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U S Agency for International Development
Management Consulting Services IQC
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USAID/INDONESIA

PERFORMANCE-BASED CONTRACTING COURSE FOR USAID/INDONESIA

December 1996

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DELIVERY ORDER NO 1
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AMEX INTERNATIONAL, INC
Washington, D C

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INTRODUCTION

The following report describes the delivery of a training course for Performance-Based Contracting developed by AMEX International, Inc The course was developed under the Management Consulting Services IQC at the request of USAID/Indonesia To our knowledge, this was the first time a management consulting firm had delivered training to an overseas operating unit on Performance-Based Contracting

The course, comprising the five sessions described in this report, was given to three separate groups of roughly twenty participants and was refined significantly for each of the two sessions following the first Recognizing the reluctance of staff in operating units to withdraw from their regular administrative duties for more than three days at any given time, AMEX designed the training to last for two-and-one-half days The remaining days during each week would allow the consultants to work with participants on the application of their acquired skills at the workplace Immediate application of training is the soundest method to ensure sustainability

AMEX staff had long been involved in research on and training in various aspects of performance measurement and monitoring, and they were familiar with relevant Federal directives, such as the Government Performance and Results Act of 1993 Prior to this assignment, however, the firm had not considered course development for procurement under the performance environment Intensive research revealed an abundance of materials on the subject, from the Federal, state, and local governments, from associations, and from private sources It became evident through this research that Performance-Based Contracting for USAID had to be approached differently from the way it is used by the Department of Defense or a county administration First, it had to address the kind of research and development that characterizes much of USAID's foreign assistance efforts, second, it had to be articulated in the language of the Agency's reengineering and made relevant to very specific problems of operating units

AMEX's extensive experience in USAID missions, including several Country Experimental Laboratories, provided a solid foundation for responding to the issue of relevance The firm is greatly indebted to a few individuals who critiqued our ideas, helped us articulate difficult concepts, and generally revealed state-of-the-art practice in Performance-Based Contracting within the Agency In this regard we express our thanks to John Taber of REDSO/WCA, Mary Reynolds, RCO in the Philippines, Joe Beausoleil of M/OP, and John Airhart, currently with the American Schools and Hospitals Abroad division of USAID

We express special thanks and indebtedness to Sharon Cromer, who served as Contracting Officer and the COTR for this Delivery Order Ms Cromer imposed rigor on the consultants, provided extensive and timely feedback on AMEX's performance, and invested the training with the full

impact of her authority in the Mission

We believe that USAID/Indonesia is now the lead operating unit to have trained all of its personnel in Performance-Based Contracting and to have mandated the performance approach as the Mission's primary mode of procurement The report which follows represents the consultants' reflections on the assignment and their recommendations to USAID/Indonesia

Donald C Hart, Ph D
Director of Business Development
AMEX International, Inc

I DESCRIPTION OF THE TRAINING

Dr Melvin Schnapper and Mr James Purcell delivered the training on Performance-Based Contracting, which commenced on October 21, 1996 The following report has been prepared by Dr Schnapper

The course was offered for approximately twenty participants from the Mission, and was repeated on each of two successive weeks for groups of roughly equal size Each group was constituted for diversity foreign service nationals and U S direct hire personnel were mingled, and participants were chosen from various technical and support offices

The training schedule unfolded as planned, with full attendance There were only minor changes to the schedule, and these involved individuals who had prior commitments to meet, either with USAID/Washington visitors, or other consultants Both the training facilities and administrative support were entirely satisfactory

The Contracting Officer has a complete package of all training material used readings, handouts, case studies, and hard copies of transparencies

Purpose of the training
As stated in the Delivery Order, the purpose of the training was to provide USAID/Indonesia technical, procurement, and financial management personnel with a clear understanding of the following principles

A Performance-Based Contracting and the preparation of performance-based Statements of Work

B Line Item Budgeting, and the preparation of a line item budget corresponding to performance-based contracts and grants under USAID/Indonesia activities

C The use of practical tools and strategies for monitoring the performance of contractors and grantees and for reporting under performance-based contracts which employ Line Item Budgeting

To achieve the purpose intended for the training, AMEX developed the following five sessions, each of which includes several measurable learning objectives The consultants used these objectives to monitor the progress of participants and the overall success of the training

