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OPERATIONS BUSINESS AREA ANALYSIS

FINAL REPORT

MAKING A DIFFERENCE FOR DEVELOPMENT

The Operations Business Area Analysis report is organized in three parts. Part 1 is a core report which presents in an abbreviated form the key features of the new system and how they work, as well as important themes associated with the new system and information concerning transition from the old to new system. Part 2 is a set of chapters which describes the new system in detail, discusses relationships to other BAAs and transition issues in more detail, and presents a summary of the information engineering operations model. Part 3 comprises a set of appendices which present the data model and related diagrams and analyses in detail.

MAKING A DIFFERENCE FOR DEVELOPMENT

OPERATIONS BUSINESS AREA ANALYSIS CORE REPORT

EXECUTIVE SUMMARY

THE APPROACH

The charter of the Operations Business Area Analysis (BAA) team was twofold:

(1) To reengineer USAID's operations system, i.e. the way the Agency programs its development assistance. This means how the Agency plans, designs, and implements activities as well as how it monitors and evaluates what it is achieving.

(2) To define the system's information requirements for the Agency's Information Systems Plan (ISP). Through the ISP, USAID is developing a framework for establishing a corporate data base and supporting integrated systems for accounting, budgeting, procurement, personnel management and property management, as well as operations.

Four core values guided the work of the team:

- Customer focus
- Results orientation
- Empowerment and accountability
- Teamwork and participation

In addition, significant recent developments in information systems technology acted as both a catalyst and an enabler, allowing in particular greater efficiency and effectiveness through information sharing. An interest in continuous improvement steered the team toward making the Agency a learning organization. And an inclusive approach highlighted the role of our partners and the greater potential they offer if treated more as partners and less as primarily providers of services.

USAID's ultimate customer is the end user or beneficiary of our assistance. Under the new operations system, we will involve more consistently and systematically these customers in the design, implementation and evaluation of our assistance. It also will be important to better recognize the needs of the Agency's stakeholders: those who have some authority over our resource flows and their direction (e.g., Congress, OMB, State); those who influence the political process (e.g., interest groups and taxpayers); and those who use our resources in a collaborative fashion to help achieve results (e.g., U.S. private voluntary organizations, universities, indigenous nongovernmental organizations, host

country governments). Some of these will be the Agency's partners in development, and our business processes must reflect the attributes of partnerships which strengthen the capability to achieve common objectives.

The intent of this work is to build on what is good in USAID, to develop systems which facilitate our development work, to open opportunities not possible or at best difficult to access under old systems, and to utilize the Agency's and its partners' high level of skill, energy, and initiative to achieve even greater accomplishments.

THE SYSTEM

Key features of the new operations system follow:

- Within overall policy direction set by the Administrator and coordinated by PPC, strategic planning will define a framework for making management decisions. Principal intended development objectives and results will be identified, along with their causal relationships. Other processes we use in our work - budgeting, procurement, implementation, accounting and monitoring - will be geared to supporting the achievement of these objectives and results. Planning will be a participatory process, utilizing USAID staff (both in the field and in Washington), partners and customers.
- An approved strategic plan will constitute a management contract between an operating unit and USAID/W in which the operating unit commits to meeting specified objectives and USAID/W commits to providing the necessary resources. Significant changes on either side will trigger a review of that contract.
- Budgeting as well as strategic planning will be performed within sets of parameters decided upon in USAID/W and influenced by Agency-wide results, individual country sustainable development performance and potential, and political considerations. Within parameters and the terms of management contracts, operating units will have the authority to utilize funds in whatever mix is appropriate to achieve agreed-to objectives. Budgeting as well as bilateral obligations will be organized by objective rather than by project.
- Implementation will focus on the achievement of objectives. Strategic objective teams, comprised of field staff, USAID/W staff and host country individuals important to achieving the objective, will plan and execute resource use through results packages (RP). RPs incorporate the skills, resources and authorities necessary to achieve key results leading to accomplishing a strategic objective. Implementation will become more of a learning process, with the ability to readily assimilate past and other's experiences and utilize that knowledge in the revision or design of activities.
- A comprehensive monitoring and evaluation structure, geared to informing all concerned with the execution and management of USAID's development assistance about accomplishments and performance, will support more effective implementation,

results-oriented budgeting, and the Agency's ability to better understand its accomplishments and failures.

In sum, an operations system has been developed to allow USAID staff, partners, customers and contractors to work more productively and collaboratively to accomplish their common objective of sustainable development. This system is predicated on an integrated organizational structure capable of supporting teams and empowering employees throughout the agency.

OPERATIONS BUSINESS AREA ANALYSIS CORE REPORT

MAKING A DIFFERENCE FOR DEVELOPMENT

1. FOREWORD

In June 1994, sixteen USAID employees representing the full array of technical and geographic backgrounds of the Agency began the second phase in the process of reengineering the way USAID plans, delivers and judges its development assistance. They were assigned to the Operations Business Area Analysis (BAA) team, and charged to build on the best practices within USAID and to describe an agency which would become truly "best in its class," a world-wide leader in development assistance.

A reengineered USAID, making the greatest possible difference for development, must have a very clear idea of where it is going and how it will get there. It needs clear policies, priorities, and operating principles: strong top-down leadership for effective bottom-up decision-making. It needs clear objectives, effective strategies to achieve these objectives, and practical ways to measure performance. It must be aware of customer wants and needs and involve customers and partners in strategic and operational decision-making. It must empower teams and tolerate occasional failures, while holding managers fully accountable for learning from experience. Most of all, it must reflect a radical shift from a bureaucracy of working to the rules and managing inputs, towards entrepreneurial risk-taking, customer service, and a concern for the performance bottom-line.

This report describes a reengineered operations system which, we feel, represents such a new way of doing business.

It describes an Agency for International Development in which each manager and work team is concerned with planning, judging, and achieving results; understands what this means; and has the authority, expertise, and tools to do it.

It describes an Agency for International Development in which our host country customers -- the end users of our assistance throughout the developing world -- are the focus of our business.

It describes an Agency for International Development that works through partnerships and teams, and that respects our partners as we work together as an organization to achieve common goals for our customers.

It describes an Agency for International Development in which every operating unit delineates ambitious, but achievable objectives, works collaboratively with customers and partners to achieve those objectives; and fully empowers work teams to manage activities and allocate resources to achieve results.

It describes an Agency for International Development with clear, consistent, and simple procedures for approving strategies, allocating resources, delivering goods and services, assessing performance, stewarding funds, and working with partners to achieve results for our customers.

It describes an Agency for International Development that provides managers and teams with easy and convenient access to all the information they need to plan, judge, and achieve results; and that has enough self-confidence to share this information as part of the public record.

Most importantly, it describes an Agency for International Development that effectively meets the needs of its customers, alleviating suffering and facilitating sustainable development throughout the world, in a way in which all Americans can be proud.

2. INTRODUCTION

The Operations BAA team met for four months (from June to September 1994) to reengineer USAID's operations system, i.e., the processes we use to plan, implement and evaluate our development assistance. The BAA did this by first mapping out those processes. They then identified ways to make them more efficient, more customer and results focused, and better integrated, with greater emphasis on empowerment. Finally, they determined the business requirements for implementing the new system -- the information and rules needed to support the new processes.

They were guided by a core Reengineering Reference Group of 27 employees and an outline for a new system that had been completed in April 1994 by the Intensive Reengineering Team (the IRT, comprised of 12 other employees and one customer). Support for the technical aspects of reengineering came from IRM and James Martin Government Consulting. The BAA met with over 100 employees and also reviewed comments received from Agency staff on the IRT's reengineering proposal. They also incorporated the work of the other process reform efforts being conducted under the USAID Information System Plan (ISP) covering procurement, budget, and financial management processes. Human resource management and property management will complete the ISP and will build on the work of this BAA.

This report presents the findings of the Operations BAA, and has been prepared to achieve the following:

- explain the reasons behind reengineering and the approach we have used;

- define a core set of values guiding the reengineering that grew out of the vision Agency employees had for the new system, and identify how the new system supports these values;
- describe how the new system will work;
- highlight features of the system which are different from the current system and provide a notion of what the new USAID will be like;
- relate the system changes to the other process reforms now underway;
- help employees understand the BAA analytical process and how the ISP functions; and,
- delineate the requirements for the new information system and for the business rules that are necessary for a reengineered operations system.

Because some of the language in this report is new and some terms are used with very specific meanings, a glossary of terms is provided as an attachment.

Through reengineering, USAID intends to refocus its efforts on supporting the achievement of sustainable development in countries where we have programs. Working within a limited number of key areas which both are fundamental to development and reflect United States' interests, we must marshal all available skills to work in a collaborative fashion to achieve agreed-to objectives. While our work is primarily country-based, we must demonstrate that our achievements are having a global impact, and must address regional issues which transcend country boundaries. In addition, our efforts should be combined with those of others who share similar objectives, so that we benefit by both their innovations and experiences as well as a larger resource base to meet common goals. Finally, our efforts should be fully informed by and associated with our customers - those who not only benefit by our assistance but also are central to our success at achieving objectives.

