

**United States Agency for
International Development**



The Business Model Review Group Report

April 23, 2004

The Business Model Review Group Report

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The Business Model Review

Executive Summary and Key Findings

A. Overview of Findings

Last December the Administrator asked PPC and M to lead a review of key processes of the USAID business model. The review was to propose changes to better align Agency operations, including our overseas organization and workforce, to our country's foreign policy, development and humanitarian relief objectives and to enhance our development impact.

The Business Model Review Group conducted extensive interviews, reviewed a massive amount of current and empirical data, sent out an Agency-wide survey and traveled to ten countries. We have reviewed more than 500 e-mails expressing a range of opinions. We used a web site to seek comments on our strategic planning process, met weekly with members of the Strategic Planning Community of Practice and held a facilitated Agency wide forum on operating unit strategic planning, standard SOs and common indicators.

Key findings of the Business Model Review Group are linked to formal recommendations in three Action Memos contained in this Report which have been approved by the Administrator.

The most striking thing we learned about the USAID business model is that we have many models and this lack of standardization is in many ways our own worst enemy. This not only complicates the design and execution of new business systems but makes it difficult to manage across the Agency.

We discovered that there are many opportunities to improve our strategic management process and make it more responsive to the changing environment in which we operate.

In reviewing our overseas business structure, one driving principle continued to surface throughout the review – namely, USAID is a foreign affairs agency and its major benefit to U.S. foreign policy emanates from its professional overseas presence. Tensions exist now and will always exist between the size of our field staff and its cost and security implications. Today, pressures to reduce staff are strong; nevertheless, we must continually strive to meet the optimum staffing balance and not under cut our value added.

We believe there are many areas where the Agency can improve its management oversight and operational efficiency. Areas for improvement center upon enhancing Pillar bureau effectiveness in supporting field operations, expanding use of regional platforms, re-energizing our ability to design programs and projects and decreasing the proliferation of management units. Our major findings are summarized below.

B. Findings

Strategic Management

1. Strategic Management: A great deal of time is spent on the development of strategies that do not receive the necessary resources for implementation or respond to the rapidly changing country and international situations in which USAID works. USAID needs a flexible strategic process that examines not only the long-term development issues and concerns in a country, but also is able to respond quickly to current realities on the ground. The proliferation of Strategic Objectives and indicators throughout the Agency has made it exceptionally difficult to report results in a way that is coherent and relates to priority US foreign policy interests. USAID's perceived lack of contribution to national security interests has made it appear less relevant to the work of the rest of the foreign affairs community. Standardization of objectives and higher level indicators will make program accomplishments more coherent and more germane to national security interests.

Operational Oversight

2. Mission Program Management Reviews: To differing degrees, each of the geographic bureaus carries out mission assessments. However, there appears to be little effort to coordinate assessment methodologies. Thus, the results produced from these undertakings are uneven and provide little comparable cross-bureau information and data that could help facilitate strengthened overall program and administrative management efficiency and effectiveness. Previous Agency programs to conduct Controller and EXO assessments are no longer operational. A model for an institutionalized Agency-wide system exists in the Department of State's process for carrying out post reviews. That model could be operated by USAID officers, independent of the Inspector General, and could be adjusted to suit the Agency's management interests. Mission Program Management Reviews could be carried out for each mission approximately every five years. Illustrative special (i.e. in addition to routine) issues to be addressed could include: the soundness of the strategic process, program structure (number and average size of units of management), and the quality of NEP/IDI training programs. The mission review function should be implemented by bureaus, but coordinated and led by an independent entity.

3. Pillar Bureau Support to the Field: There is the perception in the field that USAID/Washington has become overly large. This has implications for the overseas workload, as Washington staff is believed to generate a self-justifying workload for those in the field rather than providing the support the field requires through TDY's or helping ensure the field's perspective is included in inter-agency discussions and papers. The most significant concern expressed was in regard to the number of staff in the pillar bureaus. Given the critical importance of pillar bureau operations to the Agency, the staffing and workload balance between Washington's pillar bureaus and field operations should be evaluated as part of the next annual portfolio review. The review should identify what positions and programs could be shifted to the field and what should be

done in Washington. The review should also evaluate how effective the shift of technical capability from the regional bureaus to the pillar bureaus has been.

Mission Operations

4. Regional Service Platforms: When security or other restrictions limit mission staffing, USAID's regional platform models (REDSO, RSC, WARP, etc.) and related experience¹ offer proven options for maintaining program momentum or dealing with surges, while reducing the number of resident officers that may be required in given countries. Experience with regional platforms and twinning arrangements demonstrate the feasibility of support from afar for some of the essential program design, management and oversight functions. The Business Model Review Group developed an overview of the typologies of the service platforms that the Agency currently uses. These typologies offer a sound basis for planning for future operational contingencies.

The overseas staffing allocation template left the distribution of lawyers and contract officers to their parent offices in USAID/Washington. However, placement of these key positions also depends on cooperation from the geographic bureaus and the Department of State in making NSDD 38 slots available. Changes are needed in how these officers are deployed. The current process, for example, has resulted in the absence of RLAs in several foreign-policy critical countries as slots required to deploy these officers to the field are not available. With rare exception, lawyers and procurement staff should be placed within regional service platforms.

5. New Hires: The Agency anticipates hiring significant numbers of new personnel over the next three-five years. In many cases, these new employees would benefit from mentoring and training in a regional or full-sized mission prior to deployment to a small or medium-sized mission. Larger missions allow new employees the opportunity to rotate amongst mission offices as well as provide an opportunity to work with more senior or "seasoned" officers.

Management Efficiencies

6. ICASS: At its outset in the mid-1990s, the ICASS system was developed as a means of allocating post management costs among constituent agencies in U.S. embassies. ICASS was not promoted as an instrument of cost containment. While it does not have a total monopoly, the primary supplier of ICASS services has been the Department of State. In the past several years, as the beneficiary of the Secretary's Diplomatic Readiness Initiative, State Department overseas administrative staffing has increased markedly. This increase has resulted in the rapid escalation of ICASS costs to be absorbed by all agencies overseas. Because of this, USAID frequently has continued to provide many of its own administrative services because of the substantial savings it can realize. Along with Controllers offices, USAID Executive Offices are the other major contributor to

¹ Examples include the current management of the Sudan program from Kenya and the start up of assistance to Russia and the Newly Independent States that was managed from a Washington-based "mission."

large mission footprints. In the next several years, as USAID offices are co-located within Embassies and are forced to consolidate, the increased use of ICASS will become an attractive means to reduce staff size. To facilitate this, it will become ever more essential to contain ICASS costs (and improve the quality of services). Such action will require close inter-agency cooperation. The GAO is conducting a study of ICASS, the results of which may provide the opportunity for USAID management to address the issue of establishing incentives for cost containment.

7. Outsourcing: Some USAID missions have found innovative ways of locally outsourcing elements of their key administrative requirements. Such outsourcing could make possible both the reduction of the USAID mission footprint, while at the same time offering the possibility of bypassing what may be costly ICASS options. Illustrative opportunities include outsourcing motorpools and using local accounting firms for the conduct of financial management assessments.

8. Ad hoc Requests to the Field: The ADS sought to control field workload by centralizing in PPC approval authority for *ad hoc* requests from USAID/Washington to the field. However, this requirement increasingly has been ignored. The consequent impact is to stretch further already limited mission staff resources, with a consequent negative impact on program implementation. The existing ADS regulation is satisfactory; it is its implementation that is deficient.

Human Resources

9. Project Design Skills: There is a perception that the role of project design and project design skills have declined sharply in recent years. This is most notable in the poor quality of scopes of work prepared for contract and grant documents. In BMRG interviews, it was observed that the Agency puts an inordinate amount of time into the formulation of strategies over which it has increasingly less influence, and less time into the design of activities/projects where influence can still be substantial. It is suggested that this situation be reversed.

10. Broader Use of Implementation Authorities: Extension of delegation of authorities to Mission Directors and others would reduce the workload of both lawyers and procurement officers. Placing basic documents in template form should minimize most legal concerns. All those receiving increased delegations would undergo specialized training before being permitted to exercise the authorities. Further, the Agency needs guides to implementation and procurement including standard proforma templates for commonly used instruments like limited scope grant agreements, fixed amount reimbursement agreements, public international organization agreements, implementation letters, etc.), for use by field missions

11. Composition of Small and Medium Missions: The way we structure program support to small and medium size missions remains a serious question, specifically, the location and roles of program officers, project development officers, executive officers, contract officers and controllers.

With rollout of the Phoenix financial management system, the opportunity exists to consolidate some key controller functions. In seeking to diminish the size of the USAID overseas footprint, Phoenix should allow for the consolidation of some controller activities, often one of the most staff-intensive aspects of most USAID missions. In particular, most voucher processing activities could be moved offshore – to a regional platform or to a locale in the United States.² There is a need for multi-functional officers in small and medium missions. These officers would need to work closely with their respective counterparts in regional platforms to manage the provision and receipt of specialized services and ensure that necessary internal controls are in place to ensure accountability and minimize mission vulnerability to waste, fraud, and abuse.

12. A Senior FSN Professional Corps: USAID is faced with frequent “surge” requirements – that is, the need to provide a rapid, previously unanticipated program response in a locale where it has little or no pre-existing on-the-ground capacity. Such needs are met in a variety of ways, such as the TDY of personnel assigned to other responsibilities or the use of contractor-provided human resources. More recently (e.g. Iraq and Afghanistan), USAID has begun to take advantage of the surge potential of its well-trained cadre of Foreign Service Nationals (FSNs). FSNs understand the USAID system and have an enthusiasm for the opportunity to put their skills to use wherever they are needed. The establishment of an FSN surge corps would both serve Agency needs and reward and encourage some of the Agency’s most talented employees.

13. The Mission Public Information Function: Increasingly, USAID missions have Public Information Officers (PIOs). While this is an excellent step in getting out the story of the purpose and achievement of country programs, PIOs appear to receive little or no training, and it is not always clear what their assignment is. While some PIOs prepare press releases on mission programs, others work on briefing books and prepare VIP travel itineraries. To maximize the return on this valuable investment, it is suggested that the Agency establish a training program that could be held periodically in Washington or the field and/or on-line instruction that could be accessed from the Agency intranet. Backstopping could include a public information help desk and the assembly of illustrative materials for use by the field.

² It has been noted that some voucher activities may require specialized foreign language skills that may not always be available. However, this issue would probably be more the exception than the rule.

Chapter 1

Decision Memorandum Number 1 on Strategic Management





APR 29 2004

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ACTION MEMORANDUM

TO: The Administrator

THRU: C/AID, Carol Peasley *CH*

FROM: PPC/SPP, David Eckerson *DE*
Chairman, Business Model Review Group

SUBJECT: Business Model Review: Decision Memo # 1 – Strategic
Management

ISSUE FOR DECISION

Whether to approve proceeding with the detailed design and implementation of reforms to streamline, better focus, and improve the relevance of USAID's Strategic Planning and Management processes.

ESSENTIAL FACTORS

Country and international situations are changing so rapidly in many parts of the world that we must make sure that our programming processes are adequately flexible and responsive to address these challenges. Our strategic planning process must be able to look at the long term, but adjust regularly to current realities both overseas and in Washington.

Further, the U.S. foreign aid landscape has become more crowded and more complicated over the last decade. In the 1980s and most of the 1990s USAID was the only significant bilateral provider of U.S. official development assistance. Today, we are joined by many other agencies with program direction coming from many sources, e.g., Congress, State, and the White House. This increases the importance of sound program planning and coordination within the Agency and between the Agency and other U.S. foreign aid providers.

The Business Model Review Group has surveyed individuals inside the Agency (Washington and field) and outside (OMB, State, and the private sector) to determine how best to address these issues. The review has been coordinated with the White Paper effort. There is general agreement that while USAID's strategic planning policies present a robust context for program planning, the application of these policies has become cumbersome, overly time-consuming and not fully understood outside the Agency. Our staff identified several areas for improvement including: coherence of our strategic management process including better linkages to resource availabilities; changes to make the process for agile, responsive and timely; and adoption of a more uniform strategic objective structure linked to Government and Agency parameters.

The Business Model Review Group is recommending a series of reforms to improve the Agency's strategic management. The general framework under consideration is discussed in an attachment to this memorandum-Strategic Management Framework: A Discussion Paper. With approval to proceed, many of these changes can be put in place over the next several months.

RECOMMENDATION

1. That PPC take the lead in restructuring the Agency's strategic planning processes in line with the attached Strategic Management Framework. This will include: a) improving the coherence of strategies across the Agency including their links to foreign policy objectives; b) making strategies more consistent by relating outcomes to a standard set of strategic goals, objectives, and indicators; and c) streamlining the Agency strategic processes, reducing the time and resources expended in the effort.

Approve Andrew S. Kateris

Disapprove _____

Date 26 May 2004

2. That each Bureau designate a DAA to represent them on a Steering Committee chaired by PPC to guide this process.

Approve Andrew S. Waters

Disapprove _____

Date 26 May 2004

3. That PPC develop and issue Interim Guidance for these reforms to the BTEC for approval not later than July 30, 2004, with incorporation in the ADS as soon as possible thereafter. Until this new guidance is issued, geographic bureaus will discourage preparation of new country strategies unless they are urgently needed. In the process, PPC should test the restructured strategic framework work at the country, bureau, and sector levels.

Approve Andrew S. Waters

Disapprove _____

Date 26 May 2004

Attachment:

Strategic Management Framework: A Discussion Paper

Strategic Management Framework A Discussion Paper

As the Concept Paper, "*A New Era, A New Enterprise*" prepared as part of the Business Model Review stresses, USAID and more broadly U.S. provided foreign aid face a host of challenges fostered by changes happening in the world and in foreign affairs. Specifically,

- Public focus on accountability demands a redefinition of and orientation towards "value".
- Global integration, and the accelerated change associated with it, is driving greater competitive specialization.
- Rapid technological change provides both new opportunities and challenges for doing business.
- Threats to national security are asymmetric in nature.

The world has become more dynamic and connected in radically different ways, shifting the way government agencies, like USAID, view themselves and how they operate. In order to address this new and complex operational context, USAID must become an "on demand" enterprise and our business processes and management philosophy need to support this reality.

However, in an era that demands increased focus, responsiveness, agility and adaptiveness, USAID's business model -- which has become rigid, reactive and overly bureaucratic -- has not evolved in lockstep with the external environment and the evolution of its role.

There are a number of areas having to do with strategic planning and management where the Agency can quickly make changes that will improve the current relatively burdensome process.

1. Coherence of Plans:

There is a wide array of strategic direction and strategies both from inside the Agency and externally. Internally, these include: 1) sector strategies (e.g., global warming, trade and basic education); 2) regional strategies, e.g., Greater Horn of Africa, Central America Trade; 3) issue driven strategies, e.g., WID, conflict, failed states; 4) the White Paper and its Core Operational Goals, 5) Washington and field operating unit strategies; and 6) business strategies, e.g., Human Capital, Knowledge Management, IT.

Externally, there is an equally extensive array of strategic directions to follow. These include: 1) the National Security Strategy; 2) the Joint USAID/State Strategic Plan; 3) Presidential Initiatives, e.g., HIV, Afghanistan, education, the Famine Fund; 4) the MCA and its strategic underpinning; 5) State Department-driven programs and initiatives, e.g., MEPI and the NIS; and 6) Embassy Mission Program Plans (MPP's).

- With the increased number of foreign aid providers, the importance of coordinated planning remains critical to effective management and achievement of foreign policy and developmental objectives.
- In some cases, there are insufficient standards or guidelines for insuring coherence among these strategies.
- Some strategies are stove-piped focusing on single sectors and issues but operating in isolation.
- In many cases, the force or authority of the strategies is unclear.
- The task of operationalizing the multitude of strategic documents affecting any one program is a challenge.

The Agency's (and broader foreign aid) planning structure needs to be able to consider and integrate, where necessary, all levels of Strategic Planning - National, Agency, Sector, Bureau, and Mission. Further, the Agency needs to relate all our Strategic Planning to the National Security Strategy, and the Joint USAID-State Strategic Plan.

2. Standardization of the Agency's Programming Business Model:

There are obviously trade-offs in moving from a relatively decentralized bottom-up strategy design process driven by country issues to one that is more centralized and driven by Agency-level program and operational concerns. Each has strengths and weaknesses. Originally the concept of standard objectives produced a negative backlash, but most staff now think it is a reasonable concept to pursue for the following reasons:

- Uniform Agency objectives will help to standardize, facilitate and improve business operations broadly including performance reporting, budgeting, finance, and information systems.
- Standard Agency goals or objectives need not detract from tailoring a program to a country environment.
- Standard goals and objectives will improve reporting to external audiences.

