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RESULTS-ORIENTED OPERATIONS REENGINEERING

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USAID

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EXECUTIVE SUMMARY

The Agency for International Development has been declared a reinvention laboratory under the President's National Performance Review. The Administrator has committed the entire Agency to rethinking, streamlining, and improving every aspect of how it does business. As part of USAID's overall reform and reorganization, the Agency began an effort late last year to completely rethink our core operations processes and systems. For this purpose, operations has been defined as the processes we use to plan, implement, and evaluate our development programs. This report presents an overview or summary of the reengineered systems, a discussion of some of the operational and cultural implications of the new system, and transition plans for further developing this system, in conjunction with other ongoing Agency reform and systems efforts.

Using reengineering methodology to develop the new system, the Agency began by identifying the vision for a new system. The Quality Council launched the effort by establishing a Reengineering Reference Group (RRG). The RRG, using a "blank piece of paper," developed a vision for the new system by answering the question, "If I recreated USAID, how would it work?" Their answer was a system that:

- produces outcomes/results which support sustainable development and humanitarian assistance in benefiting people's lives in host countries;
- involves stakeholders and end users in the decision-making process;
- accommodates to changes in priorities and local conditions, and encourage changes which result in a more effective and efficient system;
- empowers operational staff, rewarding initiative and results while maintaining good business practices;
- was transparent as possible both within and outside the agency; and,
- provides evidence that USAID assistance is achieving its objectives.

Next an Intensive Reengineering Team (IRT) was set up consisting of 15 individuals. Five members of the team were provided by field missions. One person was a host country "beneficiary", an actual end user. The team represented the full range of USAID employees covering the geographic areas; the technical, administrative, and program backgrounds; and the ethnic and gender backgrounds. Together the RRG and IRT interviewed a great many people within and outside USAID, to uncover problems and requirements and to test ideas, before preparing this report.

The first joint activity conducted by the IRT and RRG was to identify USAID's customers. Customers were defined on the basis of the National Performance Review's definition as the users of products, services and information. While USAID has many stakeholders and intermediaries who play critical roles in enabling us to achieve success, and while these

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stakeholders and intermediaries are themselves customers of some of our processes, the reengineering effort focussed on the ultimate end user. If the mission of the Agency is to promote sustainable development and provide humanitarian assistance, the ultimate customers then are the people for whom these products, services and information are provided. These are beneficiaries or host country nationals in those countries.

Overview of the Reengineered System. This report proposes a new operations system for USAID which:

- focuses on end user needs, participation and development results;
- empowers people to take on greater responsibility and accountability; and
- utilizes information system technologies as an enabling tool to help both achieve and demonstrate our achievement of our overall objectives.

A brief explanation of the stages in the new process follows, starting with the definition of program parameters for the preparation of a comprehensive country plan, and ending with implementation of individual activities.

Recognizing that the Agency's overall programming process must take into account many external factors e.g., Congressional mandates and special interest concerns, as well as its own strategic priorities, the system begins with the setting of program parameters, a process which incorporates all of the above plus proposed central bureau country-specific activities and any other factors which may have influence over how a country program may be planned. This process is informed by the field concerning both results to-date as well as preferred programmatic direction.

Within these parameters, a Mission takes responsibility for the preparation of a comprehensive country strategic performance plan. The strategic performance plan will consist of three parts: a strategic definition of the program, a report on program outcome and results and an operational resources plan. After the first year of the strategic plan, the program outcome and operational resource plan will be largely generated from the ongoing data base that constitutes the Work and Results Plans (described below), rather than separately prepared documents. Furthermore, while the Mission has the specific responsibility for preparing the plan, the process is a team and participatory process. USAID/W staff, host country government and nongovernment personnel and institutions, intermediaries and end users, and Mission staff all play active roles. In addition, the planning process should take into account other donor activities as well.

The plan focuses on setting and achieving objectives and outcomes, in both the long and short terms, rather than on the inputs and outputs related to individual activities. The plan provides:

- a justification for the selection of strategic objectives and information on why achievements under these strategic objectives appear to be attainable.

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- an assessment of impact to-date
- resource (funding and people) requirements

Funds allocation to the field will occur after a period of negotiation based on how the aggregated operational plan budgets meet Agency requirements. By approving a strategic plan, USAID/W approves the overall strategy which will be used to achieve the identified objectives and program outcomes. On an annual or every two year basis, USAID/W will also approve the allocation of funds for achieving those objectives and outcomes. While individual activities may be identified, they are not the object for approval. Accordingly, obligation will be by strategic objective, not by activity.

The concept of obligating at the strategic objective level is not dependent on having an agreement with the host country government. The presumption is that a host country agreement is preferable in terms of flexibility in varying the activity mix, gaining consensus and promoting better participation. However, in some countries, and in some situations, a bilateral agreement may not be feasible or advisable, and obligation directly through a contract or grant would be more appropriate for achieving Agency objectives. For examples, USAID may want to obligate directly with an indigenous group or with an intermediary such as a US PVO or university where the relations with host governments would not be supportive to this approach. In some instances, particularly where our country presence is minimal or where the situation in country is extremely problematic and unstable, we may want to obligate centrally to support a group of countries. Finally, obligations for some activities under centrally managed programs aimed at strengthening our development partners, promoting the state of the art, or supporting research, may be obligated with particular organizations, rather than with host country governments.

Implementation also will be by strategic objective, or if more appropriate further disaggregated to the program outcome level. A variety of "tools" may be used to achieve an objective or outcome, and the field Mission will have primary responsibility for these decisions. As with the planning process, teamwork and participation are key elements of the implementation process. Teams will include Mission and USAID/W staff as well as host country nationals (end users and intermediaries) and, at times, service providers. Implementation by program outcome means determining what is the best set of activities to support that program outcome.

A Work Plan for each objective will guide implementation and will inform all concerned about specific activities, required actions, opportunities for incorporating participation, and the measurement of impact. Developed and kept up to date continuously in electronic form, the Work Plan will include a data base for recording results, both planned and achieved. This Work Plan is also critical for empowerment. Once computerized, the Work Plan will establish the legitimate parameters for decision making by the program managers. End user commitment, where not achieved through the obligation document, could be achieved through a separate agreement tailored to the specific situation.

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Key characteristics of this reengineered system include:

Comprehensive Country Planning	• Includes all USAID resources programmed in a country (e.g., DA, Global, humanitarian, etc.) • Prepared by team incorporating Mission, USAID/W, host country participation • Marries country and global level priorities • Program outcomes/resource plan "rolled up" from work plans • Looks at trends and opportunities based on host country and other donor activities
USAID/W approval of strategy and results, not activities	• Strategic Plan becomes management contract between USAID/W and Mission • Operational Resource Plan would replace ABS and identifies resource needs • Results reporting done at same time as resources requested • USAID/W approves fund allocation by objective, not activity
Obligation by strategic objective	• Funds obligated by objective rather than project • Allows focus on results and implementation flexibility • Allows implementation activities to begin more quickly
Integration of planning, design and implementation	• Activity design begins as overall program is planned, and continues during implementation • Procurement process is "delinearized," i.e., proceeds in parallel with design
Continuous results monitoring and ready availability of data	• Utilization of information systems technology allows "rolling up" in lieu of new reports and documents • Ability to demonstrate results at various levels • Less onerous and more effective reporting • Identification of both expected results during planning and implementation as well as means of measurement, thus maintaining focus on outcomes rather than inputs

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Participation	• Increased emphasis on and opportunity for host country, customer and stakeholder participation from planning through implementation • Customer service plans will enable intermediaries and Missions to respond better to needs of end users as well as to report more effectively on results
Team work	• Increased cooperation among USAID/W, Missions and host country • Shared vision leading to more efficient and successful achievement of objectives

Implementing such a new system has substantial cultural, organizational, and operational implications, and these are discussed in the report. In trying to change the way we do business, we must change the way we think and act. Substantial issues remain to be worked out in how we make the notions of teamwork, empowerment and accountability integral parts of the new system. Organizational structures and procedures must reflect and support those cultural changes. Operational processes and information systems must become enabling tools instead of stumbling blocks. The focus of change should be on how to best achieve development results.

In order to test what is being proposed, a program for country (and office) reinvention labs or experimental Missions/Offices is proposed in the report. The intention is to test the system using the creative energies of Missions and USAID/W offices already engaged in trying to reinvent our processes. For example, a Mission which is beginning to prepare a new strategic plan could test the proposed strategic planning process. One which has a plan in place that already meets certain basic requirements could test components of the implementation process. Feedback mechanisms will be put in place so that the various experiments can learn from each other, and so that lessons learned can be fed into the ongoing development and refinement of the new process. The experimental Missions will also test customer service activities required under the National Performance Review.

The reengineering exercise was only the first step in what will be a challenging process to change the way USAID does business. The Transition Plan addresses the steps for taking the high-level reengineered operations process through more detailed analysis, drafting guidance, developing new processes, and finally training and roll-out to the field. In addition, the Plan addresses a variety of related reform and systems activities now ongoing within the Agency which need to be coordinated so that all of these new processes and systems will work together in a reinvented USAID. It also identifies the training needs.

The target date for having most of these major changes in place is October 1995.

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I. INTRODUCTION

The Purpose for Reengineering

The Agency for International Development has been declared a reinvention laboratory under the President's National Performance Review. The Administrator has committed the entire Agency to rethinking, streamlining, and improving every aspect of how it does business. As part of USAID's overall reform and reorganization, the Agency began an effort late last year to completely rethink our core operations processes and systems through an approach known as reengineering. For this purpose, operations has been defined as the processes we use to plan, implement, and evaluate our development programs.

Business process reengineering is a method of reforming systems and procedures that starts not with an existing system but with a blank piece of paper. Firstly, one identifies what purpose the system services by identifying **who the customers are and what they need from the system.** Secondly, efficiencies are addressed by **incorporating information technology in the system redesign** and by **empowering managers.** Finally, it recognizes a **team approach to** organizing work and **integration or interdependence of organizational units.**

Unlike previous reform efforts the Agency has undertaken, reengineering USAID's programming system will remove the constraints placed by existing procedures and practices. It will work toward a long-term view of how the agency, now and in the future, should conduct its business. It will incorporate a customer focus, utilize information technologies in new ways, recognize the need to more effectively use resources that are becoming more scarce, and empower people to make decisions and take on greater responsibility and accountability. Most importantly, reengineering will focus the energies of the organization on results rather than on procedures.

In providing guidance to government agencies to meet the requirements of the Executive Order, "Setting Customer Service Standards", the National Performance Review suggested the following steps: articulate the Agency's mission, define its products, service and information and then identify as customers, those who receive or use those products, service and information.

The Intensive Reengineering Team and Reengineering Reference Group discussed this issue at their first joint meeting. They determined that, based on our recently published strategies, promoting sustainable development, providing humanitarian assistance and addressing global issues were USAID's primary mission.

Next, they identified a number of external and internal customers who use the Agency's products, services and information (end users) as well as those affected by them (intermediaries and stakeholders) and those who pay for or allocate funds for them (Congress/taxpayers).

However, in order to achieve the Agency's mission, its products, information and services must meet the needs of its ultimate customers or end users. In linking the achievement of its mission with identification of customers, the group determined that the agency's ultimate customers or end users were host country nationals targeted to receive USAID funded services, products or information.

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On an operational level, a chain of USAID "customers," were identified. These are the intermediaries with whom we establish partnerships or contractual agreements who are direct providers of Agency funded products, services and information. These include U.S. PVOs, contractors, universities, indigenous NGOs, and other organizations. Since intermediaries are the direct providers of services to end users, they are customers of numerous USAID processes and requirements. As we reengineer our processes, we must ensure that they are responsive to the needs of our intermediary customers, enabling them to focus on the needs of end users rather than on the processes themselves.

USAID's largest group of indirect customers, or stakeholders, are the taxpayers who pay for foreign assistance and Congress which allocates funds to implement our development or humanitarian assistance objectives. The Agency must demonstrate its accountability for these funds and the value of taxpayer investments, by developing clearly understood processes and showing measurable results.

In addition to our external customers, the work of USAID's internal customers both in Washington and in the field are key to achieving the Agency's objectives. The reengineered systems must be focused on streamlining and simplifying our operating systems so that internal customers can focus on achieving results, meeting the needs of external customers as part of USAID's development mandate.

Consultations with our external and internal customers were a part of the development of this proposal. These consultations, in addition to various survey methods, will be part of a continuing process throughout the Agency's reinvention efforts and subsequently be incorporated into USAID's standard operating procedure.

Once the customer was defined, the effort focussed on ways to integrate customer needs with Agency priorities, then analyzed the operations requirements to meet those needs, and finally proposed a set of individual and interrelated processes to satisfy those requirements. More simply, this effort posed and tried to answer the question, "If I were recreating this Agency, what would it look like?" Consistent with the precepts of reengineering, this was done not by redesigning the existing operations system, but rather by rethinking what our business is about and how we should conduct it. This report proposes a new operations system based on the reengineering approach and lays out a plan for arriving at a new system and transitioning to that system.

While we recognize that individual Missions, bureaus, and offices have been engaged in redefining and improving how we conduct business, the official set of procedures embodied in the USAID Handbooks still guides most of our actions and results in a number of problems. Many of the problems are the same as those confronting major U.S. corporations that have benefitted from reengineering. For example, we often use processes that lack "customer" focus. Our electronic data systems involve too much data redundancy or too many people entering the same information. Too often, there are frequent rewrites of the same information. Change is often accommodated only with difficulty. Responsibility and authority are so diffused that no one feels empowered to make decisions or accountable for the results. In addition, USAID faces a number of problems that are particularly public sector problems -- we obsess over inputs rather

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than results achieved, and many of our creative energies are applied to working around rules and justifying waivers.

Many of the ideas used to develop the operations system described in this report originated in what different parts of the Agency are already doing, or have thought about doing. This is a compliment to the ingenuity and initiative of USAID officers who frequently are forced to find ways around regulations. However, the intent of this effort was to formulate procedures which support the work we are here to do and eliminate those parts of the process that are no longer needed.

This reengineering exercise is a logical step in the overall reinvention of USAID. It is a long-term view of how the Agency, now and in the future, should conduct its business. It goes beyond the revision of current procedures because revision does not fully challenge the fundamental premises of those procedures. In addition, built into any new system must be mechanisms for further and continual change – how USAID operates should reflect a precept of the development process, that change is natural and beneficial.