3. WHY REENGINEER?

The Agency has chosen to reengineer its operations system to accelerate trends toward a more responsive and supportive operations system, and to correct deficiencies which have persisted. It made this decision in recognition of the valued and conscientious efforts of Agency staff to plan and implement development programs as effectively as possible despite the bureaucratic and organizational barriers they face. The intent has been and continues to be to build on what is good in USAID, to develop systems which support and promote the work we do, to open opportunities not possible or at best difficult to access under old systems, and to utilize our high level of skill, energy, and initiative to achieve even greater accomplishments.

Over the past few years, the Agency has been adapting its business policies and procedures to a variety of internal and external stimuli. Some changes have been positive, and we are moving to accelerate those, e.g., greater delegation of authority, increased emphasis on strategic planning, and greater use of information systems technology. However, other features of our institutional development have been far less positive, and require significant work: overlays of new procedures on top of old structures; a sometimes confused set of policies and guidance which get amended and revised piecemeal - often with little sense of overall purpose; difficulty as an organization to identify and clearly explain where our resources go and what they are achieving; and an operations system, or perhaps more accurately a variety of sometimes vaguely connected systems, which keep the Agency functionally limited and which contribute far less than they should to supporting the achievement of our mission.

One major negative consequence has been that an inordinate amount of USAID staff, contractor and partner time is spent on establishing paper trails and on satisfying, manipulating and outsmarting the rules and regulations at the expense of working more productively to improve the quality and effectiveness of our development assistance. A second is that while we have introduced some new management techniques, e.g., strategic planning, we have not fully integrated them into our overall operations system and thus have taken only partial advantage of the potential benefits those new techniques offer. Finally, while we assert that our projects and programs are achieving significant results, we frequently cannot provide the evidence to support our assertions, and thus are in a weak position to demonstrate our value-added as an organization in the public realm.

Reengineering involves significant changes to business processes to position an organization for focusing on its mission. A formal definition is, "the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed." (Hammer and Champy, Reengineering the Corporation, 1993) Being a government organization makes it more difficult to place the same emphasis on "fundamental" and "radical" change as, say, a private corporation can do. However, even within these limitations, the Operations BAA has developed a system which shifts the emphasis from implementing activities to achieving results, which fosters initiative as well as collaboration, which opens opportunities for the introduction of new ideas and practices from both within and outside, and which displays a greater sensitivity to the needs and expectations of our partners and customers.

The rapid and recent development of information systems technology has been both a catalyst and enabler for reengineering. The introduction of computer information systems presents a wealth of opportunities for generating and utilizing data bases for more effective management and decision-making. Much of what we have developed in operations, and what others have developed in accounting, budget and procurement, is intimately linked with this innovation. These new systems do not substitute for judgement -- they are tools which if properly used can improve the quality of judgements.

While a recognition of the institutional problems facing the Agency showed us the need for change, and new technology enabled us to develop new ways of doing business, the commitment of Agency senior management and staff to strengthening our capability to achieve development results in a more responsive and effective way, combined with the high level of staff skill and dedication, are the keystones to the success of reengineering.

In sum, perhaps the answer to "Why reengineer?" is less complex: to allow USAID staff, partners, customers and contractors to work more productively and collaboratively to accomplish their common objective of sustainable development.

4. AGENCY CORE VALUES

In its approach to formulating new business processes, the Operations BAA was guided by four core values: customer focus, results orientation, empowerment/accountability, and teamwork. Any new operations system should display characteristics of these values throughout its constituent parts. Each is discussed separately below, with a description of the value first and how it has been incorporated into the system second.

a. Customer Focus

In both the private and public sector, the importance of aligning business processes with customer need has gained recognition as an approach which leads to greater efficiency and effectiveness. Within reengineering methodology, the identification of customers of the various business processes an organization performs is important to analyzing how those processes should function to best meet customer need. In the work of the Operations BAA, it is recognized that USAID must consider the needs of a variety of customers from a process perspective, but from a development assistance perspective USAID's ultimate customer is the end user or beneficiary of our assistance. To avoid confusion in terms, "process customers" here are defined as stakeholders, and "customer" is reserved as a reference to the end user. A third category, partners, are those with whom we collaborate to achieve mutually agreed upon objectives and to secure customer participation. We also must be concerned about the processes used by partners and other intermediaries to identify customer needs and to confirm that those needs are being met.

A focus on both partners and customers is not new to USAID. We have long been concerned with serving those with whom or for whose benefit we work in developing countries, and have utilized a variety of approaches to secure their participation in planning and implementing our development assistance activities. The need the Agency has now is a strengthened focus on customers to ensure that we are accurately addressing the needs of the people we most want to help and to make greater progress in delivering measurable and sustainable development results. Establishing a more active role for our customers is directly associated with improved performance in achieving sustainable development. This focus also is in keeping with an Executive Order issued by President Clinton in 1993 calling on each federal agency to set customer standards, and with the National Performance Review that calls for a government that "puts customers first."

Under the new operations system, while recognizing the need for procurement and performance monitoring integrity issues in particular to be adequately addressed, USAID more consistently and systematically will involve both partners and customers in the design, implementation and evaluation of our assistance. The planning process will include early identification of both. Participatory planning techniques will be used to learn directly from customers, as well as indirectly from partners, what customer needs and priorities are, and this information will be used to frame strategic objectives and to design specific interventions.

USAID also will consult with organizations representing the interests of customers such as small-scale farmers and business people, slum dwellers, fishing communities, women, etc. During implementation, USAID staff will monitor customer participation and consistently seek feedback through surveys, field visits and open forums, to determine whether our assistance is meeting customer needs, and will communicate back to those customers how their recommendations have been incorporated into programs. While we will strive also to strengthen our relationships with partners such as PVOs and NGOs to reach customers, we will encourage more direct lines of communication specifically with customers by partners and by us to better achieve success in meeting objectives. Adequate and accurate communication with customers is imperative for effective management at all levels within the Agency, from identifying Agency-wide priorities to implementing a results package.

The Agency also must be mindful of meeting stakeholder needs if it is to successfully accomplish its mission. Three categories of stakeholders are: those who have some authority over our resource flows and their direction, i.e., Congress, the Office of Management and Budget, and the State Department; those who influence Congress' actions, i.e., interest groups and taxpayers; and those who use our resources in a collaborative fashion to help us achieve results, e.g., PVOs, NGOs, host country governments and universities. (While contractors are not stakeholders in the same sense as PVOs, they also have specific needs which our acquisition process must meet in order for us to achieve our objectives, and our business processes should be designed to facilitate meeting those needs.)

For the purposes of reengineering, we recognize the importance and function of customers as well as stakeholders, and build into our processes mechanisms which meet their needs, while focusing on the end user as the reason for our existence. For example, to improve the economic wellbeing of disadvantaged farmers through a country program requires resources, and acquiring those resources necessitates meeting the need of Congress for information which demonstrates that the program is effective and managed efficiently. Also, it requires some form of service delivery system, and establishing that may necessitate understanding and meeting the need of the government and NGOs for technical expertise and infrastructure support. Thus, USAID's function is to play a key role within a network of stakeholders (including partners) to ensure that customer needs are met, and this means improved and more effective participation in our processes by customers as well as by partners and other stakeholders.

b. Results Orientation

Results represent changes in developing country conditions that USAID and our partners seek to influence through the provision of our assistance and in conjunction with our partners' programs. For a system to be results oriented, its processes must be focused on achieving these changed conditions. Typically, the primary purpose of a process is to perform some function which is essential to the completion of an action. Processes can become overly bureaucratic, directed toward meeting regulatory and administrative requirements rather than toward supporting in a substantive way the objective of the action. Processes with a results orientation would place greater emphasis on accomplishing objectives and serving the customer.

The operations system proposed here comprises processes which to the extent possible are defined by the value they add to fulfilling development objectives. Planning defines objectives and strategies, and resources are budgeted, allocated and obligated on the basis of those objectives. Internal reviews are structured to focus on actual and planned results achievement. Work is organized in a way that keeps the Agency's and its partners' focus on intended results, allowing flexibility in the deployment of resources to achieve objectives while maintaining prudent management principles. Monitoring and evaluation of results achievement is an ongoing process, and informs the implementation of existing activities, the design of new activities, the allocation of resources, the review of objectives and strategies, and the body of knowledge about development. Finally, the system utilizes and builds on reforms in other Agency business areas, e.g., procurement, budgeting, accounting and human resource management, to lessen the burdens of administration, increase staff efficiency and effectiveness, and strengthen program performance.

Finally, a results orientation is defined as managing for the achievement of results. This means setting clear objectives and targets, collecting adequate information to judge progress and adjusting strategies and tactics as required. The achievement of results is one indicator of success but not the only one. Failure can also teach us much if we learn from the experience. Continued failure with inadequate attention or efforts to change is what a results based system would seek to avoid.

c. Empowerment and Accountability

To empower is to invest with authority to make and implement decisions. An organization that involves customers more, and that focuses on the value of its services to customers, has to place the authority for decisions as close as possible to where the impact is achieved. Otherwise customers will not be able to be involved and it will be more difficult to identify and evaluate results. Furthermore, to support greater participation, people must be able to use their own initiative, must be able to take considered risks, and must be able to respond to opportunities.

