Ingram.

Mr. INGRAM. Let me just use your question to make a point because Jim answered your question nicely. That is, and I think you recognize it in the way you posed the question, that coordination an important, useful, second best solution. You first consolidate as much as you can so that like programs are brought together under common management and then you don't have the coherence problem. Those programs that aren't core to USAID or the development function, or that you decide should remain independent, they get coordinated. But if you consolidate as much as possible that makes rational sense, then you have less of a coordination problem.

Mr. HODES. Taking off from what you said, do you know adequately what all the programs are? Is there a central repository of this knowledge that says here are all the programs that need to be either consolidated and/or coordinated? Do we know what all the programs are, Mr. Melito?

Mr. MELITO. I would suggest that we do not know. I would say, though, we have an ongoing study on U.S. efforts to fight global hunger. We have thus far identified 10 different U.S. agencies which have that as one of their missions. We have a lot of work ahead to see exactly how they overlap, how they differ, how they coordinate. But that was a surprising number for us that there were 10 agencies.

Mr. HODES. So it strikes me that the first question is, let us get a handle on what all the programs are and which agencies are doing what. That seems to be job No. 1.

My question about a coordinating council is that in order first to deal with the consolidation issue, I am not sure that a coordinating council is the body that could deal with the consolidation issue. So it strikes me that there needs to be some responsibility—and tell me if I am wrong—maybe in the State Department or maybe somewhere else, but some responsibility at a top level to order the review and consolidation of various programs across agencies. Then we can deal with the coordination as the second step.

Am I on track with that?

Mr. INGRAM. Yes. I would say that you have to raise it to the highest levels of Government. That mandate has to come from the Congress and the President.

Mr. HODES. OK, thank you. I yield back.

Ms. WATSON. Mr. Connolly.

Mr. CONNOLLY. Thank you, Madam Chairwoman. If I could have my 2 cents, I think we need to be loud and clear that the lead development agency of the U.S. Government is USAID. It is not the EPA; it is not CDC; it is not the Department of Labor, though they may all have pieces of it. The lead agency has to be USAID or its successor. Otherwise we are floundering around and we lack the coherence my colleague, Mr. Hodes, just referred to.

I want to go back to mission for a minute. I know Mr. Ingram and his colleagues are involved in trying to rewrite the Foreign Assistance Act to make it more coherent. I was intrigued, Mr. Kunder, with your suggestion that maybe what we need to do is focus on a task. Let us end malaria; let us end illiteracy. That has a certain attraction to it.

But let me ask this: Certainly Congress is as guilty as anybody, since the forming of foreign assistance as we know it, in encrusting the Foreign Assistance Act with multiple purposes. Biodiversity, I can remember was one that I was part of myself. All of them are noble causes and I don't know how you resist that.

Does it make sense to have a more streamlined agency that is focused on a handful of things and only those things? Or do we need to preserve the flexibility to understand that in the real world, USAID and/or its successor agency is going to serve a multiplicity of purposes?

Mr. KUNDER. Sir, I have suggested that if we were a business, we would have gone out of business a long time ago because we have tried to stay in every business sector known to mankind. We have 50 or 60 different kinds of programs around the world including, literally, mountain gorilla habitat. You can't do that. You have to operate in the real world, as you correctly point out.

My view is that such a strategy would have to have three elements. First, you would have to define some of the broad strategic objectives like the Millennium Development goals or like ending illiteracy, just some very broad strategic objectives. Second, you would have to supplement that with some sort of opportunities fund because things are going to pop up that nobody can foresee and there are going to be political pressures to contribute to some multi-lateral effort to take on a new disease. You can't hamstring

the whole problem so you need some sort of supplementary opportunities fund. Third, you need to refresh the system every couple of years.

I have testified that I would respectfully recommend that if the Congress is going to rewrite the Foreign Assistance Act, they build into it something like the Department's of Defense quadrennial defense review. You can't say now and forever the answer is illiteracy or now and forever the answer is malaria. But what the Defense Department does is manage an interagency quadrennial review of the current strategic threats. Then we reorient our defense programs to those strategic threats. But at least we achieve a consensus every 4 years. I think such a flexible model might be applicable to the foreign aid arena as well.

Mr. INGRAM. Representative Connolly, as you have pointed out, I think the Congress is part of the problem. I don't know how to get around that part of the problem because most of those congressional interests in specific areas, as you say, are quite legitimate and important. You also have a problem on the ground in that every country has different interests.

