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Subcommittee on National Security, Emerging Threats, and International Relations**

**Regarding Efforts of the U.S. Agency for International Development to Reshape Its
Workforce to Better Meet New Missions and Methods**

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Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss USAID's efforts to reshape its workforce to better meet new and evolving challenges. With increasing responsibilities overseas, the issue of strategic workforce planning is particularly timely as we add new programs to respond to foreign policy priorities like those in Afghanistan and Iraq while continuing our long-term development assistance programs.

Like many Federal agencies, USAID is experiencing serious human capital challenges. As a result of new program demands around the world, deep staffing cuts and decisions to effectively shut down recruiting in the 1990s, our workforce is stretched thin, rapidly "graying" and approaching a retirement exodus, and lacking in critical skills. Our workforce challenges are made more difficult as we face the consequences of the war on terrorism and the continuing threat that hunger, poverty and infectious diseases like HIV/AIDS pose to our national security. As you are aware, President Bush's National Security Strategy acknowledged these threats and raised the strategic importance of development to the point that it is now an essential pillar of U.S. foreign policy alongside defense and diplomacy.

Under Administrator Natsios' leadership, the Agency developed a business transformation plan to implement management reforms that are being done in the context of the President's Management Agenda. Key among these reforms is strategic management of human capital which mirrors the goals in the President's Management Agenda for human capital. Our management reforms are also being carried out in close coordination with the Department of State because for the first time, USAID and the Department of State have developed a consolidated Strategic Planning Framework. The new Strategic Plan covers Fiscal Years (FY) 2004–2009 and will be updated every three years.

In my statement today, I will discuss our human capital reform activities that are intended to address our workforce planning challenges. This testimony will focus on our human capital reforms that support the President's Management Agenda and our collaborative activities with the Department of State.

USAID Human Capital Reforms

In close coordination with the President's Management Agenda (PMA), USAID is aggressively implementing its own ambitious management reform program. The Agency has established a Business Transformation Executive Committee (BTEC), a governing board of senior executives from all bureaus and major offices across the Agency to oversee our management reforms that are fully consistent with the PMA. A key component of our internal reform plan is Strategic Management of Human Capital and our goals directly correspond to those of the PMA human capital goals. To this end, the BTEC established a subcommittee to manage our human capital initiatives.

Strategic Management of Human Capital

Successful diplomacy and development rely principally on the quality of people and their ability to accomplish the goals of U.S. foreign policy. At USAID, we must stay on the cutting edge of development and humanitarian assistance technologies to foster democracy and economic growth. We must combine diplomatic, technical, managerial and leadership skills to meet the ever-changing challenges of conflict, disease, hunger, population growth and environmental degradation. USAID's workforce must continually adapt to meet evolving challenges in an increasingly complex world. We have a unique set of competencies that have been developed over decades.

Unfortunately, as mentioned previously, a high percentage of our U.S. Direct Hire (USDH) workforce is nearing retirement and a decade of little recruitment and meager training brought the Agency to its current crisis – the “lost generation” that would have been in place had we been able to recruit. In September 1999, the first class of Foreign Service Officers (FSOs) were hired and FY 2002 was the first year in a decade that we were able to replace attrition. However, these officers are not yet ready to lead missions on the front lines. The entire agency both in headquarters and the field is struggling to make up for the loss of its institutional memory and the *right* people are not yet aligned with mission goals in the most cost effective and safe ways.

Nevertheless, the increasing demands for "surge" capacity to undertake new programs that respond to foreign policy priorities (e.g., HIV/AIDS, Afghanistan, Iraq) and the growing number of pre-and post-conflict management programs means that even as the Agency makes progress in rebuilding human capital lost in the 1990s, new demands are exacerbating the lack of critical core skills.

To meet the Agency's human capital challenges, USAID is undertaking a comprehensive and integrated workforce planning effort and is near finalization of a Human Capital Strategy covering the years 2004-2009. Our human capital strategy not only addresses the short term steps that must be taken to address the Agency's human capital crisis, but presents a roadmap for systemic change leading to more efficient management of all categories of USAID's human resources. This includes 13 employment categories that are currently administered through a decentralized personnel management system. The strategy not only addresses the pressing need to align the efforts of these disparate workforce components with the Agency's priorities but it is also intended to clearly communicate USAID's vision to our internal and external stakeholders.

