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International Affairs Division

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June 25, 1998

The Honorable Benjamin A. Gilman
Chairman, Committee on International Relations
House of Representatives

Subject: The Results Act: Observations on USAID's Fiscal Year 1999 Annual Performance Plan

Dear Mr. Chairman:

As you requested, this letter summarizes our observations on the U.S. Agency for International Development's (USAID) annual performance plan for fiscal year 1999, which was submitted to Congress in February 1998. Our review of USAID's plan was based on a January 26, 1998, request by several Members of the House majority leadership for us to review the performance plans of the 24 federal agencies covered by the Chief Financial Officers (CFO) Act.

As you know, the Government Performance and Results Act of 1993 (P.L. 103-62), commonly referred to as "the Results Act," requires federal agencies to prepare annual performance plans covering the program activities set out in the agencies' budgets, beginning with plans for fiscal year 1999. These plans are to (1) establish performance goals to define levels of performance to be achieved; (2) express those goals in an objective, quantifiable, and measurable form; (3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the goals; (4) establish performance measures for assessing the progress toward or achievement of the goals; (5) provide a basis for comparing actual program results with the established goals; and (6) describe the means to be used to verify and validate measured values.

For purposes of our review, the six requirements of the Results Act for the annual performance plans were collapsed into three core questions: (1) To what extent does the agency's performance plan provide a clear picture of intended performance across the agency? (2) How well does the agency's performance plan discuss the strategies and resources the agency will use to achieve its performance goals? (3) To what extent does the agency's

performance plan provide confidence that its performance information will be credible? These questions are contained in our February 1998 congressional guide and our April 1998 evaluators' guide for assessing performance plans, which we used for our review.[1] These guides integrated criteria from the Results Act, its legislative history, the Office of Management and Budget's (OMB) guidance for developing performance plans (OMB Circular A-11, part 2), a December 1997 letter to OMB from several congressional leaders, and other GAO guidance on implementation of the Results Act.[2] We used the criteria and questions contained in the guides to help us determine whether USAID's plan met the requirements of the Results Act, to identify strengths and weaknesses in the plan, and to assess the plan's usefulness for executive branch and congressional decisionmakers.

We conducted our work between March and June 1998 in accordance with generally accepted government auditing standards.

SUMMARY

USAID's fiscal year 1999 annual performance plan provides a partial picture of the agency's intended performance. For example, the plan presents USAID's development goals and management improvement goals with corresponding performance measures.[3] However, many of the goals and measures are so broadly defined that it will be difficult to assess the results of USAID's activities. The goals and measures often reflect the expected collective

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[1]Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18, Feb. 1998); and The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GGD-10.1.20, Apr. 1998).

[2]The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997); Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

[3]USAID's six strategic development goals are (1) to encourage broad-based economic growth and agricultural development, (2) to strengthen democracy and good governance, (3) to build human capacity through education and training, (4) to protect world health and stabilize world population, (5) to protect the world's environment for long-term sustainability, (6) to save lives, reduce suffering, and reestablish conditions for political and/or economic development. Its strategic management goal is to remain a premier bilateral development agency. USAID's plan presents a number of performance goals subordinate to each of these strategic goals.

performance of the international donor community and do not clearly define USAID's contribution.

USAID's performance plan partially discusses how the agency's strategies and resources will help achieve its goals. The plan does not provide much detail on the strategies USAID will undertake or the external factors involved. Furthermore, the plan provides limited information on the resources it will employ.

USAID's performance plan provides some confidence that its performance information will be credible. However, the plan only partially addresses efforts to verify and validate performance information. The plan identifies some significant data limitations and their implications for assessing the achievement of performance goals. Missing from USAID's performance plan is a discussion of the reliability of performance information that USAID will rely on to demonstrate the relationship between its activities and the measures cited in the plan.