How the New System Should Perform

The objective of this reengineering exercise is to develop an operations system which focuses on results rather than procedures, places top priority on participation and continuous involvement of end users, empowers project managers with greater authority, and takes full advantage of the power of information systems technology. As proposed, the system should achieve the following:

- produce outcomes/results which support sustainable development and humanitarian assistance in benefiting people's lives in host countries;
- involve end users and stakeholders in the decision-making process;
- encourage a teaming approach (including USAID/W and Mission staff, counterparts and intermediaries) to the solution of development problems or response to opportunities;
- accommodate changes in priorities and local conditions, and encourage changes which result in more effective and efficient delivery of assistance and sustainability of benefits;
- empower operational staff, rewarding initiative and results while maintaining good business practices and accountability;
- be as transparent as possible both within and outside the Agency; and
- provide evidence that USAID assistance is making a positive developmental impact.

Looked at differently, the new system should ensure basic improvements in the Agency's business practices. The work of USAID development professionals should be performed more

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efficiently and in a way that more time is available for development work rather than paper work. A number of indicators have been defined for the new system which should allow some measurement of improved efficiency and greater relevance. These have been grouped under the terms fast, cheap, easy, accurate, flexible, end user-focussed, and accountable.

- Fast:
  - From an idea to on-site in 2 weeks to 6 months
  - Reduced time for approvals
  - Reduced initial design documentation
- Cheap:
  - Reduced Agency management costs
  - Reduced costs for services rendered by contractors and grantees
- Easy:
  - 50% reduction in internal regulations
  - Reduced documentation requirement
  - 33% reduction in clearances required
  - Reduced number of waivers
- Accurate:
  - Capability to measure results more accurately
  - Risks better identified, recognized and managed
- Flexible:
  - More efficient methods for making changes in assistance being provided
  - Capability to revise systems and processes with relative ease as requirements change
- End user Focussed:
  - Increased host country participation
  - Development and use of internal and external customer feedback systems
  - Improved Washington/field team work
  - Involvement and empowerment of host country end users for ensuring sustainable benefits
- Accountable:
  - Increased staff empowerment
  - Increased clarity of rules

These targets and indicators were developed initially to guide the reengineering effort. More quantifiable indicators for progress toward achieving those targets will be included in the design of the new system and used to measure the system once it is operational. As an example, one indicator may be the time it takes to deliver on-site assistance, from defining an idea to delivery, has been reduced from 9-18 months to 1-6 months by the reengineered system.

How the System Was Developed

This report is the culmination of efforts of two distinct groups as well as many others who have been consulted. A Reengineering Reference Group (RRG) was established in 1993 to begin to

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think about how the Agency should reengineer its business practices. Comprising 29 members, the RRG includes representatives of all functional areas involved with Agency operations. The RRG defined the parameters for the new system, participated in the system development process, and will help assure that the new system, once finalized and approved, is effectively implemented. As a result of its deliberations, a decision was made to initiate a more focused endeavor, the Intensive Reengineering Team (IRT), whose primary task was to formulate a new operations system. Whereas the RRG met every two weeks, the IRT was full-time over a six week period (1/18-2/25/94). It had 15 members, five from field Missions, nine from USAID/W, and one host country national. (See Appendix I for membership of the RRG and the IRT). The team interviewed a great many people both within and outside USAID, both to uncover problems and requirements, and to test ideas before preparing this report. The IRT was bound by no existing regulation, practice nor procedure, although prudence dictated reality checks regarding the development of key elements.

The remainder of this report contains five sections:

- Description of the new system;
- Implications of the new system – cultural, operational and organizational;
- Country and Office Reinvention Labs;
- Transition Plan; and
- Training Needs.

The transition plan addresses actions necessary to complete the reengineering exercise, as well as other related reform movements, with the goal of implementing the new systems by October 1, 1995.

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II. THE REENGINEERED OPERATIONS SYSTEM

Overview of the Process

As the diagrams that follow show, the new system has some of the same basic building blocks that we have had in the past. The key differences are:

- how and where decisions are made;
- degree of documentation required;
- the flexibility and speed the new system permits;
- participation and teamwork throughout the system; and
- results reporting at all levels.

These changes will be enabled by new information and communications systems that organize all information in a strategic, logical structure and allow everybody to share the information. This will largely eliminate reporting as a separate chore, and promote teamwork even among geographically scattered staff.

While the diagrams are largely linear, the actual work will not be -- steps will overlap, and can be compressed to speed the delivery of actual services to the end user.

The following paragraphs briefly describe the steps in the process:

Step 1: Program Parameters

The start of the process on the process flow chart (Figure 1) is the definition of program parameters for Missions to use in developing their country strategies. Parameters include aggregate country level budget projections for 4-5 years out, Agency-wide (not country-specific) earmarks for programs of special interest to Congress or the Administration that the Agency expects to have to meet, and specific designations of countries targeted by USAID/W for particular program emphasis, such as designated child survival countries, or countries where BHR has decided to concentrate disaster relief resources. Where it is known that certain projects will be imposed on a country by Congressional dictate, this should also be identified at this point.

Development of these parameters will be coordinated by PPC, with involvement of all central and regional bureaus. While these parameters are described as the first step in the process, they will be informed by results from the field, as well as country-specific programming preferences.

The purpose of the programming parameters is to communicate to the field what Washington's (e.g., USAID, the Administration and the Congress) expectations are, so that these can be reflected in the country-specific strategic plans to be developed in the field.

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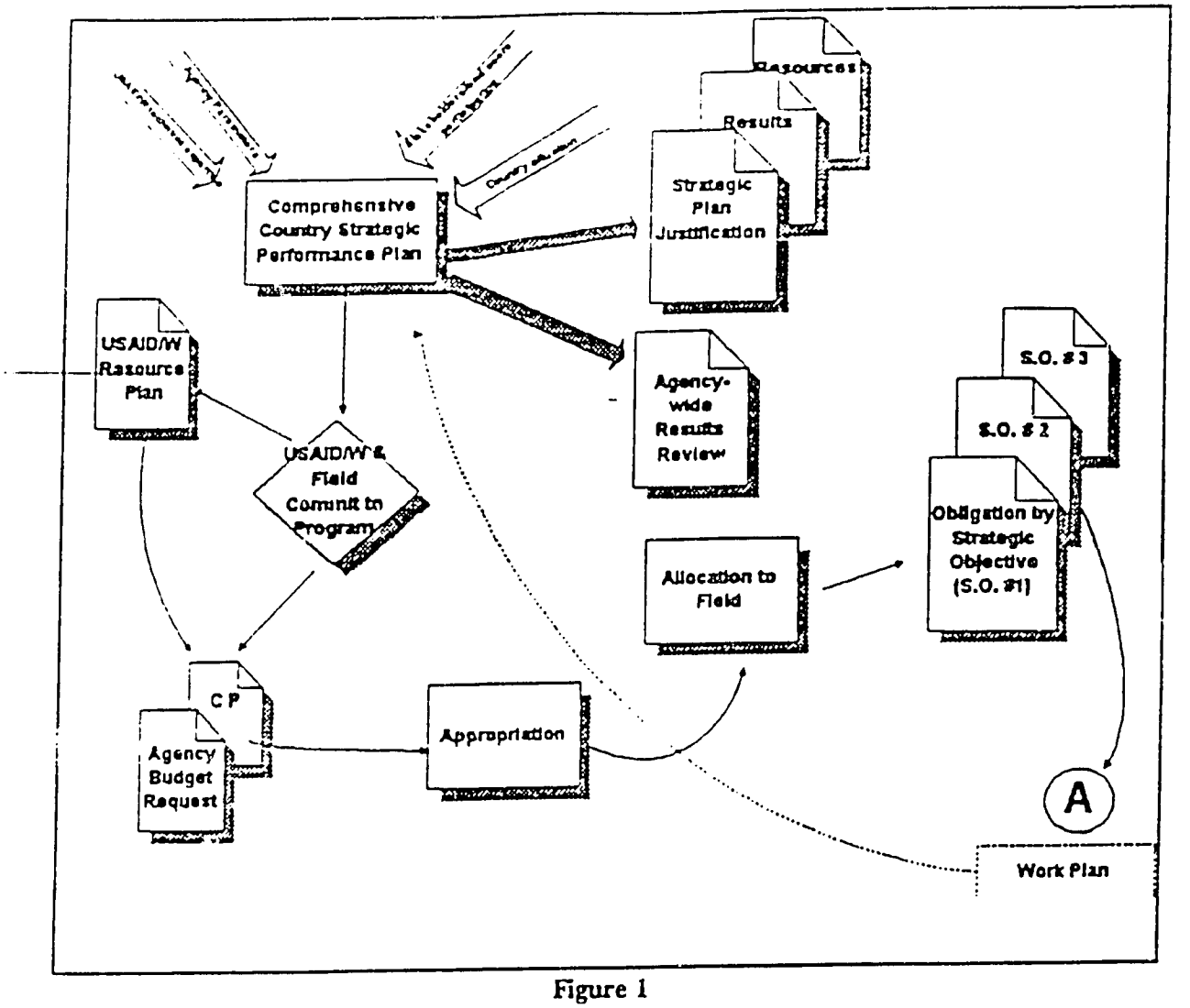

Figure 1

This should result in:

- merging agency-wide goals, global concerns and country-specific development needs;
- reducing the competition for resources by transcending the country vs. global programming conflicts which presently plague the Agency;
- focussing everyone's energy (central bureaus and the field) toward agreed-upon objectives;
- easily capturing and reporting on the totality of USAID's efforts in a country; and
- promoting team work and collaboration, enabling the Agency to "think globally and act locally."

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Step 2: Comprehensive Country Strategic Performance Plan

The Comprehensive Country Strategic Performance Plan is a three part plan developed by the Mission with extensive participation of host country nationals, other donors, and USAID/W staff. The purpose of the plan is to lay out the short and long-term (5-8 years) strategies for a country in order to:

- define what strategic objectives (SOs) will be pursued in the program portfolio, how they will be achieved, and how progress toward broad development objectives will be measured and reported;

- build support for the choices made during the strategic planning process by informing others, both within the Mission and in USAID/W, about the objectives and content of the program portfolio. This includes building Mission ownership, assuring program coherence, and convincing Agency management of the appropriateness of the chosen strategies;

- serve as a means of both gaining consensus in the communities where we work as well as planning for achieving our objectives (i.e. the process as well as the product support our achieving our goals); and

- incorporate all of the Agency resources under one plan, including programs funded by the Global Bureau, Bureau for Humanitarian Response and geographic bureaus. Strategic and program objectives should be identified for all programs as well as the means for measuring and reporting on results and the resources needed.

The first part of the comprehensive plan is a Strategy Statement, which presents the analytical framework along with program outcomes and performance indicators for each objective. The Mission-based strategy team consisting of Mission and USAID/W staff as well as host country, intermediaries and end users should:

1) assess needs of end-users and analyze trends;

2) determine the intersection between country needs and USAID strategies and priorities defined in the Programming Parameters;

3) define strategic objectives providing the rationale, key assumptions, programmatic approaches, expected outcomes, means of measuring and time-table for making progress;

4) define program outcomes in terms of rationale, key assumptions, programmatic approaches, expected outcomes, means of measuring and time table for making progress; and

5) consult with host country nationals and other donors as to the suitability of the selected strategies and activities.

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The second part identifies the approach used for evaluation and monitoring as well as the status of progress towards achieving those program and strategic objectives to date. Assessment of progress should be an ongoing activity throughout the life of the Strategic Plan. Other phases of the reengineered process will have been developed to enable more evaluation by the teams responsible for implementation, more timely assessment, and more streamlined documents that roll up information. Thus, while Missions will likely determine their own schedule for detailed reviews of progress against the plan, presumably accomplishments and/or problems encountered might mean adjustments to the country strategic plan. Therefore, the Comprehensive Countrywide Strategic Performance Plan should be able to include detailed assessment of progress made and results achieved against strategic and program objectives.

The third part is an Operational Resource Plan which transforms the Strategy Statement into action by providing more detail for the current and next two years on programmatic approaches and resource requirements. It contains the near-term (2-3 year) description of how the operational unit plans to deploy resources to achieve the objectives and outcomes defined in the Strategy Statement.

The Operational Resource Plan would be organized as a strategic objective tree, i.e., for each strategic objective and its related program outcomes there would be a list of the planned and current assistance activities (type and timeframe) and resource requirements for financing and for managing those activities (program funds, operating expense, FTE, other staff and USAID/W technical support). For budgetary purposes, the Operational Plan provides specific estimates for the current and next two budget years, and more general multi-year estimates for the outyears.

Host country participation in the development of both the overall plan as well as the implementation of activities is essential.

Because this is a dynamic system, responsive to changing circumstances, Missions would present all three parts of the Country Plan together each year. While the first year might require more significant preparation, in subsequent years (barring any major shift in strategies), much of the information would come out of the Work Plans described below. Minor changes in strategies or resource needs would be relatively easy to include. The Comprehensive Countrywide Strategic Performance Plan in essence replaces the current CDSS or CPSP or other strategic plan, the PRISM plan, the CP and the ABS.

When approved by the appropriate regional bureau, the Strategic Plan represents the "performance contract" between Washington and the Mission. It enables the Missions to continue with implementing activities under the strategic objectives and enables USAID/W to develop a resource plan for how to deploy USAID/W resources in support of the Missions.

Step 3: USAID/W Resource Plan

The preceding section describes the programming and budgeting processes for the field. Washington-based units are not generally expected to have their own strategies, program outcomes, and operational plans in this country-based operational system. However, as noted previously, there are exceptions for:

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- truly trans-national programs (e.g., the Famine Early Warning System in the Sahel);
- programs where USAID does not have a developmental Mission (e.g., global warming in Brazil);
- research and development, as determined by the R&D Council;
- experimental projects intended to advance the state-of-the-art, for which Missions will not be held accountable for results; and
- funds (such as disaster assistance) intended to be held centrally against contingencies that may arise.

In addition, central and regional bureaus will need to develop plans and budgets to support the Missions, based on Mission strategic plans submitted to USAID/W. With technical assistance contracts being funded by, and accessed directly by the Missions, central support may not involve large sums of program money so much as tactical plans for how staff resources will be deployed to support country objectives. However, some bureaus may need to define contractor resources needed to maintain critical staffing to support Washington program needs (e.g., Global bureau's "Centers of Excellence" which are partly staffed by contractors). Budgetary procedures/systems will need to be worked out so that Washington-based resources, both for central programs and field support, can be defined and analyzed in the same strategic framework as country-based requirements.