It is important to note that in some cases the development of standard indicators will be more difficult than in others, e.g., democracy vs. HIV/AIDS. Further, a new standard framework would need to be coordinated closely with other coding and executive reporting systems.

The Agency should move toward standardizing business operations around a Strategic Planning Template for strategy types (e.g., Emergency, Transitional, and Transformational) and 15 to 20 Agency Performance Goals tied to the Joint USAID/State Plan and related indicators. The strategy types should integrate the core goals discussed in the White Paper.

Mission programs would track with Agency frameworks (Goals and Objectives) while addressing country specific objectives and local challenges. The intent is for the Agency to be able to manage and report at the corporate level against a more uniform and consistent set of higher level goals and objectives. The White Paper principles (Core Goals) would need to be integrated into this framework. While PPC would coordinate this effort, Sector Councils (or similar groups) with broad Agency representation will have to take the technical lead for defining sectoral performance goals and common indicators.

3. Streamlining and Focusing the Strategic Process:

In an Agency-wide survey, 85 percent of those polled felt that the current planning process needed to be more streamlined. Some blame problems on overly bureaucratic guidelines, while others blame overly bureaucratic interpretation of sound planning policies and procedures contained in the ADS. Recommendations for reforming the process ranged from doing away with strategic plans altogether, to setting tight limits on timing, content and number of pages, to changing the formal Washington review process. Many feel our programming is too inflexible and does not easily adjust to change. On the other hand, some believe our formality and inflexibility protects against whimsical change.

The Business Model Review Group believes:

- A long-range strategic prospective is valuable and should be maintained where feasible and contributory.
- Operating Units spend far too much time and effort analyzing, writing, rewriting, revising, adjusting, modifying, and negotiating often massive Strategic Plans that are quickly dated.
- As a result, critical shorter-term operational planning and program implementation is sacrificed in the process.
- With such a large portion of USAID program externally determined and faced with continuing staff shortages, the workload balance between strategic planning, operational planning and program implementation is often inappropriate, calling into question the utility of our formal Strategic Planning process.
- We need to make better use of the Bureau planning, parameter setting and strategy review process to establish priorities, target programs and reduce the country planning burden.
- Agency program and planning terminology is relatively well understood within the Agency but not outside. We need to speak and write in English.
- Now may be the time to change our lexicon and have Mission Strategic Objectives linked to Agency Performance Goals and implemented through Projects.

Options considered by the Review Group included the following:

- Divide the Operating Unit strategic planning process in two – creating strategic and operational plans. This should reduce the planning burden and foster short term flexibility. Strategic Plans would be general and visionary (no more than 5 to 10 pages) and would contain resource and program parameters. Operational Plans looking three years into the future would cover budgets, staffing, program design, and implementation planning and

would be submitted to Washington and reviewed as part of the Annual Report. Most of this information is already part of the Annual Report.

- Differentiate Strategic Plan Types: Country strategic planning requirements (content, analysis, timeframe, urgency, etc.) could track the anticipated program size and purpose as discussed in the White Paper. Strategic planning for humanitarian relief and emergencies could be very short-term or nonexistent. Strategic planning for transitional countries, those with less urgency but significant uncertainty, could be medium-term (e.g., 2 to 4 years). Plans for transformational countries, those with long-term horizons, could be longer term (e.g., 5 to 10 years) and would focus on broader developmental issues.
- Bureau Strategic Frameworks: Bureau Strategic Frameworks (Regional and Pillar) could be submitted and updated annually part of the Bureau Program and Budget Submission. They would establish links to Agency-level planning documents and set program priorities and parameters (programs, timing, resources, etc.) for Operating Units. This should help facilitate the resolution of broader program issues, such as decisions on the future allocation of program directives.
- More accurate headquarters planning guidance and streamline reviews: A general set of issues revolves around the clarity of planning guidance, the parameter-setting process and headquarters reviews. PPC must work with Bureaus to identify best practices.
- Communications and language simplification: “USAID Speak” and the way we present ideas and analysis often generates confusion for decision makers as well as our stakeholders and partners as we speak in terms of programs, strategic objectives, intermediate results, results frameworks, activities, Activity Approval Documents, Strategic Objective Agreements, instruments, management units, operating units and other Agency jargon. USAID needs to develop clearer language to describe its operational processes. Further, it would be helpful if the Agency organized training in drafting and presenting analytical work for decision-makers.

Chapter 2

Decision Memorandum Number 2 on Management Oversight





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

APR 29 2004

ACTION MEMORANDUM

TO: The Administrator

THRU: C/AID, Carol Peasley *CP*

FROM: PPC/SPP, David Eckerson *DE*
Chairman, Business Model Review Group

SUBJECT: Business Model Review: Decision Memo # 2 - Management Oversight

ISSUE FOR DECISION

Whether to approve two recommendations that will improve Agency management oversight through Mission Program Management Reviews and a Portfolio Review of Pillar bureau support to field operations.

ESSENTIAL FACTORS

Mission Program Management Reviews

There is no Agency mechanism to routinely evaluate program management and Mission operations at the field level. To differing degrees, geographic bureaus already carry out mission assessments; however, there has been little effort to coordinate assessment methodologies and lessons learned. Thus, the results produced from these undertakings are uneven and provide little comparable cross-bureau information to strengthen overall Agency effectiveness.

The Department of State has been carrying out overseas reviews of embassies for years and their efforts could serve as a model for a USAID Mission Program Management Review process.

Issues to be addressed would include: the soundness of the strategic process; coordination with other foreign aid providers; program structure (number and average size of units of management); staff size and human resource issues; accountability and performance issues; quality of support from headquarters (e.g., Pillar bureaus); and effectiveness of regional service delivery.

A Mission Program Management Review function within the Agency should operate under uniform guidelines to ensure continuity and sharing of lessons learned. Results should be made available regularly to Agency leadership and reported in conjunction with annual BPBS reviews. Specific recommendations at the Country, Bureau or Agency levels would be considered in this context.

Pillar Bureau Support to Field Operations – A Portfolio Review

The Pillar bureaus house our technical intellectual capital. They provide technical leadership and support to a large and complex field operation. In short, the effective functioning of our Pillar bureaus is central to Agency performance and success.

It has now been over two years since the Agency reorganized, moving major technical activities from the regional bureaus to the Pillars and overseas missions. However, there is a continuing question of coordination and overlap among central, regional and country programs. Further, there is the impression by many in the field that Washington is too large, places too many demands on limited field capabilities and is not sufficiently responsive to field needs.

Given the critical importance of Pillar bureau operations to the Agency, the Business Model Review Group believes it is time to take a hard look at the Pillar bureaus. There is need for a portfolio review focusing on the staffing and workload balance between Washington's Pillar bureaus and field operations. The review should identify programs in Pillar bureaus that lack field support or relevance. It should identify what positions and programs should be shifted to the field, what should be done in Washington and what can be eliminated. The review should evaluate how effective the shift of technical capability from the regional bureaus has been.

RECOMMENDATION

1. That the Agency establish a system of coordinated overseas Mission Program Management Reviews under the direction of the Agency Counselor. Senior DAA's from all Bureaus and the Director of M/HR would meet annually under the leadership of the Counselor to identify missions to be reviewed, key issues to be addressed and manpower requirements for the reviews. Each USAID mission should be targeted not less than once every five years for review. This will require an additional dedicated non-direct hire staff position in either PPC or M/HR to work with the Counselor and senior DAA's to ensure that the reviews take place and lessons are shared and followed up on.

Approve Andrew S. Waters

Disapprove _____

Date 26 May 2004

2. That the Agency Counselor, assisted by PPC, review all Pillar bureau programs and staffing with a focus on their value added to field operations. The review should be held in October and November 2004 and should include senior representatives from small, medium, full, and regional missions.

Approve Andrew S. Waters

Disapprove _____

Date 26 May 2004

Chapter 3

Decision Memorandum Number 3 on Operations Management





APR 29 2004

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ACTION MEMORANDUM

TO: The Administrator

THRU: C/AID, Carol Peasley *CP*

FROM: PPC/SPP, David Eckerson *DE*
Chairman, Business Model Review Group

SUBJECT: Business Model Review: Decision Memo # 3 - Operations

ISSUE FOR DECISION

Whether to approve implementation of recommendations of the Business Model Review that will improve USAID's operational efficiency. These actions will better align Agency operations, including our overseas organization and workforce, to more effectively contribute to the Agency's development objectives.

ESSENTIAL FACTORS

There is general agreement in the Agency that USAID should reconfigure its workforce and mission operations to improve its effectiveness, its flexibility, and its efficiency in an environment increasingly impacted by security concerns. With increasing frequency, security concerns are forcing the U.S. government to reduce the size of its "footprint" overseas, co-locating personnel in U.S. embassies or in more secure locations. At the same time, the Agency's expanding funding levels indicate a need for more staff. Political dynamics require that USAID respond with agility and flexibility to changing demands and circumstances around the globe. Budget constraints require that we effectively and efficiently utilize the resources available to the Agency.

The Business Model Review Group has surveyed individuals inside the Agency (Washington and field) and outside (Department of State and the private sector) to determine how best to address these issues. Several areas for improvement have been identified.

Our recommendations will simplify and streamline the operational effectiveness of USAID's business model, improve deployment of personnel with the competencies needed to implement USAID programs in a dynamic, changing environment, and improve overseas placement of critical administrative support and technical personnel. The Business Model Review Group is recommending improvements in three areas—regional platforms, human resources, and management efficiencies.

RECOMMENDATION

Regional Platforms

1. That USAID begin to immediately plan for the expanded use of regional platforms. By June 30, 2004, M/HR, working jointly with all concerned bureaus should establish criteria that will be used to deploy program support personnel (controller, contracts officer, legal advisor, executive officer) and specialized technical support personnel to regional platforms in order to provide effective services to missions. Each of the geographic regions should report on their needs and plans for the use of service platforms and identify how these platforms could be expanded as part of the Bureau Program and Budget Submission (BPBS). M/FM should immediately assess which financial and accounting functions can be consolidated in regional missions, the United States or to a safe, low-cost location overseas. GC and M/OP should immediately assess and develop criteria for placement of legal advisors and contracting officers in Washington or overseas to support overseas operations, including those in critical foreign-policy countries. PPC and M will review these plans with the appropriate bureaus/offices during the annual budget review. Recruitment for the expanded platforms would begin with the 2005 bid cycle.

Approve Andrew S. Kateros

Disapprove _____

Date 26 May 2004

2. Regional platforms and full-size missions are excellent training platforms for NEPS and IDIs and should be the preference for their deployment during a first tour. Unless otherwise justified by workforce demand, first assignment NEPS and IDIs should work in a regional platform or in a full mission prior to assignment to a small to medium-sized mission. That M/HR establish guidelines for mentoring and rotation programs for NEPs and IDIs assigned overseas by September 30, 2004.

Approve Andrew S. Watson's

Disapprove _____

Date 26 May 2004

Human Resources

3. That Mission managers who have not received appropriate training be required to attend the two day grants and contract management training course for senior managers in order to increase the number of warranted officers in the field authorized to negotiate and sign smaller-size contracts and grants. Further to this, That PPC, OP, and GC issue a guidebook of implementation and procurement templates (limited scope grant agreement, fixed amount reimbursement agreement, public international organization agreement, implementation letter, etc.), for use by field missions by September 30, 2004.

Approve Andrew S. Watson's

Disapprove _____

Date 26 May 2004

4. That M/HR workforce planning efforts concentrate on the roles of technical specialists in small and medium-sized missions. The Agency is in need of technical staff that have technical expertise as well as the skills and training necessary to manage programs across disciplines. Workforce planning efforts need to identify the competencies that technical program managers should have prior to joining the Agency, and the requisite skills that need to be provided to new and existing officers through training.

Approve Andrew S. Vatsios

Disapprove _____

Date 26 May 2004

5. That the Agency establish a task force to examine the roles of administrative and program support personnel (Program Officer, Project Development Officer, Executive Officer, Contracting Officer, and Controller) in small and medium-sized missions.

Approve Andrew S. Vatsios

Disapprove _____

Date 26 May 2004

6. That PPC and M/HR reinvigorate project design training for all officers, especially program and project development officers. PPC and M/HR establish competencies for this area to ensure more robust project designs for mission and Washington activities.

Approve Andrew S. Vatsios

Disapprove _____

Date 26 May 2004

7. That the Agency establish a training program and provide backstopping for personnel assigned responsibilities for public information about USAID programs.

Approve Andrew S. Katsios

Disapprove _____

Date 26 May 2004

8. Surge capacity: That the Agency establish a senior FSN professional corps available for time-limited world-wide assignments.

Approve Andrew S. Katsios

Disapprove _____

Date 26 May 2004

Management Efficiencies

9. That the M Bureau work with the Department of State/USAID Joint Management Council to reform and refocus the ICASS system on cost containment and service improvement.

Approve Andrew S. Katsios

Disapprove _____

Date 26 May 2004

10. That USAID seek local outsourcing opportunities for mission administrative and management services, outside of ICASS, that would provide opportunities to reduce costs.

Approve Andrew S. Katsios

Disapprove _____

Date: 26 May 2004

Chapter 4

Regional Platforms



Business Model Review Group

Regional Platforms: Lessons Learned and Best Practices

Strengths of a Regional Platform

1. **Economies of scale:** Where bilateral missions are unable to have FTE support staff (Financial Management, Contracting Officer, Legal Officer, FFP Officer) or technical expertise (Environmental Reg. 216, Monitoring and Evaluation, Conflict Mitigation/Management, Biotechnology, Organizational Development, Trade, Agriculture, Food Security, HIV/AIDS) regional platforms can provide these services in a cost effective way.
2. **Cross-Border Issues:** Regional Platforms are best placed to deal with cross-border issues including regional trade and investment, economic and political integration, conflict, infectious diseases esp. HIV/AIDS, drug trafficking, environment, biodiversity and conservation, and other regional or subregional issues.
3. **Surge Capacity:** Bilateral USAID mission programs ebb and flow over time for a variety of reasons: political, foreign policy, governance, man-made and natural disasters, etc. Regional platforms are a major source of surge capacity to support missions in flux, mission start-ups and closeouts. If required, they will also be critical to support MCA countries where there is no USAID presence.
4. **Presidential Initiatives:** Regional platforms are the first tasked with implementing or supporting a broad variety of world-wide, regional or sub-regional initiatives. In Africa, for RCSA, REDSO and WARP these have included the Initiative for Southern Africa, GHAI, GLJI, IEHA, TRADE, PEPFAR, etc. Because of the regional nature of these initiatives regional missions are the logical nexus for them.
5. **Cross-Pollination:** Service providers and technical experts residing in regional missions develop area and sectoral expertise that provide bilateral missions with valuable lessons learned, sharing of best practices and program cross-pollination. While this can also be done with Pillar bureau expertise, context and program synergies are best addressed from regional platform.
6. **Training Ground for NEPS/IDIs:** Given the significant downsizing of bilateral missions there is no backstop redundancy in all but the largest USAID missions (i.e. Egypt, Philippines, CAR, South Africa). Therefore there are few opportunities for a BS 02 Program Officer NEP or a BS 04 Controller to train under an experienced mentor in the same backstop. Regional Platforms present a unique opportunity for mentoring and for exposure to a broad cross-section of different bilateral mission contexts, program portfolios and approaches.

7. **Regional Analysis:** The area specialization found in regional platforms position them best to provide sub-regional or regional analyses. For example, REDSO/ESA has done several sectoral analyses including a regional Investor Roadmap study, informal cross-border trade analyses, food security and cross-border conflict studies.
8. **Capacity Strengthening of Regional Organizations:** The Bush Administration's National Security Strategy is explicit about this need: "Africa's capable reforming states *and sub-regional organizations must be strengthened* as the primary means to address transnational threats on a sustained basis." While some of this has been done through central USAID/W mechanisms, regional platforms are best equipped and staffed to assist in regional organization development. This encompasses all-important administrative support in addition to technical support, and includes strengthening financial management, procurement, administrative management, programming, visioning and outreach capacities of indigenous regional organizations.

