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Toward the New USAID II

Three Years of Reform Progress

USAID

U.S. Agency for
International
Development

Washington, D.C. 20523

A

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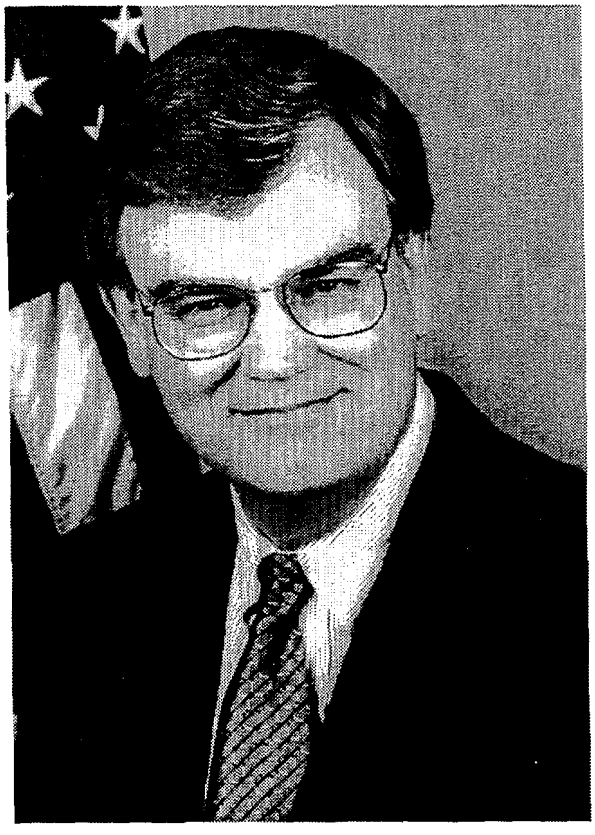
Letter from the

Administrator



The U.S. Agency for International Development (USAID) is a frontline agency with a proud history and important responsibilities for the future. We live in a world where the most immediate threats to the United States are not of nuclear confrontation between superpowers, but of global problems that respect no borders — disease, food supply, climate change, rapid population growth, mass migrations, depletion of environmental quality or biodiversity, and the spread of conflicts from failed or failing states.

The mission of USAID is to advance U.S. national interests by promoting sustainable development, providing humanitarian relief, helping countries make the transition to becoming stable, free democracies and trading partners, and addressing global threats that transcend national borders. When we immunize children, provide clean water or family planning help, foster microenterprises in rural villages, introduce better agricultural practices, or strengthen the institutions that support democracy, the rule of law and commercial codes that encourage economic growth and trade, we are carrying out important U.S. foreign policy goals.

If USAID is to accomplish its vital missions, we must operate in an efficient, effective, and economical manner. To do that, I volunteered the entire agency in 1993 as a government reinvention laboratory under the administration's National Performance Review. Better management was essential if we were to do a better job in a time of stringent budgets and growing needs. This report is the story of the changes we made.

Three years into the reinvention process, USAID has largely completed the reorganization and restructuring of the agency. We have refocused our efforts to meet the challenges of the post-Cold War world, and are working much more closely with our donor partners around the world, and with our partners in transition countries and the developing world. The long hard work of consulting, planning, developing and field testing an integrated system of management and communications is paying off. With the New Management System now in use worldwide, even more benefits will be evident as we learn to use it to its maximum potential.

We reduced the number of country programs and field missions to better focus our resources where we can achieve sustainable development results, closing some very small missions with high administrative costs and others that were not getting results because the host country did not share our goals or was unwilling to invest its own resources. Other missions closed down as we celebrated the achievements of countries that have reached a level of development or democratization where they no longer need external aid. Some of these nations are among our trading partners with the fastest rates of increase in American exports.

This has been not only a time of reductions and reorganization, but also of reaching out in new ways:

- We put contract information and information about USAID programs on the Internet, which serves more than 65 million users worldwide. We have already received awards for having one of the best Web sites in government.

- We launched *Lessons Without Borders* to share lessons we have learned in 30 years of overseas development with American cities and rural communities. After seeing how Kenya conducted USAID-assisted immunization efforts, the city of Baltimore initiated a program that dramatically improved the rate of immunization among its young children.

We are giving better service to our customers — the people in developing and transition nations — and to the U.S. taxpayers. How we went about it and the things we learned in the process are detailed in the pages of this report. USAID has emerged as a smaller, more flexible, more responsive and more efficient organization, with greater participation of stakeholders and customers at every stage of our activities.

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At a time of dramatic change abroad and within our own agency, budget cuts have resulted in a reduction-in-force (RIF) beyond our planned rightsizing. We have lost some valuable people whose experience and skills in development work will be greatly missed. Despite these losses, the dedicated staff of USAID remains committed to our mission of promoting sustainable development and stable democracies and to improving the lives and opportunities of people while building a more peaceful, prosperous world.

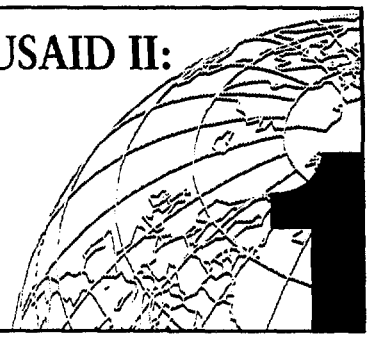
I cannot conclude this report on the reinvention of this agency without a word of thanks to USAID employees here in the United States and throughout the world:

The work you do is more difficult, often more dangerous and perhaps more crucial to our nation's future than at any time in our 35-year history. This reinvention was your work, designed to solve problems and meet needs that you understood best, so that we could better serve our customers — and our nation. You did a great job. I am proud of you.

J. Brian Atwood
Administrator
U.S. Agency for International Development

Toward the New USAID II:

Three Years of Reform Progress



The Beginning: An Agency Under Siege

When the Clinton Administration came into office in 1993, the U.S. Agency for International Development (USAID) was a troubled organization. A number of commentators had called for the agency's abolition, and there was near-universal agreement that it was in need of serious management reforms. USAID's employees – some of the finest development experts in the world – were trapped in a management system plagued by duplication, conflicting mandates and outdated information systems. Management problems had grown so severe that they were in danger of eclipsing the importance of the agency's mandate to promote sustainable socioeconomic development, free markets and democracy around the globe.

Shortly after taking office, USAID Administrator J. Brian Atwood volunteered USAID to serve as a "reinvention laboratory" in Vice President Al Gore's National Performance Review (NPR). Since its designation, the administrator has put a sweeping series of reforms into place. As a consequence, USAID has experienced one of the most dramatic turnarounds that can be found in government. USAID focused on fewer, more attainable objectives; streamlined the agency's organization; redesigned and simplified the ways it does business, and cut personnel more than any agency in the federal government except one. This report is the story of how that came to be.

Yet even as this dramatic management reform was taking place, USAID has been confronted by a number of additional challenges. Several congressional proposals sought to eliminate USAID entirely. These measures failed to become law after President Clinton strongly defended the essential role of USAID development programs in advancing U.S. interests abroad. Having allowed USAID to survive, Congress significantly cut back the resources the agency had to carry out that development. Major management reforms and refocusing of priorities in line with post-Cold War needs made possible dramatic cuts in the number of overseas missions and of personnel, both in Washington and in the field. After both program and operating funds were cut beyond those planned reductions, the agency was forced to resort to a reduction-in-force (RIF) this year. The combination of all of these factors set back the agency's efforts to decentralize control and fully empower staff and line managers.

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Mission and Vision: A Post-Cold War Strategy

A. Strategic Framework

Since 1961, the U.S. Agency for International Development has carried out America's economic development and humanitarian assistance programs abroad. U.S. foreign assistance has always served to further America's foreign policy interests by expanding democracy and free markets while improving the lives of people in the developing world through a broad range of programs. Spending less than one-half of 1 percent of the federal budget, USAID works to achieve sustainable development through five interrelated objectives: promoting broad-based economic growth; advancing democracy; stabilizing population and improving human health; protecting the environment; and saving lives and preventing disasters through humanitarian assistance.

During the Cold War, foreign assistance was often used to offset Soviet influence, which at times meant U.S. foreign aid was sometimes directed to nations that failed to embrace basic democratic principles and sound economic policies.