Thus, empowerment in a customer and results focused organization must result in authority delegated closer to where the action takes place.

However, it must also be bound by parameters related to legal and ethical standards as well as organizational goals and management objectives. How is this balance between the needs for autonomy and responsibility best achieved? By eliminating unnecessary rules and by clarifying and making transparent to all the limitations that remain.

Empowerment also implies accountability for decisions made. If a manager is empowered to make decisions, he or she must be delegated sufficient authority and have sufficient knowledge of the legal, ethical and policy related issues to be willing and capable of assuming accountability for that decision. Accountability at a minimum encompasses the decision-making process (management) and some consideration about the relative success of the decision. Decisions may lead to expected results or less or greater than expected results. Achievement of results is not necessarily within the control of the team and its manager/leader, but achievement or nonachievement may relate to how a decision was made and implemented, and therefore does reflect on the quality of management.

The empowerment of teams raises separate authority and accountability issues. There is a continuum when teams are concerned, with team empowerment and accountability meaning anything from the set of individual authorities and responsibilities, and thus individual accountability, to authority, responsibility and accountability resting with the team as a corporate entity. The concept here is closer to the former, but with mechanisms related to the latter, e.g., incorporating team input into individual performance evaluations and rewarding team performance, included.

Empowerment is achieved in the operations system proposed here through assignments of authority made at the same level at which responsibility for specific results rests. Delegations of authority can occur only when there is a level of confidence achieved that individuals receiving those delegations are sufficiently skilled and knowledgeable to exercise the authority granted. As appropriate, this may involve technical skills, an understanding of rules and regulations, and/or relevant experience. The extent of delegation may be influenced both by programmatic concerns (e.g., the nature of expected activities, complexity of the results framework, or political sensitivity of the program) and by an individual's expertise and experience. Specific delegations will be recorded in a computer-based filing system which can confirm electronic signatures and which can be updated and amended on short notice. In order to promote and support greater delegation, an information system will be developed to include current policies and recommended and/or required procedures, with the thought that delegation is more feasible with greater clarity of the rules and of policy guidance, and better understanding of where judgement or obedience is the better approach. If additional authorities in, for example, procurement and financial management are allowed, teams should be able to be more responsive, flexible and innovative in providing assistance and achieving results.

d. Teamwork

Teams are groups of individuals coming together through consensus on a common approach to achieve agreed-to objectives or results. Typically, team members bring specific skills needed to achieve a result, or represent an interest central to that achievement. Teams function in a collaborative and supportive fashion, drawing on the strengths of individual members. They work best when these individual strengths are combined into a congregation of interested parties working more effectively because they have agreed to this union or because they understand that, "Together each achieves more."

The recent reorganization of the Agency was built around the concept of teamwork, which provides an important mechanism for integration and participation. By enabling the various specialties within a mission or within a USAID/W office to work together, and by supporting field and central expertise working together, the Agency will be better able to identify and agree upon its objectives. Even more significantly, the Agency will be able to stretch limited resources and bring maximum expertise to bear on problems. It will also be able to respond more rapidly and effectively. By enabling the various interest groups concerned with achieving a strategic objective or producing a result to work together, we can assure customer and stakeholder involvement throughout the process and thus gain the benefits of a more participatory process. We believe those benefits will be as a result of both improved services targeted more to what people want and value, as well as better identification of, agreement to, and reporting on results.

The success of the new operations system will depend to a large degree on the inculcation of the value of teamwork among all USAID staff. Much of the work of planning, implementing and monitoring will be performed by teams. Personnel assignments, promotions, and rewards will be explicitly linked to the achievement of results by teams. While teams have been organized to perform work in the Agency in the past, what is different under the new system is: their membership; the basis on which they are organized; and the degree of responsibility, authority, autonomy and accountability that they hold.

Teams will draw full and part-time members from throughout USAID (mission, USAID/W and regional staff could all be members on one team), and will include representatives of partners, contractors, and, whenever appropriate and feasible, customers. Some members may participate primarily electronically. It is expected that all activities will be organized within results packages defined by specific intended results, and that these results packages will be implemented through teams. Given the guiding principle that responsibility and authority should rest with those closest to the work, teams generally will be vested with the necessary authority, responsibility, resources and skills required to achieve their intended results.

5. HOW THE NEW SYSTEM IS DIFFERENT

Answering the question, "How is the new operations system different?" begs another question, "different from what?" There is an official Agency operations system defined in handbooks, policy directives and guidance, and there are various operating procedures used by bureaus and individual missions which may differ only slightly or in significant ways from the "official" standard. Generally, the Agency has been moving toward more emphasis on strategic planning and delegation of authority, and the system proposed here continues and accelerates that trend. The discussion below highlights those characteristics of the proposed system which change in a significant way our current rules.

- *It creates a results oriented framework for managing strategically and insuring that all involved, from Congress to end users, agree and focus on achieving objectives.*

The current operations system focuses on the identification and delivery of inputs and outputs within a project framework intended to achieve a purpose which may be only loosely associated with an overall objective. Management of those inputs and outputs often overshadows what it is we are trying to achieve. Where our intended outcomes are in better focus, we frequently follow a fairly rigid results hierarchy which misses important causal relationships and narrows our field of potential approaches. The project usually sets the direction of our assistance in a specific area for a multiyear period, and changing that direction often is a difficult process.

The new system focuses on the objectives to be achieved, identifies multiple subsidiary results (not just program outcomes), along with causal relationships, necessary to achieve the objectives, and that framework leads to the identification of activities, partners, etc., also necessary to achieve objectives. Implementing activities is only part of the effort -- achieving the results becomes a more important part. The new system also emphasizes managing strategically, i.e., the capability to define activities and change directions in line with what is required to meet objectives. This means greater flexibility in the implementation process, and a system which encourages and supports learning about performance and acting on knowledge as it is available.

The new planning and implementation processes also place a higher priority on participation and the development of partnerships, with the purpose of fostering development which is more sustainable and creating an environment in which those who are key actors and particularly end users are involved throughout our work.

- *Strategic planning is a dynamic process oriented toward providing a framework for making decisions.*

Over the past few years, parts of the Agency have significantly strengthened their operations through increased use of strategic planning, and in these instances this often has resulted in a more focused and effective provision of development assistance. Agency-wide, however, progress has been uneven: There is not yet complete

understanding of the benefits of and procedures for strategic planning, nor of its nature as a dynamic rather than static process. There also has been uneven recognition and understanding within the Agency of how strategic planning influences the relationship between USAID/W and individual operating units. Finally, while this planning process has been increasingly used in the field, it is rarely used by operating units in USAID/W who have programmatic responsibilities.

With the new system, strategic planning will become a more dynamic process by providing a framework in which resource allocation, implementation and overall direction decisions can be made. It also will provide the basis for a structure through which authorities can be delegated so that authority and responsibility can rest with those who are doing the work to achieve specific results. As resource availability and the development environment change, plans and expected results also will change to reflect those realities. It will involve all operating units, not just those in the field. Finally, through review and approval of plans with concrete strategic objectives, Agency management will be able to make better decisions about the overall direction of USAID's development assistance.

- *Implementation becomes more a means to an end than an end in itself.*

Projects now can easily take on a life of their own, often neglecting the relationship between the various activities and the larger objective. And frequently that larger objective is ill-defined, lacking the clarity and specificity necessary to guide project development. Project managers frequently operate within fairly narrow boundaries, often with little authority of their own and utilizing a committee of individuals whose purpose may be more to impose their respective regulations than to collaborate to achieve a common objective.

The new system creates a much more flexible implementation process while providing an analytical structure and integrity through the definition of a results framework and provision for continuous monitoring and feedback. Activities are defined within the logic of the results framework, and can be initiated, amended and/or terminated as determinations are made that specific results are or are not being achieved. Decisions are made by those closest to the work, and are aided by team members with the necessary skills and experience. Performance is monitored also by a team responsible for the achievement of the strategic objective. Implementation becomes a more collaborative effort, with specific authorities and responsibilities assigned and with clear objectives in mind.

Implementation also takes a more central role. With budgets tied to results, with more rapid and streamlined procurement mechanisms, and with documentation minimized, the startup time for implementation should be and must be significantly reduced. Furthermore, participation and customer focus as well as obligations at the SO level enable many previous planning functions to be done as a part of the implementation process. Finally, with SO's defined for a five to eight year period and results for a shorter period, the systems will work more efficiently if community commitment and determination aspects of design are treated as the initial stages of implementation.

- *The operating culture within the Agency becomes one of greater collaboration, clearer roles, orientation toward achieving common objectives, and increased attention to participation and customer needs.*

There has been a tendency toward an unproductive competition for resources by organizational units within the Agency, one that often focuses much more on obligation rates than on results being achieved. Also, competition as to whose ideas will prevail often is waged not on the logic of what we are trying to achieve but rather on who controls resources and who can marshal the most influential support. Our processes frequently tolerate rather than facilitate participation, and that tolerance diminishes as internal procedures dictate courses of action.

