

SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS  
AND INTERNATIONAL RELATIONS

Christopher Shays, Connecticut  
Chairman  
Room B-372 Rayburn Building  
Washington, D.C. 20515  
Tel: 202 225-2548  
Fax: 202 225-2382  
E-mail: hr.groc@mail.house.gov

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## MEMORANDUM

To: Members of the Subcommittee on National Security, Emerging Threats, and International Relations

From: Thomas Costa, Professional Staff

Re: Briefing memo for the hearing *Strategic Workforce Planning at USAID* scheduled for Tuesday, September 23, 2003 at 10:00 a.m. in room 2247 Rayburn House Office Building.

## PURPOSE OF THE HEARING

To examine efforts of the U.S. Agency for International Development to reshape its workforce to better meet new missions and methods.

## HEARING ISSUES

- 1. Why doesn't USAID have a strategic workforce plan?**
- 2. How does a lack of a workforce plan affect USAID efforts in post-conflict areas?**

## **BACKGROUND**

### **ABOUT USAID**

The U.S. Agency for International Development (USAID), a semi-independent federal government agency answerable to the Secretary of State, is charged with implementing U.S. foreign economic and humanitarian assistance programs. The agency advances U.S. foreign policy objectives through three programmatic areas:

- economic growth, agriculture, and trade;
- global health issues, including HIV/AIDS and other infectious diseases; and
- democracy, conflict prevention, and humanitarian assistance.

The agency works with a wide array of public and private partners to implement its programs. USAID operates in more than 100 countries, with resident staff in approximately 75 countries in 4 regions of the world: sub-Saharan Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and Eurasia. USAID has approximately 2,400 full time employees who often labor in difficult environments and under evolving program demands. The agency had a \$10 billion budget in FY 2002, which grew about 30 percent – due primarily to increased spending in Afghanistan – from \$7.8 billion in FY1998. (**Web Resource 1, inside cover**)

### **USAID FROM IMPLEMENTER TO CONTRACTOR**

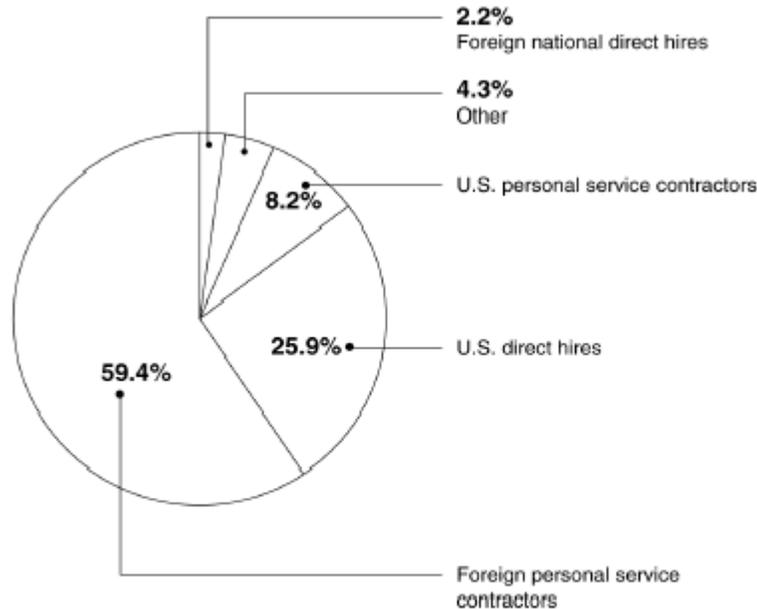
According to previous General Accounting Office (GAO) reports, in the last two decades as U.S. direct-hire staff levels have declined, USAID has had to evolve from an agency that directly implements projects to one that plans and monitors them. Mission directors have become increasingly reliant on other types of employees, such as personal service contractors, to manage mission projects implemented by third parties. For example, as of September 2002, foreign personal service contractors made up approximately 60 percent of the USAID workforce and U.S. direct hires made up about 26 percent of its workforce.<sup>1</sup> (See Figure 1.) The USAID

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<sup>1</sup> Foreign personal service contractors are non-U.S. citizens contracted by the U.S. government. U.S. direct hires are U.S. citizens employed under the civil or Foreign Service personnel systems.

workforce includes several other employment categories, such as U.S. personal service contractors and foreign national direct hires.