USAID'S PERFORMANCE PLAN PROVIDES A PARTIAL PICTURE OF INTENDED PERFORMANCE

We found that USAID's performance plan provides only a partial picture of the agency's intended performance. Most of the results measures set out in the plan are not directly linked to USAID's own activities. Instead, they reflect the expected performance of the international donor community and the governments and institutions within the developing countries themselves. USAID has acknowledged the need to demonstrate to what extent it influences these measures and intends to do so in its annual performance reports. We believe that USAID needs to include measures of some of the direct results of its activities to reflect the agency's intended performance and contributions toward achieving its development goals. The plan could also benefit from a clearer discussion of the relationship between USAID's performance goals and the program activities in its budget request and of USAID's efforts to coordinate with other U.S. government agencies.

Defining Expected Performance

USAID's performance plan falls short of providing a statement of USAID's expected performance for subsequent comparison with actual performance. Specifically, we found that while USAID has established performance goals and measures that relate to global development, they generally do not reflect the expected effectiveness of USAID's own programs and activities. As we noted in

our review of USAID's strategic plan,[4] most of USAID's performance goals focus on achieving results over which USAID does not have a reasonable degree of influence. Similarly, the measures presented in the performance plan attempt to reflect the results of many factors and programs beyond USAID's control. For example, measures such as the average annual growth rates of per capita gross national product and child mortality rates measure the economic and social development of aid recipient countries at the country level. As we previously reported,[5] USAID officials have acknowledged that in only a few cases have USAID's activities been directly linked to the types of country-level development results described in the plan. It is not clear from the performance plan how measures will be used to assess USAID's accomplishments, make management decisions, realign processes, or assign accountability.

Notwithstanding this significant shortcoming, the measures in USAID's performance plan are generally valid representations of the broad goals of the development community. They are generally objective, measurable, and quantifiable, and focus on outcomes, or results, rather than physical outputs. Furthermore, they are key measures of progress toward general development goals, as they reflect development in health, education, economic growth, agriculture, and environmental protection.

USAID indicates that there is a "plausible association" between the day-to-day activities of its operating units (for example, bureaus and overseas missions) and the achievements reflected by the performance measures. However, the plan does not convincingly document the nature and strength of that relationship. USAID does, however, state that in 1999 it will issue an annual performance report that will establish the relationship.[6] USAID intends to include an in-depth analysis of performance at the operating unit and the agency level, drawing on available performance information, including evaluations, and examine the plausible linkages between unit contributions and the agency's broad performance measures. This would be an important step, but only if the report provides a more systematic, comprehensive, and measurable review of operating units' performances than did USAID's earlier reports. According to USAID's Inspector General, the annual performance report the agency issued in 1997 presented largely anecdotal information about its achievements and omitted any mention of programs that were not

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[4]See Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges.

[5]See Foreign Assistance: USAID's Reengineering at Overseas Missions (GAO/NSIAD-97-194, Sept. 12, 1997).

[6]Although such a report is not required by the Results Act until March 31, 2000, USAID has issued an annual performance report for several years.

successful. While USAID states that it plans to draw on evaluations to document the impact of its operations, we recently found that USAID's operating units were not routinely using evaluations for this purpose, despite agency guidance to do so.[7] USAID officials have acknowledged these shortcomings and are working to resolve them in time for the annual performance report USAID will issue in 1999.

USAID's performance plan would be considerably improved if it included additional measures of the agency's program effectiveness. First, USAID could include some measures of the direct results of USAID activities that would help clarify the extent to which USAID resources and activities contribute to achieving broad development goals. USAID has already established some of these types of measures but generally did not include them in its performance plan. For example, individual country missions establish performance targets for their programs and measure results in terms of both outputs, such as the number of vocational schools built with U.S. aid, and outcomes, such as the number of vocational graduates ultimately employed. USAID uses these measures in its annual reviews of the performance of individual operating units. According to USAID, the agency assesses the performance of its operating units annually in terms of whether they met, exceeded, or fell short of planned targets for the year. Reporting the results of its annual assessment in terms of these measures would provide useful information about USAID's effectiveness.

USAID could supplement performance measurement data with impact evaluation studies to provide a more accurate picture of program effectiveness. For example, in Honduras a USAID contractor's evaluation confirmed that USAID activities in that country, implemented from 1986 to 1995, had a significant impact, relative to other factors, on key country-level measures of improvement of the Honduran educational system. For its annual performance plan, a measure or set of measures that reflects the evaluation findings for a sampling of USAID programs would help provide information about the effectiveness of USAID's operations.

