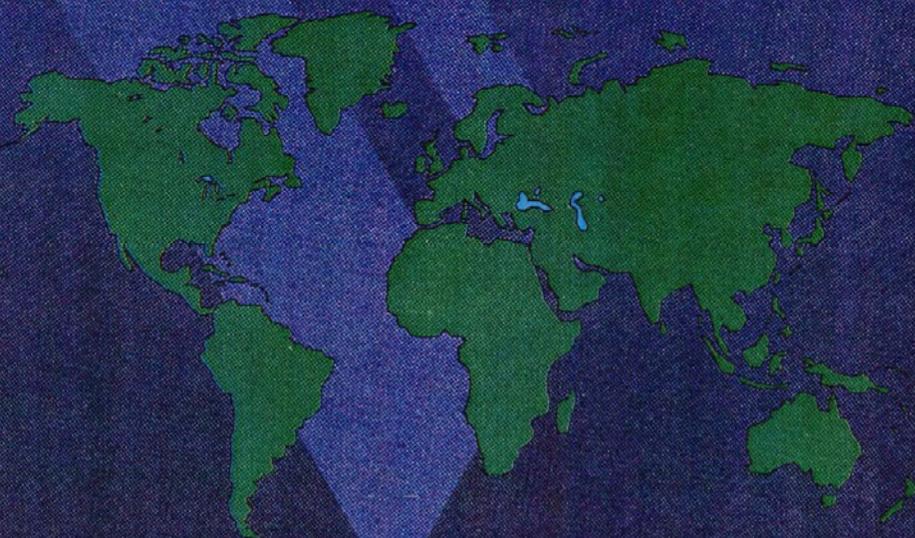


# Making a Difference for Development

Reengineering the  
U.S. Agency for International Development's  
Program Operations

- Customer Focus
- Teamwork
- Results
- Empowerment



Prepared by USAID  
Business Area Analysis Team  
for Operations

i

**TABLE OF CONTENTS**

<b>EXECUTIVE SUMMARY</b> .....	v
<b>CHAPTER 1: OPERATIONS BUSINESS AREA ANALYSIS, AN OVERVIEW</b>	
1. FOREWORD .....	1
2. INTRODUCTION .....	2
3. WHY REENGINEER? .....	3
4. AGENCY CORE VALUES .....	4
a. Customer Focus .....	4
b. Results Orientation .....	6
c. Empowerment and Accountability .....	7
d. Teamwork .....	8
5. HOW THE NEW SYSTEM IS DIFFERENT .....	9
6. THE OPERATIONS SYSTEM .....	11
a. What it Achieves .....	11
b. Key Functions of the System .....	12
c. Descriptions of the Processes .....	13
7. TRANSITION TO THE NEW SYSTEM .....	29
a. Overview .....	29
b. Summary of Transition Actions .....	30
8. DESCRIPTION OF THE BAA PROCESS .....	31
<b>CHAPTER 2: STRATEGIC PLANNING</b>	
1. INTRODUCTION .....	33
2. STRATEGIC PLANNING/STRATEGIC MANAGEMENT .....	33
3. STRATEGIC PLANNING AND TEAMS .....	34
4. THE NEW STRATEGIC PLANNING PROCESS .....	34
a. Agency Strategic Planning .....	34
b. Operating Unit Planning .....	35
c. Preparing Operating Unit Strategic Plans .....	37
d. Strategic Plan Content .....	38
e. Strategic Plan Approval .....	40
5. SPECIAL CASES .....	41
6. STRATEGIC PLAN AMENDMENT .....	42
7. IMPLEMENTING STRATEGIC OBJECTIVES .....	43
8. CHALLENGES TO ACHIEVING SUCCESS .....	43
<b>CHAPTER 3: ACHIEVING RESULTS</b>	
1. INTRODUCTION .....	45
2. PUTTING THE RESULTS FRAMEWORK INTO ACTION .....	45
3. TEAMS .....	46
a. Composition .....	46
b. Accountability/Authority .....	46
c. Incentive Issues .....	47

4. FUNCTIONS OF THE STRATEGIC OBJECTIVE TEAM .....	47
5. RESULTS PACKAGES .....	48
a. Organizing Work to Achieve Results .....	48
b. Information System .....	48
c. Flexible Management Tool .....	49
d. Key Features .....	49
6. APPROACH (Purpose, Tactics and Tools) .....	51
7. BENEFITS OF RESULTS FOCUS .....	52
a. Increased Quality .....	52
b. Greater Emphasis on Core Values .....	53
8. IMPLICATIONS FOR MANAGEMENT AND OTHER BAAS .....	55

#### **CHAPTER 4: JUDGING RESULTS**

1. INTRODUCTION .....	63
2. DESCRIPTION OF THE PROCESS .....	63
a. Methods of Measuring and Analyzing Results .....	63
b. Reviewing and Reporting Results .....	66
c. Choosing Results, Indicators, and Targets .....	67
d. Roles and Responsibilities in Analyzing and Using Performance Information .....	71
e. Planning, Funding and Staffing Monitoring and Evaluation Activities .....	74
f. Ensuring Accountability for Results .....	74
3. IMPLICATIONS FOR MANAGEMENT AND FOR OTHER BAA'S .....	77
4. OTHER CHALLENGES TO ACHIEVING SUCCESS .....	78

#### **CHAPTER 5: BUDGETING, ALLOCATION, OBLIGATION AND AUTHORIZATION**

1. INTRODUCTION .....	79
2. BUDGETING OF FINANCIAL RESOURCES .....	80
a. Parameters .....	80
b. Strategic Plan Budgets .....	82
c. Annual Budgets .....	82
3. ALLOCATION OF FUNDS AND AUTHORIZATION .....	86
4. OBLIGATION .....	87
5. IMPLICATIONS FOR MANAGEMENT AND OTHER BAAs .....	89
6. CHALLENGES TO IMPLEMENTATION .....	90

#### **CHAPTER 6: PARTICIPATION: CUSTOMER FOCUS AND PARTNERSHIP**

1. INTRODUCTION .....	91
2. CUSTOMER FOCUS .....	92
a. Focus .....	92
b. Identification .....	92
c. Communication and Feedback .....	93
3. PARTNERSHIP .....	93
a. Benefits of Partnership .....	93
b. Expanding Partnership Roles .....	94
c. Types of Partnerships .....	95
4. IMPLICATIONS FOR MANAGEMENT AND OTHER BAA'S .....	98
5. CHALLENGES TO ACHIEVING SUCCESS .....	99

**CHAPTER 7: PROCUREMENT**

1. INTRODUCTION .....	101
2. PROCUREMENT IMPROVEMENT .....	102
a. Performance Focus in Procurement .....	102
b. Streamlined Procurement Methods .....	105
c. Improved Working Relationships .....	111
3. IMPLICATIONS FOR MANAGEMENT AND OTHER BAAs .....	112
4. CHALLENGES TO SUCCESS .....	113

**CHAPTER 8: THE TRANSITION TO A NEW OPERATIONS SYSTEM**

1. INTRODUCTION .....	115
2. TRANSITION ACTIONS .....	116
a. Prepare New Policies and Procedures .....	116
b. Communicate with Internal Customers .....	117
c. Design, Build and Test Operations Information Systems .....	118
d. Communicate with External Customers and Stakeholders .....	118
e. Coordinate with Developers of Other Information Systems .....	118
f. Develop Training for the New Operating System .....	118
g. Convert from the Old to the New System .....	118
h. Conduct Mission Reinvention Impact Review .....	119
i. Assess the Impact of and Readiness for Change .....	119
j. Implement a Management System for Continuous Improvement .....	119
k. Provide Input to Efforts to Reform Agency Training Program .....	120
l. Assist Partners in Strengthening Their Ability to Manage for Results .....	120
m. Conduct Experimental Labs .....	120
n. Coordinate with the Human Resources BAA .....	121
o. Develop Mission-Specific Uses of Information Systems for Operations .....	122

**CHAPTER 9: THE OPERATIONS MODEL**

1. INTRODUCTION .....	123
2. BAA OBJECTIVES AND SCOPE .....	123
a. Objectives of the BAA .....	123
b. Scope of the BAA .....	124
3. PRODUCING THE OPERATIONS MODEL .....	124
a. Activity Analysis .....	125
b. Entity Analysis .....	127
c. Interaction Analysis .....	127
d. RAEW Analysis .....	130
e. Work flow Analysis .....	130
f. Distribution Analysis .....	134
4. AUTOMATED SUPPORT DESIGN AREAS .....	134
5. SEQUENCING OF DESIGN AREAS, DEVELOPMENT PATHS, DEVELOPMENT SCHEDULE, AND TRANSITION .....	138
a. Sequencing of Design Areas .....	138
b. Development Schedule .....	139
c. Critical Success Factors for Development .....	143

**APPENDICES:**

APPENDIX A: Project schedule

APPENDIX B: Activity Decomposition Diagram

APPENDIX C: Reference Group and BAA Team

APPENDIX D: Glossary

APPENDIX E: List of Acronyms

**MAKING A DIFFERENCE FOR DEVELOPMENT**

**OPERATIONS BUSINESS AREA ANALYSIS (BAA)**

**EXECUTIVE SUMMARY**

**THE APPROACH**

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

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

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

Four core values guided the work of the team:

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

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

From a development assistance perspective, USAID's ultimate customer is the end user or beneficiary of our assistance. Under the new operations system, we will involve more consistently and systematically these customers in the design, implementation and evaluation of our assistance. The Agency also will better recognize the needs and requirements of its stakeholders: those who have some authority over our resource flows and their direction (e.g., Congress, OMB, State); those who influence the political process (e.g., interest groups and taxpayers); and those who use our resources in a collaborative

fashion to help achieve results (e.g., U.S. private voluntary organizations (PVOs), universities, indigenous nongovernmental organizations (NGOs), host country governments). Some of these will be the Agency's partners in development, and our business processes must reflect the attributes of partnerships which strengthen the capability to achieve common objectives.

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

## **THE SYSTEM**

Key features of the new operations system follow:

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

- A comprehensive monitoring and evaluation structure will support more effective implementation, results-oriented budgeting, and the Agency's ability to better understand its accomplishments and failures.

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

**CHAPTER 1**  
**OPERATIONS BUSINESS AREA ANALYSIS**  
**AN OVERVIEW**

**1. FOREWORD**

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

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

This report describes a reengineered operations system which represents such a new way of doing business. One in which:

- each manager and work team is concerned with and has access to all the information they need for planning, judging, and achieving results; understands what this means; and has the authority, expertise, and tools to do it;
- partnerships and teams are respected and work together as an organization to achieve common goals for our customers;
- every operating unit delineates ambitious, but achievable objectives and fully empowers work teams to manage activities and allocate resources to achieve results;
- there are clear, consistent, and simple procedures for approving strategies, allocating resources, delivering goods and services, assessing performance, stewarding funds, and working with partners to achieve results; and

- most importantly, the needs of its customers are met effectively, facilitating sustainable development throughout the world, in a way in which all Americans can be proud.

## **2. INTRODUCTION**

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

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

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

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

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

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

### **3. WHY REENGINEER?**

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

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

One major negative consequence has been that an inordinate amount of USAID staff, contractor and partner time is spent on establishing paper trails and on satisfying, manipulating and outsmarting the rules and regulations at the expense of working more productively to improve the quality and effectiveness of our development assistance. A second is that while we have introduced some new management techniques, e.g.,

strategic planning, we have not fully integrated them into our overall operations system and thus have taken only partial advantage of the potential benefits those new techniques offer. Finally, while we assert that our projects and programs are achieving significant results, we frequently cannot provide the evidence to support our assertions, and thus are in a weak position to demonstrate our value-added as an organization in the public realm.

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

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

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

#### **4. AGENCY CORE VALUES**

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

##### **a. Customer Focus**

In both the private and public sector, the importance of aligning business processes with customer need has gained recognition as an approach which leads to greater efficiency and effectiveness. Within reengineering methodology, the identification of the various business

"process customers" of an organization is important to analyzing how those processes should function to best meet customer need. In the work of the Operations BAA, it is recognized that USAID must consider the needs of a variety of customers from a process perspective, but from a development assistance perspective USAID's ultimate customer is the end user or beneficiary of our assistance. To avoid confusion in terms, "process customers" here are defined as stakeholders, and "customer" is reserved as a reference to the end user.

A focus on customers is not new to USAID. We have utilized a variety of approaches to secure their participation in planning and implementing our development assistance activities. We now have a strengthened focus on customers to establish them in a more active role to ensure that we are making greater progress in delivering measurable and sustainable development results. This focus also is in keeping with an Executive Order issued by President Clinton in 1993 calling on each federal agency to set customer standards, and with the National Performance Review that calls for a government that "puts customers first."

Under the new operations system USAID more consistently and systematically will involve both partners and customers in the design, implementation and evaluation of our assistance. Participatory planning techniques will be used to learn directly from customers, as well as indirectly from stakeholders, what customer needs and priorities are, and this information will be used to frame strategic objectives and to design specific interventions.

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

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

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

#### **b. Results Orientation**

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

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

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

### **c. Empowerment and Accountability**

To empower is to invest with authority to make and implement decisions. An organization that involves customers more, and that focuses on the results of its services to customers, has to place the authority for decisions as close as possible to where the impact is achieved. Furthermore, to promote greater participation, people must be able to use their own initiative, must be able to take considered risks, and must be able to respond to opportunities.

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

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

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

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

The extent of delegation may be influenced both by programmatic concerns (e.g., the nature of expected activities, complexity of the results framework, or political sensitivity of the program) and by an individual's expertise and experience. Specific delegations will be recorded in a computer-based filing system which can confirm electronic signatures and which can be updated and amended on short notice. In order to promote and support greater delegation, an information system will be developed to include current policies and recommended and/or required procedures, with the thought that delegation is more feasible with greater clarity of the rules and of policy guidance, and better understanding of where judgement or obedience is the better approach. If additional authorities in, for example, procurement and financial management are allowed, teams should be able to be more responsive, flexible and innovative in providing assistance and achieving results.

#### **d. Teamwork**

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

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

The success of the new operations system will depend to a large degree on the inculcation of the value of teamwork among all USAID staff. Much of the work of planning, implementing and monitoring will be performed by teams. Personnel assignments, promotions, and rewards will be explicitly linked to the achievement of results by teams. While teams have been organized to perform work in the Agency in the past, the new reengineered system involves a substantial increase in the degree of responsibility, authority, autonomy and accountability that they hold.

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

## 5. HOW THE NEW SYSTEM IS DIFFERENT

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

- *It focuses on the achievement of results, and insures that all involved, from Congress to customers, agree and focus on achieving objectives.*

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

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

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

- *Strategic planning becomes a dynamic process and management tool.*

Over the past few years, parts of the Agency have significantly strengthened their operations through increased use of strategic planning, and in these instances this often has resulted in a more focused and effective provision of development assistance. Agency-wide, however, progress has been uneven: There is not yet complete understanding of the benefits of and procedures for strategic planning, nor of its nature as a dynamic rather than static process. There also has been uneven recognition and

understanding within the Agency of how strategic planning influences the relationship between USAID/W and individual operating units. Finally, while this planning process has been increasingly used in the field, it is rarely used by operating units in USAID/W who have programmatic responsibilities.

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

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

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

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

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

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

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

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

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

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

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

## **6. THE OPERATIONS SYSTEM**

### **a. What it Achieves**

The operations system described below, and in more detail in the accompanying chapters, will permit the agency to identify, define and execute strategies for the achievement of results with a range of development partners and customers, using reengineered processes and modern management techniques and technology. It is primarily country-based while at the same time focuses on achieving development results in the Agency's five priority areas fundamental to sustainable development (population and health, broad-based economic

growth, environment, democracy, and humanitarian response). It organizes work around intended results and through teams with specific authorities and responsibilities, and highlights the causal relationships among results for the achievement of objectives.

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

#### **b. Key Functions of the System**

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

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

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

objective teams and operating unit management structures also will have specific responsibilities for achievement of results.

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

### **c. Descriptions of the Processes**

To explain the operations system, some functions are best separated into individual processes. The following processes are described in some detail below, and in greater detail in separate chapters.

#### **(1) Strategic Planning**

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

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

#### **(a) Agency Strategic Plan**

The Government Performance and Results Act of 1993 requires that every federal agency develop a strategic plan with clear performance objectives by 1997 and begin reporting to the President and Congress on results against these objectives the following year. In accordance with this act, an Agency strategic plan (ASP) will be created. Agency priorities will be set and efforts laid out to achieve sustainable development within the context of legislation, executive orders, national security objectives, other external influences, and

foreign assistance authorization and appropriation. The Agency Strategic Plan will be reviewed annually as part of the annual budget process. Logically the ASP will:

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

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

#### **(b) Operating Unit Strategic Plans**

Operating unit strategic plans:

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

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

Operating units periodically conduct the analysis necessary to determine the development needs, constraints, and opportunities relevant to their operation, within the guidance provided by the Administrator and PPC. Analyses will be conducted when a operating unit is first established; when conditions within the operating unit change significantly; or when significant time has past since the last analysis. This analysis will be used as a basis for preparation of a strategic plan. The analysis will include an early assessment of customer needs and will incorporate relevant lessons learned from previous USAID, partner and/or other donor efforts.

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

(c) Identification and Definition of Strategic Objectives

*Strategic objectives are significant, measurable results, both quantitative and qualitative, which the operating unit believes it and its partners can achieve and for which the operating unit is willing to be held accountable.* They will be described in terms of:

- the objective to be achieved expressed as a change (ordinarily with people-level impact) that can be seen over a 5 to 8 year period, along with indicators and targets;
- the agency goal or priority that this objective relates to;
- country trends which indicate the potential for achieving this objective;
- what the host country and other donors are doing that relate to achieving the objective;
- partners and customers critical to the achievement of the objective;
- the approach we plan to use to achieve the objective with some specificity about the purpose and a notion of the tactics and tools we might use; and
- the results framework that identifies the results needed to achieve the objective, their causal relationship or the underlying assumptions and hypotheses about these relationships.

During the course of preparing a strategic plan or conducting analysis as preparation for defining a new strategic objective, the operating unit will form a strategic objective team which will be responsible for achieving that objective. The specific role of that team is discussed further in the section below titled, "Achieving Results." The issue of accountability requires serious reflection and discussion within the Agency. Staff clearly has responsibility for managing effectively, but responsibility for achieving specific results has to be shared with the host government, NGO or organization committed to and receiving support for that action. USAID maintains responsibility for managing resources effectively to gain the best possible results.

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

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

#### (d) Results Framework

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

The basic tool for focusing analytical efforts will be a *results framework*. The results framework will be derived through problem analysis describing the set of interrelated changes that must or are desired to occur if the selected strategic objective is to be achieved. This framework becomes the basis for USAID/W decisions to authorize implementation, and subsequently guides the strategic management of implementation efforts. It is more than an objective tree which frequently identifies only high level results, or program outcomes, and then quickly moves to the activity level. Instead, the results framework incorporates intermediate and lower level results, and their causal relationships. Neither approaches nor activities appear as part of the framework. It is critical, therefore, to carefully think through the changes that must occur if the strategic objective is to be achieved. Once the framework is established, approaches can be considered as to how best to achieve the desired results.

### (2) Budgeting and Allocation of Financial Resources

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

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

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#### (a) Budget Description

Budgets will be prepared for at least three purposes:

- strategic planning, covering typically a five to eight year period;
- annual budgeting, covering a two year period;

- results package management, covering the life of the package and related activities.

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

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

#### **(b) Parameters**

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

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

Particularly important to parameter setting are directives from Congress. Traditionally, a major way in which Congress has influenced the Agency's resource allocation is by setting obligation earmarks, either soft or hard, in areas which are of particular interest, e.g., child survival and population. While recognizing Congress' role in this process, the Operations BAA team believes that the intent of Congress, to ensure that the Agency achieves certain objectives as efficiently and effectively as possible, would be best accomplished through concurrence on those development objectives and reporting against those objectives rather than through obligation targets. The process of defining the agreed-to objectives may involve consideration of informal financial targets in order to develop a sense of magnitude of expected effort, but then the "contract" is for the results, not an obligation amount. In this way, the Agency is encouraged to manage for results, rather than manage to meet some financial targets which are viewed as separate from what we are achieving.

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

#### **(c) Strategic Plan Budgets**

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

#### **(d) Annual Budgets**

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

To justify the resource request, each operating unit will:

- verify the continuing validity of the strategic objectives;

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

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

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

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

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

The Agency generally will not attempt to specify at the outset of the budget process a level of funding for each of the five agency strategy areas. As exceptions, it may choose to do this in areas where there is a well defined set of agency-wide objectives and programming will be done centrally rather than at the country level, and where there is an earmark which the agency is responsible for meeting. USAID/W influence over resource allocation to individual strategy areas should be conducted through the strategic planning process -- to attempt to direct expenditures to agency strategy areas through the annual budget process may have short term benefits in terms of meeting expenditure goals, but it negates the effectiveness and purpose of strategic planning, ignores results, and, thereby weakens the long term goal of sustainable development.

#### **(e) Allocation of Funds within Budgets**

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

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

#### **(3) Obligation/Authorization**

Obligation of funds may be through bilateral agreements, grants, cooperative agreements, contracts, or interagency agreements. When a bilateral agreement is used, obligation normally will be by strategic objective. An umbrella agreement for each strategic objective will exist between the mission and host country, and periodic obligations will be made as replenishment of funds is required (assuming fund availability). In a section similar in

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

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

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

#### **(4) Achieving Results**

Achieving results in the operations system will be accomplished, principally, through committed teams of USAID staff, customers and stakeholders. Work will be organized around strategic objectives and results frameworks, and implemented through results teams and packages incorporating budgets, skills, responsibilities, authorities and information systems.

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

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##### **(a) Putting the Results Framework into Action**

As described above in the section on "Strategic Planning," a results framework presents the set of interrelated results necessary to achieve an objective, and incorporates causal

relationships among those results. This framework helps guide the organization of work necessary to achieve intended results. Organizing work involves the following:

- determining what results teams are necessary;
- defining the approaches intended to achieve specific results;
- assigning responsibility and authority for results achievement and activity design and management; and
- confirming and/or further refining the performance monitoring system.

Putting a strategic objective results framework into action will involve at least one results team, the strategic objective team, and perhaps others as well, organized around smaller sets of results (see Results Packages, below). Teams generally will include two groups, a core group and an extended group. The core group will be those who are important to achieving the objective or smaller set of results, and who can legally and ethically play a determinant role in defining contractual requirements. The extended group comprises the core plus others who are important to managing for results, but who should not be directly involved in defining specific procurement actions. In this way, a variety of players (customer, partners, stakeholders, etc.) can participate in the achieving process without violating procurement and other regulations. Thus, team membership would vary depending on the circumstances but could include USAID staff (from the missions, regional support units or central bureau offices), public and private partners, and customers. Team members need not be resident within the mission or office responsible for the objective, but rather could participate as "virtual" members through electronic means. Assignment of an individual to a team is by that individual's parent organization in response to a request by the team leader.

Key to any results-oriented system are the incentives which help drive individual performance. While the Operations BAA has identified this as a major concern and has made some recommendations, it will be the responsibility of the Human Resources BAA to define ways to address the concern with specific incentive programs and approaches.

#### **(b) Functions of the Strategic Objective Team**

The strategic objective (SO) team will have the responsibility and authority to manage the achievement of the SO and related results framework. It will recruit team members who have the necessary skills for this work, organize how the agreed-to results will be achieved, and assign to individual team members (or to additional teams) the responsibility for performance in specific areas. Within the organizational unit (mission, office or bureau), the SO team will be held accountable for overall performance. Critical to the success of a team is agreement on the objective to be achieved, as well as the indicators and targets used to monitor performance.

Procurement and legal officers will work as members of these teams, and will convey their respective authorities to the team by virtue of their membership. Decisions about the mix of authorities delegated to an individual SO team will take into account the nature of the objective, the experience and expertise represented on the team, and Agency regulations about delegation of authority. The intent is to give to the SO team the necessary authorities for it to fulfill its responsibility to achieve the strategic objective.

### **(c) Results Packages**

In order to manage for results, flexible units of work will be defined which combine (1) results from the strategic objective's results framework with (2) activities designed to achieve those results. These units are called *results packages* (RP), and they are very different in character than units of work we have used in the past (*projects* and *programs*).

Results packages have their foundation in the results framework which is the analytical picture of how a strategic objective will be achieved, the set of intermediate and lower level results necessary to reach the objective. In establishing a results package, relevant elements of the results framework and related activities are packaged together, along with the responsibilities, authorities, skills, and financial resources necessary for activity implementation and result achievement. This package also incorporates an electronic filing system. Utilizing new software developed for this purpose, SO and RP managers and team members will be able to enter and track performance, cost and implementation data, generate reports, and interact with other Agency automated information systems.

Electronic signature capability will be developed whereby authorized team members can execute approvals automatically, significantly reducing preparation and distribution of paperwork. Team members will be recorded, along with their respective responsibilities and authorities.

The SO team has the responsibility to define RPs for its objective. The number and nature of RPs for any one SO would depend on the magnitude and complexity of the objective and results framework, the interrelationship of individual elements of results frameworks for different SOs, and staff considerations. In some cases the SO, results framework and related activities would constitute one RP, and in other cases it would be divided into two or more RPs.

When an RP is established, an RP manager will be identified. Typically this person will be a member of the SO team. That manager will determine how to structure the staffing requirements of the RP. Given the emphasis on customer and partner participation which the new operations system includes, it is expected that RP managers will work in a team environment with those who are important to the achievement of results, in particular those outside the official AID community. It also is expected that technical, procurement and legal officers, as appropriate, whether located in the mission, regional office or USAID/W, will be more substantively involved with activity implementation and results achievement, and this may be best accomplished through a teamwork environment.

A decision also will be made as to what specific authorities and responsibilities the RP manager and other team members will have. Once delegated authorities are in place and responsibilities determined, the RP manager and team receive a budget and begin the job of achieving the agreed-to results. Those involved with the RP are empowered to take whatever actions necessary and within their authority to achieve their elements of the strategic objective's results framework. This includes identifying, designing and implementing activities, communicating with relevant host country institutions and government departments and organizing their participation, maintaining a customer-focus, meeting USAID's internal management requirements, and coordinating with other donors.

Monitoring performance also will be the responsibility of RP and SO teams and managers, and this function is described in more detail below in the section on "Judging."

### (5) Procurement

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

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

Consistent with these principles, USAID's procurement system will need to emphasize fast and effective procurement of goods and services in response to changing requirements of development programs in the field. The Operations BAA is working with the Office of Procurement (OP) to develop the specific methods and mechanics to accomplish this.

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The goals for a reengineered procurement system are:

- For the technical or program person, procurement mechanisms that are more responsive to the needs of the USAID development professional.
  - For the contracts officer, enhanced procurement integrity and a greater involvement in and understanding of the development results procurements are intended to achieve.
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Much work has already been done by OP to improve procedures and systems in support of this.

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

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

#### **(a) Streamlined Procurement Methods**

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

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

#### **(b) Performance Focus in Procurement**

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

#### **(c) System Requirements**

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

- better guidance on selecting the right mechanism;

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

### (6) Judging Results

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

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

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

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

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

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

**Evaluation** is explicitly concerned with the results of development interventions and often makes use of performance monitoring data. The scope of evaluation is generally far

broader, encompassing the larger impacts of development interventions, their intended and unintended effects, and their sustainability.

**(a) Choosing Measures, Indicators, and Targets**

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

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

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

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

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

Bureaus are responsible for periodically reviewing and approving operating unit *strategic plans*. The strategic plan must appropriately reflect country opportunities and constraints; incorporate sufficient customer and partner participation; identify significant and achievable strategic objectives; and provide reasonable resource estimates. Bureaus will also review and approve each operating unit's annual *Results Report and Resource Request*. This will involve a review of results achieved and progress made towards strategic objectives and intermediate results in the previous year, planned tactics (activities) for the coming year, and resources requested for their implementation.

Operating units would be expected, typically, to establish an overall monitoring and evaluation team, including representatives from each strategic objective team. Operating units are also responsible for reviewing progress in achieving strategic objectives,

assessing the need for any changes in the strategic plan, and approving resource requests across strategic objective teams.

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

### **(c) Ensuring Accountability for Results**

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

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

## **7. TRANSITION TO THE NEW SYSTEM**

### **a. Overview**

This report describes a new operations system which incorporates the four core values and represents a new way of doing business -- one that will enable the Agency to achieve its objectives effectively and efficiently. This work represents an important first step. However, moving into and implementing the new system are the challenges we still face.

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

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

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

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

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

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

#### **b. Summary of Transition Actions**

**Prepare New Policies and Procedures** - This report provides a description for a new operations system. Handbooks and guidance need to be redone to further articulate policies and directives, and to develop specific procedures for the new system. The

current plan calls for this guidance to be incorporated into our information systems in a user-friendly manner.

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

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

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

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

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

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

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

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

## **8. DESCRIPTION OF THE BAA PROCESS**

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

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

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

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

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

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

## CHAPTER 2

### STRATEGIC PLANNING

#### 1. INTRODUCTION

Strategic Planning is an element of an overall iterative process, with participation from USAID/W, bureaus, operating units, partners and customers, designed to achieve sustainable development results. These desired results will be articulated through strategic objectives. Strategic objectives are *significant, measurable results, both quantitative and qualitative, which the operating unit believes it and its partners can achieve in the next 5 to 8 years and for which the operating unit is willing to be held accountable.*

Information from an operating unit's strategic plan will be incorporated into a new computerized information system creating access to information on the results the Agency is attempting to achieve and the progress being made toward achievement.

Strategic planning facilitates the management of achieving results. This chapter focuses on the new strategic planning process which reflects the core values of customer focus, results orientation, empowerment and accountability, and teamwork.

#### 2. STRATEGIC PLANNING/STRATEGIC MANAGEMENT

The planning process establishes a framework of intermediate and related results (those leading to the achievement of a desired objective), the causal links, assumptions, and hypotheses regarding the results.

*Strategic planning* means using the broadest possible perspective to examine the relevant operating environment and to determine (in a collaborative process) desired changes in conditions within that environment.

*Strategic management* involves the empowerment of employees to achieve agreed upon results -- i.e., providing general guidance as well as the necessary authorities and resources which enable implementers to flexibly choose and change approaches, tactics and/or tools during implementation, while remaining focused on achieving a desired result. That flexibility of choice, using expertise and knowledge as well as guidance available through the information system, allows for making appropriate decisions to shift approaches, tactics, or tools as assumptions prove incorrect, conditions change or problems develop during results achievement.

USAID needs to shift its current strategic planning focus from review and approval of methodologies and inputs (what activities are proposed to be undertaken) to review and agreement on desired results, causal relationships, hypotheses and assumptions which define a framework for managing strategically and enables the Agency to unleash the

creativity and energy of those implementing the programs and objectives as they seek to achieve sustainable development. The planning process must also anticipate the need during implementation to quickly adjust delivery modes, tactics and/or tools in the pursuit of desired results.

### **3. STRATEGIC PLANNING AND TEAMS**

A critical aspect of the new operating system is the expectation that the strategic planning process will generally be accomplished through teamwork, both at the Agency and the operating unit levels. Teams will be used to select strategic objective areas, determine specific strategic objectives from those selected strategic areas, and manage the achievement of the objectives selected.

Team members are responsible for contributing their particular expertise (and viewpoint in the case of customers) to the work of the team. Operating units will be responsible for determining the team structure which best suits their situation. Team membership can be actual or virtual (electronic membership). Central bureau membership on operating unit teams will support team planning to reflect broader Agency concerns (global, geopolitical or humanitarian) and incorporates relevant central bureau knowledge, expertise, and lessons learned.

### **4. THE NEW STRATEGIC PLANNING PROCESS**

The proposed *strategic planning process* establishes a framework for managing for results at all Agency organizational levels.

#### **a. Agency Strategic Planning**

The Government Performance and Results Act (GPRA) of 1993 requires that every federal agency develop a strategic plan with clear performance objectives by 1997 and begin reporting to the President and Congress on results against these objectives the following year. In accordance with this act, an Agency strategic plan (ASP) will be created. In consultation with the Congress, the Office of Management and Budget (OMB), State Department and other key international development players, the Agency will:

- define the "strategic management framework" for USAID;
- articulate what the Agency expects to achieve in facilitating sustainable development worldwide;
- define goals for USAID priority areas (currently -- population and health, economic growth, democracy, the environment, human resources, and humanitarian assistance) that contribute to sustainable development;
- establish a basis for allocating resources against relevant factors (i.e., priority sectors, geopolitical considerations, country sustainable development concerns and

desired agency-wide results) and identify performance indicators through which progress in achieving agency-wide goals will be tracked; and, most importantly,

- define the broad strategic framework within which operating unit strategic plans will be developed.