Figure 1: USAID Workforce Profile, as of September 2002



Source: USAID.

Notes:

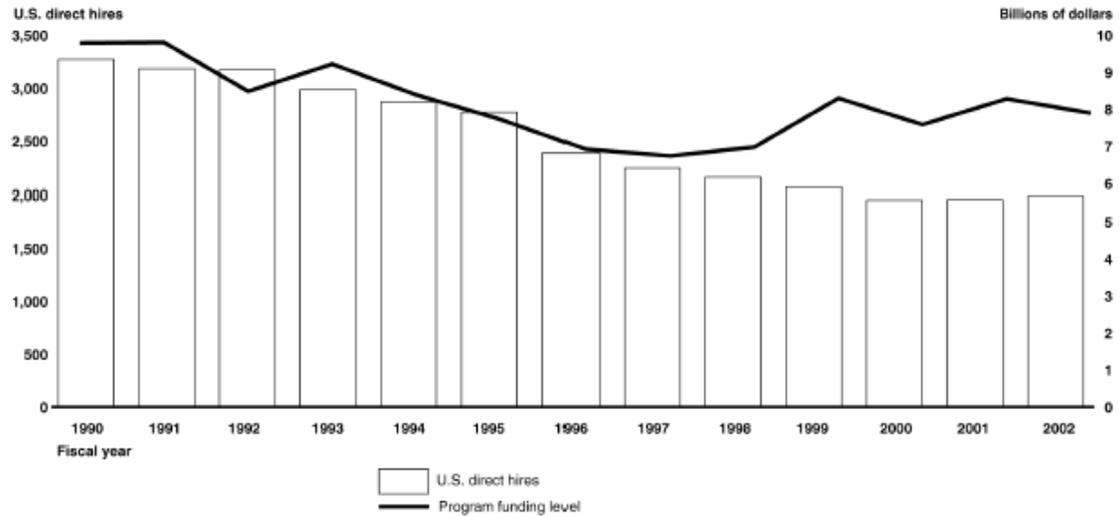
"Other" includes fellows and those employed under participating agency service agreements and resource support service agreements.

This figure excludes the Office of the Inspector General.

**(Web Resource 1, p. 4-5)**

Also, as Figure 2 shows, USAID has had to adapt to a significant decrease in the number of its U.S. direct-hire employees over the past 12 years while continuing to take on new responsibilities. For example, as funding levels remained relatively stable, the number of U.S. direct hires decreased from 3,262 in fiscal year 1990 to 1,947 in fiscal year 2000. In fiscal year 2001, the agency saw its first increase in U.S. direct hires in more than a decade, and current employment of U.S. direct hires is close to the target level of approximately 2,000. In addition, USAID reported employment targets for fiscal year 2002 were not met because of a late start in recruiting, a lack of medical or security clearances for new hires, and insufficient qualified candidates.

**Figure 2: USAID U.S. Direct-Hire Workforce Trends, Fiscal Years 1990 through 2002, and Program Funding Levels, Fiscal Years 1990 through 2002**



Source: USAID.

**Notes:**

Workforce data exclude the Office of the Inspector General.

Program funding information is in constant fiscal year 2002 dollars.

Program funding includes money appropriated to the U.S. Department of Agriculture for Title II, and Title III food programs administered by USAID. Fiscal year 1990 also includes Title I funding, but after January 1, 1991, the funds were administered by the U.S. Department of Agriculture.

Program funding also includes supplementals.