Connecting Mission, Goals, and Activities

USAID's performance plan partially links performance to the agency's mission, strategic goals, and program activities in its budget request. Specifically, we found that the performance goals in the plan reflect the mission, the strategic goals, and the long-term performance goals articulated in the agency's strategic plan. However, the performance plan would be improved if it more clearly drew the relationship between USAID's program activities presented in the fiscal year 1999 budget and the goals in the plan. USAID's plan appears to aggregate and consolidate program activities in its budget request into

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[7]See Foreign Assistance: USAID's Reengineering at Overseas Missions.

categories and relates those categories to its strategic goals. However, the plan provides no explanation as to how some of these categories relate to program activities. For example, the plan indicates that about $460 million in "Development Assistance" funding supports its strategic goal for broad-based economic growth and agricultural development. However, it is not clear how the $460 million relates to the program activities in USAID's budget request. The plan would be more useful if each program activity in USAID's budget request and its related funding were identified and related to performance goals.

Recognizing Cross-cutting Efforts

USAID's performance plan partially addresses the need to coordinate with other agencies on achieving related strategic or performance goals. As we have previously reported,[8] many U.S. government departments and agencies, both foreign affairs and nonforeign affairs agencies, are involved in international programs that are directly related to USAID's mission and goals. USAID addresses coordination among these programs in a general way. USAID's plan indicates that the attainment of its performance goals would support the achievement of the associated U.S. national interests, as articulated in the U.S. Strategic Plan for International Affairs, dated September 1997, which was prepared by the Department of State with input from USAID and other agencies. State, in its annual performance plan, indicates that it relies on USAID and/or funding within USAID's budget request to achieve several of its performance goals. USAID's performance plan acknowledges the need for improved coordination among U.S. government agencies and includes this as a management goal. As a strategy for achieving coordination, the plan briefly cites consultations that USAID has begun with other foreign affairs agencies to reach agreements on policies and program approaches and better working arrangements.

However, the plan does not articulate a strategy for coordination with nonforeign affairs agencies. As USAID acknowledged in its strategic plan, other nonforeign affairs agencies provide technical assistance to developing and transitional countries, and achievement of USAID's goals is affected by the actions of these agencies. For example, for fiscal year 1998, Congress authorized the Department of Defense to provide about $50 million in overseas humanitarian, disaster, and civic aid; the Department of Agriculture is authorized to provide about $180 million in agricultural loan subsidies under Public Law 480. However, USAID's performance plan does not discuss (1) in what ways and to what extent other agencies will influence attainment of USAID's performance goals or (2) how USAID will coordinate with those agencies to achieve specific goals.

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[8]See The Results Act: Observations on USAID's November 1996 Draft Strategic Plan (GAO/NSIAD-97-197R, July 11, 1997).

USAID'S PERFORMANCE PLAN PARTIALLY DISCUSSES HOW THE AGENCY'S STRATEGIES AND RESOURCES WILL HELP ACHIEVE ITS GOALS

We found that USAID's performance plan partially discusses how the agency's strategies and resources will help achieve its goals. Specifically, we found that while USAID discusses some of its strategies–its operational processes, skills, and technologies–it does not do so consistently for all of its goals or with a level of detail that would convey the nature and magnitude of its efforts. USAID could draw a clearer picture of how its strategies contribute to achieving performance goals by providing some additional detail about the types of programs it plans to implement as well as their scope and the external factors that could affect their outcome. USAID could refer to or draw upon its annual congressional budget presentation for much of this information. USAID's plan addresses the human, and information management resources USAID will apply to achieving its goals.