Within the ASP, strategic planning guidance for operating units will be provided by the Administrator, Bureau for Policy and Program Coordination (PPC) and relevant bureau assistant administrators (AAs).

#### **b. Operating Unit Planning**

Operating units, generally using a teamwork process, will:

- provide analysis of the identified problem areas and articulate the strategic objectives (SOs) to be achieved;
- create the specific results framework (the causal links and interrelated results) for achieving strategic objectives; and
- further define hypotheses, approaches, tactics, and tools for the identified strategic objectives.

This will provide a basis for allocating resources and serve as a reference point for the achievement of results.

USAID operating units after appropriate analysis of the problems identified in conjunction with their customers and partners will select strategic objectives (within the parameters established in the ASP or existing Agency planning guidance). Strategic objectives must be expressed in terms of desired impact on people (our customers), with explicit indicators and target values. Operating units will also focus on the impact on people in lower level results defined in the results framework through continued use of specific indicators and target values.

Rather than thinking of planning as a hierarchy of boxes, it should be viewed as creating a framework for clarifying and measuring interrelated (or intermediate) results that will lead to achievement of strategic objectives. The emphasis under the new operating system will be to link indicators and targets to results rather than to focus on activities as under the current system. The strategic plan, then, can clearly indicate where the operating unit is heading.

#### **(1) Problem Analysis**

The preliminary process in strategic planning is developing a thorough understanding of the perceived problems to be addressed. Problem analyses should be conducted when it is determined that USAID should enter a new area or when an existing objective is to be

revised significantly. Depending on circumstances, a major review of an existing strategic plan should occur midway through the strategic plan period. Such analyses will be similar to those currently conducted by USAID to:

- define the problems; identify critical economic, social, and political considerations;
- analyze particular concerns (i.e., gender, environment, etc.); and
- consider other donor efforts and partnership capabilities.

It also will include an early assessment of customer needs (perhaps through customer surveys) and incorporate relevant lessons learned from previous USAID, partner and/or other donor efforts.

Strategic analysis at this stage should focus on areas where development assistance can, within the manageable interest of those involved, achieve significant results within a specified time period, and where those results can be expected to produce sustainable development impact. This requires focusing on a limited number of significant results selected on the basis of a realistic assessment of:

- the principle development constraints relevant to the operating unit;
- the Agency's and partners' experience and/or comparative advantage in achieving the desired result and our ability to respond appropriately to identified customer needs;
- the expected role and contribution of partners; and
- the contextual framework within which the operating unit functions (country, regional, political or global conditions).

## **(2) Selecting Strategic Objectives**

Operating units, working through teams which include relevant partners and customers, select strategic objectives within the context of relevant guidance provided by the Agency. In selecting strategic objectives, operating units should consider at least the following:

- social, political, and economic development trends relevant to the operating unit's environment, and the potential for intervention to bring about desired changes;
- the range of interrelated results which support achievement of the selected strategic objective, planned approaches to achieving those results, and USAID's comparative advantage and experience;
- customer interests, needs and motivating factors for participation;

- consistency or complementary balance with other donor activities in related areas;
- commitment and political will of any host country and/or other development partners to achieve the result, the availability of suitable delivery mechanisms, and the absorptive capacity of potential partners and customers; and
- how meeting the objective supports agency policy and goals.

The nature of some work of central bureau operating units may also lead them to select strategic *support* objectives (SSOs). Strategic support objectives are changes directed at internal USAID customers (i.e. field support, development of new technologies and/or influencing and supporting other donor policy), but also must be directed at supporting the achievement of sustainable development objectives.

### **(3) Creating a Results Framework**

One focus of strategic planning analytical efforts will be producing a *results framework*. The results framework, derived through strategic analysis, will describe the set of interrelated changes (i.e., results) that will lead to achievement of the strategic objective. The interrelated (or intermediate) results in the framework are selected because of their causal relationships to achievement of the strategic objective.

The framework will be the basis for USAID/W decisions to approve the strategic objective and will subsequently guide operating unit strategic management of implementation efforts. Critical to developing the framework is carefully thinking through the results (and related causes and hypotheses) that affect achievement of the strategic objective.

Graphically, the *results framework* modifies the objective tree currently used by USAID by expanding the identification of necessary results and not including project inputs and outputs.

### **(4) Identifying Illustrative Approaches**

Once the framework is established, approaches can be considered. Operating unit strategic planners must think about how in a broad sense the results will be achieved, that is, what kinds of approaches are effective. Approaches are identified to indicate the feasibility of achieving selected strategic objectives and serve as the basis for determining resource needs but should not become the focus of the analysis in a strategic plan. Approaches are a means to an end (the desired result) and can be modified as circumstances warrant. Decisions about approaches generally will be the responsibility of the operating unit.

#### **c. Preparing Operating Unit Strategic Plans**

The process of analysis, results framework creation, and approach consideration described above is iterative; not sequential. Analysis, especially of the strategic objectives, is

conducted continually for both strategic planning and implementation purposes. At some point, however, the operating unit determines that sufficient information exists to articulate the strategic objectives and their resource requirements in order to:

- secure a decision from USAID/W on the authorization and delegations necessary to proceed with implementation (and further operational planning); and
- establish the framework for strategically managing the strategic objectives and judging achievement performance.

The operating unit then prepares and submits a strategic plan to USAID/W while continuing further analysis.

#### **d. Strategic Plan Content**

Strategic plans developed by operating units (whether field or central bureau) will include three sections: summary analysis, proposed strategic objectives, and resource requirements, and contain the minimum information needed to secure cognizant senior management approval. Plan length will vary depending upon the nature of the program. In some instances (i.e., in emergency and humanitarian situations), strategic plans may not need to be more than two-three pages.

The plans will identify strategic objectives; contain supporting analyses, justification, and resource estimates; present planned and/or alternative approaches with associated resource estimates; and express the strategic objectives and parameters for strategic management in an analytical framework.

##### **(1) Part I: Summary Analysis of Assistance Environment**

Part I is a brief narrative describing key features of the assistance environment, including: significant macro-economic and socio-political trends; overall development prospects; an analysis of constraints and opportunities; description of the host country priorities and development plans; relevance of other donor activities to achievement of the strategic objective; the results of relevant lessons learned from prior experience in attempting to achieve similar results in a similar context; the potential (or lack thereof) for accountability by USAID and its partners; the context in which a central bureau operating unit expects to assist the Agency's country-based sustainable development goals, and a brief description of how customer needs were established and how sustainability will be achieved.

##### **(2) Part II: Proposed Strategic Objectives**

Part II will contain:

- a statement of strategic objectives

A description of the strategic objectives. The description of each strategic objective

identifies the selected customer and clearly explains how customer needs were identified. Strategic objectives must be specific, measurable, and defined by a time-frame, and must be results for which operating units are willing to be held accountable. The number of strategic objectives an operating unit may identify will depend most importantly on what results can best fulfill customer need within the expected resource and staffing levels over the expected strategic plan period. Generally an operating unit will have between one and five strategic objectives which can have varying achievement timeframes.

- **a brief description of the key assumptions and hypotheses which underlie the expectations that the selected strategic objectives will be achieved**

This section highlights the risks implicit in attempting to achieve the strategic objective, particularly those risks in the external environment over which USAID exercises no control. An assessment of these risks is central to analysis of the feasibility of achieving the objective.

- **a problem analysis and results framework**

This section contains an analysis of the problems identified by customers and partners and includes a framework of the interrelated or intermediate results which must be achieved in order for the strategic objective to be met. Important in this section are descriptions of the causal relationships between the interrelated results and a discussion of their feasibility. This section is key to confirming the analytical basis upon which (1) the strategic objectives were selected, (2) tactics will be altered during implementation as knowledge of the problem and development setting is improved, and (3) achievement performance will be judged.

- **a brief discussion of the relationship of each strategic objective to Agency goals and priorities**

This section discusses the relationship of the selected strategic objectives to Agency goals and priorities. Operating units may also set goals (results that are outside their manageable interest) that express a broader impact to which the selected strategic objectives contribute within the context of the Agency goals and priorities. In that event, a brief discussion of that relationship is appropriate.

- **a description of the performance indicators and targets against which progress in achieving the strategic objective and key intermediate results can be measured**

Operating units will identify a few, select indicators and corresponding targets for monitoring and evaluating progress toward achieving the strategic objectives and key intermediate results. These indicators and targets shall represent a clear statement of what changes the operational unit expects to see if the strategic objective and the key intermediate results are successfully achieved; the time-frame within which these changes are expected; the methods to be used for measuring progress; and the periodicity of measurement. Performance indicators and targets will constitute the basis for assessing

the performance of an operational unit and for reporting on the strategic objectives, or strategic support objectives, being achieved.

- a brief discussion of identified approaches

This section provides sufficient information to give approving officials some sense of the feasibility of achieving the strategic objective. Approaches should be identified and a description provided to indicate that sufficient thought has been given to how the strategic objective can be achieved.

- brief description of the consultative process

A statement of how customers and partners participated in the strategic objective analysis and how the strategic plan was influenced by their participation.

- brief description of USAID activities relevant to the operating unit

A section containing material produced from the Agency's central information system that briefly describes all USAID-supported activities being implemented in the operating unit's location.

### **(3) Part III: Resource Requirements**

Strategic plan resource requirements will include:

- estimated resource requirements by year to achieve the strategic objective, including program dollars, operating expense (OE) dollars, FTEs, and USAID/W technical or other support; and
- information on other donor and partner commitments which relate to the implementation of the operating unit's proposed strategic plan.

#### **e. Strategic Plan Approval**

All operating unit strategic plans must be reviewed and approved by cognizant bureau AA's. Reviews focus on assurance that a complete analysis of the problem and relevant conditions affecting achievement of the strategic objective was completed and a framework for decision-making and strategic management was created by: (1) assessing the clarity, logic, and feasibility of achieving the strategic objectives and their compatibility with the needs of customers within the development context; (2) ensuring compliance with Agency policy; and (3) evaluating appropriateness of strategic objectives in light of expected resource availability. Approval by the AA will determine applicable delegations of authority and authorize the operating unit to proceed with implementation of the strategic plan within authorized resource levels.

Other USAID/W bureaus will provide substantive input during the review. Ideally, members

from the various bureaus will have participated in the teams creating the strategic plan and therefore would have already provided significant input. Final review by the bureaus includes special emphasis, as follows:

- PPC ensures support for agency-wide priorities, the adequacy of plans for measuring performance and documenting impact, and whether selected strategic objectives and intermediate results reflect the latest or most appropriate lessons learned;
- Bureau for Management (M) assures that resources are likely to be made available;
- other central bureaus (Humanitarian Relief (BHR), Global (G)) assure that relevant global, food security, or humanitarian relief concerns are addressed as well as assure that the strategic management framework is appropriate, based on the particular technical knowledge of the central bureau (i.e. G ensures that results identified are appropriate based on G's technical expertise.); and
- regional bureaus will ensure that articulated Central Bureau strategic objectives and strategic support objectives are relevant to country-based development problems.

The review of strategic plans will be managed by the respective bureau and chaired by the AA or deputy assistant administrator (DAA). Final approval authority will rest with the cognizant bureau AA, with concurrence from PPC and M on matters concerning appropriateness of expected resource levels and compliance with Agency policy. In the event of a disagreement among PPC, M or the cognizant bureaus that cannot be resolved among the parties, the issue will go to the Deputy Administrator for resolution.

Cognizant AA approval of a strategic plan (including estimated cost and timeframes) shall represent a management contract with the director of the operating unit. This contract shall be understood to authorize the operating unit to pursue the strategic plan within the authorized level of resources, subject to agency-wide resource constraints.

Strategic objectives submitted by the operating unit and not approved as part the strategic plan, will be either eliminated from operating unit implementation or referred back to the operating unit for further refinement and possible re-submission as an amendment to the approved plan.

## **5. SPECIAL CASES**

Strategic plans should incorporate results (and planned or alternative approaches) which are outside the normal strategic objective identification process, but which meet or contribute to other USG objectives. Such results may be associated with:

- responses to a legislated earmark or other special interest;
- results from a previous plan which the operating unit deems important to still

achieve;

- new ideas or efforts which merit further exploration in response to new developments relevant to the operating unit; or
- research activities relating to results outside their manageable interest.

Operating units should consider the analysis and results framework creation for these areas as important as for other strategic objectives.

Another special area is *rapid response efforts*. Specific objectives should also be developed for these immediate humanitarian, economic, or political response efforts, recognizing that sustainable development would not likely be possible until the crisis is over. However, creating a framework for management (i.e., establishing objectives and identifying results) is equally important for crisis situations. Operating units are expected to prepare ad hoc, one-to-five page plans for such efforts which contain sufficient information to secure cognizant AA approval for crisis interventions.

## **6. STRATEGIC PLAN AMENDMENT**

The strategic planning process will be a living system where management for achieving results will take place within the framework provided in the strategic plan. Within that framework, operating units will continually be judging progress toward achieving the strategic objectives and making appropriate adjustments in the timing of implementation as well as the selection of tactics and tools to achieve those strategic objectives. That judging will also include assessment of the results framework to validate the strategic objectives as part of the annual results reporting and resource request.

Operating units can generally make the necessary adjustments during implementation without further reference to USAID/W. However, the strategic plan will be analyzed and amended when:

- significant events (physical, political, or fiscal) occur which substantially alter initial assumptions and hypotheses or materially affect the environment in which the operating unit is functioning;
- the strategic objective is determined to be not valid;
- the operating unit proposes a new or significantly modified strategic objective;
- a maximum of three years has passed since approval of the last plan; or
- the operating unit is otherwise directed by USAID/W.

The operating unit would then submit an amendment to the strategic plan to USAID/W for approval along with a revalidation of any existing strategic objectives.

## **7. IMPLEMENTING STRATEGIC OBJECTIVES**

Once the operating unit secures approval of its strategic plan, the process returns to its external focus of involving partners and customers as implementation begins. Operating units will proceed, within the delegations provided upon approval of the strategic plan, to organize the work necessary to accomplish the strategic objectives. Implementation efforts are further described in Chapter 3.

## **8. CHALLENGES TO ACHIEVING SUCCESS**

The culture of USAID must change so that we can work cooperatively with customers and partners to clearly articulate results. Additionally, it must also change so that we can reach an agency-wide corporate agreement on objectives and results, consistent with a country need as well as a global priority and then trust and motivate the operating unit to deliver

## **CHAPTER 3**

### **ACHIEVING RESULTS**

#### **1. INTRODUCTION**

Achieving results in the operations system will be accomplished, principally, through committed teams of USAID staff, customers and stakeholders. Work will be organized around strategic objective and results frameworks, and implemented through results teams and packages incorporating budgets, skills, responsibilities, authorities, and information systems.

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

#### **2. PUTTING THE RESULTS FRAMEWORK INTO ACTION**

A keystone for the achieving function is the results framework. The results framework presents a set of interrelated results necessary to achieve an objective, and incorporates causal relationships among those results. It also is a focal point which helps guide the organization of work necessary to achieve intended results. Organizing work involves the following:

- determining what results teams (including customers and partners) are necessary;
- defining the approaches intended to achieve specific results;
- assigning responsibility and authority for results achievement and activity design and management; and
- confirming and/or further refining the performance monitoring system.

Critical to developing the framework is carefully thinking through the results and related causes and hypotheses that affect the achievement of the strategic objective. The results framework is designed to be an evolving entity against which results and results packages are added, combined, deleted, or modified as circumstances, experience and progress in implementation warrant.

More to the point, it is an analytical framework which includes the desired results, indicators, and targets, and within which activities are defined.

### **3. TEAMS**

#### **a. Composition**

Putting a strategic results framework into action will involve at least one results team, the strategic objective team, and perhaps others as well, organized around smaller sets of results (results packages, see paragraph 5). The composition of the teams should allow maximum flexibility in order to meet varying requirements over the life of the strategic objective. Composition may vary over time in both size and scope in order to meet the needs of accomplishing particular results through implementation activities.

Teams generally will include two groups, a core group and an extended group. The core group will be those who are important to achieving the objective or smaller set of results, and who can legally and ethically play a determinant role in defining contractual requirements. The extended group comprises the core plus others who are important to managing for results, but who should not be directly involved in defining specific procurement actions. In this way, a variety of players (customer, partners and other stakeholders, etc.) can participate in the achieving process without violating procurement and other regulations. Thus, the team membership would vary depending on the circumstances but could include USAID staff (from the missions, regional support units or central bureau offices), public and private sector partners, and customers.

Team members need not be resident within the mission or office responsible for the objective, but rather could participate as "virtual" members through electronic means. Work may be done entirely by e-mail, document transfer, or other means which may not require direct face to face contact. This is especially true for Washington or regionally based personnel. They may be able to participate in several teams simultaneously without having to make frequent site visits. Assignment of an individual to a team is by that individual's parent organization in response to a request by the team leader.

#### **b. Accountability/Authority**

Coordination among tasks is accomplished by the team as a whole under the leadership of the team manager. The team managers are accountable for the performance of the team and must manage the team to best achieve results. Decision making is expected to be collaborative but not necessarily consensual, the manager being the final arbiter of decisions. While the team as a whole is accountable for achieving the agreed-to results, individual members have specific responsibilities.

Procurement, legal and financial officers will work as members of these teams, and will convey their respective authorities to the team by virtue of their membership. Decisions about the mix of authorities delegated to teams and individual team members will take into account the experience and expertise represented on the team and Agency regulations about delegation of authority. The intent is to give the team the necessary authorities for it to fulfill its responsibility to achieve the results.

The overall goal is to develop self-directing teams. Highly successful teams will benefit from managers who can operate as leaders as well as managers. Leaders need not make all the decisions and work assignments but rather inspire trust in people by acting in concert with the team's purpose and the team, promoting constructive conflict and resolution, and constantly challenging the team to sharpen its common purpose, goals and approach.

### **c. Incentive Issues**

Key to any results oriented system are the incentives which help drive individual performance. Incentives for participation and accomplishment within a results team must adequately reward members for performance through meaningful evaluations of work within the team and real use of those evaluations in the formal personnel evaluation process. While the Operations BAA has identified this as a major concern and has made some recommendations, it will be the responsibility of the Human Resources BAA to define ways to address the concern with specific incentive programs and approaches.

Failure to achieve expected results may be due to lack of adequate resources, political or socio-economic circumstances, other factors beyond the control of the team, or even recognition of misdirected or incompatible program objectives. Team members should be encouraged and rewarded for bringing these circumstances to the attention of the Agency. Early identification of the potential failure to achieve a specified result enables the resources to be redirected in a timely manner.

For non-USAID personnel, such as partners and their representatives, the incentives are related to continued work and the probable success of a shared vision. Partners who are active members of and contribute constructively to results teams should be rewarded through continued collaboration in the future.

## **4. FUNCTIONS OF THE STRATEGIC OBJECTIVE TEAM**

The strategic objective (SO) team is the unit through which the results identified in the results framework will be achieved. A strategic objective team is intended to be flexible to adjust its work as circumstances warrant. The SO team will have the responsibility and authority to manage the achievement of the SO and define and evaluate the related results framework. It will recruit team members who have the necessary skills for the work, organize how the results framework will be achieved, and assign to individual team members (or to additional teams) the responsibility for performance in specific areas. Within the organizational unit (mission, office, or bureau), the SO team will be held accountable for overall performance. Critical to the success of a team is agreement on the objective to be achieved, as well as the indicators and targets used to monitor performance.

The results framework can be organized in groups of results or packages. The work to accomplish these results can be done directly by the SO team or individual members or through additional results teams. The SO team is responsible for the achievement of the SO and therefore it is within their discretion, based upon the magnitude and complexity of

the objective and results framework, the interrelationship of individual elements of the results frameworks, and staff considerations, to determine the specific organization of the work.

## **5. RESULTS PACKAGES**

### **a. Organizing Work to Achieve Results**

In order to manage for results, flexible units of work will be defined which combine (a) results from the strategic objective's results framework with (b) activities designed to achieve those results. These units are called *results packages* (RPs), and they are very different in character than units of work we have used in the past (*projects and programs*). RPs are more flexible, more responsive to customer and partner concerns, require less up-front documentation and are more focused on the delivery of results. The RP system also provides greater accountability and authority to teams close to the development problems they are addressing. The results package has its foundation in the results framework, the set of intermediate and lower level results necessary to reach the objective. It combines relevant elements of the results framework and related activities, along with the responsibilities, authorities, skills, people and financial resources necessary for activity implementation and result achievement.

In many situations, the strategic objective will be managed as one results package; i.e., the whole results framework and related activities will form one RP, and this will be implemented by the SO team. In other situations, the SO may comprise two or more RPs. Deciding the number of RPs is the responsibility of the SO team, and would depend on the complexity of the results framework, staff expertise and availability, skill requirements, and other management concerns.

An RP will normally reside within the same operating unit as the SO. However, there may be cases in which a mission SO is supported by an RP primarily located in a central bureau or conversely the central bureau SO may be implemented by a mission based RP. Also possible, though not expected to be typical, a partner might take responsibility for implementing a result and the RP might be located in the partner's office.

### **b. Information System**

The RP also incorporates an electronic filing system. Utilizing new software developed for this purpose, SO and RP managers and team members will be able to enter and track performance, cost and implementation data, generate reports, and interact with other Agency automated information systems. Electronic signature capability will be developed whereby authorized team members can execute approvals automatically, significantly reducing preparation and distribution of paperwork. Other Agency staff will be able to access information about performance meeting objectives. Through related software, managers and team members can initiate procurement actions.

Key management information will be maintained through newly developed software. Included will be the scope for the RP, the support the RP will provide to achievement of strategic objective results, the results and intermediate indicators to be achieved, the estimated cost and duration, team members, partners, and activity descriptions. Specific authorities the team members (including the manager) may exercise and inter-relationships with other results packages will be included.

### **c. Flexible Management Tool**

RPs are meant to be a flexible management tool. Their composition may change at any time at the discretion of the operating unit. Thus, for, example, changes in mission staff, the results framework, or in resource levels, or poor performance in a certain area, may cause a strategic objective team to "repackage" the sets of results for which it has responsibility. Through such action, old results packages would be dissolved and new ones created; it may be that the individual results and their related activities change moderately or not at all, but the management structure changes more significantly.

*Two examples:* The scenario for both is that a mission has as an objective "improving rural incomes," and has identified necessary results in the areas of "provision of credit," "input delivery and marketing," and "extension services."

In the first example, these three areas represent three separate results packages. However, as time passes it is discovered that with the resources available all three of these cannot be achieved as originally intended, and that results related to credit must focus on credit to farmers for covering their costs of production and marketing. The three RPs may be collapsed to two, combining "credit" with "input delivery and marketing."

In the second example, we begin with two RPs including the combined "credit, impact delivery and marketing." A new project development officer arrives in the mission who also is knowledgeable in rural credit. A decision is made to create a third RP for credit to take advantage of this expertise and allow more focussed attention to be placed on that aspect of meeting the objective.

Thus, in the first example, the RP structure changed for programmatic reasons, and in the second it changed for staffing reasons. In both, changes occurred in order to create a better management structure for "managing for results."

### **d. Key Features**

Some key features of results packages are:

- The SO team has the responsibility to define RPs for its objective.
- When an RP is established, an RP manager will be identified. Typically this person will be a member of the SO team. That manager will determine how to structure the

staffing requirements of the RP.

- It is expected that technical, procurement and legal officers, as appropriate, whether located in the mission, regional office or USAID/W, will be more substantively involved with activity implementation and results achievement.
- Those involved with the RP are empowered to take whatever actions are necessary and within their authority to achieve the elements of the strategic objective's results framework. This includes identifying, designing and implementing activities, communicating with relevant host country institutions and government departments and organizing their participation, maintaining a customer-focus, meeting USAID's internal management requirements, and coordinating with other donors.
- Along with the flexibility and authority to implement the RP comes the responsibility to identify and report problems outside its manageable interest to the SO manager. Such reporting is essential both to alert the SO manager to the possibility of failure and to gain assistance in remedying the problem.
- The RP team/manager will be responsible for suggesting changes in the timeframe or funding needs to more effectively achieve the desired result. They may also suggest improvements in the definition of the results needed to achieve the overall strategic objective. This includes the customers, partners and contractors who need to assist in validating assumptions, and recommending more efficient alternatives for achieving results.
- The RP should include authority and responsibility to use whatever mix of tactics and tools most effectively achieves the result within the estimated time and budgetary parameters or legal constraints. This authority will vary based on a number of factors including the complexity of the RP and the experience of team or RP manager.
- SO managerial perspective will be needed to assure that the results packages continue to be instrumental to SO achievement.

Built into the description of the RP are targets and indicators for measuring progress toward achievement of RP results. These measures will also provide the basis for assessing the continuing validity of the causal relationships between results and the SO and between tactics/tools and results. Monitoring of progress toward these targets is an ongoing responsibility of the RP team. This monitoring may reveal that activity assumptions are flawed, that the technical approach is unworkable or that circumstances external to the activity have changed to such a degree that refocussing of the intervention is necessary. Such information provides the basis on which RP teams will make changes. Monitoring and evaluation are discussed more fully in Chapter 4 on Judging.

## 6. APPROACH (Purpose, Tactics and Tools)

From the initial, planned approach laid out in the approved strategic plan, an SO team will further define it. The approach consists of an integrated mix of purpose, tactics, and tools. Results packages comprise more developed sets of purposes, tactics and tools necessary to achieve the SO. They are based upon the results framework developed to gain SO approval. The extent to which the planned approach is elaborated at the SO level will vary with the particular developmental challenge. Ways in which these are incorporated into partnerships is elaborated on in Chapter 6, Participation: Customer Focus and Partnership. The following table illustrates typical purposes, tactics, and tools in USAID development assistance.

Purpose (Approach)	Tactic	Tool
Policy Reform	Delivering goods	Grant
Institutional Strengthening	Delivering services	Contract
Infrastructure Development	Provide advice	Cooperative agreement
Economic Stabilization	Conduct research	Cash transfer
Humanitarian Relief	Donor coordination	Dialogue
Human Resources	Mobilizing others' resources	Memorandum of understanding
Development	Debt relief	Staff assignment
Behavior Change	Balance of Payments	Loan
Technical Development	Training	Loan guaranty
(Innovation)	Commodity import program	
	Capital works	
	Food aid program	
	Procurement of goods	
	Performance-based agreement	
	Technical assistance contract	
	Debt for nature swap	
	<u>Relationships:</u>	
	Direct to customer	
	Full partnership with qualified partners	
	Limited partner/agents	
	Adversarial partners	
	Political support	

Under the new operations system the selection of tools and tactics could be much more efficient and streamlined than the current system which is complex and filled with exceptions and requirements for waivers. Three key elements are improved guidance on how to select the proper tactic/tool, reducing/eliminating the requirement for waivers, and providing new guidelines for working with high-risk groups.

Improving guidance on selection of tactics and tools may take the form of an artificial intelligence-type automated tool which, by asking a series of questions can successively lead the user through selection of tactics, and then tools.

The second key element, reducing or eliminating the need for waivers, is an idea adopted by the Canadian development agency, CIDA. The logic behind it is that if one can define the purpose to be achieved, and select from predetermined tactics and tools for that purpose, then there should be no need for securing waivers, since, by virtue of the selection process, one should qualify automatically for the waivers appropriate to that combination of purpose, tactic, and tool.

The third element has to do with the use of "high risk" tactics and tools, in particular, working with partners who do not meet all of the USAID standards for grants or contracts. In many instances, small, indigenous groups are precisely the right partners to achieve the development results we seek, and yet current rules do not facilitate our working with them. USAID would benefit by a better definition of risk rules for working with such groups, and special procedures that will allow us to work with such groups while controlling, though not eliminating, risk.

The extent to which these key elements could be applied to USAID policies could not be explored by the Operations BAA due to a time constraint. Instead, they are presented as taskings for follow-on efforts, perhaps for the policy and procedures writing group. There are likely to be real limits to the extent to which one can follow a mechanistic approach to selecting approaches to development assistance, or eliminating waivers. However, having an improved information system would, at a minimum, allow staff to better understand what procurement tools exist, and how these tools are best used with individual tactics.

## **7. BENEFITS OF RESULTS FOCUS**

### **a. Increased Quality**

#### **(1) Commitment**

The organization of work more closely tied to strategic objectives will help insure that USAID and our partners are focused on the results to be delivered, that a committed team is attempting to deliver those results by a time and for an amount certain and that we will be able to demonstrate progress in achieving those results. This also will insure that Congress and top USAID management are focused upon what results they want, rather than who gets the funds, and that middle to front line management is focused upon feasibility of and the delivery of those results.

#### **(2) Improved Time Management**

Implementation cost and time will be reduced by:

- creating incentives for producing firmly articulated results in less time and at a lower cost than originally estimated;
- reducing paperwork preparation, review and clearance time by increasing delegations to implementation teams and insuring that they have the knowledge and capacity to exercise those new authorities (needed analytical and descriptive documentation will be prepared when and where needed); and
- moving implementation decisions to the field team closest to the problems that require resolution in producing agreed to results.

The new corporate data base supporting SOs and RPs will reduce the amount of time spent by agency personnel in the collection of information and the preparation of standardized and special reports for external sources. Through the creation of a standardized computer-based information system accessible by all in the Agency, relevant information is readily accessible throughout the organization.

### **(3) Improved Success**

Team members will have an increased sense of accountability coming from greater clarity on their individual and team responsibilities for planning, implementation and completion. RPs will create a strong link between job performance, agency performance and individual performance (EERs & PARs). By decreasing the size and shortening the time associated with the agency's basic programming unit (projects of 5 to 10 yrs replaced by results packages of 2 to 4 yrs), individuals will be able to commit to as well as measure the effectiveness of activities. RPs will increase the effectiveness of individuals through virtual teams that cut across organizational boundaries pulling the best people together to produce desired results.

#### **b. Greater Emphasis on Core Values**

##### **(1) Results Orientation**

The SO team and its results packages are the dynamic management units around which USAID and partner assets are deployed in support of strategically determined results. The RP requires and facilitates strategic management of the Agency's resources. As such, the RP results flow logically and naturally from strategic objectives (SO) and the results framework agreed to by the partnership in the SO teams. The work is defined within planned time frames and flexible funding to achieve specific results. A sharper results focus is furthered by more directly linking activities to results, and by providing greater flexibility in how we can achieve results.

Activities within results packages can be more easily changed by accountable teams, in light of altered circumstances, to achieve results. More flexible applications of tactics and tools will help. Obligating resources at a higher level (SO) will support greater fluidity in re-directing USAID resources to results. Indirectly, the results framework should make easier

the re-direction of non-USAID funded partner resources to achieve mutually agreed SO results.

The results focus will be further strengthened by monitoring requirements. Monitoring for success will be based, primarily, on results -- not outputs. The results monitored will validate the objective (results/causality) on a routine basis. Resources will be tracked at the SO/results level. Where the validation fails, planning and redirection of SO assets will be needed and occur in a more timely and effective manner.

### **(2) Empowerment and Accountability**

The power of the new implementation system will flow from its reliance on strong SO and related teams, the authority team members possess, and the incentives system that reinforces it. Most teams are made up of partners, contractor agents and USAID staff. A results package will be a non-permanent but powerful management unit for achieving results. It will begin with the assignment of strategic objective/results to an accountable manager and teams. It will end when the targeted results are achieved or when failure and lessons learned are recorded. Normally RPs should be designed to achieve results within two to four years, thus making it possible for the bulk of the team to participate in planning, implementation and close out.

The team manager is accountable for the overall performance of the team. However, the team concept depends upon the team and its members being individually and collectively accountable for results. Empowerment is accomplished through granting the team manager the authority to evaluate the team members in areas of but not limited to: accomplishment of task, effectiveness within the task, efficiency in use of resources, and teamwork. Empowerment and accountability will be achieved, also, by having subordinates evaluate the leadership and managerial capacity of managers.

Both empowerment and accountability will benefit from 1) on-line monitoring information available to the teams and related management levels, 2) flexibility in deploying assets, 3) more useful tactics and tools; and 4) tying the achievement of results desired by USAID to budget decisions and individual employee performance.

### **(3) Teamwork**

Successful SO and RP teams in USAID will be characterized by a common, meaningful purpose related to clear strategic objectives and targeted results. Also, they need complementary skills, a mutually agreed working approach and a strong sense of mutual accountability. Last, the membership should be relatively small in number.

Most important is the clear purpose and concrete, challenging objectives and results that the team is charged with achieving. High team member motivation and commitment will stem from greater understanding of purpose, of clear roles and of earlier and more continuous (RPs of two to four years duration) involvement in development of and execution of RPs. It will also stem from evaluation systems that include systematic

judgment by accountable managers of team member performances as well as 360 degree evaluation of RP and SO manager performance.

