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Mr. Chairman, members of the Subcommittee, I am pleased to appear before you today to discuss the efforts of the U.S. Agency for International Development (USAID) to assure that the number of U.S. staff deployed overseas is the right number to assure effective and efficient planning and management of programs. At the outset, let me say that we have reviewed the main criteria proposed by the General Accounting Office for determining overseas staffing levels. I can say that not only do we agree with them, we have been using them in setting our field staffing levels, though perhaps not in a fully systematic way.

USAID has been for more than 40 years a critical instrument of U.S. foreign policy. The Agency carries out development, transitional and humanitarian assistance programs in more than 150 countries and maintains some 70 bilateral and regional field missions abroad. We have found over the years that a significant field presence is key to the success of our programs. There are two basic reasons for our overseas presence: influence and oversight. Our overseas employees understand the capacity of our programs and the needs of the specific countries in which they work. USAID staff are recognized by the donor community as resident experts in the field, and their knowledge of local conditions and political reality allows them to have a great deal of influence in assuring that our programs are directed to solving the development or humanitarian problems of each country. Our in-country presence also allows us to leverage and influence other multilateral and bilateral donors to support our program priorities and strategic interests. The presence of USAID American staff in each country also helps to ensure programmatic and financial accountability; our people oversee the work being done by contractors and grantees who implement our programs. They also monitor the appropriate use of resources we provide to counterparts from the recipient country. The head of each USAID mission functions as part of the Ambassador's country team, ensuring that our economic assistance program is an integral part of overall U.S. strategy toward the country.

The main determinants of USAID's overseas presence worldwide and in any given country have always been effective program management balanced by cost. The need for greater security has taken on increased importance in recent years and will continue to be a major factor in the future. The Agency has been engaged in "rightsizing" its overseas presence almost constantly over the past three decades. As an example, the number of U.S. direct-hire staff posted overseas by USAID has fallen from 1256 in 1990 to 687 as

of last September 30, despite the facts that USAID in the early 1990s opened 27 new missions in Eastern Europe and the former Soviet Union and assistance levels in most other parts of the world have remained constant or increased since 1990. Our individual country missions are therefore significantly smaller than they were 15 years ago, resulting in greater spans of program and administrative control for our people overseas. Cost has been the major factor that has impelled USAID to reduce overseas presence; the expense of maintaining field missions has constantly risen, significantly outpacing U.S. inflation rates.

USAID has taken a number of measures to keep the costs of our overseas presence to a minimum.

- We have worked and will continue to work with the Department of State and other overseas agencies of the U.S. government to provide common administrative services through the International Combined Administrative Services System. ICASS has proved very effective as a system to allocate costs fairly among users, and all agencies are working to make it a stronger tool for efficiency as well.
- We have moved to providing some services (contracts, finance, legal) regionally rather than bilaterally in some parts of the world.
- We have used modern information technology to facilitate both voice and data communications among our field missions, USAID headquarters and the offices of our contractors and grantees.
- We have increasingly utilized our Foreign Service National staffs in recipient countries for professional as well as support work, reducing the costs of many functions without sacrificing quality.
- We have closed down USAID missions in countries where our work has been completed; over the past five years overseas missions in Poland, the Czech Republic, Slovakia and the Baltic republics have been closed as programs in those countries ended.

Looking to the future, an area where the factors of cost and security come together is that of office space for our field missions. A prime objective for USAID is to assure that our overseas staff work in the safest possible environment. Consistent with the Secure Embassy and Counterterrorism Act of 1999, USAID seeks to collocate with the embassies wherever possible. At present we are collocated in less than half of our overseas posts. We have worked closely with General Williams and his Office over the past two years to assure that USAID is an active participant in developing and implementing the Department of State's worldwide building program. We will continue to work with State and with the Congress to assure that safe and secure facilities are provided for our overseas staff.

USAID is also undertaking a number of additional steps related to overseas rightsizing, including the following:

- We are revising our finance, procurement and other business processes to be more efficient and effective. These efforts will build on past efforts to regionalize functions and will adopt common IT and process approaches worldwide;
- We are exploring with the Department of State the extent to which our overseas financial systems and operations can be integrated; we have completed an initial study which demonstrated the feasibility of at least partial integration; next steps will include determining the specifics of putting parts of our systems together.
- We are working to develop a template, or model, for a more “standard” overseas USAID mission, to permit the optimum allocation of what will continue to be limited human resources to best fulfill our mission.
- We are finalizing a comprehensive human capital plan that will describe the specific core competencies needed by overseas staff if the Agency is to operate effectively and efficiently, and the steps that must be taken, such as recruitment and training, to produce those competencies.

As you are aware, President Bush has stipulated that the rightsizing of overseas official US presence will be a part of his management agenda. We look forward to building on our efforts to date, working with the Office of Management and Budget, the Department of State and other overseas agencies to find broad, lasting approaches to assuring the most effective overseas presence.

Mr. Chairman, that concludes my prepared statement. I will be happy to respond to any questions the Subcommittee may have.