Weaknesses of a Regional Platform

1. **Decreased "Influence"**¹ Implementing programs through contracts or grants from a regional platform (or pillar bureau) will mean decreased levels of USAID "influence" (defined as 'understanding local conditions, having political and cultural sensitivity, enjoying ready access to host country officials - including policy dialogue, maintaining day-to-day involvement, setting a good example, addressing politically sensitive issues and keeping development in-country on the USG agenda'). The absence of a cadre of professional, experienced FSNs that serve as the eyes, ears and much of the cerebrum of a bilateral USAID mission is a major constraint to doing development from a regional platform.
2. **Decreased "Accountability"** Regional Platforms are also no substitute for USAID's bilateral approach in terms of "accountability" (defined not only as financial accountability but also as quality of program and project implementation, regular program review, husbandry of resources, delegation of authorities, awareness of the performance reality, prompt decision making, resolution of misunderstandings and miscommunications and institutional continuity").
3. **Logistical Hurdles:** Implementing programs in countries with no bilateral USAID presence is difficult. In the absence of a USAID bilateral agreement with the host country, duty-free importation and tax exemption of goods and services necessary for program implementation can be extremely problematic, if not impossible. This can result in considerable delays, additional expense and possible negative Congressional or audit findings (especially given the Hill's recent attention on the taxation of U.S. assistance). USPVO registration or

¹ The terms and definitions of "Influence" and "Accountability" come from a 1992 PPC/CDIE Assessment of USAID's in-country presence

licenses with the host government do not provide the same level of exemption or other benefits that government-to-government bilateral accords do.

4. **Constraints in Obligating Funds:** As the Agency has shifted away from direct assistance to host governments and now has begun working at a regional, not a bilateral level, fiscal year obligations have become more time-consuming and labor intensive. Because federal appropriations law requires that a valid obligation have two parties, unilateral obligations are not possible. Absent a covering bilateral agreement with the host country, the usual obligating mechanism, obligations must be made through a number of different instruments: contracts, grants, cooperative agreements, RSSAs, PSCs, IQC task orders and the like. Each of these separate obligating instruments requires a statement of work/program description, request for application or proposal, cost and price analysis, negotiation, technical review and source selection whether or not competition is waived, limited or full and open. All these steps are labor intensive, result in slowed implementation and represent significant transaction costs.

5. **Coordination Problems:** It is self-evident that the farther away USAID platforms are located from the site of actual program implementation, the more problematic on-the-ground coordination becomes at all levels: with the host country, nongovernmental actors, other bilateral and multi-lateral donors, target beneficiaries, stakeholders, etc. This in turn can lead to duplication of effort, reduced synergies, gaps, and decreased economies and efficiencies. It also means greatly reduced ability to do program monitoring, make mid-course adjustments commonly necessary in program implementation, and take advantage of windows of opportunity.

Critical elements to the success of a regional platform: First and foremost, you must have the right types of personalities and people in a regional hub; their focus and commitment must be to the missions they serve and the missions must be committed to doing business differently, i.e., using the phone, e-mail, video-conferencing, etc. to get the job done. Regional platforms must have sufficient operating expense funds to travel and train people in host missions as well as regional platforms. In addition, regional platforms must be located in a hub where travel is relatively “easy”; communications are solid; and the logistics of providing services regionally are supported. In addition, it is vital that the client and service provider be able to talk to each other in real time. Thus, time zones and work weeks must be factored into the decision where regional platforms are located.

Another critical factor that determines the success or failure of regional platforms includes the ability to retain qualified FSN and USDH staff. If staff turnover is frequent, there may be less consistency in services provided and higher costs. In addition to the ability to retain staff, a regional platform must be able to recruit qualified, experienced personnel, particularly FSN staff. Regional platforms must also be located in a country

where the security and political environment is relatively stable and the relationship with the embassy is conducive to supporting regional work.

In regional platforms where a bilateral program also resides, you must have the firm commitment of mission management that certain staff are designated regional and will be available to work and travel to their client missions. Mission management must view their role as not only supporting the bilateral program, but more importantly, supporting their client missions.

A regional platform works best when responding to the needs of small to medium-size missions, non-presence countries, or is administering regional programs. At a minimum, it must have a sufficient number of personnel assigned to each backstop so that personnel can adequately backstop their client missions as well as spend time within their host mission. This is an important point. Regional missions **MUST** have sufficient numbers of personnel assigned to the post if adequate backstopping is to occur.

Chapter 5

Working Differently



Working Differently

The Agency's future as the primary development instrument of American foreign policy will depend vitally on the perception that it is able to continue to meet the challenges that are essential to the achievement of our national interests. While the experience of more than fifty years of providing assistance to developing countries around the world is an important and proud legacy, the environment in which USAID does this work has changed considerably. Current security, political, and budget circumstances define this new environment. Security concerns will require that the U.S. government reduce the size of its "footprint" overseas, co-locating personnel and resources in more hardened facilities or in more secure locations. Political dynamics require that USAID respond with agility and flexibility to changing demands and circumstances around the globe, whether to countries that may be implementing post-conflict programs, disaster assistance activities resulting from man-made or natural disasters, transnational issues such as HIV/AIDs or global warming, or sustainable development programs. Budget constraints require that we effectively and efficiently utilize the limited resources available to the Agency.

One of the primary mandates of the Business Model Review Group is to develop a template or matrix that will enable the Agency to better align Agency operations, including its overseas organization and workforce to achieve its humanitarian relief and development objectives and enhance its impact. Pushing this objective are the needs to reduce the U.S. Government's "footprint" overseas in order to increase the security of personnel deployed overseas while making the case for the staff and administrative resources necessary for USAID to more effectively serve as one the three pillars of the President's National Security Strategy. In addition, the rapidly changing political world in which USAID functions also requires the Agency to adopt a business model or operating system that is flexible and can efficiently and quickly respond to a plethora of political demands and constraints.

Decision Matrix for Determining the Size of Mission

The Business Model Review Group focused on three variables (security, foreign policy priorities, and cost) that will drive the decisions on where USAID locates its offices and how it performs its business (see Attachment A). The "Big Three" were then pared down to the two critical factors that we believe will drive U.S. Government decisions on USAID programming and mission size. These are: Security and Foreign Policy Priority.

The workforce template approved for use by the Agency in distributing personnel amongst missions uses program dollars as a way to allocate staff. Program dollars were considered a surrogate for gauging a country's "political priority" for resources, human as well as program. It also used the MCA indicators as a way of adjusting staff allocation by country performance criteria. The workforce template did not specifically take into consideration the impact that security might have on the distribution of workforce. Attachment B therefore is a way to adjust mission size by the security factor. For

example, assuming a “high” security threat level and a “high” foreign policy level, a decision would be made to limit the size of the mission to a “small or medium-sized” mission in order to minimize the number of government employees at risk in a particular country while still affording the USG the advantages of a limited in-country presence.

Guidelines or Decision Matrix for Determining How Services Should be Delivered

The Operations team believes that even in the face of increased security pressures, USAID can and must maintain the core elements of an in-country presence and the associated benefits – influence and program accountability—by streamlining its in-country presence, focusing its programs, and reducing the strategic planning and reporting processes, where necessary. In small or medium-sized missions, we would be more selective in the functions that must be performed in-country versus from a regional or Washington platform or what could be performed by others (ICASS, contractors, grantees, etc.)

AID’s in-country presence provides advantages to the USG in the delivery of foreign assistance which cannot be duplicated using any other mode. Other donors, including bilateral and multi-lateral organizations, highlight USAID’s on-the-ground presence as essential to the in-depth understanding we have of the issues, opportunities and the influence that we are able to have within a country.

Thus, once a decision is made on the size of mission that will be established in a particular country, the decision-maker would then determine how that mission would obtain the services it requires to implement and manage a program, i.e., does the mission require a USDH in-country to manage a particular program or programs, or can the services be out-sourced (ICASS, regional platform, contractor/grantee). Factors to consider include:

1. Quality, availability, and cost of Service
2. Accountability and Vulnerability (Risk)
3. Mission staffing and quality of FSN staff
4. Need for Development Diplomacy and Donor Coordination
5. Number of Management Units
6. Historical presence
7. Need, Host Government Commitment, etc.
8. Political Stability

Table 2 provides a matrix of decision factors that should be considered in determining the location for technical and administrative support delivery. Use of the matrix does not a priori reduce the size of the workforce overseas. It does, however, provide guidance on how the workforce can best be deployed to ensure that USAID retains its ability to obtain the sets of skills required to ensure accountability and results. Table 3 provides further discussion of each of the variables considered in the matrix.

TABLE 3

Quality, availability and cost of service – In-country presence of USDHs or other employee types greatly facilitates the provision and availability of service, regardless of the type of service (administrative, technical, program) needed. Most employees acknowledge that the quality of program implementation improves when staff are in-country, constantly monitoring activities to ensure that they are implemented according to approved workplans or agreements. It is also true that continuous monitoring allows for mid-course corrections when problems arise or priorities shift. In-country personnel allow for greater influence on course design and implementation, easier resolution of misunderstandings and miscommunications and greater institutional continuity. However, such in-country presence has a cost. Thus, it is imperative to measure the marginal benefits against the marginal costs of having in-country personnel versus off-site provision of services. In weighing this factor, it is critical that the total costs of services are considered and compared, including the use of well-trained and qualified FSNs, US staff costs and benefits, office expenses, communications, travel, etc. In addition, the transportation and communications networks and infrastructure as well as time relationships must be considered in the decision matrix as these factors influence the quality and availability of services. It is vital that client and service providers be able to talk to each other in real time. Thus time zones and work weeks must be included in the decision model.

Accountability and Vulnerability (Risk)—Program accountability for actions and effectiveness and financial accountability are better when there are USDHs or other qualified employees on-the-ground and held responsible for the quality of program and project implementation, impact and results, and resource management. In-country presence is critical to reducing vulnerability to waste, fraud, and abuse. Program accountability relates to the authority and responsibility for management of program resources and results, while financial accountability ensures that resources received are used for the purposes intended.

In determining whether services should be received from in-house personnel, regionally, or from Washington, Agency management must ascertain the risk level associated with a particular program. Risk is measured in terms of the number of management units, the loci of those management units, the program value, the type of program proposed, etc. Risk is also measured by the legal restrictions or other constraints that affect a particular program. For example, Sudan has a significant number of legal requirements that must be addressed prior to programming resources. Accordingly, it would be important for a legal advisor to be assigned regionally or in the mission to ensure that the Agency does not inadvertently program resources in violation of the law.

Mission Staffing and quality of FSN staff – In examining this variable, one must consider the human resource pool available to provide services, bilaterally or regionally. The quality and availability of services is frequently dependent upon the mission's or region's access to a well-educated, trained work force to draw upon. It is thus critical to understand and determine how easy it will be to find, recruit, and retain staff (USDH and

FSN). Equally important is the “service orientation” of staff. If a regional platform is to function effectively, it is imperative that mission management and staff understand that their responsibilities are regional in nature.

Development Diplomacy (Strategy Formulation, Policy Dialogue and Donor Coordination) – In many countries, there are now more multilateral and bilateral donors with greater levels of resources than USAID. These donors frequently cover a wide variety of activities and have, in many cases, a comparative advantage. Thus, it is imperative that USAID identify those activities or sectors where USAID has its own comparative advantage in order to limit and focus our programs. Donor coordination becomes absolutely essential in countries where USAID has small or medium sized missions to ensure that we focus our efforts in sectors where we can have a substantive impact, that USAID and other donors are not working at cross-purposes, and that the host government understands and acknowledges the benefits of a USAID program. Given the limited resources at USAID’s disposal, it is important that we not try to be all things to all people. Thus, when determining staffing levels, one must factor in the amount of time required to formulate strategy, dialogue with partners, and coordinate donor activities.

Number of Management Units/Program Complexity – In part, the number of staff required to manage and support a country’s program is determined by the number of “management units” or the program’s complexity. A management unit is defined as the number of contracts, grants, purchase orders, implementing instruments or other actions utilized to implement the country’s program, from all sources, including global, regional, and bilateral funds. Not surprisingly, the larger the number of management units in a country program, the greater demand for in-country presence of staff, USDH or FSN, to deal with the associated workload. All too frequently, countries do not have a firm understanding of all activities represented in their portfolios given the diverse spigots of funding. Respondents to the BMRG questionnaire strongly recommended reducing the number of management units in countries by reducing the number of programs and activities, utilizing more regional and bilateral umbrella contracts and grants, and making more obligations through bilateral agreements.

Historical Presence—many countries (Egypt, Indonesia, and India) have had a long history of an in-country USAID presence. A decision to move a mission, for example, from a full mission to a small or medium sized mission, could negatively impact the host country’s perception of the USG’s commitment to the country, even if budget resource levels were not reduced. Thus, one must consider what effect a change in mission structure might mean for the USG’s bilateral relationship with the host country.

Need Host Government Commitment, etc. -- **the** host government’s commitment to effectively and efficiently programming USAID and other donor resources affects the number and type of personnel required in a country to deliver assistance. If a host government is committed, for example, to utilizing local institutions and host country contracting to implement a development program, USDHs may be required to provide technical oversight and guidance.

Political Stability—prior to determining the location of any regional platform, one must determine the political stability and/or security level of the proposed site. Clearly, if there is an unstable government that is prone to frequent changes in government or a high-level of security concerns, other regional options should be investigated.