Program funding does not include operating expenses and is not adjusted for debilitations/reobligations, rescissions, transfers, or miscellaneous trust funds.

**(Web Resource 1, p. 5-6)**

**WORKFORCE PLANNING**

GAO has noted USAID has not integrated strategic goals and objectives with a comprehensive workforce plan. **(Web Resource 1, p. 5)** GAO notes this problem has persisted for more than a decade and counts the problem as one of the major management challenges facing USAID. At the hearing, GAO will release a new report, *Foreign Assistance: Strategic Workforce Planning Can Help USAID Address Current and Future Challenges* (GAO-03-946, August 2003), which addresses the lack of a strategic workforce plan at USAID.

USAID has a long history of management challenges identified by GAO, Office of Inspector General (OIG), other government groups, and outside institutions, one of which is the lack of effective workforce planning. In 1992, GAO found:

Numerous internal studies and external reports have identified significant and recurring management problems in most areas of AID's operations. In addition, new programs and approaches introduced by each Administrator, added to ongoing activities and congressional directives, force AID to address so many objectives that the agency has no clear priorities or meaningful direction.

AID operations have emphasized project design and obligation of funds more than program effectiveness and results, due partly to a budget cycle in which most funds are returned to the Treasury if not obligated in the year appropriated. Responsibilities at AID have not been clearly defined and various headquarters offices have redundant activities. AID's work force does not reflect its current needs and it does not have a work force planning system. Finally, AID's financial and information resource management systems are inadequate. (**Web Resource 2, p. 2**)

In 1993, GAO recommended USAID develop a comprehensive workforce plan, noting at the time:

Over the years AID increased the number of programs and projects implemented through outside parties, such as institutional contractors and private voluntary organizations, and consequently, AID's direct-hire employees have taken on additional management and administrative responsibilities for which they frequently lack the needed skills. GAO found numerous instances of this. Staff in the Bangladesh, Kenya, and Niger missions, for example, said they lacked skills in contract administration, financial management, and other important areas for which they are responsible.

Such skill shortages have been largely due to ineffective placement and recruitment and limited access to training. AID officials acknowledge the problem and anticipate that their emerging work force plan will evolve into a system for helping to better match employees' skills with missions' needs. Until remaining deficiencies in its human resources management are corrected, however, AID will not be able to make the most effective use of its work force. (**Web Resource 3, p. 7**)

GAO recommended:

... that the AID Administrator develop and implement a comprehensive work force planning process and management capability as a systematic, agencywide effort. This planning process should:

- Develop human resources planning guidance and assure integration with AID's proposed strategic planning process.

- Ensure that accurate, standard, and comprehensive data, which are needed for work force planning, are available in AID/W, including (1) work load assessments and (2) projections of optimum levels of staffing and skill mixes for all types of employees.
- Assign, recruit, and train direct- and nondirect-hire staff to meet the staff and skill requirements and projections identified in the mission work load and staff assessments.

Further, the AID Administrator should institutionalize work force planning and management capability to ensure its continuation by successive administrators by

- ensuring that staff qualified in human resource management fill key positions in the Human Resource Development and Management Division,
- training appropriate line managers and human resource staff in work force planning,
- systematically budgeting for training and related travel costs and ensuring that funds remain available for this purpose, and
- assigning responsibility for preparing bureau-specific work force plans that support AID's strategic vision to the heads of each bureau to ensure line-managers support and involvement in work force planning. (**Web Resource 3, p. 64-65**)

Four years later, GAO again noted a lack of effective work force planning:

... [USAID] has not provided training needed to learn new skills in team dynamics and personal matters....

... USAID was not providing needed training in new job skills and team operations. For example, USAID has promoted the use of performance-based contracting without providing the requisite training to the missions. As a result, the mission contracts officer in Honduras was developing his own training course. Also, USAID support in personnel matters has lagged behind mission needs, according to mission managers. Thus, the missions have, on their own, developed foreign employees' evaluations and position descriptions and classifications but are still waiting for USAID's reengineered position descriptions for American staff.