Partner teamwork benefits from the original involvement of partners in the development of SOs, mutual agreement on them and related results. Continuing participation by some of those partner representatives in teams will be a key success factor in achieving sustainable development results.

Evaluations of partners and their representatives are intended to serve as a basis for decisions as to whether to work with that partner or representative again. Such evaluations can also be integrated into performance based contracts and grants.

#### **(4) Customer focus**

Customer needs are accounted for originally by their early involvement in developing the SO and related results which the team aims to achieve. The flexibility to change course more quickly during implementation on the basis of experience with and more systematic feedback from customers will give meaning to the customer focus core value. Indeed, the monitoring features of the system requires customer input over the life of the RP and beyond.

The team's tangibility, transparency and high degree of continuity should facilitate effective customer participation throughout it's life.

The RP requires effective evaluation of partner performance based on the extent to which partners satisfy customer needs.

## **8. IMPLICATIONS FOR MANAGEMENT AND OTHER BAAS**

The successful implementation of the SO and RP team concept as defined here is somewhat dependent upon other BAA's and the agency's operational culture.

To enable maximum flexibility and authority by the RP teams and managers, their spending authority should extend to flexible deployment of all resources (including operating expense (OE) funds) and include considerable ability to hire and contract for personnel as needed.

- OE cost should relate more directly to the RPs and the results they are achieving; creating greater opportunity for more effective and efficient use of OE
- Assign line managers most of the underlying costs for staff that they can be expected reasonably to control, (e.g. salaries not benefits); develop mechanisms for supporting their use of that authority (e.g. information and incentives), and hold them practically accountable for their use of operating expenses.
- RP managers would be able to shift OE dollars among most object classes with little prior review (e.g. travel or contract with staff salaries), with OE cost information specific to the RP available to the accountable SO and RP managers.

- The system should reduce pressure on an over-burdened central administrative structure.

SO teams, RP teams and their managers will need incentives to deviate, when warranted, from tactics and tools in initial RP plans. Contractors will also need to be able to question the scopes of RPs.

The Agency should be prepared to tolerate a modestly higher risk of short-term failures as a necessary cost of doing business.

Agency reserves would be needed to manage associated risks.

Some personnel assignments will need to be adjusted to better match RP's time frames (preferably two to four years in duration). Personnel systems will need to be adjusted to provide the desired incentives and to enable RP performance input from a variety of sources to be appropriately recognized and rewarded in the evaluation system. Appraisal systems will need to be geared to emphasizing objectives/results as the key success indicator.

Training needs are substantial. Teams, as we define them, will take time to develop as the predominant USAID management tool. Self-directed, high performance teams are a real challenge. Significant training inputs will be needed to nurture this process. Less tangible, but important, will be the need for changes in the institutional culture to give greater credit for risk-taking and accountability.

Procurement planning (to be included in the SO and RP automated data base), including solid, contractible and timely scopes of work, will need to be part of the planning process. RP teams will need to be able to create such scopes. Their ability to modify tactics effectively will rest in part on the capacity of procurement systems to respond to changing requirements in a timely manner.

In order for a RP team including its manager to make the best possible use of increased authority, it will need to have ready access to information on indicators of RP progress.

- It will require careful planning of the key indicators and of means to collect that information. Additional time and effort will need to be focused upon feedback and analysis loops.
- Adequate information will be needed to ensure program continuity through staff changes and to respond to audit requirements.
- Judging of RP progress must be continuous and results immediately fed back to the RP team and manager to allow adjustment of RP interventions.

## **9. OTHER CHALLENGES TO ACHIEVING SUCCESS**

Key factors important to the success of the team and results approach include:

- authority and responsibility structures which empower RP accountable managers and dynamic teams, and make easier the timely deployment/re-deployment of operating expense (OE) and program resources in support of results packages;
- teams staffed with people whose skills, knowledge and capacity are essential to the quality execution of RPs;
- acceptance by the USAID personnel of the critical values of teamwork and risk-taking (e.g. treating some tactical failures as successful lessons learned), to aim towards achievement of results, not just implementation; and
- strategic objective/results package, cost accounting and budget information systems that facilitate the rapid absorption of feedback and associated "learning while doing" by the SO/RP teams and SO/RP managers.

**COMPARISON: RESULTS PACKAGES AND PROJECTS**

<b>BRE VALUE DIMENSION</b>	<b>RESULTS PACKAGE</b>	<b>PROJECT</b>	<b>PRINCIPLE/ BUSINESS RULE REFERENCE</b>
<b><u>RESULTS ORIENTATION</u></b>			
Strategic objective driven	RPs flow from strategic objectives and results framework agreed to by SO team	projects grouped by SO's but not always causally derived and with less partner and customer involvement	Approval based on desirability of results, causal links and estimated cost; not on approval of activities.
Scope of activities	Work defined within planned time frames and flexible budgets to achieve specific results	Work defined within planned time frames and detailed budgets to carry out specific activities	Work defined in terms of results not activities.
Tactics and tools flexibility	Tactics and tools within results packages more easily changed to meet altered circumstances	Much less flexibility given obligation rules and authority	Focus upon results with the authority and resources to shift tactics and tools as necessary.
Higher level resource allocation	Subordinate vehicle (under SO) for spending authority	Primary definition of allocation and use of AID resources; budgeting and obligating vehicle	RP manager will look to SO manager for necessary resources; not spend time in pursuit of new funding.
Sharper result focus	Defines results and ties specific set of approaches to result, and refines/alters approaches as needed to meet result.	define specific set of actions to be accomplished for given purpose.	Teams will be focused on results rather than process
Monitoring of results	Monitoring of success is based on results, and validation of results framework	Monitoring of success is based on achievement of internal purpose	Monitoring output will more clearly define success in terms of results

<b>BRE VALUE DIMENSION</b>	<b>RESULTS PACKAGE</b>	<b>PROJECT</b>	<b>PRINCIPLE/ BUSINESS RULE REFERENCE</b>
<b><u>EMPOWERMENT &amp; ACCOUNTABILITY</u></b>			
Fully accountable leadership	Accountable managers heading teams with sufficient authority to achieve results	Head with limited accountability and authority to achieve outputs; excessive checks and balances	Authority and accountability clearly aligned with responsibility
Fully accountable team	Accountable teams with sufficient authority to achieve results	Little or no accountability for higher results.	Employee achievement tied to results not process
Resource information/ accountability of managers	Tracked at SO/RP level and tied to specific results	Tracked at project/ input level but unrelated to intermediate results	Relevant information easily accessible by Agency managers
Resource deployment	Deployed more flexibly by RP manager through higher level obligation and ease of change	Constrained by formal rigidity; less flexible.	Resources needs and availability brought into line
Flexible tactics and tools	More flexible in selection and amendment.	Constrained by formal rigidity.	Speedier implementation

<b>BRE VALUE DIMENSION</b>	<b>RESULTS PACKAGE</b>	<b>PROJECT</b>	<b>PRINCIPLE/ BUSINESS RULE REFERENCE</b>
<b><u>TEAMWORK</u></b>			
Team based work	Team members explicitly identified from partnership and more fully accountable for RP results	Team members, less formal, represent interests of home office; official project committee not a team.	More personal involvement in achievement of Agency objectives
High team member commitment	Enhanced by earlier SO team involvement, by greater authority; and evaluation by team manager	Little authority and thus lower commitment. Project committee member's evaluation not based on successful projects.	Employee commitment aligned with Agency objectives
More flexible staffing	Teams may be physically together or "virtual" -- i.e. communicating and working together from dispersed locations; greater continuity of key members	Some similarities but limited utility without strong focus on achieving results within planned time frames	Staff resources/knowledge more readily available when required
Team motivation	Earlier involvement in SO development and agreement; Greater and continuing involvement, greater understanding of purpose and roles; accomplishments tied to EERs and PARs	Little team cohesion; Involvement varied, not linked to EER and incentives; Purpose beyond Project Purpose may be uncertain, usually not focus of team effort.	Greater personal employee commitment to agency objectives

<b>BRE VALUE DIMENSION</b>	<b>RESULTS PACKAGE</b>	<b>PROJECT</b>	<b>PRINCIPLE/ BUSINESS RULE REFERENCE</b>
<b><u>CUSTOMER/PARTNER FOCUS</u></b>			
Customers	Explicitly identified and involved at prior SO development stage as well as in RP	Defined as beneficiaries and recipients and often not involved in design or implementation	Greater customer/beneficiary commitment to achievement of results
Partners	Identified, involved, more fully committed, including at SO planning phase.	Primarily involved at implementation phase	Greater partner commitment to achievement
Strengthened partner relations	Individual agreements are signed when and as needed	Agreement on use, allocation and definition of success in formal agreement, covering all allocations/intervention over life of project.	Increased focus on results rather than processes
Partnerships	Partnerships empowered at implementation phase, may share authority.	Partnerships primarily as part of a contractual/grant relationship.	Increased leadership and commitment by partners
Sustainability	Involvement of partners and partnerships improves potential of selection of sustainable actions, and commitment to continue programs	Contractual relationship with partners limits focus on life after project, and willingness to focus on issues of sustainability.	Agency specified results more closely in line with the desires of customers and partners

## CHAPTER 4

### JUDGING RESULTS

#### Analyzing, Reviewing, and Reporting Performance

#### 1. INTRODUCTION

Results are central to USAID's new strategic management framework and to the operations reengineering through which strategic management will be realized.

To accomplish this -- to truly manage for results -- USAID must become a "learning organization." We must pursue ambitious objectives that achieve sustainable development for our customers, and also fully understand why our objectives are or are not being achieved so that we can expand, contract, or adjust our programs accordingly.

To transform USAID into a dynamic, "learning organization" we must be able to measure and judge results at every organizational level -- within results packages, against strategic objectives, and for the Agency as a whole. While a good foundation for measuring and judging of results has been laid through the Agency's ongoing PRISM (Program Performance Information for Strategic Management) efforts, the concern for results -- for the performance bottom-line -- must be standardized and systematized. Most importantly, it must permeate all of our business, in personnel, procurement, resource allocation, and financial management as well as in the planning and implementation of our development programs themselves.

We judge results then for three fundamental reasons:

***To assure accountability*** by verifying that our resources are being well-spent and that our programs are achieving expected improvements in the lives of our customers;

***To improve program management*** by identifying progress in achieving expected results, problems (and successes) as a basis for strategic and tactical decision-making, and information gaps where additional knowledge and attention is needed; and

***To improve our understanding of development*** by assessing program impact, identifying lessons learned, and advancing broader development theory and practice.

#### 2. DESCRIPTION OF THE PROCESS

##### a. Methods of Measuring and Analyzing Results

Performance monitoring, evaluation, and research represent substantially different ways of measuring and analyzing results and reaching judgments about development programs and processes. While these three approaches to judging are inter-related (and inform each other), they embody different ways of collecting, analyzing, and using performance data. They reflect different aspects of judging and have distinct functions in relationship to

assuring accountability, improving program management, and improving development understanding.

### **(1) Performance Monitoring**

**Performance Monitoring** is primarily relevant to management review, accountability, and improvement. It focuses almost exclusively on tracking progress in achieving planned results and analyzing the difference between actual and planned results.

While the indicators selected for performance monitoring should reflect the underlying logic of the **results framework** articulated in a **strategic plan**, performance monitoring, as such, is not explicitly designed to assess the "validity" of the underlying development strategy. Performance monitoring may help us to identify key variables that warrant further attention, but it does not embody the kind of controlled comparisons needed to test hypotheses and unequivocally link observed results (or lack of results) to interventions. Nor is it concerned with broader impacts, beyond explicitly chosen performance indicators. Its primary purpose is to assess whether results are, in fact, being achieved as envisioned.

Performance monitoring provides a powerful tool for reviews and decisions by managers and teams. It can identify problem areas where results are not being achieved, where changes in strategy and tactics may be necessary, and where more management attention (and, perhaps, more performance information from evaluation or research) may be needed. It can also identify successes, where results are being achieved more efficiently and effectively than expected, and where decisions may also be in order. It does not provide a simple formula for resource allocation that would replace management judgment (it cannot tell us, for example, whether good performance means that more resources should be spent or that less are needed), but does highlight where resource decisions may be appropriate. Performance monitoring can, in other words, provide an empirical basis for "management by exception," identifying key issues for reviews and decision-making and helping overworked managers and teams focus their attention where it is most needed.

Performance monitoring typically encompasses a relatively small number of fairly simple and practical performance indicators. While performance monitoring is certainly relevant and useful for tracking overall performance against agency-wide goals, it has its greatest applicability in tracking lower-level results as a basis for operational decision-making. Effective performance monitoring also requires managers and teams to be very clear about expected results, how these results will be measured (indicators), and how much change is expected (targets). This can provide a sound basis for negotiating agreements and identifying shared objectives with partners.

### **(2) Research**

Research is primarily concerned with understanding the how's and why's of development: with testing hypotheses, validating theory, and (in "applied research") identifying better development assistance approaches. Research is less concerned with measuring results and more focused on analyzing and understanding why particular results occur. While

performance monitoring may provide useful information for such research, and can certainly help identify performance issues warranting study, research typically involves the collection and analysis of a far broader range of data on development variables and outcomes. Even more important, research normally embodies very specific designs for collecting and analyzing data that enable us to reach clearer conclusions (or at least clearly defined probabilities) about cause and effect linkages.

Research can improve operational-level planning and management by helping us assess customer needs, social and economic conditions, or technical practices. Research has a far broader relevance for improving our understanding of underlying development processes, often examining development problems that involve no assistance at all, or that represent very specific aspects of development, such as the creation of new agricultural technologies or health treatments.

### (3) Evaluation

Evaluation straddles the gap between performance monitoring and research. Evaluation, like performance monitoring, is explicitly concerned with the results of development interventions and often makes use of performance monitoring data. But the scope of evaluation is usually broader than the array of indicators used for performance monitoring. Evaluations are concerned with the larger impacts of development interventions, with their intended and unintended effects, and with their sustainability.

Evaluation and research are closely linked. Indeed, evaluation often examines in the context of particular development interventions, the same cause and effects links that research analyzes more broadly. Evaluation, like research, also typically applies formal data collection and analysis designs to test hypotheses and validate cause and effect linkages -- to determine whether results can, in fact, be attributed to our interventions.

But evaluation and performance monitoring are even more closely intertwined, with evaluation providing a different and more intensive perspective for judging the same development interventions. Whereas performance monitoring focuses on *whether* expected results are being achieved, evaluation provides a more detailed examination of *what* these results embody, *how* they are or are not being achieved, and, to the extent possible, *why*. In so doing, evaluation often provides recommendations for changes in approaches, tactics, and tools to resolve problems and improve performance.

Like performance monitoring, evaluation should be directly tied to the results framework of a strategy. Some "strategic" evaluations can be planned in advance, as part of a monitoring and evaluation plan, revised whenever the strategy is updated, that identifies key assumptions and hypotheses for evaluation -- and the likely nature and timing of these evaluations. One of the key hypotheses in an economic growth strategy, for example, might be that increased availability of credit will benefit poor, female entrepreneurs. But since the benefits of past credit programs have sometimes been siphoned off by unintended beneficiaries, we might specifically plan an evaluation to examine this hypothesis. Similarly, for other programs, we might want to evaluate whether new

technologies were reaching small farmers, whether policy reforms changed economic incentives, or whether a social marketing campaign affected the demand for family planning.

Often, however, the need for evaluation cannot be anticipated in advance. In these cases, performance monitoring can provide an important signal -- because expected results have not been achieved or because they are being achieved more efficiently and effectively than expected -- that an evaluation is warranted. The decision to evaluate or not, or to use a more or less formal evaluation approach, ultimately rests with the responsible managers and team. To assure independence and credibility, however, evaluations of key development hypotheses will sometimes be conducted by evaluators from outside the responsible organizational unit.

#### **b. Reviewing and Reporting Results**

The first, and most essential, use of monitoring and evaluation is to inform the judgments and decisions of managers and teams directly responsible for achieving results. But these managers and teams are not fully independent actors. Aspects of their work must be judged by other parts of USAID, and their information on results will often have broader implications throughout the Agency. This information is relevant too for decisions by our customers and stakeholders, to include: non-government organizations (NGOs) and private volunteer organizations (PVOs); host government agencies; other donors; the Office of Management and Budget (OMB) and the Congress. The sharing of results information, and appropriate reviews and reporting of results are essential to the Agency.

Reviews and reporting can become an unnecessary burden -- a mechanism of control and micro-management that detracts from our primary business of facilitating sustainable development. Requirements for reviewing and reporting therefore reflect a few simple *"business rules."*

- Results reviews and reporting (and related management controls) will be, to the greatest extent possible, the responsibility of adjacent levels in the direct management line. Bureaus will be responsible for operating units, operating units will be responsible for strategic objective teams, and strategic objective teams will be responsible for results packages.
- Results reviews and reporting will focus on the sets of results agreed upon between adjacent levels. Operating units, for example, will report progress in achieving strategic objectives and key intermediate results defined by their strategic plans and results frameworks, provide an explanation of any deviations from those plans, and propose any necessary changes.
- More detailed information on results will be obtainable easily, wherever and whenever needed, through the Agency-wide results information system. If, for example, the Administrator wants to examine more detailed results data from particular results packages within particular operating units, that information will be

directly accessible through the Agency's information system.

### c. Choosing Results, Indicators, and Targets

**Results** are changes in developing country conditions. **Strategic objectives** represent the most significant and ambitious results that are within an operating unit's *manageable interest* to achieve and for which it will be held accountable. **Measures** represent various ways of assessing how much of (or whether) a result was achieved. **Indicators** are the specific measures USAID has chosen to measure the achievement of **strategic objectives** and **intermediate results**. **Targets** specify the amount of change expected in a performance indicator within a defined time frame.

To effectively manage for results, we need to identify ambitious, but achievable objectives and results for our customers. We need to measure performance and determine if chosen indicators are meeting planned targets. And, we need to take corrective action to understand and address deficiencies.

Planning, achieving, and judging results are not sequential functions, but inter-related and inextricably intertwined. Judgments about results are reflected in planning. Planning for judging -- identifying objectives, selecting indicators and targets, and assessing data sources -- is part of planning. And judging progress is a continuing factor in successful results achievement. Objectives, indicators, and targets may be revised, based on judgements, through planning at any stage, but not often or capriciously.

#### (1) Identifying Objectives and Intermediate Results

Clearly identified strategic objectives and the key intermediate results through which these objectives will be achieved are the focal point of an operating unit's strategic plan and provide the basis for subsequent strategic objective agreements. The strategic planning process (described in Chapter 2) encompasses extensive customer and partner input, a careful assessment of the development setting, a thorough problem analysis, and a focused consideration of USAID's priorities and capabilities. It yields a progressively refined statement of the kinds of results USAID expects to achieve, the way in which those results will be measured, and the amount of change to be attained. More explicitly, it identifies strategic objectives -- the most significant results that are within the operating unit's manageable interest to achieve, the intermediate results through which these objectives will be realized, and the broader agency-wide goals to which these results contribute. Additional results, associated with particular results packages, will be identified as part of the planning for these results packages.

#### (2) Selecting Useful and Comparable Performance Indicators

Performance indicators are specific performance measures chosen because they provide valid, useful, practical, and (to the extent feasible) comparable measures of our progress in achieving expected results as a basis for decision-making and review. In a very important sense, the selection of particular performance indicators clarifies what is meant by a result

by more explicitly defining what will change. Thus, for a strategic objective such as improving child health, choosing indicators of reduced infant mortality or decreased rates of childhood infectious disease provides a more precise and narrower statement of what will be accomplished.

As management tools, performance indicators must first and foremost be valid, useful, and practical to the managers and teams responsible for achieving the results. They must appropriately measure what, in fact, we want to achieve. They must provide information that is useful to managers and teams. And they must be collected at a reasonable cost. Meeting these requirements will require different kinds of indicators for different levels and types of results across the Agency.

In tracking agency-wide performance, for example, we are primarily concerned with changes in various country-wide, regional, or worldwide conditions that USAID views as central to our overall goals for "sustainable development" and our policy priorities in economic growth, population/health, environment, and democracy. These agency-wide "goals" are generally beyond the "manageable interest" of particular USAID operating units, though operating unit strategic objectives should certainly be consistent with and contribute to them. It is anticipated that a relatively small number of indicators would be chosen centrally to track performance against agency-wide goals, and that most of these indicators would rely on data already available from secondary sources.

In managing for results against operating unit strategic objectives, on the other hand, it is essential that performance indicators represent precisely the changes the operating unit is seeking and that performance data be available in the local setting. Relevance to operational management is the primary requirement. At the same time, to the extent that USAID is pursuing similar strategic objectives across settings, comparable or identical indicators may be feasible.

Results packages mobilize specific tactics to achieve results in particular settings. Performance indicators for results at this level can be expected to vary enormously, given the diversity of settings and tactics. And it is in results packages that we should see the most direct and pervasive use of performance information to guide ongoing implementation.

The use of comparable performance indicators should be encouraged for similar programs. This is particularly true for strategic objectives and key intermediate results, which should be directly relevant to broader agency-wide goals. Wider use of comparable indicators would greatly facilitate the Agency's efforts to demonstrate to external constituencies, including Congress, that we are producing measurable improvements in sustainable development.

One way of maximizing the selection of comparable performance indicators might be through menu-driven indicator selection guidance available as part of a computerized results information system. Such a system would inform managers how other operating units are measuring performance against similar objectives, what the technically most

desirable indicators might be, or (in a few cases) what specific indicators the Agency might require for particular programs. Such a menu-driven system would in most cases permit operating units to choose their own unique indicators, if none of the suggestions were relevant or practical to the program as the operating unit had defined it.

An electronic version of such an indicator selection menu, developed by the USDA's Agricultural Extension Service is already being used by state and local extension offices nationwide. The basis for a similar USAID menu can be found in the analytical frameworks (developed by the Bureau for Policy and Program Coordination (PPC), with input from Global, based on objectives and indicators from 90 missions and offices) that structure mission objectives in an Agency-wide results hierarchy. Indeed, a prototype of such an indicator menu has already been developed by CDIE for USAID's child survival programs.

### **(3) Setting Performance Targets**

While the choice of performance indicators clarifies objectives and identifies appropriate dimensions or scales for measuring performance, it does not set explicit performance targets -- the amount of change to be achieved in a given time frame. For example, a country strategic objective for reduced population growth may be measured by a performance indicator such as total fertility rate, but precisely how much do we expect this fertility rate to decline over the next 8 years?

Specifying appropriate performance targets, that are ambitious, but achievable, is not easy. Experience, judgment, and local knowledge will, of course, always be important in setting targets. And, given the complexity of development, it may generally be more appropriate to specify high and low target ranges, rather than a single precise figure. But more and better organized information can be marshalled to help operating units select targets that are meaningful. Some of the tools that should be used include:

- **Better baselining.** It is difficult to establish a reasonable performance target without some idea of where we are starting. Even more important, in many cases, than establishing a single baseline value at the beginning is understanding the underlying trend (pattern of change over time) in the indicator by which our intervention will be measured. Directly measured baselines are not always necessary, feasible, or even desirable. Sometimes a well-established trendline will be sufficient as will a baseline imputed from a comparable setting or secondary statistics. Some basis for "before/after" comparison is, however, essential.
- **More extensive customer surveying.** Performance targets, like indicators and objectives, should reflect extensive customer input that clarifies what intended beneficiaries want, value, and need and what development partners can reasonably deliver. Depending on the problem and the local setting, customer surveying might involve formal interviews or questionnaires, rapid appraisals, or simply conversations with customers and their representatives. Such customer surveying will also provide an opportunity to test and "ground-truth" data about development

conditions and customer wants and needs available from other sources.

- **More easily accessible research and evaluation findings.** In some problem areas, such as population or health, extensive research findings on development trends are already widely available. In other areas, such as environment and democracy, much fundamental research on "performance" trends remains to be done. Even in the best cases, though, this information is not always easily available to inform planners establishing performance targets. Broader and deeper involvement by relevant technical staff in results planning and implementation teams will certainly help, as will easier and more direct access to the Agency's development experience through the corporate information system.
- **Better internal benchmarking.** Comparable data on targets established for other similar objectives throughout the Agency can play an important role in target setting. But information on the targets that have been established and the results actually achieved for comparable strategies throughout USAID is not easily available. One possible approach would be to incorporate this information as part of the menu-driven computer system described earlier. A user could, for example, then select from a computer menu an appropriate objective in the analytical framework to get a list of possible or recommended indicators, and then select a specific indicator to access data on internal benchmarks or "best practices" targets and results. Indeed, this kind of indicator menu might even be expanded as entry point into broader data on external benchmarks, research findings, and USAID's wider development information system.
- **Better external (strategic) benchmarking.** Comparable data on targets and results for similar strategies by other donors, agencies, or host governments is even more difficult to obtain. Unlike information on internal benchmarks, which could be obtained by directly accessing data on targets already input by other operating units, information on external benchmarks would require separate data collection, analysis, and entry – most likely by the Global Bureau or PPC. Once analyzed, however, these external benchmarks could be accessed through the same menu-driven computer system.

Identifying objectives, selecting indicators, and setting targets is about distinguishing good results – the changes we want and think we can achieve for our customers -- from less good or bad results. Doing this well requires external inputs and comparisons. We can't, after all, tell if a result is worthwhile without understanding the wants and needs of our customers. We can't identify our contribution to solving a problem unless we understand the social, political, economic, and technical conditions that problem reflects. We can't estimate how much change we can achieve unless we know where we are starting and what has been achieved in similar programs or settings. Judgments based on benchmarking from research, evaluation, or performance monitoring are an essential part of our development planning.

#### **d. Roles and Responsibilities in Analyzing and Using Performance Information**

Judging results is a continuing process of collecting, analyzing, reviewing, applying, and reporting performance information by every operating unit. Different levels and parts of the Agency, however, have very different roles and responsibilities.

##### **(1) Agency-wide Functions**

USAID's new "strategies" define broad agency-wide goals and priorities, identify preferred practices and ways of doing business, and describe a range of acceptable strategies at an operational level. They are not an explicit "strategic plan" through which the Agency will accomplish agency-wide goals so much as a "strategic management framework" in terms of which explicit plans for country or substantive strategies are developed. In that sense, they are similar to the results frameworks that will guide decision-making by strategic objective teams within operating units. The broadness of the agency-wide goals recognize that USAID's "manageable interest" or ability to achieve desired results can most often be defined in relation to country specific opportunities and constraints which are best formulated through the operating unit level strategic plan. The need for the agency to develop a more explicit "strategic plan" by 1997 is discussed in further detail in Chapter 2.

Reporting performance against agency-wide goals is more than a simple aggregation of results from operating unit strategies. For the most part, agency-wide goals represent very ambitious achievements; results that operating units contribute to, but are by no means solely responsible for; and which are usually well beyond their "manageable interest."

Measures of performance against these agency-wide goals are often found in national (or even regional and worldwide) economic, social, environmental and political statistics available from secondary sources or through special data collection efforts. While we can sometimes "add up" relevant results achieved by our country programs as one measure of performance against worldwide goals, more often these results simply provide examples and "evidence" that we, in fact, contributed substantially to some higher level outcome. The most appropriate analysis and reporting model is probably represented by the Africa Bureau's summary performance report for the Development Fund for Africa or the Global (G) Bureau's child survival report.

Yet, reporting on overall agency-wide performance will certainly be required for the Administrator, for the Congress, and for OMB under the GPRA. As a staff and analytical arm of the Administrator, PPC would have the primary responsibility for summing up operational level performance measures, evaluations, and case studies; for pulling together a wide range of secondary data on national and international trends related to agency-wide goals; and for analyzing this information to demonstrate USAID's achievements. This information and analysis would be conveyed through PPC's Annual Report on Program Performance and in the summary and overview sections of the Agency's annual Congressional Presentation. Regional bureaus and substantive offices (such as Global's Centers) would be expected to contribute to this agency-wide report; support special data collection and analysis activities in their subject areas; and also prepare supplemental

reports (sometimes explicitly requested by Congress) in their areas of responsibility.

The central bureaus -- PPC, Management (M), Global, and Bureau of Humanitarian Relief (BHR) -- also have other broad functions in relation to the agency-wide performance measurement. PPC, for example, is responsible for conducting central, programmatic evaluations that cut across particular country programs. PPC also has the lead in establishing agency-wide policies and goals (through an agency-wide strategic planning process), for assuring that operating unit objectives and results appropriately reflect these agency-wide policies and goals, for establishing agency-wide standards and procedures for performance monitoring and evaluation, and for helping operating units understand and implement these standards and procedures. The G Bureau is responsible for advising PPC on the technical adequacy and appropriateness of particular objectives and indicators and for assisting missions in identifying objectives, selecting indicators and targets, and measuring performance in particular substantive areas. BHR plays a similar role with regard to PVOs, Food for Peace, and other humanitarian and transition initiatives.

With assistance from PPC, M is responsible for translating performance measurement policies and procedures into a computerized agency-wide results information system through which performance data can be stored, analyzed, reported, and shared. M also uses this performance data for agency-wide analysis and reporting related to its own mandate and responsibilities. This might include, for example, analysis of resources spent to achieve results, analysis of human resource requirements across objectives, summaries of planned and actual results, and so on.

## **(2) Bureau Functions**

As the next management level, bureaus are responsible for periodically reviewing and approving operating unit **strategic plans**. Bureaus must be convinced that a strategic plan appropriately reflects country opportunities and constraints; incorporates sufficient customer and partner participation; identifies significant and achievable strategic objectives; and provides reasonable resource estimates. The approval process also encompasses input and clearance from PPC regarding consistency of strategic plans with agency-wide policies, from M regarding budgetary feasibility, and from G regarding technical adequacy. It is anticipated that strategic plans will be thoroughly updated periodically, though specific modifications could be made in the interim, typically as a result of an operating unit's Results Report and Resource Request.

Bureaus will also review and approve each operating unit's annual **Results Report and Resource Request**. This will involve a review of results achieved and progress made towards strategic objectives and intermediate results in the previous year, the continuing validity of key assumptions, planned tactics (activities) for the coming year, and resources requested for their implementation. While there is no simple formula relating future funding to specific levels of results achieved, bureau resource allocation decisions within and across operating units should clearly reflect available performance information and judgments about where resources are likely to have the greatest impact on results. Bureaus will assemble these resource decisions into an overall bureau budget submission.

Bureaus may also prepare other evaluations or analyses of performance against strategic objectives across some or all of their operating units or in particular substantive areas of special interest to the bureau. This would be particularly relevant when there are bureau-specific policies or goals that need to be addressed.

### **(3) Operating Unit Functions**

Operating units periodically prepare strategic plans, which include results monitoring and evaluation plans for each strategic objective. Each year, every operating unit also assembles a Results Report and Resource Request (R4) covering all of the strategic objectives included in its plan. While preparation of the R4 will normally require some central coordination and analysis by the operating unit, most of the analytical work will be conducted by individual strategic objective teams and results package teams.

Depending on the nature of the strategy and its monitoring & evaluation (M&E) plan, operating units might also implement key strategic evaluations that cut across individual objectives, monitor selected countrywide conditions, survey customer needs and satisfaction, or track important assumptions. Operating units would be expected, typically, to establish an overall monitoring and evaluation team, including representatives from each strategic objective team.

Operating units are also responsible for reviewing progress in achieving strategic objectives, assessing the need for any changes in the strategic plan, and approving resource requests across strategic objective teams. Operating unit management would be expected to conduct such internal results and resource reviews periodically, at least annually, most likely coordinated by the M&E team. Such reviews would also have substantial involvement by customers and partners.

### **(4) Strategic Objective and Results Package Functions**

Strategic objective (SO) teams are responsible for: defining the key results to be achieved and establishing related results packages (RPs); reviewing, analyzing, and reporting on results actually achieved; creating additional results teams when needed; and allocating resources across results packages contributing to the objective. Similarly, results teams are responsible for: analyzing and reporting performance against their expected results; identifying other results that need to be monitored; managing activities and resource allocations within the results package; and planning and funding future results package activities. Strategic objectives and results packages fit within an overall results framework defined by the operating unit's strategic plan. Both SO and results package accomplishments will be judged on the basis of this framework, but both are also responsible for assessing the framework's continued validity and for recommending modifications, as appropriate.

Monitoring and evaluation are first and foremost internal management functions: a source of information on the effectiveness of the actions being undertaken to achieve SO and RP results, and an essential basis for informed decision-making by SO and RP teams. The SO

and RP teams are not only responsible for monitoring results that represent previously agreed objectives with the next management level, but also any additional conditions or results needed to manage SO and RP activities. The SO and RP teams are also responsible for planning and implementing formal or informal evaluations to test key results hypotheses or to answer questions suggested by results feedback. Such monitoring and evaluation enables SO and RP teams to judge the continued validity of development hypotheses reflected in their strategy and tactics and to recommend changes needed in resource levels or expected results.