Session 1, Day One Statement of Work/Performance-Based Contracting

Objectives As a result of this session, participants were able to

1 Articulate the purpose and objectives of the entire workshop

2 Describe the why, what, and how of Performance-Based Contracting and its relationship to USAID core values

3 Distinguish between Performance-Based Contracting and traditional contracting

4 Describe the different perspectives on the Statement of Work from the Contract Officer, Controller and Contractor

5 Define the four levels of monitoring training and technical assistance

This session encompassed the broad principles of Performance-Based Contracting and showed how they contrast with the more traditional Level Of Effort contracts The session explained the historic precedents for performance-based procurement, and demonstrated how the new approach affected other functions in the Mission Finally, the session explained a model for monitoring training and technical assistance This and subsequent sessions attempted to stand as examples for the performance, principles, and evaluation of the model being taught

Session 2, Day One Performance and Measurability

Training Objectives

1 Describe what is meant by performance change, measures, specifications, standards, monitoring, incentives, milestones, outcomes, and baseline

2 Describe how service and commodity procurement lend themselves to Performance-Based Contracting

3 Identify and explain key elements of a Statement Of Work

4 Explain the concept of *manageable interest*

This session dealt more generally with the concept of measurability as participants know it in their personal and professional roles It also illustrated the distinction between various aspects of measurement appropriate to any specific application and its relation to Performance-Based Contracting

Session 3, Day Two Line Item Budgeting

Training Objectives

1 Describe how negative and positive incentives can be included in Performance-Based Contracting

2 Describe the critical elements of Line Item Budgeting

3 Describe the advantages of Line Item Budgeting

4 Describe the disadvantages of Line Item Budgeting

This session was very technical in nature It focused on the translation of various budget formats into what should more properly be called results-oriented budgeting This approach enables a Mission and contractors to track rewards and incentives to attain specific results The ways in which certain transitional situations may require a "hybrid" of the traditional budget and results oriented format was also detailed in this session

Session 4, Day Two Performance-Based Contracting Other Applications

Training Objectives

1 Translate Level Of Effort-based documents into performance-based ones

2 Trace these documents to Strategic Objectives

3 Define the respective roles of Strategic Objective Team members

4 Prepare for follow-up sessions with consultants

In this session, participants, particularly Strategic Objective teams, were encouraged to prepare for the follow-up consultations with the consultants They were accompanied by the Contracting Officer during these consultations and worked on their specific documents, altering them from Level Of Effort-based to Performance-Based Contracting

Session 5, Day Three

This session continued the work on case studies of documents already finished or in progress at the Mission The session plans with objectives, schedules, and readings are in the complete training package in the possession of the Contracting Officer The objectives have already been identified above

The Training Package

The *Training Package* is on file with AMEX International It includes session plans, transparencies, and case studies These case studies were developed during the training and are specific to USAID/Indonesia In future courses, trainers can easily use these cases as prototypes for adaptation to local circumstances

List of Case Studies

1 Global Project Street Children
This case is a current Statement Of Work for evaluation services for a fully-oriented project, using words like *assist*, *sensitize*, and *develop* AMEX worked with the SO5 Team Member to convert the evaluation request into a performance-based document We also suggested that the evaluation team (due in December) start developing performance measures for the project right away

2 Performance Based RFP Maintenance and Repair Services
This case study contrasts a highly prescriptive procurement in which the contractor is instructed to follow guidelines regarding staffing, office hours, and equipment with a similar procurement fashioned to performance-based standards The latter procurement gives leeway to the contractor to achieve results in the manner deemed most appropriate

3 Training Workshops
This case examined the AMEX effort itself, and it translated the Delivery Order stating general requirements into a rigorous performance-based program with measurable training objectives that were used for training, monitoring, and evaluation

4 Performance Based Purchase Order for Economic Consulting Services (SO1)
This document is in transition and shows early attempts at using performance-based deliverables to measure results and include incentives

5 Urban Environment (SO3)
Though not used during the training, this case study was developed after the third cycle of training

6 HIV/STD's Prevalence (SO2)

This document is now complete and contains very specific performance-based statements as well as incentives that can be awarded to one or more contractors to support the TO/RP level