But what does come to the fore for me is that when you look at the history of foreign assistance and you look at where the successes are, the successes are where USAID, where the U.S. Government, or where the international community has tackled a particular problem for 10 years. Look at the green revolution, oral rehydration, and polio. That leads you to the direction to choose a few priorities and focus our resources on those. But development is much more complicated and much more complex than tackling a few clear problems.

I guess if I had my druthers, I would like to see a foreign assistance program that tackles five global problems with 70 or 80 percent of our assistance devoted to tackling those in public/private partnerships for 10 years. Then the other 30 percent, or whatever percent you choose, goes to deal with a lot of these other more complicated human aspects of development.

Mr. CONNOLLY. I have two points about that. The problem is, with the best of intentions, the way bureaucracies work. If you don't write it into the law, we don't do it. We generally don't act flexibly. So if you list that these are the 10 things we are going to do, by God, if an 11th comes up that isn't 1 of the 10, we are not going to do it even if we should be. So I think that is potentially a problem with that approach, but it may be worth it.

Mr. INGRAM. Can I respond to that?

Mr. CONNOLLY. Certainly.

Mr. INGRAM. As you will note, the Foreign Assistance Act is 700 pages. I would suggest to you that most of what is in the Foreign Assistance Act is not followed by the bureaucracy. In fact, it is so complicated and so complex that people in the bureaucracy seldom pick it up. When you come to rewriting the Foreign Assistance Act, keep it short and sweet and put in there what you really care about and what you really care about making the bureaucracy accountable for.

Mr. CONNOLLY. Yes. Although I know you know this, having helped write the Foreign Assistance Act, the problem with foreign aid is that it is an orphan up here. So one of the reasons it is so

barnacle encrusted is because you are trying to pull together a coalition of support. If biodiversity is important to this Member of Congress, we will put it in if we can get his or her vote.

I have a final question, Madam Chairwoman, if I may. You characterized USAID as a risk averse culture. Mr. Ingram, I heard you talk about the need for Congress to show some flexibility in actually encouraging risk. I think there are a lot of reasons, perhaps, why we have evolved into a risk adverse culture. But let me ask you, Dr. Melito, aren't you part of the problem?

In my own experience, when I wrote the Foreign Assistance Act on the other side of the House, I often would get audit reports from GAO or from the IG that were very thoughtful and really helped illuminate problems. But sometimes we got some that frankly took no cognizance of how difficult this work is, no cognizance of the fact that you are in a work environment that may be engaged in a civil war or huge natural disaster or just adverse conditions that boggle the mind. They are doing the best they can and the fact that they didn't produce eight widgets, they only produced seven, is not quite the ding you think it is. Training auditors and IGs to actually understand this working environment I think is a challenge. I just wondered if would comment on it.

Mr. MELITO. GAO places balance and fairness as a very high priority of ours. I stress with my staff, we go in country and part of why we go in country is not just to see what is going on but actually to really appreciate more how difficult this is. I think we do a very good job of that. Part of what we are trying to do, though, is to help maximize the effectiveness of these programs and also get the most for the taxpayers' money. It is a very difficult balance that we are trying to achieve. I think that we have a very productive and very positive working relationship with USAID.

Mr. KUNDER. Could I say something very briefly, sir? I agree with George that the message does have to come from the Congress. I have no problem with the work that GAO does and never did. But if you are a USAID officer and you are sent off to Afghanistan, you are seeing what is going on. First of all, the size of our own internal Inspector General staff has increased every year. Then on top of that, the Congress has created both the Special Inspector General for Iraq and now a Special Inspector General for Afghanistan. You are just being told by the Congress—our people are highly intelligent—you are being told to be cautious.

There is nothing wrong with being cautious. I am going to say something because I really believe this deeply: Considering the environments USAID officers work in—and I know there are occasional scandals because I dealt with every one of them in the last 7 years—but by and large, we are giving the taxpayer a level of oversight in these kinds of difficult environments that is comparable to what we are getting in the city of Alexandria where somebody just pulled $170,000 from the parking meters. You can't catch everything. But the problem is the message is clearly one of don't take any chances. And you can't succeed in Afghanistan without taking some chances.

Ms. WATSON. It appears that might be a vote. We are checking on it. I think that the ranking member has one final word. I will go to the ranking member.

Mr. BILBRAY. Thank you. Mr. Ingram, there are two different kinds of consolidations that we need to talk about. In 1948, there was the concept that all aviation should be controlled by the Air Force. Maybe the Marine Corps didn't need it anymore because airplanes are airplanes. But the tasks for those airplanes were different. That is why to this day we have close support within those ground based operations and the Naval operations aren't consolidated. So we get into that. We have hit it now with the unmanned vehicle. The Air Force doesn't like them but the guys on the ground love them.