Details of this process have not been developed yet as they depend greatly on how country level resources are determined. However, it seems likely that the processes used by Global, BHR, and to a lesser extent the Regional Bureaus, for supporting country teams would require some changes. The Transition Plan calls for some activity with Global on reengineering their support processes and the reengineering groups detailing budget, financial management and operations will certainly have to look at these processes.

Step 4: Appropriation, Reconciliation and Allocation

This system recognizes that the initial Operational Resource Plans, when aggregated, will not perfectly match the programming parameters, and a negotiation and adjustment process will be required. While it would be far simpler for USAID/W to decide all country-level allocations in advance, this would undercut the customer-driven rationale for the new USAID process. Thus, this step entails negotiation to align bottom-up strategies with top-down imperatives in formulating the budget.

While Comprehensive Country Strategic Performance Plans need to be reviewed to ensure conformity to programming parameters and soundness, they also need to be reviewed in the aggregate to determine if the programming targets/earmarks under which the Agency operates have been met. Thus, the budgetary review should also take the form of a rack-up of requests by sector and category, to determine whether Mission and other requests align with Congressional/Administration priorities.

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This information can be used to provide feedback to regions and Missions to adjust their strategies and corresponding budgets. If firm targets by country/by category are given out at this stage, Missions can finalize their strategies. If more general guidance is provided (e.g., regional targets by category), one or more iterations may be required before the sum of all requests match up with the targets. The problem is essentially a linear programming problem, and with modern information systems linked by the USAID network, this can be solved reasonably quickly and efficiently. This is not to suggest that computers can make the tough management decisions; just that information systems can assist management in sorting out competing priorities.

The reconciliation process may need to be repeated when funds are eventually appropriated, if the appropriation does not perfectly match the Agency request. Funds should be allocated immediately upon appropriation (except for any necessary contingency reserves), and the general intent is that all funds to be spent in a country should be allocated to that country Mission, so that implementation decisions can be made by those closest to the problem. Implementation of an Agency-wide integrated accounting system will eliminate the current, cumbersome process for transferring funds from the field to USAID/W for procurement purposes.

Step 5: Obligation by Strategic Objective

The new system envisions a mechanism for obligating at the strategic objective level early in the fiscal year. The intent is to obligate at a higher, more aggregated level than the current Project or Program Agreement would permit. A higher level for obligation is critical for a program aimed at managing for results as it focuses funding more on the objective to be achieved. Obligating at the strategic objective level:

- Defines the outcome rather than the input as the basis for allocating funds;
- Provides greater flexibility to shift resources between activities supporting a strategic objective. Thus, if one activity/assistance mode does not achieve the desired results, resources can be shifted to a different activity without the necessity of a cumbersome deobligation/reobligation process;
- Facilitates agreement with the host country as to the overall strategy and tactics to address a particular strategic objective/problem area;
- Speeds delivery of assistance where activities otherwise would be delayed by long obligation and planning processes. Thus, in situations where not all of the contemplated activities are ready for funding, some activities could still be started; and
- Enables obligation earlier in the fiscal year and thus provides more predictability and certainty to Missions during the year.

The concept of obligating at the strategic objective level is not dependent on having an agreement with the host country government. The presumption is that a host country agreement is preferable in terms of flexibility in varying the activity mix, gaining consensus and promoting

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better participation. However, in some countries, and in some situations, a bilateral agreement may not be feasible or advisable, and obligation directly through a contract or grant would be more appropriate for achieving Agency objectives. Three examples are:

- USAID may want to obligate directly with an indigenous group or with an intermediary such as a US PVO or university where the relations with host governments would not be supportive to this approach;

- In some instances, particularly where our country presence is minimal or where the situation in country is extremely problematic and unstable, we may want to obligate centrally to support a group of countries; and

- Finally, obligations for some activities under centrally managed programs aimed at strengthening our development partners, promoting the state of the art, or supporting research, may be obligated with particular organizations, rather than with host country governments.

These obligations also must be stated in terms of results expected to be achieved. Therefore, the obligation may constitute either part of, or the total obligation for a given strategic objective. However, this approach may diminish flexibility. If the intended activity does not produce the desired results, USAID cannot redirect the funds without going through the deob/reob process.

Obligating at a strategic objective level will require that USAID define a **standard obligating document** that satisfies a number of partly conflicting objectives:

- Contain enough specificity to satisfy the legal criteria for obligation, i.e., that the US government can clearly commit itself to a course of action and its attendant financial commitments. Section 611 of the Foreign Assistance Act must be considered in this context.

- Provide adequate leeway for deviation from the planned activities as circumstances dictate. This flexibility has two aspects: USAID must preserve the right to unilaterally withdraw funding, as is done in current Project Agreements, and we should commit to the host government but not pass ownership to them for money obligated.

- Define intended activities without legally committing USAID to that exact mix of activities/resources.

- Be as brief as possible with sufficient legal protections, but still capable of being understood and supporting cooperation.

In situations where the obligating document is not a bilateral agreement with the host country, existing rules regarding grant or contract obligations will probably pertain. Particularly for contracts, the obligating document will need to be much more specific than will an agreement with a host government. Furthermore, to enable the activity to be included in the rest of the operations system which will measure results achieved within strategic objectives, the obligating

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document must include explicit reference to the strategic objective and the program outcomes and indicators that are expected to be achieved as a result of the obligation. This is particularly important where this obligation constitutes the entire program under the strategic objective, e.g., a large sector grant with an established PVO.

It is also possible that a single obligation document would cover more than one strategic initiative, particularly where the obligation is with a host country government. In such a case, the obligating document should spell out each strategic objective and its associated activities and funding separately, grouping these together for convenience under a "Basic Assistance Agreement" with the host country government.

Further research is needed as to the degree of specificity required to meet the legal criteria for valid obligation, and guidance will need to be developed as to what specific steps must precede obligation, and what essential clauses must be included in obligation documents.

* * *

Figure 2 illustrates the subsequent steps in the new process.

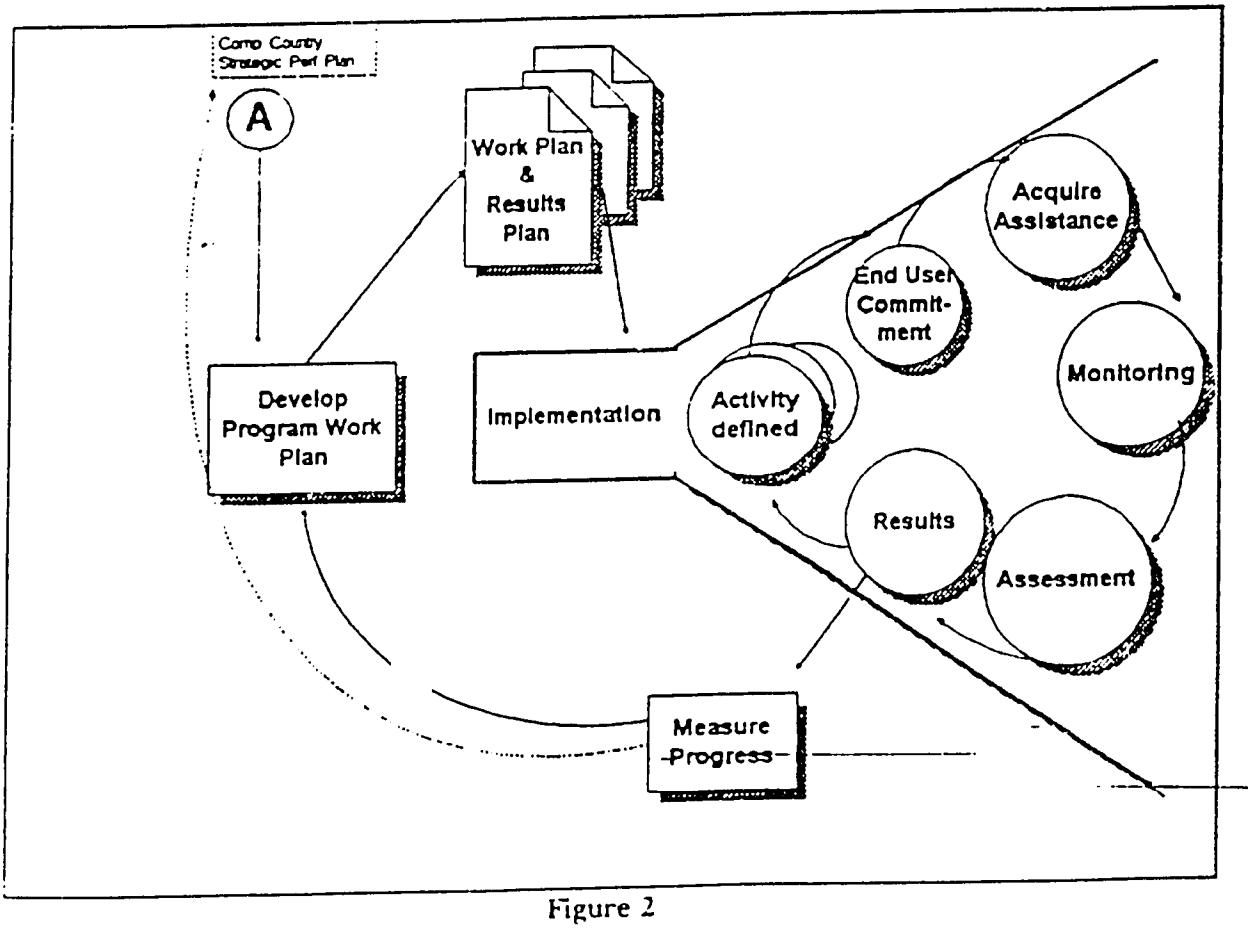

Figure 2

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Step 6: Development and Use of the Mission Work Plan

Work Plan Development. The Work Plan is the Mission's detailed plan for the current fiscal year, (with out-years sketched in less detail) including identification of specific activities and modalities, significant milestones, results expected and achieved and associated resource requirements. Developed with the Mission/USAID/W and host country team, it facilitates participation in planning as well as in following up on execution.

The Work Plan should serve as the central repository of plans for each strategic objective. It should demonstrate how activities relate and support each other in a coordinated fashion. Developed and kept up-to-date continuously in electronic form, it will be the working document used by all those involved with activity planning, coordination, monitoring, and implementation. This may include intermediaries and end users who will be involved in working to achieve the strategic objective.

Finally, though it is described separately from the Comprehensive Countrywide Strategic Performance Plan, in fact the Work Plan is both a contributor to and outgrowth of that plan. Parts of the Work Plan will roll up into the results and resource sections of the strategic plan in subsequent years. And once the strategic plan is approved, the Work Plan will be adjusted.

The Work Plan will define how program outcomes will be achieved and will identify the related activities in the following way:

- Description of inputs: what is to be done, when, where, by whom, for whom and what will it cost;
- Description of results to be achieved: expected outputs, indicators, and dates expected;
- Description of monitoring/evaluation plan: how baseline survey will be executed; process of interaction/joint monitoring with intermediaries/beneficiaries; and
- Procurement information: what kind of mechanism, when, who is involved.

The Work Plan is expected to be an evolving document. As such, it should also be the vehicle for recording actual events. Milestones achieved, or outputs (e.g., contract deliverables) received can be recorded in the Work Plan system, with actuals compared to the plan. The Work Plan system should also include a data base for recording results, both planned and achieved. It should be possible to generate reports which combine details from the Work Plan with results information as well as information from the accounting system regarding financial events, so that a complete picture of the activities under the strategic objective can be gleaned. The financial information can be presented to provide perspective on obligations, commitments, actual expenditures, and pipeline.

Work Plan Agreement. The Work Plan is also expected to be a vehicle for empowering implementation teams and "project managers" to execute the plan (e.g., approve a PIO/T) without further clearances.

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The Work Plan is an internal Mission document not requiring USAID/W approval. Some Work Plans will be reasonably firm at the beginning of the year; others will necessarily evolve over the course of the year and require frequent consultation with Mission management. However, where plans are firm enough to gain Mission Director approval, that approval may form the basis for delegations of authority within the Mission, with staff then able to proceed to implement the plan without further signoffs.

Step 7: Implementation

The remaining steps in the process represent implementation. They are shown in a circle to indicate their iterative and overlapping nature. Some USAID activities, particularly those that support capital projects or large procurements of material, may still require a more traditional sequential identification, planning, and design process prior to implementation. However, most of the activities that we support could begin more rapidly, require less documentation and be tied more to achievement of results. Feedback on results will provide for constant update and revision. The process proposed below responds to those kinds of activities. The steps are discussed sequentially for ease of understanding but might not be completed in the same sequence as they are described.

Definition of Assistance Activity. The definition/design of activities may vary in rigor and duration from merely stating a desired outcome and inviting bids, to a more normal RFP requiring development of an SOW, to, in some instances, a full-blown "Project Paper" for very large and complex traditional capital-intensive projects. Rather than being a distinct stage in the programming process, definition of activities probably begins at the strategic planning stage, and may continue throughout the plan implementation.

The purpose of activity definition is to provide sufficient detail and rigor to planned activities to enable them to proceed in a manner that will ensure achieving the desired results, and to communicate the Agency's intention both internally and with our counterparts. The reengineered operations system contemplates no single approach to defining assistance or to the "design" document. Instead, a range of procedures and documentation options is proposed for the design and mobilization of activities. Design can occur along a continuum of USAID staff involvement.

- Some activities may begin with no formal design beyond the list of milestones and outputs laid out in the Work Plan.

- Performance-based contracts wherein USAID stipulates only the result it wants to achieve should similarly require little design work – in this instance, design is being left up to the contractor.

- A more common instance would likely be the creation of a statement of work for the typical level of effort contract. Here, USAID must spell out in more detail what is expected. Wherever contracts are involved, the SOW becomes the design document. In other words, the intent is to put the necessary rigor and analysis into the SOW, rather than create a separate design document plus an SOW

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- At the far end of the design spectrum, it may be necessary in rare instances (typically very large capital projects) to prepare the equivalent of a traditional USAID project paper.

The design document should answer the following questions:

- What is to be done-- why, when, where, by whom?
- Who are customers, stakeholders?
- What is the role of USAID – direct provider, procurer, partner?
- What is the role of the stakeholder/partner?
- How will the activity support the strategic objective(s)?
- What are the key assumptions/necessary conditions for achieving results on a sustainable basis including chances for risk/problems and how will these be handled?
- What are necessary inputs (money, people, commodities)?
- What is the plan for monitoring and evaluation, including establishing baseline information, selecting indicators of achievement, process for joint monitoring with intermediaries, partners, customers?
- What are procurement modalities, including type and schedule?