To meet the critical need to create the 21st Century Foreign Service corps, we are ramping up recruitment initiatives. We have established a Development Readiness Initiative that parallels the Department of State's successful Diplomatic Readiness Initiative; this will include the recruitment of junior officers as International Development Interns (IDIs), to assure a continuous pipeline of talent into our system. The Development Readiness Initiative (DRI) is the cornerstone to Agency succession planning efforts for the Foreign Service and Civil Service. In the FY 2004 budget, USAID has requested funds to hire up to 50 new Foreign Service officers in order to provide additional training positions for new officers in our overseas missions.

We are successfully recruiting at the mid-level ranks through our New Entry Professional (NEP) program. Since its inception in 1999, we have recruited over 260 mid-level Foreign Service Officers. During the same period, 52 Presidential Management Interns were recruited with more than a dozen scheduled to come on board by December 31, 2003. These new officers are the replacements for mid-level officers that we lack due to the substantial reductions in staffing levels taken during the 1990s.

Creating a Permanent Surge Capacity

Establishing a surge capacity to address high priority foreign policy objectives is essential to USAID's success. As previously mentioned, the DRI was created to help address this need. Currently, however, USAID has been able to respond to demands for direct hire staff to respond to emergencies and new priorities such as Afghanistan and Iraq in two ways: reassigning staff from existing missions and hiring personal service contractors and other types of contractors. We are also reviewing other methods to address the staffing needs for these priorities such as: 1) Developing rosters of Personal Services Contractors (PSCs) with past experience and security clearances available for deployment on short notice; 2) cross-training direct hire employees; and 3) greater use of limited non-career appointments.

Progress and Plans

To address our pressing human capital needs, rebuild our workforce and prepare better for the 21st Century, USAID has to date:

- *Launched the Development Readiness Initiative.* Starting in FY 2004 USAID will hire up to 50 new USDH over attrition under this initiative.
- *Approved a Preliminary Human Capital Strategy.* Five strategic objectives for the medium term have been approved by the BTEC that will meet OPM/PMA standards for strategic alignment, workforce planning and deployment, talent, leadership and knowledge management. The five strategic objectives are: 1) A More Flexible Workforce Established; 2) A Diverse Workforce Created; 3) A High Performing Workforce Achieved; 4) Staff Placed on "Front Lines" of Agency Work; and 5) Increased Office of Human Resources Capacity to Support USAID Missions.

- *Created and Implemented a Short Term 15-Month Plan* to address the most critical short-term human capital needs. These short term priorities include filling 40 of the most critical job vacancies, particularly those in the areas of procurement, HIV/AIDS and democracy; creating a “surge” capacity to meet new situations like Iraq through limited appointments, rosters of staff available for recall and other mechanisms; and developing a monitoring plan to ensure accountability for human resources.
- *Right-Sizing the Overseas Presence* – In an initial first step to get the “right” people, in the “right” numbers in the “right” place, an overseas staffing template was developed and has produced a set of recommendations for deployment of the 700 foreign service officers currently stationed overseas. Subsequent near term “right-sizing” efforts will include a study of business models and regional platforms.

Our human capital strategic plan adheres to the following six PMA human capital standards: strategic alignment; workforce planning and deployment; leadership and knowledge management; results-oriented performance culture; talent; and accountability. Our plans to meet the goals for the six criteria are below.

1. ***Strategic Alignment*** - the human capital strategy is aligned with the mission, goals and organizational objectives and integrated into the strategic plan, performance plans and budgets.

A joint strategic plan has been developed for the Department of State and USAID as both organizations share the mission of achieving U.S. foreign policy goals. The plan provides the basis for the alignment of the human capital strategy with the Agency's mission. The strategy informs USAID’s Office of Human Resource's transformation from a focus on paperwork processing to a focus on the effective use of people in achieving the organization's strategic objectives. Working closely with OMB, we have developed specific requirements to demonstrate “strategic alignment” of USAID human capital goals with the overall foreign policy goals stated in the joint strategic plan.