Chapter 6

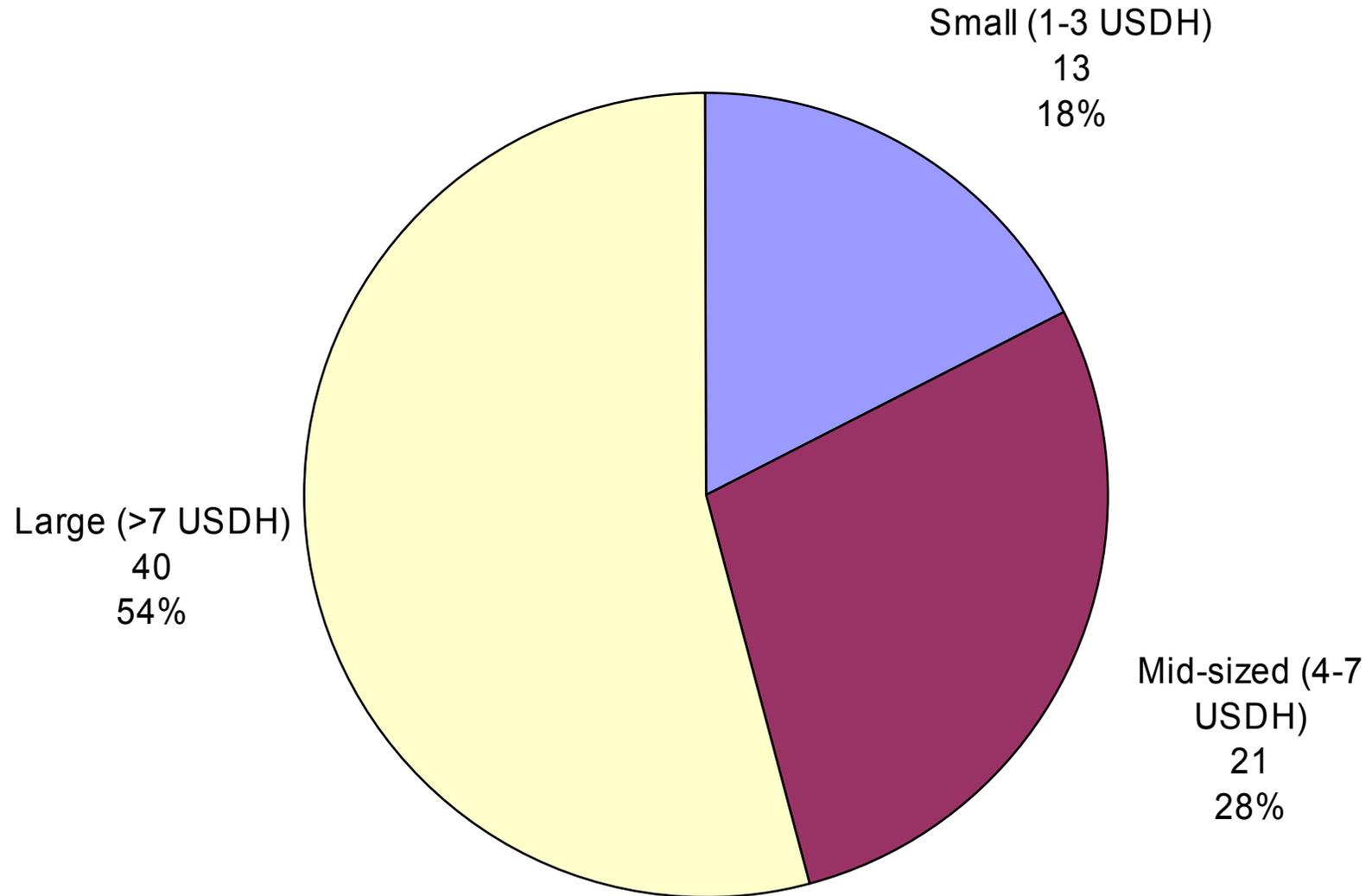
USAID Mission Profiles

The Business Model Review Group Report

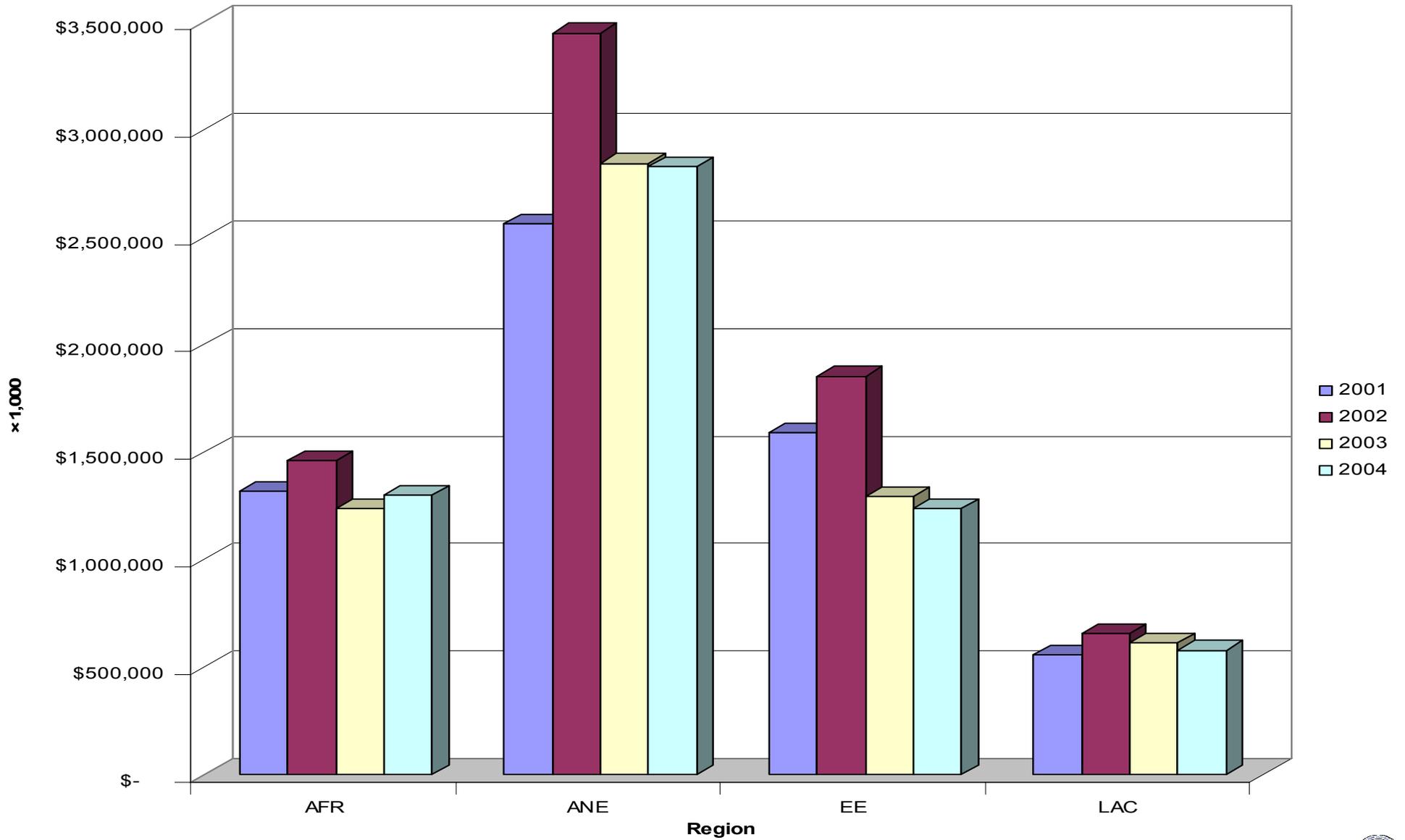


DISTRIBUTION OF USAID MISSION SIZES

All Missions as of January 2004

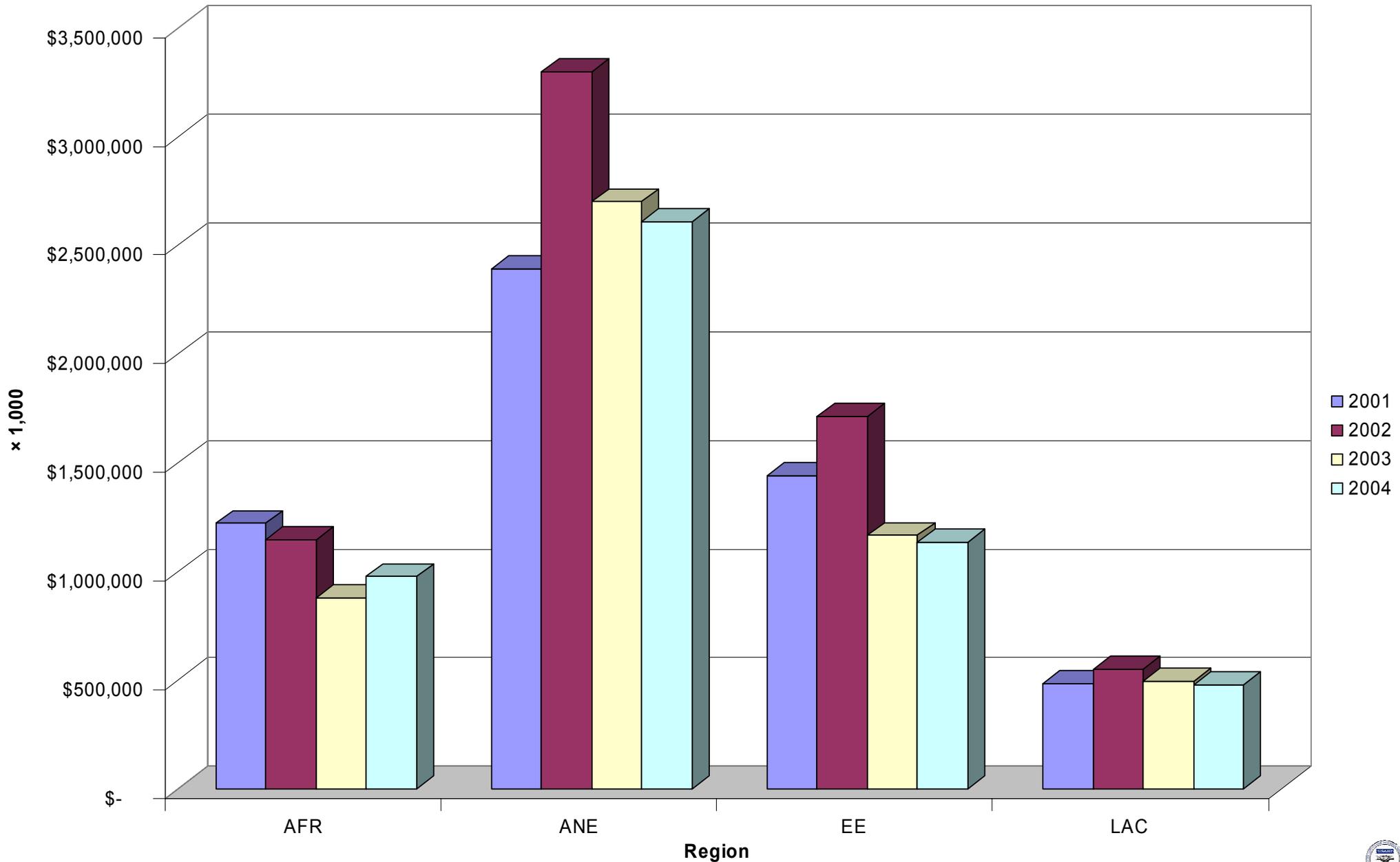


EVOLUTION OF TOTAL PROGRAM ALLOCATIONS
(Sum of Country and Regional Programs)

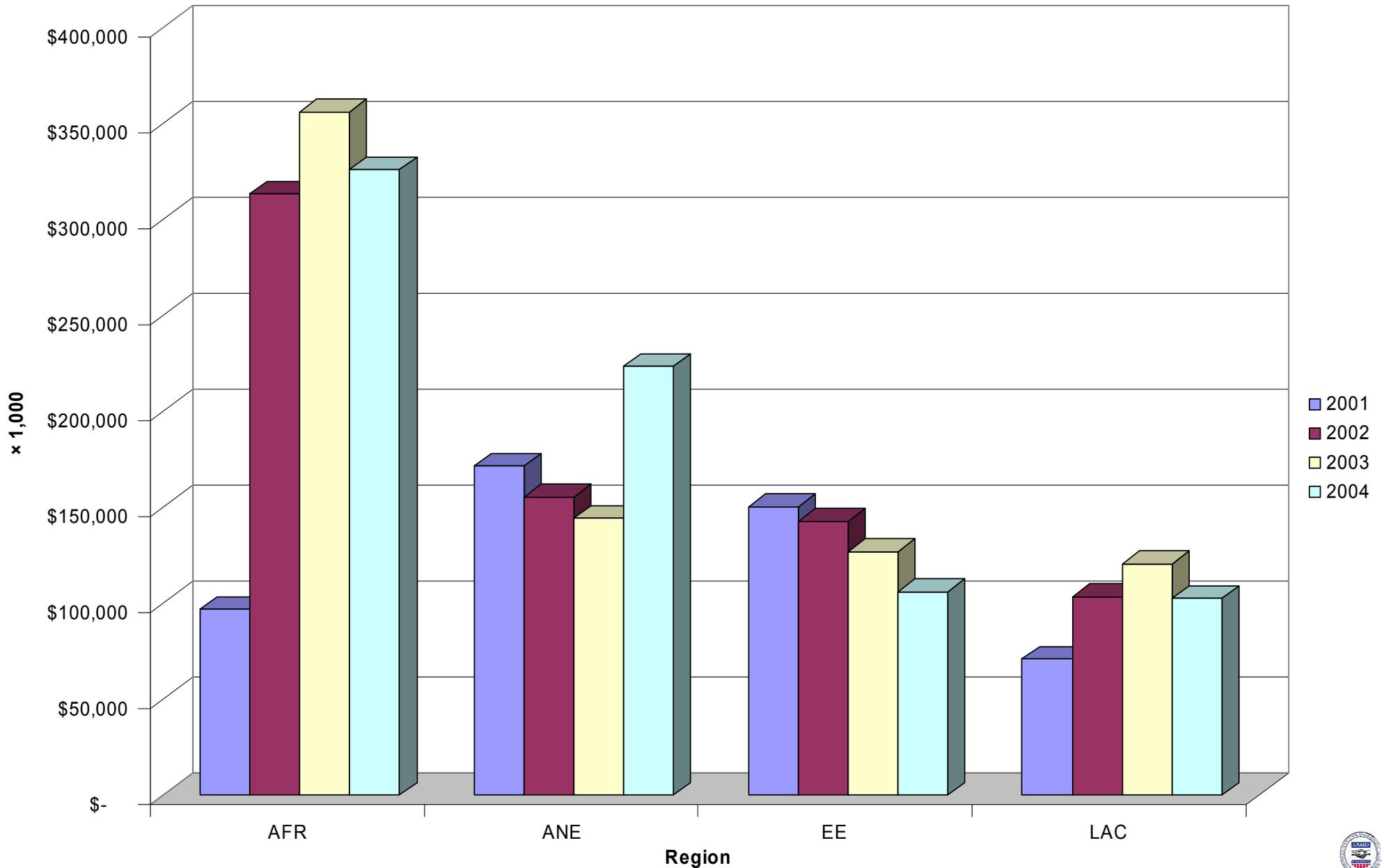


Source: USAID 2004 Budget Justification to the Congress

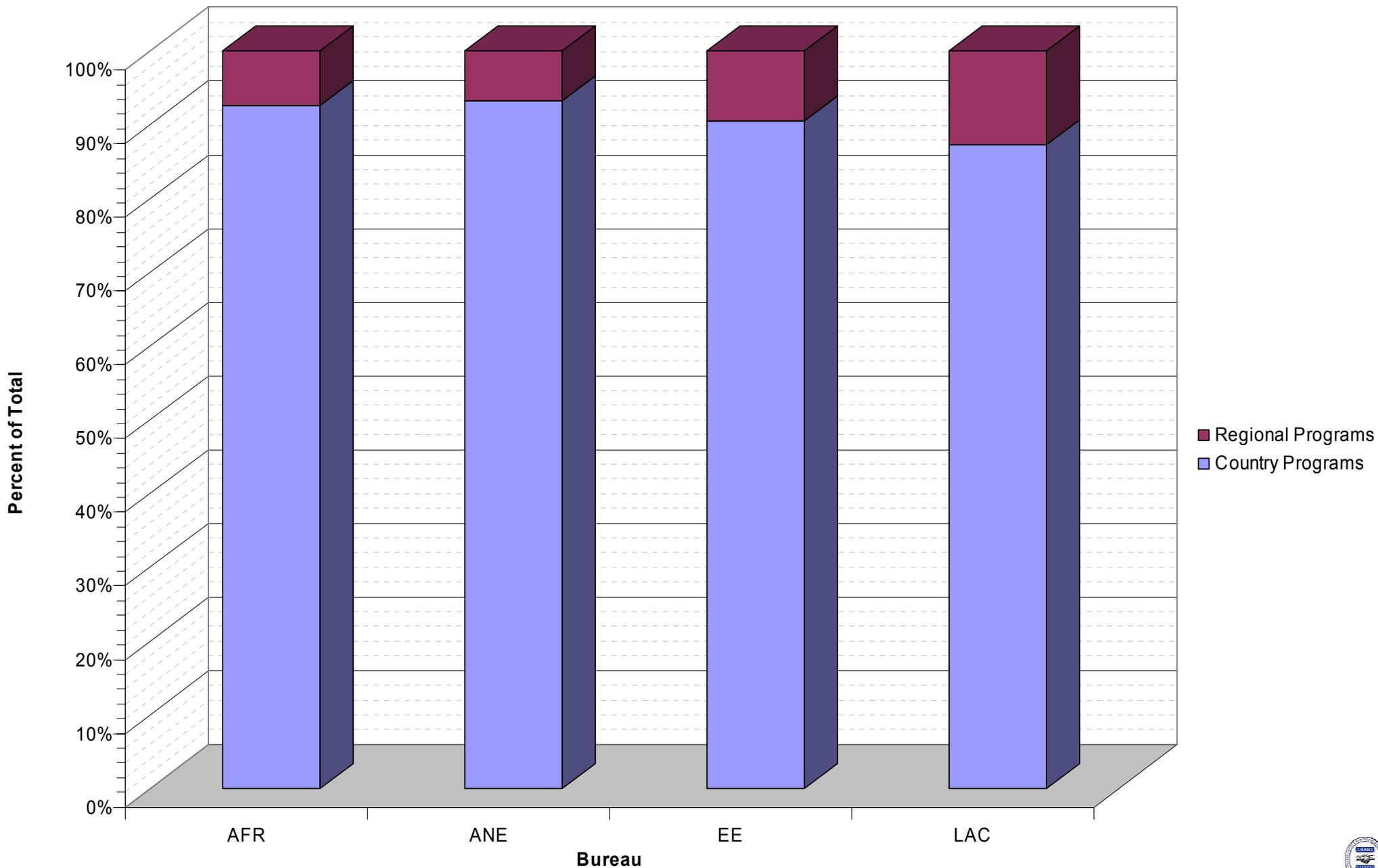
EVOLUTION OF COUNTRY PROGRAM ALLOCATIONS



