

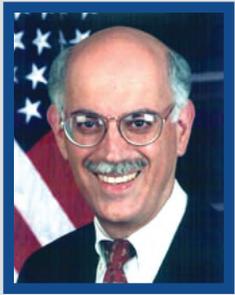


USAID
FROM THE AMERICAN PEOPLE

**MANAGEMENT
IMPROVEMENT**

Results

2005



It is my pleasure to present USAID's 2005 management results report to our employees and the American taxpayer. As the world's premier foreign assistance organization, USAID is asked to do more than ever before to meet the challenges of our era. We need management practices of the highest caliber to guide the good work of our staffers, to ensure citizens' dollars are spent wisely, and to deliver aid when and where it's needed.

Our nation's commitment to international development effort has risen to a level not seen in many years. The management achievements highlighted here will make USAID a more effective steward of the resources entrusted to us as we bring help and hope to millions in the developing world.

Andrew S. Natsios

Andrew S. Natsios
Administrator, USAID



The President cites defense, diplomacy, *and* development as the three pillars of U.S. foreign policy. To further that policy, we are realigning USAID's strategic frameworks and reshaping our working procedures and business model following the criteria of the President's Management Agenda, with a focus on

- modernizing our business systems
- developing nontraditional public-private partnerships under the Global Development Assistance initiative
- clarifying our message and underscoring our global impacts through new communications strategies and a strong new visual identity

Our recent White Paper (2004) and *Principles for Development and Reconstruction Assistance* (2005) now guide USAID's work worldwide. We are aggressively pursuing management reform through a number of initiatives overseen by the Business Transformation Executive Committee, a group of USAID's career senior executives. Surveys show that our employees' satisfaction with management services has jumped 30 percent since 2001 due to such improvements.

Most important, our progress is translating into measurable results as we pursue our long-term programs, help to implement the President's 19 foreign aid initiatives, and spearhead reconstruction in Iraq, Afghanistan, and Sudan. While we're proud of the management advances we have made, we are also committed to continuous improvement so that we can do much more—for our country and for the world.

Frederick W. Schieck

Frederick W. Schieck
Deputy Administrator, USAID



During the past year we've made excellent progress in managing our chief assets—people, money, and information. Our improvements have been guided by the President's Management Agenda, which targets five areas government-wide: budget/performance integration, human capital, e-government, competitive sourcing, and financial performance. Four years ago, USAID scored red (seriously flawed) in all five areas. As of September 2005, we're yellow (mixed results) for status in the first three, and green (successful) for progress in all areas.



This brochure summarizes our recent advances in these five categories and our work addressing the Presidential Faith-Based and Community Initiative, as well as our new outreach and branding initiative. It closes with snapshots of program results—good management shaping good work in the field.

CAPITALIZING ON OUR PEOPLE

Given USAID's layoffs a decade ago, tomorrow's retirement wave, and new and expanding programs, workforce issues are a high priority. In 2004 we completed USAID's *Human Capital Strategy* to guide us in adding staff, moving them to the right places, assessing their work, and training them to meet evolving needs. A complementary effort, our new Knowledge for Development (KfD) initiative, is helping employees network and codify their stores of knowledge via seminars, web-based toolkits, and specialized "communities of practice" that share ideas and problems.

We've continued to streamline Civil Service hiring: from close of announcement to job offer, it's now 36 days or less. Three new tools give our hiring more precision and flexibility:

- Our Workforce Planning Model helps us pinpoint and fill gaps in critical skills. We've already used it successfully to hire badly needed staff in two major USAID areas—public health and contracting.
- The Foreign Service Limited program for noncareer positions lets us harmonize employment practices worldwide.
- The Surge Roster, a databank of recent retirees and other experts, has filled over 30 temporary posts so far, most overseas.

Training upgrades are vital to our strategy. Last year, we



This group of professionals was welcomed into USAID last fall. The second year of our Development Readiness Initiative saw USAID's workforce expand by 100 new employees with the help of a faster, more targeted hiring process.