The end of the Cold War brought a welcome and unique opportunity to redirect U.S. foreign assistance in line with our fundamental values and to better advance America's interests in a rapidly changing international environment.

Promoting sustainable development not only helps the people in developing nations, but also helps to create new markets for the United States. Poor people make poor customers. Bad policies and weak institutions make for a poor business climate. Foreign economic and humanitarian assistance programs in the developing world constitute a critical investment in the future of the American economy. When USAID programs help improve standards of living in developing nations, they also help to create new customers for American goods and services. Indeed, most of the growth of our trade over the past 15 years has been with developing countries.

USAID programs assist in building open, stable economies, which provide new opportunities for U.S. trade and investment. We often assist in establishing fair business codes, viable commercial banks and reasonable tax and tariff standards. Programs in other key areas such as health, the environment and population also improve the prospects for lasting economic growth, enabling nations to become less dependent on external aid.

In the wake of the Cold War, USAID has been called on to serve as a frontline agency in helping to secure a number of high priority political and economic transitions around the globe. In nations such as Russia and the New Independent States, South Africa, Haiti, the West Bank and Gaza, and Bosnia, USAID continues to play a vital role in assisting historic advances toward free and peaceful societies.

In addition to helping nations make the transition away from closed economic and political systems, USAID also responds to complex humanitarian crises in places such as Rwanda, Bosnia, Liberia and northern Iraq. These tragic emergencies have produced millions of refugees and dire human suffering. The proliferation of man-made and natural disasters in this decade has strained the international community's ability to respond, absorbing greater and greater percentages of available aid funds. Ultimately, our best weapons in preventing these emergencies and the suffering they cause are programs that foster democratic institutions and sustainable development. We work to prevent environmental degradation, rapid population growth and disease, which can disrupt economies, exacerbate racial, ethnic and religious tensions, and destabilize governments.

Under the leadership of the Clinton Administration, USAID has honed its strategic approach to reflect U.S. national interests more closely. Gone are the days when foreign assistance will be offered to nations that fail to embrace the basic tenets of good governance and sound economic development. USAID considers the following national interests when identifying countries for foreign aid:

Promoting U.S. Economic Security – USAID programs create markets abroad for U.S. goods by fostering sound policies and institutional environments that promote lasting economic growth in developing countries.

Enhancing Prospects for Peace and Stability – USAID programs in areas such as Central and Eastern Europe, the New Independent States, the Middle East, Central America and the Caribbean help to build institutions that support democracy, free enterprise and the rule of law. Strengthening civil society, broadening participation in decisions that affect people's lives and increasing economic opportunity can reduce the potential for conflicts that can gravely threaten U.S. security.

Preventing Humanitarian and Other Complex Crises – In the last year, USAID has taken an aggressive approach to preventing massive humanitarian crises *before they occur*, in an effort to stem the high financial and human cost of peacekeeping, refugee crises and emergency relief operations.

Protecting the United States Against Specific Global Dangers – USAID efforts beyond America's borders are increasingly important in protecting the United States from such clear threats as the spread of the Ebola virus, unchecked population growth and loss of biodiversity.

B. Core Values

To carry out these crucial activities, USAID had to be well managed. In formulating new processes for doing business, the agency was guided by five core values: customer focus, results orientation, empowerment/accountability, teamwork, and diversity. Any new operations system had to further these values throughout its constituent parts.

These values guided the design and implementation of every aspect of restructuring and refocusing the agency and were incorporated throughout the processes of revitalization.

(1) Customer Focus

USAID has two types of customers:

(1) "process customers"— stakeholders including the taxpayers who pay for our activities, the Congress which allocates those resources, and donor partners; and,

(2) "ultimate customers"— the recipients of aid and benefits resulting from our assistance.

A focus on customers is not new to USAID. We have always attempted to secure their participation in planning and implementing our development assistance activities. This new emphasis gives them a more active role in ensuring that the aid we provide is actually producing the desired results. This emphasis is in keeping with President Clinton's 1993 executive order directing each federal agency to set customer standards, and with the National Performance Review's call for a government that "puts customers first."

Under its new operations system, USAID more consistently and systematically involves both partners and customers in the planning, implementation and evaluation of our assistance. By learning what customer needs and priorities are directly from customers, and indirectly from partners, such as private voluntary organizations (PVOs) and non-governmental organizations (NGOs), we can better frame strategic objectives and design effective courses of action.

Under its new operations system, USAID more consistently and systematically involves both partners and customers in the planning, implementation and evaluation of our assistance.

USAID staff also regularly consults with organizations that represent the interests of customers such as small-scale farmers and business people, slum dwellers, fishing communities and women. We also seek direct feedback from customers through surveys, field visits, open forums and town meetings to determine whether our assistance is meeting their needs.

The agency also must meet stakeholder needs if it is to successfully accomplish its mission. Three categories of stakeholders are: (1) those who have some authority over our resource flows and their direction —

Congress, the Office of Management and Budget, and the State Department; (2) those who influence Congress' actions — taxpayers and interest groups; (3) and those who use our resources in a collaborative fashion to help us achieve results — private voluntary organizations, non-governmental organizations, host country governments and universities. While contractors are not stakeholders in the same sense as PVOs, they also have specific needs that our procurement process must meet in order for us to achieve our objectives.

For example, to improve the economic well-being of disadvantaged farmers through a country program, USAID must provide Congress necessary information that demonstrates the need for a program and that it will be effective and managed efficiently. To turn the resources Congress provides into help for the farmers, there must be a delivery system. Designing and implementing that system require that we understand and meet the needs of the host government and NGOs for technical expertise and infrastructure support and coordinate our activities with other international donors.

(2) Results Orientation

The goal of development assistance is change. For a system to be results-oriented, its processes must be focused on achieving change. Processes can become overly bureaucratic, directed more toward meeting regulatory and administrative requirements than toward supporting objectives and producing results that serve the customer.

The agency's new operations system is designed so that, to the greatest extent possible, our processes help us meet our development objectives. Throughout the processes of planning, budgeting, and carrying out projects, the focus must remain on the intended results. Managing for the achievement of results means setting clear objectives and targets, collecting adequate information to judge progress and adjusting strategies and tactics as required. Monitoring and evaluation are ongoing efforts and may produce changes in existing activities as well as in the design of new activities. This requires flexibility in the deployment of resources while maintaining prudent management principles. When we do not achieve the intended results, managing for results requires learning why, determining whether the objectives were realistic, whether methods were appropriate and what would need to be changed to achieve better results.

People must be able to use their initiative, to take considered risks, and to respond to opportunities.

The program operations system utilizes and builds on reforms in other agency business areas — procurement, budgeting, accounting and human resources management — to lessen the burdens of administration, increase staff efficiency and effectiveness, and strengthen program performance.

(3) Empowerment and Accountability

Empowerment simply means giving those who must carry out programs the authority to make and implement decisions as close as possible to where the action takes place, providing them the resources to carry out those decisions and the flexibility to respond to changing conditions. People must be able to use their initiative, to take considered risks, and to respond to opportunities. They must also maintain legal and ethical standards, and achieve organizational goals and strategic objectives. This balance between autonomy and accountability requires that we eliminate unnecessary regulations and clarify the limitations that remain. Empowerment implies accountability. While the achievement of results may not necessarily be within the control of the team and its leader, managers and team members are accountable to the extent that success or failure relates to how decisions were made and implemented.

(4) Teamwork

Empowerment and accountability extend not only to individuals, but also to teams, which may include members from both Washington and field offices and others. These teams are groups of individuals who come together through consensus to achieve agreed-on objectives or results. Such teams bring up additional issues of authority and accountability, of how team performance can be rewarded and how it fits into individual evaluations. Integrated computer-based communications and management systems are impor-

tant in making such teams feasible, especially since some members may participate electronically. These systems must provide them the tools that enable them to be more responsive, flexible and innovative.