A USAID/State joint management council has been established to enable greater sharing of systems and programs, as appropriate, to meet both organizations' needs. While the core skills needed by the respective organizations are different, cross-cutting training needs such as language, management, and leadership could be shared and enhanced by greater sharing of experiences and lessons learned given the respective strengths and weaknesses of the organizations. Such activities are expected to build greater understanding and respect for the respective roles of each organization in achieving shared goals.

2. ***Workforce Planning and Deployment*** - the agency is citizen-centered, delayed and mission-focused, and leverages e-Government and competitive sourcing.

Admittedly, an area where we have fallen behind is strategic workforce planning. However, USAID has established a working group to develop, for the first time in the

Agency's history, a comprehensive, competency-based workforce analysis and workforce plan. The group has started its work by identifying an information technology tool to assist in this effort. To examine the Agency's workforce categories, three major organizational units have been selected as pilots: human resources, procurement and Global Health. Agency competency needs will be identified in relation to the various workforce components to determine the most effective way of working whether it be in headquarters, the regions or on a bilateral basis.

Competency-based workforce analysis and workforce planning will:

- Identify mission-critical occupations, and identification of the core competencies required in those occupations now and in the future;
- Assess the current level of those competencies possessed by current employees in those occupations;
- Provide a gap analysis based on that assessment at the individual, work unit, organizational unit, and Agency levels;
- Create and implement a work plan to reduce or close competency gaps revealed by that analysis throughout recruitment, retention, training and other strategies, to include execution of those strategies, measuring the effectiveness of the strategies, and constantly adapting the strategies to workforce changes revealed by continuing analysis.

In formulating our workforce planning efforts, we have reviewed numerous internal and external studies of workforce analysis and planning in USAID (e.g., GAO and OIG reports) and have considered the accomplishments by other Agencies in their workforce planning efforts.

Additionally, as I indicated previously, the Agency has completed an overseas assessment with recommendations for rationalizing the deployment of field staff affecting approximately 700 Foreign Service Officer positions allocated to overseas missions. This is the first step in an overall Agency "right-sizing" that will improve our ability to do comprehensive workforce planning over time. The broader right-sizing effort will establish necessary levels of staffing for the Agency, the appropriate headquarters to field ratio, and required staffing for operating units in Washington and in the field. Considerations for more (or less) reliance on regional platforms will affect allocations between regional offices and bilateral missions. Field staffing levels will be assessed in the context of a rightsizing framework developed by the General Accounting Office that USAID supports. The framework is designed to link staffing levels to three critical elements of overseas operations: (1) physical security and real estate; (2) mission priorities and requirements; and (3) operational costs.

E-government and other technologies will be essential to increase the Agency's overall workforce efficiency and effectiveness. USAID has acquired e-learning capabilities and web-based tools for recruitment (AVUE) and information on the location and composition of the worldwide workforce (eWorld). In addition, USAID is streamlining and simplifying employment mechanisms.

As part of the Agency's human capital initiative, USAID is employing a deliberative approach to implementing mandated A-76 requirements and has adopted competitive sourcing criteria which are supportive of the President's management agenda and are compatible with our human capital planning requirements.

3. ***Leadership and Knowledge Management*** - leaders and managers effectively manage people, ensure continuity of leadership and sustain a learning environment that drives continuous improvement in performance.

Our Human Capital (HC) Strategy focuses on defining future needs as well as the immediate set of actions that will enable recruitment of staff who can meet the most pressing demands for deployment.

In parallel to these efforts, we have created an Action Plan for the next two years that will enhance the quality of the relatively "young" training programs by: (1) integrating the use of distance learning; (2) creating progressive course curricula in leadership and management; (3) eliminating duplication in content in a variety of skills, project management and leadership training courses; and (4) introducing certification requirements for project management and supervision.

In addition, we are developing a set of tools and techniques to develop and share knowledge generated by the Agency's activities; and to foster a culture and value system that actively promotes continuous learning through knowledge sharing.

USAID plans to build a "float" capacity that will allow recruitment of additional Foreign Service officers over and above the number of positions recruited to replace attrition and cover staffing gaps between rotation of FSOs, one-third of whom are reassigned each year. This will enable USAID to provide training positions overseas so that we can place junior officers under senior leaders who can mentor, train and pass on institutional knowledge. This will enable reinstatement in FY 04 of our junior Foreign Service Officer program called International Development Interns. Additional measures are needed to fill the "feeder class" into executive positions. The impact of the "lost generation" is the serious depletion of mid-level ranks.