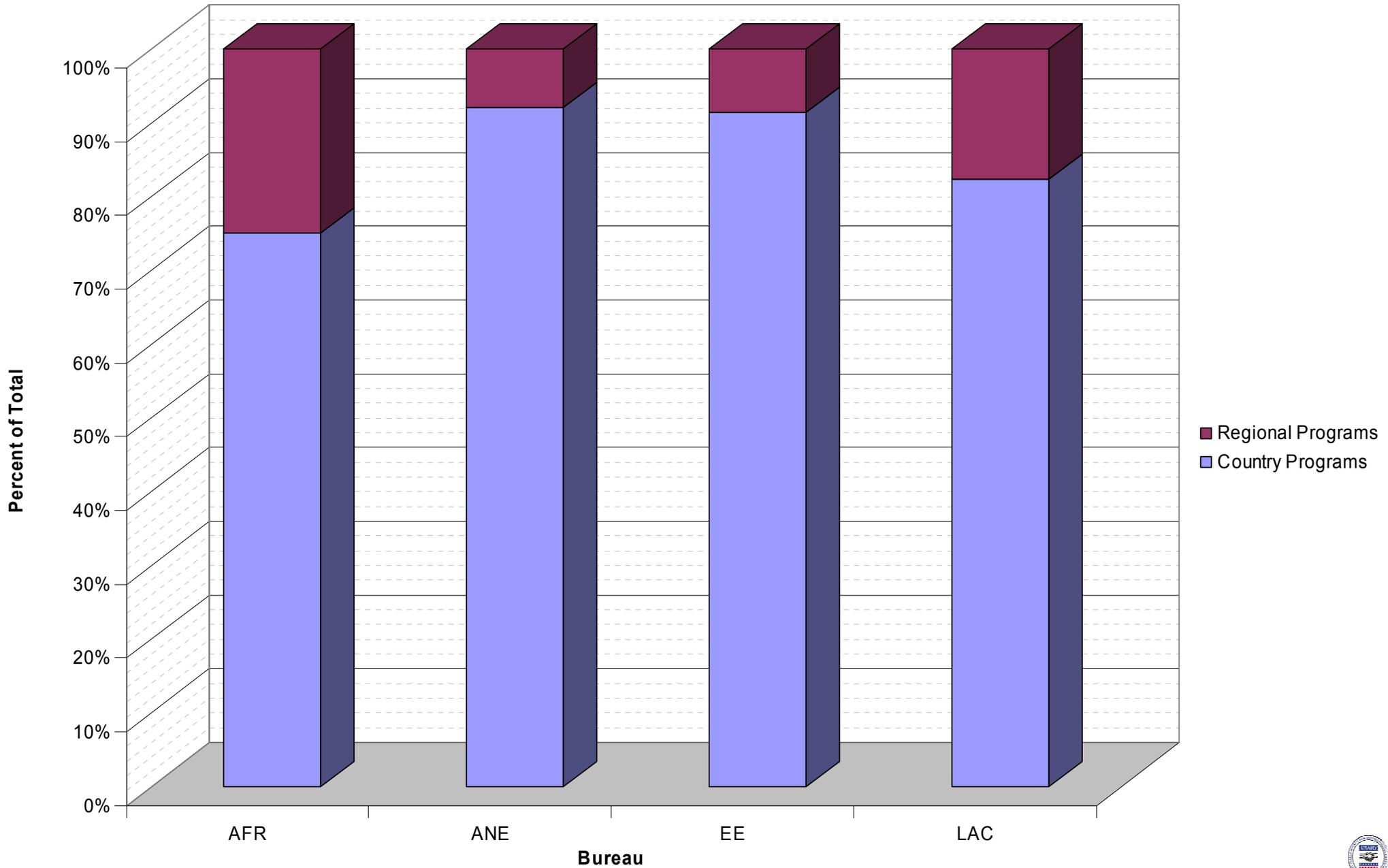
EVOLUTION OF REGIONAL PROGRAM ALLOCATIONS



2001 COUNTRY AND REGIONAL PROGRAM DISTRIBUTION

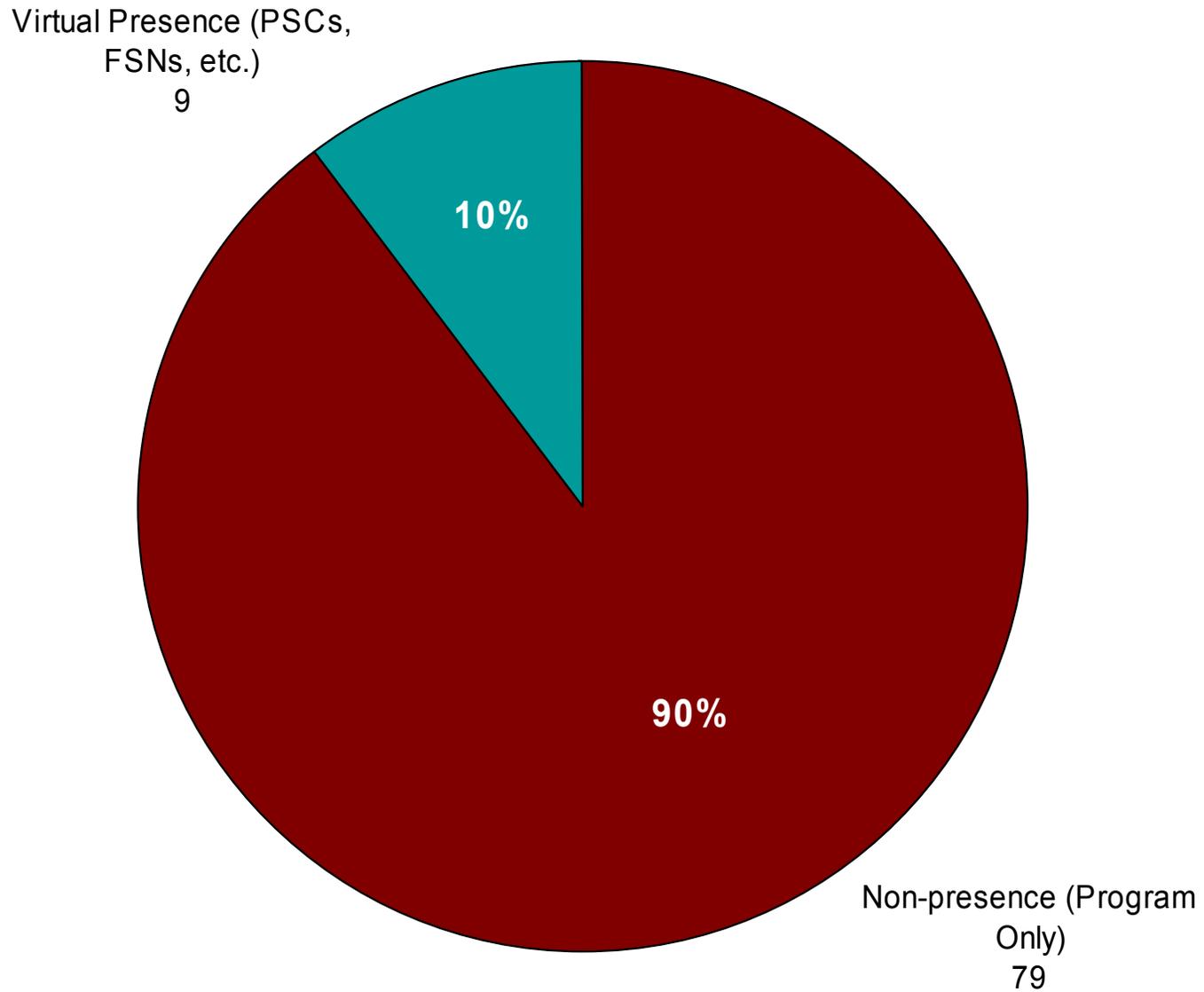


2004 COUNTRY AND REGIONAL PROGRAM DISTRIBUTION



DISTRIBUTION OF NON-PRESENCE PROGRAMS

(Country Programs for which No USDHs are Present)



USAID Mission Typology

Mission Type	Description
Country-specific / Full	<ul style="list-style-type: none"> ▪ Stand-alone, more than 8 USDHs ▪ Provides most pertinent services due to complex programs ▪ May include regional personnel who provide services to one or more missions ▪ Examples: Ethiopia, Bolivia
Country-specific / Medium	<ul style="list-style-type: none"> ▪ 4 to 7 USDHs who provide core program, administrative and technical management services ▪ Specialized technical and other services usually are provided by a regional service platform or Washington ▪ Examples: Zambia, Ecuador
Country-specific / Small	<ul style="list-style-type: none"> ▪ 1 to 3 USDHs who provide mainly program management services ▪ Some administrative and technical management services may be provided by a regional service platform and ICASS and Washington ▪ Examples: Guyana, Yemen
Country-specific/Virtual (Non-USDH)	<ul style="list-style-type: none"> ▪ No USDH presence in country; USAID presence managed by in-country PSCs and/or FSNs with oversight from a regional platform or Washington ▪ Examples: Vietnam, Venezuela
Country-specific / Washington-based	<ul style="list-style-type: none"> ▪ Managed from Washington ▪ No in-country physical presence ▪ Examples: Cuba
Multi-country / Hub-and-Spoke	<ul style="list-style-type: none"> ▪ One central mission serves as the only mission for one or more additional countries ▪ Provides the strategy, scope of work, and coordination for multiple bi-lateral programs managed from one mission ▪ Can have one or more spokes (satellite offices) ▪ Examples: Central Asia Region (CAR)
Multi-country / Regional	<ul style="list-style-type: none"> ▪ Serves multiple countries ▪ Programs may cross borders ▪ Examples: REDSO/ESA, RCSA, WARP, Guatemala, Jamaica, Peru
Multi-country / Washington-based	<ul style="list-style-type: none"> ▪ Serves multiple countries ▪ Program may cross borders ▪ Run from Washington mostly for cost efficiency considerations ▪ Issue-focused first, then applied to country or region ▪ Examples: AFR/DP, LAC/SPO, ANE/SPO, GH, EGAT, DCHA
Non-presence	<ul style="list-style-type: none"> ▪ <i>No physical AID mission or employees</i> ▪ <i>Programs are managed through grantees, contractors, regional platforms or USAID/W</i> ▪ Examples: Niger, Tibet



TABLE 2**Determining How a Mission Should Get its Services**

Variables	High	Medium	Low
Accountability/Vulnerability/Risk	In-Country USDH	In-country USDH if medium mission; regionally if small mission	Regional Backstopping or Washington Platform
Quality of FSNs	In-Country FSNs; regional backstopping	In-country FSNs; regional backstopping	In-Country USDH
Program Value	In-Country USDH	In-country USDH if medium mission; regional backstopping if small mission	Regional or Washington Platform
Need for Development Diplomacy	In-Country USDH or USPSC	In-country USDH if medium mission; regional backstopping if small mission	Regional Platform
Need for Donor Coordination	In-Country USDH	In-country USDH if medium mission; regional backstopping if small mission	Regional Platform
Number of Management Units/Program Complexity	In-Country USDH	In-country USDH if medium mission; regional backstopping if small mission	Regional Platform
Need, Host Government Commitment	In-Country USDH	In-country USDH if medium mission; regional backstopping if small mission	Regional Platform
Cost of Presence	Regional backstopping or out-source	In-country USDH or regional backstopping	In-Country USDH
Quality and Availability of Services	Local FSNs or out-source	In-country FSNs or out-source	In-Country USDH

TABLE 1

DETERMINING MISSION SIZE

A DECISION MATRIX

FOREIGN POLICY PRIORITY	SECURITY RISK		
	HIGH	MEDIUM	LOW
HIGH	Small-Medium Sized Mission	Medium to Full-Sized Mission	Full Mission
MEDIUM	Small Mission	Medium Mission	Medium to Full-Sized Mission
LOW	Non-presence Mission	Small - Non-presence Mission	Small - Non-presence Mission

Chapter 7

BMRG Questionnaire and Results



Survey Questionnaire Results

Over 140 USDHs, FSNs, PSCs, and other personnel responded to the questionnaire on business operations. The results of the survey are striking, not only on what overseas personnel think about what USAID's role is in the foreign policy arena, but also in how these employees believe that we can best organize and implement our programs. The major points include:

1. In small missions, the most critical positions are the mission director, the program officer, and the general development officer. As the mission grows beyond three, the most important positions become a business manager (executive officer and/or controller) and additional general development officers/technical officers.
2. Some administrative support and technical positions, e.g., regional legal advisor, contracting officer, and technical experts, particularly specialized technical experts, should be located in regional platforms.
3. The number of management units (contracts, grants, strategic objectives, intermediate results) should be reduced. Umbrella procurement instruments, regional strategies, and standardized SOs and IRs should be used whenever possible.
4. Mission directors, executive officers, or other employees should be given increased delegations of authority or warrants to implement programs overseas in order to reduce bottlenecks in the procurement process.

USAID's niche: Almost all of the employees who responded felt that the primary roles served by U.S. bilateral assistance were (1) promoting economic growth (21%); (2) providing humanitarian development assistance (22%); and (3) supporting USG national security/foreign policy interests (42%), however, over one-third who responded did not believe that the choice they selected was what the Agency was currently doing.

Strategic Planning: Most respondents felt that USAID needed to substantively overhaul and improve our strategic planning processes. 48% of respondents said that the Agency should move to standardized SOs and streamline strategy documents and procedures, while another 23% said that strategies should be eliminated completely given the Agency no longer has sufficient latitude to define its own strategies. Over 39% of the respondents indicated that the Agency should focus its efforts more on design and implementation of activities. Many felt that the Agency had lost its ability to design programs due to the overwhelming focus on strategic planning.

53% of respondents felt that the effect of merging the State's Department MPP and USAID's Annual Report would better link the National Security Strategy, the Joint USAID Strategic Plan and USAID/Embassy objectives and operations. 55% of respondents felt that merging of the documents would lead to more confused reporting and a greater workload for USAID staff (18%).

Operations Optimization: This topic raised a number of concerns amongst respondents and led to frequent comments. Most respondents (75%) felt that USAID should shift

more services (legal, contracts, vouchers, EXO) to regional support platforms. In comments, a number of respondents suggested that technical services could also be shifted to regional platforms, especially for small to medium-size missions. While one-third of respondents felt that USAID could rely more heavily on ICASS as a service provider, almost all equally agreed that this would be significantly more costly for USAID, would reduce the quality of services received, and should be avoided if possible.

Staffing: Respondents were asked to rank order, by backstop or function, the USDH they would require if limited to a mission of 3, 5 or 7 USDH. The results were as follows:

Limited to 3 USDH

1. Mission Director
2. Program Officer
3. General Development Officer

Limited to 5 USDH

1. Mission Director
2. Program Officer
3. Executive Officer
4. Technical officer or General Development Officer
5. General Development Officer, Controller or Technical Officer

Limited to 7 USDH

1. Mission Director
2. Program Officer
3. Executive Officer or Controller
4. Controller
5. Technical officer or General Development Officer
6. Technical officer or General Development Officer
7. Technical officer or General Development Officer

These results were also borne out by the ranking of functions if staff limitations made a regional platform or outsourcing necessary. Respondents indicated they would transfer the following functions if required (in order of priority):

1. Legal
2. Financial Management and Procurement
3. Executive Office
4. Technical
5. Program office

Interestingly enough, while many respondents felt that legal backstopping could be carried out from Washington, if adequate OE was available to ensure regular field visits, ground-truthing of the results during field visits suggests that missions do not want any of the core functions transferred to Washington, but would rather instead place them in regional platforms to ensure that they have access to the services as needed. Respondents noted the advantages of centralizing both support and technical functions in a regional platform, including training, surge capacity, economies of scale, ability to deal with cross-border issues or presidential initiatives, etc.

Technical Backstopping: In response to the question of the whether Washington technical backstopping was better, the same or worse since technical resources were move to the pillar bureaus, 50% of respondents felt the quality was the same; 21% felt it was better; and 29% felt it was worse.

Procurement: Respondents frequently noted that procurement can be a bottleneck given the lack of sufficient contracting officers in the field. Accordingly, USAID should consider what additional authorities could be given to EXOs, MDs, or even CTOs in order to reduce the burden on contracting officers. However, many expressed a concern about increased vulnerability if contracting authorities were delegated to non-contracting officers within a mission.

Many respondents recommended mission directors and/or CTOs be delegated additional contract and grant authorities (after suitable training) and that the procurement and reporting processes be further streamlined, especially for small dollar-value grants. In addition, many recommended that EXOs be given increased warrant authority, especially in small to medium-sized missions. During field visits, respondents frequently cited the lack of boilerplate scopes of work, contract and grant templates, etc., as an implementation and/or procurement drawback. Many suggested that the Agency's Handbook 3 should be re-issued as a guide to project officers. Others suggested that a checklist of actions required to issue a small contract or grant be provided to CTOs. Once that checklist was completed, the mission director or other warranted officer could sign the agreement without further recourse to a contracts officer.

Streamlining Workload: When asked whether there were mechanisms that Washington or regional platforms could put in place to help reduce the workload, 52% suggested that the Agency enter into fewer program activities, utilize more "umbrella" procurement mechanisms (62%) and provide more regional SOs and programs for use by bilateral missions (33%). Many respondents noted that there are too many employees working in Washington which, in their view, leads to increased requests for information, a proliferation of activities and small programs, and increased demands for non-substantive changes to programs, strategies, etc. Many respondents also noted that it is critical that Washington establish realistic parameters and budgets for missions if strategies or programs are to be credible and results-oriented.

Observations: It is clear from the survey's results that employees believe that the Agency needs to reduce the strategic planning workload, focus on fewer programs, and

streamline the procurement process by utilizing umbrella mechanisms and increasing delegations of authority to the field. Similarly, employees would like the Agency to provide templates (scopes of work, budgets, limited scope grant agreements, etc.) that can be used by program managers to efficiently move program documentation through the USAID system.