7 Consultation

This case study analyzes the entire SO2 framework and points out how the ambiguity of the language does not allow for either monitoring or evaluation The Strategic Objective team will continue working on it

II EVALUATION OF THE TRAINING

The evaluation of the consultants' training followed the four-level model that they themselves taught in the course The model is based on the well known Kirkpatrick evaluation approach

Level 1 Participants' reactions
This level assesses participants' reactions to such factors as the professionalism of the trainers, the relevance of the courses, the pace of instruction, and the physical environment Overall, reactions to the courses were satisfactory As the scores of each cycle indicate, AMEX finished the third cycle with a cumulative, unweighted score of 4+ on a five-point scale

When AMEX's consultants arrived in Indonesia, there were no local case studies available However, as they presented each cycle, they garnered relevant material, especially as they worked with each Strategic Objective team on its specific documents By the third cycle, the consultants had established an intimate knowledge of how USAID/Indonesia was pursuing USAID/Washington's Strategic Objectives This growing knowledge is reflected in the reaction level of each cycle as captured by the AMEX Training Evaluation Sheet (attached)

The summary scores identified by each cycle are as follows Cycle 1= 3 68, Cycle 2=3, Cycle 3=4 1 This is a summary of five categories of the AMEX reaction sheet unweighted by category It shows that participant reaction finalized at 4 1 for the last cycle The reasons for a drop in score from the first to the second cycle are not entirely clear The audience was more knowledgeable, and perhaps had higher expectations, and attendance was somewhat sporadic Whatever the variables that influenced this dip in reaction from cycle one to cycle two, the consultants finished at a high of 4 1

Level 2 Learning
This second level determined how thoroughly participants acquired the information transmitted and, therefore, how well the learning objectives were realized We could easily demonstrate that learning did take place by means of the regular end-of-session quizzes, where participants had to produce correct responses to specific training objectives to demonstrate both knowledge and skills The results were equal among all groups 90% of the participants were able to respond to one of the training objectives picked as the "test" of learning for each session

Level 3 Skills Transference
Transference was tested during training through the use of case studies, and following the training sessions with one-on-one consultations at the workplace

The consultations with the Strategic Objective teams were designed to be the most far-reaching payoff of this training effort These numbers grew from one consultation in cycle 1 to three in cycle 2, and eight in cycle 3 The rise in consultations is a measure of the increasing success of the

presentations The importance of these consultations is measured by the effective transfer of learning to job applications *One immediate measure of the transferability of the program is that every Strategic Objective Team now has a document that is either completely performance-based or is in that transitional process*

Level 4 Organizational Impact
Level 4 impact will be reflected in a greater efficiency or productivity of USAID/Indonesia as a whole operating unit It lies beyond the scope of the present assignment to determine whether such impact will occur Given the seriousness with which the Mission has embraced the performance approach, its success measured as Level 4 impact would make an interesting object for evaluation in 9-12 months' time

As Performance-Based Contracting becomes a more common format for contracting services, the following issues will have to be examined

- How will comparable impact be determined when baseline data is either missing, suspect, or outdated?
- How will comparable impact be determined when local contractors simply do not possess the capacity to respond to a less prescriptive RFP?
- How can local contractors be brought into the Performance-Based Contracting environment?
- How can Performance-Based Contracting be joined to procurement in some circumstances, e g policy-based activities?

III DISCUSSION OF TECHNICAL ISSUES REGARDING PERFORMANCE-BASED CONTRACTING AT THE MISSION LEVEL

1 Reform Fatigue

The arduous demands of the reengineering process, including the New Management System (NMS) and Reengineering New Personnel Systems, have clearly induced fatigue among USAID personnel in the field This fatigue fostered skepticism among participants initially, who tended to view Performance-Based Contracting simply as yet another change that involved more process than substance In the context of staff reduction and increasing outsourcing of work to local NGOs, Performance-Based Contracting only seemed to add to Reform Fatigue

2 Accountability

Until now, Strategic Objective teams have not been accountable for a commitment to the Performance-Based Contracting format The CO should require a more rigorous adherence to the standards of Performance-Based Contracting from the Strategic Objective teams

3 Skills Training

However good this initial training program may be, it will not be adequate to sustain the kind of changes that staff will need for continued support Bolstered by hands-on coaching and consulting, this training should be readily available to those who need it, otherwise, personnel are likely to go back to the efforts they know best and are comfortable with