#### **e. Planning, Funding and Staffing Monitoring and Evaluation Activities**

In a results-based operating system, appropriate monitoring and evaluation is not an option, but a requirement. Our ability to identify expected results, measure actual results, and understand why we are succeeding or failing is the essential basis for approving plans, allocating resources, and making decisions. It is also the source of accountability that enables authority to be delegated to responsible decision-makers doing development on the ground. It is a critical internal management responsibility, requiring direct-hire involvement and attention. Fulfilling this responsibility requires new skills and abilities that may necessitate substantial retraining for existing personnel, as well as easier access to outside data collection and analysis expertise.

Additionally, there are times when external validation and judgement by disinterested outsiders will also be necessary. This is especially important, for example, for final, evaluations that identify broader lessons learned as a basis for follow-ons. In contrast, "formative evaluations" aimed at specific management improvements and "strategic evaluations" that assess specific operational hypotheses are likely to require direct management involvement.

External evaluation does not, however, necessarily mean completely independent outsiders, but rather evaluators external to the immediate operating unit. SO teams, for example, review and evaluate the performance of individual results packages, just as bureaus review and evaluate performance of specific operating units.

USAID's central monitoring and evaluation activities are planned and funded through PPC/CDIE, and other central offices also directly plan and fund monitoring and evaluation activities in their subject or geographic areas. Similarly, operating units need to plan and fund unit-wide monitoring and evaluation activities. This could either be a separate item in the strategic plan, budgeted for each relevant SO, or some combination. Additional monitoring and evaluation activities would be planned and funded by individual SO and results package teams.

#### **f. Ensuring Accountability for Results**

USAID is fully committed to becoming a "learning organization" that "manages for results." If "managing for results" means that every individual is specifically responsible only for achieving expected results -- and rewarded or sanctioned accordingly -- there is a danger

that staff will pursue risk averse strategies aimed at relatively trivial results that are within their direct control.

To achieve sustainable development -- USAID must reach high and take risks. USAID must leverage resources and mobilize partnerships to achieve "strategic objectives" that are well beyond our direct control. Results that are within our "manageable interest" cannot necessarily be guaranteed by our intervention alone, but can be substantially influenced by our efforts.

In reaching high to achieve a significant result, we will also occasionally fail, and must learn from this experience. Individual managers, then, should not necessarily be penalized for failing to achieve some specific results, but should be evaluated on how well they "manage for results" in all their programs: whether they have clear objectives and targets, collect adequate information to judge progress, adjust strategies and tactics accordingly, and over time make a significant difference.

What, precisely, it means for individuals to be accountable for "managing for results" will have to be more fully answered by the Human Resources BAA in its precepts for employee performance appraisals. Some of the underlying principles that these precepts should reflect include:

- USAID staff contribute to the achievement of significant development results, but are jointly responsible with customers and partners for results achieved.
- The scope of USAID's manageable interest is the extent to which an operating unit believes it can materially affect a selected development result using its own human, financial, and other resources. All strategic objectives (SOs) should be within USAID's manageable interest.
- USAID staff are fully accountable for "managing for results" and are responsible for taking whatever actions are needed to enhance the prospects for achieving significant development results.
- The achievement of results is one indicator of success in "managing for results," but is not the only or necessarily most important indicator. Failure to achieve expected results must, however, be explained. Continued failure by an individual or organizational unit to achieve expected results over time should be grounds for special management attention and concern.

With the above principles in mind, what does managing for results at the individual level in USAID mean in terms of "taking actions" and being accountable for them? Listed below are examples of the kind of evaluative questions that should guide EER/PAR development for USAID staff.

*For SO/RP managers during the performance period:*

- Was the team assembled, motivated and effective in doing its work?
- Was the type of partnership selected fully reflective of the core values and particular development situation?
- Was the partnership mobilized and engaged in support of achieving the development results?
- Were the available resources deployed in a timely and effective manner?
- Was needed feedback from customers, from monitoring and evaluation, as appropriate, obtained and used by the SO/RP team in implementing the SO/RP?
- Was any needed redirection of tactics and tools to enhance the prospects for achieving the significant development results accomplished by the RP team? Was this redirection effective?
- Was continuity of team effort maintained despite team member turnover?
- What development results were achieved (intermediate, etc.) during the performance period?
- Were appropriate problems raised and resolved in a timely manner with the SO team/manager as needed?
- Were lessons learned, if available, fully documented?
- Were evaluations of team members completed and accurate in documenting their performance and potential?
- Were evaluations of partners/contractors completed and accurate in documenting their performance?

*For SO/RP team members during the performance period:*

- What development results were achieved (intermediate, etc.) during the performance period by the team?
- Was the designated role of the team member fulfilled?
- Were the team tasks assigned to the team member completed and effective?
- What was the full contribution of the team member to the RP effort?
- Was the members' evaluation of team managers fully reflective of his/her performance during the period?

*For senior USAID operating unit managers during the performance period:*

- Were the strategic plans fully reflective of the agency's emphasis areas and the operating unit's scope of concern?
- Were strategic plans revised, as needed, to reflect significant changes in the development context, new Agency priorities, or experience gained through implementation?
- Were necessary authorizations and approvals for strategic plans decided in a timely and well-reasoned manner?
- Was agreed to support provided to SO teams and managers? Was support for major changes in direction of SOs provided?
- What development results were achieved for SOs of the operating unit? Was this

sufficient in light of the development context and Agency parameters?

- Were performance agreements fully reflective of necessary delegated authorities to SO managers and completed in a timely manner?
- Were SO managers and teams evaluated against those agreements in a complete and timely manner?
- Did the SO team authorize a set of RPs that will deliver agreed to SO results?
- Did the team/manager monitor and adjust RP's, in response to increased knowledge about the development setting to insure SO result achievement?
- Were problems raised by the SO/RP manager dealt with effectively in a timely fashion?

*For USAID managers evaluating partners during the performance period:*

- Did they deliver on their commitments agreed to in developing the SO/RP?
- Did they fully engage customers during the performance period?
- Did they make full contributions to team decision-making in needed changes in tactics/tools as the SO/RP effort evolved?
- Within the partnership, what contribution to achieving results did they make?

### **3. IMPLICATIONS FOR MANAGEMENT AND FOR OTHER BAA'S**

Our ability to validly judge performance, and to use these judgments in adjusting our strategies and tactics, is the linchpin for results-oriented development assistance. But effective judging depends greatly on other reengineering and reforms. It requires:

- Strong and consistent leadership that provides clear vision, values, and priorities to guide results-oriented management;
- Empowered staff who have the authority to alter development strategies and tactics based on results achieved and customer feedback;
- Procurements that deliver needed goods and services quickly, as tactical requirements change;
- Resource allocations that enable flexible use of inputs where they can contribute most to achieving results;
- Partnerships that reflect clear, shared understandings of objectives and roles;
- Teamwork that effectively mobilizes required expertise wherever it resides;
- Human resource management that provides incentives and rewards for "managing for results and teamwork;"
- Financial accounting that provides timely and accurate information about the resources used to achieve results;

- Monitoring and evaluation that obtains needed performance information and convincingly analyzes it; and
- Information systems that make performance data easily accessible and available wherever and whenever needed.

None of this will be easy. And little will be possible without a broader "cultural" transformation in which the achievement of development results truly becomes the Agency's ultimate bottom-line.

#### **4. OTHER CHALLENGES TO ACHIEVING SUCCESS**

Decentralization, the delegation of responsibility and authority to staff and partners on the development frontlines, is one side of a two-way street. The other is accountability for the use of this delegated authority and responsibility. Judging results is the vehicle through which this accountability must be assured.

But for judging results to work, accountability must be viewed less as negative controlling and checking and more as an opportunity for positive learning from experience.

One key to making "judging results" work is the character of the review process through which adjacent management levels assess performance and decide on the actions to be taken based on this performance. This process must, of course, be disciplined. It must be unequivocally clear that results really do count and that performance monitoring and evaluation is not just another resource allocation "game." Even more important, it must be made clear that results are serious business, reflecting our commitment to making a difference for our customers, to learning from experience, and to making necessary changes for the future.

The Agency's senior political leadership will be critical in setting the tone for this process through their own management of bureau reviews of operating unit performance. If these reviews are serious, and disciplined, and substantive, but focused more on identifying solutions rather than criticizing problems, this tone will cascade downward in reviews throughout the Agency.

## CHAPTER 5

### BUDGETING, ALLOCATION, OBLIGATION AND AUTHORIZATION

#### 1. INTRODUCTION

Budgeting and resource allocation issues embody the core values of empowerment and accountability and of results-focus. We have attempted to develop a system which places authority over resources at the same level as responsibility for results, as well as a system where budgeting, allocation, and obligation will be by strategic objective (SO). The SO will be our primary point of reference in strategic planning and annual budgeting, as the project has been in the past. The intent is to focus attention on objectives and results, and the resources necessary to achieve them, rather than on inputs and their costs and delivery schedules. However, data supporting resource requests will be available through the information system maintained by strategic objective and results package teams and the accounting system.

The budgeting and allocation of financial resources is a process which incorporates the intent of Congress, Agency priorities, assessments of planned and achieved results, selected approaches, and operating unit analyses of individual development assistance environments and customer needs. It is a process which has time frames dependent on the nature of the decisions being made, ranging from a few weeks to about eight years. In defining these processes, the Operations BAA team worked with the budget BAA team to avoid any apparent inconsistencies and hopefully to strengthen each other's analytical framework.

Budgets will be prepared for at least three purposes:

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

While this budgeting system emphasizes empowering managers responsible for achieving development results by giving them the authority and responsibility to budget for and expend funds to achieve results, there may be instances where funds need to be allocated to entities other than the responsible operating unit. Where this is done, funds will continue to be associated with the operating unit's strategic objective. For example, funds for an activity within a specific country program may be allocated to the Bureau for Humanitarian Response (BHR) for obligation but nonetheless will show as part of the overall country strategic plan's resources. One exception to this might be funds both budgeted and allocated to BHR which have no specific country association at budget time, e.g., emergency food relief. Similarly, funds for an activity to be implemented through a

Global Bureau-managed contract may be budgeted as part of a specific country plan, but in some circumstances could be allocated to Global for obligation into the central contract. Decisions about allocations of expected funds can be made at any time during the budget process, given agreement of all parties concerned, but because both final budget allowances and country situations are highly changeable, it is expected that actual allocations from operating units to central bureaus would normally be made only after the operating unit receives its final budget allowance.

## 2. BUDGETING OF FINANCIAL RESOURCES

### a. Parameters

The budgeting of USAID'S financial resources occurs within parameters defined by those with authority and responsibility over some aspect of results achievement or resource allocation. The Agency's budget is developed within parameters set by Congress, the Office of Management and Budget (OMB), and the State Department. An operating unit's budget is developed within parameters set by Agency and bureau management (which reflect parameters determined outside the Agency). And the strategic objective and results package budgets are developed within parameters defined by the operating unit (again, which reflect higher level parameters). The parameter setting process occurs both when strategic plans and/or strategic objectives are generated or revised, and during the annual budget cycle. This overall approach is designed to ensure that a balance is struck between the desires of those closest to the problem and responsible for results, and those responsible for guiding the overall direction and achievements of the Agency.

Three factors play important roles in this process:

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

Particularly important to parameter setting is the earmarking of funds by Congress. Traditionally, a major way in which Congress has influenced the Agency's resource allocation is by setting obligation earmarks, either soft or hard, in areas which are of particular interest, e.g., child survival and population. While recognizing Congress' role in this process, the Operations BAA team believes that the intent of Congress, to ensure that the Agency achieves certain objectives as efficiently and effectively as possible, would be best accomplished through concurrence on those development objectives rather than through obligation targets. The process of defining the agreed-to objectives may involve

consideration of estimated financial amounts in order to develop a sense of magnitude of expected effort, but then the "contract" or "agreement" is for the results, not a specific dollar amount. In this way, the Agency is encouraged to manage for sustainable development results, rather than the expenditure of a specific dollar figure.

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

The Agency generally will not attempt to specify at the outset of the budget process a level of funding for each of the five agency priority areas. As exceptions, it may choose to do this in areas where there is a well defined set of agency-wide goals and planning will be done centrally rather than at the country level, and where there is a hard or soft target which the agency is responsible for meeting. The budgeting and accounting system will be able to provide planned and actual obligation and expenditure information by priority area, but this will be derived from aggregating data in the system, not by establishing predefined targets that drive the allocation process. USAID/W influence over resource allocation to individual strategy areas should be conducted through the strategic planning process -- if it is determined that more resources should be going to specific strategy areas, then operating unit plans should be directed to reflect those priorities. To attempt to direct resources to agency strategy areas through the annual budget process may have short-term benefits in terms of meeting spending goals, but it negates the effectiveness and purpose of strategic planning, and thereby weakens the long term goal of sustainable development.

It has been argued that the political imperatives which drive many determinations of country levels represent a contradiction to the results-focused reengineered operations system, or that where such directives are particularly strong (e.g., Russia and the New Independent States (NIS)), that the new system is not applicable. In fact, it is likely that USAID will always have country funding levels heavily influenced by political and geo-strategic considerations. What matters is -- once a level has been determined, that we are able to plan for and achieve sustainable development results. Therefore, the issuance of specific funding levels or targets merely defines the overall resource level to support development activities, and should in no way be used as an excuse for not planning to achieve specific measurable results.

It is important to the success of the reengineered operations system that the parameters be defined and published each year in the early spring, i.e., March-April. There will always be uncertainties at this time, since Congress will not yet have determined appropriation levels for the coming fiscal year, and since the world in which USAID works is a very dynamic one. Nevertheless, if the budget cycle is allowed to proceed without this guidance,

missions and other operating units will be forced to plan in a vacuum, and it is highly likely that the results will not meet the Agency's overall strategies and targets, and will need to be redone after the fact. The Operations BAA recommends that the issuance of parameters, as well as the rest of the budget process described in this chapter, be implemented by spring, so that we can establish the basis for operating under the new reengineered system in FY 96 beginning in October 1995. This is consistent with existing guidance that all operating units should have strategic plans in place by spring.

The parameter-setting process is described as a Washington-driven process, but it should be clear that there is a continuous feedback loop from the field -- reinforced by the new information systems to come -- and the parameters will be heavily influenced by input from the field.

#### **b. Strategic Plan Budgets**

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

These budgets will be captured in a database, and can be aggregated to provide Agency-wide projections of spending plans well beyond the two year timeframe of the federal budget process. These projections also can serve as "parameters" of sorts, guiding the Agency in setting future directions and spending priorities.

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

#### **c. Annual Budgets**

##### **(1) Purpose and Content**

Annually, a *Results Review and Resource Request (R4)* will be prepared by each operating unit for the purposes of demonstrating performance and requesting a budget for each of two following years. An "operating unit" is defined as an entity which uses program funds to produce a measurable development result. This will include missions, as well as some offices/bureaus in USAID/W. These documents will provide information for the Congressional Presentation (CP), will provide for the upcoming fiscal year more precise resource requirements and a plan for their allocation for obligation purposes, and will serve

as a reporting document on progress toward achieving the agreed-to strategic objectives.

To justify the budget request, each operating unit will:

- verify the continuing validity of the strategic objectives (i.e., are results being achieved as planned, is the situation in the country still supportive of achieving the objective, do the budgeting parameters necessitate a shift to another objective?);
- describe progress toward achieving results made to date, and expected progress for the upcoming two fiscal years, along with any additions or modifications to the monitoring plan; explain how any deviation from the planned resource levels in the current year operating year budget (OYB) has affected the results achieved, and how the current pipeline relates to the levels requested;
- propose a resource request (program funds as well as related operating expense (OE) funds and FTEs, plus USAID/W or other technical support required), along with a brief description of planned activities associated with expected results;
- describe any resources required for non-strategic objective activities (if any), e.g., projects being phased out, targets of opportunity, etc., including, to the extent possible, measurable results for each;
- update relevant other donor program descriptions; and,
- where appropriate, provide alternative planning scenarios, e.g., how would the plan change if an upcoming election in the host country goes one way or another, what would be the approach if resources are drastically cut as has been suggested, how could additional resources be used (or not) if they are known to be available, etc.).

The level of detail on expected activities and associated funding need not be great, but it will be important to provide some breakdown below the level of strategic objective, so that USAID/W has some basis for decision-making. The specification of how the requested funds are to be used is not intended to limit operating units' subsequent flexibility to redeploy resources based on the situation at the time. Much of the content of the results report and resource request will be available directly from existing results package data files.

## **(2) Description of the Process**

***Operating unit preparations:*** The budget request process formally begins with the issuance of guidance (which will include parameters as described above) from USAID/W. With guidance in hand, operating units will proceed to develop budget requests for the next two fiscal years. Typically, strategic objective teams in the operating units will review results achieved and those which are planned, the budget estimates in the strategic plan, pipelines, and the resource requirements for continuing and planned activities. They will prepare input for the results review and budget estimates for their respective objectives.

The results report and strategic objective resource requests will be reviewed by operating unit management, revised if necessary, and aggregated, along with other budget information not included in those requests, into an operating unit request by individual objective (plus administrative costs). During the course of all of these proceedings, there likely will be discussion between the operating unit and USAID/W as specific issues or need for clarification arise.

**Central bureau preparations:** To the extent that central bureaus are not directly responsible for strategic objectives defined in terms of specific development results to be achieved, they will instead prepare resource requests based on providing field support, doing research and development, providing technical leadership, prepositioning humanitarian relief supplies, strengthening private volunteer organizations (PVOs) and other partners, etc. These purposes may actually be expressed as objectives, but they should be distinguished from strategic objectives. These other, important objectives will be defined as strategic support objectives (SSOs). Central bureaus are encouraged to develop SSOs and use these as the basis for budget requests.

In their resource requirement plans, central bureaus will include a plan for coordinating activities with field missions for those components of their strategic plans which will require consultation with and/or provide support to field missions. In the case of field support, budgets should be developed based on the submission of requests from field units, so these plans will need to be developed after the initial submissions from the field have come in and been reviewed. While a central bureau might define an SSO for field support in terms of *quality* of support provided, the *volume* of support should be field-driven.

Emergency situations represent another special case for planning and budgeting. True emergencies (e.g., natural disasters) cannot be planned for except in general program-level terms, but the measurement of the results of our emergency aid is still important. Where we are pre-positioning disaster relief in a country, however, there should be clearly defined objectives (not necessarily *strategic objectives*, as we have defined them), with measurable results.

**Submissions to USAID/W:** Submissions would be due in June. Some bureaus may want an earlier start on the process, but this means that the time gap between the planning/budgeting process and the years being planned for is greater; on the other hand, a later submission could short-change the review process in Washington, particularly where one geographic bureau has large numbers of mission requests to coordinate.

**USAID/Washington Review.** Reviews in USAID/W will be managed by the respective central or regional bureau and will focus on the continuing validity of the strategic objectives, results achievement to date, and expected future results. As a result, reviews will not result in prescribing implementation interventions, although the quality of implementation and the nature of tactics chosen could be subjects for review if results differ substantially from those projected.

The operating unit (and other) requests are described above as one-time events, but in fact the process is an iterative one, probably with substantial communication between USAID/W and the respective operating units as requests are formulated. Reviews in USAID/W will take place from mid-June through mid-August. The intent is to use the automated budgeting system to allow all interested parties access to the data at the same time, and to automate the formerly tedious chore of aggregating over 100 separate submissions to determine the total requests for a given target or priority area. The lead bureau will then convene a review session with all parties present, and make decisions on the operating unit request. This is in lieu of the current system of multiple reviews done on a serial basis. The reason for allowing two months for these reviews, then, is to permit thoughtful analysis and discussion by all interested parties, where many of the central bureau representatives (as well as top management of the geographic bureaus) will need to focus on a large number of requests.

Where plans are more or less on target and the budget request does not deviate substantially from the projected level, reviews should be noncontroversial and there should be little if any intervention by USAID/W in implementation matters. Where there have been significant changes in the assistance environment, difficulty in achieving expected results, or major revisions to objectives, reviews may be more intensive and prolonged.

While a system of managing based on long-range strategic plans and the issuance of clear parameters at the start of the process may reduce the number of instances where headquarters is unable to provide the resources requested by the operating unit, there will inevitably be times when differences must be resolved. There is no simple mechanical way to translate performance into dollar levels. More work needs to be done to define an evaluation matrix to guide the resource allocation decision process. Factors to be considered could include country performance, results achieved to date, likely payoff from additional investment, etc. However, it is important to note that such a tool can only aid -- not replace -- expert management judgement.

The results review and resource request report (R4) will provide information for the OMB submission and the CP, will provide more precise resource requirements for the upcoming fiscal year, and will serve as a reporting document on progress toward achieving the agreed-to strategic objectives.

If major changes did not occur in a country or office situation, in resources appropriated as compared to the agency's request, and/or in the agency's priorities (self-determined or otherwise), the allocation of funds to an organizational unit would resemble its approved budget. However, specific country or office budgets would have to be revisited when USAID's actual appropriation incorporates or leads to requirements not anticipated at budget preparation time. In addition, revisiting would occur because appropriation levels differ from planned levels and adjustments have to be made to final allocations. A conflict resolution method must be designed to resolve allocation issues among organizational units which would be a collaborative process, but may additionally involve central direction.

### 3. ALLOCATION OF FUNDS AND AUTHORIZATION

At the time appropriated funds are allocated within the agency, decisions will have to be made as to which operating units will receive the allocation. The guiding principle for the operations BAA is empowerment and accountability -- the idea that authority over resources to achieve results must be assigned where the responsibility for producing those results lies, since that is where the best decisions can be made. This is basic to any reengineering exercise -- authority must accompany responsibility. In the reengineered USAID, we see primary responsibility for producing results as being usually with the missions, although as explained elsewhere some USAID/W offices also will have specific strategic objectives against which program funds will be allocated. The result is a strong bias toward allocating most funds to the field. The field, not Washington, is in the best position to make decisions on flexibly redeploying assets to achieve results -- results for which they are to be held accountable.

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

The allocation process under the new budgeting and accounting procedures should function much more smoothly than the existing OYB transfer process. As explained in Chapter 7, the procurement chapter, some centrally positioned contracts will require forward funding and some will not. For those that do, the intent is to have a mechanism which easily places funds with the appropriate operating unit for obligation and which at the same time allows the association of those funds with a different operating unit -- the one which has responsibility for achieving the related objective and the authority over deciding how its funds are used. That is achieved through the budget and allocation process described above, combined with other budget and accounting reforms taking place within the budget and AWACS BAAs.

Generally, the actual allocation of funds to organizational units would be done electronically, by strategic objective. Strategic objective managers, or where appropriate, results package managers, would have responsibility for achieving the expected results, and authority over the utilization of funds to achieve those results. Allocation should occur

within one month after the appropriation is received. If budget uncertainties make full allocation impossible, then all but the required contingency amount should be allocated, rather than holding up the entire allocation.

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

#### 4. OBLIGATION

Obligation of funds may be through bilateral agreements, grants, cooperative agreements, contracts, or interagency agreements. When bilateral agreements are used in the field, obligation normally will be by strategic objective to achieve the following purposes:

- ensure the involvement and commitment of the host country government in the planned activity in that country;
- focus the commitment of both parties on the achievement of the objective;
- provide increased flexibility as to the specific activities to be funded;
- permit earlier obligation of funds by meeting adequate planning requirements but without the necessity of preparing a detailed project plan, and thus permitting earlier startup of development activities; and
- provide more predictability and certainty to missions, and avoid the rush to complete obligations by fiscal year-end.

The mechanism for obligating at the strategic objective level will be a three-part agreement: a strategic objective "umbrella" agreement, the obligating document, and the standard provisions. The first two of these are described in more detail below.

- **Strategic objective agreement:** This is the umbrella agreement between USAID and the host country that defines the long-term objective and the results sought, defines targets, indicators, and how results data will be collected, describes (in broad terms) the contribution each party expects to provide, and defines the responsibilities of each party. The agreement will contain a stipulation that future contributions will depend both on availability of funds and on results attained. The SO agreement achieves the purpose of defining mutually agreed objectives, independent of any funds obligation, and, indeed, could be usefully employed with other partners outside of the bilateral obligation context.

- ***Obligating Document:*** This portion of the agreement defines plans for activities to be funded with current year funds, specifies the results to be achieved, designates the specific parties who will be responsible for each activity, specifies the funds to be obligated, and any conditions precedent to disbursement. Such a document will presumably be necessary for each year of a multi-year objective, unless the SO is fully funded at the outset, which is generally discouraged under a results-based flexible planning approach. (Thus, the obligating document would be an amendment to the SO agreement after the initial year, and would be conditioned on achievement of a satisfactory level of results.) As is current practice, the obligating document would contain language leaving USAID the option to deobligate funds unilaterally if needed.

The obligating document can define planned activities in one of two ways, either of which satisfy the legal criteria for adequate planning prior to obligation. Activities can be described, with associated funding, such that the intent is clear, e.g., "\$1 million for a technical assistance contract for policy reform, \$2.5 million for commodity purchases, etc." Obligation for these activities may be based on planning detailed in the results package planning system. Under this approach, the obligation may stipulate (if agreed to by the host country) that USAID may initiate spending/subobligation actions (e.g., a contract action under the SO) according to an already agreed-to plan without further clearance from the host country.

Alternatively, if the specific activities have not yet been defined, the obligating document can contain illustrative activities with indicative funding levels (within the total to be obligated for the SO) and objective criteria for selecting and approving the activities eventually implemented. Under this approach, it is not necessary to describe with precision at the time of obligation the specific activities to be performed; instead, the tradeoff is that the two parties to the agreement must agree at a later time on the selection of activities under the criteria specified, before they can be initiated. The Operations BAA envisions that this approach, or a combination of the two described here will become most common. For example, an obligating document might specify \$1 million for technical assistance, \$2.5 million for commodity purchases, and \$1 million for experimental subactivities "of the following nature..., to be mutually agreed upon based on certain selection criteria..., and approved via a specific mechanism...."

This will permit the negotiation of an agreement with the host government as to the results to be achieved and respective commitments without the need to wait for the design of all intended activities. It will permit the early initiation of some activities, and allow more time to define/design later activities.

The notion of obligation by strategic objective has engendered a good deal of discussion within the Agency. There are both pluses and minuses to this approach in terms of flexibility. As already noted, this approach is not mandatory. Where the mission decides for whatever reason that bilateral obligation of part or all of the funds under a strategic objective is not desirable, obligation may be performed by any of the usual methods -- contract, grant, etc. In this case, the mission gains the flexibility of not having to get host

country agreement to execute, e.g., contract actions, but incurs the liability of having to meet year-end obligation deadlines. And of course, once the funds are obligated to a contract, it is much more difficult to change direction at that point, because deobligation is required. Under the SO obligation approach, the flexibility of being able to act unilaterally is given up, but additional flexibility to delay specific sub-obligation of funds until one is certain how they may best be used (even beyond the end of the fiscal year, if required) is possible.

## **5. IMPLICATIONS FOR MANAGEMENT AND OTHER BAAs**

The principle impact of this chapter on other business areas is how the account structure is defined. This must be consistent for the operations, procurement, budget, and accounting systems. The Operations BAA envisions a "work breakdown structure" within these systems that would track funds according to the following hierarchy:

- Agency Priority (e.g., pop/health)
- Area of Emphasis (e.g., child survival)
- Strategic Objective (e.g., a particular child survival SO for Kenya)
- Results Package (e.g., an immunization program)
- Activity (e.g., technical assistance for establishing clinics)

While allocation would be by objective to allow maximum flexibility and a focus on results, accounting would be at the more detailed subordinate levels, to provide tracking and accountability within the operating unit. For activities that are outside the strategic objective structure, they should still be assignable at the Agency priority and area of emphasis levels, and may even be defined as a results package.

The Operations BAA recommends that a given activity or dollar tracked in the accounting system be assigned to one and only one account at each of the above levels. While it is fundamental that our strategic development plans will seek to foster the synergistic effects of an integrated program, and that spillover effects will hopefully be extensive, we should not attempt to count the same dollar more than once against multiple objectives, as this will be read as "smoke and mirrors" by those most interested in tracking our spending -- i.e., Congress. The operations system seeks to ensure accountability by having a clear link between strategic objectives and their subordinate results packages -- and their respective teams. Additionally, there is probably a need to devise a separate system (or subsystem within the budget and accounting systems) for tracking "special interests", which may split funds or count funds twice, much as we do today with the AC/SI (Activity Code/Special Interest) codes. From an accounting perspective, this approach may be most appropriate at the subobligation or activity level, e.g., when issuing a specific task order under a strategic objective.

## **6. CHALLENGES TO IMPLEMENTATION**

The system described in this chapter is based on a strategic objective-level focus, and on providing flexibility to operating units in how they implement activities under those objectives, consistent with the Agency's shift to a results-based operation. However, there is an important caveat in this regard. As this report is being written, a major question is still unresolved: how much of the old "project" structure for congressional presentations (CPs) will Congress continue to require. While the CP will be presented in strategic objective and results terms, USAID for a time may have to supply additional expenditure detail. The Agency's intent is to demonstrate to Congress that it is more capable of achieving results with a reengineered operations system, clearly demonstrating its accomplishments, while continuing to follow prudent management and accountability precepts. The goal of the Operations BAA is that Congress will work with USAID towards developing a process of defining or agreeing to objectives (or results) rather than specific obligation amounts for specific actions. USAID can convince Congress that it does have a better approach to producing sustainable development results through the reengineered operations system.

## CHAPTER 6

### PARTICIPATION: CUSTOMER FOCUS AND PARTNERSHIP

#### 1. INTRODUCTION

The reengineered USAID operations system is built upon a commitment to increasing the participation of both partners and customers within development "partnerships" which is central to the core values of customer focus and teamwork. An expanded focus on servicing our customers, working through partnerships and teams, and increasing the participation of partners and customers in all aspects of our work is critical. Our efforts will lead to positive sustained development results that meet the real needs of the ultimate end users (the customers) in developing countries. Meaningful participation by customers and partners in planning should ensure that these real needs are identified and relevant strategic objectives selected, while participation in achieving the results helps to ensure that assistance reaches the intended customer. Teamwork and partnerships enable us to more quickly and more easily achieve desired results by utilizing the diverse skills and resources that each individual or organization brings to the work. Finally, participation and partnership help us to make the best use of our limited resources by focusing our efforts on priority problems and needs, and leveraging the contributions of partners who share our objectives.

The BAA's work was guided by the "Statement of Principles on Participatory Development" delivered by the Administrator in November 1993, and in particular by the following three principles:

"Democratizing the development process will be the cornerstone of our approach. ... We will now more consistently build opportunities for participation into development processes at all levels -- from community-level projects to the design of USAID's strategies."

"We will assure that USAID projects and programs are accountable to the end user"... "have mechanisms built-in to permit the 'clients' to tell USAID whether the services received from PVOs [private volunteer organizations] meet their needs"... and "give customers a say in the way those services are delivered."

"We will practice a respectful partnership with indigenous and American or international private organizations, ranging from non-profit development institutions to professional associations and businesses, that collaborate with us in providing development and humanitarian assistance. ... We will work together in ways that reflect our complementary strengths."

The BAA has benefited from, and tried to build upon several ongoing efforts within the Agency: the development of customer service standards, the exchange of ideas and lessons learned within the participation working group and the monthly Participation

Forum, and the initiation of work by the Bureau for Policy and Program Coordination (PPC) on a new policy framework for partnerships. USAID has made considerable progress in defining its customers and establishing such standards. Standards were established for one important link in the customer network - our domestic partners (private volunteer organizations (PVOs), universities, and contractors; standards for our overseas customers will be developed over the next 18 months). These efforts have been fully integrated into the Agency's reinvention and reengineering processes.

Interviews with staff throughout the Agency have revealed that many individuals and operating units are already putting the core values into practice; however, there is considerable scope for improvement if the Agency is to meet the mandate contained in Executive Order 12862 of September 1993 that our practices equal or exceed the "best in the business."

## **2. CUSTOMER FOCUS**

### **a. Focus**

A focus on customers is not new -- USAID has long been concerned with serving its "customers" in developing countries, and has utilized a variety of approaches to secure their participation in planning and implementing our development assistance activities. A strengthened focus on customers in the reengineered operations system will ensure that we are accurately addressing their needs; therefore making greater progress in delivering measurable and sustainable development results.

USAID will more consistently and systematically seek input from customers in the design, implementation and evaluation of our assistance. To the extent possible, we will seek to support the initiatives that people and organizations in the host country are already undertaking, and will support programs that are also embraced by our customers.