The recently completed reorganization of the agency was built around the concept of teamwork, which provides an important mechanism for integration and participation. Typically, team members bring specific skills or knowledge needed to achieve a result, or represent an interest central to that achievement. Teams function in a collaborative and supportive fashion, drawing on the unique strengths of individual members, enabling the various specialties within a mission or a headquarters office to work together, and enhancing the collaboration of field and central experts. In addition to drawing full- and part-time members from throughout USAID, teams may include representatives of partners, contractors, and, when appropriate and feasible, customers. These teams allow the agency to stretch limited resources, bring maximum expertise to bear on problems, and to respond more rapidly and effectively to changing situations and customer and stakeholder needs.

The success of the new operations system depends 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 is performed by teams. Personnel assignments, promotions, and rewards will ultimately be linked explicitly to the achievement of results by teams. While teams have been organized to perform work in the agency in the past, the new reengineered system involves a substantial increase in the degree of responsibility, authority, autonomy and accountability given to them.

(5) Diversity

Following adoption of the first four core values, the agency recognized that while each was critical to the future success of doing business in the new way, there was a missing element. Because of our multicultural workforce and diverse global customer base, the administrator determined that promotion of diversity should be added as a fifth core value.

USAID stands out among federal agencies. It is dedicated to global improvement of the quality of human life, and extends hope and opportunity to people of developing countries. To deliver quality programs abroad, we must ensure a workplace environment in which each employee values the richness of diversity, experience, and contributions of others. Every agency employee should have the opportunity to contribute to the full extent of her or his ability.

Reengineering is moving the agency toward accomplishing its major activities in and through teams made up of USAID employees, partners, stakeholders and customers. This movement requires a major shift in organizational thinking and, among other things, a thorough appreciation and understanding of diversity. The agency values the diversity of its employees, partners, stakeholders, and customers. At USAID, the principles of diversity and inclusiveness go beyond the legal requirements of affirmative action and equal employment opportunity to include active appreciation of the positive values of the cultural dimensions and the uniqueness that each person brings to the table.

To deliver quality programs abroad, we must ensure a workplace environment in which each employee values the richness of diversity, experience, and contributions of others.

Our team approach means that in this multicultural mosaic, all participants must arrive at a common work goal that is results-oriented. It is a business necessity that team members have a common understanding of the value of diversity, and be able to recognize, accept, and utilize human differences in working to meet customer needs. To this end, valuing diversity becomes a key core value, crucial to the successful execution of our functions. Continued success requires that our workforce, in Washington and overseas, understands the synergy and benefits of bringing together people of different backgrounds and skills to accomplish the agency's mission.

To gain the corporate benefits of workplace diversity, while maintaining a positive work environment, the agency will actively train supervisors, managers, and employees on multicultural diversity, and equal employment opportunity issues critical to successfully incorporating diversity as an agency core value.

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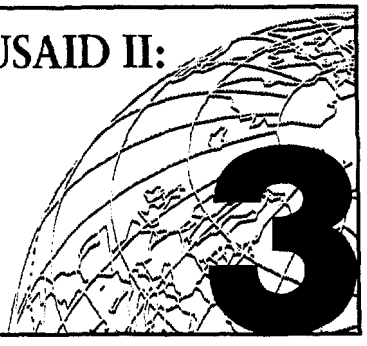

The National Performance Review: The Agency as an Experimental Laboratory

In *Common Sense Government*, the third report of the National Performance Review, issued in September 1995, USAID's progress was reported (pp. 107-108) as follows:

> To emphasize AID's commitment to change, the entire agency was designated a "reinvention lab," [note: one of only two such agencies to be so identified in the entire government] and teams across the agency have reengineered major processes such as procurement and financial management. AID has developed a cross-cutting budget preparation process. It has also overhauled its personnel system to focus on more appropriate training and rotational assignments, to create a more diverse workforce, and to increase employee participation in decision making. AID has reorganized and rightsized its Washington, D.C., headquarters and has begun a major realignment of field offices... In addition, the agency has reduced its use of outside contractors by 20 percent.

NPR made seven major recommendations for change at USAID, further amplified into 37 discrete actions. Twenty-one of these actions are complete or substantially complete, 10 are under way and on schedule with satisfactory progress being made, three are on hold because Congressional action is pending, and one cannot be implemented due to an Administration decision. Of NPR's long list of cross-cutting recommendations for all agencies, USAID had been asked to report our progress on 17. Six have been completed or substantially completed, and 11 are under way.

USAID continues as an active and engaged participant in the NPR process and has contributed to all major NPR activities, in particular customer service initiatives, far beyond its proportionate size.

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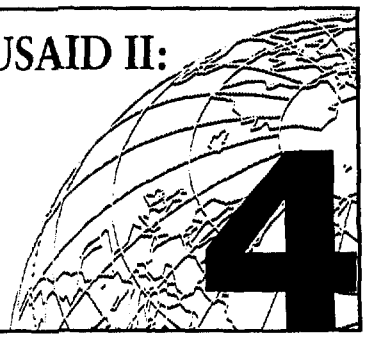

Restructuring: Reorganization and Rightsizing

Shortly after his arrival in June 1993, the administrator determined that the first step in reforming USAID would be a structural reorganization designed to strengthen the agency's effectiveness and efficiency. Consistent with his view that the business of change in USAID should be carried out by the people who knew the agency best — its employees — he established a working group representing the agency's organizational, human resources, and analytical skills, under the direction of the assistant administrator for management. That team developed the framework for agency reorganization, which was revised and refined by USAID's senior managers and circulated for comment agencywide and among our external customers and stakeholders, including key Congressional members and staff. After receiving their comments, a second refining process occurred.

With the structural reorganization complete, USAID launched a process of internal rightsizing of each of the new organizational entities, again in accordance with NPR principles.

The administrator announced the final plan of reorganization on October 1, 1993. It reflected the basic principles presented in the NPR, including a focus on streamlining the structure and procedures, improving span of control, and eliminating unnecessary layering and duplicative processes.

The reorganization eliminated one high-level management layer between the administrator and the bureaus and independent offices and reduced the number of major organizational units by five. It provided a more appropriate alignment of certain functional areas and geographic regions, designed to support sustainable development and facilitate cooperation among all bureaus, offices, missions and personnel in a more integrated and cost-effective manner. The reorganization also provided agency management with better tools to do the job: clearer policy direction; expanded technical capacity; and better managed and more accessible information.

With the structural reorganization complete, USAID launched a process of internal rightsizing of each of the new organizational entities, again in accordance with NPR principles. Rightsizing was accomplished overseas through the closure of selected overseas missions/programs, and in Washington through a review of each bureau and independent office.

On November 19, 1993, the administrator announced the closing of 21 USAID field missions to be accomplished by the end of FY 1996. This action was a vital part of our effort to reform and restructure USAID to better achieve development results by focusing our limited resources in those countries where real development results could be expected.

This was the first time since foreign aid programs were introduced with the Marshall Plan that the overall number of countries receiving development assistance had been reduced. Two additional missions were subsequently identified for close-out in FY 96, and one by September 30, 1997, bringing the total to 24. Plans are now being drawn up for additional closings and for converting some missions to limited operations with smaller staffs.

Based on USAID/Washington policy and procedural guidance, target missions developed detailed mission close-out plans. The agency has taken great care to make sure that bringing those operations to a close does not undermine previous investments in the coun-

tries, to address legitimate accountability concerns, and to protect our diplomatic relationships with the host countries.

Rightsizing in Washington was aimed at achieving the optimal mix – organizational structure, staffing resources and appropriate operating procedures for efficiency and effectiveness. The rightsizing process resulted in elimination of redundant and duplicative functions and activities, a reduction in supervisory layers, increased span of control, streamlined operations and organizations through regionalization and by combining program and support functions.

As with the structural reorganization, agency staff – the people who knew the needs, redundancies, strengths, and programs most intimately – carried out the rightsizing process. They worked in teams consisting of senior managers of each bureau or independent office, customers, and analysts. Their work provided a solid base for the decisions that followed, including the elimination of 90 organizational units overall.

The teams reviewed 19 bureaus and offices. Each team produced a report of their findings, made recommendations on structure and staffing, and identified functions or processes found to be redundant or unnecessary. Bureaus and offices then reviewed their individual reports and prepared a decision memorandum that, when approved, served as the basis for implementation. The collective bargaining units were briefed and consulted frequently throughout this process.

