

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 appropriate, 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 all 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.