The above list of questions is very similar to the items included in the Work Plan, except more detailed. Thus, the design document is assumed to become a part of the Work Plan discussed in step 6.

The design document will generally be prepared by the Mission personnel, with participation by Washington-based team members. It must also involve host country nationals, in order to secure their ideas and commitment to the intended results. Approval of the design document will normally be at the Mission level, as design relates to activities supporting a strategic objective already approved in the USAID/W - Mission performance agreement.

End User Commitment. While intermediaries and host country governments will normally commit to a formal agreement spelling out objectives and mutual expectations (e.g., contract, grant, or bilateral agreement), the end user/customer will in many cases not be a party to the obligation agreement. This step emphasizes the need to get agreement from the end user as to what is to be done, what the respective roles and responsibilities are, and how results will be measured, before the assistance activity begins. Such agreement may be bilateral, i.e., between USAID and the end users, or may also involve intermediaries, so that all participants in a particular activity are a part of the agreement. In addition, while agreements ideally will be written, in some cases verbal agreements on defined activity descriptions will be equally

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satisfactory. Regardless of its form, this process is an important step in ensuring ownership and sustainability of benefits.

Acquiring Assistance. There is a fundamental question that needs to be addressed when implementation activities are defined. Is USAID a direct provider of assistance, a financier of assistance, or a partner/facilitator/broker of assistance? The implementation system proposed assumes that all these approaches now operate in our programs. Mechanisms, therefore, need to be responsive to all three approaches and the management, monitoring, auditing and reporting systems need to reflect the various responsibilities under all three approaches.

- **Direct Assistance:** Where USAID staff is providing direct assistance to a government or private entity -- examples of direct assistance are policy dialogue carried out between USAID staff and the host country government, or working with indigenous groups to form an association which later applies for assistance through the USAID program.

- **Procurement:** Procurement, in its broadest sense, describes the indirect assistance path, i.e., working through intermediaries. The procurement process will be de-linearized, i.e., procurement processing will move in tandem with development of strategy and continue through subsequent stages, rather than waiting until the implementation stage to start. For example, Mission staff should be starting to work with their contract officer on a proposed acquisition as soon as the Operational Resource Plan is approved.

  Responsibility for procurements will lie with the field as much as possible. USAID/W will put in place large IQC or requirements-type contracts to meet common needs, but Missions will execute delivery orders directly with the contractor, and will have the option of separate contracting if desired. More contracts will be performance-based, and contractors and grantees may be pre-qualified, with records of past performance available to all Missions.

- **Partnering:** By working as a partner with other entities, for example other USG agencies, PVOs, firms in the private sector, and other donors, USAID can leverage additional resources and technical expertise to more effectively and efficiently achieve common objectives. These would not be standard procurement actions, but rather the utilization of resources in tandem with others who are working in the same area and who can use our support in one form or another to further that work. Additionally, USAID may be in a position to broker assistance by partnering aid requestors with others in the development community who may be better able to provide the assistance requested.

Section III of the report discusses the implications of the new system for procurement in some detail. Key aspects bear repetition here:

- de-linearizing the procurement process (much the same as is discussed for early development of the Work Plan and design documents above) and involving the contracting officer as a member of the planning and design team.

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- greater use of several forms of performance-based contracts instead of level-of-effort contract vehicles;

- greater use of demand-driven procurement mechanisms to enable the field to secure pre-contracted assistance on an as-needed basis; and

- prequalification of potential contractors/grantees, so that both Missions and USAID/W will be able to acquire services more quickly and with more assurance that the contractor will provide quality services.

Monitoring and Auditing. Monitoring takes two forms, implementation monitoring and results monitoring. Implementation monitoring tracks inputs, outputs and milestones, and is focussed on contractor/grantee performance in terms of meeting contract/grant requirements. As these events occur, they will be recorded directly in the Work Plan. Results monitoring is addressed initially in the country strategic plan (which includes a results monitoring plan along with indicators and benchmarks), and then annually in the Operational Plan (in which results are reported). Results monitoring is focussed on the achievement of outcomes and objectives. Activities yield results, which lead to the achievement of program outcomes and in turn to the achievement of strategic objectives. Results are measured and monitored through a series of indicators and against a set of benchmarks.

Streamlining all the preceding steps should free up both field and Washington staff, as well as local counterparts, to devote much more time to monitoring and assuring that the desired results are being achieved. This includes staying in touch with the end users to ensure their needs are being met. Monitoring results are constantly fed back into adjustments to the Work Plan, allowing reprogramming of resources if a given activity is not working.

While the system proposed here concentrates project manager time on designing and monitoring for results, there is still a need to track inputs, i.e., what kind of system will we use to monitor the delivery of US-financed goods and services. While implementation monitoring will focus on assuring that grantees and contractors delivered the goods and services as required, a separate audit function should be defined that assures that USG requirements for procuring, shipping, on-site management etc. are followed. The audit function should be in-house and should be seen as part of the team managing USAID's resources. The Transition Plan calls for a better definition of audit roles in the financial management reforms as well as the IG.

Assess Impact. This is distinguished from monitoring in that it is not continuous, but occurs at scheduled intervals, and it looks at whether program outcomes are being achieved, attempts to ascertain whether USAID's intervention has been a significant factor in achieving program outcomes, and analyzes whether the program outcomes are supporting achievement of the strategic objectives. As with monitoring, results are fed back into adjustments to the Operational and Work Plans.

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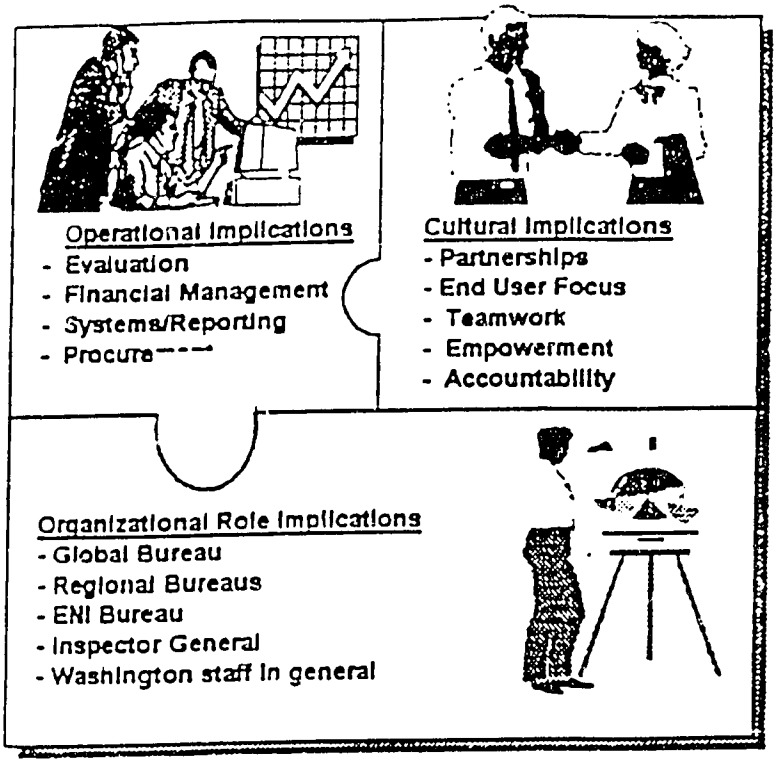
III. IMPLICATIONS OF THE NEW SYSTEM

The new process described above has numerous implications for the way in which USAID does business. Some of these implications are cultural or organizational; others are operational, i.e., process oriented. These interlocking implications are discussed in this section.



Operational Implications

Evaluation. Results-orientation is the heart of the new system. The focus on results begins with the identification of strategic objectives and permeates every subsequent step of planning, implementation, monitoring and evaluation. USAID has done considerable work in this area over the past six years, beginning with pioneering work in the Africa region under the Development Fund for Africa, and expanding Agency-wide under the PRISM project. As of June 1993, USAID reported over 180 strategic objectives in 94 Missions and offices, with over 500 program outcomes defined to measure results.

However, more work remains to be done. The current system is not universal, and it does not provide USAID the capability to compare results across countries, or to aggregate individual country statistics to assess global trends. Present Agency procedures evolved during the era of capital projects; projects were built from clearly defined building blocks, that necessarily led to the desired outcome. We have not yet perfected a consistent framework for dealing with a world in which results are harder to measure, and USAID is one player among many, only partially responsible for a given program outcome. Finally, since the Agency is committed to achieving results on a global basis, country and central activities have to fit into the results evaluation framework.

From an analytical perspective, there are some incompatibilities between the PRISM objective tree methodology and the older, logical framework ("Log Frame") system still in use in the Agency. Questions such as whether -- or how -- a single activity should be associated with more than one program outcome or strategic objective, or whether USAID needs to have a set of standard measures for all client countries (even if we have no strategic objective in that area for that country) need further consideration. In addition, decisions must be made as to whether new indicators should be developed, for example, in the area of benefit sustainability, that cut across

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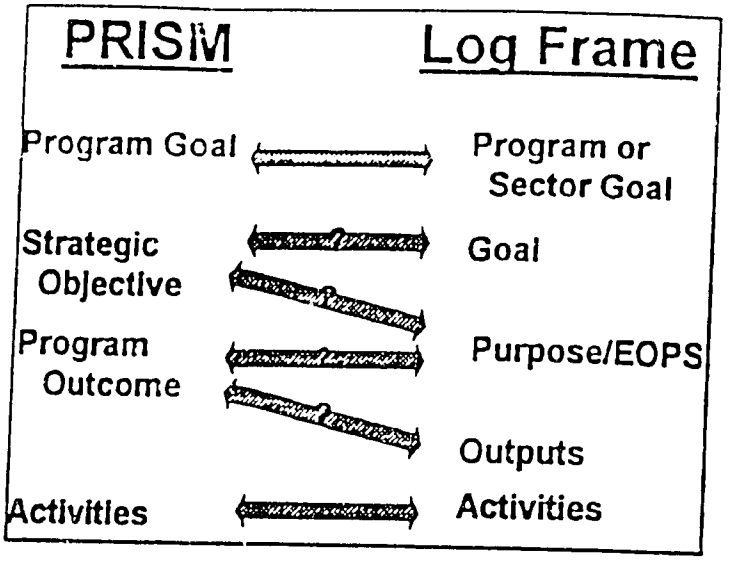
program outcome or strategic objective lines.

In order to construct a rigorously results-oriented system, these and related issues need to be resolved. The resulting logical structure will represent the basic organizing principle for all operational, budgeting, accounting, and management reporting systems. This will be a key focus of the Business Area Analysis project(s) which follow this reengineering exercise.



Financial Management. The reengineered operations process supports the Administration's effort to shift the focus of Congressional authorization of foreign aid from input measures and controls to results. This means that the funds classification structures for both the accounting and budgeting systems have to conform to this new approach. It is no longer sensible to budget according to one set of account structures, and then to control spending according to another. The AWACS system, now under development, will need to reflect the new logical structure, discussed in the preceding paragraph. Similarly, the Budgeting BAA now underway will need to adopt this same structure.

The new operations system also has empowerment as one of its core tenets. In the financial management context, empowerment has several implications. First of all, it means that the authority to determine spending requirements and to act on those determinations rests with those closest to, and responsible for meeting the development objective. This means allocating nearly all funds to the field. USAID has a long-standing commitment to in-country presence as the basis of its development program. With the new Administration's emphasis on broad participation with host country nationals in our development efforts, and on having a flexible, results-oriented system, it no longer makes sense to have large central projects controlled by Washington staff and sometimes run in countries without the Mission's involvement or interest. The new budgeting system will provide a means to reconcile all of the competing interests in deciding what strategy to pursue for a country. Once this is done, those strategies should be managed and controlled by the people on the ground, if we are serious about achieving results.

Secondly, empowerment means having sufficient authority to be flexible to adapt rapidly to changing circumstances, to cancel projects or activities that are not achieving the desired results and apply the funds to more productive interventions. This means that funds should no longer be authorized or controlled at the project level; rather, within a strategic objective, the Mission must be free to divert funds from one activity to another without further approvals from Washington. Because strategic objectives probably correspond to an Agency-wide imperative (e.g., a Congressional earmark), some central control will be necessary if the Mission

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determines that it makes sense to divert funds from one strategic objective to another in a given year.

The new operational system is highly dependent on the Agency having a single, modern, integrated accounting system. Much of the blame for the existing, cumbersome control procedures can be attributed to the fact that USAID/W and the Missions had separate systems, with about 44 Missions operating accounting systems and another 60 some Missions having no systems of their own to keep track of the millions of dollars they spend each year. With non-integrated systems, funds movement was extremely cumbersome, with faxes and cables allocating money to the field and then back to Washington to execute a purchase order against a Washington-based contract. With a single, integrated accounting system, funds movement ceases to be an issue, permitting empowerment of the Missions with no attendant loss in efficiency.

The new system will also change the role of the Controller. Today, due to inadequacies of the current system, Controllers need to sign off on any funding action, because only they can determine if funds are available in the proper account. With a modern system, the staff person executing a PIO/T in the automated procurement system will automatically record the reservation in the accounting system, or be advised that there are insufficient funds. The new accounting system will also provide sophisticated, user-friendly analysis tools to look at issues such as pipeline, which currently take professional accountants days to come up with. Controllers will have a greater opportunity to apply their expertise to financial management issues and to assist implementation teams in effectively managing their resources.

Information Systems and Reporting. We have already discussed the need for a single integrated accounting system, structured around an objective and results-based logical framework. The suite of systems needed to implement the new operations process should be seamless to the user; i.e., an event such as a contract action is recorded in the procurement system, automatically updating the financial system and the work plan. The notion of empowerment means that far fewer sign-offs will be needed, but where needed, these can be done electronically, eliminating the physical movement of paper through a succession of officials, often separated geographically.

Most reporting would be replaced by access to data. Currently, Missions are over-burdened with requests from USAID/W for information, often for information already available in Washington. A considerable part of the Washington staff is occupied with requesting data from the field, rekeying data from one system to another, comparing and reconciling data from disparate sources, and massaging data for presentation to higher management. An independent cost/benefit analysis conducted on the ISP estimated that savings due to reducing these activities once the ISP is fully implemented would total $255 million over seven years. Obviously, this points to a need for fewer staff in USAID/W once the reengineered systems are in place.