Connecting Strategies to Goals

USAID's performance plan is inconsistent in its discussion of strategies and only partially meets the criteria set forth in the Results Act and related guidance to present clear and reasonable strategies for achieving its performance goals. Overall, strategies are discussed sporadically and in varying levels of detail. The sections discussing each of USAID's goals begin with a very general description of the agency's overall strategies. Elaboration on those strategies varies by USAID goal. For example, the section relating to USAID's economic growth strategic goal provides no description of the programs USAID will implement; in contrast, the section on USAID's environmental protection strategic goal describes activities planned in various regions to achieve various performance goals. One exception is in the section relating to USAID's strategic management goal, which describes in detail how USAID intends to improve agency management. For example, a key strategy in this section involves efforts to correct design and implementation problems with USAID's new financial information and management system, one of USAID's most critical management challenges. This strategy reflects attention to the concerns raised by USAID's Inspector General and by us in recent months.[9]

Furthermore, in discussing how USAID will achieve its goals, the performance plan often does not clearly identify operational processes, skills, and technologies. In many cases, strategies are merely described in terms of the outcome they are expected to achieve. For example, to achieve broad-based

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[9]See Foreign Assistance: USAID's Reengineering at Overseas Missions and Reports on USAID's Financial Statements, Internal Controls, and Compliance for Fiscal Years 1997 and 1996, USAID Office of Inspector General, Audit Report No. 0-000-98-001-F (Washington, D.C.: Mar. 2, 1998).

economic growth and agricultural development, USAID's plan indicates that "USAID undertakes programs to expand and strengthen critical private markets, encourage more rapid and enhanced agricultural development and food security, and expand and make more equitable access to economic opportunity for the rural and urban poor." The performance plan would be improved if it provided specific details about particular USAID development activities and how they will help achieve the agency's performance goals. The plan could draw upon USAID's congressional budget presentation, which provides a great deal of information on the agency's strategies for achieving its goals. USAID could summarize, or at a minimum reference, the relevant information from the congressional presentation.

The plan only partially addresses key external factors that it will use or must mitigate to achieve its goals. As we have previously reported[10] and USAID has acknowledged, many factors external to USAID's control profoundly influence achievement of its performance goals. USAID's discussion of external factors is consistent with the discussion of this issue in the strategic plan: the performance plan explicitly states that USAID cannot achieve performance goals alone. However, the plan could be improved if it described, under each performance goal, the nature and relative magnitude of other donors' related efforts to achieve the same goal. In addition, the plan could describe the regional and international conditions beyond USAID's control that hamper or enhance development, such as market conditions, the level of political stability, government policy changes, and weather conditions. Including such information would more realistically convey the magnitude of the risk and uncertainty that USAID faces in trying to achieve its performance goals.

Connecting Human and Information Management Resources to Goals

USAID's performance plan addresses the human and information management resources it will use to achieve its performance goals. Under USAID's management strategic goal, the plan discusses the investments needed in these areas to improve its overall program effectiveness. For example, USAID recognizes in the plan that filling critical staff positions is an important strategy for achieving its objective of reducing the time to employ effective development and disaster relief resources. In addition, the plan briefly describes initiatives for improving human resource management and explains that USAID will spend $10 million in fiscal year 1999 on training to improve employees' skills. The plan also identifies improved information management, in particular improved design and implementation of its new financial information and management system, as a key strategy for enhancing the program effectiveness. This is

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[10]See The Results Act: Observations on USAID's November 1996 Draft Strategic Plan and Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges.

especially important for USAID, since difficulties in establishing effective information management systems have been a critical weakness for the agency. The plan describes the activities and fiscal year 1999 cost ($14 million) associated with this strategy. As we have reported,[11] effective implementation of the financial information and management systems and improving USAID's personnel systems are key to USAID's management reforms, and we are encouraged to see USAID's efforts in these areas reflected in the performance plan.

USAID'S PERFORMANCE PLAN PROVIDES SOME CONFIDENCE THAT THE AGENCY'S PERFORMANCE INFORMATION WILL BE CREDIBLE

We found that USAID's performance plan partially meets the criteria set forth in the Results Act and related guidance to provide sufficient confidence that its performance information will be credible. The usefulness of performance data for management and oversight depends on assurances that the data are reliable. We found that the plan only partially addresses efforts to verify and validate performance information to ensure that it is sufficiently complete, accurate, and consistent. Furthermore, the plan identifies some significant data limitations and their implications for assessing the achievement of performance goals. Missing from USAID's performance plan is a discussion of the reliability of performance information that USAID will rely on to demonstrate the relationship between its activities and the measures cited in the plan.