USAID acknowledged that it had not provided adequate guidance to the field in training and personnel matters.... (**Web Resource 4, p. 9**)

According to the Inspector General, the steady decline in the number of Foreign Service and civil service employees with specialized technical

expertise has resulted in an insufficient number of personnel with needed skills and experience. **(Web Resource 5)** In addition, the Inspector General also reported less experienced personnel are managing increasingly complex overseas programs. These issues affect the ability of USAID to carry out programs effectively. For example, GAO reported in July 2002 that insufficient numbers of contract officers initially affected the delivery of reconstruction assistance to Central America and the Caribbean. **(Web Resource 6)**

According to GAO, USAID recognized these problems and started implementing annual foreign service recruitment plans that enable the agency to replace the number of employees who are departing through attrition or retirement. In June 2001, USAID also submitted to the Office of Management and Budget (OMB) a workforce analysis that addressed issues such as an aging workforce and the expected high rate of attrition due to retirement. In addition, the agency began hiring junior foreign service officers and recruiting civil service professionals in key skill areas such as information technology, financial management, and contracting. USAID also increased external training for senior managers and developed internal training programs in leadership, operations management, supervisory skills, and performance management.

According to GAO, USAID is addressing its lack of flexibility in reassigning staff and hiring personal service contractors in post-emergency situations. In mid-2000, the USAID Bureau for Latin America and the Caribbean drafted a “lessons learned” analysis of a hurricane disaster recovery program start-up and offered recommendations for changes needed for a similar response in the future. The USAID Administrator subsequently formed the Emergency Response Council to conduct an agencywide review of its experiences with international emergencies. In December 2001, the council proposed several program and procedural reforms to provide more flexibility in planning and implementing activities in post-crisis or post-emergency situations. In May 2002, the USAID Administrator approved the recommendations of the council in the areas of strategic planning and programming, funding alternatives, and staffing.

To overcome staffing constraints in post-emergency situations, a USAID working group identified several existing mechanisms that could make human resources more readily available for design, implementation, and

oversight. For example, in June 2002, USAID reported the working group identified two contracting mechanisms for procuring short term services and staff. In addition, to facilitate the availability of USAID staff for reconstruction activities, the agency has contracted with a firm to establish a skills database of all agency personnel that would be available on short notice for deployment to the field. (**Web Resource 1, p. 7-8**)

## **OPERATING EXPENSE ACCOUNT**

In the course of researching the report on USAID strategic workforce planning, GAO noticed some difficulties in accounting for the USAID operating expense account (OE), which led to a separate report on that topic, which is expected to be released at the hearing.

OE was intended to include all administrative costs involved in delivering foreign assistance, “the cost of doing business,” separate from humanitarian and development assistance program funds. However, in the course of their work, GAO noticed that due to long-term shortfalls in OE, USAID had begun funding operating expenses such as certain administrative activities and the hiring of personal service contractors from program funds.

In the new report, *Foreign Assistance: USAID’s Operating Expense Account Does Not Fully Reflect the Cost of Delivering Foreign Assistance* (GAO-03-1152R, September 2003), GAO will recommend the USAID administrator identify all administrative costs that should be included in OE – whether currently paid with OE or program funds – and report this information appropriately to Congress in annual budget requests.

## **DISCUSSION OF HEARING ISSUES**

### **1. Why doesn’t USAID have a strategic workforce plan?**

According to GAO, developing a comprehensive workforce plan is critical for USAID given the reductions in personnel during the 1990s and the high number of employees eligible to retire. (**Web Resource 1, p. 7**) However, despite repeated attempts to bring this serious management challenge to the attention of USAID administrators, a lack of management leadership combined with the difficulties of a staff and budget that decreased through much of the 1990s, left most staff planning efforts at USAID as *ad hoc* and

ultimately, failures. In 2002, GAO again noted USAID's lack of staffing flexibility in a report on disaster recovery programs in Latin America.