The new system moves our operating culture away from these concerns and toward those which support meeting the Agency's overall objective of promoting sustainable development. There is more emphasis on collaboration and participation, both internally and externally, on knowledgeable risk management rather than risk aversion, and on guidance and trust rather than control. With a clearer identification of roles and responsibilities, combined with better definition of rules and information on procedures, greater authority can be granted throughout the Agency to encourage and support a more effective organizational structure.

- *Documentation requirements are reduced, and documentation preparation is less burdensome.*

Operating units now have to deal with a large number of program documents: CDSS/CPSP, CP, ProAg, NAD, PID/PAIP, PP/PAAD, PRISM, AP, and ABS, to name only the major ones. Two or more of these often involve identical content, but because of our systems we cannot always take advantage of previous work when preparing a later document, and simply must suffer the repetition required.

The new system includes two major documents which typically will be the basis for operating unit and USAID/W interactions, the strategic plan and the results review and resource request. Much of the content of the latter will be pulled together electronically, and will be used both within the operating unit for internal decisions about resource allocations and adjustments to programs as well as by USAID/W. Strategic objective agreements will replace bilateral project/program agreements, with one agreement per objective. Implementation documentation will be kept to the minimum required for accountability and management purposes, and will be available electronically to whomever has need to know.

6. OVERVIEW OF THE OPERATIONS SYSTEM

a. What it Achieves

The operations system described below, and in more detail in the accompanying chapters, will permit the agency to identify, define and execute strategies for the achievement of results with a range of development partners and customers, using reengineered processes and modern management techniques and technology. It is primarily country-based while at the same time focuses on achieving development results in the Agency's five priority areas fundamental to sustainable development (population and health, broad-based economic growth, environment democracy, and humanitarian response). It organizes work around intended results and through teams with specific authorities and responsibilities, and highlights the causal relationships among results for the achievement of objectives.

The system corresponds with the precepts enunciated in the agency's recently published Strategies for Sustainable Development and with other efforts the agency is pursuing to streamline procedures, automate systems, and develop more effective and responsive tactics and tools we use to provide development assistance. It will promote learning from experience, define causal links between what USAID finances and the results we wish to achieve, and emphasize the importance of field-level implementation and adaptation. Taken as a whole, the reengineered operations system should provide a more productive and results-oriented environment in which USAID can achieve its primary purpose of fostering sustainable development as a contribution toward world economic growth and political stability.

b. Key Functions of the System

During the initial analytical stage of the Operations BAA, the team identified three primary functions performed as the core of the Agency's operations system: planning, achieving and judging. While each of these involves distinct processes, their execution may be performed in an interdependent or iterative manner, depending on the work being done. For example, during the course of trying to achieve a specific result (i.e., the implementation of an activity), judging (monitoring) may be done to see that the activity is accomplishing its intended purpose, and, depending on the information collected, planning may be used to redesign the activity or to design an additional activity intended to achieve a related result. Here budgeting and resource allocation is treated as an aspect of planning, but it also can be seen as a link between planning and achieving. Each function is described briefly below.

Planning: Planning generally can be categorized into two types, strategic planning and operational planning, and may be performed at various "levels," e.g., Agency-wide, operating unit (field mission or bureau office with responsibility for achieving specific objectives), or results package. Depending on the purpose and level, it may involve performing a planning process which results in clear and achievable objectives as well as the intermediate results necessary to achieve those objectives, developing approaches through which these results can be achieved, preparing an estimate of required resources over the course of the plan period, and determining how performance will be measured. Operational planning is conducted within a strategic framework and focuses on defining

the specific activities necessary to achieve the agreed-to results, identifying their resource requirements, and determining how best to deliver the assistance.

Achieving: Achieving results is performed within an operational framework. It involves defining specific tactics and tools for implementation, providing the necessary USAID resources, activating partnerships, coordinating implementation in particular with non-USAID entities, and resolving any issues which arise during the course of implementation. Generally this will be accomplished at the results package level, although strategic objective teams and operating unit management structures also will have specific responsibilities for achievement of results.

Judging: Judging is intended to assess the causal relationships linking results to strategic objectives, and lessons learned will be factored into ongoing and future activities. Performance information will feed into the resource allocation process, inform managers and partners about impact, problems and successes, help clarify objectives, help determine customer satisfaction, identify lessons learned, and advance development theory. Judging will involve evaluating results as well as the approaches, including tactics and tools, used to achieve results, and will incorporate surveys of customers to determine whether our efforts are having their intended impact. Information collected and analyzed is critical for informing both planning and achieving about expected vs. actual results as well as about unintended results.

c. Descriptions of the Processes

To explain the operations system, some functions are best separated into individual processes. The following processes are described in some detail below, and in greater detail in separate chapters included as attachments to this core report: strategic planning, budgeting and resource allocation, obligation/authorization, implementation (achieving results), procurement, and judging results.

(1) Strategic Planning

Within overall policy direction set by the Administrator and coordinated by PPC, strategic planning will define a framework for making management decisions at all levels. This framework allows (1) those responsible for allocating resources to know the purposes for allocation and to judge achievement of results and (2) those responsible for achieving to manage strategically.

A strategic planning framework at the Agency level defines the Agency's overall direction, along with key interrelated high-level results, which guide decision making and management. The strategic planning efforts of USAID operating units (Office level units or above, whether field or Washington based, that expend program funds to achieve strategic objectives) focus on establishing a framework which will (1) enable senior decision makers to delegate authorities necessary for achieving results and (2) become the

operating unit's framework for strategic management by defining the causal links, assumptions, and hypotheses regarding key interrelated results for selected strategic objectives.

(a) Agency Strategic Plan

The Government Performance and Results Act of 1993 requires that every federal agency develop a strategic plan with clear performance objectives by 1997 and begin reporting to the President and Congress on results against these objectives the following year. In accordance with this act, an Agency strategic plan (ASP) will have to be created. While definition of the ASP by the Agency has not yet been accomplished, logically the ASP would:

- define the "strategic management framework" for USAID;
- articulate what the Agency expects to achieve in facilitating sustainable development worldwide;
- define broad goals for USAID priority areas that contribute to sustainable development, and provide a basis for identifying performance indicators through which progress in achieving these goals will be tracked; and

It also would define the broad strategic framework within which operating unit strategic plans will be developed. Until the ASP is created, the USAID strategies for achieving sustainable development and other planning guidance provided by the Administrator, PPC or relevant bureau AAs will guide operating unit planning.

(b) Operating Unit Strategic Plans

Operating unit strategic plans:

- articulate significant results to be achieved (Strategic Objectives) and the interrelated results which lead to their achievement,
- define a strategic management framework (the causal links, assumptions, and hypotheses regarding the interrelated results) for implementing strategic objectives and continual assessment the results achievement performance of operating units, and
- provide a basis for requesting resources to achieve results.

An important aspect of the new operating system is the expectation that the strategic planning process will be accomplished through teamwork. Teams will consist of USAID direct hires and, as appropriate, relevant development partners and customers. USAID/W based bureaus, especially Global, PPC, and BHR, are critical elements to the team in framing strategic plans.

(c) Determining Agency priorities

USAID's Agency priorities are set through the creation of an Agency Strategic Plan. This Agency plan lays out the Agency's efforts to achieve sustainable development within the context of legislation, executive orders, national security objectives, other external influences, and foreign assistance authorization and appropriation. The Agency Strategic Plan will be reviewed annually as part of the annual budget process. It provides the guidance framework to the operating unit within which they develop their initial strategic plan and the annual Results Review and Resource Request process. Until the ASP is created, operating units will establish a framework which relates to the USAID strategies for achieving sustainable development and other planning guidance provided by the Administrator, PPC or relevant bureau AAs.

(d) Setting Operating Unit Strategic Objectives

Operating units periodically conduct the analysis (generally through teams as noted above) necessary to determine the development needs, constraints, and opportunities relevant to their operation, within the guidance provided by the Administrator and PPC. Analyses will be conducted when a operating unit is first established; when conditions within the operating unit change significantly; or when significant time has past since the last analysis. This analysis will be used as a basis for preparation of a strategic plan.

The analyses will include an early assessment of customer needs (perhaps through customer surveys) -- whatever is deemed critical to substantiate the selection of the selected strategic objectives as further discussed below -- and will incorporate relevant lessons learned from previous USAID, partner and/or other donor efforts.

Strategic planning also requires that planners think about how results will be achieved, i.e. what kinds of approaches will effectively achieve the desired results. Identifying planned and/or alternative approaches helps establish the feasibility of achieving selected strategic objectives and a basis for depicting resource needs.

Strategic objectives are significant, measurable results, both quantitative and qualitative, which the operating unit believes it and its partners can materially affect and for which the operating unit is willing to be held accountable. The issue of accountability requires serious reflection and discussion within the Agency. Staff clearly has responsibility for managing effectively, but responsibility for achieving specific results has to be placed with the host government, NGO or organization committed to and receiving support for that action. USAID maintains responsibility for managing resources effectively to gain the best possible results.

The nature of the some of the work of central and regional bureau operating units may lead them to select strategic support objectives as the desired results in addition to relevant strategic objectives as defined above. ***Strategic support objectives are changes directed at internal USAID customers (i.e. field support or technical leadership), but must***

be directed at supporting the achievement of sustainable development objectives (quality field support to assist field units in achieving their sustainable development goals).