Using the integrated systems being developed under the ISP, participants in development activities at whatever location would be able to access current information on the status of activities, finances, and results. This is key to enabling teams of Mission and Washington staff to work effectively together. For example, work plans could be updated by those with authorization to change the plan, but read-access to the changes would be available to all team

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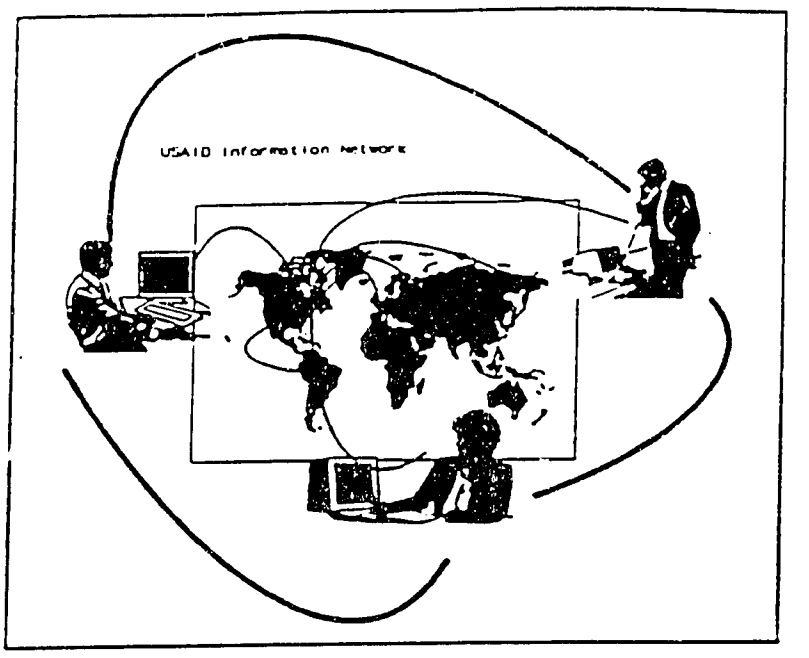
members and other interested parties. User-friendly query and reporting tools will enable staff and managers to extract and format the information they are interested in. The continuous availability of status information, and in particular, data on results being achieved, will alter how we view periodic review and reporting. Reporting, such as envisioned in the Operational Plan, would be driven by the need to examine and analyze what is happening, rather than to simply discover and report what is happening.



Integrated systems and on-line communications are necessary, but not sufficient conditions to permit the kind of changes discussed above. Technology can enable, but will not by itself create, the kind of cooperative approach to shared information, teamwork, and reduced reporting requirements that will reflect a truly reinvented USAID. Training and cultural changes will be necessary to realize the full benefits that technology and the new operations approach offer.

The notion of shared data can be extended to USAID's counterparts as a means of enhancing cooperation and participation. The new operations process envisions sharing data with host country governments, as well as intermediaries such as contractors and grantees. This will require some special security precautions -- Federal law and common sense prohibit granting unrestricted access to USAID systems to outsiders. However, selected data (e.g., results data, work plans) can be made available on a separate computer which can be accessed from outside USAID without compromising the rest of the network.

Procurement. USAID relies on a variety of procurement mechanisms to achieve a large part of its development program. The new operations process envisions a number of significant changes to make procurement faster, simpler, more responsive to the needs of the field, and more performance-oriented. These changes include delinearizing the procurement process, teamwork, demand-driven procurement mechanisms, performance-based contracts, and pre-qualification of grantees/contractors.

- De-Linearized Procurement. A number of steps in the procurement process can be taken much earlier than is the rule today. By taking these steps in parallel with the development of strategy and design, the gap between approved strategy/funding and award can be significantly shortened. Under the current system, the procurement process typically does not begin until the formal design process is completed and funds are

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approved/obligated. It is only then that advertising, Statement of Work (SOW) preparation, preparation of the RFP, etc. begin. This results in months of lost time.

In de-linearized procurement, a number of steps in the procurement process – advertising, SOW preparation, RFP preparation, issuance of the RFP, and even receipt of offers – can be done in parallel with the development of strategy and design. In the new system, a team engaged in developing the operational plan for a particular strategic objective, can also be advertising, developing SOWs and RFPs, engaging in dialogue with potential grantees, etc. Thus, when funds are actually allocated/obligated, contracts or grants can be awarded, and assistance can begin to be delivered with very little delay.

- Procurement Teamwork. Teamwork is central to all aspects of the new operational process, with procurement no exception. The contracting officer should be part of the strategic objective team, advising on the most effective contracting mechanisms at the time plans are formulated, and working with team members to define the requirements in a contractible form, and ensuring that the contract resources are brought on line in a timely fashion.

  Under the current system, teamwork between procurement officers and project managers and planners is poor. Contracting specialists frequently have no input in the design process until the procurement mode (decision to use a contract or grant mechanism) is chosen and design is completed. At this late stage, contracting specialists may have to identify errors in the choice of procurement mode or design, meet with the designers (usually in several sessions), and correct the procurement mode or transform the original design into a contractible SOW. In addition, working relations between contracting and development staff become strained and ultimately unproductive. The development staff feel that their SOW is under attack and see contracting staff's demands for changes as unnecessarily delaying the achievement of the development objectives. Contracting staff, on the other hand, see their colleagues' reluctance to invest time in choosing the proper procurement instrument or crafting a solidly contractible SOW as penny-wise and pound-foolish, i.e., making the process vulnerable to much greater delays (due to solicitation amendments, protests, etc.) further along in the procurement process. This strained relationship leads to an "us vs. them" mentality, generating behavior counterproductive to achieving the end product.

  In de-linearized procurement, teamwork dictates that staff work together from the start so that the procurement mode (contract or grant) is determined appropriately and the finally designed requirement, e.g., the SOW, is a jointly crafted product. Thus, in addition to satisfying the technical requirement, the SOW is also solidly contractible, and can be implemented in a much shorter time-frame.

- Demand-Driven Procurement Mechanisms. While no one procurement mechanism is considered a panacea for USAID's future, the Indefinite Quantity Contract (IQC) and the similar Requirements type of contract are proposed as dominant mechanisms for the future. Because they make it possible to quickly define and acquire technical assistance

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(TA), these mechanisms are consistent with the tenets of empowered country teams, improved accountability and customer focus.

These contracts would result from dialogue among Missions and central/regional bureaus on what types of services are needed over the next three to five years. The central/regional bureaus would take the lead in putting these contracts in place, based on input solicited from the field. Such contracts would require only minimum up-front funding – i.e., these would not be centrally funded contracts. Once in place, the contracts would be demand-driven and directly accessed by the Missions with their own budget resources. Missions would be empowered to electronically issue their own Delivery Orders and be held accountable for managing the assistance or delivery of goods.

The contracts envisioned would be very flexible: The current 120-day and $250,000 maximums would no longer apply. Both short and long term TA would be available under these contracts.

Buy-In contracts would be used far less frequently in the new system, replaced by the IQCs and requirements contracts described above, which, unlike the current Buy-In contracts, would allow Missions direct access to contractors and would not be tied to centrally funded/managed core contracts. Core contracts could continue to be used to maintain a stable of technical expertise and leadership in a particular area. Other mechanisms to help the agency maintain its technical leadership include PSCs or limited appointments, funds for Direct Hire technician travel, contracts for research, etc.

Performance-Based Contracting. Under the new system, there will be a system of indicators for measuring results towards established objectives. USAID's contracting and grant-making should reflect this emphasis on results. Fixed price, fixed price incentive, and cost plus incentive fee and award fee contracts should be used more often. These provide for a higher level of accountability for results than has been provided by cost-plus-fixed-fee contracts. Similarly, wherever possible USAID should structure grant programs so that performance objectives are clearly identified, as well as the means by which progress will be measured. These changes will require standards for evaluating performance, and systems to track evaluations – particularly on IQC-type contracts where each country team will evaluate its individual tasks.

Taking the performance emphasis a step further, SOWs could be performance-based, giving firms the ability to compete the design approach as well as the cost. USAID, by not dictating the design, would promote more innovation and greater competition. (Note that this is not a two part design and perform contract, as in the "DAP" and "DAD" contracts: but a single contract to implement the accepted design, i.e. the proposal of the winning offeror). In such cases, USAID may be able to go directly from Strategy to RFP Issuance. For example, once USAID identifies the outcome/results desired under a particular strategic objective, an RFP can be issued requesting offerors to: show how they would achieve the outcome/results, describe the milestones they would hold themselves accountable to along the way, describe the cost-containment measures they

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would self-impose, describe what it would cost, and the profit the offeror would give up if it did not reach milestones or deliver the final outcome.

The key to doing performance based contracting is writing performance based scopes of work. Training will be necessary to help USAID staff make the shift away from the level-of-effort contracts' focus on inputs to the outcome focus of performance-based contracts.

- Prequalification of Potential Grantees/Contractors. Prequalification can reduce overall procurement processing time. For grantees, currently about 40 per cent of the processing time for grants is consumed in determining whether the grantee has adequate financial resources, accounting systems, procurement systems, travel procedures, etc. This determination is required each time a new grant is made, regardless of how many grants the particular grantee may currently have in effect or how many times in the same period it was determined to be a responsible grantee.

  If USAID/W acted as the central review point for U.S. PVOs and, upon review of each PVO's financial, accounting and other procedures, could "pre-qualify" a U.S. PVO for a set period of time (two years?) this would enable any Grant Officer to process a grant with that PVO without having to repeat the same process. Both USAID and the grantees would reap savings in time and paperwork. Similar, though smaller savings could be achieved through a similar process at the country level with local NGOs being pre-qualified by a Mission for a set period of time.

  Potential contractors could be pre-qualified in terms of a "short list" of firms for USAID requirements in, for example, the health sector in Latin America. RFPs could be issued directly to the short-listed firms. After the initial prequalification process, savings would be in shortened advertising time, shortened proposal preparation times and less paperwork.

Underlying all of these changes are increases in efficiency through reducing the number of actions and internal hand-offs as a result of both empowerment and technological change. If, as proposed under the new system, obligations can be made at the strategic level, then contracts/grants can be incrementally funded once a year instead of many times over the course of a year. Working on the basis of electronic documents (on-line PIC/Ts, etc.) that are completed/cleared off by various offices by computer entry will make processing much faster than the current system which is dependent on moving hard copies for sequential signatures from office to office.

Giving Missions the authority to issue Delivery Orders under IQC contracts will eliminate a handoff (to USAID/W) and improve accountability. The current system generally requires Missions to access IQCs through USAID/W who issue delivery orders and send copies to the Missions. Contract management accountability is made difficult because the issuing CO is in USAID/W and the COTR is overseas. The main reason USAID/W is involved is to ensure that contract ceilings are not exceeded, and currently, only USAID/W is able to track the accounting under these contracts. However, once accounting data under these contracts is available

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worldwide (through AWACS or other systems), Missions should be able to track the accounting, have their own on-site CO issue the delivery order, and manage the contract performance.

To accomplish the changes discussed in this section, the Agency will have to make a number of adjustments in the areas of procurement workloads, procurement staffing, and the warranting of that staff. Procurement managers must be able to schedule time to work on steps related to future planned activities as well as time to carry out present day activities. Unfortunately, in USAID/W and many Missions, (particularly, the REDSOs and others where Contracting Officers are serving several Missions), heavy workloads result in procurement managers having barely enough time for present day activities. The recent emphasis on procurement planning and other reforms to streamline the process should help, as will staffing up the procurement function to its authorized level. In addition, giving that staff (particularly at the mid-level) more warrants should help make the workload more manageable. Finally, USAID should seek a Class Deviation from the requirement to separately justify each requirement for Advisory and Assistance Services. This would result in savings of time and paperwork.

Implementing these changes to the procurement process will have implications for the information systems which will support procurement. First of all, the notion of delinearized (i.e., concurrent or overlapping) processes will be highly dependent on on-line information systems where procurement requirements can be brought to the attention of the contracting officer as soon as they are identified in the Operational Resource Planning process, and he/she can work cooperatively with the implementation team through the Work Plan and design phases. Similarly, electronic systems should facilitate Missions directly issuing tasks to Washington-based IQC contracts.

Secondly, the use of performance-based contracts will entail capturing and tracking information that is not normally tracked in the procurement process today. This includes specification of outputs and outcomes expected, evaluations of their suitability/quality, and fee determinations based on the level of performance. (While these represent new information items that need to be tracked, greater reliance on true performance-based contracts could actually eliminate some other onerous requirements: namely, requiring overseas project officers to approve monthly vouchers for hours billed to USAID/W. If the performance-based contract actually stipulates that USAID will pay only upon successful accomplishment of results, information on results can be recorded in the information system, and this becomes authorization for payment, eliminating the voucher problem.)

Thirdly, taking the notion of performance tracking one step further, the new system envisions having available data on a wide range of contractors/grantees. This would include past performance history on organizations that have already done work for USAID, as well as maintaining data on contractors/grantees who would be prequalified for USAID contracts. Prequalification would speed the issuance of contracts, and reduce the repetitive and time-consuming audit requirements for grantees. Performance data would allow the project officer in the field to discover where else that contractor has done work in the Agency, how well it was done, and who could be contacted for a reference. This would require revision to the current prohibition on recording and maintaining performance data on contractors.

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Organizational Roles and Structure

USAID's reengineered operations system fits within the Agency's reorganization plan as presented in the notice distributed October 1, 1993. The new system does not require changes in bureaus' functions nor in overall responsibilities. It does, however, have implications for how individual bureaus perform their respective functions. Significant adjustments will be required in the Global Bureau, particularly in light of the recommended shifting of responsibility for most activities to the field. Far less adjustment in at lease three of the four regional bureaus will be required to adapt to the new approach. Decisions about ENI's operations processes require consideration in a somewhat different light, that of the program's political environment and general low levels of staff in the field.

Global Bureau. The Global Bureau has four major functions:

- provides technical advice and support to other bureaus, offices and field missions;
- sponsors research (including operational research) in areas relevant to Agency goals;
- designs and manages activities that address global issues; and
- performs technical leadership role in fields which are of interest to the Agency.

A variety of mechanisms will work together to support the fulfillment of Global's functions. Global staff, including direct hires, RSSAs, PSCs and limited term appointments, will provide technical leadership to other bureaus and to Missions, and will draw on Global-negotiated and managed contracts/grants to help maintain the level of expertise (i.e., a "stable" of experts) required to perform the leadership role. (Some core commodity procurement contracts, e.g., for family planning devices, also may be appropriate.) In addition, staff will manage programs focussed on global issues and research problems. For these purposes, Global must have sufficient OE and program funds.