### **b. Identification**

In the early stages of any planning effort, USAID staff will begin the process of identifying customers and groups representing customers who should be consulted. The identification of customers is an iterative process, whose scope first widens and then narrows as the outlines of a strategic objective (SO) or results package (RP) become clearer, when well-defined target groups can be identified. Participatory planning techniques such as focus groups and surveys, as well as more unstructured methods, will be used to learn from these customers what their priorities are and what they perceive to be the key development constraints and opportunities. This information will be used to frame strategic objectives, to identify specific interventions, and to determine results expected. In using participatory approaches at the planning stage, we will exercise care to focus discussion at a level that is within our resources and capabilities in order to avoid raising false expectations and frustration. Strategic plans will contain a description of how customers and partners were consulted during the planning process, and how their input was incorporated into the decision-making process. Results packages (RPs) will also

elaborate on how customers will be involved in formulating, implementing and evaluating specific interventions under the RP. A modification of the logframe to highlight the role of customers will be done during implementation of the new operations system.

### **c. Communication and Feedback**

USAID staff have a dual role to play. They need to consistently involve customers and seek their feedback during the achievement process to determine whether our assistance is meeting their needs and also to ensure that our partners are also involving customers and seeking their feedback. This will be accomplished by various techniques for surveying how customers are affected and for measuring their satisfaction with the "products" delivered, including open forums where USAID and its partners engage in a frank dialogue with customers. USAID must also communicate back to these customers which of their recommendations have been incorporated into programs.

USAID has relied heavily upon some intermediaries such as PVOs and non government organizations (NGOs) to reach customers. Although this mode will continue to be useful in the future, USAID also needs to assure a customer focus for all partners and maintain lines of direct communication with customers to ensure success in meeting USAID strategic objectives and to monitor progress toward those objectives. It is not sufficient to utilize only information interpreted by partners or even self-selected representatives of customers. Adequate and accurate communication with customers is imperative for effective management at all levels within the Agency, from identifying Agency-wide priorities to to defining specific strategic objectives to implementing activities.

Some of these new approaches for improving customer focus will be utilized by the missions or offices that have volunteered to become "Experimental Laboratories" for one or more of the reengineering concepts. These "Reinvention Labs" will begin a formal process of surveying customers in order to fully integrate responsiveness into the reengineered systems, to test various tools and models, and to develop customer service standards. Each lab will decide what customer information it requires and which customers to survey, and will receive assistance as needed to implement its customer service efforts. This assistance may be in the form of training staff in surveying and participatory approaches, providing technical assistance, or simply supplying information on a variety of models and survey methods that could be employed to determine what customers value in terms of development assistance, and/or what their level of satisfaction is with USAID-funded services, products, or information. The experiences of the experimental labs will be shared throughout the Agency, with the expectation that all operating units will incorporate customers in their planning, implementation and evaluation efforts and will develop customer service standards.

## **3. PARTNERSHIP**

### **a. Benefits of Partnership**

We leverage our resources and deliver assistance by working with partners. In the

reengineered operations system, the spirit guiding the way in which we do business will be one of partnership -- working truly collaboratively with partners and customers in ways that capitalize on our respective strengths to achieve mutually agreed upon objectives. Our partners -- whether from host country governments at multiple levels, U.S. PVOs, indigenous or international NGOs, universities, professional or business associations, other USG agencies, U.N. Agencies or other multilateral organizations -- will be encouraged and expected to participate in strategy and results package development, implementation and evaluation. The appropriate form and level of participation by contractors, partners and customers will be determined by the operating unit.

Working in partnership implies mutual respect, a conscious effort to involve partners in problem-solving and decision-making, and selecting approaches that empower partners to deliver results. Within a partnership, fully engaged partners accept responsibility and accountability for achieving results and not just for receiving and utilizing inputs. If a prospective partner does not share USAID's vision about the desired results, we are probably either seeking the wrong result, have the wrong partner, or are proceeding along an unsustainable path.

#### **b. Expanding Partnership Roles**

Partnership is a complex concept, and is used here in two different ways: as a philosophical approach guiding our work with organizations outside of USAID, and in a legal sense to describe the formal arrangements made with outside organizations to do work together. The discussion below focusses both on how we intend to expand partner participation in our processes, and the types of partnerships we envision forming with various organizations under differing circumstances.

Partners will be involved earlier and more consistently in all aspects of our operations, both at the Agency level and the operating unit level. Clearly, the selection of partners is critical. Which partners should USAID involve at what stage of the development process? Are they representative? How many is enough? How should one weigh the input of various groups? These questions become more difficult to answer as the universe of action expands from the community to the provincial or national levels. Under the reengineered operations system, the questions of which partners to involve and in what ways are ones that will continue to be addressed by each operating unit and/or strategic objective or RP team.

Some of the ways in which we expect to increase the participation of partners are the following:

- All strategic plans, Results Review and Resource Requests (R4) , and results packages (RPs) will be developed, updated and monitored in consultation with a broad range of development partners.
- We will open our technical analyses to "debate by a range of experts in the universities and research institutions of the recipient country and by other qualified

experts in donor agencies." (Statement of Principles on Participatory Development)

- In selecting approaches for achieving a desired result, preference will be given to performance-based mechanisms which empower partners to decide what is the best way to achieve the result and hold them accountable for achieving it. Such approaches tend to be highly participatory (USAID and its partner(s) must reach agreement on exactly what results will trigger payment/disbursement of funds) and have increased chances for sustainability.
- Most results packages (RPs) will be implemented by teams involving USAID and one or more partners, yet some RPs will be the full responsibility of only one partner. It would be desirable to have RPs in which partners commit to an undertaking that extends beyond the life of USAID funding in order to enhance sustainability (for example, those relating to operation and maintenance of infrastructure).
- In keeping with the Agency core value of participation we will work to expand the number of our partners, particularly within developing countries. Expanding developing country partners will also help further Agency goals in the program priority area of democracy and governance.

USAID currently works within a variety of "partnerships," along a continuum from relationships in which the partner acts essentially autonomously, to those in which USAID has an active role such as cooperative agreements and Title II "cooperating sponsor" arrangements, to contractual relationships in which USAID exercises much greater control. In the reengineered USAID, partnerships will continue to fall along this continuum, but more partnerships will be established in which the partner has maximum responsibility, and accountability.

### **c. Types of Partnerships**

Determining the best type of partnership to establish for achieving a desired outcome is one of the most critical decisions that a USAID team must make. The characteristics of potential partners and the circumstances of the development situation weigh heavily in this decision. Among the many factors to be considered in making that determination are the following: financial maturity of the partner; confidence in ability to deliver results; relationships with customers; leadership potential; vulnerability; commitment; survivability in changing circumstances; base of support; available resources; leverage potential; funds flow advantages and disadvantages; transparency; degree to which strategic objective is shared; degree to which proposed tactics and tools are deemed appropriate; and plans for monitoring and evaluation, etc. The process is essentially one of conducting a risk/benefit analysis of the potential partner, integrating the conclusion of this assessment with U.S. foreign policy concerns and objectives, and selecting a partnership approach that best fits the circumstances and is most likely to achieve the desired results.

The paragraphs below categorize six different types of partnerships employing different

tactics and tools which might be appropriate. Further discussion on approaches, tactics and tools can be found in Chapter 3. This list is not all inclusive, but illustrative of the many potential types of partnerships.

#### **(1) Full partnerships**

The partner (host country government, US or local PVOs, private sector organizations) is registered or otherwise qualified as financially capable of receiving and accounting for advances of USAID funds, shares the same strategic objective, and is viewed as being capable of achieving the objective with minimum oversight. In these cases, the tactic would be full partnerships and the preferred tool would be performance-based transfer of resources to the partner, coupled, as necessary, with technical assistance. The recommendation is that USAID move away from tools that focus on managing inputs since often USAID's and/or a host country's rules and regulations actually impede the achievement of results (for example, where a requirement to move USAID funds through the host country treasury and subject the funds to host country budget liquidity constraints delays releases or skews the timing of releases of funds).

#### **(2) Maturing partnership**

USAID would like to work with private sector, NGO, and host country partners which are well intentioned, trustworthy in terms of rational use of resources, and generally share USAID strategic objectives. However, there may be significant areas of disagreement about approaches, mechanisms, benchmarks, etc. In this case, limited partnerships would be the recommended tactic and traditional grants and contracts would be the recommended tools. In most cases, the partners would be full partners in planning and judging and agents in implementation.

#### **(3) Emerging partnership**

USAID is faced with private, NGO and host country partners, often at the provincial or local government level, that have high motivation, high potential, share USAID's strategic objective, but have limited experience and cannot yet qualify for USAID registration or meet USAID auditing standards. It is within this group of "high risk - high gain" partners that great untapped potential for sustainable development lies. These groups are often in close contact with the customers we would like to reach. USAID needs suitable tactics and tools for working with this group and releasing this potential.

In the past, "umbrella grants" ( pass through grants or grants containing Conditions Precedent to disbursing funds) or grants linked to specific technical assistance and management improvements have been employed to work with such groups. However, to fully exploit the potential they represent, it may be necessary for USAID to explore the adoption of a new type of grant mechanism. Forcing small NGOs to conform to our standards of accountability, reporting and auditing requirements, etc. can sometimes detract from their potential by redirecting their energies from development results to eliminating financial risk. If we are to expand our universe of partners and improve our

results orientation, we must be willing to deal with emerging partners, be willing to deal with them on innovative terms, and be willing to accept failure as a learning experience. To promote participation, enhance learning and improve leverage, USAID needs a new standard of grant authority for pursuing results where the focus is on innovation and results rather than strict financial control.

#### **(4) Short-term partnerships**

In a disaster or humanitarian assistance situation, USAID normally tries to deal as directly as possible with customers, or through US-based PVOs or the U.S. military as partners. These partner arrangements (using grants and contracts as tools) are usually short-lived in terms of the specific result, but much longer-lived in terms of relationships that may span similar recurrences in multiple countries. As such, the Agency should consider expanding the use of free-standing partnerships (long term commitments to a mutual relationship) with such groups that have specialized expertise to keep them poised to respond rapidly to future needs.

#### **(5) Contentious partnerships**

USAID may be working in a country where achieving a strategic objective is in the U.S. interest and the interest of our customers, but not necessarily in the interest of the current host country government or leadership of a particular non-government partner (due to policy differences or political postures, for example). In this situation, the approach should be traditional programming with tactics being formal agreement instruments, and tools being traditional inputs of TA, training, commodities and limited local cost support.

#### **(6) Alternative partnerships**

There are a number of situations in which USAID may want to employ alternatives to the types of partnerships outlined above. The first is transitional situations in which a country is "graduating" as a recipient, but where the U.S. has interests it can further using modest amounts of assistance. A second category is situations in which the relationship is based primarily on U.S. interest in political or military cooperation and the development objective is secondary. Often the latter relationships are fraught with problems due to highly differential expectations between the recipient government (who views the assistance as rent or payment for foreign policy services rendered) and the U.S. (which views the assistance as a gift from the U.S. taxpayers), with USAID caught in the middle. In the latter case, the tactics currently in use range from simply "cutting a check" to traditional project type assistance.

USAID may want to consider utilizing new partnership arrangements in these cases to compensate for the limits of influence, while attempting to maximize the development impact of our assistance. The recipient government and USAID could agree on the strategic objective for the compensation/assistance, and establish an independent legal entity for the purpose of delivering assistance toward this objective. This entity (bi-national foundation, commission, etc.) would be a partnership with its own independent

rules, procedures, and legal liability separate from its partners. The host country and USAID would appoint a mutually agreed upon board of directors and jointly capitalize the entity, with future replenishment of funds based on performance.

#### **4. IMPLICATIONS FOR MANAGEMENT AND OTHER BAA'S**

The proposed approach for improving our customer focus and encouraging greater participation by partners and working in partnerships within the reengineered operations system has a number of implications for management and other BAAs.

Participatory approaches are labor intensive, and could entail more time and money. There may be a trade-off between truly participatory processes and ones that deliver results most rapidly or cost effectively, but we believe that additional time devoted to participation is worth the cost in terms of improved results, and constitutes a prerequisite for achieving our goal of sustainable development.

Funds must be made available to support the new approach, particularly for in-country staff travel and training in national and possibly local languages. For example, while the national language of Zaire is French, the true vehicles of communication across the nation are Lingala, Kikongo and Swahili.

Training may also be required in surveying and other participatory planning techniques, in cultural sensitivity and cross-cultural communication, as well as to enhance technical skills which are important if USAID staff are to have credibility in communicating with partners and be accepted on an equal footing.

Program funds will also be needed to develop and implement plans for achieving a better customer focus. Strategic objective teams should identify, survey, and maintain a dialogue with customers. To fully engage customers in an ongoing dialogue, it may be necessary to provide assistance (through specific training programs, either for customers or for trainers) to overcome cultural or class differences that would inhibit full participation. Models are available in democratization and governance programs to guide USAID and our partners in this collaborative process.

The Agency's human resources management systems will need to be reoriented to provide incentives and reward staff for their work in effectively involving customers. People will do what they are rewarded for doing, and incentives must be built into the entire system to bring about the desired behavior.

Perhaps the most serious implications for management of working in partnership are in the area of procurement and assistance instruments. One issue relates to the nature of the grant relationship, and ensuring that USAID staff appropriately utilize grant mechanisms. It is essential that the procurement system reinvent the grant relationship to foster greater trust, more efficient flow of support to partners, and a better focus on results (rather than input delivery). While recent guidance issued by the Office of Procurement more clearly defines a grant, USAID staff now need to incorporate these changes and no longer

micromanage grants with competent partners. Staff must understand the various mechanisms USAID employs for transferring resources to partners, and utilize them appropriately. It also means that the Agency should move toward greater use of performance-based assistance instruments. Partners, including PVOs and NGOs, would be evaluated in awarding future grants in part on the basis of past performance in achieving results.

Other implications, as discussed above, relate to the need to develop mechanisms that better fit the requirements of the partnerships that we may want to enter: 1) to facilitate awarding grants to emerging partners, where the risks may be high but the potential gains in terms of sustainable development are also high; and 2) to experiment with arrangements in which partnership entities are empowered to establish their own business rules that are not bound by USAID or host country rules. To fully exploit the potential that exists in emerging and alternative partnerships, it may be necessary for USAID to adopt different reporting and accountability standards, and perhaps even waiving of FAR requirements for pilot efforts directed at shared results delivery.

## **5. CHALLENGES TO ACHIEVING SUCCESS**

The Agency's organizational culture may react to the customer focus, as it has to mandates, as another hurdle to surmount in the rush to obtain approval of plans or projects. The culture must be changed to view a customer focus as central to achieving sustainable development results. Another challenge is that our traditional interpreters of customers' wants and needs -- host country ministries and PVOs/NGOs -- may feel their leadership or standing in their communities threatened as a result of USAID staff communicating directly with customers. Establishing new partnership arrangements and ensuring the transparency of our interaction with customers will play an important part in meeting this challenge.

Additionally, agency staff receive mixed signals with respect to risk-taking. On the one hand, staff are encouraged to take risks with respect to innovative programs, and told that failure will be tolerated. Yet on the other hand, procedures often discourage those very innovations .

Another way in which the organizational culture may discourage participatory approaches is the very emphasis on results, and the linking of future year budget resources to the achievement of results. This linkage of budget and results may lead operating units to focus on achieving short-term results, and to short-cut the time-consuming processes that participation entails, particularly with new groups.

The potential for conflict of interest under the FAR may make some partners reluctant to participate in planning if they may be excluded from eligibility to implement programs. Procurement rules must allow openness and collegiality with partners to achieve the full benefits of working in partnerships and clarify conflicts of interest.

Despite the many challenges to be overcome in the form of behavioral, cultural, and

procedural changes needed for USAID staff to fully incorporate the values of teamwork and customer focus into their daily work, the Operations BAA remains confident that these changes can and will be made. Employees throughout the Agency recognize the importance of finding out what our customers need and making sure that what we provide meets those needs. They know that working more collaboratively as teams both with staff in other Agency offices and with our partners in new forms of partnership to achieve common objectives will save scarce resources and result in greater impact. Finally, actively seeking the participation of those individuals and groups without whose involvement and commitment we cannot succeed is the only route to truly sustainable development.

## CHAPTER 7

### PROCUREMENT

#### 1. INTRODUCTION

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

*Empowerment* means aligning responsibility and accountability for results with authority over the resources needed to achieve them. It also means implementing activities and tactics flexibly, in response to performance feedback rather than through preordained implementation plans. The procurement system will include techniques that permit USAID staff to control and flexibly utilize tactics and tools to achieve development results.

*Teamwork* will facilitate obtaining needed goods and services as quickly, simply, and efficiently as possible, as well as focusing all involved -- USAID development professionals, contracting professionals, and contractors and grantees -- on the results to be achieved.

*Results-orientation and customer focus* together mean managing for results to meet customer need at every step of the process, rather than simply managing the delivery of inputs to meet a contracted requirement. By utilizing more performance-based contract instruments as well as a focus on results in the application of contract and grant support, the procurement system will better achieve these values.

Consistent with these principles, USAID's system for managing procurement and assistance must emphasize fast and effective delivery of goods and services in response to changing requirements of USAID's sustainable development initiatives. A variety of mechanisms are available to accomplish this; some in use today, others representing adaptations of existing mechanisms or new approaches. In many cases, significant improvement will result from simply improving USAID business practices and taking advantage of automation, rather than requiring new contract mechanisms. The Operations BAA has worked with the Office of Procurement (OP) to develop the specific methods and mechanics to meet the requirements of the reengineered operations system. Much work has already been done by OP to improve procedures and systems in support of this.

The goals for a reengineered procurement system are twofold:

- for the technical or program person, procurement mechanisms that are more responsive to the needs of the development situation; and

- for the contracts officer (CO), enhanced procurement integrity and a more direct involvement in achieving the development results procurements are intended to support.

**2. PROCUREMENT IMPROVEMENT**

The changes needed (or already underway) can be grouped in three areas, summarized in the table below. Key concerns for each of these areas are discussed in this section.

<b>PROCUREMENT IMPROVEMENTS</b>		
<b>Performance Focus In Procurement</b>	<b>Streamlined Procurement Methods (Reduced Cycle Time)</b>	<b>Improved Working Relationships</b>
<ul style="list-style-type: none"> <li>- Shift to performance-based contracts and grants</li> <li>- Use of incentive fees linked to performance on task orders</li> <li>- Contractor evaluations available to USAID staff</li> <li>- Country-specific contracts defined in terms of development results to be achieved</li> <li>- Multi-year grant funding contingent on results</li> <li>- Better guidance on how to select the right procurement mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>- Early coordination between COs and program staff</li> <li>- Greater use of "prepositioned" contract mechanisms</li> <li>- Better information on available sources</li> <li>- Streamlined procedures for accessing contract support</li> <li>- Elimination of red tape from contract and grant administration</li> <li>- Certification of contractors who meet USAID standards</li> <li>- Easier use of limited competition modes for contracting</li> <li>- Better access to NGOs and other partners</li> <li>- Improved guidance on tactics and tools</li> </ul>	<ul style="list-style-type: none"> <li>- Teamwork means both program and contracting staff committed to same results</li> <li>- "Delinearized" procurement means early and extensive cooperation between program and contracting staff</li> <li>- COs freed up to concentrate on providing effective, substantive support to teams</li> <li>- Increased authorities for results package managers</li> <li>- More cross-training of procurement staff on development and development staff on procurement</li> </ul>

**a. Performance Focus in Procurement**

Performance-based contracting, and the approach of procuring outcomes rather than inputs is consistent with the focus on results that is central to the reengineered USAID. Federal policy defines this approach as follows:

"Performance-based contracting means structuring all aspects of an acquisition around the purpose of the work to be performed. It emphasizes objective, measurable performance requirements and quality standards in developing statements of work, selecting contractors, determining contract type and incentives, and performing contract administration."

USAID's procurement reform agenda supports this approach for "project implementation within USAID via the use of more performance-based contracts and fewer contracts which are satisfied by the provision of contractor labor inputs." It applies to a broad range of mechanisms, from simply linking the incentive fee in task order contracts to an evaluation of task performance; to contracting for specific, program-level results for a fixed price, where USAID is not involved in controlling how the results will be achieved. Performance-based contracting is not a panacea, and will not be applicable to all situations, but it offers advantages for USAID as the Agency moves its operations to a results focus. Types and aspects of performance-based contracting are discussed below.

### **(1) Incentive Fees and Performance Ratings**

At a minimum, all contracts should link incentive fees to performance, i.e., the contractor's profit should vary with the quality of performance. The incentive fee approach would, in particular, be used for pre-positioned service contracts, where the typical usage is to obtain resources (e.g., technical assistance) for a limited period of time. In these cases, it would not be practical to attempt to define a development result for which the contractor could be held responsible, but there is still a need to establish incentives to encourage the best possible performance.

Implementing this recommendation will mean that all contracts/task orders will need to include performance standards, acceptance criteria, and monitoring plans, and should be formally evaluated by the responsible task manager. A standard rating system will need to be devised, including a set of criteria either unique to each contract, or standard across all similar contracts. The Office of Procurement (OP) has already begun to include such performance evaluation factors in some contracts. The procurement system will need to support the automated collection of ratings upon completion of each task, and provide a computer database to maintain these ratings. OP will need to establish rules for contractor appeals, and rules for translating individual task performance scores into dollar amounts for fees. For large, task order-type contracts, a system of averaging scores on completed tasks, and calculating fees on a periodic basis is probably the most practical approach.

The task related fee incentive is only part of the incentive to the contractor to perform better. Performance ratings would be available electronically to all USAID staff to facilitate contractor selection, permitting USAID staff to examine past performance ratings for similar work, and to contact the USAID person who supervised the work, if additional information is desired before selecting the contractor from prepositioned contracts. This would provide a basic shift toward focusing on results and away from merely supplying inputs. In this way, poor performance will be self-correcting, and excellent performance will be rewarded with additional task orders. Key to making this work will be providing an unambiguous line of accountability from the contractor's task manager to the USAID results package (RP) manager, in terms of task direction, approvals, and responsibility for performance evaluation.

All new contracts should contain explicit performance-based features by 10/1/95. Where there is reason to renegotiate an existing contract for any reason, OP should take that

opportunity to modify the contract to include these features. At a minimum, USAID should be able to implement the rating system discussed above, even if a renegotiation of the fee structure proves impractical for existing contracts.

## **(2) Contracting for Results**

Contract mechanisms should be instituted which transfer significant risk and reward to the contractor for achieving development results -- as opposed to merely delivering outputs. This would involve USAID defining the desired results to be achieved, and inviting proposals for how they would be accomplished and at what price, which involves potential contractors in the design of an activity much earlier. In the past, experiments combining design and implementation in one contract have raised concerns over whether USAID was really getting the most it could for the dollars expended. If the basis for reward is shifted to actually achieving agreed to development results, these concerns should be alleviated. Such contracts could be either fixed price, payable upon achieving the desired results (perhaps with progress payments for agreed to interim milestones), or cost-plus contracts with a much greater than typical incentive fee. Additionally, fees could be tied to specific aspects of the contract such as time deadlines. As in the Los Angeles freeway reconstruction of 1994, positive incentive fees could be provided for work completed ahead of schedule, and penalties applied to work behind scheduled deadlines.

This approach represents a significant challenge. It will be difficult to define a contract that produces significant development results and yet will attract bidders. For example, while contractors may be unwilling to commit to eradicate certain childhood diseases in a given area, they may be willing to contract for the achievement of a certain level of immunization for the population in that area. OP intends to use draft solicitations in some instances to get bidders' help in refining the statement of work so that it will be within the contractors' manageable interest. Because of the complexity of this approach, it is assumed that contracting for results will be mainly through mission-specific, competitive contracting, rather than the pre-positioned contracts discussed above.

## **(3) Performance-based Grants**

Much of the potential of performance-based contracting to permit flexibility in the use of inputs to achieve results may already be available (albeit, with less USAID control) through better use of cooperative agreements and grants. Such mechanisms may also be more appropriate to the extent that USAID expands its emphasis on working collaboratively in partnerships with organizations with which we share common objectives and customer concerns. The significant difference, of course, is that grants are given "without strings" and cannot be tied to expected results. However, where grantees undertake multi-year efforts for the Agency, stipulations can be built into the grant agreement that future years' funding will be contingent on the achievement of certain levels of progress. At a minimum, all grants and cooperative agreements should stipulate the development results to be achieved, in order to ensure commitment by all parties to the objective, and, wherever possible, the agreement should make future funding conditional on achievement of results.

## **b. Streamlined Procurement Methods**

Rapid, flexible, and responsive delivery of goods and services required by the reengineered operations system calls for a variety of new approaches to contracting. Many of the changes involve not so much new procurement mechanisms as streamlining of the USAID internal procedures which surround those mechanisms.

The differences in the new approach have to do with developing procurement mechanisms, and related resource allocation and financial management procedures, that support the core values. More specifically:

- resources to achieve strategic objectives should be budgeted by the organizational unit responsible for achieving that objective;
- resources needed for particular goods and services should be allocated to the operating unit best situated to plan and manage these services, as desired by the relevant results package team;
- work using such mechanisms should be initiated (and resources mobilized) only at the request of the responsible results package team; and
- resources should be tracked (accounted for) against the operating unit and strategic objective for which it was budgeted.

### **(1) Prepositioned Contracts**

USAID has long made use of standing contracts and co-operating agency agreements to pre-position categories of goods and services needed by a variety of operating units for a range of activities. The need for such standard procurements is likely to grow. The Office of Procurement (OP), or a central bureau, may define the type and extent of such a need, and put in place a long-term contract against which commonly needed goods or services can be ordered, rather than having each operating unit conduct independent procurements.

Two major categories can be used to deliver such goods and services: centrally established/field funded mechanisms and centrally established/centrally funded and managed mechanisms. Guidance needs to be developed to clearly specify which of these mechanisms (or others) are best suited to what circumstances.

#### **(a) Centrally Established /Field Funded Contracts**

Indefinite Quantity Contracts (IQCs) and similar task order type contract vehicles establish these central mechanisms. Operating units access these services by obligating (or subobligating) funds through individual task orders. Such mechanisms work best when the kinds of goods and services being provided are relatively simple and fairly well defined, and ordering may involve simply specifying the amount of some good or category of service needed.

Centrally managed/field funded contracts keep authority over resources and flexibility in using resources under the control of the operating unit responsible for results, thus aligning responsibility for results with authority over resources, a fundamental precept of reengineering. Under this approach, the results package (RP) manager need not commit to the specific task order until ready, with full knowledge of competing budget priorities, changing circumstances in the country, and specifics as to time and amount of goods/services desired. However, the tradeoff is the need to write individual scopes of work before services can be obtained, which is not always required currently.

Formerly, this approach often involved long delays, in part due to the necessity to first initiate an operating year budget (OYB) transfer for buy-ins. With a single, integrated accounting system for the whole agency, this process disappears. The task order can be issued as fast as the task can be defined, and the responsible manager approves the use of funds for that purpose. We are exploring ways to minimize the number of hand-offs in this process. Ideally, the field manager should be able to issue the order directly to the contractor. If this is not practical, then the goal is to issue the task to the contractor with as few hand-offs to a CO or a Washington-based COTR as possible, and with each adding an absolute minimum of time (both time-in-queue and processing time). One key to limiting the number of hand-offs and reducing CO workload in particular for more routine matters is to issue limited warrants to managers in the field authorizing them to obligate funds against prepositioned contracts, within certain well-defined parameters. Increased numbers of field-based COs still may be necessary to efficiently handle all of the less routine or large scale contracting actions.

Specific changes required in the procedures for using these pre-existing vehicles include an ability to acquire services for longer than the current 120 day/\$100,000 limit. It should not be necessary for the manager in the field to have to choose between force-fitting a six-month effort into four months, or going the competitive route and waiting six to nine months before any work can begin. OP has agreed that a new task order type vehicle will alleviate these limitations by allowing the procurement of longer term services (i.e., up to at least 3 years) plus short term services and commodities necessary for the activity. OP will have reached a basic agreement with a number of vendors (labor categories, labor rates, etc.) allowing for much more rapid competition of these longer duration tasks.

Another needed change is the ability to define the task order either in terms of inputs (a senior consultant with expertise on X for 3 months) or outputs (analyze situation X and develop a social marketing program to do Y).

Finally, USAID benefits from the freedom to choose from several pre-existing contract sources for a given service, rather than merely one source. The manager should continue to have the option to either contact only one firm directly to explore how service might be provided, or to contact several firms (but not necessarily all) and informally get options on how the service would be provided.

The new accounting system will support two other changes needed to make this approach effective. First, procedures must be established to ensure that all contractor vouchers

reference all costs to specific tasks, so that accountability for resources consumed can be tracked by manager, country, and strategic objective. Secondly, in the event that a contract or task must be canceled due to either performance issues or for the convenience of the government, we need a mechanism to easily deobligate the funds and restore them to the budget of the organization that issued the original task/contract.

#### **(b) Centrally Established/Centrally Funded Contracts**

In instances where goods and services are part of a larger, ongoing centrally managed effort, where the nature of the goods and services are complicated and require substantial central management, or where substantial resources must be committed in advance of the delivery of specific goods and services to maintain an ongoing effort, it may make more sense to define the requirements centrally and then establish mechanisms for distributing goods and services to the field in response to requests. This could mean that funds are allocated directly to the central bureau managing the contract through the OYB process, or that funds are transferred at the start of the period from the field units that expect to use the services -- in either case, funding of the contract is separate from the process of ordering goods and services off the contract. The delivery of goods and services to the field would still be in response to specific requests from the operating units providing these funds. Planning decisions for the field-required services will have been negotiated with the contract's central manager in order to allow sufficient procurement planning as to the scope of the central contract. This negotiation may take the form of a memorandum of understanding between the field and central manager. Budget requests would still be developed by the operating unit responsible for the results; flexibility would be maintained at least up to the point where funds were allocated to the central office; and fund use would be accounted for against field strategic objectives. Indeed, if well managed, such central projects could enable even more flexible use of resources by the field by serving as a "clearing account" advancing funds or holding resources (drawing down or expanding pipelines and maintaining shadow accounts, as needed).

One advantage of this approach is in assuring access to very specialized skills available from organizations with a very narrow market. If USAID cannot provide advance funding, the possibility exists that small firms may not be able to keep on hand the staff to respond to task orders. However, USAID should examine such claims very carefully; every contractor would like to have guaranteed advance funding, but a good deal of skepticism is called for in considering whether such a use of USAID's scarce resources is really essential to USAID's mission. In particular, in those instances where it is argued that a given firm is the only provider of a service, and USAID is its only customer, USAID should explore the possibility of shifting the nature of the relationship from client/contractor to employer/employee -- so that we can stop investing scarce funds in ensuring the institutional viability of this "captive" entity.

Another advantage of centrally managed contracts is that technical leadership may be strengthened when a larger corps of specialists can be employed on a continuous basis to provide support for central research and policy development as well as field support. New contracts for central support must be drafted so that they do not preclude, but rather

facilitate, the assignment of individuals to both central headquarters work and occasional field support visits. However, meeting the need for contractor assistance to support a central office's technical leadership function should not be confused with meeting a need for field support. Central contract staff would be available for short-term assistance to the field (i.e., 1-4 week visits). This should permit desirable cross-fertilization and facilitate very rapid response for short-term problem assessments. Longer term technical assistance requirements in the field, e.g., more than a month, would be met using personnel whose primary functions are not related to central office functions.

Contracts also need to be written so as to encourage maximum flexibility on the part of contractors in response to varying demand -- USAID should avoid, if possible, any requirement to commit significant dollars in advance to assure responsiveness to flexible staffing requirements. If we are to use the same contract to support both central program direction and field support needs, field needs must take precedence if we are to achieve results, and these needs may change over time. Mechanisms must be worked out to handle situations where demand from the field changes from what was planned, and/or the field requires access to a different type of resource to achieve planned results.

This area has been the subject of considerable discussion between the operations reengineering group and the Global Bureau. Because of this, we recommend that these new approaches be closely monitored, and compared to the traditional approach of fully funding a large central corps of contractors who are then made available to the field as needed. A comparison of the respective costs and benefits of the two approaches, after a year or two, may yield other recommendations for improving USAID contract support.

## **(2) Streamlined Procedures for New Procurements**

New procurements will normally be required when a need for specialized, multi-year assistance tailored to a specific country situation is identified and will not fit the pre-established categorical contracts. These require a longer lead time but obtain more specifically suitable goods or services. The challenge to OP is to devise ways to streamline the competitive procurement process, so that the time required to complete a specific contract is minimized.

For both new procurements and the use of existing contracts, new procedures will make the process both easier and quicker. The new automated procurement system under development will greatly facilitate the routing, approval, and sharing of procurement information among those involved. Electronic PIOs will allow for simultaneous clearances, rapid incorporation of changes, and electronic signatures, thus eliminating the costly delays inherent in processing of paper documents. Additionally, empowering managers in the field to approve contract actions within their delegated authority results in fewer hand-offs and will make the process even quicker. Some of this streamlining has already been accomplished as a result of the procurement BAA; we are working with OP to devise additional streamlining methods which support the principles and core values of the reengineered USAID.