Strategic objectives are expressed in terms of impact on people (our customers), with explicit indicators, target values, and a specified achievement timeframe (generally five to eight years). Strategic objectives should be described by a set of interrelated results (referred to as intermediate results) that lead to the achievement of the strategic objective.

The basic tool for focusing analytical efforts will be a *results/causality framework*. The results/causality framework will be derived through problem analysis describing the set of interrelated changes that must or are desired to occur if the selected strategic objective is to be achieved. The result of this analysis is a framework that will be the basis for USAID/W decisions to authorize implementation and subsequently will guide the strategic management of implementation efforts. It is critical, therefore, to carefully think through the changes that must or that one desires to occur if the strategic objective is to be achieved. Once the framework is established, approaches can be considered as to how best to achieve the strategic objective.

(2) Budgeting and Allocation of Financial Resources

Budgeting and allocating of financial resources within USAID is a process which incorporates the intent of Congress, Agency goals or priorities, assessments of planned and achieved results, selected approaches, operating unit analyses of country development assistance environments, and customer needs. It is a process which has time frames dependent on the nature of the decisions being made, ranging from a few weeks to about 8 years. And it is a process during which many planning, obligating and expenditure authorities are determined.

The budgeting and allocation processes will be more results-oriented, focusing on planned results and their actual achievement, and will include a more efficient resource transfer method.

(a) Budget Description

Budgets will be prepared for at least three purposes:

- strategic planning, covering typically a five to eight year period;
- annual budgeting, covering a two year period;
- results package management, covering the life of the package and related activities.

For strategic planning and annual budgeting, budgets will be organized primarily around strategic objectives. As with other aspects of the operations system, the intent is to focus attention on objectives and the resources necessary to achieve them, rather than on inputs, their costs and delivery schedules. Input cost estimates will be generated at the

results package level and will support the development of SO budget estimates and requests.

Within budgets, funds will be associated with operating unit programs by objective, but will be allocated to whichever unit has specific responsibility for obligation. For example, funds for an activity within a specific country program may be allocated to BHR for obligation but nonetheless will show as part of the overall country program's resources. (One exception to this might be funds both budgeted and allocated to BHR which have no specific country association at budget time, e.g., emergency food relief.) Similarly, funds for an activity to be implemented through a Global Bureau-managed contract may be budgeted as part of a specific country program, but allocated to Global for obligation into the central contract. Technically funds cannot be received by any unit before the Agency has its appropriation, but decisions about allocations of expected funds can be made at any time during the budget process given agreement of all parties concerned.

(b) Parameters

The allocation of USAID'S financial resources occurs within parameters defined by those with authority and responsibility over some aspect of results achievement or resource allocation. The Agency's budget is developed within parameters set by Congress, Office of Management and Budget (OMB), and the State Department. An operating unit's budget is developed within parameters set by Agency and bureau management (which reflect parameters determined outside the Agency). And the strategic objective team and results package budgets are developed within parameters developed within the operating unit (again, which reflect higher level parameters). The parameter setting process occurs both when strategic plans and/or strategic objectives are generated or revised, and during the annual budget cycle.

Three factors play important roles in this process:

- **Agency-wide results:** How well the Agency is meeting its overall goals and whether the relative shares of Agency resources going to each should be altered to better meet those goals.
- **Country sustainable development:** An assessment of the performance of a specific country's program as well as more generally the investment climate in the country.
- **Political considerations:** Influence exerted by Congress, State, NSC, and other players in the political arena over the direction of Agency programs and the setting of specific country levels.

Particularly important to parameter setting are directives from Congress. Traditionally, a major way in which Congress has influenced the Agency's resource allocation is by setting obligation earmarks, either soft or hard, in areas which are of particular interest, e.g., child survival and population. While recognizing Congress' role in this process, the Operations BAA team believes that the intent of Congress, to ensure that the Agency achieves certain

objectives as efficiently and effectively as possible, would be best accomplished through concurrence on those development objectives and reporting against those objectives rather than through obligation targets. The process of defining the agreed-to objectives may involve consideration of informal financial targets in order to develop a sense of magnitude of expected effort, but then the "contract" is for the results, not an obligation amount. In this way, the Agency is encouraged to manage for results, rather than manage to meet some financial targets which are viewed as separate from what we are achieving.

Parameters issued for the annual budgeting process will include projected operating unit (e.g., for Global, BHR and regional bureaus) or country levels, and the calculation of these levels will reflect the operating unit's strategic plan budget estimates. Parameters which influence the overall level and/or direction of an individual operating unit's program, e.g., a dramatic reduction in funding levels or a proposed new programmatic area, may require revision of the strategic plan and relevant strategic objectives. PPC will coordinate the definition of operating unit parameters, with input from other central and regional bureaus and the respective operating unit itself.

(c) Strategic Plan Budgets

Budget estimates will be prepared as part of the strategic planning process. They will cover the plan time period, will be organized by strategic objective, and will indicate the magnitude of financial resources necessary to achieve the objectives proposed. **Approval of the strategic plan by USAID/W constitutes a contract under which the operating unit agrees to work to achieve the agreed-to objectives and USAID/W agrees to supply the resources necessary, to the extent possible within the constraints of annual appropriations.** As changes occur to either side of the contract, the other must be amended and approved accordingly.

The annual budget cycle involves budget estimates for two out-years, the one most immediately approaching and the following one. Determinations about near term annual budgets likely will result in revisions to plan budget estimates for distant out years, and these revised amounts in turn will provide some input to the annual process the following year.

(d) Annual Budgets

Annually, a Results Review and Resource Request (RRRR or R4) will be prepared by each operating unit for the purposes of demonstrating performance and requesting a budget for each of two following years. The R4 will provide information for the CP, will ensure more precise resource requirement information for the upcoming fiscal years and plan for resource allocation for obligation purposes. It also will serve as a reporting document on progress toward achieving the agreed-to strategic objectives.

To justify the budget request, each operating unit will:

- verify the continuing validity of the strategic objectives;

- describe progress toward achieving results made to date, and expected progress for the upcoming two fiscal years, along with any additions or modifications to the monitoring plan;
- propose a resource request (program funds, OE funds, FTEs, USAID/W or other technical support), along with a brief description of planned activities associated with expected results;
- update relevant other donor program descriptions; and,
- where appropriate, provide alternative planning scenarios.

Much of the content of the Results Report and Resource Request will be available directly from existing results package data files.

The budget request process formally begins with the issuance of guidance (which will include parameters as described above) from USAID/W. With guidance in hand, operating units will proceed to develop budget requests for the next two fiscal years. Typically, strategic objective teams in the operating units will review results achieved and those which are planned, the budget estimates in the strategic plan, and the resource requirements for continuing and planned activities. They will prepare input for the results review and budget estimates for their respective objectives. The results report and strategic objective resource requests will be reviewed by operating unit management, revised if necessary, and aggregated, along with other budget information not included in those requests, into an operating unit request by individual objective (plus administration costs). During the course of all of these proceedings, the integrated, corporate data system will facilitate discussion between the operating unit and USAID/W as specific issues or need for clarification arise.

Budget request reviews in USAID/W will be managed by the respective central or regional bureau and will focus on the continuing validity of the strategic objectives, results achievement to date, and expected future results. These R4 reviews should not prescribe implementation interventions, although the quality of implementation and the nature of tactics chosen could be subjects for review, particularly when results achieved deviate significantly from results expected. They should identify problems, flaws in the causality framework and lessons learned. The appropriate operating unit should be charged with correcting the problems.

While a system of managing based on long-range strategic plans and the issuance of clear parameters at the start of the process may reduce the number of instances where headquarters is unable to provide the resources requested by the operating unit, there will inevitably be times when differences must be resolved. There is no simple mechanical way to translate performance into dollar levels. More work needs to be done to define an evaluation matrix to guide the resource allocation decision process, but such a tool can only aid -- not replace -- expert management judgement.

The Agency generally will not attempt to specify at the outset of the budget process a level of funding for each of the five agency strategy areas. As exceptions, it may choose to do this in areas where there is a well defined set of agency-wide objectives and

programming will be done centrally rather than at the country level, and where there is an earmark which the agency is responsible for meeting. USAID/W influence over resource allocation to individual strategy areas should be conducted through the strategic planning process -- to attempt to direct expenditures to agency strategy areas through the budget process may have short term benefits in terms of meeting expenditure goals, but it negates the effectiveness and purpose of strategic planning, ignores results, and, thereby weakens the long term goal of sustainable development.

(e) Allocation of Funds within Budgets

At the time appropriated funds are allocated within the Agency, decisions will have to be made as to which operating units will receive the allocation. Prior to appropriation, during the budget process, operating units will give indications as to whether funds requested will be assigned to the unit itself (and through it to a strategic objective team), or to a different unit, typically a central or regional bureau which manages and funds contracts providing particular services to missions and offices responsible for meeting specific objectives. In this way, central bureaus will be given advance notice of estimated allocations when resource requests are received in USAID/W from operating units. However, because missions and offices learn about actual funding levels only when appropriations occur, it is unlikely that firm decisions will be made about the allocation of specific amounts until after appropriation time. Operating units will be encouraged to decide as soon after appropriated amounts are known about specific amounts to be allocated to centrally-funded and managed contracts, so that contract negotiations and/or amendments can be done efficiently by combining a number of individual allocations.