Although USAID and its U.S. partners carried out a large-scale disaster recovery program, mostly within agreed-upon time frames, USAID faced numerous challenges and obstacles that affected the pace of initiating the program.... Some of the factors that added time included arranging for additional program staff and contractor support.... USAID did not have the "surge capacity" to quickly design and initiate a large-scale infrastructure and development program with relatively short-range deadlines while at the same time providing emergency relief, initial reconstruction assistance, and managing its regular development program. **(Web Resource 6, p. 4)**

Over a decade after GAO's initial report on work force planning, human capital management remains a major management challenge for USAID. **(Web Resource 1, inside cover)**

In February 2001, GAO added human capital management to the government-wide "high-risk list." **(Web Resource 7)** President Bush recognized that strategic management of human capital was a government-wide challenge and made it one of 14 items in the *President's Management Agenda, Fiscal Year 2002* prepared by OMB. The report notes that the downsizing of government during the 1990s occurred through across-the-board personnel cuts and hiring freezes and was not strategically targeted. Consequently, the bulk of the Executive Branch workforce is filled with senior management and faces a pending retirement crisis. Moreover, without sufficient planning, the federal workforce will not be trained to accomplish future missions. **(Web Resource 8, p. 11-12)**

The Administration has put a premium on human capital management. It is now up to USAID and OMB to ensure that a strategic workforce planning model is created and sustainable.

USAID has taken several steps to improve its human capital management, but according to OMB, much remains to be done. The agency has to complete a workforce strategy for civil service employees and align staff to systematically support the agency mission, goals, and objectives. To help assist USAID with human capital concerns, the Inspector General is conducting audits of the agency's human capital management. **(Web Resource 1, p. 8)** However, USAID faces numerous structural challenges.

Without properly structuring the agency workforce, it is unlikely most of these challenges will ever be resolved.

## **2. How does a lack of a workforce plan affect USAID efforts in post-conflict areas?**

Both witnesses are expected to discuss how the lack of a workforce plan at USAID affects efforts in post-conflict areas like Afghanistan and Iraq.

The USAID budget has increased by nearly 30% in the last few years, staff has only increased marginally, and USAID remains faced with numerous management challenges. Consequently, a smaller staff has a larger workload dealing with both increased programs and ongoing management difficulties. The question then becomes, how is the agency capable of handling additional responsibilities in new areas like Afghanistan and Iraq?

In Afghanistan:

Years of civil war, compounded by Taliban rule and the worst drought in memory, have devastated Afghanistan. At the time that the Taliban was forced out of power, half of Afghanistan's people lived in absolute poverty and were unemployed. Virtually all of the country's institutions and much of its infrastructure were destroyed. To support the war on terrorism and to keep with America's tradition of assisting those in need, USAID is working to build a safe, stable society that meets the needs of its people and eliminates an environment that breeds terrorism. (**Web Resource 9**)

In Afghanistan, USAID has been responsible for over \$780 million from FY2001 through FY2003. (**Web Resource 10**)

And in Iraq:

USAID is committed to improving the lives of all Iraqis and is working to provide needed assistance to the people of Iraq - to encourage growth, support democracy, and restore health and education systems. USAID works in close cooperation with the Coalition Provisional Authority (CPA) in order to achieve a free and democratic Iraq that is at peace.

Since January 2003, USAID has put into place nine major contracts and four grants to achieve reconstruction work in war-torn Iraq. (**Web Resource 11**)

In fact, USAID lacks the capacity to handle the almost \$1.6 billion in assistance (**Web Resource 12**) for which it is responsible and has relegated most of that authority to the major contractors and grantees.