Survey results also indicate that regional platforms can and should serve as hubs for administrative and technical support personnel that can not be located in individual countries due to security, cost, or other concerns. The survey questionnaire as well as field visits highlighted the finding that most employees believe that the most critical employees in any mission are: the mission director, the program officer, and a general development officer/program manager. These three positions were always included in the mix of employees required, regardless of mission size.

In a medium-size mission, the staff configuration, depending upon risk, would be composed of the above three positions, an executive officer and/or a controller, and additional program managers/technical officers. If program risk and vulnerability is high, the mission would have separate positions for a controller and EXO. If risk is low, the position could be combined into a business manager position

Other support functions (legal, contracting) as well as specialized technical assistance should be resident in regional platforms, unless program size and vulnerability require the separate assignment of these personnel to a mission. Thus, regional platforms would be expected to provide the full range of administrative and technical services required for small and medium-sized missions as well as legal and contracting services for full-sized missions.

Many respondents noted that the provision of support and technical services from a regional platform can limit responsiveness, detract from the quality of services, and can increase a mission's vulnerability to waste, fraud, and abuse. However, these shortcomings can be overcome by ensuring that regional platforms are located in countries that have the required elements for success, i.e., communications and transportation infrastructure is well developed; there is sufficient operating expense funds for regional personnel to travel on a regularly, scheduled and ad hoc basis; regional hubs are located in "real time" with their clients; and there are a sufficient number of personnel assigned to the platform to allow for backstopping, surge capacity, etc. Regional platforms must also be firmly committed to serving the needs of their client missions.¹

¹ **Note:** To ensure that support services or technical experts can in fact be placed in regional platforms, regional bureaus will need to set-aside FTEs for these positions. Greater consultation will be required with the pillar bureaus and the central support bureaus to ensure that the number of personnel assigned within a particular backstop to a regional platform is sufficient to meet the needs of the region. It will also be important that the regional bureaus work closely with the Ambassador within the country to ensure that NSDD-38 clearances are received for the nucleus of personnel required to manage programs regionally.

Chapter 8

Development and National Security



Development and National Security ¹

“A world where some live in comfort and plenty, while half of the human race lives on less than \$2 a day, is neither just nor stable. Including all of the world’s poor in an expanding circle of development—and opportunity—is a moral imperative and one of the top priorities of U.S. international policy.”

—National Security Strategy of the United States of America, September 2002

Overview

Traditionally, USAID strategy formulation has not placed a strong emphasis on national security policy linkages. However, the National Security Strategy puts development at the forefront of national security along with defense and diplomacy. The State/USAID Strategic Plan provides more detail on how State and USAID will contribute to all three cornerstones of the national security strategy. And, the White Paper outlines how foreign aid can address various facets of the “development” cornerstone. Together these provide consistency and synergy among the strategies of the Agency’s various technical and geographic components. Such an orientation would help improve the external understanding of USAID’s role, enhance its relevance to the national security process and provide the Agency with more influence and voice in interagency fora.

I. Introduction

This paper addresses the vital relationship between development (and developing countries) and the national security interests of the United States. It also demonstrates the pivotal role USAID (the United States Agency for International Development) performs in promoting those interests.

The United States has been providing foreign assistance formally since the end of World War II. For more than forty years, USAID has been the primary custodian of that responsibility. Other entities of the U.S. Government, such as the State Department, the Treasury, the Department of Health and Human Services and the newly established Millennium Challenge Corporation, are increasingly involved in providing foreign aid.

The primary objective of USAID is not a single, universally held concept – even within the Agency itself. Many believe that the primary purpose of providing foreign aid is to improve the lives and reduce the suffering of the world’s poor. Others point to the need to strengthen economies and promote democratic governance.

This paper reaffirms that the single, unifying objective of American bilateral foreign assistance is to serve the strategic foreign policy interests of the United States Government. USAID does many good things that improve the lives and future prospects

¹ This paper was written under the aegis of Administrator Andrew Natsios’ Business Model Review Group. The recommendations provided herein will be part of a restructuring and simplification of USAID’s overall strategic process.

of the world's poor. However, it is pivotal to understand that these efforts serve the national interest of the United States.

II. Why Development is a Strategic Tool

This paper's lead quote is from President George W. Bush's 2002 National Security Strategy (NSS). The NSS establishes U.S. foreign policy priorities and the means to achieve them. These "means" include a number of tools. The NSS emphasizes three above all -- diplomacy, defense, and development while also noting the importance of Intelligence and Public Diplomacy. These foreign policy tools are used in different sequences and combinations to achieve the country's international objectives. The objectives are many, varied and often interrelated. Most prominent of these, especially in recent times, is keeping America safe and secure. Another high priority is to ensure the nation's continued economic prosperity. Foreign policy objectives also encompass the projection abroad of American values. Such values include showing compassion in the face of humanitarian crisis and the promotion of human rights.

As America pursues its national interests in the 21st century, it faces a rapidly changing global context. Conditions of insecurity and instability that arise from terrorism, transnational crime, failing states and global disease pandemics are changing the landscape in which diplomacy, defense and development must operate. "Development" as a term often used interchangeably over the years with "foreign assistance" must now be understood to comprise more than long-term transformation of a country's institutional capacity for economic, political and social progress. It also encompasses the strengthening of fragile states, responding to humanitarian needs, mitigating transnational and global ills, and supporting US geo-strategic interests.²

The 2002 NSS emphasizes the importance of development, along with diplomacy and defense, as key to the successful achievement of the country's strategic objectives. (see the Table on the following page) The reasons for including development as a strategic tool have not always been intuitively clear to those in the diplomatic corps, the defense establishment and elsewhere. However, the logical fit has become much clearer since September 11. In particular:

- 1) People who live in societies that are democratic and well-governed, with widespread, expanding economic opportunities, have a stake in continued stability and development, both of which are threatened by conflict and crisis. Not only will people with hopeful expectations for the future be less likely to become involved in conflict, but they also will discourage others from such activity. More positively, countries that are stable, well-governed, and making progress make better partners and allies in pursuing a range of interests that are important to the

² USAID's February 2004 white paper entitled "US Foreign Aid: Meeting the Challenges of the 21st Century" posits these five areas as core operational goals of foreign assistance. It argues that, for foreign assistance to be effective, we must distinguish between these goals, align resources more closely with each goal, and manage such resources more strategically.

- United States. This points to the importance of **transformational development** as one facet of “Development” for national security.
- 2) With globalization, the United States is affected by conflict and crisis virtually wherever they occur. They can result in the costly involvement of the U.S. military and can cause serious harm to a variety of American interests. Establishing the foundations for development progress in **fragile states**, provides stabilizing hope for people at all levels of society. Foreign aid that supports such progress can help prevent, overcome, and/or recover from instability and crisis.
 - 3) Progress in overcoming fragility and achieving transformational development is especially important in a number of **states of geo-strategic importance** – such as Iraq, Afghanistan, Pakistan, Egypt, Jordan, and others. Events in these countries have large and direct impacts on U.S. security interests, and progress in these countries is vitally important to the U.S. This calls for special efforts in terms of foreign aid, including higher aid levels (than would otherwise be warranted); special programming mechanisms; and exceptionally close coordination with other USG foreign affairs agencies.
 - 4) The strategic rationale for **humanitarian** engagement is also compelling. People in desperate circumstances, be it from natural disaster, war or other causes, may be more easily drawn into violence. Moreover, the cultural values of the American people do not accept suffering, regardless of where it takes place. Helping people in distress is the right thing to do. Thus, responding to humanitarian crisis is important to the security as well as the core values of the American people.
 - 5) Health, the environment, narcotics, trade negotiations, and other **transnational issues** also fall well within national security parameters. In a globalized world, as the HIV/AIDS pandemic has demonstrated, infectious disease is not confined within distant borders. Thus, in addition to reducing suffering (a strong core value), addressing transnational issues abroad also protects the welfare of the American people.

While it always has been true, globalization has made it even clearer that prosperity in other countries is important to the prosperity and economic security of the United States. In an economically interdependent world, economic growth in other countries means new markets for American goods, services and investments – and the American jobs all of these bring. Indeed, economically successful developing countries have provided the most dynamic, rapidly expanding markets for U.S. exports. On the negative side, economic stagnation or decline in poor countries can readily lead to conflict, crisis, and state failure. Foreign assistance promotes the conditions essential for economic stability and growth in the developing world, that has played a rapidly growing role in U.S. economic prosperity.

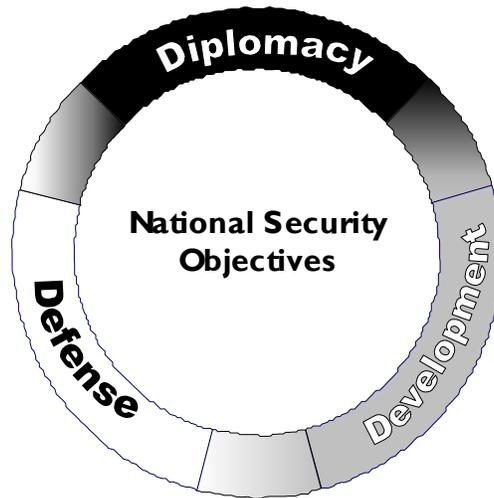
Development in the National Security Strategy

NSS Objective	Related Role of Development
Champion Aspirations for Human Dignity	“We will use our foreign aid to promote freedom and support those who struggle non-violently for it, ensuring that nations moving toward democracy are rewarded for the steps they take.”
Strengthen Alliances to Defeat Global Terrorism	“We will disrupt and destroy terrorist organizations by diminishing the underlying conditions that spawn terrorism [and] by enlisting the international community to focus its efforts and resources on areas most at risk.”
Ignite a New Era of Economic Growth Through Free Markets and Free Trade	“A strong world economy enhances our national security by advancing prosperity and freedom in the rest of the world. Economic growth, supported by free trade and free markets, creates new jobs and higher incomes, It allows people to lift their lives out of poverty, spurs economic and legal reform, [supports] the fight against corruption, and it reinforces the habits of liberty.”
Expand the Circle of Development by Opening Societies and Building the Infrastructure of Democracy	“Sustained growth and poverty reduction is impossible without the right national policies”

The U.S. Government also provides foreign assistance through multilateral institutions. Such assistance passes through the International Financial Institutions (e.g. the World Bank, the IMF, the regional development banks) and other international organizations, such as the United Nations system. Non-governmental organizations (NGOs) also receive substantial support from the USG for carrying out worldwide development aid. However, these entities cannot be expected to focus sufficiently on the full array of development issues that influence U.S. national security. That is one of the critical arguments for bilateral aid provided through USG agencies.

III. How Diplomacy, Defense and Development Interact

Diplomacy, development and defense complement and support one another in the achievement of the national security interest. As the graphic below illustrates, while each of these elements has its own unique responsibilities, each also interacts with the others in essentially supportive ways.



Relationship with Diplomacy: In the countries where USAID is engaged, the economic, political and social issues that comprise development generally rank at the top of the agenda of the local political class and in the minds of the majority of the people. Accordingly, such topics are consistently priority items in the bilateral diplomatic dialogue. At the 2003 Worldwide Mission Directors Conference, Secretary of State Colin Powell observed that: "USAID is at the front line of foreign policy." In the joint USAID/State Department "*Strategic Plan – Fiscal Years 2004-2009*," nine of the twelve strategic goals involve foreign assistance provided through USAID (see Table on the next page). These goals include: economic prosperity and security, democracy (including governance) and human rights, social and environmental issues, and humanitarian response; and also regional stability, counterterrorism, international crime and drugs, public diplomacy and public affairs, and management and organizational excellence. In some of these we play a central role, while in others our role is more limited relative to other agencies.

Because of the nature of its program, USAID officers are in regular contact with everyone from presidents and ministers to business leaders, civil society representatives and a wide array of average citizens. The dialogue that is carried out not only concerns project matters, but often also involves important bilateral policy issues. This "policy dialogue" (as it has been known in USAID) – or development diplomacy – frequently relates to matters of priority national security interest. For example, efforts to improve the justice system in Colombia address pivotal international terror, human rights, and narcotics control issues. Democracy and governance programs in Eastern Europe focus on the pivotal transition from socialism and provide another key area of development diplomacy. A primary objective of the National Security Strategy and the Joint State/USAID Plan is to ensure that today's troubled countries do not become tomorrow's

failed states. Foreign assistance is a major means of preventing conflict and terror, key elements of the NSS.

Furthermore, research has shown that even in poor, stable countries, the ability to adopt appropriate policies that promote effective, long-term development is primarily a function of internal political will. It is in this arena where development and diplomacy must work together most closely to provide not only technical advice but also diplomatic support to the reformers in a partner country who are trying to make a difference.

Relationship with Defense: In the area of defense, the collaboration is less routine, but still critical. Military personnel view effective application of development resources as a means of preventing conflict and, therefore, reducing costly, non-essential troop deployments. In post-conflict situations, military civil affairs components initiate high priority stabilization and nation-building efforts, such as those currently taking place in Iraq and Afghanistan. Such activities closely parallel the types of actions undertaken by USAID humanitarian components (e.g. OFDA), transition elements (e.g. OTI) and, ultimately, the development activities that are more typically the purview of USAID overseas field missions. The sooner the military is able to pass civil affairs and other related activities to USAID, the quicker it is able to re-deploy its limited civil affairs assets to other, more urgent priorities. USAID's role then becomes one of building the means that will promote the hope and stability that can avert renewed conflict and help failed nations become sound transformational development states.

**Joint State/USAID Strategic Plan
Strategic Goals Involving Development Action**

Regional Stability	Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States.
Counterterrorism	Prevent attacks against the United States, our allies, our friends, and strengthen alliances and international arrangements to defeat global terrorism.
International Crime and Drugs	Minimize the impact of international crime and illegal drugs on the United States and its citizens.
Democracy and Human Rights	Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom.
Economic Prosperity and Security	Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation.
Social and Environmental Issues	Improve health, education, environment, and other conditions for the global population.
Humanitarian Response	Minimize the human costs of displacement, conflicts, and natural disasters.
Public Diplomacy and Public Affairs	Increase understanding for American values, policies, and initiatives to create a receptive international environment.
Management and Organizational Excellence	Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.

IV. National Security Policy and USAID

USAID has a variety of “constituencies.” These may include such entities as NGOs, universities and a variety of public interest groups. While such interests are generally compelling and are unquestionably part of USAID’s mandate, the Agency’s primary responsibility is to contribute to U.S. national security. The Agency’s ultimate legitimacy and importance are found in its ability to serve those foreign policy interests that call for foreign aid. Claims on foreign aid must be weighed in terms of their national security relevance and priority.

Traditionally, USAID strategy formulation has not placed a strong emphasis on national security policy linkages. The NSS has made clear that development and developing countries have moved to the forefront of national security, along with defense and diplomacy. The Joint Strategic Plan provides more detail on the various roles of State and USAID in supporting defense, diplomacy, and development. And, the White Paper has outlined more concrete goals and guiding principles specifically for foreign aid aimed at various facets of development. Together these provide a coherent set of organizing principles that provide consistency and synergy for foreign aid strategies and programs. Such an orientation will help improve the external understanding of USAID’s role,

enhance our relevance to the national security process and provide the Agency with more influence and voice in interagency fora.

While the NSS, the Joint Strategic Plan, and the White Paper provide the basis for a more coherent Agency strategic process, they also emphasize the flexibility that is essential for success at the program level in the field. In particular, the heightened emphasis on countries and country strategies – for transformational development, fragile states, and geo-strategic states – demands programs tailored to country circumstances, needs, and priorities. Thus, while establishment of strategic goals and objectives would be more standardized within USAID – to facilitate planning and reporting under the Joint Plan -- decisions regarding the program “means” (which activities, types of assistance, etc.) would remain more at the country level, though still unmistakably tied to the achievement of clearly defined foreign policy objectives.

V. USAID’s Role

The Introduction to this paper notes that the foreign affairs development component of the United States Government is comprised of many elements beside USAID, which has the largest role and most development resources of that group. According to a recent report by the OECD,³ there are more than 50 separate U.S. government units involved in the provision of foreign assistance. While most (including USAID) fall under the general policy guidance of the Secretary of State, there is little formal effort to co-ordinate their overall activities at the Washington level.⁴

Among the USG agencies involved in foreign aid and development, USAID has a number of important and distinctive attributes and roles.