The allocation process under the new budgeting and accounting procedures should function much more smoothly than the existing OYB transfer process. As explained in the procurement chapter of this report, some centrally positioned contracts will require forward funding and some will not. For those that do, the intent is to have a mechanism which easily places funds with the appropriate operating unit for obligation and which at the same time allows the association of those funds with a different operating unit -- the one which has responsibility for achieving the related objective and the authority over deciding how its funds are used. That is achieved through the budget and allocation process described above, combined with other budget and accounting reforms taking place within the Budget and AWACS BAAs.

(3) Obligation/Authorization

Obligation of funds may be through bilateral agreements, grants, cooperative agreements, contracts, or interagency agreements. When a bilateral agreement is used, obligation normally will be by strategic objective. An umbrella agreement for each strategic objective will exist between the mission and host country, and periodic obligations will be made as replenishment of funds is required (assuming fund availability). In a section similar in purpose to an amplified project description, the umbrella agreement will include an explanation of the objective along with the lower level results necessary to achieve the objective, and a brief description of the planned approaches and tactics, a discussion about

respective responsibilities (USG, host country, and other partners), and a performance monitoring plan. It also will include one or both of the following: (1) a description of the criteria to be used for specific activity selection, design and implementation, and/or (2) a high-level description of the specific activities already chosen for implementation. With approach (1), a budget estimate will be determined by identifying illustrative activities and their resource requirements. With approach (2), a budget estimate will be determined by costing out the planned activities. Using either or both of these approaches properly should meet current legal requirements for obligation purposes.

Obligations other than through bilateral agreements will be done "under" or "within" strategic objectives, i.e., they will be associated with, budgeted under and accounted for within an objective and a RP. Whereas in the bilateral example obligation by objective will permit substantial flexibility to shift resources among activities, similar flexibility will not exist with other mechanisms. However, through the increased use of performance-based contracts and grants, teams and contractors/grantees should have greater flexibility to shift resources within their activity description and be less bound by agreement to specific inputs.

Authorizations under the proposed operations system will be incorporated within the management contracts between the operating unit and USAID/W based on the reviews of strategic plans, and related to individual strategic objectives. Once plans and objectives are approved in USAID/W, operating units will be authorized to proceed with design and implementation without additional approvals. Where this is not allowed, USAID/W will explicitly inform the operating unit at the time the management contract is negotiated. During reviews of performance, authorizations may be amended.

(4) Achieving Results

Achieving results in the operations system will be accomplished, principally, through committed teams of USAID staff and stakeholders. Work will be organized around Strategic Objective Teams (SO Team) and Results Packages (RP).

RPs are powerful, dynamic, management entities with sufficient authority, resources and information to achieve results necessary for meeting strategic objectives. A strong results-orientation stems from the combination of more sharply defined results and tactical flexibility to alter more easily the composition of inputs as feedback from experience and changing circumstances unfold.

Empowerment, customer-focus and a results-orientation all will be achieved through tactical and organizational flexibility, continuous monitoring and feedback, a focus on objectives, teamwork, and information systems to impart knowledge and counsel.

Supported by an on-line and current information system and incorporating technical and management staff from both USAID and partners, the SO team has available the requisite skills, knowledge and capacity to make good decisions. Consequently, it can be empowered with greater authority to act without extensive outside review and approval of actions. Teamwork will be encouraged through a complementarity of skills, a mutually agreed working approach, mutual accountability, and a membership small in number.

Customer-focus will be strengthened by explicit identification and involvement of customers and partners in defining results, and the dynamic ability to change RP direction more quickly as feedback from customers is gathered and absorbed.

(a) Strategic Objectives and Results Teams

The Strategic Objective is the basic building block of the new system. SO's will enable us to identify and focus our attention on the changes in the country conditions that we seek to influence. The SO will be described in terms of:

- the objective to be achieved expressed in terms of a change that can be seen over a 5 to 8 year period (i.e., manageable interest);
- the agency goal that this objective relates to;
- trends going on in that country that indicate the potential for achieving this objective;
- what the host country and other donors are doing that relate to achieving the objective;
- Partners and customers critical to the achievement of the objective;
- the approach we plan to use to achieve the objective with some specificity about the purpose and a notion of the tactics and tools we might use; and,
- the results framework that identifies the results needed to achieve the objective, their causal relationship or the underlying assumptions and hypotheses about these relationships.

The strategic objective is identified in the Strategic Plan and becomes the basis for forming the Strategic Objective Teams (SO Team) and for developing bilateral agreements that enable obligations.

The SO Team is intended to be flexible and to be able to adjust its work as circumstances warrant. SO Team membership will vary depending on the circumstances but could include USAID staff (from the Missions, Regional support units or central bureau offices), public and private partners, and customers. It is accountable for overall achievement of

SO results and may choose to establish derivative management units to concentrate on achieving groups of results.

In some cases the SO Team will manage all of the activities related to achieving an SO. In doing so it, it comprises one results team. In other cases, the SO Team will decide that because of the complexity of the approach or the range and variation of results or the more natural completion of like tasks that one or more results focused teams are needed to manage the activities. The guiding principle in the decision to create other results teams is that SO Teams will divide and assign work and authorities to related teams as circumstances (available personnel, partner capabilities, nature of desired result, demands imposed by the approach) dictate.

In either case, the SO Team or other Results Team will use a Results Package as the means of organizing their work, managing the activities, assigning team members and defining authorities. The key dimensions of the SO Team and any related teams include:

Composition of the team: Because of legal requirements, procurement integrity responsibilities, physical location or other factors, teams may consist of Core and Expanded members. Core members could be delegated specific authorities while the Expanded team might include members less active or less able to physically participate or with restricted access to information.

Authorities delegated: The SO team, and related results teams, will be given authority and responsibility to use whatever mix of tactics and tools most effectively achieves the result within the estimated time and budgetary parameters or legal constraints. This authority will vary based on a number of factors including the complexity of the RP and the experience of team members. The team would also include as needed contracting, legal and other officers, whose authority would be tapped by incorporating them at least as "virtual" team members. Virtual means communication by primarily electronic means.

Incentives for participation: Incentives for participation and accomplishment within a strategic objective or results package team must adequately reward members for performance. This should be done through meaningful evaluations of work within the team and real use of those evaluations in the formal personnel evaluation process. Personnel whose performance is above average should be rewarded through enhanced promotion opportunities or other means of compensation. Evaluation of team managers by team members as well as their bosses, for example, should provide useful input on leadership of teams. Evaluations are not limited to USAID personnel but are to provide an avenue for evaluating partners and partner representatives. Evaluations of partners and their representatives are intended to serve as a basis for decisions as to whether to work with that partner again.

Assignment to the team: Assignment of an individual to a team is by that individual's parent organization in response to a request by the SO or Results Team. Partner representatives are an internal responsibility of the partner. Customer representatives will vary depending on the terms of the strategic objective.

Agreement on Objective and Results: Critical to the success of teams is agreement on the objective to be achieved and the results that can be expected, and milestones or partial results or outcomes over a specific period of time.

(b) Obligation at the Strategic Objective Level

As a result of the work completed to identify the strategic objective, missions should be able to enter into a bilateral grant agreement with a country. Obligating at the strategic objective level enables us to focus resources on the most successful interventions by transferring funding flexibly from one SO element to another without going through the cumbersome deob/reob process. This approach also enables USAID and the host country to agree on targets and resource commitments at the SO level. Obligation by SO is discussed in more detail separately in this report.

(c) Results Package

SO Teams and related Results Teams will organize their work around achieving results through Results Packages (RP). The new electronic data capability permits us to take the next steps needed for involving customers and partners more, focusing on results, operating through teams and empowering managers. In essence, the RP can be seen as a kind of electronic notebook and can be defined in three ways:

The combination of empowered teams and results packages provides a powerful engine for achieving the strategic objectives agreed to by USAID stakeholders.

A **management entity** organized around achieving a result or set of results. This means the RP **identifies the teams and the authorities of team members**. Once the authorities have been determined they can be built into the electronic data system so that electronic signature authority can be defined.

A means of **identifying and organizing funding** to achieve specific results or set of results for the specific activities (tools and tactics).

A **repository of documents** including any analytical documents, information on the SO and Results Framework, Results Review and Resource Requests, SOW's for Contracts and Grants, financial information, etc.

The principal defining feature of the RP is the result or results it will achieve. It replaces the project, non project assistance and some food aid mechanisms. Based on the SO discussion and analysis of economic, social, technical, financial and economic factors, the RP will be described in a computerized RP data file "notebook" which details:

- Expected results including targets and indicators for assessing progress towards these results and for assessing the continuing validity of the relationships between tactic tools and results.
- End-user and stakeholder analysis.
- Planned approach: the purpose, tactics and tools necessary to achieve the results. By purpose, we mean, for example, policy reform or institutional strengthening. Examples of tactics are balance of payments support, procurement of goods or services, mobilizing others' resources, and providing advice. Tools are the contracts, staff assignments, or loans needed to implement tactics.
- Team members.
- Locus of responsibility and authorities. These authorities will inevitably differ across teams in recognition of the varying requirements of RP's and different skill levels of RP managers and team members.
- Partner responsibilities and contributions.
- Links to SO and other RP's.
- Resources.