4 Policy Influence

The most frequently recurring question from participants concerned the degree to which contractors could be held accountable for influencing policy Our reply was that Mission personnel ought to take the Performance-Based Contracting orientation as far as possible with contractual performance with the understanding that, much like lobbyists in Washington, DC, contractors can only be held accountable for producing their best effort

5 Changing the orientation from activities to results

It is very difficult to get individuals to transform the way they think For years, staff have considered supporting activities -- surveys, reports, meetings, study tours, and publications -- as a way of obtaining full value from fees and assessing that value based on surveys of what people think and feel about those efforts A more vigorous approach is needed to determine the results that these activities are meant to support and/or produce For instance, the original documents the consultants worked on often used the words *strengthen, empower, capacity, sensitize, expand,* and *develop* Most participants were at a loss to articulate the meaning of these words in measurable terms Investing these words with a meaning that is measurable and observable is the essential change that Performance-Based Contracting is designed to effect

The word *measurable* denotes qualitative as well as quantitative measures Often we had to correct participants who would dismiss the qualitative aspects of their efforts, concluding simply that they lay outside the realm of measurability

6 Abstract vs Concrete
We also realized that abstract examples and inductive reasoning were not as effective as concrete examples from the Indonesian context These concrete examples included steps demonstrating how to accomplish various tasks like converting statements to Performance-Based Contracting

7 Administrative
There may be some administrative disjuncture between policy, procedures, and 'the new Performance-Based Contracting, as incentives for lengthy projects may have to be paid intermittently, and cannot be delayed until the very end of the project deliverable

8 Line Item Budgeting
In spite of a thorough search within USAID/Washington and among databases on the Internet, AMEX could not unearth definitive documents on Line Item Budgeting We discovered that USAID's greatest expert may very well be Homi Jamshed, the Mission's financial officer, who presented the topic for all three cycles Mr Jamshed's training was very well received

IV RECOMMENDATIONS

A Though USAID/Indonesia receives a steady flow of consultants and visitors from USAID/Washington, all of whom demand the time of local staff, it is critical that the Mission continue its endeavors to make Performance-Based Contracting its dominant format for procurement In this context, it is pertinent to remark that the participants in the sessions were unaware of the 1993 Order that documents be performance-based "when at all practicable "

B Though participant selection was left to Team Leaders, the severe discrepancy in the levels of trainees was apparent We recommend that only active Strategic Objective participants be included in training for the short term For the long term, however, it is useful for support staff be involved in training, so that they have an opportunity to understand the context of the environment in which they operate

V REFERENCE MATERIAL

A Guide to Best Practices for Contract Administration

A Guide to Best Practices for Past Performance

A Guide to Best Practices for Performance Based Service Contracting

Making a Difference for Development Reengineering the US Agency for International Development's Program Operations, prepared by USAID Business Area Analysis Team for Operations

Procurement Reform Report Changing the Way We Do Business Around the World 18 Elements in Streamlining USAID's Procurement Process

ANNEX : TRAINING EVALUATION SHEET

TRAINING EVALUATION SHEET

Please help us improve our training in performance-based contracting by cooperating with this evaluation Do not put your name on the sheets

Please rate the usefulness to your work of each session

	not useful				very useful
The performance concept	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]
Writing performance-based statements of work	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]
Performance-based contracting	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]
Line-item budgeting	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]
Monitoring contractors and grantees	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]

Please rate your trainers

Mel Schnapper

knowledge of subject matter	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]
ability to transmit new concepts/skills	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]
overall professionalism	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]

Jim Purcell

knowledge of subject matter	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]
ability to transmit new concepts/skills	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]
overall professionalism	1 [ ]	2 [ ]	3 [ ]	4 [ ]	5 [ ]

Rate the adequacy and quality of instructional materials you received

1 [ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

Your evaluation of the overall program for usefulness and relevance to your work in USAID

1 [ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

Thank you for cooperating with this evaluation If you think it will be helpful, please add your comments below and on the back of this sheet

AMEX International, Inc
1615 L St , N W Suite 340
Washington, D C 20036
tel 202-429-0222
fax 202-429-1867

Donald Hart
IQC Manager
Internet dhart@amexdc com