USAID staff is small and lacks mid-level officers, leaving junior officers in charge of projects for which they are most likely ill prepared. The general decline in staff has left USAID stretched to carry out existing portfolios and without a surge capacity to handle new crises. Moreover, as USAID begins hiring again, without a strategic plan and an understanding of what skills the agency needs to gain, there is no guarantee new staff will be selected for their ability to fill needed skill gaps. For example, staff continues to need greater contract management skills. These problems, particularly the lack of a surge capacity and the addition of new responsibilities are likely to overwhelm the agency.

## **WITNESS TESTIMONY**

Witnesses were asked to examine efforts of USAID to reshape its workforce to better meet new missions and methods. Witnesses were also asked to examine the process by which USAID uses the operating expense account to cover shortfalls in contractor costs. In addition, witnesses were asked to include in their testimony a discussion of how these challenges affect USAID operations in Afghanistan and Iraq, and what USAID is doing to meet these challenges.

Mr. John Marshall, Assistant Administrator for Management, USAID, is expected to respond to and comment on the two GAO reports, “Foreign Assistance: Strategic Workforce Planning Can Help USAID Address Current and Future Challenges” (GAO-03-946, August 2003) and “Foreign Assistance: USAID’s Separate Operating Expense Account Does Not Meet Congressional Intent” (GAO-03-1152R, September 2003). Mr. Marshall is expected to concur with the GAO’s recommendations. (**Web Resource 13**)

Mr. Jess Ford, International Affairs and Trade Division, U.S. General Accounting Office, is expected to discuss the new Subcommittee-requested GAO reports, “Foreign Assistance: Strategic Workforce Planning Can Help USAID Address Current and Future Challenges” (GAO-03-946, August 2003) and “Foreign Assistance: USAID’s Separate Operating Expense Account Does Not Meet Congressional Intent” (GAO-03-1152R, September

2003). Mr. Ford is expected to testify that despite at least ten years of being told to develop a workforce plan, USAID has yet to develop the management tool. He is also expected to discuss the challenges USAID has faced as its workforce has dwindled and its responsibilities and programs increased. In particular, Mr. Ford is expected to discuss how the lack of a workforce plan may be impeding USAID efforts in Afghanistan and Iraq.

## **WITNESSES**

### **Mr. John Marshall**

Assistant Administrator for Management  
U.S. Agency for International Development

### **Mr. Jess T. Ford**

Director  
International Affairs and Trade Division  
U.S. General Accounting Office

## WEB RESOURCES

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2. *AID Management: Strategic Management Can Help AID Face Current and Future Challenges* (GAO/NSIAD-92-100, March 1992),  
<http://archive.gao.gov/t2pbat7/145913.pdf>.
3. *Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed* (GAO/NSIAD-93-106, June 1993),  
<http://archive.gao.gov/t2pbat5/149279.pdf>.
4. *Foreign Assistance: USAID's Reengineering at Overseas Missions* (GAO/NSIAD-97-194, September 1997),  
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5. USAID Office of Inspector General, *Semiannual Report to Congress*, October 31, 2001,  
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6. *Foreign Assistance: Disaster Recovery Program Addressed Intended Purposes but SAID Needs Greater Flexibility to Improve Its Response Capability* (GAO-02-787, July 2002),  
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8. *The President's Management Agenda, Fiscal Year 2002*, Executive Office of the President, Office of Management and Budget,  
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9. USAID Afghanistan web page,  
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11. USAID Assistance for Iraq web page, <http://www.usaid.gov/iraq/>.
12. *Iraq Humanitarian and Reconstruction Assistance Fact Sheet # 64*, September 11, 2003, USAID, [http://www.usaid.gov/iraq/updates/sep03/iraq\\_fs64\\_091103.pdf](http://www.usaid.gov/iraq/updates/sep03/iraq_fs64_091103.pdf).
13. Biography of John Marshall, USAID Assistant Administrator for Management, [http://www.usaid.gov/about\\_usaid/bios/bio\\_jmarshall.html](http://www.usaid.gov/about_usaid/bios/bio_jmarshall.html).