### **(3) Elimination of Red Tape from Contract Administration**

The Office of Procurement has also embarked on a new approach to contract administration, establishing procedures for precertifying contractors as to their compliance with USAID standards. This will speed up the contract award process, particularly for those contractors and grantees who do extensive business with USAID. For contract administration, this will eliminate the need to involve USAID program and contracting officials in numerous, tedious approvals of every detail of how a contractor performs the work, e.g., case-by-case approvals of salaries, travel arrangements, etc. Instead, the contractor will agree in advance to abide by standards issued by OP, and compliance will be enforced through post-audits. Avoiding the traditional micromanagement of contractors on the input side should enable both USAID staff and the contractor to focus more on producing the desired results.

A related aspect of streamlining contract administration involves providing greater flexibility through expanded use of change orders. Changes to inputs (level of effort, location, types and numbers of staff, travel, equipment, etc.) can be made much more readily for contracts which are based on performance or outputs.

### **(4) Limited Competition Modes**

One area which could speed up access to contractor support is expanded use of limited competition modes of contracting. While the authorities to do this, within certain dollar limits, already exist in the field, better support from central bureaus in identifying potential sources of goods and services would greatly facilitate use of this approach. USAID has two modes for accessing contractor support without extensive competition. For the field only, USAID can waive normal full and open competition requirements for purchases up to \$250,000, provided the contracting officer (CO) obtains competition to the maximum extent practicable. For either Washington or the field, USAID (like other agencies) can issue purchase orders to small businesses up to a newly increased limit of \$100,000, providing three bids are obtained. Both offer ways to access specialized resources with far less delay than is required for full competition.

### **(5) Better Access to NGOs and Other Partners**

In order to improve the Agency's focus on customers and broaden participation in the development process, it will be necessary to expand the range of partners with which USAID does business. The standards for accounting and record-keeping that we currently apply make it fairly difficult for USAID to provide grants to new, small, or less experienced non government organizations (NGOs) and private volunteer organizations (PVOs), particularly indigenous organizations, which often have the weakest systems for demonstrating accountability. Other restrictions may sometimes make it difficult for USAID contractors and grantees to subcontract with local NGOs.

Although solutions to the accountability problem have been found in many countries -- by working through intermediaries (usually U.S. private volunteer organizations) which do

have adequate systems and can provide the oversight of funds; or by providing an initial disbursement under a grant for technical assistance to help the grantee set up its books and records, and making subsequent disbursements subject to those systems being in place -- there are still many instances, as is the case with small grants, in which it is still not feasible to work with the very types of organizations we may most want to support to achieve our objectives.

The accountability standards which apply to grantees originate in the Office of Management and Budget (OMB) Circular A-110, and are passed on to non-U.S. NGOs in Hand Book (HB) 13. Circular A-110 itself applies only to U.S. NGOs; the standards set forth in HB 13 are applied to non-U.S. NGOs merely a matter of USAID policy only. As actually stated in HB 13, the standards are quite flexible, and could be adapted to small and inexperienced organizations. The practice, however, has been to apply a fairly common, and high, standard to all organizations. Rules should explicitly recognize the need to work with smaller indigenous organizations and define minimum accounting and bookkeeping standards adequate to control the more limited risk entailed in small grants, effectively broadening the Agency's access to partners.

#### **(6) Improved Guidance**

All of the improved mechanisms discussed in the preceding paragraphs are dependent on knowledgeable USAID staff knowing how to take advantage of them. In the policy development efforts that will follow this BAA, the reengineering team will explore ways to develop guidance which will assist field staff (as well as Washington) to select the tactics, tools, and specific procurement mechanisms best suited to a particular development situation. Tactics and tools are discussed more thoroughly in Chapter 3, Achieving Results. Ideally, this could be implemented through an "artificial intelligence" approach, which would guide the user through a series of questions with branching logic, until the right solution is found. The technology to implement such an approach on an automated basis may not be immediately available, but much of the benefit of such an approach to guidance can be gained without special software.

In addition, better access to information on available sources for goods and services, including data on past performance, needs to be made available to all USAID staff, to facilitate selection of the best supplier, and rapid access to that supplier. This includes information on both prepositioned contracts, as well as other potential sources. For prepositioned contracts, managers in the field will need easy access to automated information, including the firm name, services available, pricing, where else in USAID they have provided services with a point of contact, and performance data, as mentioned in the preceding section. Similar information should be made available on other sources. The field has authority to do limited competition for some contracts. This can be very useful in the field, but only if information is available on appropriate sources, particularly for specialized technical expertise. The procurement system should be expanded to maintain information on likely sources that the field may wish to access, even if they are not currently under contract, for these types of efforts.

### **c. Improved Working Relationships**

#### **(1) Teamwork**

Teamwork is central to the new operating procedures. In the area of procurement, this means that COs will be part of teams, working directly with the teams to define the resources and activities to be performed, select the best mechanisms to achieve the desired results, and develop the statement of work that defines what is to be procured. Enhanced communications and the automated procurement system will support this cooperation even where the contracting officer is not co-located with the mission responsible for the assistance effort. Thus, procurement efforts can begin long before funds are actually available to begin work. This is the essence of "delinearized procurement" discussed in the report of the Intensive Reengineering Team. The early involvement of COs in this effort should eliminate much of the unproductive back-and-forth on SOWs that goes on today. The streamlining of procurement procedures should free the CO to provide this more substantive involvement.

Teamwork means that both program and contracting staff are committed to the same results. COs will have much the same incentives to provide excellent support as will the rest of the team to do their individual jobs, since the entire team will be rated and rewarded, in part, on their ability to achieve the desired development results.

Apart from sharing a commitment to achieve the intended development results, it is hoped that the teamwork approach will spur contracting officials to continuously develop new instruments and approaches to better achieve the desired results, applying their ingenuity proactively to define new procurement methods to further the goals of the team.

Another impact of teamwork is on procurement planning. Currently, procurement planning is chiefly at the behest of, and for the benefit of, contracting staff. It requires a periodic call for planning information, which is then used to assemble a procurement work plan. Deviation from this plan then leads to friction between contracting and program staff. Under the teamwork approach, contracting officials will be involved in the planning as it occurs, and can influence procurement strategies at that point. New information systems will provide immediate access to data about planned procurements as these are defined, without the need for an annual data call. Increased flexibility in responding to changing requirements will be key to contracting officials' participation on teams.

#### **(2) Increased Authorities for Results Package Managers**

In addition to involving the CO more directly in the work of the results package team, the Operations BAA is exploring with OP the possibility that certain kinds of authorities may be delegated to strategic objective (SO) or results package (RP) teams. For example, it may be possible to provide limited warrants to RP managers (based on appropriate training and demonstrated capacity) to issue task orders off of a pre-established contract up to certain limits, or to approve no-cost extensions of performance periods. Mission directors might safely be given increased authorities for contracting, currently limited to \$100,000 total, to

bring this authority more in line with that provided for grants. Grants, with far fewer controls, may be authorized by the Mission director up to \$5 million. Recent agreements between OP and the Europe and the New Independent States (ENI) Bureau have accelerated the processing of contract actions significantly by shifting some of the burden for budget review and approval to the ENI program staff.

A careful re-examination of the respective roles of the CO and the program official may yield further functions which can productively be reassigned. This will be undertaken as a part of writing new policies and procedures to implement the reengineered operations system. The key is to identify those functions which specifically require the expertise and procurement authority of a warranted contracting officer (CO), and those functions which really have to do with management of the work. To the extent that routine approvals cannot be eliminated altogether, they should be delegated to the lowest possible level -- and this is likely to be the person closest to the problem and best able to judge the impact of the requested approval on successful completion of the task. This approach, of course, raises issues of accountability and training, which will need to be explored further with OP.

### **(3) Cross-Training**

More cross-training of procurement staff on development and development staff on procurement will facilitate teamwork. Both sides will be committed to the same goals under the new system, but each side could benefit from understanding better the work of the other. For the CO, substantive involvement in the development work of the Agency may mean greater job satisfaction, and thus reduce the loss of top contracting officers to the program side of the house. For program officials, additional training will be necessary to enable them to assume additional responsibilities formerly reserved for the CO. For both, better training in developing statements of work -- particularly performance-based SOWs -- will be essential.

## **3. IMPLICATIONS FOR MANAGEMENT AND OTHER BAAs**

There are three elements which, in combination, can contribute to a more efficient and responsive procurement system for USAID -- streamlined processes, greater delegation of responsibility to program officials, and more contracting officers available to serve the needs of the field. Each of these will contribute to removing the bottleneck that often characterizes procurement today. If the first two, streamlined processes and greater delegation, do not by themselves achieve the desired degree of responsiveness, the Agency should assign additional contracting officers to the field, to support this vital function.

Defining and administering contracts and grants in performance terms will not be easy. Better guidance will be needed to help RP teams decide when to use performance-based mechanisms, to choose which is the most appropriate mechanism, and to define the performance terms. Closer working relationships with the contracting officer as a part of the RP team will facilitate this, but this will not be possible in every circumstance, so the

Agency needs clear guidance on how to manage the variety of new mechanisms -- for example, deciding which level in the results hierarchy is most appropriate for use in setting contractor performance standards.

#### **4. CHALLENGES TO SUCCESS**

While significant improvements are already underway, and much more will be accomplished, we must find ways to continuously improve our procurement mechanisms and procedures, achieving additional gains in efficiency, implementing new procurement reforms coming out of the Administration and Congress, and adapting to USAID's changing work environment. One way to facilitate this is to use the new procurement system to track the performance of our procurement process itself, e.g., lapsed time to award various types of contracts, relative performance scores for different types of vehicles, etc. Just as in development, we need to monitor our contracting performance in order to improve it.

## CHAPTER 8

### THE TRANSITION TO A NEW OPERATIONS SYSTEM

#### 1. INTRODUCTION

The Operations BAA report describes a new operations system which incorporates the four core values and represents a new way of doing business -- one that will enable the USAID to achieve its objectives effectively and efficiently. This work represents an important first step. However, making the transition to and implementing the new system are the challenges the Agency still faces.

The first phase of transition takes us to October 1, 1995, when USAID will begin operating under the new system. A second transition phase will continue into FY 1996 as the Agency rolls out additional information systems, monitors the performance of the new systems, improves them, and works at institutionalizing the new systems and the supporting culture.

USAID's transition to the new operations system will focus on two major areas. First, we must create the policies and procedures for the new operating system and build the operations information system. Simultaneously, the Agency will change other supporting systems (procurement, accounting, budget, human resources, etc.), to create an integrated corporate system. People will be taught how to function in the new systems and will be equipped with new skills. Also, we must convert current systems to the new operations system.

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

The work of changing the systems and changing the culture is interrelated. A carefully designed system creates practices which are consistent with the desired culture change, and becomes a catalyst which allows a culture change to flourish. A new system design which incorporates the core values and unshackles USAID staff and its partners from burdensome practices and procedures can enable the culture to transform quickly. The practices described in the system turn those USAID core values into a new set of operational processes. As the culture begins to change, the new system becomes more institutionalized.

Change, by its very nature, can generate optimism and excitement. It can also create unsettling unknowns which stir emotions such as fear, anger, resistance, skepticism and

uncertainty. Change needs to be both understood and managed. Plans for change need to ensure that resistance to change is understood, and that barriers to change are quickly recognized and minimized.

In making the transition, we need to ensure the management systems, expectations and rewards (formal and informal) are oriented toward achieving results, monitoring progress toward achieving results, and using lessons learned to make improvements along the way. This means USAID staff will continuously monitor customer needs and expectations, how well they are meeting those needs, and how well the organization is performing (efficiently and effectively). Staff will use this information to take action to bring about improvement in development assistance efforts and the way in which they are managed.

USAID employees and partners will learn the concepts and the analytical and problem solving tools of improvement, and incorporate them into everyday business. These practices will help USAID make the transition to becoming a learning organization -- "one that is skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights" (David Garvin, "Building A Learning Organization", Harvard Business Review, July-August 1993).

## **2. TRANSITION ACTIONS**

A summary of transition actions is presented below. A more detailed action plan with estimated timeframes and lead responsibilities will be developed with the offices and Bureaus involved. The following is a list of major actions and a description of key activities that need to be completed.

### **a. Prepare New Policies and Procedures**

New policies and procedures must be prepared for the reengineered operations system. Under the new Automated Directives System (ADS), i.e., the system the Agency has initiated to produce and disseminate what up to now has been included in our 33 handbook series, five major functional areas have been defined:

<u>Series Number</u>	<u>Series Title</u>
100	Organization and Executive Management
200	USAID Program and Project Assistance
300	Acquisition and Assistance Agreements
400	Personnel
500	Management Services

ADS Series 200, USAID Program and Project Assistance, has the strongest and most direct relationship to the work of the Operations BAA. Current handbooks covered by this series include nos. 1-4 and 7-10. Other series which have significant relevance to the BAA's work (and to program and project assistance more generally) are 300 (acquisition and assistance), 400 (personnel), and 500 (management services, in particular financial mgmt.)

The ADS format includes three categories of information to be included for each series: policy, essential procedures, and supplementary references. To initiate implementation of the reengineered operations system, it is most critical that policies and procedures be defined in the following areas, in line with the principles articulated in the BAA report:

- the setting of program and budget parameters for both long term planning and annual budgeting;
- strategic planning, including the development of strategic objectives and results frameworks, related analytical and consultative requirements, determination of performance measures and monitoring/evaluation plans, and long term budget preparation;
- strategic plan / strategic objective reviews and approvals (in both the operating unit and USAID/W) which focus on results achievement, "management contract" definition and preparation (between USAID/W and the operating unit), and changes to plans and objectives;
- strategic objective agreements (and amendments) and other agreements, e.g., memoranda of understanding, which may document working relationships and responsibilities between USAID and partners;
- results package analytical and documentation requirements, definition of team membership, identification of individual responsibilities and authorities, budgeting, and changes to on-going packages;
- results review and resource request preparation, content and review; and
- development of partner relationships.

In addition to defining policies and procedures in these specific areas, it will be necessary to coordinate with ADS drafting in other areas, including acquisition and assistance, financial management and human resource management. It is anticipated that the ADS will incorporate an electronic reference mechanism which will alert readers to the fact that additional relevant guidance resides within another section or series, and which will allow the retrieval of that information. Coordination will be necessary to assure that guidance in one series is not contradictory to guidance in another series. Handbooks and guidance will be written which articulate policies and directives, and describe specific procedures for the new system. Instructions, procedures and requirements will be incorporated into the new information system, in a user friendly manner.

#### **b. Communicate with Internal Customers**

Disseminate the Operations BAA report to USAID staff. Conduct briefings for agency management and staff. Conduct focussed discussions within bureaus to raise issues, obtain feedback and discuss bureau-specific implications of the new operations system.

Develop material for briefing missions capitalizing on regional conferences and meetings, to the extent possible.

Develop on-going communication mechanisms to ensure additional information about the new USAID is communicated and key messages are reinforced. One planned communication tool is a reengineering bulletin board to provide people with an electronic forum to gather information and updates, discuss issues and learn interactively through communications with others. Another is a newsletter covering best practices related to reengineering concepts.

**c. Design, Build and Test Operations Information Systems**

Build and test both components of the operations information system -- Results Planning and Implementation System, and Results Tracking System.

**d. Communicate with External Customers and Stakeholders**

Brief external customers and stakeholders, including Congress and partners (private volunteer organizations (PVOs), contractors, other donors, host country counterparts, media, etc), on the new operations system. Discuss ways of informing them of changes, and soliciting their input and assistance in changes. Discuss the roles they play in the new system. Develop effective ongoing working relationships for the new system.

**e. Coordinate with Developers of Other Information Systems**

Ensure supporting information systems are consistent with the new operations system. Coordinate and consult with ongoing information system development efforts (AWACS, A&A, Budget) and with new efforts as they get started (Human Resources).

**f. Develop Training for the New Operating System**

Determine what kind of training is needed for people to work with the new system. Training should include operations system procedures, the operations information systems, the management skills and practices, and culture change needed to be successful in the new system. Develop the training material, pilot the classes and revise the materials. Develop a plan for conducting the training which ensures that people participating in the first SO and RP teams are trained in a timely manner.

Consult and coordinate with information system training developers to ensure consistency in the content of training among the various information systems (where necessary), discuss additional management skills training needed for the operations system, and to develop a strategy for training delivery.

**g. Convert from the Old to the New System**

Identify Agencywide conversion problems or issues (e.g., transitioning from projects to

results packages). Identify bureau-specific transition issues, considering the differences among bureaus. Develop strategies and approaches for interim steps and procedures to resolve these issues. Consider appropriate transition/implementation strategy (e.g., phased implementation, implement everywhere at once, use of tests, etc.)

#### **h. Conduct Mission Reinvention Impact Review**

Survey selected missions and AID/W offices to anticipate and project the various impacts on the missions given the changes in the new systems. Analyze information gathered in the review and consolidate findings into the final report. Use this information to further fine tune the activities required in the transition and implementation phases.

#### **i. Assess the Impact of and Readiness for Change**

Conduct a study of the impact of the redesigned operations system on the field offices. Conduct an internal survey to determine the issues affecting the organization's readiness for change. Analyze the results and create a baseline for gauging progress. Communicate the results. Resurvey a year later.

#### **j. Implement a Management System for Continuous Improvement**

Develop a limited number of Agencywide measures of success to use in gauging Agency progress towards goals of improved efficiency and effectiveness. This would mean measuring whether or not new processes and systems are higher quality, less costly, easier to use, more responsive to customers, and more effective in producing results. Determine how this information should be gathered and reported.

- Identify USAID core systems/processes and assign responsibility ("ownership") for managing and improving the redesigned systems. Accountable individuals are responsible for understanding how well the new processes work, and for ensuring they are continuously improved to benefit those who use them, and that they contribute to Agency results.
- System owners will develop performance measures for the new systems, establish baselines, monitor the performance and analyze the data, and ensure improvements are made. They can bring about improvements through quick fixes, and structured problem solving and redesign efforts. This work will tell us if the new systems are doing what they are designed to accomplish, and how we can continually make them better.
- Identify and develop internal consultants to assist system owners to define their systems, understand how they are performing, and make improvements. These internal experts should become knowledgeable and skilled in the concepts, tools and techniques of improvement and will seed the organization with expertise.
- Develop mechanisms for eliciting and incorporating system improvements. These

should help to easily surface proven improvements to systems and to get them evaluated and installed, as appropriate.

- Gather agencywide information on systems performance. This will be a source of improvement opportunities which should have broad impact. Identify and prioritize agencywide (possibly, cross-functional) improvement opportunities, and assign responsibility for bringing about the improvements.
- Ensure system/process improvement goals are developed and incorporated into the planning process. Use knowledge of how well the systems are working and how well others are doing (benchmarking) to guide the development of performance goals. Incorporate improvement goals into appropriate individuals' performance expectations.
- Develop skills and expertise to conduct benchmarking efforts, to compare USAID's systems against best-in-class systems and continually strive to make them better.

#### **k. Provide Input to Efforts to Reform Agency Training Program**

Identify existing technical and managerial training programs and reform them to incorporate the knowledge and skills needed in the new system. Ensure these skills and knowledge are incorporated into any new courses developed. Content should include skills, knowledge and techniques for continuous improvement. Increase the capacity to provide language and cross-cultural training. Provide training and educational opportunities to increase the technical skills of USAID staff.

#### **l. Assist Interested Partners in Strengthening Their Ability to Manage for Results**

Offer educational opportunities to interested USAID partners to assist them in managing for results. Work with USAID partners to identify partners who are best-in-class in practices consistent with the new system and use them as benchmarks in the various partner communities. Discuss USAID's customer service standards with partners. Align incentives (eg., performance-based contracting) and recognition with managing for results.

#### **m. Conduct Experimental Labs**

Establish and support labs which will experiment with the four core values by applying concepts in the Intensive Reengineering Team (IRT) report and the Operations BAA team report. Ten labs have been identified to experiment with the reengineered system. Labs were approved in October 1994 and will run until October 1995.

Determine the scope of experimentation in each lab. Provide the labs with guidance on how to operate as a lab, and communicate any procedures or restrictions that have been waived. Provide the labs with tools and training. Brief them on the new system. Train them in teamwork, leading and coaching, and identifying and working with customers. Provide them with group software to communicate with each other. Labs will determine

how they will report on results. The ROR will gather the lessons learned from the labs and disseminate them to appropriate staff.

**n. Coordinate with the Human Resources BAA**

Work with the Human Resources BAA to ensure effective support by the human resources systems of the new operations system. Modifying and aligning these systems with operations is critical to enabling and supporting the behavior changes in how USAID does business. Some areas of interest:

Performance management -- Redesign the performance management system to focus on managing for results. The key components of USAID's performance management system (performance expectations, evaluation mechanisms and rewards/recognition) should embrace the four core values (customer focus, empowerment and accountability, results orientation, and teamwork). USAID must be able to evaluate performance in a team setting. Evaluations of supervisors by subordinates and peers will help. Some rating relationships should be reexamined. Finally, design the system so that greater payoff is gained with less time devoted to the performance evaluation process. This will result in more staff time for operations.

Promotion precepts -- Base promotions on results more than on level of resources managed; establish parallel promotion tracks for technical contributions, leadership compared with ones based on a traditional organizational pyramid; realign senior foreign service precepts for maximum impact on four core values; review precepts for up and out decisions against loss of expertise, and consequent impact on results.

Assignment management -- Assess opportunities for more flexibility in tour length consistent with result package time frames to maximize results and accountability; more opportunities for GS assignments overseas to support results teams; specify principles/rules governing assignment to teams (when is the assignment formal?); flexibility to take fuller advantage of FAN skill pools including opportunities for more responsibility and advancement; and improve Agency capacity to match US direct hire staffing needs to mission workloads.

Workforce planning and management -- Reform the workforce planning system to align with the reengineered operations system. The system should ensure USAID has the right people with the right skills, knowledge and capacity at the right place to work in the new system, and to achieve USAID's strategic results. Develop skill and attribute profiles of employees, which could be used in recruiting strategies.

The following are some of the anticipated changes in workforce needs: greater need for more technical staff and technical managers; less non-direct hire managers, because of increased authority/accountability of RP managers; greater use of Foreign Service Nationals (assure significant skill set in FSNs, FSNs service mobility, senior FSNs); greater understanding of available skills in present workforce to support results teams.

Training -- Reexamine the training system to find effective and efficient ways for USAID staff to "learn" on a continuous improvement basis. Develop and employ new and innovative ways of teaching and learning to keep up with the pace of change and number of people impacted. Training should be focused on enabling the agency to manage for and achieve results, thereby achieving its objectives.

**o. Develop Mission-Specific Uses of Information Systems for Operations**

Develop local applications and uses to meet specific mission needs for information analysis and reporting. As missions begin using the new operations system, prioritize local requests for IRM involvement to ensure necessary IRM resources are applied to implementing Agencywide systems.

## CHAPTER 9

### THE OPERATIONS MODEL

#### 1. INTRODUCTION

In 1992, the United States Agency for International Development (USAID) launched an intensive effort to re-examine its management practices, operations systems, and basic mission, with an emphasis on reengineering its information management practices and systems. The first product of this effort was an Information Systems Plan (ISP). This plan, prepared using the techniques of information engineering (IE), identified eight functional business areas into which all of the Agency's work falls. One of the functional areas, operations management was the subject of this Business Area Analysis (BAA). In the ISP, operations management was defined as "the actual planning of projects and management of activities, as well as the information needed to evaluate them."

The Operations BAA was the third such Business Area Analysis performed following the ISP report, having been preceded by the procurement and budget BAAs. The accounting business area (AWACS), was already underway at the time the ISP was being done. The analysis of the Operations Business Area Analysis lasted approximately four months and was conducted by a team consisting of technical and management staff from throughout the agency. The BAA team was comprised of USAID staff with a broad range of field and USAID/W experience. The BAA was guided by a reference group of senior managers from all bureaus. The BAA further supplemented this experience by interviewing numerous mission and USAID/W personnel during the course of the analysis. The composition of the reference group and BAA team are contained in appendix C.

#### 2. BAA OBJECTIVES AND SCOPE

##### a. Objectives of the BAA

The purpose and objectives of the Operations BAA differed somewhat from previous BAA efforts. The BAA was intended to focus as much on operational policy and procedure as on information requirements and systems. As a result, the BAA drew upon techniques from both *Business Area Analysis* and *Business Reengineering*. The activities of operations cross or interface with many functional boundaries and provide both inputs and rely on outputs from all other business areas within the Agency. The flow of work performed moves between operations and budget, procurement, financial management, human resources, and back. Analysis of these work flows, with an external focus toward the customer, played a major role in this BAA because the objective was not only to improve the quality of information but also to reengineer the work performed. The goal was a more efficient and effective execution of the Agency's mission through a shift to results-oriented operations and an external customer focus. The objectives of the BAA were achieved through developing a full understanding of the operations area, and by modeling the information and activities contained within it. Once an understanding was established, the reengineering effort analyzed how that work was performed, by whom, and with what

responsibility. Specific objectives included the following:

- to identify specific information needs and activities for the operations area;
- to capture business rules, roles, responsibilities, and recommendations relevant to the operations area as input to new policies and procedures;
- to collect and analyze relevant quantitative data as a basis for distribution analysis and application design or package evaluation;
- to reengineer work flow for greater effectiveness and more emphasis on achieving results;
- to provide a platform to launch a more detailed analysis on the business area in preparation for supporting business systems design; and
- to identify and prioritize natural business systems which may eventually become systems design areas to support the needs of the operations area.

#### **b. Scope of the BAA**

The scope of this BAA can be interpreted both functionally and technically. From a functional perspective, the team analyzed the activities of the major functions within operations to the lowest level of meaningful work. These functions involved planning for results, achieving results, judging the achievement of objectives, and included operating expense and program resource allocation. The Operations BAA covered all of the activities up to the interfaces with other BAAs, but only examined functions clearly outside of operations to the extent that they impacted our needs or provided input to our activities. From a technical perspective, the BAA employed techniques from *Business Area Analysis* and *Business Reengineering*. The four month time frame and shift to reengineering emphasis meant that only a high level data and process model was developed. As with other BAAs done to date, more detailed preparation for system design will need to be conducted as a follow-on activity or as the first stage of a system design effort.

Areas such as participant training and humanitarian relief were identified as within the operations scope in the ISP. We analyzed these areas to the extent that they fit within the common parameters for development assistance, but did not make an effort to capture information requirements or perform analysis in preparation for system design. In these specific areas, previous analysis performed provide sufficient foundation for detailed analysis and design of systems. The collection of similar data and processes in these areas also makes them unique enough to justify treating them as separate initiatives.

### **3. PRODUCING THE OPERATIONS MODEL**

The "Operations Model" is a compilation of several diagrams and textual definitions which together describe the following aspects of the business area:

- activities and dependencies between them;
- data and its relationships to other data;
- the interaction between the activities and data;
- the flow of work across functions or organizational units; and
- the distribution of activities and information across the enterprise.

The model was developed through a combination of facilitated sessions and interviews. Producing the business area model comprised many tasks focusing on the information requirements of the business area, the activities performed within that business area, and the dependency between activities. As a reengineering component to the BAA, the team performed work flow analysis, RAEW (Responsibility, Authority, Expertise, Work) analysis, and problem analysis activities.

The project schedule for the completion of the Operations Model can be found appendix A.

#### **a. Activity Analysis**

Activity analysis is performed to gain an understanding of the business area's processes and activities. The techniques used to capture this understanding are the activity decomposition diagram and the activity dependency diagram.

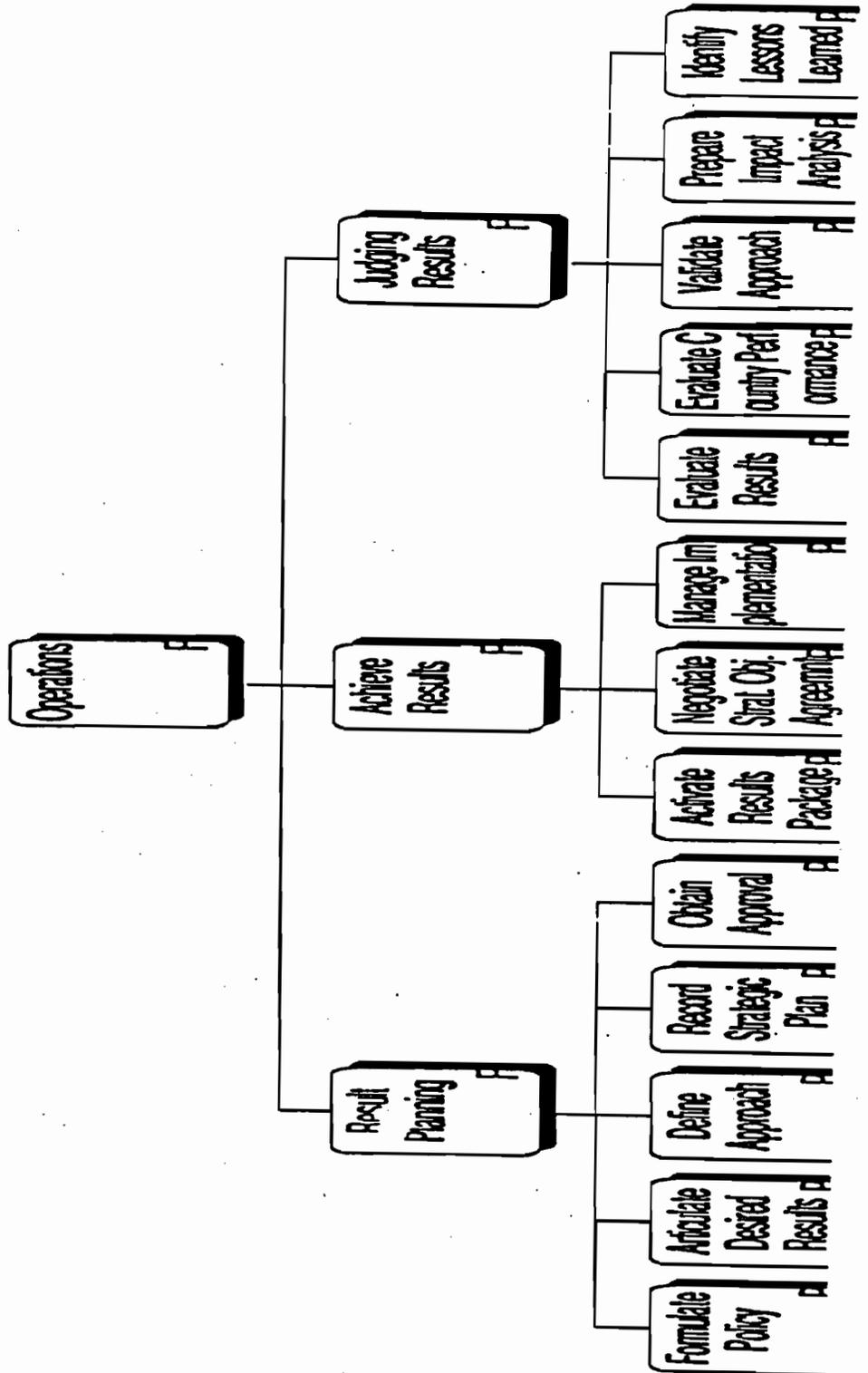
The activity decomposition diagram is the logical breakdown of business activities from functions to processes and ultimately to elementary processes. A function is a collection of business processes which together act to further the goals of the enterprise. Functions are composed of processes that can be characterized by inputs and outputs, with discrete executions each of which can be counted. Processes further break down into other processes until the lowest level of meaningful work is reached. This level is the elementary process level and it is the point at which any further decomposition of the process would not be separable from how the process is performed. The key to successful decomposition diagramming is concentrating on "what" the business does separate from "how" it is done. This distinction may make readers of the diagram confused because separating what an activity does from how it is performed is not consistent with the way most people relate to their work.

The diagram created by the Operations BAA begins with three major functions. These functions are RESULTS PLANNING, ACHIEVING RESULTS, and JUDGING RESULTS. The next level contains the aggregate processes making up that function. These processes model the activities the BAA team identified as necessary for strategic planning, allocating funds in the budget process, creation and execution of results packages (RPs), delivery of resources, gaining customer feedback, judging the effectiveness of interventions, and using lessons learned and customer needs analysis as input to the next strategic planning process. Figure 9.1 illustrates the first few layers of the activity decomposition diagram.

Activity Dependency Diagramming is an excellent confirmation technique to check the

Figure 9.1

Process Decomposition Diagram



The diagram in its entirety and the list of functions, processes and elementary processes, and their definitions can be found in appendix B.