Because the demand for field support will far exceed the capacity of Global staff, additional contract/grant mechanisms will be put into place by Global which will allow direct access by Missions. Funds allocated to Missions through the OYB process will be utilized by those Missions directly to obtain the required services through these mechanisms. These may include requirement-type contracts as well as mechanisms allowing more complex, separately negotiated contracts or grants, and will replace components of existing core contracts whereby Global is responsible for country-specific obligations as well as for related contract/grant management. This shift is in keeping with the following principles which are important to a field-based system:

- the design and provision of services is demand driven by requirements determined in the field, with technical guidance provided by USAID/W;
- the expenditure of funds on those services is controlled by the field; and

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- supervision and implementation of contracts/grants for country-specific activities is the responsibility of the field.

A key feature of the new operations system, teamwork, should allow Global to spend more time being involved substantively with Mission programs and less time doing contract/grant paperwork. Throughout the process of planning, design, implementation and evaluation, teamwork will be a key feature. Global's staff will be members of country teams and will be involved with country programs at all stages, providing key input and world-wide experience, and will represent technical components of those programs in USAID/W. In this way, Global will keep abreast of progress in the field, and will monitor country experiences which can guide future efforts in a specific country or elsewhere. For this to work, sufficient OE should be available in particular for staff travel.

Regional Bureaus. The reengineered operations system will have the most impact on regional bureaus (see separate ENI discussion below) in the area of project reviews. No longer will bureaus review project and nonproject assistance proposals, but instead will focus reviews on country program objectives and results. With respect to providing services through a regional project, where a regional bureau manages a service delivery mechanism for country-specific activities, the above discussion about the Global Bureau and the delivery of services through contract/grant mechanisms also would apply, i.e., the provision and delivery of services would be field-driven and field-supervised. In other areas, the role of regional bureaus will be similar to that defined in the reorganization plan.

Europe and New Independent States Bureau. ENI operates in an environment which is more politically-driven and less field-staffed than what is true for the Agency generally. Rather than identifying objectives, it has focussed on identifying the technical requirements of the region in specific programmatic areas, e.g., privatization, and then meeting those requirements through centrally managed contracts which field staff can utilize. The defining of country-level strategies has only just begun, but now is taking on a higher priority, as is a process for monitoring and documenting results.

The proposed new operations system highlights responsibility and authority for decision-making at the field level, as well as programs designed toward meeting development objectives and outcomes. As ENI moves toward an objective-based system, rather than a system designed primarily to meet technical requirements, its programming approach should adapt to the new system. With this change, a major issue is whether large, centrally obligated and managed contracts provide the appropriate environment for sustainable development in which participation and field-level determinations prevail. The extent to which ENI processes include and encourage host country participation and allow for field-driven flexibility in the programming of funds is important to determine, as are the constraints imposed by political imperatives and staffing levels. Along with approval of the new operations system there should be a decision to review ENI processes in order to resolve apparent differences between its processes and those of the new system.

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Office of the Inspector General. The role of the Office of the Inspector General in the new system is critical to the success of reengineering. While the traditional role of the IG involved primarily assuring the integrity of USAID's procedures and the security of its funds, there is increasing emphasis in the IG community on performance audits, i.e., looking at whether the Agency achieved the results it set out to achieve. A recent worldwide cable, jointly authored by the IG and PPC discussed this evolving role. The President's Council on Integrity and Efficiency (the coordinating body for IGs) is developing new guidelines for IGs vis-a-vis performance audits, in response to the government-wide focus on results as highlighted in the Government Performance and Results Act. Once this guidance is issued, further discussions will be needed to clarify the role of the IG in measuring results in the reengineered operations system.

A related issue has to do with the new system's attempts to streamline documentation requirements by limiting documentation to what is required to communicate necessary information to team members, management, and USAID's counterparts. Some agreement needs to be reached with the Inspector General as to the extent to which documentation beyond what is required for communications purposes as described above is necessary to satisfy audit needs.

Washington Staff Roles. Finally, one of the most significant implications is that there will be major changes in the work done by Washington staff if we actually empower the field. If we truly believe our precept of in-country presence being USAID's comparative advantage, then we need to put the responsibility and authority (and accountability) there. This should translate into a reduction in Washington-based activities such as asking Missions for information, running programs/projects from headquarters instead of in the field where development actually occurs, and most importantly, reviewing and approving activity-level Mission decision documents. Similarly, on the administrative side of the Agency, streamlining of Federal and USAID regulations and procedures, and new, integrated computer systems should significantly reduce the numbers of staff performing administrative work. These savings can be used in two ways:

- strengthening the field support and analytical roles in USAID/W; and/or,
- shifting some staff to the field -- where our customers are and where development takes place.

Both of these options will need to be explored as streamlining and reengineering begin to pay dividends.

Cultural Implica

As complex and far-reaching as some of these operational and organizational implications are, in many respects they will not be as difficult to deal with as the cultural implications of the new system. USAID has committed itself to fundamental reform -- to reengineering the Agency into a high-performance, result-driven organization that can respond effectively to global challenges and successfully encourage sustainable economic development. To succeed, the "organizational culture" of the Agency must support these same objectives. The following high-level tenets are at the core of the new operations systems and procedures:

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- Promoting stability in developing countries is an important foreign policy objective for the United States, and stability can be promoted by employing policies that promote democracy and sustainable development;

- Maintaining effective partnerships with host-country governments and intermediaries is essential, with the NGOs, PVOs and other local community groups in particular being viewed as full counterparts and cooperators;

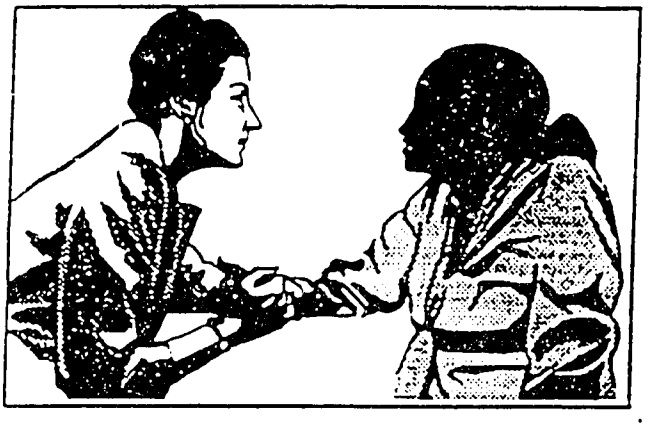
- The end users in the developing countries are our customers, and their active involvement and participation is essential in every step of the development process;

- Teamwork and empowerment of USAID employees is to be promoted and supported; and,

- The Agency is to be results-driven rather than rule-driven, with emphasis placed on accountability and demonstrating the achievement of objectives.

USAID Organizational Values. In order to work by these tenets, the values of the organization have to change. These are discussed under specific headings below.

- **Encouraging Partnerships.** Maintaining and promoting effective partnerships with host country governments, intermediaries, NGOs and donors is critical for achieving sustainable development. One of the basic beliefs of reengineering is that the host country governments and local intermediaries are our partners and not just recipients of assistance. Experience has shown that development assistance works best when it contributes to efforts that people in the recipient society are already attempting to carry out and when it fully takes into account the priorities and values of affected groups. The efficiency of this approach is demonstrated when one considers the degree of consensus and involvement that a government or local entity must count on to carry out and sustain changes in policy or development programs. Therefore a partnership relationship is needed: one which focuses on building the local capacity so that in time the host countries will be equipped to handle their own problems and engage in sustainable development without the assistance of outside donors.



Another belief of the reengineered system is that the PVOs are our partners not simply suppliers of assistance. This system calls for practicing a true partnership with indigenous and American or international PVOs that collaborate with us in providing development and humanitarian assistance. The system will encourage partnership with

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those PVOs that are committed to strengthening institutions, building capacities and enabling end users in the recipient society. Our partnership means that we will listen to our partners' views and will work together in ways that reflect our complementary strengths. Together we will work on strengthening indigenous institutions and building local capacity so that local communities can sustain the development activities initiated with the donors.

Similarly, the reengineered system will treat other donors as partners, not competitors. This will call for greater coordination of efforts, both in the field as well as in USAID/W. In order to leverage our assistance more effectively, we need to play an even greater role in coordinating our efforts with other donors both in economic policy reform area as well as in implementation of programs and activities at the field level.

- **Enabling End Users.** The end user of development assistance is our true customer. We define our customers to be host country nationals targeted to receive services, products, and information funded by USAID. It has been shown that broad access by people to their country's economy, and participation in their society's decision making processes are essential to sustainable development and are the first steps in the democratization process. In addition, USAID's assistance will more likely lead to results if our development programs are relevant to people's sustainable needs.

The reengineered operations system emphasizes participation in all relevant steps in the process. The local counterparts will be members of teams who will be responsible for developing country strategies, defining operational plans, and designing, implementing monitoring and evaluating activities. This will require cultural changes for many in USAID and will mean that mission staff will need to spend more time listening and collaborating with end-users and counterparts. In addition, surveys will be conducted to assess needs as well as the level of satisfaction with USAID funded services and products. The use of customer surveys to assess needs and effectiveness of USAID programs will require new skills in designing and conducting surveys, and analyzing data. In addition, increased contact with and input from our customers is likely, in some instances, to mean that we hear negative, or conflicting feedback from our customers and counterparts. This will cause us to have to continually reconsider our activities, and adjust them to try to maximize customer satisfaction and at the same time achieve our development objectives.

- **Appreciating Teamwork.** Teamwork means that all members of the Agency plus host country nationals will work collaboratively in self-managed teams to plan country strategies, implement country programs and monitor and evaluate country performance to achieve country-level results in furtherance of USAID's global goals.

The objective of this teamwork concept will be to promote an integrated approach to addressing sustainable development issues which transcend USAID's traditional functional areas. This approach to achieving results means a willingness to move beyond conventional wisdom, to combine ideas from unconnected sources. To see problems in

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this way is to see them as wholes, related to larger wholes, thus challenging established practices and embracing change.

The reengineered system built on integrative teamwork will have to reduce conflict and isolation between Missions and USAID/W and different parts of USAID/W, create mechanisms for exchange of information and new ideas across the Agency, ensure that multiple perspectives will be taken into account in discussions, and provide coherence and direction to the whole Agency.

- **Empowering Managers.** The reengineered system takes seriously the notion of empowerment (and its corollary, accountability). For an effective, results-driven Agency, it is important to transform our culture by decentralizing authority. Approved country strategies empower Missions to choose the most effective activities to achieve those strategies, and to change them when things are not working right. The system will promote empowerment of managers and holding managers accountable at the sites where the need for services originates, instead of dispersing authority and accountability among other entities removed from the site.

  Empowering managers means giving them the authority and the responsibility to make decisions. It also means liberating the employees from the cumbersome burden of over-regulation and central control. Part of it hinges on creating new incentives to accomplish more through team work and being customer focused. And part of it depends on empowering employees to use their judgement, supporting them with the tools and training they need, and holding them accountable for producing results. Managers ought to be able to make good business decisions by judging whether an action is legal, ethical, the right thing to do, in keeping with the Agency's values, and one for which he/she is willing to be accountable.

- **Supporting More Accountability.** There are two kinds of accountability: one for results, and the other for prudent management of resources. USAID's new emphasis on results is in keeping with the direction the entire U.S. Government is moving (cf. the Government Performance and Results Act), but it raises significant problems. The fundamental problem is that USAID is in a high-risk business, and does not control all (or maybe even most) of the factors that determine success or failure in development. If despite best efforts, we fail to achieve our objective, what does this mean for the country program, or for the individuals involved?

  At the heart of the new notion of accountability for results is the idea of not penalizing failure, i.e., the only sin is not to recognize a problem and take steps to address it. This approach, if it is successfully instilled, should foster better results because the incentive to continue a project that is not succeeding will be gone.

  Prudent management of limited resources will be essential for having an efficient and effective operations system. The reengineered system focuses on having fewer rules

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where they are unnecessary and block legitimate business decisions, as well as having clearer rules. This will also lead to having a more flexible system.

Techniques to Promote Values. Following are some of the techniques which can be used to promote these values in the organizational culture of USAID:

- **Commitment from Top Management to Change USAID's Culture.** Given the significance of the reforms, it will be important for senior management to be explicit in stating and displaying commitment and support for the stated values. This is a fundamental aspect of cultural change.

- **Clear statement of USAID's Vision.** A written statement of our vision, mission, and values is critical to reengineering as it enables us to relate everyday actions to broader objectives.

- **Provide Training to Employees.** Appropriate training is essential to promote and develop skills related to the Agency's values and to maximize the impact of the new system. In order to adopt a participatory and teamwork approach, it is necessary to provide training in technical, human relations, and management skills. For example, training in communication skills, interpersonal group participation, problem solving, negotiating skills, is critical for enabling employees to work in USAID's new team work environment. Similarly, for a results driven Agency, training employees in statistics, surveys, and analytical capability will be essential. In order to have a greater focus on customers, training in sustainability of benefits, languages and local capacity building will be essential. In addition, through these training sessions, USAID can instill in its employees its mission, values and beliefs.

- **Provide Rewards, Incentives, and Promotions based on Results.** Behavior change can best be reinforced by providing rewards, incentives, and a system of promotion based on performance. In addition, to encourage technical leadership, we should reward and enable our technical employees to rise to the highest levels in USAID without changing professional cones. The new rewards system should be focused on the results achieved by teams, as well as the individual contributions by the team members. Managers should be accountable for and evaluated on the achievement of program outcomes and strategic objectives.