- a. *Preponderant Focus on Development:* USAID is the only component within the USG that is defined by its development role. In particular, USAID is dedicated to promoting transformational development, strengthening fragile states, supporting geo-strategic states, providing humanitarian relief, and addressing global and transnational concerns. Other involved agencies (e.g. State, Treasury) have other primary responsibilities that relegate development to a secondary or lower order of importance and status. USAID has the greatest concentration of experts and experience in development. As a result, when other USG agencies are given a development role, they often either seek USAID assistance in planning and administering their programs (e.g. PL 480 on behalf of the Department of Agriculture) or have USAID conduct the program on their behalf (e.g. ESF programs carried out with State Department resources). USAID’s critical mass of development resources makes it the most flexible of the agencies, able to respond

³ “Development Co-operation Review – United States.” Development Assistance Committee (DAC), Organization of Economic Cooperation and Development (OECD), 2002.

⁴ Coordination in the field may be somewhat better because of the controlling authorities held by Ambassadors.

- to demands in virtually any sector on comparatively short notice.⁵ As recent experience in Iraq and Afghanistan illustrate, Agency resources are particularly valuable when applied to the urgent requirements of post-conflict nation-building and reconstruction priorities.
- b. *Development Strategy and Implementation:* Because of its broad development focus, USAID has a view of development issues that looks across sector-defined lines (e.g. economics, health, agriculture) enabling it to think and plan more strategically. As a result, USAID act in an integrated fashion on development issues and can bring coherence to the many disparate elements often involved. Accordingly, USAID has a uniquely important role to play in strategic planning with the diplomacy and defense national security elements in meeting the nation's foreign policy objectives. Also, because of the breadth of its human resources, USAID has the organizational and staff flexibility to absorb new areas of responsibility, as it did when it became involved in the area of democracy and governance.
 - c. *Conduct of Development Diplomacy:* "Policy dialogue" is, in effect, development diplomacy. This dialogue is supportive of a broad spectrum of the diplomacy agenda of the United States Government and is carried out under the guidance, and with the collaboration, of the Department of State. USAID's diplomatic dialogue takes place with a wide variety of interlocutors. With senior host country officials, dialogue often concerns topics as diverse as economic policy and structure, rule of law and human rights and public health policy. Diplomacy is also a factor on matters of key interest involving other elements of the international development community that view USAID as their primary contact for most related matters. Finally, a long tradition of marshalling resources from the private and NGO sectors has taken more coherent form under the aegis of the USAID's Global Development Alliance, which attracts and focuses such assets to the beneficial purposes of the provider and U.S. foreign policy interests.
 - d. *Development catalyst:* Because of its significant and diverse field presence, USAID is in a unique position to recognize and act on development-related strategic opportunities and perform quickly as a catalyst to advance U.S. interests. USAID leads with ideas in ways that others cannot. A good example was the OTI "ministry in a box" program that jump-started post-conflict government in Iraq.

VI. Relationship of a More Focused Strategic Process to the White Paper (U.S. Foreign Aid – Meeting the Challenges of the Twenty-First Century)

The December 2003 White Paper encourages USAID "to identify, clarify and distinguish among its core operational goals..." It further states: "The relevance of U.S. foreign assistance to U.S. national security and the call for greater aid effectiveness are key

⁵ While USAID often is criticized internally and externally for its ponderous bureaucracy, compared with other donors – particularly the IFIs and the UN system, it is able to mobilize its resources to produce action in the field more quickly than any other related entity.

drivers of strategic reforms.” It “argues that to establish policy coherence and address both real and perceived effectiveness issues, USAID needs to identify, clarify, and distinguish among its core operational goals; more clearly align resources with these goals; and manage strategically to achieve results in terms of each goal.”

This more strategic approach to foreign aid will enhance the linkages between Agency strategies and programs and the National Security Strategy and the Joint USAID/State Department Strategic Plan. It also will provide a means for optimizing the use of human and program resources among Agency field programs.

Development and the Strategic Process

Level	Goals for Foreign Assistance	Contribution to National Security and Foreign Policy Concerns.	How It is Accomplished (Business Processes)
<p><u>Federal Government</u></p> <p><u>Assistance: USAID</u></p>	<p>Secure democratic, prosperous world for the American people</p> <ul style="list-style-type: none"> • Promote Transformational Development • Strengthen Fragile States • Provide Humanitarian Relief • Support U.S. Geopolitical Interests • Address Transnational Issues 	<ul style="list-style-type: none"> • Diplomacy • Development • Defense • Democracy/Governance • Economic Prosperity • Social/Environ. Issues • Humanitarian Response • Counterterrorism • Regional Stability • Int'l Crime/Drugs • Public Diplomacy 	<ul style="list-style-type: none"> • Federal Organizations • Laws/Regulations • Oversight • Strategic Management Structure • Business Processes <ul style="list-style-type: none"> -Budget -Financial -Procurement -Personnel -Accountability • Organizational Structure <ul style="list-style-type: none"> -Central -Regional -Bilateral

Chapter 9

A New Era, A New Enterprise

The Business Model Review Group Report



Summary

The purpose of this concept paper is to present the results of examining the U.S. Agency for International Development (USAID) from an external perspective and provide a strategy-driven framework for describing the possibilities for USAID’s business model in the future. External and internal stakeholders were interviewed, documents reviewed, and frameworks applied. Much of the foundation of the paper came from ideas within USAID itself, which were augmented with outside concepts and thinking.

The world has changed, shifting the way government agencies, like USAID, view themselves and how they operate – over time, it has become more dynamic, unpredictable, competitive, volatile and connected in radically different ways. To address this new and complex operational context, USAID must become focused, responsive, agile and adaptive. USAID must embody these four attributes not only in its business model, but also in its management philosophy:

Unavoidable External Drivers	Impact is on ...	Attributes
Public focus on accountability	Business clarity and specialization	Focused ... on core roles and differentiating competencies
Global integration	Business operating model	Responsive ... able to systematically sense, understand and respond comprehensively to needs
Rapid technological change	Business network and response	Agile ... Leverages the value of the extended enterprise to tap into complementary competencies and capabilities of others
Asymmetric nature of threats to national security	Business capabilities	Adaptive ... Able to quickly flex its business model to respond to changes in the environment – surge capacity

USAID’s role has evolved from primary manager and implementer of all non-military development assistance to “*the Principal Steward for U.S. Non-Military Foreign Assistance and Catalyst for Development Abroad in Support of National Security and National Interests*”. The evolution compels a need for USAID to rethink strategy and reconfigure its business model in new and collaborative ways to be successful.

The Strategy Management Framework facilitates “putting it all together”. Strategy, the starting point for action, is an iterative and continuous process that consists of a standard taxonomy and tools like the Development Graduation Continuum. The strategies are, in turn, derived through the taxonomy and must be explicitly linked to the business model based on core competencies, differentiated and collaborative business components and capabilities. “Strategic management” entails the alignment of strategy to programs and the business model and traceability of performance to strategy. Without these foundational and linked elements in place – strategy, programs, business model and performance – “strategic management” cannot be achieved.

At the end of the day, USAID’s business model must reflect how people should collaborate in the future to effectively deliver value-added services that fulfill its role. The Agency has a proud record of achievement in the interest of US foreign policy and the improvement of people’s lives in the countries where it works. Now is the time – and the opportunity – for USAID to redefine what development and humanitarian assistance truly means and looks like to its clients overseas and to its stakeholders at home in order to remain relevant in the on demand world.

1 Introduction

The United States Agency for International Development (USAID) performs a pivotal role in delivering bilateral development and humanitarian assistance. On December 19, 2003, the Administrator commissioned a review of the Agency's business model in the following aspects:

1. USAID's position in furthering development and humanitarian relief under the *National Security Strategy* (NSS) looking beyond program delivery to USAID's role in setting policy, expanding USG knowledge of the development environment and engaging in policy dialogue;
2. The efficiency of the strategy formulation process from the Agency to the country level;
3. Standardization of business processes, particularly with regard to more uniform strategic objectives and indicators;
4. Improving integration and synergy of bilateral, regional and central programs;
5. Regional platform models for delivery of program and administrative services; and
6. Overseas staffing (development readiness) including outsourcing vs. direct provision of services and the right balance between technical and contract / grant management capabilities to ensure appropriate implementation oversight.

The six aspects of the review were consolidated into the following components:

- (Paper) *Development in the National Security Interest* – establishes the development as critical to the national security and national security interests
- (Paper) *Moving from Strategic Planning to Strategic Management* – provides recommendations around plan coherence, standardizing Strategic Objectives (SOs), intermediate results and related indicators, planning cycles and strategy adjustment
- (Paper) *Principles for Decision-making for Overseas Services Delivery* – provides findings from an overseas platform review
- (Concept Paper) *A New Era, A New Enterprise* – offers perspectives on USAID's business model

Key elements of the effort were the alignment of development assistance to foreign policy and “clean slate” thinking, including the consideration of outside (external to USAID) perspectives.

1.1 Purpose

The purpose of this concept paper is to present the results of examining USAID from an external perspective and provide a strategy-driven framework for describing the possibilities for USAID's business model in the future. “Business model” refers to the components of an enterprise, how they are configured and interact / exchange value in response to business needs, as well as the overall value that results from operations.

The value of a strategy-driven framework is that it provides a structured and disciplined approach for planning and measurement while allowing for flexibility and interpretation of the business model that will execute it. Moreover, a framework enables strategic alignment, adjustment and traceability and is independent of organizational changes and dynamics – however, the success of its execution is heavily influenced by organizational dynamics and depends on leadership commitment, governance and communications.

2 The World Has Changed

The external environment within which the business of government and of development is carried out has dramatically changed since USAID's inception. Over time it has become increasingly dynamic and connected in significantly different ways. A world of rapidly evolving and unavoidable external drivers requires a fundamentally new way of thinking and a new approach to doing business. Four key external drivers are profoundly shifting the way government agencies – including USAID – view themselves and how they operate:

- Public focus on accountability demands a redefinition of and orientation towards “value”
- Global integration, and the accelerated change associated with it, is driving greater competitive specialization
- Rapid technological change provides both new opportunities and challenges for doing business
- Threats to national security are asymmetric in nature

2.1 Public Focus on Accountability Demands a Redefinition of and Orientation Towards “Value”

The public and their representatives are demanding more transparency and value-oriented results. And, much of public expectations of government are driven by the experiences they have with the private sector. Key examples of this driver are the President's Management Agenda (PMA) as well as legislation like GPRA. Not only is greater accountability and transparency required for USAID and other USG agencies, this has extended to the governments with whom USAID interacts. This means that the strategies that form the basis for performance need to be clearer and the measures and metrics that characterize performance can link to plans.

Increasingly, foreign assistance will be tied to performance, measurable outcomes and the accountability of the beneficiaries of foreign assistance. Evidence of this trend is the President's proposal for the Millennium Challenge Account (MCA) which reflects the US commitment and approach to implementation of a greater focus on accountability¹. Clearly, the key principles² underlying this new approach are linked to a development mandate focused on accountability.

The same principles are being applied to USG agencies, many of which, are in the process of redefining what “value on investment” means relative to their mission areas and are applying the principles of the PMA. USAID is making great strides to meet the expectations of the PMA.

2.2 Global Integration is Driving Greater Competitive Specialization

The world has become “smaller” with countries (developing and developed), economies, people and other resources “connecting” in new and fundamentally different ways. Constituents and even threats are increasing mobile and borders are blurring. The activities carried out by constituents are also increasingly complex. With global integration, shocks are almost immediately felt around the world. The global, information-oriented, and networked nature of today's economy demands increasing speed and greater competitive specialization. This is also

¹ Rep. Kolbe (R-AZ) statement, October 9, 2003

² Ruling justly, promoting economic freedom, investing in people

true of the public sector and government. USAID's clients – institutions to whom assistance is directed – are global, complex, with diverse and dynamic needs.

According Rep. Jim Kolbe (R-AZ), in a recent statement about the HIV-AIDS Presidential Initiative, the evolving specialization and coordination is different.

“... one key driver changing the way foreign assistance is administered is trend towards Greater Specialization and Coordination. In other words, USAID will have to adjust to working in a team environment where other [some new] organizations are lending expertise to the process of delivering assistance ... That does not mean that USAID will be relegated to a minor role in the President's plan. However, it does mean that you will have greater scrutiny from policy makers in Washington who have the direct ear of the President. More and more, your operational autonomy will have to be proven and earned ...

Each of you, with your experienced staffs and extensive knowledge of the on-the-ground realities in your countries, will be instrumental in ensuring funds are used wisely and are coordinated with other programs and agencies. One contribution you can make from the start is to facilitate communication among key players ...

Another example of specialization is the creation of the Millennium Challenge Account. While Congress is still wrestling with its authorization, I think one of the lessons or outcomes of this debate is the realization that bureaucratic specialization is a necessity. In essence, no one agency or entity in our foreign policy process can address the spectrum of development objectives, national security needs, or diverse in-country environments in which the US government must operate as a global power.”

The question must be answered, “How should USAID ‘specialize’?”

2.3 Rapid Technological Change Provides Both New Opportunities and Challenges for Doing Business

Developments in technology provide greater access to knowledge – and propaganda. They are also driving rapid changes in the execution and deployment of development and humanitarian assistance. With a click of a button a USAID officer should be able to plan for a trip to the field, authorize travel reimbursement, and leverage information from multiple sources that can create significant synergy and cost savings to the Agency. Additionally, technology allows for greater collaboration and sharing across agencies (and other actors) and geographies, enabling users to leverage / benefit from a wide range of knowledge and information. Furthermore the better use of technology enables the recruitment, training and retention of the workforce of the future.

Lasting technology also brings opportunities for innovation – which in an increasingly information based society allows for the capture, retention and storage of data that, in turn, translates into valuable assets for ensuring our national security.

Rapid technology change has also driven systemic change in the way institutions have organized as well. Businesses have extended the notion of the “networked” world to systematically apply principles and concepts originated from technology roots to powerful business designs and business networks. But technology cannot be considered as a solution on its own – it is driven by business requirements that must be considered first.

2.4 Threats to National Security are Asymmetric in Nature

The threats to national security are increasingly asymmetric in nature – they are indirect, multi-dimensional, and not necessarily capital-intensive, and nonetheless are able to effect large-scale disruption. Terrorism, abject poverty, and the lack of political and economic freedoms all contribute to an enabling environment for those who would threaten our national security. These, along with the HIV/AIDS epidemic and the effects of global integration have profoundly shifted the United States National Security Strategy³. At the core of the NSS is a set of fundamental premises:

- Our freedom is best protected by ensuring that others are free;
- Our prosperity depends on the prosperity of others; and
- Our security relies on a global effort to secure the rights of all.

These beliefs form the basis of USG goals to advance security, democracy and prosperity around the global. To achieve these goals the three pillars of Diplomacy, Development and Defense now anchor foreign policy and serve as principal aims of the Department of State and USAID.

Appendix A-1 shows how the NSS and the Joint State-USAID Strategic Plan (Joint Plan) relate to one another and Appendix A-2 contains the draft paper *Development in the National Security Interest*.

Development, within this context, has been recognized as a key foreign policy instrument under the National Security Strategy. This shift in paradigm has brought with it new challenges for USAID. As the lead USG development agency, USAID must be a key partner in assisting the USG to achieve its strategic foreign policy goals. As a result, USAID and the Department of State have aligned their strategic planning frameworks to “Create a more secure, democratic, and prosperous world for the benefit of the American people and the international community” and together promote and realize principle of partnership with its peers.

Traditional ways of ascertaining risk to the national security and national interests and responding are no longer sufficient – a more robust and targeted approach is now required. It must also be executed collaboratively and understood across the USG as comprehensively as possible. So, what does USAID have to do with risk management? In a world of asymmetric threats, all components of the USG have a role to play in recognizing and mitigating risks to our national security, and ultimately responding to issues – including USAID. USAID’s particular contribution is in preventing potential threats from emerging and becoming real and responding to human needs when they do ... at the local level. Advancing a foreign nation’s capacity to build security, democracy and prosperity within its borders ensures that security, democracy and prosperity are preserved within ours.