USAID addresses the issue of verification and validation of performance data very generally and does not directly address the issue of data reliability. The plan states that USAID will set up a unit to specify baseline data and assess progress in achieving its goals. The plan also notes that specific sources of agency management data will be used to validate reporting on achievement of performance goals. There is no discussion of the independence of this unit or how the reliability of the information generated by the reporting systems will be validated.

Although the performance plan acknowledges some of the known deficiencies in its financial information, it does not specifically discuss how the agency plans to achieve its primary financial management improvement goal of "making financial and program results information more accurate and readily available for decisionmakers." We are encouraged to see that USAID includes receiving a qualified opinion on its financial statements as a fiscal year 1999 goal, but the plan could be improved with more discussion of how this goal will be reached.

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[11]See Foreign Assistance: Status of USAID's Reforms (GAO/NSIAD-96-241BR, Sept. 24, 1996) and Foreign Assistance: USAID's Reengineering at Overseas Missions.

The performance plan includes some acknowledgement of significant data limitations for USAID's measures. The plan also acknowledges, in general terms, action USAID has taken to address data limitations. For example, the plan states that "in cases where the selected [measures] together may not provide sufficient information to adequately assess performance on a goal, USAID will supplement them with specific additional analyses and research." USAID's performance plan and officials we spoke to noted that there are time lags in obtaining and analyzing data. USAID Inspector General officials are concerned that, using its current approach, USAID may not be able to meet the Results Act's reporting requirements. For example, USAID will not be able to measure progress toward achieving some of its fiscal year 1999 goals until several years later. Therefore, a performance report for a given year may not be based on results from the year just ended but rather will draw on performance data from one or more earlier years. USAID indicates that it will continue to make efforts to improve its measures and identify those that are most useful.

USAID's plan does not adequately address the credibility of all of the performance information it will ultimately need to measure achievement of its goals. For the broad development measures currently included in the plan, USAID is generally relying on widely used sources of information, including the World Bank, the International Monetary Fund, and various United Nations organizations. However, verification, validation, and data reliability are more critical issues for those additional measures USAID will need to use to demonstrate how its activities contribute to the achievement of development goals. The performance plan indicates that in its annual performance report USAID will undertake in-depth analysis of performance, drawing on performance information from various sources, including international data bases and operating-unit-level performance data. As we have previously reported, performance information at the operating unit level often does not come from an objective or reliable source.[12] Insofar as these data are not or cannot be substantiated, the potential exists that they will inaccurately reflect progress in achieving USAID's goals. USAID's Inspector General recently reported that operating units were encountering significant difficulties in compiling valid and reliable performance data, often resulting in the reporting of incorrect and misleading performance information to USAID management.[13] USAID's plan should acknowledge these data limitations and their implications for assessing the achievement of performance goals as well as efforts it will undertake to ensure data reliability.

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[12]See The Results Act: Observations on USAID's November 1996 Draft Strategic Plan.

[13]Reports on USAID's Financial Statements.

AGENCY COMMENTS

We discussed a draft of this report with USAID officials. They generally agreed with our observations and provided clarification of several points, which we incorporated as appropriate. Regarding our observation that measures in USAID's plan are not directly linked to the agency's own activities, USAID officials noted that the plan was written at a broader level to facilitate the Administrator's decisions involving trade-offs among regional, bilateral, or central programs and strategic goal areas. They said that this is the reason that performance goals are presented at a level above the sum of all of the agency's operating units and that the plan does not provide extensive detail on country-level activities. We agree that the plan is intended to be a useful tool for top management. However, we believe that including measures specifically tied to the agency's activities would make it even more useful in gauging the agency's progress toward achieving its goals.

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We are sending copies of this letter to the Minority Leader of the House of Representatives; the Ranking Minority Member of your Committee; the Chairmen and Ranking Minority Members of other Committees that have jurisdiction over USAID; the USAID Administrator; and to the Director, OMB. We will send copies to others on request.

Please contact me on (202) 512-4128 if you or your staff have any questions concerning this letter. Major contributors are listed in the enclosure.

Sincerely yours,

Benjamin F. Nelson

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