Employees and managers need a formal mentoring program. This remains challenging since the most-able Agency teachers are those already stretched in meeting organizational demands. However, given the Agency's potential loss of institutional memory, the HC Strategy proposes establishment of such a mentoring program while simultaneously revising senior leadership precepts to require successful executives to "grow talent" as part of their daily job.

4. ***Results-Oriented Performance Culture*** - the agency has a diverse, results-oriented, high performing workforce and has a performance management system that effectively differentiates between high and low performance and links individual/team/unit performance to organizational goals and desired results.

USAID has made positive progress in this area. However, there are a number of issues that need to be addressed including strengthening the feeder class of civil servants and

FSOs to ensure that there is adequate representation of minority and female candidates for assignment to executive positions.

USAID's performance management system links organizational objectives with employee performance. In FY 2002, the BTEC approved a number of recommendations to (1) streamline the performance management process and emphasize on-going performance feedback, and (2) reinforce penalties for supervisors who fail to carry out their performance management responsibilities. The new performance evaluation system changes are being negotiated with the unions. More profound challenges exist in changing the performance culture, including a review of awards and incentives programs to more closely align them with overall Agency mission goals.

5. **Talent** - the agency has closed most mission-critical skills, knowledge and competency gaps/deficiencies, and has made meaningful progress towards closing all.

A working group of the HC Subcommittee is identifying critical occupations and competencies needed in the current and future workforce. The competency gaps will be identified and strategies devised to narrow or close the gaps (e.g., training, recruitment, retention). New systems for managing information on the staff are critical to the implementation of the strategy and will enable the Agency to do a better job with accountability. The working group has identified an appropriate technology tool to collect, store and manage competency, training and career development data.

6. **Accountability** - Agency human capital decisions are guided by a data-driven, results-oriented accountability system.

Illustrative performance indicators have been developed as part of our human capital strategy, and USAID is working closely with OPM to develop both process and outcome measures as part of a full-fledged accountability system that will enable the Agency to determine whether its efforts to improve the management of human capital will contribute to mission results.

Joint State/USAID Activities

For the first time, USAID and the Department of State have developed a joint strategic plan. The new strategic plan covers fiscal years 2004 to 2009 and will be updated every three years. The new plan clearly outlines the shared mission, core values, goals and priorities of State and USAID in both policy and management areas. Our joint management priorities are closely linked to the goals of the President's Management Agenda (PMA).

As mentioned previously, a joint State/USAID Management Council has been established to oversee and implement collaborative management activities, such as human resources, that will result in cost saving reforms and improve services for both agencies.

In the area of human resources, USAID and State plans include developing parallel and complementary human capital strategies such as joint training of our employees; formal cross-assignments; and efforts to right-size and regionalize our overseas presence. The

latter initiative is focused on determining the appropriate number of U.S. staff deployed overseas to assure effective and efficient planning and management of programs. We have reviewed the main criteria proposed by the General Accounting Office for determining overseas staffing levels and, not only do we agree with them, we have been using them in setting our field staffing levels. As you are aware, President Bush has made the rightsizing of overseas official U.S. presence an agency-specific reform in his management agenda and our efforts are directed at supporting this initiative by assuring the most effective overseas presence.

Conclusion

While shortfalls in our operating expense account have presented human resource challenges, much progress was achieved this year based on our work in identifying the full cost of doing business in transparent ways; the launching of our new Development Readiness Initiative to overcome direct hire staffing losses and better plan for future workforce needs, and our efforts in seeking a better means of financing these costs in the future.

At the same time, USAID and OPM have partnered to more effectively analyze our human capital strategies and to close critical skill gaps in order to strategically manage our workforce in accordance with the goals of the PMA initiative for Strategic Management of Human Capital.

We expect to have a final Human Capital (HC) Strategy in place by the first quarter of FY 2004 but it will be adapted based on the Agency's on-going workforce planning analysis. We are working diligently to incorporate our shareholders' suggestions and to institutionalize our strategy to rebuild our workforce to better prepare for USAID's new and evolving challenges in the 21st century.

Thank you for the opportunity to appear before you today. I will be happy to answer any questions.