Let me sort of throw out to you the concept of using the outcome. Rather than literacy in a country that doesn't read the Qur'an because they can't translate it into their native tongue, a task that I think we ought to be looking at in Afghanistan is the elimination of the opium economy and the return to the orchards of the 1950's, 1960's that the opium economy ended up destroying. Because, let us face it, you don't worry about your orchards if you don't think you are going to be alive in the next couple of months.

But that would include the use of biological herbicides and the appropriate way of using those herbicides, as the destruction of the opium crop over a period of years rather than a total destruction to where people start realizing the Americans are killing their crops. Let me talk to you about this. Let us just say that the Armed Forces went in and wiped out the opium crop the way that some people are purporting while our USAID pack is there. The children of Afghanistan are learning that Americans and their country are destroying daddy's crop rather than seeing that Americans in Afghanistan are helping dad plant the new orchard that is going to feed them in the future.

Do you see how this isn't as simple? Because if we were tasked with this transformation, the military application and some of the non-USAID activities have to be totally coordinated with that aspect. I point that out. I think that is the kind of goal, not looking at literacy in itself in isolation, but the outcome of a new economy.

Do you think the coordination could be brought under a thing like the Director for Foreign Assistance working with the Department of Defense in that kind of coordinated activity or do you think that we need to leave some of this out of a coordinated effort like the Director of Foreign Assistance? Is that the person you were picturing as being the czar or are you talking about creating a new czar for this oversight?

Mr. INGRAM. No, I wasn't thinking about creating a czar. I was thinking about putting as many of the development functions of the U.S. Government in, let us say, USAID with a global development strategy that cuts across the whole U.S. Government and probably gets lead by the NSC, USAID, and the State Department. They lead the formulation of that. But it includes the military in there, and EPA, and CDC, and whatnot in formulating a broad global development strategy.

Then when it comes to a country like Afghanistan, it is really under the direction of the Ambassador and his appropriate senior folks in Washington who have to drive the U.S. foreign policy interests in that country. If it is the elimination of opium, then you need to put together a U.S. Government-wide strategy, part of which

might be the military and a large part of which might be helping with the economic and social evolution and dynamics, which would come under the rubric of USAID. But not all of that might fall under the expertise of USAID. You might have to get EPA involved in there. If there was a health component, you might have to get CDC.

So it is not that you fold everything into USAID. It is that USAID is the Government agency that has the expertise and knowledge for how you carry out development programs in a country in terms of social, economic, and political development. It then reaches out to the rest of the U.S. Government and pulls it in as their expertise and experience are needed.

Mr. BILBRAY. Madam Chair, I appreciate this hearing. I guess the challenge to the successors of Mr. Walsh, I really think—you know, I spent 18 years in local government and I learned one thing, which is that the way to bridge the huge gap between the theory of how you think things are going to work and how they are actually going to work is to actually implement them on task orientation so you learn that there are little things, like support aircraft are needed by the Marine Corps—I think the two challenges we have are one in Afghanistan and the other in Central America. How do we use our aid to replace the drug economy and the lack of economy in certain parts of the world and be able to transition it?

We have to learn by doing and keep that flexibility because the outcome is what matters, not the structure or the process. I think that we need to be able to modify that process. The only way to know if it is working or not is seeing if you are moving toward the outcome.

I think our problems right now in Afghanistan and in Latin America are reflective of the fact that we need to get more to the outcome rather than just following a procedure. Right now, your argument is so compartmentalized there is no way to follow the ball because it bounces in too many different locations.

Thank you very much, Madam.

Ms. WATSON. Thank you so much. Our time is really winding down. We have a ceremony in Emancipation Hall that many Members want to attend. So let us do this: We are going to have to have a subsequent hearing. I am going to have the staff send you a memorandum because I would like to hear more about what we do in high threat environments. How do we have programs? What kind of programs can we have? I would like to know how we work in the Peace Corps with these programs and so on. But we are going to put in writing a memorandum to you. You can respond and we will include those in the record.

We will have a followup hearing because I think we were just getting into the meat of the restructuring. There is a tremendous need for restructuring and reorganizing so that we don't duplicate so many of these efforts that we are trying to make.

If we are going toward peace, if we are moving into that era, how do we do it? We will specifically ask you these questions and you can write back. We will make them a part of the record and then we will followup and have a final hearing.

With that, the meeting is adjourned. Thank you so much for your testimony.

[Whereupon, at 10:53 a.m., the subcommittee was adjourned.]

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