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The Administrator's Quality Council

Almost immediately upon his arrival in June 1993, the administrator approved the establishment of a Quality Council. Its purpose was to assist him in providing coordination, guidance and direction for comprehensive reform and reinvigoration of USAID and to oversee implementation of NPR recommendations. It has served as a focal point, information center, and coordination mechanism for all agency reinvention efforts by improving the quality, responsiveness, efficiency and effectiveness of all of our operations, whether management or programmatic in nature. It also has been used to communicate our reform goals and plans, to obtain feedback from USAID as a whole, and to assess how well we are doing.

The council was initially chaired by the acting deputy administrator, and subsequently by the chief operating officer/assistant administrator for management. Its members represent all bureaus and all employee groups, and include some of the leaders of the agency who are most committed to reform and revitalization. The council has carried out its work both at the full council level, and through several committees. It has developed and implemented a major internal communications strategy to share all relevant reinvention information; been the mechanism for our regulations reduction efforts; and been responsible for the administrator's suggestion box. Perhaps most important, it has acted as an early warning mechanism for problems encountered. It has also helped knit together all of our complicated and interlocking reform efforts.

The council itself has been reengineered several times, to take account of evolving circumstances. It currently meets bimonthly, with a membership of around 25.

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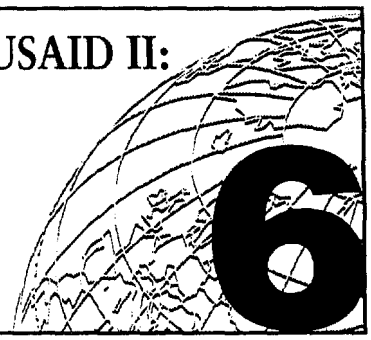

Reengineering and Systems Development

Business Area Analyses and Business Systems Design

Much of the work of developing the "New USAID" was carried out through a series of related studies and evaluations of our core business areas: program operations, accounting, procurement, budget, human resources, and property management. Each of these Business Area Analyses (BAAs) represented a major reform effort; collectively, they provide the potential for a radically new and improved way of carrying out our business. Following the completion of each Business Area Analysis, business system design work was undertaken to develop an integrated automated data system that is referred to as the New Management System (NMS). The next sections of this report highlight each of these business area analyses and related systems development efforts.

Much of the work of developing the "New USAID" was carried out through a series of related studies and evaluations of our core business areas: program operations, accounting, procurement, budget, human resources, and property management.

A. Program Operations

In September 1993, the Quality Council commissioned a review of the USAID Program Operations System (OPS)—the procedures and processes used in planning, implementing, monitoring and evaluating U.S. foreign assistance programs. The existing system was overly cumbersome and extremely inefficient. A 15-member Intensive Reengineering Team (IRT) was charged with the task of restructuring the programming system by streamlining and improving each step of the process. The goal was to create a new system that would focus on customers, empower employees, use teamwork, be results-oriented and improve our efficiency and effectiveness.

The IRT represented the full range of USAID employees covering all geographic areas and technical, administrative, and program backgrounds, and reflected the diversity of our workforce. Five members of the team were provided by field missions and nine were based in Washington; one was a host country beneficiary, an end user. A Reengineering Reference Group (RFG) was established to advise the IRT. Together, RFG and IRT members carried out many interviews both within and outside USAID to uncover programming problems and requirements and to test ideas, and then prepared a report on revamping the OPS.

When the IRT first began, there were many who were resistant to change. While the old system might have flaws, people were comfortable with it. Despite the skepticism, IRT members persevered and overcame their own and their agency's self-doubts. They incorporated the goals of reengineering in the process of designing the new system by involving as many employees and customers as they could in the new design, by focusing on results, by working across organizational units in teams, and by empowering these teams.

There are four reasons for the reengineering team's success: their dedication to overseas economic development and to creating a system that would truly have an impact on the recipients of U.S. assistance around the world; their desire to have USAID cost less and work

better; the courage they demonstrated in following their convictions; and their leadership in engendering support and understanding of the new system.

The National Performance Review chaired by Vice President Gore, preliminary studies carried out by the USAID Intensive Reengineering Team and the designation of USAID as an experimental laboratory set the stage for the agency to embark upon bold new approaches to radically improving the timeliness and effectiveness of the U.S. foreign assistance program. In the spring of 1994, the administrator approved the formation of a Business Area Analysis Team on Operations under the direction of the assistant administrator for management and his staff.

The team's charter was to examine and develop a new approach for how USAID plans, designs, implements and evaluates development assistance activities in line with the goals set forth by the NPR and the IRT. Specifically, the team was to define improved systems, based upon the best development practices, supported by an integrated corporate data base (New Management System or NMS) that would include operations, accounting, budgeting, procurement, personnel and property management.

During the period from June through October 1994, team members systematically reduced USAID programming to basic elements—participation, planning, achieving, monitoring and evaluating results—and created new, more effective processes, making sure they were internally consistent. They then diagrammed the processes to facilitate development of the computerized data base and operating system. The team established more than simply new processes and procedures. They defined a totally new Program Operations System that represents a radical departure from the way USAID has conducted its business over the last 25 years.

(1) Country Experimental Labs (CELs)

In October 1994, the Country Experimental Laboratories (CELs) program was established whereby "Learning Labs" were challenged to work out the kinks in the newly designed OPS before full implementation throughout the agency was to begin one year later. From the missions that volunteered to participate, 10 were selected to test the new system: the Dominican Republic, Guatemala, Jamaica, Madagascar, Mali, Bangladesh, Niger, the Philippines, Poland, and Senegal.

The old system required 27 months to go from an idea to initiating implementation. Under the reengineered system, implementation begins in less than 12 months.

The labs initiated reengineering with three types of start-up activities: retreats or workshops, training, and task forces. These served as catalysts in keeping both American "direct hire" staff members and the Foreign Service Nationals interested, informed, involved in and committed to reengineering. Each lab experimented with different aspects of the new system, but all were required to complete a customer service plan.

Five labs experimented with strategic objective planning, with a focus on how to involve customers and partners in this process. Three experimented with developing actual activities with customers and partners participating in order to further refine teamwork, participation, employee empowerment and accountability concepts. The remaining two labs targeted their experiments on programming and management processes and procedures, such as procurement, obligation mechanisms and human resources management. The CELs put life into the blueprint and proved dramatic results were achievable.

The new system, as demonstrated by the CELs, is less bureaucratic and more customer-focused. It reduces both the quantity of documentation required and the numerous levels of clearances through greater use of information technology and through restructuring the review and approval process. For example:

- *The old system included eight separate documents for project approval.* The reengineered system requires only four.
- *The old system required 27 months to go from an idea to initiating implementation.* Under the reengineered system, implementation begins in less than 12 months.
- *The old system took nine to 12 months for contracting.* The reengineered system makes it possible to reduce the time to two to five months for most contracts and grants.

- *The old system did not systematially involve customers and partners until the end of the process for determining what assistance was needed in developing countries.* The reengineered system begins and ends with customer and partner involvement.
- *The old system focused administrative oversight on spending funds.* The reengineered system ties this oversight to achieving results by budgeting and replenishing funds based on results achieved.

Among the valuable lessons learned are:

- Headquarters staff must participate with field staff as team members.
- Key stakeholders, such as U.S. Embassies and Congress, need to operate from the same management concepts.
- Staff training, especially team training, employee development and career enhancement are a must.
- High-level support is necessary.
- Throughout the process, decisions must be guided by shared vision and values.
- Reengineering is a continuous process that needs to be well-defined and well-paced according to the capacity of the operating unit to absorb the changes.
- Communication with staff about the progress of reengineering activities via newsletters, videos, and briefings increases understanding and sustains momentum.

Teamwork increases a feeling of ownership and empowerment among staff.

- A strong internal structure, a cohesive team and an environment that welcomes broad participation and change are prerequisites for developing an effective customer service plan and involving customers.
- Systems for receiving customer feedback need to be established.
- The new structure requires more flexible, less structured job descriptions.
- Teamwork increases a feeling of ownership and empowerment among staff.
- Increased delegation of authority reduces unnecessary layers of authority involved in decision making.
- Morale among staff, including Foreign Service Nationals, increases in direct relationship to the increase in delegations of authority and responsibility.
- Upgraded information systems greatly increase the ability to do more with less.