The SO or related Results Team uses the authorities contained in the computerized RP data file to execute the necessary implementation agreements, either through implementation correspondence with the host government if the assistance is provided via a bilateral SO agreement, or through a separate agreement with a non government organization. Within the bounds of the SO agreement and pertinent regulations, these and subsequent implementation actions are carried out directly by members of the RP team. The composition of the RP teams, when created by the SO team will typically include some members of the SO team. Within the agreed RP (as reflected in the RP data file), the team has wide latitude to initiate implementation action and to take corrective actions.

Monitoring progress toward the achievement of these targets is also an ongoing responsibility of the SO or Results Team and again the RP is used since the targets and indicators are built into the RP. Monitoring also includes significant feedback from customers and partners. In addition to providing information on progress in implementing an intervention or achieving an objective, monitoring and evaluation should be used to:

- reveal any assumptions that are flawed
- determine if the technical approach is workable
- determine if the external circumstances have changed to the degree that the intervention needs to change

- ensure that the continuing causal relationships cited in the strategic objective are still valid.

Critical success factors to this approach are: (1) authority and responsibility structures which empower RP accountable managers and dynamic teams; (2) realignment of USAID incentive structures to reinforce critical values of teamwork, risk-taking (e.g., treating some tactical failures as successful lessons learned); (3) rewarding speedier changes in tactical direction; (4) team-based performance evaluation; (5) rewarding achievement of results; and (6) an on-line corporate information system that facilitates rapid absorption of feedback and associated "learning while doing" by the SO/RP teams and managers.

(5) Procurement

Procurement is a vital part of achieving results. It is the major means by which we transform financial resources into the activities and commodities that will lead to those results. The reengineered operations system embodies several principles that bear directly on how procurement procedures can support the core values of empowerment and accountability, teamwork, and results-oriented development. These include:

- aligning responsibility and accountability for results with authority over the resources needed to achieve them;
- managing for results at every step of the process, rather than simply managing the delivery of inputs;
- implementing activities and tactics flexibly, in response to performance feedback rather than through preordained implementation plans; and,
- obtaining needed goods and services as quickly, simply, and efficiently as possible.

The goals for a reengineered procurement system are:

- **For the technical or program person,** procurement mechanisms that are more responsive to the needs of the USAID development professional.
- **For the contracts officer,** enhanced procurement integrity and a greater involvement in and understanding of the development results procurements are intended to achieve.

Consistent with these principles, USAID's procurement system will need to emphasize fast and effective delivery of goods and services in response to changing requirements of development programs in the field. The Operations BAA is working with the Office of Procurement (OP) to develop the specific methods and mechanics to accomplish this. Much work has already been done by OP to improve procedures and systems in support of this.

The changes needed (or already underway) are summarized in the table below, and key concerns are discussed in the paragraphs that follow.

Improvements in Procurement

| Streamlined Procurement Methods (Reduced Cycle Time) | Performance Focus In Procurement | Improved Working Relationships |
|---|---|---|
| <ul style="list-style-type: none"> - Early coordination between C.O.s and program staff - Greater use of prepositioned contracts mechanisms - Streamlined procurement process for accessing contract support - Elimination of red tape from contract administration - More flexible, expanded use of change orders | <ul style="list-style-type: none"> - Shift to performance-based contracts and grants - Better guidance on how to select the right procurement mechanisms - Contractor evaluations available to USAID staff | <ul style="list-style-type: none"> - "Delinearized" procurement means early and extensive cooperation - Teamwork means both program and contracting staff contribute to same results - Results package managers have increased authorities - On providing effective, substantive support to teams - More cross-training of procurement staff on development and development staff on procurement |

(a) Streamlined Procurement Methods

Rapid, flexible, and responsive delivery of goods and services required by the reengineered operations system calls for a variety of new approaches to contracting. One of the most critical is early coordination between Contracting Officers (C.O.s) and program staff. C.O.s will be part of teams, working directly with the teams to define the resources and activities to be performed, select the best mechanisms to achieve the desired results, and develop the statement of work that defines what is to be procured. Enhanced communications and the automated procurement system will support this cooperation even where the contracting officer is not co-located with the Mission responsible for the assistance effort. Thus, procurement efforts can begin long before funds are actually available to begin work.

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Other areas of streamlined procurement include:

- Prepositioned contracts, centrally established contracts which either are centrally funded, often with field associated resources, or involve individual task orders funded directly by operating units. Both of these could include long term technical assistance, commodities, etc.;
- Better information on available sources. Better information, and access to that information, about available contract vehicles and potential sources of goods and services will result in a more efficient procurement process;
- Streamlined procedures for new procurements. The Acquisition and Assistance BAA has developed new procedures intended to achieve this purpose. Additional ideas are included in this report's chapter on procurement;
- Elimination of red tape from contract administration. The Office of Procurement has identified and begun to initiate actions in this area;
- Better access to NGOs and other partners. Current USAID guidelines make it difficult for USAID to provide grants to new, small, or less experienced NGOs and PVOs -- particularly indigenous organizations which may be unable to meet stringent accounting and accountability requirements. Improved guidelines would open important opportunities for USAID to utilize key actors in development; and,
- Improved guidance. All of the improved mechanisms are dependent on USAID staff knowing how to take advantage of them. In the policy development efforts that will follow this BAA, ways will be explored to develop guidance which will assist staff to select the tactics, tools, and specific procurement mechanisms best suited to a particular development situation.

(b) Performance Focus in Procurement

USAID's procurement reform agenda supports the performance-based contracting approach. This offers advantages for USAID as the Agency moves its operations to a results focus. Performance-based contracting can be achieved in a number of ways, all of which the Agency is likely to explore and make operational: incentive fees linked to performance; scopes of work identifying the intended results and allowing respondents to define how they would achieve those results; contracts stipulating the development result to be achieved rather than the inputs to be delivered; and grants with future funding conditional on the achievement of agreed-to results under an on-going agreement.

(c) System Requirements

In addition to the advancements achieved by the Acquisition and Assistance BAA and the procurement reform group, the following will help strengthen the contribution the procurement system makes to the Agency's overall mission:

- Better guidance on selecting the right mechanism;
- Limited warrant authorities for nonprocurement staff (authorities to issue task orders off of a pre-established contract up to certain limits, or to approve no-cost extensions of performance periods);
- Cross-training - more cross-training of procurement staff on development and development staff on procurement to facilitate the teamwork described in the preceding paragraphs.

(6) Judging Results

Results are central to USAID's new strategic management framework and to the operations' re-engineering through which it will be realized. We judge results for three fundamental reasons:

- to *assure accountability* by verifying that our resources are being well-spent and that our programs are achieving expected results in improving the lives of our customers;
- to *improve management* by identifying progress in achieving expected results, problems (and successes) as a basis for strategic and tactical decision-making, and information gaps where additional knowledge and attention is needed; and,
- to *improve our understanding of development* by assessing impact, identifying lessons learned, and advancing broader development theory and practice.

To transform USAID into a more dynamic, "learning organization" that "manages for results," we must be able to measure and judge performance -- within results packages, against strategic objectives, and for the Agency as a whole.

Performance monitoring, evaluation and research all analyze results to reach conclusions about development processes. While these activities are inter-related (and inform each other), they also embody different ways of collecting, analyzing, and using performance data that reflect different aspects of judging results.

Performance Monitoring is relevant to management review, accountability, and improvement. It focuses almost exclusively on tracking progress in achieving planned results and analyzing the difference between actual and planned results. Performance monitoring provides a powerful tool for reviews and decisions by managers and teams, by identifying problems and successes where changes in strategy and tactics may be necessary.

Research is primarily concerned with understanding the how's and why's of development: with testing hypotheses, validating theory, and (in "applied research") identifying better development assistance approaches.

Evaluation is explicitly concerned with the results of development interventions and often makes use of performance monitoring data. The scope of evaluation is generally far broader, encompassing the larger impacts of development interventions, their intended and unintended effects, and their sustainability.

(a) Choosing Measures, Indicators, and Targets

Results represent changes in developing country conditions that USAID and our partners seek to achieve through our strategies. Measures represent various ways in which these desired results could be measured. Indicators, on the other hand, are the specific measures USAID has chosen to assess our progress in achieving the strategic objectives and intermediate results sought by our interventions. Targets specify the amount of change we expect to achieve in a performance indicator within a defined timeframe. Measures, indicators, and targets are necessarily and inextricably linked; all are needed to effectively manage for results.

As management tools, performance indicators must first and foremost be valid, useful, and practical to the managers and teams that are operationally responsible for achieving the results being measured. They must appropriately measure what we in fact want to achieve. They must provide information that is actionable by managers and teams. And they must be collectable at a reasonable cost.

Specifying appropriate performance targets, the amount of change we expect to achieve in an indicator, that are ambitious, but achievable, requires experience, judgment, and local knowledge. More extensive customer surveying, more easily accessible research and evaluation findings, better internal benchmarking, and better external (strategic) benchmarking would be very helpful. This would be greatly assisted if targeting data and benchmarks were available through a menu driven computer system.