- created a leadership development program that's already reached over 900 employees
- trained dozens of staff members to do rapid "after-action reviews"—forums where an activity's participants can identify lessons learned
- boosted the number of foreign national employees studying English online to over 1,000, versus 150 in 2003

- nearly tripled use of intranet-based training, with over 1,800 employees accessing nearly 4,000 courses

Finally, we've drawn on our new diversity plan and Executive Diversity Council to carry out recommendations from our recent external evaluation. Our efforts include more outreach to attract diverse candidates for USAID jobs.

PUTTING COMPETITION TO WORK

Competitive sourcing (CS) involves setting up public-private bidding on “commercial” activities—the kind you look up in the Yellow Pages. It can reinforce USAID’s human capital work by helping us fill skill gaps, raise productivity, and lower costs. CS prompts a closer look at the way our work gets done—and may spark creative rethinking.

Moving forward on CS is a top priority for the Agency. To date, we have established a senior-level CS committee, developed and posted a CS strategy, and created a three-year plan to scrutinize our activities for CS potential; initial reviews are underway.

MANAGING OUR MONEY

Burgeoning responsibilities mean we must find ways to make our funds go further without overstressing our staff. We’re systematically working to detect and cut out inefficiencies that siphon resources from our mission.

For the second year in a row, we’ve received clean audit opinions on our yearly financial statement and have met our accelerated year-end financial reporting deadline, aided by on-time interim statements each quarter. More, as of March 2005 we had



USAID/Cairo is one of several missions that piloted the new Phoenix system. Deploying Phoenix has eliminated core accounting as a material weakness of our financial management system after 17 years.

- acted on 255 audit and 351 financial management recommendations, with planned savings of over \$8.7 million
- reduced late-payment penalties on invoices to \$3,045, down from \$158,000 in FY 2001—a 98 percent improvement

We’re moving ahead with new electronic systems that promise even more efficiencies:

- We've launched an electronic solution for reconciling, posting, and paying invoices, raising our vendor rebates from \$3,850 in FY 2002 to \$20,212 last year.
- We've successfully added eight overseas missions to the five already using Phoenix, our new core financial management system. Managers can now make better-informed financial decisions using Phoenix's real-time data.

To judge USAID's return on value for information technology projects, we use the earned value management (EVM) approach. EVM tracks the money spent on a project versus progress made, helping us detect and resolve any problems earlier and cheaper.

- For example, last year we used EVM to fine-tune the Phoenix system rollout, so that Phoenix arrived at its pilot sites—and got a web-based upgrade—on time and within budget.
- In spring 2005, EVM data guided a decision to revise the baseline performance measures for our new procurement system project.

BUILDING BUDGETS AROUND PERFORMANCE

USAID's strategic budgeting approach requires our budget process to take performance information and results into account. As part of this effort, last year we

- developed a strategic budgeting model to compare costs and results of strategic objectives (SOs) using headquarters' and field missions' annual report data

George Mason University's Mercatus Center gave USAID's FY 2004 *Performance and Accountability Report* its "most improved" rating. Our report ranked ninth in the government—up from twenty-first in FY 2003.

- created the first-ever USAID-State joint performance plan, setting out allocation needs and performance targets for both agencies
- changed the structure of our budget submission to integrate performance data

We've also begun systematically using OMB's Program Assessment Rating Tool to examine our programs in search of opportunities to raise effectiveness; over 80 percent have been assessed so far. All of the programs we've looked at have cost-efficiency measures in place, while 74 percent have defined, clear outcome goals to measure results. The evaluation process points the way to doing better, and USAID has been taking the steps needed to make it happen. In fact, two large regional programs assessed in 2002 were reassessed in 2004—and were found to have made dramatic improvements.

We're also making sure our program dollars are spent as intended. Where USAID's mission-related programs once reported on over 700 individual SOs, we've set up a strategic reporting system built around 40 standard components in 9 program areas. This streamlining has not only simplified tracking and analysis, it has also made our annual reports far more transparent and user-friendly.

ENHANCING SERVICES ELECTRONICALLY

With effective use of information technology (IT), we can realize major savings by working both within USAID and with other agencies to raise productivity, avoid duplication, and improve services. In recent years we've pursued these goals by participating in 9 of 25 "eGovernment" initiatives designed to streamline and standardize common administrative functions government-wide.