The OPS's final report, "Making a Difference for Development," was published in February 1995. This report, endorsed by agency senior management, was the basis for establishing three new Automated Directives System (ADS) teams. Between February and July, these teams (planning, achieving, and monitoring and evaluation) identified the relevant authorizing legislation and wrote the policies and essential procedures required to implement the newly defined USAID Program Operations System. The report also served as a basis for the design of a new automated Program Operations System, which forms a core part of the agency's New Management System.

On October 1, 1995, the new Operations System went into effect. In addition to the report "Making a Difference for Development," the new system was defined in three supporting directives (201 Planning, 202 Achieving and 203 Monitoring and Evaluation) that lay out the laws, policies and essential procedures that must be followed in carrying out USAID business. These documents are the foundation of a process that is revolutionizing the U.S. government's delivery of economic and humanitarian assistance to developing nations.

(2) The New Program Operations System: Characteristics

Key features of the new Program Operations System are:

- Management decisions are to be made within the framework of a strategic plan guided by policy set by the administrator and coordinated by the Bureau for Policy and Program Coordination. The strategic plan identifies the principal development objectives and expected results and how they can be achieved. Related processes — budgeting, procurement, implementation, accounting and monitoring — are geared to supporting the achievement of these objectives and results. Customers, stakeholders and both field and Washington USAID staffers are involved in the planning process from the beginning.
- An approved strategic plan is a management contract between an operating unit and Washington in which the operating unit makes a commitment to meet specified objectives and Washington commits itself to provide the necessary resources. Significant changes on either side will trigger a joint review.

- Budgeting and planning are performed within parameters decided upon in Washington and influenced by agencywide results, sustainable development performance, and political conditions in individual countries. Within the terms of management contracts, operating units have the authority to utilize funds in whatever mix is appropriate to achieve agreed-upon objectives.
- Implementation focuses on achievement of objectives. Strategic objective teams (composed of field and Washington staff, partners, and individuals from host countries who are important to achieving the objective) plan and implement the use of resources through results packages. Results packages bring together all the elements required to achieve a specified result within an established timeframe: people, funding, authorities and associated documentation.
- A comprehensive monitoring and evaluation structure supports more effective implementation, results-oriented budgeting, and the agency's ability to better understand its accomplishments and failures.

In sum, the new Program Operations System allows USAID staff, partners, customers and contractors to collaborate more easily and to work more productively to accomplish their common objective of sustainable economic development.

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B. Accounting: The AWACS Development Effort

One of our most ambitious efforts has been to replace 11 disparate financial management systems and applications with a single integrated worldwide financial and information management system. The primary objectives of the new system, AWACS (AID Worldwide Accounting Control System), are to:

- allow all financial transactions to be entered when and where they take place;
- reduce the creation and flow of paper; and,
- generate information that is both current and accurate.

AWACS has been linked to new USAID systems for budgeting, procurement and program operations, and will be linked in the future to new systems for human resources and property management as they are developed. This combination forms USAID's New Management System (NMS), which will be used worldwide.

What has been accomplished? USAID/Washington is using a baseline version of AWACS consisting of the general ledger, funds management, accounts payable, accounts receivable and loan servicing modules to process FY 1996 transactions. This allows USAID to track a dollar from its receipt via an appropriation through to its ultimate disbursement. All NMS components are linked together so that information entered into any of them will automatically be available to all the others. The NMS, including AWACS, is being implemented in USAID's 43 overseas missions with information transmitted electronically to the central database.

When completed, the system will seamlessly consolidate all financial data, facilitating more accurate and understandable financial reports. The net result will be better decision making, greater accountability, and measurable results.

The new system will allow USAID to utilize Treasury's Electronic Certification System worldwide. It will also include:

- a pipeline analysis tool that provides, in both graphical and spreadsheet formats, current information on all unliquidated obligations on an agencywide, geographical area, country or activity basis;
- an electronic bulletin board containing information on the status of any claim for payment submitted to USAID; and,
- an electronically searchable reference library of financial documents accessible to all.

Further additions will be made through periodic upgrades, including accrual calculations and reporting; foreign currency accounting; tracking of bilateral obligations at the sub-commitment and sub-obligation level; internal management reporting; automatic rout-

ing of information relating to incoming payment documents for the authorized approval process; and automatic issuance of notifications that a budget allowance has been established.

The steps in the AWACS system redesign effort were:

- Analyzing accounting and financial requirements and reviewing various General Accounting Office (GAO), General Services Administration (GSA), Joint Financial Management Improvement Program (JFMIP), Office of Management and Budget (OMB), Treasury Department and legislative mandates. Intensive discussions with financial and program personnel in the agency and in other federal organizations provided additional information.
- Developing a Letter of Interest to procure an off-the-shelf federal financial management software system from the GSA Multiple Award Schedule. After careful review of the single response, the team decided that the proposal could not meet USAID's accounting needs. With both GSA and OMB approval, USAID then launched an effort to design a new agencywide accounting system.
- Using information engineering and business process redesign tools to identify those processes no longer necessary and speed up the actual development process.
- Creating integrated teams of functional and technical experts who were able to complete usable segments of the new system quickly.
- Evaluating solutions for financial and information problems worked out by private firms for possible government applications.
- Creating a JFMIP system requirements checklist to assure all mandated objectives are met.
- Holding walk-through sessions to keep end-users regularly involved, with selected end-users performing functional testing.
- Selecting the most qualified personnel from several different firms and integrating them into a single project team.
- Establishing a project management plan to track each stage of the process and assure deadlines were met.

C. Procurement Reform and the Acquisition and Assistance System

For more than two years the federal government has been reinventing federal procurement. Federal procurement was not "user-friendly" and was over-regulated. The goal of procurement reform was to establish efficient and effective delivery systems to award and administer public resources responsibly, bringing about results that benefit people in the developing world.

The administrator set forth 18 target areas for reform of the procurement process in a memorandum to the agency's executive staff on January 6, 1994. In June 1995, the agency completed its Procurement Reform Report, which substantially changed the way we procure services and equipment.

Federal procurement was not "user-friendly" and was over-regulated.

One major effort was performance-based contracting. The agency's new approach dates from the administrator's agencywide notice of October 25, 1994, committing USAID to support a government-wide project sponsored by the Office of Management and Budget and the President's Management Council to implement performance-based contracting. In FY 1995, the results of this new policy began to become evident with the awarding of 78 performance-based procurement transactions totaling approximately $240 million. Agency procurement offices from Jordan to Uganda have demonstrated successes with this approach.

One major effort was performance-based contracting.

In order to bolster external customer service to the thousands of organizations seeking to do business with USAID, we posted 75 solicitation documents on the Internet. Solicitation documents from overseas as well as Washington contracting activities are now on the Internet, allowing organizations and individuals to access procurement policies and business opportunities

quickly from nearly anywhere in the world. The preponderance of traffic on the agency's Internet Web site has been on procurement-related topics.

A second major effort was the Acquisition and Assistance (A&A) Business Area Analysis report issued in May 1994. This BAA served as the basis for software development and implementation of a new A&A automated system. The A&A system, which complements the other core business systems making up USAID's integrated New Management System, serves to reduce redundancies, create consistency, increase accountability, encourage teamwork, and minimize adversarial roles between organizations.

D. Budget

During a five-month study, the Budget Business Area Analysis Team scrutinized the essential data and processes that support USAID's budget function. The Budget BAA Team brought together staff with a broad range of mission and Washington budget experience, and received guidance from a reference group of senior managers from all bureaus, as well as advice and feedback from an operational reference group with significant hands-on budget experience. The team interviewed numerous mission and Washington budget and project management staff, reviewed over 50 budget-related documents and examined over 60 existing budget "systems." Based on that study, the team recommended that the agency build a corporate automated budget system that would:

- support management decision making on resource allocation at all levels;
- streamline and control the distribution of funds to operating units; and,
- simplify and facilitate the preparation of budget presentations and external submissions to OMB and the Congress.

The Budget BAA Team laid out the blueprint for designing this system in its report of August 1994. Budget projections for all agency activities (dollar grant programs, operating expenses, food aid, credit programs, etc.) are entered into the system by the appropriate unit. The information is then available for review, analysis and aggregation in a variety of ways (e.g., objectives, benefiting country, responsible organization, funding source, and types of items to be purchased).