Activity dependency diagramming is an excellent confirmation technique to check the stability of the activity decomposition diagram and to analyze the dependency relationship between the execution of one process and how that affects the execution of another. In theory, collections of processes from the same parent have an interdependent relationship. This diagramming technique confirms that the process in fact belong together and have business purpose. Figure 9.2 is an example of an activity dependency diagram produced by the project team.

### b. Entity Analysis

While activity analysis examines what the organization does, entity analysis captures the information requirements that play an integral role in the activities and processes which are performed within operations. "Entity" is the term used to define *a fundamental thing of relevance about which an organization keeps information*. Entity types are collections of similar entities. For example, USAID has employees, therefore, an example of a collection of these similar entities would be EMPLOYEE. Entity types can be persons, places, things, events, or concepts as long as the organization has specific information needs pertaining to them. Entity types have unique characteristics that identify and are associated with them. These characteristics are called attribute types, and collectively they describe the entity type.

During entity analysis, entity types are collected in a model called the entity relationship diagram (ERD) which depicts the entity types and their relationships with each other. These relationships describe the business rules pertaining to the association between one entity type and another.

Figure 9.3 illustrates the ERD for the Operations BAA. The major focuses of the diagram are the entity types RESULT and what the team currently calls RESULTS PACKAGE (RP) (the name for this entity type has not been confirmed by the project team as final). These are central because the team has attempted to create an information structure that allows RESULTS to be related to STRATEGIC OBJECTIVES, to be associated directly with a CUSTOMER NEED, and to have RESOURCE REQUIREMENTS and expenditures tracked against them. The new organizational mechanism for achieving RESULTS is the RESULTS PACKAGE, to which resources are assigned, and TOOLS and TACTICS are associated.

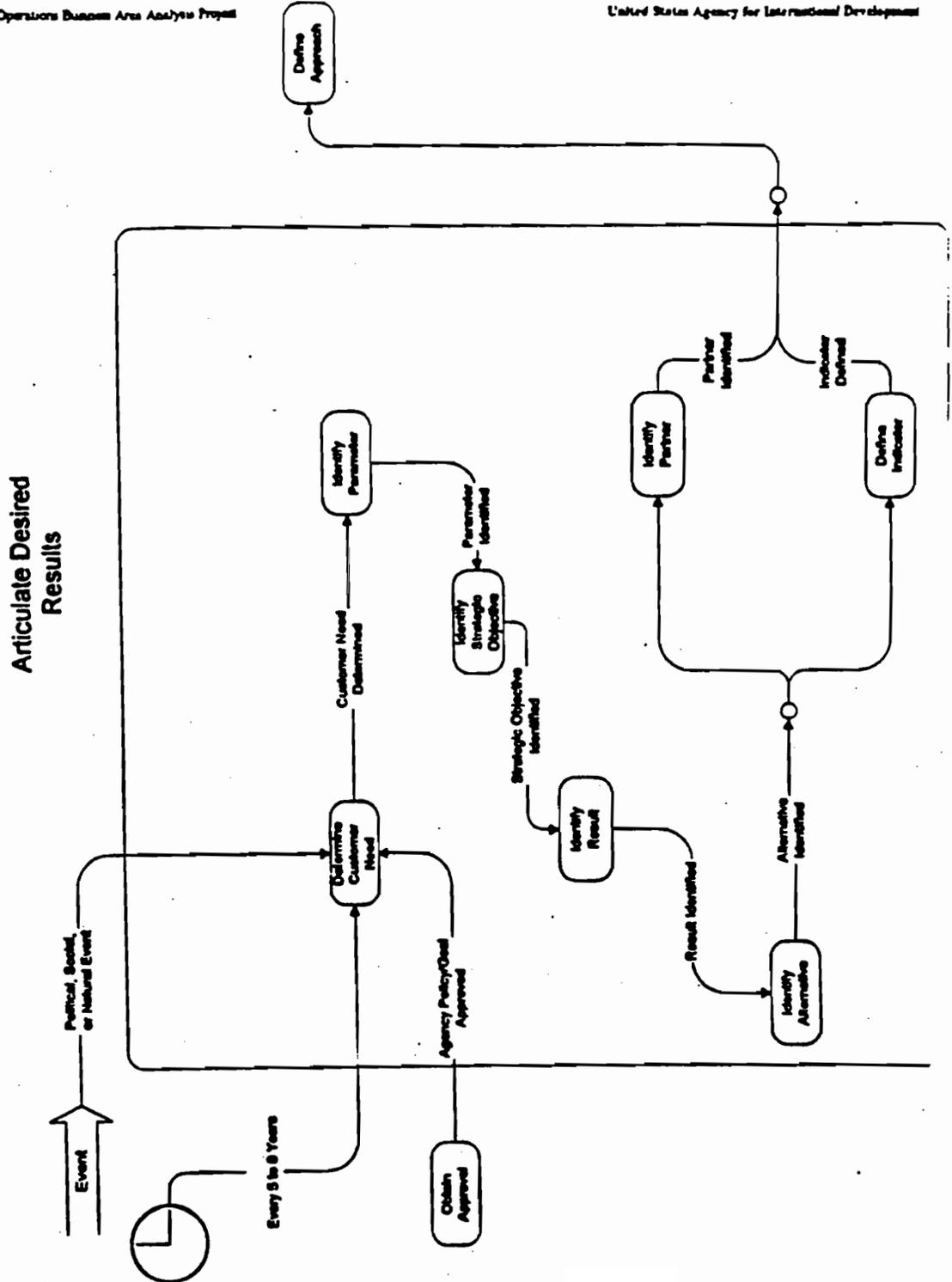
### c. Interaction Analysis

Activities and data do not exist independently within an organization. Business processes create information that is used or read during other processes. Some processes update information while still others delete information from the origination. The create (C), read (R), update (U), and delete (D) characteristics of data actions are captured in a process/entity type matrix referred to as a CRUD matrix.

Figure 9.2

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This interaction analysis technique confirms the correctness of the project team models as well as helps define the "natural" business systems which may support operations. A "natural" business system is the combination of similar information, and the processes which act upon that information, which can be easily transferred to an automated system. Figure 9.4 illustrates the CRUD matrix for the Operations BAA.

#### **d. RAEW Analysis**

Responsibility, authority, expertise, and work (RAEW) analysis is intended to clarify the roles organizations and/or specific individuals play in the execution of a business activity within USAID. The purpose of RAEW is to identify and document these roles, identify anomalies (such as an individual with responsibility and not authority, or work without expertise), and to identify requirements for new job descriptions. The team performed the analysis with two goals in mind. The first goal was to provide direct input to the policies and procedures effort that will be revised following approval of the final report. The second was to stress and confirm the need for empowerment throughout the agency to streamline development efforts and reduce layers of bureaucracy. Examination of the RAEW performed by the team shows that in the reengineered operations system significantly more responsibility and authority will be delegated to both the lower levels within the organization and also to organizations outside USAID for decision making processes. Figure 9.5 shows a matrix of business processes compared with organization units and the corresponding RAEW for each unit.

#### **e. Work flow Analysis**

Work flow diagrams are the business reengineering technique by which the team analyzed the processes performed within operations. The technique can be used to model entire value streams including all activities required to satisfy a particular customer need, sets of activities, or for a single activity. A work flow depicts how an enterprise organizes itself to do work. The flow can, and usually does cross functional and organizational boundaries. The goal of work flow analysis is to identify and remove wasteful processes that do little to contribute to delivering development assistance.

After identifying the units of activity (elementary processes) through decomposition, the team combined these activities together in a normal sequence to reflect how work is really performed at USAID. Several combinations of work flows were created to reflect different sets of activities to accomplish different objectives. Much of the work USAID does to deliver development assistance to the ultimate end-user (customer) is performed through partnerships, contracts, and outside organizations. Modeling the work flow across organizations contributed significantly to defining other aspects of the operations model such as tactics and tools, results packages, teamwork, customer focus and accountability. Much of the impact of our work flow analysis is embodied in the substance of other sections throughout the report. Figure 9.6 is an illustration of the work flow analysis performed by the BAA team.

	STRATEGIC PLAN	ORGANIZATIONAL AREA	EMPLOYEE	CUSTOMER NEED	PLANNED FOR	HOW AND WHEN	AUTHORITY	STRATEGIC OBJECTIVE	RESULT	ASSIGNMENT RESPONSIBILITY	RESOURCE PACKAGE	ACTIVITY	RESOURCE REQUIREMENT	AGREEMENT	FINAL STATUS	IMPACT	ORGANIZATIONAL AREA	ORGANIZATION	HOW AND WHEN	EMPLOYEE	HOW AND WHEN				
Record Strategic Plan	CRU																								
Define Policy Goal	CRU																								
Identify Customer			CRU																						
Define Customer Need			R	C																					
Define Mandate					C																				
Define Acceptable Practice					C																				
Define Parameter					CRU																				
Partner						CR		R																	
Define Authority							C		R				R												
Define Strategic Objective		R		R	R	R	C	C	C								R	R							
Expected Impact								C																	
Define Desired Result			R					R	CR								R								
Record Result								CRU		RU															
Causal Relationship								CR	C																
Define Assumption				R				R	R	C															
Define Results Package Team								R			R									R	R	R		RU	
Define Role											R	R								R					
Define Results Package								R	R		CU														
Define Schedule								R	R		RU	C													
Define Schedule								R	R		RU	CRU													
Identify Resource Requirement									RU		R		C												
Define Resource Requirements								R	R		R		CRU												
Negotiate Strat. Obj. Agreement						R		R	R		R		CRU	C			R	R							
Define Indicator								R	RU																
Request Resource Authorization												U													
Request Approval							R	RU	RU											R	R				
Provide Approval				R			R	RU	RU																
Submit Resource Requirement												U													
Schedule Resource Utilization								R		R	RU	RU	R			R									
Record Resource Delivery										R	RU	RU													
Confirm Customer Utilization								R		R	RU	RU													
Identify Actual Impact			R					R		R		RU													
Evaluate Country Performance								R		R	R				C										
Validate Approach							R	R	R		R	R	RU	R	CU	R									
Evaluate Causal Relationship								R	R	R					CU										R
Evaluate Results					R					R					CU										
Identify Lessons Learned								R		R					CU			R							
Identify Implementation Problem								R		R					R										
Resolve Problem								R		R															
Identify Preliminary Tool										R															
Identify Preliminary Tactic							R	R		R															
Define Tool										R															
Define Tactic							R			R															

Entity Type/Process Matrix (CRUD)

Figure 9.4

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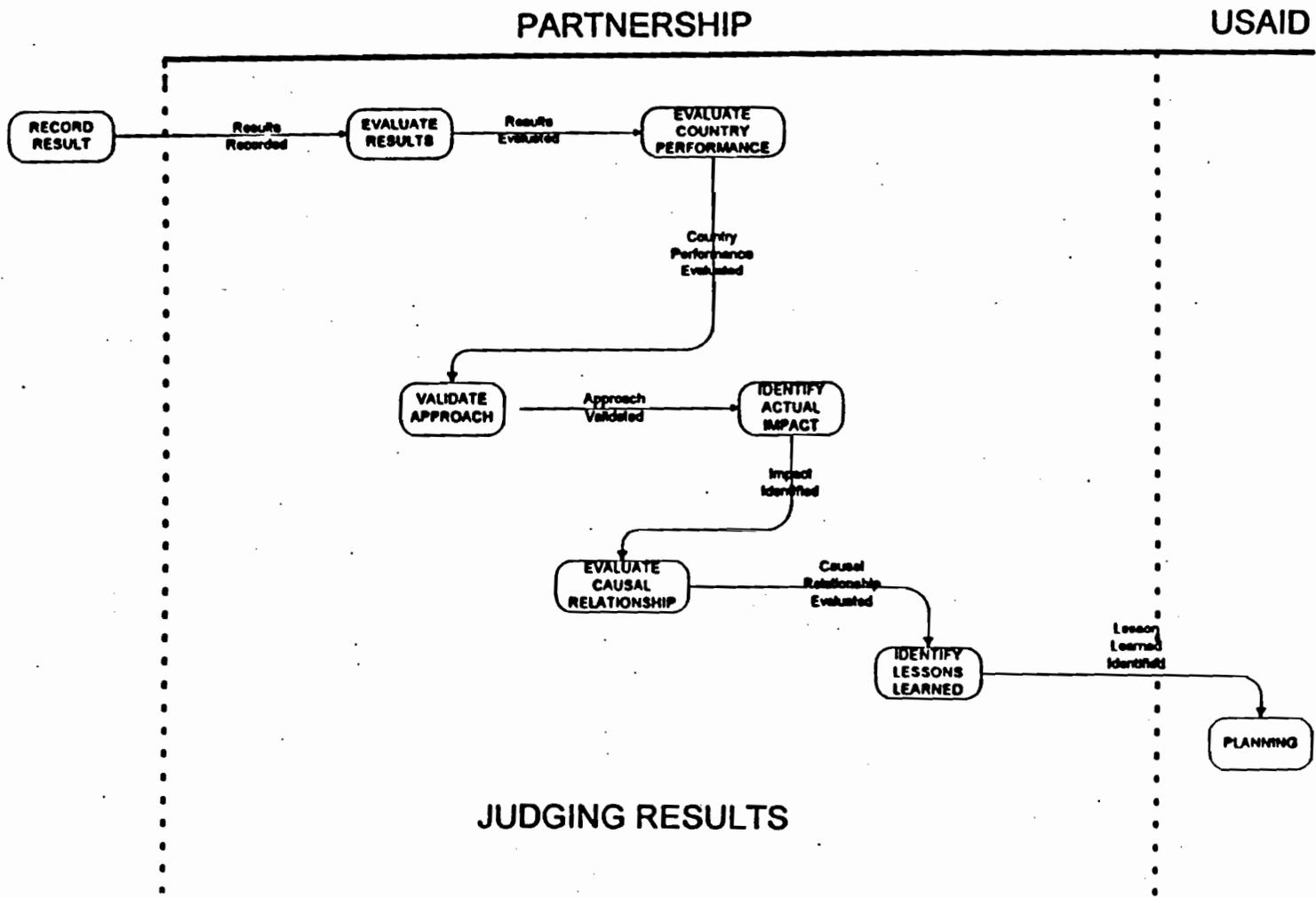
RAEW ANALYSIS

Strategic Plan/Objective	ADMN	GC	LPA	PPC	MGMT	AA's	IG	OP.	WORK	STATE	PARTN	CONTR	CONTR	GLOBA	END	REG.	BHR	
Operational Unit								UNITs	TEAM	DEPT		OFFCE	LLER		USER	BUR		
Identify Customer				EW				RA	EW	E	EW			EW		EW	EW	
Survey Customer Need				EW					RAEW		EW			EW	E	EW	EW	
Identify Paramete				EW				RA	RAEW		EW			EW	E	EW	EW	
Identify Strategic C.				EW				RA	RAEW		EW			EW	E	EW	EW	
Identify Desired Resul				EW				RA	RAEW		EW			EW	E	EW	EW	
Articulate Assumption				EW					RAEW		EW			EW	E	EW	EW	
Id Causal Relationship				EW					RAEW		EW			EW	E	EW	EW	
Identify Expected Impact				EW					RAEW		EW			EW	E	EW	EW	
Identify Alternative				EW				RA	RAEW		EW			EW	E	EW	EW	
Identify Partner				EW					RAEW		EW			EW	E	EW	EW	
Define Indicator				EW					RAEW		EW			EW	E	EW	EW	
Identify Preliminary Tactic				EW					RAEW		EW			EW	E	EW	EW	
Identify Preliminary Tool				EW					RAEW		EW			EW	E	EW	EW	
Identify Resource Requirement				EW					RAEW		EW			EW		EW	EW	
Request Resource Authorization								RA	RAEW						E			
Define Role									RAEW		RAEW							
Define Authority									RAEW		RAEW							
Define Schedule				EW					RAEW		EW				E			
Record Strategic Plan								RAEW	RAEW									
Request Approval								RAEW	RAEW									
Provide Approval				E	E	RA												

Figure 9.6

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#### f. Distribution Analysis

Distribution analysis identifies and describes where in USAID processes are performed, and indicates where actions on entity types occur. The objective of the analysis is to group physically distinct locations which perform similar processes together as a location type, e.g., missions. Although locations are physically distinct, similar processes may occur at more than one location. Entity actions include creation of the information, updating, reading and deleting the information. By implication, entity types must reside or be available where they are acted upon. Distribution analysis provides a bridge between conceptual analysis and the physical organization. Such an understanding of the distribution of processes and data has been valuable in identifying where activities should be placed physically throughout the organization. The team analyzed where data is found and where activities occur in USAID. The result of this analysis was an identification of inefficiencies in certain areas and recommendations for new processes occurring at different physical locations to streamline operations. Since USAID is a widely dispersed organization, the team recommended that activities performed, and data creation/utilization should reside as close as possible to where the actual work of development occurs. Review of the matrices produced by the Operations BAA shows a shift of many processes and entity types to the field through either missions or offices. The results of the analysis will also be used in the design stage to define the systems architecture for the operations area, which will include client-server or distributed applications and data stores. The systems architecture definition of a single point of entry for data creation is supported by our distribution analysis.

An effort was made to keep processes from happening at more than two similar physical locations in order to place processes in their truly proper place. It is important to remember while reviewing this analysis, that although information is created and maintained in a location type, it will still be available agency-wide. Figure 9.7 and 9.8, show the relationship of location to processes performed and data.

#### 4. AUTOMATED SUPPORT DESIGN AREAS

Although building a computer system is generally not the primary goal in reengineering, there was another side to our BAA which dictated that the automated support requirements for the reengineered processes be defined. The BAA team analyzed collections of closely related processes, entity types, relationships and attributes which could be supported by one or more business information systems to be designed together. These collections of closely related objects are called natural design areas. Design areas define the scope for an application(s). The process/entity type matrix created during interaction analysis was clustered to illustrate affinities between objects. The purpose of grouping entities and processes into clusters is to define units that can be designed and implemented as a whole, with minimal impact on other such units. Design areas should be small enough to allow evolutionary, incremental development. If the areas are too large and complex, both costs and the risk of failure rise. Figure 9.9 shows the clustered process/entity type matrix.

DISTRIBUTION ANALYSIS  
BUSINESS PROCESSES

PROCESS	LOCATION			
	Central Bureau & Top Management	Regional Bureau	Mission	Operating Unit USAID/W
Receive Mandate	✓			
Articulate Policy GOAL	✓	✓		
Define Acceptable Practice	✓	✓		
Identify CUSTOMER			✓	✓
Survey CUSTOMER NEED			✓	✓
Identify STRATEGIC OBJECTIVE	✓	✓	✓	✓
Identify Desired RESULT		✓	✓	
Articulate ASSUMPTION			✓	✓
Id Causal Relationship			✓	✓
Identify Expected IMPACT			✓	✓
Identify Alternative	✓	✓	✓	✓
Identify Partner		✓	✓	✓
Define INDICATOR	✓	✓	✓	✓
Identify Preliminary TACTIC			✓	✓
Identify Preliminary TOOL			✓	✓
Id RESOURCE REQUIREMENT			✓	✓
Request Resource Authorization			✓	✓
Define ROLE			✓	✓
Define AUTHORITY			✓	✓
Define Schedule			✓	✓
Record STRATEGIC PLAN			✓	✓
Request Approval	✓	✓	✓	✓
Provide Approval	✓	✓		
Define RESULTS PACKAGE			✓	✓
Define RESULTS PACKAGE TEAM			✓	✓
Identify Results package RESULT			✓	✓
Refine TACTIC			✓	✓
Refine TOOL			✓	✓
Refine RESOURCE REQUIREMENT			✓	✓
Refine Schedule			✓	✓
Negotiate Strategic Objective AGREEMENT	✓	✓	✓	✓
Submit RESOURCE REQUIREMENT			✓	✓
Schedule Resource Utilization			✓	✓
Record Resource Delivery			✓	✓
Confirm Customer Utilization			✓	✓
Identify Implementaiton Problem			✓	✓
Resolve Problem			✓	✓
Record RESULT			✓	✓
Evaluate RESULT			✓	✓
Evaluate Country Performance	✓	✓	✓	✓
Validate Approach			✓	✓
Identify Actual IMPACT			✓	✓
Evaluate Causal Relationship			✓	✓
Identify LESSON LEARNED			✓	✓

DISTRIBUTION ANALYSIS  
ENTITY TYPES

ENTITY TYPE ACTIVITY	R	R	CR	CR
ACTIVITY EVALUATION	CR	CR	CR	CR
AGREEMENT	R	R	CR	CR
AID EMPLOYEE	C	R	R	R
AID ORGANIZATION	C	R	R	R
ASSUMPTION/CAUSALTY	R	R	CR	CR
AUTHORITY	R	R	CR	CR
AWARD	R	R	CR	CR
CUSTOMER	R	R	CR	CR
CUSTOMER NEED	R	R	CR	CR
CUSTOMER EVALUATION	CR	CR	CR	CR
EMPHASIS AREA	C	R	R	R
EMPLOYEE	C	R	R	R
EMPLOYEE SKILL	C	R	CR	R
EVALUATION/AUDIT	CR	CR	CR	CR
FINANCIAL TRANSACTION	R	R	CR	CR
FINANCIAL AUDIT	CR	CR	CR	CR
FINDING	CR	CR	CR	CR
GEOGRAPHIC AREA	C	C	R	R
IMPACT	R	CR	CR	CR
IMPACT EVALUATION	R	CR	CR	CR
LESSON LEARNED	R	CR	CR	CR
MEASURE	R	R	CR	CR
NON-AID ORGANIZATION	CR	CR	CR	CR
NON AID EMPLOYEE	CR	CR	CR	CR
OPERATING ENVIRONMENT	C	R	R	R
ORGANIZATION	CR	CR	CR	CR
PARAMETER	C	C	CR	CR
RECOMENDATION	CR	CR	CR	CR
REFERENCE	R	R	CR	CR
RESOURCE REQUIREMENT	R	R	CR	CR
RESULT	R	R	CR	CR
RESULT EVALUATION	R	R	CR	CR
RESULTS PACKAGE	R	R	CR	CR
RESULTS PACKAGE EVALUATION	R	R	CR	CR
ROLE	R	R	CR	CR
ROLE EVALUATION	R	R	CR	CR
SKILL	CR	R	R	R



Using the clustering approach, the BAA team came to the conclusion that the operations business area logically divided into two distinct natural design areas:

- results tracking; and
- planning/implementation

## **5. SEQUENCING OF DESIGN AREAS, DEVELOPMENT PATHS, DEVELOPMENT SCHEDULE, AND TRANSITION**

### **a. Sequencing of Design Areas**

Once the design areas were identified, they were prioritized by certain criteria. When prioritizing design areas, a number of different approaches can be used. The most common and desirable approach used in this situation is order of dependence. Implementation constraints result from dependencies of one object on another. Logically, an entity type cannot be read or updated before it is created. Therefore, those processes that create the data that other processes require should be designed and implemented first. There is a dependence of one design area on another.

Reality dictates that this approach is not always followed due to resource constraints, data transition complexity, and roll-out issues. Political influences also must be considered when prioritizing and scheduling design/implementation efforts. In other cases, the scope of a particular design area is so well defined and non-interdependent on other design areas or systems, that its design and implementation can occur at any point within the development schedule.

The well scoped, non-interdependent case applies to the results tracking design area. The Operations BAA team believes that a system which defines desired results and tracks them during their life cycle could be implemented first with little reliance on the other design area or on other systems such as AWACS, budget, or procurement. Furthermore, from a political perspective, implementing such a system could provide support for demonstrating the Agency is more "results-oriented". Therefore, the BAA has positioned the results tracking design area first in order of implementation.

The planning/implementation design area is an entirely different matter. Several factors influence the implementation of this portion of the system and include:

#### ***Resolution of Issues -***

The business rules, policies, procedures, and guidelines affected by our reengineered view of operations are an integral part of this design area and must be agreed to by the Agency and finalized before any design effort moves forward. This will require several months; therefore, design should lag the first effort by a short period. The schedule for implementation is found in the next section.

*Interfaces -*

The entity types, processes, relationships, and business rules interface with, impact and rely on information from other systems such as procurement, AWACS, and budget. The BAA has identified these three interfaces as well as an interface to human resources which must be analyzed and designed.

**b. Development Schedule**

**(1) Results Tracking:**

Description. This is the design area that is the core of the agency's shift to a results-based approach to development. The data which are central in this design area include strategic objectives (SO) (probably both in text form and in structured data elements -- objective, indicator, target, date), agency strategy/emphasis area to which the SO is related, baseline data, results data as collected periodically, evaluative analysis, and other statistical data that the agency decides to collect possibly not related to a strategic objective of the operational unit (e.g., if we decide that every mission must collect, say, child survival stats). This resulting system from this design area can be viewed as the successor to the PRISM database, which has not yet been built as a system, but for which a great deal of data is already collected. While this design area captures the core information on which an operating unit's strategic plan is based, we are assuming that much of that document will be in textual form, presumably created and maintained as a word processing document, to which this data must be linked. While the implementation of modern document management tools is a critical information systems plan (ISP) priority and will be key to effective operations, it is not considered within the scope of this system.

The complexity of this design area comes in building the capability to manipulate this data, and in being able to share data with other corporate systems. We are assuming a moderately complex analysis capability; as we get into design, we will need to tailor the level of sophistication in the reporting and analysis capabilities to what can be accomplished in the time frame allowed. However, we should be able to meet the Agency's basic tracking and reporting needs to fulfill the commitment to "manage for results" and be able to report on our accomplishments. The BAA team supports the recommendation of the budget BAA regarding the desirability of a commercial-off-the-shelf package to provide a powerful and user-friendly analysis capability that can be applied to all ISP systems. Availability of such a system should simplify the task of developing an analytical capability for the results tracking system, and provide more robust capabilities than this system construction effort can develop from scratch in the time available.

Dependencies. This results tracking system ultimately will share data with the operations implementation/planning system, and with the budget formulation system, and will provide input to the accounting system, in that funds must be accounted for by activities and by the strategic objectives defined in this system. It will provide much of the data for the congressional presentation (CP), and will be the basis for the agency's implementation of the Government Performance and Results Act (GPRA). Apart from sharing data between these systems, it should be noted that the definition of this system in terms of its data

model, is a critical input to the design of both the accounting and budgeting systems.

**Resource Requirements.** Based on the definition above, we believe this system represents a moderate-level development effort, but one of critical importance to the reinvention of USAID. The design of the system will not start until late October 1994, as key staff will be preoccupied with completing the BAA, and some key assumptions may need to be confirmed by the Agency in its review of the BAA product. The schedule has been estimated for a completion of system testing by July 1, 1995.

Our best estimate of the resource requirements is one project leader for the full year, one database designer beginning the second month, five programmers beginning in month three through nine (December through June), with two staying on for the installation period, and one-half of a documentation person (sharing one individual between the two Ops systems) beginning in December through September 1995. Funds for the technical personnel required have already been budgeted. From the user side, we would expect to involve two program staff, ideally those already familiar with the work of the BAA, on a nearly full-time basis for the four months of analysis and design, and lesser involvement during the construction period. It should be noted that this effort will also require the periodic involvement of a larger group of users, serving as a reference group to review the work of the system team. In addition, an IRM coordinator is assumed, who will split time between this and the other system.

Results Tracking System												
Project Phase	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEI
<u>Analysis/Confirmation</u>	XXX											
<u>User design</u>	X	XXX	XXX	XX								
<u>Construction</u>			XXX	XXX	XXX	XXX	XXX	XXX				
<u>Testing</u>							XXX	XXX	XXX			
<b>Required Resources:</b>												
<b>Contractor Staff:</b>												
Project Leader		1	1	1	1	1	1	1	1	1	1	1
Database Designer			1	1	1	1	1	1	1			
Programers				5	5	5	5	5	5	2	2	
Documenter				0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.
Subtotal Contractors		1	2	7.5	7.5	7.5	7.5	7.5	7.5	3.5	3.5	3.
<b>Direct Hire Staff:</b>												
Users		2	2	2	2	1	1	1	1			
IRM Coordinator		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0
Total Staffing		3.5	4.5	10	10	9	9	9	9	4	4	

**Scheduling Considerations.** Like many of the ISP systems already under construction or being considered for the October 1995 target date, this automated system is not essential to effecting the changes that would constitute a truly "reinvented" USAID. What is

essential is the conceptual design and implementation, on an agency-wide basis, of the underlying principles and procedures. If these are implemented, we can continue to collect the data on a manual basis without seriously undermining the reform effort. However, given that this system is so central to the reinvention of USAID, that its design is critical to other systems which are being built, that it represents a moderate systems effort, and that its completion would send strong signals, both internally and externally, about the seriousness of USAID's shift to a results-based focus, we believe it should be considered for early implementation.

Depending on when this design effort is begun, and on any revisions to IRM's assumptions about its roll-out plan, the system will likely not be completed before the start of the IRM systems roll out process. Therefore, the system is implemented separately as a part of introducing the reengineered operations procedures to the Agency, rather than as a part of the planned roll out of the accounting, budgeting and procurement systems. This could possibly be done on a regional training session basis and start later than the planned IRM roll out, which is premised on having to visit every affected mission.

## **(2) Implementation/Planning:**

**Description.** The implementation/planning design area will be the repository of the information we keep about specific interventions/results packages (RPs). This will include the relationships of the RP to objectives, schedules and targets, budgeted funds (may be at a lower level than defined in the current action plan), team members, actual results/deliverables, and other activity-related information. The intent is to have an on-line repository for this information, kept up-to-date as RP plans are refined and as actual implementation occurs, so that team members, wherever they are located, can keep up with what the team is doing.

It is very possible that this design area could most easily be developed by customizing a commercial-off-the-shelf (COTS) project management package. An evaluation of the feasibility of this approach is provided for in the plan below.

**Dependencies.** The resulting system will share data with the budgeting, accounting, ops results tracking, and procurement systems. We are uncertain at this time which direction this sharing goes -- for example, does one begin to define an intervention/results package in this system, and then hand off pertinent data to the budget system at ABS time, or vice-versa? Does one record the receipt of a scheduled deliverable in the implementation system and hand off that information to the procurement system, or vice versa? Whatever the answer, the dependencies are many. We expect that this system will be the focal point for managing and tracking much of the day-to-day activity in an operating unit.

**Resource Requirements.** This design area appears to be somewhat more complex than the results tracking system, and we therefore estimate a total lapsed time of 10 months for design, construction, and testing. Furthermore, since many of the features of the resulting system relate to significant changes in how USAID does business, a longer period for confirmation within the Agency of the changes proposed by the BAA is called for. We have

therefore scheduled this project to begin in December 1994. The schedule below shows the phases of developing this system, leading toward completion of system testing by October 1, 1995.

Our best estimate of the resource requirements is one project leader for the full year, one database designer beginning the fourth month, six programmers beginning in month five through September, with two starting two months earlier to support the COTS evaluation, and two staying on for the installation period in FY 96, and one-half of a documentation person (sharing one individual between the two ops systems) beginning in December through September. Funds for the majority of technical personnel required have already been budgeted. From the user side, as with the results tracking system, we would expect to involve two program staff, ideally those already familiar with the work of the BAA, on a nearly full-time basis for the four months of analysis and design, and lesser involvement during the construction period. One of these should be available during the first two months of the FY 95, during preparation for the actual design. It should be noted that this project, like the first system, will also require the periodic involvement of a larger group of users, serving as a reference group to review the work of the system team. As noted above, an IRM coordinator is assumed, who will split time between this and the other system.

Implementation/Planning System												
<u>Project Phase</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>
Analysis/Confirmatio	XXX	XXX	XXX									
User design			X	XXX	XXX	XX						
COTS Evaluation			XXX	XXX								
Construction					XXX							
Testing										XXX	XXX	XXX
<b>Required Resources:</b>												
<b>Contractor Staff:</b>												
Project Leader	1	1	1	1	1	1	1	1	1	1	1	1
Database Designer				1	1	1	1	1	1	1	1	
Programers			2	2	6	6	6	6	6	6	6	6
Documenter			0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Subtotal	1	1	3.5	4.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	7.5
<b>Direct Hire Staff:</b>												
Users	1	1	2	2	2	2	1	1	1	1	1	1
IRM Coordinator	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Staffing	2.5	2.5	6	7	11	11	10	10	10	10	10	9

**Scheduling Considerations.** Given the additional complexity of this design area, and where we are in defining it at this point in the BAA, we do not believe we would be ready to move into the confirmation and design phase before December 1994 at the earliest. This

would mean worldwide roll out could not begin before October, 1995. However, installation in a limited number of missions during late FY 95 (beyond the initial two beta testing sites) may be desirable to gain additional experience and feedback on the new procedures and processes, as well as on the software.