(b) Roles and Responsibilities in Analyzing and Using Performance Information

USAID's new "strategies," for example, define broad Agency-wide goals and priorities, identify preferred practices and ways of doing business, and describe a range of acceptable strategies at an operational level. Performance information and analysis would be conveyed through PPC's Annual Report on Program Performance and in the summary and overview sections of the Agency's annual Congressional Presentation.

Bureaus are responsible for periodically reviewing and approving operating unit **strategic plans**. The strategic plan must appropriately reflect country opportunities and constraints; incorporate sufficient customer and partner participation; identify significant and achievable strategic objectives; and provide reasonable resource estimates. Bureaus will also review and approve each operating unit's annual **Results Report and Resource**

Request. This will involve a review of results achieved and progress made towards strategic objectives and intermediate results in the previous year, planned tactics (activities) for the coming year, and resources requested for their implementation.

Operating units would be expected, typically, to establish an overall monitoring and evaluation team, including representatives from each strategic objective team. Operating units are also responsible for reviewing progress in achieving strategic objectives, assessing the need for any changes in the strategic plan, and approving resource requests across strategic objective teams.

Strategic objective teams are responsible for defining the key results to be achieved by results packages, reviewing the results actually achieved, and approving plans and budgets (and allocating resources).

(c) Ensuring Accountability for Results

USAID is fully committed to becoming a "learning organization" that "manages for results" to achieve the best possible outcomes for our customers. But in reaching high, we will also occasionally fail, and must learn from this experience. Individual managers should be accountable for achieving development results. This involves how well they "manage for results" in all their programs: whether they have clear objectives and targets, collect adequate information to judge progress, and adjust strategies and tactics accordingly. However, our partners and the host country customers also have to be held accountable for results. Thus, achievement of results is a key indicator of success at "managing for results," but not the only important indicator. Failure to achieve expected results should be a learning experience, and our processes should support that learning concept. Obviously, continuous failure by an individual or organizational unit to achieve expected results over time would merit special management attention. Both failures and successes should be shared within the organization and with our partners so that future actions are informed by past performance.

Our ability to validly judge performance, and to use these judgments in adjusting our strategies and tactics, is the linchpin for results-oriented development assistance. But effective judging depends greatly on other reengineering and reforms. Decentralization, delegation of responsibility and authority to staff and partners on the development frontlines, is one side of a two-way street; clear accountability for the use of this delegated authority and responsibility is the other side. Judging is the vehicle through which this accountability must be assured.

7. TRANSITION TO THE NEW SYSTEM

a. Overview

This report describes a new operations system which incorporates the four core values and represents a new way of doing business -- one that will enable the Agency to achieve its

objectives effectively and efficiently. This work represents an important first step. However, moving into and implementing the new system are the challenges we still face.

The first phase of transition takes us up to a milestone of October 1, 1995, when we will begin operating under the new system. However, transition work continues after this date as we continue to roll-out additional information systems, monitor the performance of the new systems, improve them, and work at institutionalizing the new systems and the supporting culture.

As we move into the new system, there are two major areas of change we will focus on. First, we must convert existing practices into ones the new system requires. This includes changing the policies and procedures of USAID's present operations system, and building a new information system. Simultaneously, The Agency will change other supporting systems, (procurement, accounting, budget, human resources, etc.), aligning them with operations and building integrated information systems. People will be taught how to function in the new systems and equipped with new skills.

Secondly, we need to manage the culture change to ensure it supports and is consistent with the principles and practices of a new USAID. Culture can be thought of as the prevailing beliefs, behaviors and assumptions of an organization which serve as a guide to what are considered appropriate or inappropriate actions to engage in by individuals and groups. The culture of USAID needs to be one that clearly focuses on customers, is oriented toward results, effectively uses teams to get work done, and empowers accountable people to make decisions to accomplish objectives.

The work of changing both the systems and the culture are very much interrelated. A new system design which incorporates the core values and unshackles USAID staff and partners from overly prescriptive rules and practices can enable the culture to transform quickly. The new operations system goes far beyond espousing a set of values. The practices described in the system turn those USAID core values into a new set of operational processes. A carefully designed system can unleash the potential of people and allow a culture change to flourish.

Change, by its very nature, can generate optimism and excitement, but it can also create unsettling unknowns which stir emotions such as fear, anger, resistance skepticism and uncertainty. Change needs to be both understood and managed. Plans for change need to ensure that resistance to change is understood, and that barriers to change are quickly recognized and minimized.

For USAID to become a learning organization, we need to ensure the management systems, expectations and rewards (formal and informal) are oriented toward achieving results, monitoring progress toward results, and making improvements along the way. In a learning organization, people are continuously monitoring customer needs and expectations, how well they are meeting them, and how well the organization is performing (efficiently and effectively). They use this information to take action to bring about improvement. USAID employees and partners need to learn the concepts and the

analytical and problem solving tools of improvement. These need to become part of the toolkit for everyday business.

b. Summary of Transition Actions

A summary of transition actions is presented below:

Prepare New Policies and Procedures - This report provides a description for a new operations system. Handbooks and guidance need to be redone to further articulate policies and directives, and to develop specific procedures for the new system. The current plan calls for this guidance to be incorporated into our information systems in a user-friendly manner.

Prepare Agency Strategic Plan - Develop an Agency-wide strategic plan which outlines Agency priorities and direction.

Design, Build and Test Information Systems - Build and test both components of the operations information system -- Results Planning and Implementation System, and Results Tracking System -- and coordinate with other information systems (AWACS, A&A, Budget, Human Resources) to ensure these systems are consistent with the new operations system.

Communicate with External and Internal Customers - Discuss the changes in the new operations system with customers and stakeholders, including Congress and partners, and employees.

Develop Training in the New Systems - Develop training programs to enable people to work with the new system including: training in the use of new procedures and the information system as well as in the four core values.

Convert from the Old to the New System - Identify Agency-wide and bureau-specific issues (e.g., moving from projects to results packages) and interim steps and procedures.

Implement a Management System and Develop the Capacity for Continuous Improvement - Develop and use a management system which provides information on efficiency of new operations system in terms of meeting customer needs, operating in more streamlined manner and building a learning organization.

Develop the Capacity of Intermediaries to Operate Using the Core Values - Assist interested USAID intermediaries to operationalize the core values by educating them about managing for results and customer service standards, and rewarding and recognizing performance consistent with the new system.

Experimental Labs - 10 labs have been established to experiment with the reengineered system and the four core values. Labs were approved in October 1994 and will run until September 1995.

8. DESCRIPTION OF THE BAA PROCESS

The scope of the BAA can be interpreted both functionally and technically. From a functional perspective, the team analyzed the activities of the major functions within Operations to the lowest level of meaningful work. These functions involve planning, achieving, and judging results, and included operating expense and programmatic resources.

Areas such as Participant Training and Humanitarian Relief were identified as in our scope in the ISP. We analyzed these areas to the extent that they apply to programming but did not make an effort to capture information requirements or perform analysis in preparation for system design. Previous analysis performed in these areas prior to this effort provide sufficient foundation for detailed analysis and design of systems. The collection of similar data and processes in these areas also makes them unique enough to justify treating them as separate initiatives.

The Approach: The first task of the project was to gather information about the Operations business area. In this task, the project team referenced many sources to gather information about the Business Area. The team was trained in Business Area Analysis techniques for modeling the results of information gathering and interviews. Based on the knowledge and experience of the BAA project team, the ISP Information Architecture was expanded for the Operations Area producing a Preliminary Business Area Model. This provided a "strawman" which was further refined from information gathered during user interviews and group work sessions and which also served as the starting point for introducing re-engineering concepts into the analysis.

Activity analysis was performed to gain an understanding of the business area's processes and activities. Entity Analysis captured the information requirements that play an integral role in the activities and processes which are performed within Operations. Interaction Analysis confirmed the accuracy of models as well as helped define the "natural" business systems which may support Operations. A "natural" business system is the combination of similar information and processes which act upon that information that can be easily transferred to an automated system. For example, "... all of the activities and information involved in Planning constitute a natural business system..." As we identified information requirements and activities performed, we evaluated the extent to which they added value to the externally focused organization. Information and activities determined not to add value were altered or eliminated.

Workflow diagrams were the mechanism by which the team reengineered the processes performed within Operations. After identifying the units of activity through decomposition, the workflows combined these activities together in a normal sequence to reflect how work is really performed at USAID. Examining these flows resulted in elimination of wasteful activities and redundancy. The team also performed analysis which superimposes Responsibility, Authority, Expertise, and Work (RAEW) parameters on

the processes. This analysis will be a direct input to the policies and procedures of USAID.

Finally, the team analyzed where the data are found and where activities occur in USAID. The results of this Distribution Analysis was used to define the systems architecture for the Operations Area, which may include client-server or distributed applications and data stores. USAID is widely disparate with regard to organizational structure and work performed. Identifying where activities occur and where information is created and updated was a significant input to the new reengineering system. Studying the distribution of work not only provided insight into the computer systems architecture and applications, but provided a way to analyze efficiency across the organization.