To achieve maximum benefit from the new budget system, it has been fully integrated with the other components of the agency's New Management System. The budget system is dependent on the new AWACS to supply financial information; on program operations to supply strategic objective and performance results information; on A&A for information on how we actually spend our money; and on human resources for staffing information.

When the new budget system is fully operational:

- Re-keying of budget and financial data will be eliminated and the need for reconciliation of conflicting "numbers" will be significantly reduced.
- Feedback to users will be instantaneous and reports will be produced faster and more accurately.
- Maintaining duplicative records will become unnecessary.
- Funds will be automatically linked to the various yearly budget accounts and will be distributed electronically.

Once the business area analysis was completed, the team began to design the automated business system. The budget and funds allocation process was divided into three components, the design of which is now complete:

- Core Budget and Funds Allocation;
- Management Reporting; and,
- Decision Support.

The budget system has been implemented in stages, since it incorporated information from other NMS applications (e.g., AWACS, Operations, Acquisition and Assistance, Human Resources and Property Management) as they come on line.

The Budget Team, working with personnel from the Office of Financial Management, regional and central bureaus and missions, designed the software necessary to manage Operating Year Budgets (OYBs) and fund allocations within USAID. The team developed the requirements and designed the software for:

- entering fund and fund account information into NMS;
- recording appropriations once enacted by Congress;
- preparing apportionment requests to OMB;
- recording apportionment amounts when received from OMB;
- handling transfers and allocations of funds into and out of USAID; and,

- creating allotments; establishing OYBs; and issuing budget allowances to agency operating units in Washington and in the field.

Future versions of the budget software will allow us to:

- define, allocate and track funds directed toward particular goals, objectives or activities, Congressional earmarks and directives, and keep track of activity and interest codes;
- create and analyze alternative budget scenarios, determine the total USAID funding that benefits a country – no matter the funding source within the agency – and analyze operating expense cost categories; and,
- generate additional information and reports to enable agency staff to effectively manage agency programs.

E. Human Resources

The goal of the Human Resources Business Area Analysis (HR/BAA) was to develop more efficient systems that improve human resources management in the agency and give better service to customers, management and employees. Issued in August 1995, the HR/BAA report contained more than 100 specific recommendations. Eighty percent pertained to changes in policy and procedures; the remaining 20 percent addressed information engineering.

In September 1995, a Human Resources Business System Design (HR/BSD) team was formed and assigned three concurrent tasks, based on the HR/BAA report recommendations:

- to design and build an automated human resources system;
- to support implementation of the non-information reengineering HR/BAA recommendations; and,
- to rewrite the nine handbooks pertaining to human resources for publication in the agency's new Automated Directives System (ADS).

The Business Design effort was divided into two focus areas: (1) the development of logical and systems specifications for the development of a new HR system and (2) researching commercial software that could meet some or all of the required demands.

Based on the findings in the HR/BAA report, three functional areas were defined for analysis by the Business Design Team:

- Employee Administration: The core of USAID's human resources operations, including processes that deal directly with individual employees: recruitment and hiring, assigning, promoting, evaluating, separating, and disciplining employees.
- Workforce Management: Processes that affect personnel agencywide: workforce planning, workforce development, position management, workforce diversity, and the development and promulgation of human resources policy.
- Compensation and Benefits: Human resources data that must be linked to the new payroll system in order to manage compensation and benefits (including pay increases, awards, allowances, health insurance, life insurance, retirement benefits, and workmen's compensation), as well as data for managing USAID processes supporting emergency visitation, medical or other evacuation.

The Business Design Team worked primarily through user workshops bringing together the core team members, subject matter experts representing both human resources managers and employees, the United States Information Agency (which had asked to join the effort), and supporting systems/automation contractors. They conducted numerous interviews to further explore every HR process, used techniques developed by both government agencies and commercial firms as benchmarks, and analyzed a mission's actual HR operations.

Once logical specifications for the system and the commercial software assessment are complete, either a commercial system will be chosen and acquired or work will begin in-house to develop and implement a new system.

Many of the recommendations for reform have already been fully implemented. Among the most important reforms has been the initiation of a new Employee Evaluation Program (EEP) instituted in 1996. Though the EEP is still being fine-tuned, it has already produced significant improvements. The EEP Appraisal Committees that have final say on each evaluation substantially increase management's role in the overall evaluation process and in the Foreign Service promotion process. When individual work objectives are designed to achieve agency objectives, employees at all levels are truly accountable for their part in reaching agency goals. Including other colleagues in

the evaluation process – known as "360 input" – makes the process fairer, more accurate and reliable. Collectively, these reforms are providing the evaluation process with an organizational perspective and efficacy it has never before enjoyed.

Many of the recommendations for reform have already been fully implemented.

After the first cycle of the new evaluation system, we are doing an intensive evaluation, and will modify the system to meet concerns and problems encountered during the first cycle.

USAID's Foreign Service assignments process has also been reformed. For years that process has been criticized as intractable, inequitable, inefficient, and lacking in regard for the needs of either employees or management. Today, USAID is making assignments almost twice as quickly as in the past. Mission management is more directly involved in assignment decisions than ever before, and employees can bid on a job with an accurate picture of what that job will actually entail. This is real progress for both employees and management.

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Today's Senior Management Group (SMG) assignment process is wide open. For the first time, SMG vacancies are announced publicly within USAID, and, also for the first time, any employee may be considered for these assignments through "self-nomination" and receive a fair review. USAID's new Workplace Diversity Plan, initiated in 1993, is producing concrete results. The plan promotes diversity at all levels, encouraging all individuals in the workforce, both Americans and foreign nationals, to develop their own knowledge and skills to their maximum potential and to participate to the fullest extent in every aspect of USAID management and operations. These reforms have fostered a surge in SMG diversity, which continues to add value for all employees.

Establishing a Labor/Management Partnership Council gives USAID an opportunity to overcome the distrust and discord that have stifled relations in the past at the agency. Today USAID representatives of labor and management have an agreement to talk to, rather than at, one another. Though the job of building a true partnership is far from done and the reduction-in-force makes it even more challenging, USAID has great hope that the council will help labor and management work together to achieve our mutual goals.

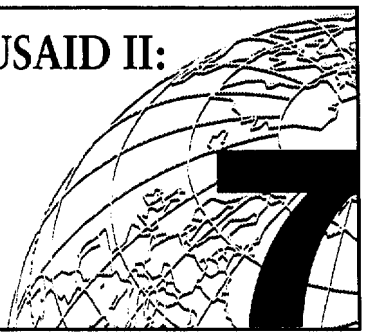
F. Property Management

The Property Management Business Area Analysis (PMBAA) will identify the comprehensive requirements and functional processes of personal and real property management activities in USAID, emphasizing customer focus, user input, and business impact through process improvement. This analysis will provide the information needed to develop a suite of business systems for property management.

The PMBAA was launched in May 1996. The project started with a policy review phase that will be completed in November 1996. This will be followed by a requirements definition phase that is planned to be under way until May 1997. Based on the planned acquisition of a commercial, off-the-shelf (COTS) package, the introduction of a new application for OE-funded nonexpendable property is planned for April 1998.

Toward the New USAID II:

Three Years of Reform Progress



Regulations Reduction and the Automated Directives System (ADS)

On September 11, 1993, President Clinton signed an executive order requiring all executive branch departments and agencies to reduce their internal management regulations by no less than 50 percent within three years. The objective was not only to reduce regulatory materials, but also to make what remained clearer and more focused. We first surveyed all operating units to determine what regulatory materials were most in need of revision. With these responses in hand, each bureau responsible for writing handbooks and other internal regulations was then asked to revise those materials to meet the goals of clarity, focus and a 50 percent reduction.

The objective was not only to reduce regulatory materials, but also to make what remained clearer and more focused.

The new Automated Directives System (ADS) replaced the previous handbook system. ADS is two-tiered, separating core policy from essential procedures and putting each in clear, concise statements in a form that can be readily accessed. The ADS on CD-ROM is a Windows-based program that is both portable and easy to use, replacing 33 large handbooks composed of 700 chapters, 12,000 pages of text and 2,000 forms and illustrations. The handbooks were cumbersome, and information was difficult to find and often ambiguous about what was mandatory and what was optional. The directives deal with all aspects of USAID Strategic Objectives — Planning, Achieving, and Monitoring and Evaluating Performance — and embody the agency core values.