#### **c. Critical Success Factors for Development**

The schedule for both of these design areas is highly dependent on the following critical success factors:

##### **(1) Decisions on Design Issues**

Much of what the BAA (and its reengineering effort) is proposing will be the subject of controversy within the Agency. Fortunately, many of the most sensitive issues do not directly impact the design of the support systems. However, if the Agency is to meet its October 1995 target, it will be critical that key decisions are made promptly, and do not become bogged down in debate in the pursuit of consensus.

##### **(2) Availability of Technical Staff**

The skills required to successfully complete this task represent state-of-the-art capabilities, which are in great demand in the industry. IRM will need to work closely with its contractors to ensure that the right numbers of highly skilled people are available on a timely basis.

##### **(3) Resolution of Technical Architecture Issues**

In order to implement the systems described above, all of the pieces of the architecture need to be in place. In Washington, this means the development tool suite; in the field, this means the hardware and software on which the system will run. In the field, the particular concern is for those medium to small missions for which UNIX and Oracle have not already been acquired. Every one of these missions has objectives, prepares budgets, tracks results, organizes work teams and manages interventions/results packages, and spends money against activities and objectives. Whether this means expansion of the UNIX/Oracle platforms to all sites, or specification of an alternative platform for smaller sites, some architecture needs to be in place to support rolling out these systems.

##### **(4) Decision Support System**

As mentioned above, the ops BAA concurs with the budget BAA that acquisition of a COTS package to support analysis, sometimes referred to as "Decision Support" software is highly desirable, not only because of the analytical power it can bring to any one business area, but for the leverage of allowing users to learn one tool which they can use in all of their work, rather than being forced to learn different tools for each business area. In order for this to become a reality, we recommend that a formal survey and product evaluation be begun immediately, and we are prepared to provide input into this process.

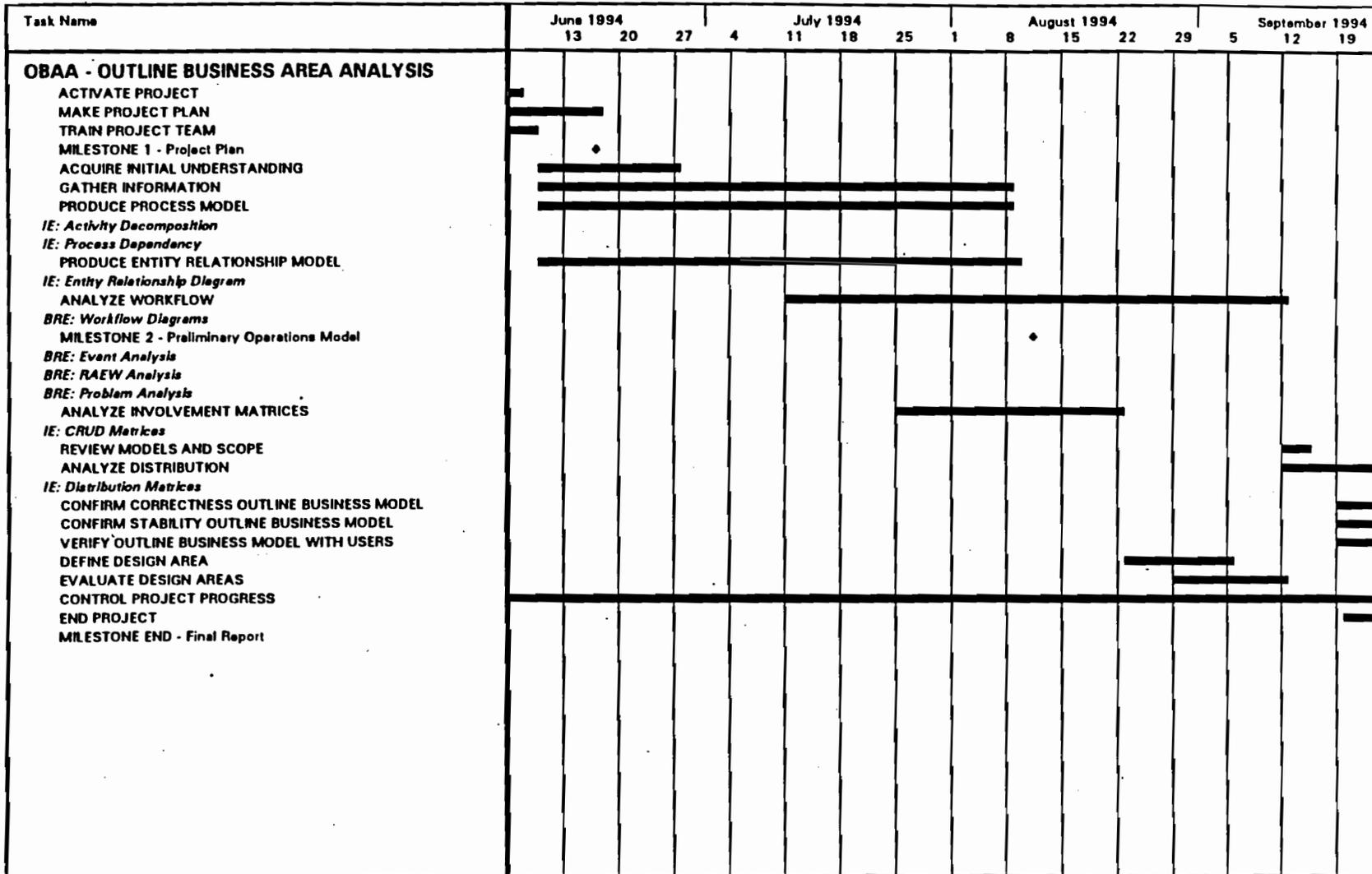
**(5) Policies and Procedures**

Successful implementation of the new systems depends on the timely completion of the new policies and procedures that define how we do business in the reinvented USAID, and on effectively communicating these new policies to USAID staff worldwide. The BAA/reengineering team has begun discussions with the Bureaus for Policy and Program Coordination (PPC), Management (M), and Human Resources (HR) as to how this work will be done. In order to permit sufficient time for developing and delivering training on the new policies, they must be finalized by the end of March, 1995.

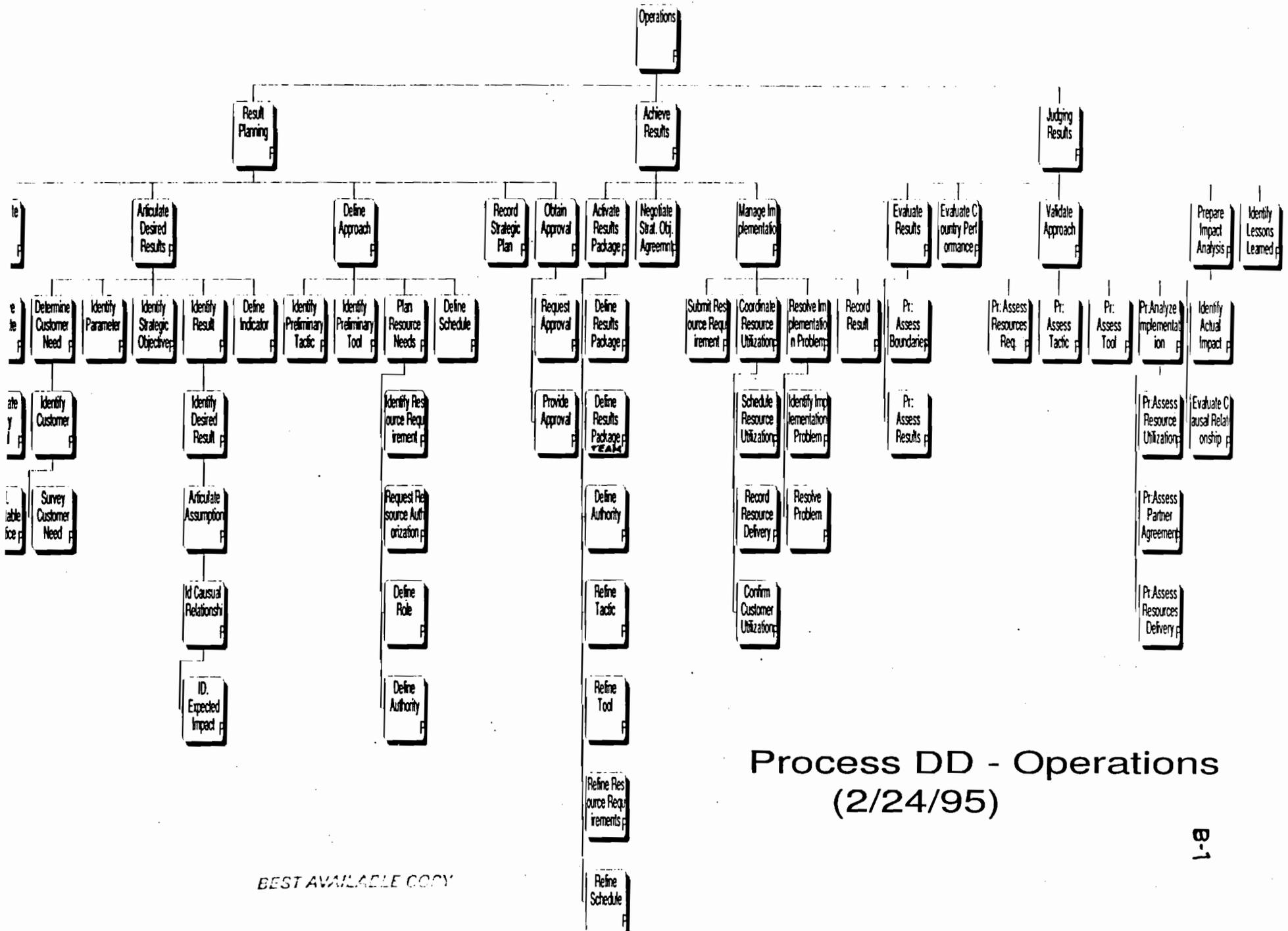
# **APPENDIX A**

## **Project Schedule**

AID Operations BAA



**APPENDIX B**  
**Activity Decomposition Diagram**



Process DD - Operations  
(2/24/95)

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## Definitions of Processes

**Achieve Results** - The high level process that encompasses implementing activities and recording results.

**Activate Results Package** - Identify the component results package, define the results package team and its authority, identify the results package results, refine the tactics, tools, resource requirements, and schedule in order to achieve a particular strategic objective.

**Analyze Implementation** - Procedure: assess whether the work (series of actions or tasks) required to achieve results is proceeding as scheduled

**Articulate Assumption** - Identify those things outside AID's direct control which must hold in order to achieve desired results.

**Articulate Desired Results** - Reach agreement on a statement of the specific outcome that AID and its partners will strive to achieve.

**Articulate Policy Goal** - Develop Agency priorities within which strategic objectives will be established or reviewed.

**Assess Boundaries** - Procedure: review policy parameters and situational constraints to determine change if they change during the implementation process.

**Assess Partner Agreement** - Procedure: review the terms of the agreement w/partner to determine whether the partner is in compliance, and/or whether the terms of the agreement need to be modified.

**Assess Resource Delivery** - Procedure: verify whether inputs were delivered on time, in right amounts, to right people, and of desired quality.

**Assess Resource Requirement** - Procedure: review needs for goods, services and cash to determine changes if any during the implementation process

**Assess Resource Utilization** - Procedure: verify whether chosen resources were used for the right purpose, at the right time, by the right people, and in the planned amount.

**Assess Results** - Procedure: review the type and amount of changes produced by the implementation of the selected approach.

**Assess Tactic** - Procedure: verify whether chosen intervention was most appropriate to achieve desired result.

**Assess Tool** - Procedure: verify whether chosen mechanism for transferring resources was most appropriate to achieve desired result.

B-4

**Confirm Customer Utilization** - Verify (record) the actual use of USAID and/or partner provided resources by the customer.

**Coordinate Resource Utilization** - Reach agreement with partners as to scheduling recording delivery of resources, the use of delivered resources, and confirming the utilization of the resources.

**Define Acceptable Practice** - Prescribe the appropriate approaches for achieving results within legislative, political, or other restrictions.

**Define Approach** - Determine the means for achieving a desired result.

**Define Authority** - State explicitly who will do what to implement an agreed approach, and which partner (or employee of that partner) will be responsible and held accountable for results.

**Define Indicator** - Determine the dimension (or scale) for measuring a result.

**Define Results Package** - Identify the component results packages (basic management unit through which USAID organizes and executes work to achieve results within a specified time and budget) which will be established in order to achieve the results attaining a particular strategic objective.

**Define Results Package Team** - Identify the membership requirements/roles (i.e. who should be a member) for the team which will carry out the activities of a results package.

**Define Role** - State explicitly who will do what to implement an agreed approach, and which partner (or employee of that partner) will be responsible and held accountable for results.

**Define Schedule** - Specify the time frame/sequence in which actions must be taken or outputs produced to implement an approach.

**Determine Customer Need** - Identify and survey end users to determine their sustainable development needs.

**Evaluate Causal Relationship** - Review the relation between the cause of a result and its effect or between interdependent results.

**Evaluate Country Performance** - Perform an analysis of the country's social, political, economic, and other factors which make it a likely recipient of USAID interventions.

**Evaluate Results** - Assess whether the results achieved were the desired results, to what extent they were or to what extent they were not.

**Formulate Policy** - Receive mandate, develop policy goals, and define acceptable practices for the Agency.

**Identify Causal Relationship** - Identify the relation between the cause of a result and its effect or between interdependent results.

**Identify Expected Impact** - Identify the effect and significance of the expected results on the broader society or environments.

**Identify Actual Impact** - Record the effect and significance of the achieved result on the broader society or environments.

**Identify Alternative** - Develop the possible program areas in which development assistance can be provided to address identified problems/constraints.

**Identify Customer** - Determine socially and economically disadvantage people as the end users of USAID assistance and whose participation is essential to achieving sustainable development results.

**Identify Desired Result** - Identify the desired end product or change in the physical or human condition of an end user which is brought about by USAID intervention.

**Identify Implementation Problem** - Identify impediment (significance discrepancy between actual and expected outcomes) to the accomplishment of desired results, whether USAID, partner, or externally originated.

**Identify Lessons Learned** - Identify implications of information gathered during the judging process (for changes in current plan and) for application/ replication in addressing similar problems in any (other) settings.

**Identify Parameter** - Record the restriction of limitation whether social, economic, environmental, or other limiting factors (Congressional or Administration policy) which affect the selection of options for USAID interventions.

**Identify Partner** - Record the organization or customer representative with which/whom USAID works cooperatively to achieve mutually agreed upon objectives and to secure customer participation.

**Identify Preliminary Tactic** - Identify interventions to implement a defined approach as a basis for analysis and determination of required resources.

**Identify Preliminary Tool** - Identify mechanism for implementing a tactic as a basis for analysis and determination of required resources..

**Identify Resource Requirements** - Identify with partners, the human, material and financial inputs both AID and partner provided, which are required in order to achieve a desired result.

**Identify Result** - Identify the end product or change in the physical or human condition of an end user which is brought about by human intervention or natural occurrence.

B-6

**Identify Strategic Objective** - Determine the highest level result (intended significant measurable change) that a USAID operational unit can materially affect and for which it is willing to be held accountable.

**Judging Results** - Evaluating the achieved result, validating the approach used, identifying any impact, and recording the lesson learned from a USAID intervention.

**Manage Implementation** - Submit resource requirements, coordinate resource utilization, and resolve implementation problems.

**Negotiate SO Agreement** - Negotiation of umbrella agreement with H/C government under which USAID will operate. e.g. mission directors shall have responsibility and authority to negotiate and approve SO agreements.

**Obtain Approval** - The formal authority to proceed or get higher level permission to proceed.

**Plan Resource Needs** - Identify the resource requirement, request authorization for the resources, define the roles of the team members, and the authorities vested in the team members. Specify the type and amount of resource needs from all parties to produce a desired result.

**Prepare Impact Analysis** - Record the cause, effect and significance of the achieved result on the broader society or environments.

**Provide Approval** - Higher level authority grants permission to proceed.

**Receive Mandate** - Determine the appropriate scope of the unit or organization's responsibilities, including activities or budget expenditures imposed by a higher authority.

**Record Resource Delivery** - Document input arrival. Document arrival of goods, services, and/or funds provided by partner.

**Record Result** - Document the end product or change in the physical or human condition of an end user achieved through intervention.

**Record Strategic Plan** - Record the country and date of the strategic plan.

**Refine Resource Requirements** - Identify with partners, the specific human, material and financial inputs which are required in order to achieve a desired result.

**Refine Schedule** - Specify the time frame/sequence in which actions must be taken or outputs produced to implement an approach.

**Refine Tactic** - Identify a particular intervention chosen to implement a defined approach.

**Refine Tool** - Identify a mechanism for implementing a tactic.

**Request Approval** - Request the formal authority to proceed.

**Request Resource Authorization** - Request the services, goods, and/or money required to carry out an activity.

**Resolve Implementation Problem** - Identify and carry out solution to an identified problem with the implementation of an intervention

**Resolve Problem** - Determine which of the alternative interventions will be selected to solve an implementation problem.

**Result Planning** - The high level process that encompasses the defining of policies, desired results, approaches, and related resources.

**Schedule Resource Utilization** - Program time and place for use of USAID and partner financed resources. Program time and place of implementing activities.

**Submit Resource Requirement** - Request the services, goods, and/or money required to carry out an activity.

**Survey Customer Need** - Ascertain the sustainable development requirements of assistance to recipients.

**Validate Approach** - Determine if results are going according to plan. Determine whether the chosen approach is achieving results, need to be modified, or canceled.

# **APPENDIX C**

## **Reference Group and BAA Team**

### **Executive Sponsor**

The executive sponsor ensures top management support, approves the scope of the project, resolves management issues, makes resources available, serves as communications channel, approves the acceptance of the end result and initiates the kickoff meeting.

### **Reference Group**

The Reference Group is a group of subject matter experts that will be called upon to assist the Project Team at various stages of the project. The main areas of responsibility of the Reference Group are to review all formal deliverables, provide subject matter expertise, assist in problem resolution, and identify other experts within the organization for interviews.

### **Project Manager**

The Project Manager, with assistance from the Project Team is responsible for planning the project and keeping it on schedule. Potential problems must be identified and the necessary solutions put in place. Project scope must be controlled and decisions impacting the project must be made in a timely manner.

### **IRM Coordinator**

The IRM coordinator is responsible for the technical acceptance of project deliverables. With the assistance of the Project Manager, the controls the scope of the project and is the contact point for any modifications to the project contract.

### **Project Team**

The project team is responsible for learning the methodology and applying it in a consistent manner (develop model, interview users, prevent potential conflict, response to the reference group, id conflict and propose solutions, .....).

### Project Organization

The following lists indicate the project sponsor, reference group members, and project team:

#### **Executive Sponsor**

Phyllis Dichter-Forbes

#### **Reference Group**

<u>NAME</u>	<u>OFFICE</u>
Tony Cully	M/FA/FM/FO
James Dempsey	ANE/ASIA/DR/PD
Joseph Farinella	IG/A/POLICY
Pirie Gall	M/FA/HRDM/TSD
David Grossman	G/PRE/H
Toby Jarman	IG/A/PSA
Judith Johnson	M/FA/OP/B
Pamela Johnson	NPR
Diane La Voy	PPC/POL/SP
Drew Luten	GC/AFR
Hank Merrill	G/PRE/DP
Russ Misheloff	G/R&D/ENR
John Morgan	NIS/EUR/RME
Gary Nelson	M/IRM/CIS
Peter Orr	ENI/EUR/RME/ECA
James Painter	M/FA/B/PB
Mike Philley	G/R&D/ENR
Len Rogers	FDC/FHA/PPE
Christina Schoux	PPC/POL/PAR
Richard Silc	FM/FPS
Wendy Stickel	PPC/POL/PAR
F. Wayne Tate	LAC/SAM
John Tomaro	G/R&D/H/HS
Barbara Turner	AA/ENI
Pam White	M/FA/HRDM/WPRS
Jennifer Windsor	A/AID
Eric Zallman	LAC/DR
Michael Zeitlin	M/FA/HRDM/OD

**United States Agency for International  
Development  
Operations Business Area Analysis Project**

## **Project Team**

Gordon Bertolin  
John Bierke  
Gerald Britan  
John Cann  
Michael Doyle  
Francisco Escobar  
Leroy Jackson  
William Johnson  
David McCloud  
David Neverman  
Dan O'Neil  
Tony Pryor  
Lynn Shanklin  
Donna Stauffer  
Larry Tanner  
James Washington  
Brian Wayson

## **APPENDIX D**

### **Glossary**

Acceptable Practice	Appropriate approaches for achieving results within legislative, political, or other restrictions.
Accountable Manager	A USAID employee who has specific responsibility and authority for one or more results packages and their success; reports to a higher level accountable manager with whom s/he has a performance agreement.
Activity	A planned undertaking of something to be accomplished, produced, or constructed
Agency Goal	The current areas of program emphasis expressed by the USAID Administrator.
Agreement	Mutual consent of two or more parties identifying respective contributions to resource requirements for planned activities in pursuant of a shared objective.
	<p>Comment: The purpose for this entity type is to capture information relating to a variety of agreements between the organization and outside parties, intra-organizationally, and between two individuals. There are three types of agreements (three subtypes); PERFORMANCE AGREEMENT, PARTNERSHIP AGREEMENT, and INTRA-AGENCY AGREEMENT. Each type maintains different relationships and contain information unique to each type.</p>
Approach	The means for achieving a desired result, as expressed by the choice of purpose, tactics, and tools.
Assumption	Those things outside AID's direct control which must hold in order to achieve desired results.
Authority	The right and power to command, enforce, determine, influence, or judge. A person or group invested with this right and power.
	<p>Comment: Business Purpose: The entity type is an attributive entity type which resolves the problem of a multi-valued attribute assigned to the entity type ROLE. Each occurrence of ROLE will have more than one AUTHORITY assigned to it at any point in time.</p>

D-2

<b>Benchmarking</b>	<b>A process for determining targets and indicators.</b>
<b>Boundary</b>	<b>Policy parameters and situational constraints.</b>
<b>Causal Relationship</b>	<b>The cause and effect linkage between, i.e. a result is achieved because related, interdependent result(s) was (were) achieved.</b>
<b>Causality</b>	<b>The relation between the cause of a result and its effect or between results.</b>
<b>Constraint</b>	<b>Something which inhibits progress toward a desired objective.</b>
<b>Contractor</b>	<b>An organization or individual acting as an agent of USAID and carrying out a scope of work specified by USAID.</b>
<b>Counterpart</b>	<b>A representative of a partner working with USAID on a specific activity.</b>
<b>Country</b>	<b>A subset of GEOGRAPHIC AREA.</b>
<b>Customer</b>	<b>Those host country people who are end users of USAID assistance and whose participation is essential to achieving sustainable development results.</b>  <b>Comment: The purpose of this entity type is to capture information about the organization's customers. One important business rule is being enforced by having this entity type; All strategic objectives must be related to a CUSTOMER and every CUSTOMER NEED must be associated with a CUSTOMER.</b>
<b>Customer Need</b>	<b>Desired sustainable development requirements of assistance by USAID customers.</b>
<b>Customer Network</b>	<b>The relationships that link USAID with ultimate customers through partners.</b>
<b>Delivery Item</b>	<b>An output/outcome agreed upon for delivery between the parties of the agreement. May be provided by either the USAID or the Partner. Delivery items includes commodities, information, resource facilities, nonintervention...</b>

<b>Emphasis Area</b>	A grouping of activities for analytical, reporting, and budgetary control purposes. This includes Congressional Earmarks and Directives, Themes, and Emphasis Areas (Budget BAA).
<b>Employee</b>	An individual who has been hired to work at USAID.
<b>End User</b>	The individual(s) who is the ultimate focus of USAID interventions, whose living conditions is intended to be improved. (see customer)
<b>Evaluation</b>	A rating of the performance of a team member, employee, tactic, tool, result, or other entity which USAID wishes to rate.
<b>Geographic Location</b>	A land area with international geo-political significance.
<b>Goal</b>	A high level development result to which we contribute, but beyond our manageable interest. The high level ultimate purpose for achieving one or more objectives. Not necessary time bound.
<b>Lessons Learned</b>	Implications of information gathered during the judging process (for changes in current plan and) for application/ replication in addressing similar problems in any (other) settings.
<b>Immediate Result</b>	The key end product or change in the physical or human condition of an end user brought about by USAID intervention which must occur in order to achieve a strategic objective.
<b>Impact</b>	The effect and significance of the achieved result on the broader society or environments beyond the manageable interest of USAID as defined in approach, or not considered in the approach.
<b>Indicator</b>	A dimension (or scale) for measuring a result.
<b>Input</b>	Resources provided to achieve development results, including good, services, cash, etc. The lowest relevant level in means/end relationship.
<b>Judging Results</b>	Evaluating the achieved result, validating the approach used, identifying any impact, and recording the lesson learned from a USAID

intervention.

**Manageable Interest**

The efforts a person, team or organization can employ to achieve a result. Result that an operating unit believes it can materially affect using its own resources. The highest level result which an operating unit will be accountable.

**Managing for Results**

Focusing of individual, team, or organizational efforts on achieving planned results.

**Mandate**

Directive, legislative, or other mandate provided by Congress or Executive Branch.

**Objective**

A measurable, operational statement of what is to be achieved in a particular planned USAID intervention.

**Operating Unit**

USAID office-level or above organization that expends program funds to achieve an SO.

**Organization**

A unit of positions, either informal or a legal entity composed in a structured form to achieve a common purpose as either a part of a larger entity, or subordinate one.

**Comment:** The purpose of having this entity type is to capture information about units within and outside the organization to associate with AGREEMENTS, STRATEGIC OBJECTIVE, assign EMPLOYEES to, etc. There are two subtypes of ORGANIZATION; AID ORGANIZATION, and NON-AID ORGANIZATION.

**Output**

The result of (end product or changed condition) the completion of an activity(ies) resulting from an expenditure of USAID resources

**Parameter**

A condition that is not a function of a policy or a constraint.

**Comment:** Every action which could be taken within a unit is somehow influenced by externalities needing to be considered. It is important to track these externalities and use them in the decision making process as well as the justification for decisions made.

<b>Participation</b>	The active engagement of USAID staff, partners and customers in sharing ideas, committing time and resources, making decisions, and taking action to bring about a desired development objective.
<b>Partner</b>	An organization or customer representative with which/whom we work cooperatively to achieve mutually agreed upon objectives and to secure customer participation. Partners include: private voluntary organizations, indigenous and international non-government organizations, universities, other USG agencies, U.N. and other multilateral organizations, professional and business associations, private businesses (as for example under the U.S.-Asia Environmental Partnership), and host country governments at all levels.
<b>Partnership</b>	An association between USAID, its agents, its partners and customers based upon mutual respect, complementary strengths, and shared commitment to achieve mutually agreed upon objectives.
<b>Performance Agreement</b>	Document that describes specific outcomes/results for which the partner will be accountable, and whose achievement may trigger the disbursement of USAID funds.
<b>Policy</b>	A high level overarching plan embracing the general goals and acceptable procedures of an organization. Collection of related Do's and Don'ts. Course of action selected aiming to guide & determine present & future decisions.
<b>Problem</b>	An abnormality or discrepancy from expected results for an activity.
<b>Purpose</b>	The category of thing to be changed.  ex. Policy Reform, Institutional Strengthening, Infrastructure Development, Economic Stabilization, Humanitarian Relief, Human Resources Development, Change Behavior, Technical Development (Innovation).
<b>Reference</b>	To register documentation relevant to the SO

approval and implementation. i.e. Publications and studies or specific sections of a publication.

**Resource**

Human, material, and financial inputs.

**Resource Category**

A classification of the types of labor, goods, and services. OMB has defined the major categories to be used uniformly throughout USG.

**Resource Requirement**

Services, goods, and/or money required to carry out an activity.

**Result**

An end product or change in the physical or human condition of an end user which is brought about by human intervention or natural occurrence.

**Comment:** Results are linked by a causal relationship, i.e. a result is achieved because related, interdependent result(s) was (were) achieved.

**Results Framework**

A collection of interdependent and inter-related results in support of an SO.

**Comment:** Results are linked by a causal relationship, i.e. a result is achieved because a related, interdependent result(s) was (were) achieved.

**Results Package**

The basic managerial concept through which USAID organizes and executes work to achieve results within a specified time and budget. Typically, a Results Package is part of a broader strategy to achieve a strategic objective. It is an organizational concept which breaks down inter-organizational barriers in order to garner the appropriate skills to produce results related to USAID's strategic objectives. It is composed of and related to empowerment, results, accountability, cost, and time.

**Results Package Data Base**

Automated decision-support information that fully describes the elements of a results package: targeted results, budgets, relevant SO(s), accountable manager, team members, partners, partner relationships, specific authorities, related WPs, schedules, etc.

<b>Results Package Outcome</b>	The result of (end product or changed condition) the completion of all Results Package activities.
<b>Results Package Performance Agreement</b>	Document that describes specific Responsibility and Authority of accountable Results Package manager; basis for agreement between accountable managers at varying levels in USAID; vertically and horizontally.
<b>Results Package Team</b>	A group of individuals with the necessary RESPONSIBILITY, AUTHORITY, EXPERTISE and WORK to achieve results in support of an SO.
<b>Results Review and Resource Request</b>	Annual year results reporting, resource request and operational plan. Composed of Results Packages and other activities which are the responsibility of a USAID operating unit.
<b>Schedule</b>	Identify the schedule of expected results by date. This would include a schedule of inputs by date at the appropriate level.
<b>Stakeholder</b>	Individuals and/or groups interested in an agency outcome or activity, e.g. Congress, USAID staff, taxpayers, partners, customers, contractors, etc.
<b>Strategic Objective</b>	<p>The most significant result (intended measurable change) that a USAID operational unit can materially affect and for which it is willing to be held accountable.</p> <p>Comment: Strategic objectives are defined at a particular point in time and are achieved within a specified time frame.</p>
<b>Strategic Plan</b>	The five to eight year framework which an operating unit will use for managing to achieve a desired results.
<b>Strategy</b>	A framework for managing to achieve desired results.
<b>Tactic</b>	A category or type of assistance to be carried out. A particular intervention chosen to implement a defined approach

ex. Balance of Payments, Delivering goods, Delivering services, Provide advice, Conduct research, Donor coordination, Mobilizing others resources, Debt relief, Training, Commodity import program, Capital works, Food aid program, Procurement of goods, Performance based agreement, Technical assistance contract, Debt for nature swap, Direct to customer, Full partnership with qualified partners, Limited partner/agents, Adversarial partners, Political support.

<b>Target</b>	The amount (or kind) of change (result) expected as measured by a specific indicator in a specific time frame. e.g. reduce fertility from 4.5 to 3.9 by year 2000.
<b>Team</b>	Work group of inter-agency, employees, partners, and customers assembled to participate in one or more specific tasks needed to achieve a result.
<b>Teamwork</b>	The process whereby a group of people work together (often by dividing tasks among members based on relative skills) to reach a common goal, solve a particular problem, or achieve a certain set of results.
<b>Tool</b>	<p>Means of acquiring a tactic. Mechanism for implementing a tactic.</p> <p>ex. Grant, Contract, Cooperative agreement, Cash transfer, Dialog, Memorandum of understanding, Staff assignment, Loan, Loan guaranty.</p>
<b>Toolbox</b>	A set of clearly defined mechanisms for implementing tactics.
<b>Virtual Team Members</b>	Team members in various geographic locations who telecommunicate, primarily, as a means of getting work done.
<b>Workplan</b>	A plan prepared each fiscal year which outline the Results Package and the component activities of each that will be undertaken that year in pursuit of specified results.

# **APPENDIX E**

## **List of Acronyms**

## **ACRONYMS**

A&A - Acquisition and Assistance  
ABS - Annual budget submission  
AC/SI - Activity Code/Special Interest  
ADS - Automated Directives System  
AWACS - Agency wide accounting and control system  
BAA - Business area analysis  
BHR - Bureau for Humanitarian Response  
COTS - commercial-off-the-shelf  
CP - congressional presentation  
ERD - entity relationship diagram  
FTE - Full time equivalent  
GPRA - Government Performance and Results Act  
IE - Information engineering  
IQC - Indefinite Quantity Contracts  
IRM - Information Resources Management  
ISP - Information systems plan  
M - Management Bureau  
NIS - New Independent States  
NPA - Non project assistance  
NSC - National Security Council  
OE - Operating expense  
OMB - Office of Management and Budget  
OYB - Operating Year Budget  
PPC - Policy and Program Coordination  
PRISM - Program Performance Information for Strategic Management  
PVO - Private volunteer organizations  
R4 - Results Review and Resource Request  
RAEW - Responsibility, authority, expertise, and work  
RP - Results package  
SO - Strategic objective  
SSO - strategic support objectives  
USAID/W - USAID Washington  
USAID - US Agency for International Development