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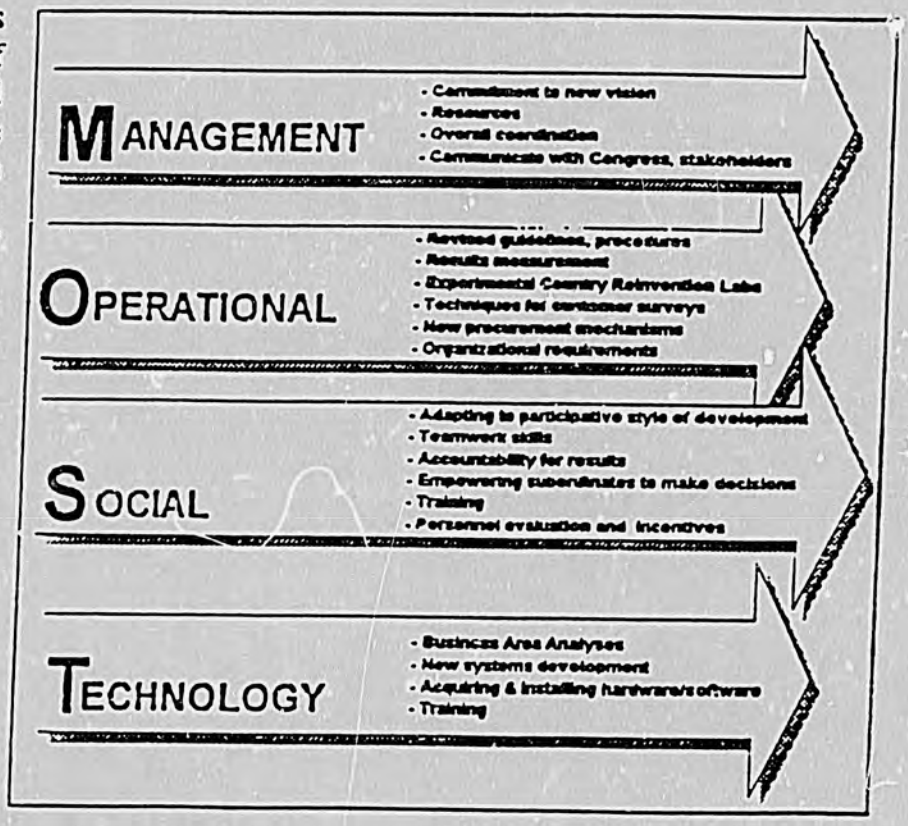
IV. TRANSITION PLAN

Introduction

Implementing the new, reengineered operations system involves a host of tasks that arise directly from the system defined by the Intensive Reengineering Team. However, these tasks by themselves are not sufficient to effect a reengineered USAID. There is a much broader list of tasks which must be accomplished in coordination with the new operations system in order to truly change the way USAID does business. These include related systems efforts under the Agency's ISP, reform efforts already underway, rewriting of guidance, redefinition of organizational roles to support the new system, and training. The figure below illustrates one way to consider these changes, using the acronym MOST – Management, Operational, Social and Technology.



This section first discusses the direct implications of the new reengineered system, and lays out the actions which must take place. Next, it discusses the broader context of management reform in USAID, and provides milestones for that. The target date for bringing these changes together in a reengineered USAID is October, 1995. This is not to say that there will be nothing left to improve at that date, nor that nothing will happen before that. Rather, this is the date at which we can expect to have implemented, worldwide, those changes which, taken together, will substantially reform the way USAID conducts business. Naturally, such a plan has significant resource implications, both in dollars and in staff time. These are discussed at the end of this section.

Reengineered Operations System

The Gantt chart on the next page lays out the steps flowing directly out of the Intensive Reengineering exercise. Some of these steps have already begun, particularly the coordination

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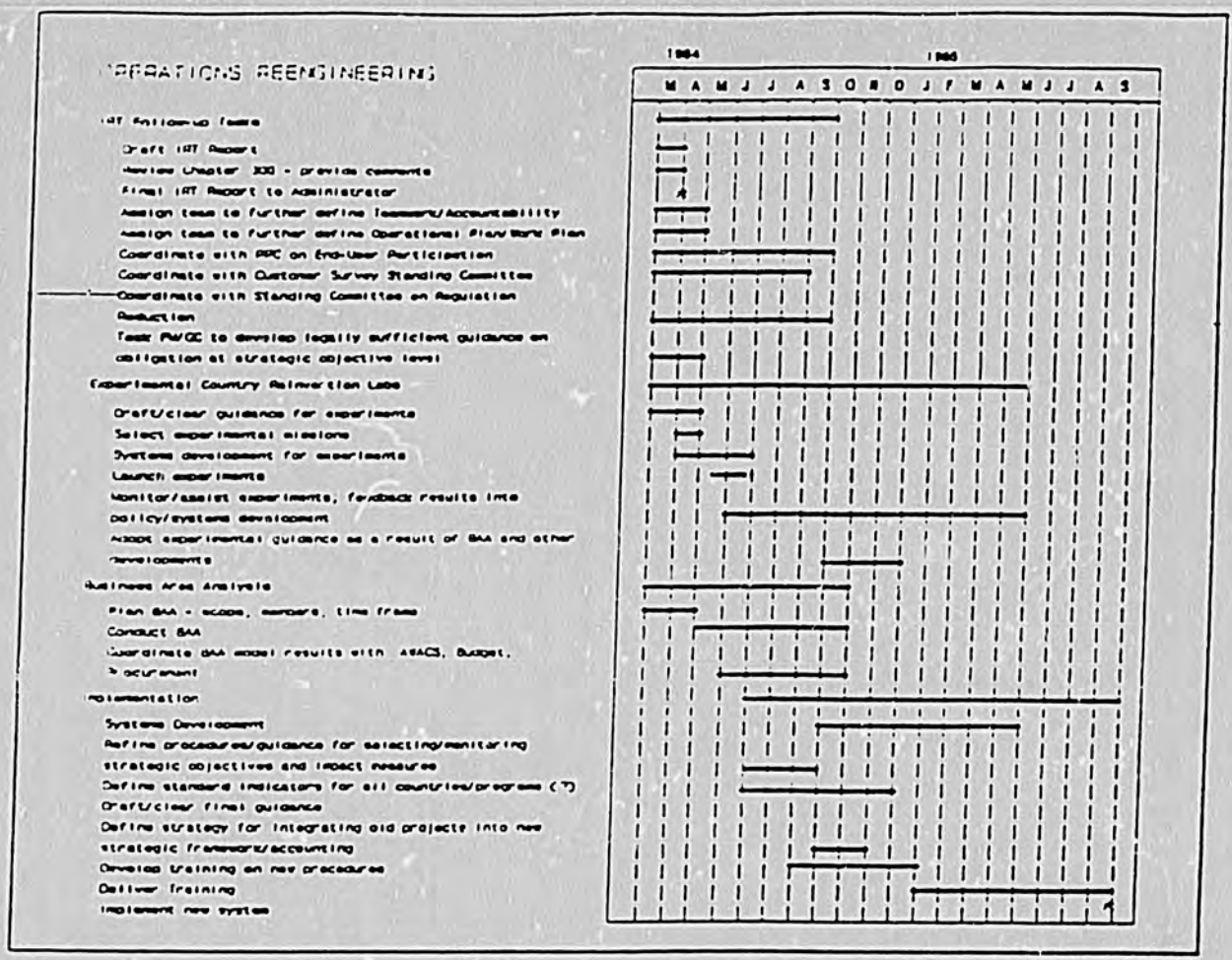
with other reform groups and systems projects. Pilot testing of the new process is proposed. This will not be piloting in the traditional sense where procedures and systems are fully



defined and developed, and the pilot is a means to test whether everything works all right before it is rolled out to the entire Agency. Instead, the pilot Missions should be viewed as experimental "Country Reinvention Labs", which will attempt to apply the new process to selected parts of their operations, providing USAID/W the benefit of the innovative energies in the field. These experiments will provide feedback to the Reengineering Team even as systems and processes are being further defined. This approach is dictated by the short timeframe available to fully implement the new systems and procedures world-wide.

A major focus of the Reengineering Team in the short term is to plan and conduct a Business Area Analysis (BAA) project for the new Operations system. This was already scheduled for this year under the ISP, but the reengineering effort gave specific focus and urgency to this effort. Efforts are underway to properly scope and structure this BAA project (or projects). A BAA can be viewed as a functional requirements analysis, using the rigorous analytical methodology of Information Engineering to translate the broadly defined process in this report into detailed models that specify each process and subprocess, and identify and define the data

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needed for each process. These models then form the basis from which systems can be rapidly generated to support USAID's reengineered business processes.

As discussed in Section II, evaluation is key to the new reengineered system. The Agency's PRISM project will need to be reexamined for consistency with the operational model in this report, and for its ability to meet the requirements for cross-country comparisons and aggregate global indicators. The analytical structure of strategic objective, program outcome, activity, etc. permeates all of the new operational system, and this will be an important focus of the BAA, as well as of a number of follow-on projects listed on the preceding page. This will also form the basis of USAID's pilot program under the Government Performance and Results Act.

Another important step will be revising the guidance provided to USAID staff for programming and implementing assistance. While currently this is contained in USAID Handbooks 1 - 4, new draft guidance in the form of core directives has been developed over the past year by PPC. This new guidance must be adapted to reflect changes to procedures as they are developed through reengineering.

Closely linked to guidance is the need for training. Section VI of this report discusses training needs in more detail. The transition plan anticipates a need for substantial training on a worldwide basis, not only on basic procedures and new systems, but also on some of the new cultural implications of the new process, such as effective teamwork.

Overall Reform Coordination

The chart on the following page addresses the broader reform efforts going on now in the Agency. Key milestones from the reengineered operations system are shown in context with related efforts necessary to fully implement a reengineered USAID. In order to effect this by the target of October, 1995, the 19 months leading up to that can be thought of in terms of four major phases:

- from now through the end April, the focus is on completing the intensive reengineering exercise, and organizing follow-on activities;
- the remainder of the current fiscal year can be considered primarily a period of analysis and definition;
- the first nine months of FY 95 will be devoted largely to development of systems, guidance and training; and.
- for the last quarter of FY 95, the focus will be primarily on installation and training on the new processes and systems.

Naturally, these timeframes are not absolute: substantial systems development is already underway, for example. However, viewed this way, one can see that this is a very ambitious undertaking -- essentially the reinvention of an Agency -- which will challenge all parts of the Agency.

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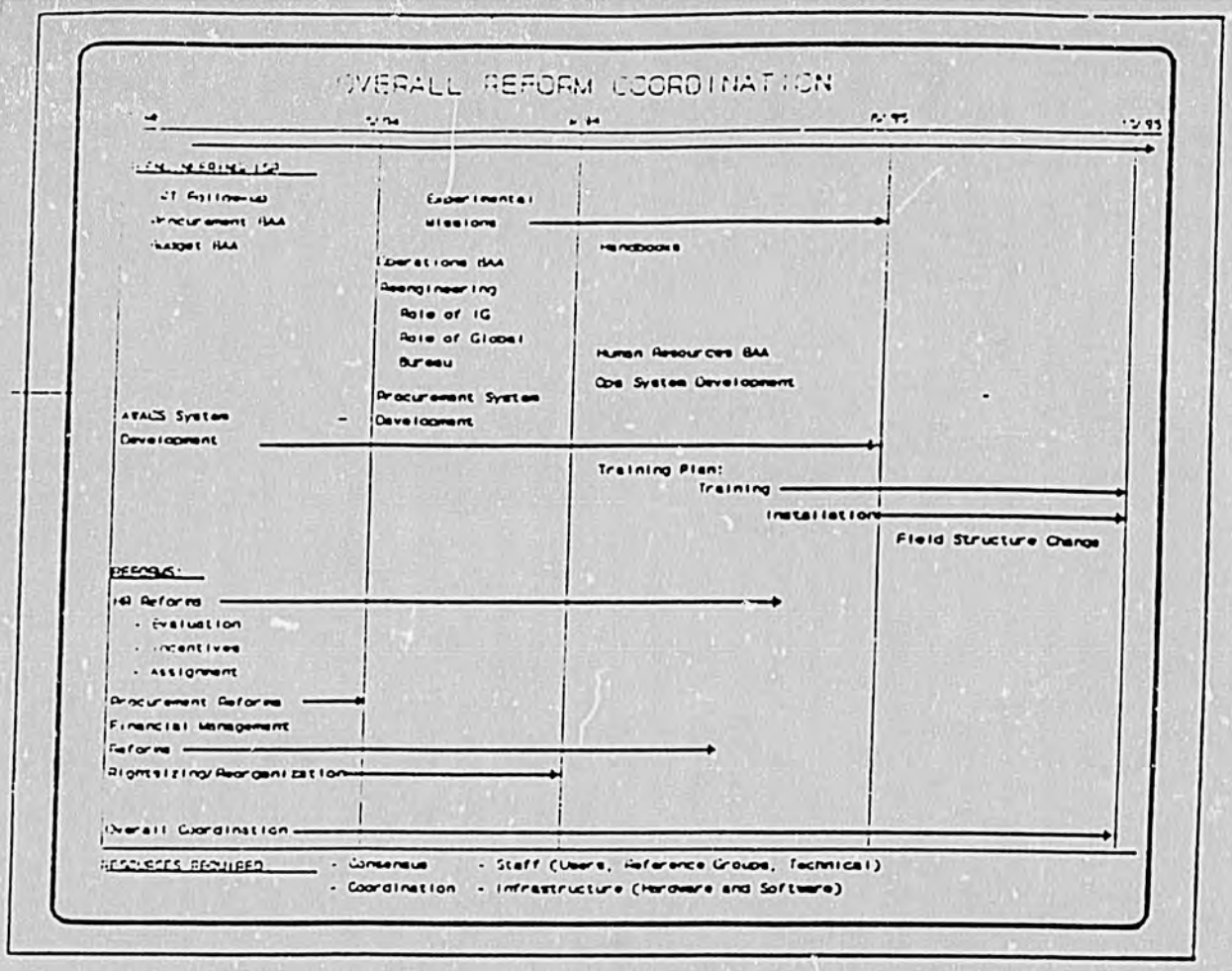

The major elements of the broad reform plan include four major systems projects. AWACS, the Agency's new accounting system, is already under development, being phased in gradually in USAID/W, and scheduled for full implementation in the field in October, 1995. BAAs are already underway for procurement and budgeting, with systems development scheduled for later in the current fiscal year. The fourth systems effort involves the reengineered operations system, with a BAA scheduled for later this Spring.

The Human Resource Redesign effort is expected to also lead to a BAA this year, but a completely redesigned personnel and payroll system is not essential (nor possible, probably) by October 1995 to support the reengineered operations. Rather, the Agency will need to prioritize those elements of the redesigned personnel system which are critical to the new operations, and concentrate on these. From the perspective of the Intensive Reengineering Team, these include performance evaluation and the incentives systems, and possibly the assignment system.

The reengineering exercise identified a need for significant changes in organizational roles for the Global Bureau, the regional bureaus, and the Inspector General. Projects to re-examine and redefine these roles will need to be undertaken before the reengineered operations system can be fully effective.

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Lastly, coordination with ongoing reform efforts is needed. These include procurement and financial management reforms, the customer service survey and participation initiatives, and the remaining rightsizing and reorganization projects.

Resource Implications

There are four major ingredients required to successfully implement the reengineered USAID. These are consensus, coordination, staff, and infrastructure.