USAID's status as a "Reinvention Lab" under the Vice President's National Performance Review provided an excellent opportunity to reengineer the dissemination of USAID policies and procedures. The development team reviewed and analyzed an array of contemporary systems before creating the USAID ADS using CD-ROM technology. After a successful pilot test, the new system went into effect agencywide on October 1, 1995, making it possible to disseminate new policy guidance quickly and uniformly, and including a streamlined electronic clearance process.

Many of these reductions were possible because of the agency's new program operations and management system, which was incorporated into the new ADS and its automated data system. Under the new standardized system, much of the guidance previously issued by individual bureaus is no longer needed. Most of the previous lengthy reports by missions (averaging 20 pages for small missions, 100 for full missions) have

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been eliminated, saving scarce time and resources. (This year there will be a one-time-only transition report not to exceed 12 pages.)

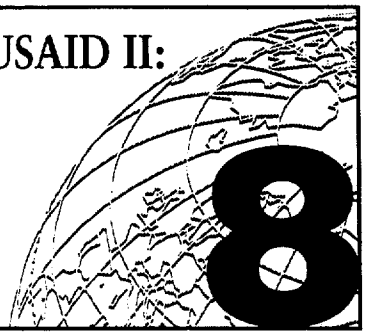
One of the most serious oversights in the old handbook system was the promulgation of procedures that were not clearly linked to specific policies. In the new two-tier system, policies are immediately followed by all related procedures. The essential rule is that while a policy can be delineated in the ADS without related procedures, procedures cannot exist without motivating policies. This simplification has eliminated one of the most confusing aspects of the handbooks.

The new ADS system is revolutionizing USAID's ability to collect, organize, access and report on policy-related information. A module called *Document Generator* can locate and gather information from the system and reorganize it into several document formats. This capability makes it possible to create accurate, timely reports and to improve communication with our partners and customers. *Hyperlink* – the ability to move from one document to another and back again – is already part of the ADS. The system will soon incorporate two other software modules: *Proximity Search* – searches a specified portion of text (sentence, paragraph, page) for terms in proximity to one another; and *Highlighted Search* – highlights the word or term being sought wherever it occurs in the specified text.

As of April 1, 1996, with the new system well on its way to completion, USAID had fulfilled the executive mandate to reduce the agency's internal directives and regulations by at least 50 percent.

Toward the New USAID II:

Three Years of Reform Progress



Customer Service Planning: Improving Service Delivery and Obtaining Better Feedback

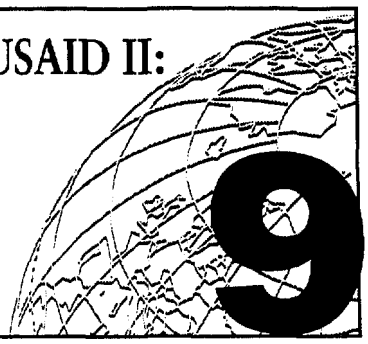
The president's Executive Order No. 12862 of September 1993 required that all federal agencies develop and implement customer service plans to measure customer satisfaction, improve program responsiveness and performance, and report results. Led by members of the reengineering task force, representatives of regional bureaus and Washington support offices developed operational definitions of USAID's overseas and domestic customers, partners, and stakeholders. Customer service officers were appointed to provide expert assistance to field missions and to Washington operating units. Working with the customer service advisory group, these officers developed policy guidelines, operations plans, and a wide array of supporting materials to assist agency units in developing customer service plans and surveys. These initial efforts were followed by on-the-ground support to the agency's Country Experimental Laboratory missions (CELs), where initial plans were tested, modified, and then shared widely throughout the agency. Customer service planning was incorporated as an integral element in every operating unit's strategic planning as part of the Automated Directives System.

USAID's Customer Service Plan received praise from the National Performance Review and the Administration.

Customer service plans have been prepared by field missions and other operating units, identifying and segmenting intermediate and ultimate customers for USAID programs; indicating how the agency obtains customer input and feedback; setting forth customer service delivery principles and measurable standards for quality, timeliness, and transparency; and stating specific contact points for customer inquiries. USAID has published and disseminated its Agency Customer Service Plan, which received praise from the National Performance Review and the Administration. The team prepared training modules on delivery of customer service, and staff training began in the summer of 1996. Support for operating units in the development and improvement of customer service planning and customer feedback needs to be institutionalized and expanded as a permanent part of USAID's new way of doing business, and lessons learned about customer service need to be collected and shared systematically.

Toward the New USAID II:

Three Years of Reform Progress



9 Lessons Without Borders

Two years ago in Baltimore, USAID launched a national initiative to share practical techniques learned in 30 years of development work abroad to help solve similar problems at home. *Lessons Without Borders* serves as a catalyst for helping Americans find solutions to some of our cities' social and economic problems.

To date, USAID has introduced Lessons Without Borders in four U.S. cities — Baltimore, Boston, Seattle and Washington, D.C. The exchanges in Baltimore and Boston dealt with a variety of issues including health care, family planning, microenterprises, education and housing. The program in Seattle focused on the environment, and in Washington, D.C., on health care. Nearly 1,000 people from business, local government and community-based organizations have learned tested methods that might be adapted to improve the ways they provide services in their own communities.

Some of the results of the conferences in Baltimore and Boston include technical workshops on family planning, immunization and economic growth; a factfinding tour to Kenya and Jamaica where nine Baltimore health care and economic development professionals observed how USAID programs operate; and a grant from the Cabot Corporation to train women in low-income communities in Boston to serve as community health volunteers. The Kenya trip prompted Baltimore to launch a massive immunization campaign using some of the social marketing techniques seen in Kenya. By the end of 1995, the immunization rate of school-age children in Baltimore had increased from 62 percent to 96 percent.

The *Lessons Without Borders* kick-off in the District of Columbia took place on January 24, 1996. This partnership between USAID and the D.C. Housing Authority concentrates on the efforts of residents of the Arthur Capper Housing Development, located in Southeast Washington, to bring health care services into their community.

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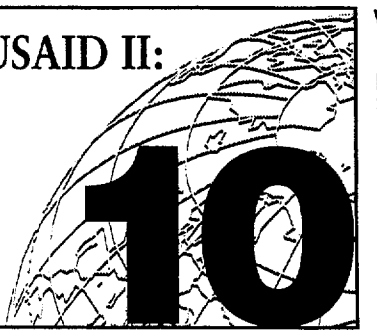
Toward the New USAID II: *Three Years of Reform Progress*



What's Next?

A. Institutionalizing Change

USAID is now completing one of the most sweeping management improvement initiatives in the federal government, involving dramatic changes in program and management operations. It is now a revitalized organization that aspires to be one of the best managed and most efficient agencies in the federal government. It now must capitalize on its initial gains and move aggressively to make these changes a permanent feature, institutionalizing the procedures and the culture changes that have made the agency more efficient, more responsive and less costly. Much has already been accomplished in this regard: the new Automated Directives System, our new Employee Evaluation Program, and the New Management System.

In addition, extensive training has been under way to reorient the basic culture of USAID to stress customer service, teamwork, performance results, employee empowerment and workforce diversity. This training is being carried out at all levels but perhaps is most important at the senior management levels to ensure that managers are firmly committed to replacing traditional hierarchical relationships with more facilitative and coaching approaches.

Recognizing that institutionalizing change would be a critical part of the reform process, agency leadership established a new Office of Management Planning and Innovation to ensure that reforms are institutionalized in a systematic way. This office serves as a catalyst for institutional adjustments. For example, a temporary Results Oriented Reengineering (ROR) team was established to provide necessary assistance to adapt and to translate the new directives and reengineering principles to specific situations at headquarters and in missions overseas. ROR is participating in the development of strategic objectives, management contracts, and customer service plans. The ROR staff also participates in the Results Review and Resource Request (R4) submissions and in other key activities to help agency employees structure their work in a manner that conforms with the new way of doing business. As the Bureau for Policy and Program Coordination and the other bureaus—both central and regional—become increasingly knowledgeable and comfortable with reengineered operating principles, the need for a separate entity within the Management Bureau (i.e., ROR Team) to monitor and to foster this progress will diminish. In fact, the conditions that will allow ROR to be abolished will be a measure of USAID's ultimate success in adopting and institutionalizing change.