USAID received an A+ on the federal computer safety report card last year, recognizing that our IT systems are now 100 percent secure (vs. less than 50 percent just three years ago). We were the only federal agency to get the highest mark—in fact, the government-wide grade was D+.

FY 2004 marked our fifth year participating in ePayroll via the National Finance Center, for estimated yearly savings of \$300,000. It was also our third year using eRecruitment, a web tool that lets us advertise jobs—and lets candidates apply for them—online.

We've also piloted

- eClearance, which places the security clearance process on the web (full deployment expected next year)

- eTravel, which shrinks administrative costs by letting staff make travel reservations online (full deployment expected 2007)
- eGrants, used to search and apply for federal grants online; it permits remote administration of grants for enormous savings (full deployment expected 2007)
- eAuthentication, offering worldwide paperless support for the clearance process (full deployment expected 2007)

We've also completed a migration plan for the eArchives initiative, which will allow us to archive documents paperlessly through the web (full deployment expected 2009).

IMPROVING ACCESS TO GRANTS FOR FBCOs



This tsunami cleanup effort in Sri Lanka was organized by a faith-based group with funding from USAID.

The PMA's Faith-Based and Community Initiative aims to make sure faith-based and community organizations (FBCOs) have the same access to federal grants as other groups. Eliminating obstacles and increasing outreach are both important to this effort.

USAID currently has a yellow status score and green progress score for the initiative. Recent achievements include

- publishing a regulation to allow faith-based organizations to compete on an equal footing with other groups for USAID funding
- developing an email list that sends news of funding opportunities, upcoming conferences, and related topics to over 1,300 FBCO subscribers

FBCOs have successfully competed for over \$500 million in USAID funding since the beginning of FY 2005.

TELLING THE WORLD OUR STORY



New labels identify the American people as the source of these tsunami relief supplies in Indonesia.

Last year we launched a program to help USAID staff improve outreach and spotlight U.S.-provided aid, especially locally; it's trained over 80 officers so far. At the same time, we began a new branding campaign to clearly convey that our assistance and our messages come "from the American people." A new identity, including a new USAID logo, is now being applied to everything from websites to food sacks, for an attractive, easily recognizable look.

These initiatives have already shown positive results. In Indonesia, for example, public approval of the United States rose sharply after we integrated communications and branding into our tsunami response.

ENSURING THAT PROGRAMS ACHIEVE RESULTS

While our Agency-wide improvements are indispensable, better management must reach the program level as well. Here's a sample of program-specific achievements:

- We've improved contingency planning for food aid emergencies that strike late in a fiscal year so we can apply funds when and where they'll do the most good, regardless of the budget cycle.
- We've integrated our HIV/AIDS programs with those of other federal agencies for better collaboration and more consistent budgeting and execution.
- In recent years, in responding to disaster declarations our International Disaster and Famine Assistance program has attained a 100 percent efficiency level (i.e., has responded within 72 hours).

We've also broken new ground with two public-private partnership mechanisms:

- Since FY 2003, the Development Credit Authority (DCA) portfolio has expanded from \$581 million to \$993 million. DCA provides partial guarantees for private-capital loans to small and medium businesses, farmers, and municipalities without access to financing.



A child enjoys a drink of safe water. The program supplying the purification technology was funded under a GDA alliance.

- The Global Development Alliance (GDA) has fostered 286 public-private partnerships in 65 developing countries since its founding in 2001; \$1.1 billion in USAID funds has triggered over \$3.7 billion from partners. This year GDA is pioneering a new funding tool—the collaborative agreement, a flexible, streamlined alternative to traditional contracts and grants.

LOOKING AHEAD . . .

2006 We will continue to modernize our business structures and to partner with State

2007 Department on joint management and IT systems. We'll particularly focus on upgrading our

2008 aid delivery systems, business model, and information management, including how we gather and learn from

2009 our program data. These management improvements will enable us to change more lives, and do it better

2010 —year after year.

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