Consensus. The first requirement of this transition plan is to achieve consensus among Agency management about a reengineered system, and our plans to achieve it by October, 1995. This entails an immediate effort to complete the system's design, and to explain and get agreement on the benefits of the new approach, followed by a commitment to devote the necessary resources, followed by an ongoing effort to keep USAID staff and management advised and involved in the evolving systems and processes.

Coordination. As the charts in this section indicate, the task of coordinating all of these reform initiatives is not insignificant. Indeed, these charts do not begin to show the detailed subtasks requiring coordination under each task. The Management Bureau should assume a coordinating role for all Agency reform efforts, and it is proposed that a "Reformation Council" be established as a coordinating body, made up of the project managers for each of the projects described on the preceding pages. In addition, there will be a need for guidance and priority setting by senior management on a less frequent basis. This may call for the formation of a Steering Committee or Board of Directors for reinventing USAID.

Staff. Reengineering USAID will require a heavy commitment of staff resources. This includes direct staff involvement in BAAs and guidance writing, part-time staff commitment to serve on reference groups to guide the various activities, contractor staff to provide technical support in BAAs and developing new systems, and, ultimately, the involvement of all staff in learning to use the new procedures and systems. Estimates of the direct hire and contractor staff requirements are being developed.

Infrastructure. Infrastructure refers to the hardware, software and networks needed to implement the new ISP systems. A substantial portion of this was acquired in FY 93; USAID/W now has desktop PCs and UNIX servers, with Windows upgrades going on this year, sufficient to serve all USAID/W staff. In the field, equipment was acquired to bring all Missions up to at least the 80% level for PCs, and UNIX servers were acquired for the largest 44 Missions. Windows software was acquired for approximately half of all PCs in the field. M/IRM is developing estimates of what remains to be acquired, including network upgrades resulting from the just completed network design study. It will be crucial to acquire this equipment early in FY 95 if not sooner, to allow sufficient time for installation, testing, and training. USAID's Innovation Fund will help to cover these infrastructure costs.

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V. COUNTRY (AND OFFICE) REINVENTION LABS: A LEARNING MODEL FOR RETHINKING OUR APPROACH TO DEVELOPMENT

Objectives of Using Reinventing Labs

The purpose of the Country (and Office) Reinvention Labs (CRLs) is to test the principles, concepts and approaches that comprise the reengineered operations system. The CRLs' motto is "learning by doing" and over a 16 month testing period (from mid to late May 1994 to September 1995), CRLs will exchange ideas and share experiences to further refine the system. As mentioned in Section IV of this report, the CRLs are learning labs where employees can continuously expand their capacity to achieve results, where new patterns of thinking are nurtured, and where people can work to better function as teams.

While the focus of these experiments is on the field, USAID/W must be a full participant. USAID/W must empower Missions to test flexible programming -- there can be no testing of the new approach without the concurrence and support of both central and regional bureaus. In the same vein, CRL Mission management must be willing to empower employees to make decisions which traditionally were made by superiors. This will create a challenge for managers at all levels who must maintain accountability over the experiments without stifling creativity.

Selection Criteria

In order to provide adequate support services to the CRLs, a maximum of 10 Missions will be selected. To help determine how different factors may influence how the operations system works, the following variables will be considered during the CRL selection process:

- geographic representation: each region will be represented;
- program size and complexity: programs of different size and complexity will be included; and
- social structure and political philosophies: countries which display different social structures and which follow different political philosophies will be included (primarily to test participation).

For their part, CRLs must agree to follow either the process of preparing a new strategic plan (or to comprehensively revise their existing plan), or the process of preparing and implementing a work plan, all in accordance with the new operations system. To highlight just a few implications of this, the new system emphasizes end user participation, teamwork, and Agency-wide programming of resources for a specific country. For those Missions experimenting with the Work Plan, working within just one strategic objective rather than the full set of objectives may be more appropriate.

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CRLs also must be willing to share experiences, techniques and tools used in the new system with USAID/W and other country programs. Remembering that one of the reasons behind reengineering is to "learn how to learn together," CRL's must be committed to share their experiences, techniques and tools regardless of whether these modalities were successful or unsuccessful in reaching intended purposes. Understanding and communicating why particular efforts succeeded or failed will be important. This will require some form of systematic reporting.

Process

Upon receipt of a world-wide notice, Missions should notify Bureau for Management of their interest, explaining how they propose to participate (strategic plan, work plan, or other identified level). Through coordination with regional bureaus and Mission directors, USAID/W will agree to what the experiments will cover, and will issue guidance as to what new procedures replace existing ones, and what reporting will be required.

Information Needs

The following topics describe some of the information which should result from these experiments, and which USAID/W will ask CRLs to monitor.

- Host Country Participation: Given the importance of host country participation to sustainability, the approaches used in selecting the participants, the techniques used in developing the strategy, and the form and type of commitment at the strategic objective level is of keen interest. The different approaches used to gather and understand end-users' needs (surveys, field visits, proxies, etc.) and level of support is also important.

- Team Management Approach: To what extent are the team members empowered, and what methodology was used in team formation? For example, how does the new system foster decision making at lower levels? Are new initiatives or ideas which were not previously undertaken now considered? What were the methods used to motivate and train teams, and how satisfied were team members with this new approach? How did teams agree upon tasks, and how were team members held accountable?

- Preparation of Operations and Work Plans: It is important to clarify what is required to prepare the operations and work plans. Of particular interest is the level of detail and specificity needed in each. The range and level of private and public host country participation in the preparation of both plans, as well as whether end users' ideas were incorporated are also of interest.

- Impact of Obligating at the Strategic Objective Level: What are the results of obligating at the S.O. level, particularly as it relates to achieving agreement with the host government on a plan less rigorously defined than previous project agreements negotiated with that government? Are funds easily reprogrammed within the S.O. by Missions?

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- Monitoring: What kinds of monitoring systems and indicators do we need which will allow us to evaluate accomplishment of strategic objectives.

Support Needed for CRLs

- Overall Guidance for Experiments: USAID/W, particularly the Bureau for Management and PPC, must develop and issue overall guidance to CRLs as to how to proceed. In particular, waivers to existing processes and procedures will need to be provided for the experiments to proceed. Guidance should be prepared by May 15, 1994.

- Program Parameters: For those Missions which will experiment at the strategic/operational plan level, program parameters must be developed in USAID/W to provide the necessary foundation and guidance needed to begin the country-specific planning process. These should be available no later than May 15, 1994.

- Reporting: M/IRM will need to look at options for tracking and reporting on the new approach. At a minimum, a modified MACS system should be able to accommodate the activity-level tracking (as opposed to project-level tracking).

- Stakeholder Briefing: Soon after approval of the new system in principle, some notice about its development should be shared with intermediaries (PVOs, universities, and contractors).

- Funding: For those countries which plan to initially experiment on the implementation cycle, FY 1994 OYBs need to be in place by May 15, 1994. For the Missions choosing to test the programming cycle, all efforts should be made to have FY 1995 OYBs in place by November 1994.

- Surveys: Guidance on customer surveys should be available for use by CRLs by mid-July, 1994. It is anticipated that the Missions will identify training and technical assistance needs for designing, conducting, and interpreting customer surveys.

- IG Implication: The IG needs to be briefed on the rationale for the experimental country program and some understanding reached on the role they will play in this reengineering process. For example, if auditing of the CRLs is anticipated, the rules governing such audits need to be established and agreed upon prior to the CRLs beginning the experiments.

Training Needs: The nature of reengineering will necessitate employee re-training which will be both short term and long term. Relatively quickly, short term training will be needed to develop skills for the design and implementation of end-user surveys, upgrading of computer skills, skills needed to act as facilitator at host country community meetings, etc. Given the short lead time for beginning the experiments, training will necessarily be delivered as the experiments proceed, rather than before they begin.

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VI. TRAINING NEEDS

Introduction

As noted in the preceding sections, training and education requirements figure largely in the transition to the new operational system. USAID will need to:

- inform and orient all concerned executives, managers and staff of the "what" and "how" of the system. This is mainly knowledge transfer, along with responses to concerns, questions, and suggestions from staff;

- train staff to adopt to changes in the reengineered operations system, as well as complementary systems and processes including program performance measurement and reporting, survey design, evaluation of benefit sustainability, procurement, financial management and auditing, staff evaluation and incentives, and portfolio reporting and management controls...as well as the information/automation systems that support each of these; and

- define and support behavioral or organizational culture changes and skills that assure that the intent of the new system is realized. This includes greatly enhanced teamwork, communication and problem solving skills, more open and automatic information-sharing, changed attitudes toward risk and risk management, and participatory development.

This section describes the training approach to facilitate the introduction of the new way of doing business, as proposed by HR/TD.

Two Track Learning Program

The organizational learning needed to install the new system is proposed to proceed on two tracks: knowledge and attitudes that convey the mechanics of the system, and building specific skills (in communications, analysis, and interpersonal areas) for staff to apply to make effective the new way of doing business.

Track 1: Orientation to the New Way of Doing Business

The outcome of these sessions is participants' understanding and knowledge of the key principles and elements (including documentation) of the new system, and some tools and techniques for passing these along to colleagues back in their operating unit (Mission, office, or division). Participants need to understand the key changes the system (or process?) promotes (and the rationale for those); the mechanics and documentation the process requires or recommends; and the linkages to other systems. They need to have ample opportunities to have their questions answered and their suggestions heard.

The immediate audience for this is top executives plus the approximately 700 direct-hire staff in program direction and technical occupations, and 200 general managers in key program direction and support roles.

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Trainers for this track should be USAID staff who will be given a 3-5 day training-of-trainers. Their training would include content of the system or process along with presentation and facilitation techniques. The trainer group should include a mix of technical managers, program direction staff (PDOs, program officers) and those from support functions like finance and procurement. The trainer group's materials will include videos and computer software that support both learning about the new system and putting it into practice.

Trainers of the trainers will be a core group of M and PPC staff coached by external training specialists. The trainer group will need to plan to cover all USAID/W and overseas units by the end of FY 95.

Track 2: Skills for the New System:

Skills development is a longer-range, more complex challenge. While knowledge of the principles, expectations and mechanics of the new system can be transmitted by amateur trainers with good materials (print or audio-visual), skills development generally requires delivery of training by persons who are professionals in adult learning as well as knowledgeable about the material.

Skills for the new system fall into the following areas:

- Teamwork, including effective membership as well as leadership (team development cycles, team organization and planning, feedback and assessment of performance and problems)

- Customer orientation and participatory involvement of stakeholders, including dealing with internal and external customers, participatory processes, rapid data collection/analysis methods (including surveys, focus groups, key informants).

- Strategic management and performance measurement/evaluation using the analytical skills required by PRISM (complementary to those above) including problem analysis, weighing program options and setting measurable objectives within logical objectives trees, identifying key indicators at various levels, and setting up and overseeing data collection/ analysis/reporting systems with cooperating or executing entities.

- Language/cross-cultural skills strengthening to assure effective work with stakeholders, beneficiaries, and counterparts in more collaborative approaches.

- Streamlined procurement processes and skills needed for operations managers to use it, from formulating performance-based scopes of work to exercising broader discretion in assuring grantee performance, appropriately modifying terms of reference, and teamwork with procurement officers.

- Automated systems operations, building skills in working with new Windows software, query and reporting tools, and using AWACS and other new USAID applications systems.

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- Other basic competency areas for operations managers identified by the certification program, such as skills in projecting resource requirements and processing-delivery times, risk management, sustainability factor analysis, organizational analysis, costing and financial controls, and ethical decision-making.

This training would be delivered by HR/TD using a number of means, including core courses, in-unit learning, OJT materials and self-learning. This program is now partly developed and will be reshaped to fit the new system. The program is now entirely OE-funded and directed primarily at direct hires and others with long-term work relationships with USAID (PSCs, both US and FN, plus AAS fellows, IPAs, PASAs/RSSAs). If the target group were broadened to include more personnel from cooperating entities, use of program funds could be justified as for PRISM workshops.

Complementary general management skills must be included as part of any change strategy in operations. This means continuing to build skills in setting organizational vision, direction and values, empowering and coaching staff, using and providing feedback, setting performance standards for staff and evaluating them, analyzing and improving systems, and traditional skills in planning, budgeting, and oversight of resources.

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APPENDIX I

Members of the Intensive Reengineering Team

NAME	LOCATION	POSITION
Roland K.G. Amoussouga	Lawyer (from Togo)	
Ravi Aulakh	ANE/ASIA/DR/TR	Economist
Catherine Balsis	PPC/POL/PAR	Directives Working Group
Jeff Borns	Ecuador	Lawyer
Richard Byess	Nepal	Project Development Officer
Frank Donovan	M/FA/PPE/E	Procurement officer
James Dzierwa	ENI/EUR/RME/PD	Project Development Officer
Yvonne John	AFR/SWA/GBCM	Desk Officer
Don Masters	Philippines	S. Project Development Officer
Holly Fluty	G/R&D/H/HS	Health Officer
Harry Lightfoot	Niger	Controller
David McCloud	ANE/ASIA/DR/PD	Project Development Officer
David Neverman	M/FA/IRM/OD	Information systems specialist
Pat Rader	AFR/DP/PFP	Program Analyst
Elizabeth Warfield	Guatemala	Program Officer

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Members of the Reengineering Reference Group

NAME	OFFICE
Carol Becker	ANE/ASIA/DR/TR
Gerry Britan	PPC/POL/CDIE/E
Tony Cully	M/FA/FM/FO
James Dempsey	ANE/ASIA/DR/PD
Joseph Farinella	IG/A/POLICY
Phyllis Dichter-Forbes	DAA/M
Pirie Gall	M/FA/HRDM/TSD
David Grossman	G/PRE/H
Toby Jarman	IG/A/PSA
Judith Johnson	M/FA/OP/B
Pamela Johnson	NPR
Diane La Voy	PPC/POL/SP
Patricia Matheson	ENI/NIS/PAC/PGE
Hank Merrill	G/PRE/DP
Russ Misheloff	G/R&D/ENR
Peter Orr	ENI/EUR/RME/ECA
James Painter	M/FA/B/PB
Mike Philley	G/R&D/ENR
Pat Ramsey	GC/ANE
Len Rogers	FDC/FHA/PPE
Christina Schoux	PPC/POL/PAR
Wendy Stickel	PPC/POL/PAR
Jim Sullivan	G/R&D/E&I
Wayne Tate	LAC/DPP
John Tomaro	G/R&D/H/HS
Barbara Turner	AA/ENI
Pam White	M/FA/HRDM/WPRS
Jennifer Windsor	A/AID
Michael Zeitlin	M/FA/HRDM/OD

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