Much more needs to be done to ensure that the new business approaches are fully adopted by the agency. The administrator and leadership of the agency are committed to the "continuous change" process, which is the heart of a "learning organization." Thus, USAID will continue to refine and streamline its operations, structure and systems to achieve the goal of being an agency that "works better and costs less."

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B. Learning: The Final Link

Employees had only months, not years, to learn to use the new systems, and to incorporate the core values into all their attitudes and work. Making the task even more difficult, the systems and training had to be designed simultaneously. The traditional USAID training methodology, relying heavily on the classroom, would have been too expensive and too slow. USAID has had to become a "learning organization"—an agency that is continually learning in order to transform and improve itself. Such learning occurs continuously on the job—at the desk and in the office, not just in classrooms or training sessions. Employees learn the most from each other. Individuals must take responsibility for their own learning, as well as realize that team learning is essential to team success.

Two large reengineering training task forces, with support from the Training Division and drawing on reengineering experts from throughout the agency and outside, then set out to teach 8,500 employees worldwide to understand and use the reengineering theory and practices, the new Program Operations System, and the New Management System within one year by:

- Providing over 200 USAID staffers with the knowledge and skills to teach mission, regional, and headquarters employees the operations system and then coach them to success.
- Training an additional 200 USAID staffers to teach the New Management System to all employees and serve as in-house resources for assistance.
- Setting up two learning E-mail networks for the operations system and management system trainers to get immediate answers and advice on technical and training questions.
- Teaching employees WordPerfect for Windows, essential for the new software systems, through self-study tutorials, manuals and classroom training.
- Opening a self-directed learning laboratory.
- Piloting a video workshop on key team coaching skills.
- Teaching employees how to create and use learning networks—electronic and personal—to do virtual teaming with experts and resources throughout the world.

The Training Division was renamed the Learning Support Center, and its staff trained to use new technology and alternative learning methods. The center will be greatly expanded in the future to meet the demand for self-study. Other plans for the future include:

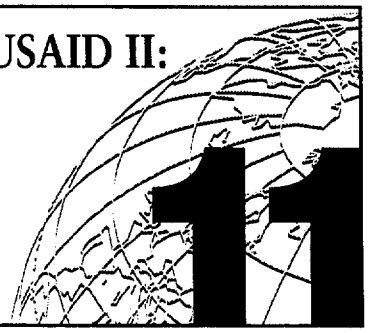
- Preparing self-study CD-ROM tutorials for the new systems.
- Setting up mini-learning resources centers in all missions and major offices.
- Continuing to support the reengineering trainers and help them go beyond that role to become agency change agents.

These changes involve continuing challenges, the greatest of which will be:

- Convincing managers that learning at the desk or learning in teams is productive work time.
- Finding ways to reduce the flow of unnecessary information so that the information that reaches individuals is kept at a learnable level, while making sure people get the information they need when they need it.
- Teaching USAID staff to use the full potential of technology, including Internet and group software.
- Keeping agency trainers/change agents motivated and freeing their time to do the work.
- Conducting well-run video workshops worldwide and eventually getting video and sound capability to all desks.

The learning organization approach — which has been adopted by most major private sector companies to accommodate today's rapid change — is essential if USAID is to build steadily on its successes.

Toward the New USAID II: *Three Years of Reform Progress*



Conclusion

A presidential commission — the Ferris Commission — reported in 1992 that USAID was "hamstrung by waste, poor communication and just plain mismanagement."

The chairman of that commission, George Ferris, came back last year to see what had been done and declared, "This is the most remarkable transformation of a government agency I have ever seen."

That dramatic transformation has continued. Three years into the reinvention of USAID, we have completed most of the structural and organizational changes. We have cut unnecessary layers of management, pared missions so we can focus limited funds where we can make the most difference, and refocused on today's challenges and opportunities.

"This is the most remarkable transformation of a government agency I have ever seen."

The examination and evaluation of virtually every aspect of the agency and its mission were conducted by teams of USAID employees — the people who understand it best — incorporating into the process of reorganization, restructuring and renewal the core values established as part of the reinvention goals. Everyone in the agency has been involved in some way in this effort, and the ideas, hard work and comments of both field office and Washington staff have not only made the process possible, but made it profitable for all concerned. USAID has successfully mounted one of the most sweeping management improvement initiatives in the federal government. As the remaining systems are phased in and the newly configured agency takes final shape, the full benefits of this effort will be even more evident.

These new policies, systems, and processes are already allowing USAID to make better use of the broad range of talents, knowledge and skills of our dedicated staff. These reforms give them the authority, flexibility and technological tools to do their jobs and to be more innovative and effective in meeting the needs of our customers around the world.

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Our original goal was to revitalize the agency so that it would work better and cost less. We have done both. Severe budget cuts have forced us to do less than we had planned in some places and some situations. The RIF brought on by these cuts caused us to lose some valuable people and to divert others temporarily from our primary goals in order to plan and carry out the RIF process. Now that the interruptions caused by the RIF are past, we are completing the planned changes with renewed vigor. Despite these setbacks, USAID has already emerged as a smaller, more flexible, more responsive and more efficient organization, with greater participation of stakeholders and customers at every stage of our activities.

USAID has a proud history. We are a frontline agency, and the success of this reinvention effort ultimately will not be measured by reports or outside evaluations. It will be measured by the lives saved in disasters and the disasters we are able to prevent — the improved health of mothers and children — the new economic opportunity for the poor in crowded cities and rural villages — the epidemics and conflicts

and environmental damage that are prevented from reaching our own shores. The success of this reinvention will be judged by the strength of institutions we help to build in nations making the transition to democracy and free enterprise, and by the sustainable development that not only brings greater prosperity to the poor in developing nations, but provides new markets and investment opportunities that keep the American economy strong and growing. Ultimately, our success will be measured by whether our work contributes to building a more peaceful world, where the rights of all people are respected and protected, and individuals have the opportunity to make better lives for themselves and their children. This is the real goal our reinvention is designed to achieve.

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Chronolgy of Events - USAID Reforms

Administrator announced USAID reorganization plan	10/93
Administrator announced closing of 21 USAID field missions	11/93
Announced 20% reduction in personal services contractors	2/94
Issued Agency Strategies for Sustainable Development	3/94
Completed "rightsizing" of USAID organizational units	3/94
Completed acquisitions and assistance business area analysis	5/94
Completed budget business area analysis	8/94
Completed procurement reform	8/94
Initiated pilot project in performance planning and measurement under the GPRA	8/94
Issued Phase I of Agency Customer Service Plan	9/94
Established Country Experimental Lab program for reengineered program operations processes	10/94
Completed AWACS business area analysis	12/94
Closed five field missions	FY 94
Completed program operations business area analysis	2/95
Completed Overseas Reinvention Impact Review	3/95
Issued Agency Strategic Implementation Guidelines	3/95
Implemented new Personnel Performance Evaluation System	4/95
Completed human resources business area analysis	8/95
Completed one year experiment on reengineered program operations processes	9/95

Issued Agency Strategic Framework and Indicators for FY 95/96	9/95
Issued Phase II of USAID Customer Service Plan	9/95
Issued series of brochures on Changing Roles in the Reinvented USAID	9/95
Implemented new program operations procedures	10/95
Issued final Procurement Reform Report	10/95
Implemented Agency Automated Directives System	10/95
Began testing and training on new management system	10/95
Began implementation of components of new management system	10/95
Closed 10 field missions	FY 95
Initiated property management business area analysis	1/96
Issued Agency Performance Report for 1995	2/96
Administrator sent memorandum to Secretary of State on reduction and downsizing of field missions	3/96
Issued Reengineering Best Practices Report (based on CELs)	3/96
Completed Overseas Workforce Restructuring Analysis	5/96
Began limited implementation of new management system worldwide	7/96
Implemented new management system worldwide	10/96
Closed six additional field missions	FY 96