³ *Foreign Aid and the National Interest*, 2002

3 The Impact is Profound – It’s an On Demand World

The world is increasingly networked – what occurs thousands of miles away can have a far-reaching impact on the local environment. The pressures and interdependencies facing development actors, and in this case, government development entities like USAID are unavoidable. And, the uncertainties inherent in the foreign assistance environment are sure to continue, while at the same time requiring greater cohesion in approach. The impact of the external environment is profound – in order to address this new and complex operational context, organizations must embody four attributes in every aspect of their being. These four attributes must not only be reflected in an organization’s business operating model, but must also become the characteristics of the Agency’s management philosophy:

UNAVOIDABLE EXTERNAL DRIVERS	IMPACT IS ON ...	ATTRIBUTES
Public focus on accountability	Business clarity and specialization	Focused
Global integration	Business operating model	Responsive
Rapid technological change	Business network and response	Agile
Asymmetric nature of threats to national security	Business capabilities	Adaptive

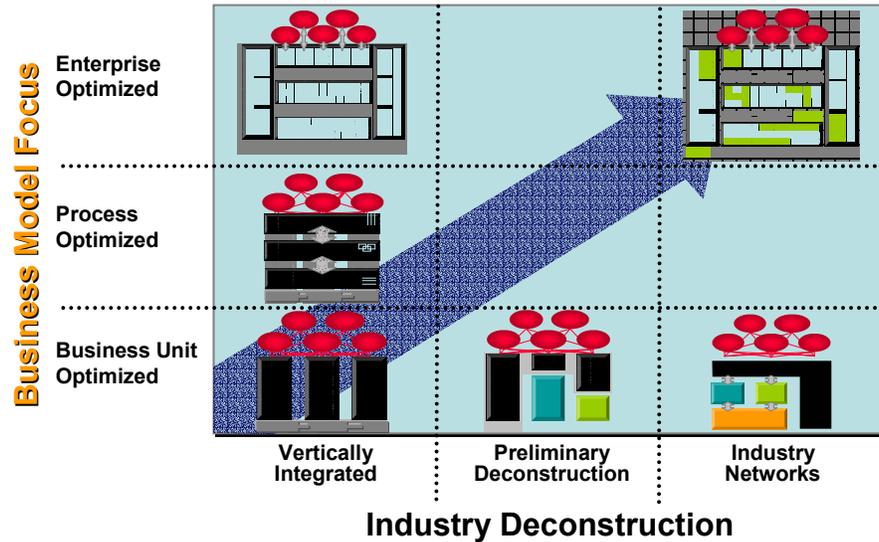
1. TABLE –Alignment of drivers to attributes

- **Business clarity and specialization** refers to the role that the organization will play within a market, the area of the market on which it will focus its activities, and the intent of its strategy
- **Business operating model** is the design of the organization – the components of an enterprise, how they are configured and interact / exchange value in response to business needs and an increasingly dynamic environment
- **Business network** defines the relationships between participants who make up the operational response to business needs; today, the network is characterized by an “extended enterprise”⁴
- **Business capabilities** enable the organization to optimally deliver desired results in a sustained manner

We are seeing dramatic change in industries as the forces that create value shift between and among business models. For some time, many industries in both the public and private sectors have been undergoing deconstruction (albeit at different rates), moving from vertically integrated organizations to looser arrays (networks) of components that work together when needed. For example, with the Federal Enterprise Architecture (FEA), the federal government has already begun to think of itself as a network of collaborative components in four overarching business areas – “Services for Citizens”, “Mode of Delivery”, “Support Delivery of Services” and “Management of Government Resources”. In addition, many are increasing inter-agency

⁴ Emerging within the context of USAID’s evolving Knowledge for Development strategy. An extended enterprise represents the full spectrum of stakeholders – customers, partners, suppliers, influencers and USAID itself. Key members of the extended enterprise include contactors, private voluntary organizations (PVOs), other donors and agencies, Congress and program beneficiaries in developing countries.

collaboration by identifying components that can be shared to increase efficiency and synergy. However, along with industry disaggregation, comes the greater challenge of enterprise reconstruction (see figure below). Given the scale of government and the complexity of many business models, the ability for government agencies to become focused, responsive, agile and adaptive relies heavily on how they reconfigure their enterprise business models.



2. FIGURE – Impact of the External Environment

3.1 The Strategic Response – an On Demand USAID

The attributes described earlier (see Table 1) are woven into the corresponding sections as the Strategy Management Framework is executed, the foundation of which is a focus on core roles and competencies. USAID would demonstrate these characteristics in all aspects of its business – from its way of thinking (enterprise strategy and performance management) to its business model (business components⁵ and enabling capabilities⁶) and its execution of activities (operations).

A paradigm shift and breakthrough transformation is needed for USAID to decisively address the unavoidable external drivers that are compounded by the realities of the Agency’s internal environment, which are briefly described in Appendix A-3. Appendix A-4 contains a summary of observations and findings.

⁵ A business component is *part of an enterprise* that has a unique purpose – a logical grouping of cohesive business activities that includes the resources, people, know-how and technology necessary to delivery some value – and has the *potential* to operate semi-independently (in the extreme case as a separate company or as part of another company. It is bounded by a business service definition.

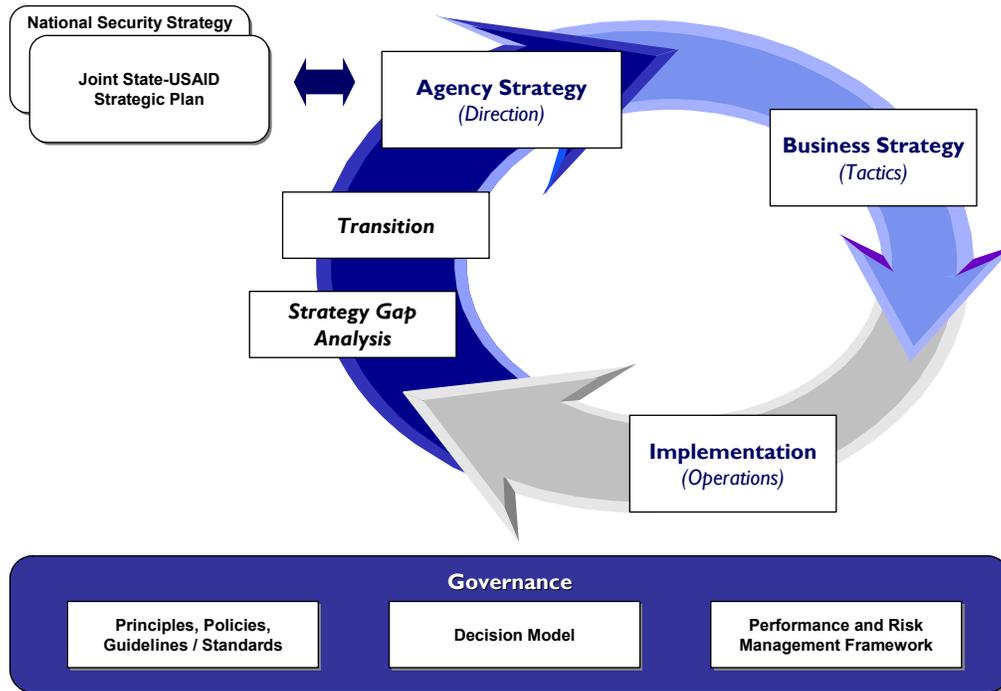
⁶ A capability is an institutionalized business ability – comprised of related people (skills and abilities), processes, information, applications and technology – that enables the organization to deliver business value in a sustained manner; eg. “seamless, integrated partner / alliance management”.

ATTRIBUTES	
Focused	On core roles and differentiating competencies
Responsive	Able to systematically sense, understand and respond comprehensively to needs
Agile	Leverages the value of the extended enterprise to tap into complementary competencies and capabilities of others
Adaptive	Able to quickly flex its business model to respond to changes in the environment – surge capacity

3. TABLE – Attributes in an On Demand World

4 The Strategy Management Framework Facilitates “Putting It All Together”

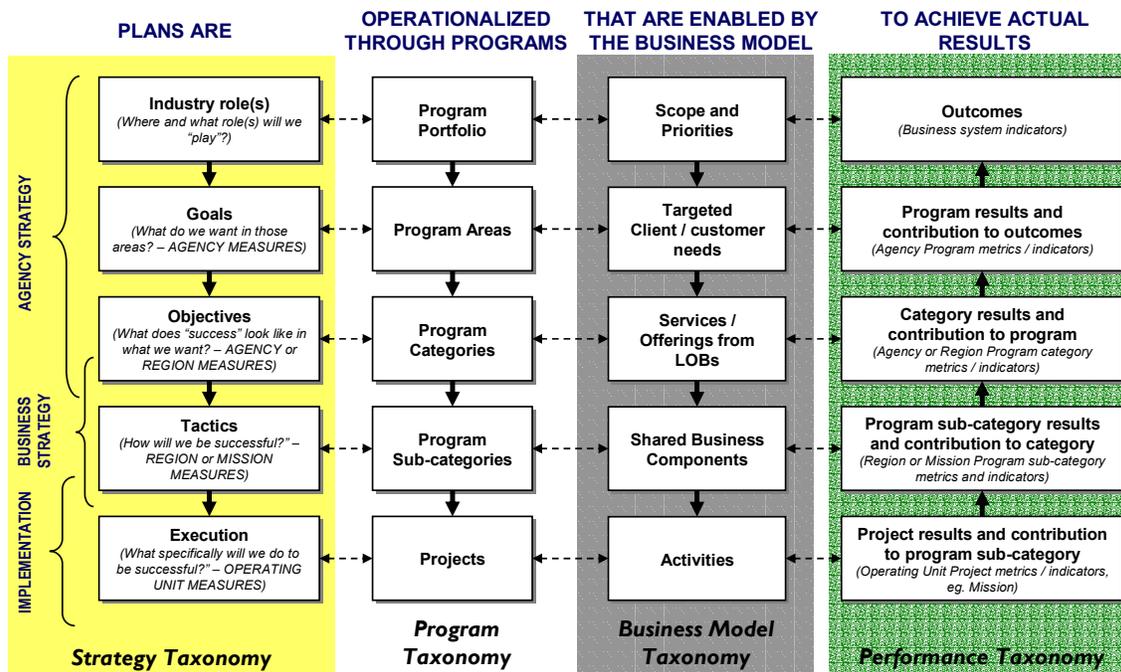
Strategy is the starting point for action. A continuous and iterative process – it is both planned and emergent / dynamic. It begins with the National Security Strategy and the Joint Plan. While the Joint Plan recognizes the potential for realizing synergizes based on common functions, platforms and systems shared between the Department of State and USAID, USAID also has a unique mission and role that serves as the basis for Agency strategy. The Strategy Management Framework below identifies the levels of strategy and recognizes the interdependence of strategy and execution – which is linked through governance – to deliver business results and development and humanitarian assistance outcomes. Because the Agency’s business model is driven by its strategic intent, it is critical that both strategic alignment and traceability can be explicitly demonstrated.



4. FIGURE – Strategy Management Framework

A standard strategy taxonomy facilitates alignment and traceability and can be used to guide the placement of strategy elements into a cohesive “map”. But, it is also important to recognize, distinguish and draw linkages between and to the distinct but interdependent taxonomies (see figure below) – how strategy is operationalized through programs that are enabled by the business model to achieve actual results. Standards within these taxonomies are critical (see also Appendix A-5, which includes an example).

Moreover, as USG agencies and other players collaborate more and more, it is imperative that strategies are easily communicated between and understood by these players to avoid downstream confusion. One of the recommendations from the Business Model Review Group is a proposal for the standardization of some performance elements. Appendix A-4 contains several observations and findings that pertain to strategy.



5. FIGURE – Linkages Between Strategy, Program, Business Model and Performance Taxonomies

Within the strategy taxonomy, it is important to recognize the three types of strategy that exist in order to align current strategy activities to a larger framework.

- **Agency Strategy:** The mission, goals and objectives defining the Agency’s overall strategic direction, including industry role(s), priorities, constraints and enterprise-level attributes of success – the WHY. This drives business strategy.
- **Business Strategy:** The definition of work – tactics – that the Agency will carry out to successfully achieve its mission as well as the plan for configuring its business / operating model and the strategic capabilities it will have to effectively execute – the WHAT and the WITH WHAT. This drives implementation planning and operations.

- **Implementation:** The approach to and execution / delivery of services – operations – to targeted client segments – the HOW. USAID has largely focused on this level of strategy.

All the while, at each level of strategy, the governance system actively links strategy to execution. Governance is the leadership and business management system that ensures and assures the accomplishment of an enterprise’s mission, goals and objectives. It recognizes the interdependency between strategy and execution to deliver business results.

5 Executing the Strategy Management Framework in USAID

The following section will discuss key considerations along each aspect of the Strategy Management Framework in USAID. It will also suggest ways to look at further applying it to operationalize the Agency’s specific goals and objectives.

5.1 The Development Graduation Continuum (DGC)

A “**responsive**” USAID means that it is able to systematically sense, understand and respond comprehensively to the dynamic needs of clients, partners, influencers and investors (and even competitors, from a risk management perspective) as an institution in near real-time to effectively deliver on its mission and successfully fulfill its role – including its relationship with the Department of State. This means that, as an “extended enterprise”, USAID has and systematically uses knowledge as a form of “business intelligence” and that the Agency has the kind of strategic capabilities that enable this process, no matter what the issue, priority or focus area of the moment.

Country and client (institutions that receive aid) segmentation is a critical first step to strategic insight, planning and execution. An important aspect of the framework – and foundation for responsiveness – is the preliminary Development Graduation Continuum (DGC)⁷, a tool that was developed over the course of the business model review. While each country is unique, it facilitates the classification of country segments in broad categories, corresponding client segments and their needs (see Appendix A-6). The analysis integrated key aspects of segmentation from the Fragile State Strategy, White Paper typologies, and the MCA into a single continuum. It is also a notional framework that provides one approach to operationalizing precepts of the White Paper. A country may move from left to right or from right to left; the team recognizes that more work needs to be done to improve the DGC. The DGC can be utilized at all levels of strategy for multiple purposes like:

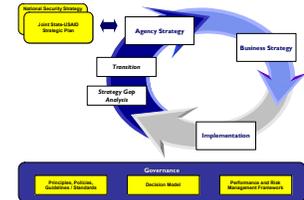
- Provide a basis for country classification, or segmentation, and risk management
- Facilitate focused strategic planning and prioritization for the various types of non-military foreign assistance based on country placement on the continuum
- Facilitate client (institution) segmentation in three categories of institutions – political, economic and social
- Guide development of performance and progress management approaches – by closing gaps
- Provide a framework for operational planning and overseas structuring, i.e. identifying and achieving synergies / economies of scale and scope across a number of facets

⁷ Needs to be further developed and tested

The DGC will be “built out” as the strategy framework is executed in this paper. Appendix A-6 provides a further discussion and full-page graphics on the DGC and provides current examples (Central America and Central Asia models) on how it applies on existing operations.

5.2 The National Security Strategy and the Joint Plan Affirm the Importance of Development

The need for policy coherence has become increasingly acute with regard to foreign policy and foreign assistance. Foreign policy, by nature, must entail “one U.S.” – the U.S. government as a single, unified enterprise – representing the United States to the international community. Though the scale and scope of government is much greater than that of other industries, considering government as an “enterprise” offers an interesting perspective in that it may be the ultimate opportunity for cross-agency, cross-sectoral and even cross-government coordination and collaboration. Appendix A-7 describes the relationships in a value net⁸.



With the evolution of the external environment, the roles of organizations have evolved, requiring new business models and approaches to engagement. This is also true of government organizations, including USAID. Now more than ever, government agencies are being challenged to re-assess and rethink how they fulfill their critical roles within the broader context of the public environments in which they operate.

In order to set the stage for an on demand USAID, one must look at the broader environment as well as the relationships of actors within it. The context for U.S. foreign assistance has been laid out by the *National Security Strategy* (NSS). The NSS was further distilled in the Joint Plan to a strategic direction and set of priorities for foreign policy, and – as it relates to USAID – non-military foreign assistance. Appendix A-1 attempts to scope the relationships that serve as context for USAID’s unique role in the industry and agency strategy. The very existence of a Joint Plan affirms several important developments:

- The relationship between the Department of State and USAID has fundamentally changed
- The roles of USAID have evolved
- The success of U.S. non-military foreign assistance still depends on a successful USAID

Development has been elevated to become the “Third ‘D’” of the NSS⁹ because it is critical to the national security. While the foreign policy segment of the government industry utilizes five policy instruments¹⁰, the NSS highlights three that present growing opportunities for coordination and collaboration – Defense, Diplomacy and Development. However, when it comes to development, natural tensions arise that need to be balanced. The Department of State and USAID published their first Joint Strategic Plan defining the primary aims of U.S. foreign

⁸ Value net: A way to visualize the relationships of between / among players within a business system and the value-added that may (or may not) be exchanged through the relationship.

⁹ Natsios, Andrew S., *Foreign Aid and the National Interest*, 2002.

¹⁰ The policy instruments for foreign assistance include diplomacy, defense, intelligence, public diplomacy and development, *Development in the National Security Interest*

policy and non-military foreign assistance by setting the policy and program priorities for the next five years. However, operational challenges remain in the design, funding and implementation of foreign assistance programs in the field. Moreover, the dominant themes in foreign assistance in this decade will be on ownership, institutions and partnership.

USAID, as the lead development assistance agency, has had a long, relationship-rich history in the field and its robust planning approaches have been recognized as critical to implementation. Because development is critical to national security and the national interest, the relationship between the Department of State and USAID has begun to show some positive results with regard to increasing collaboration in the planning of non-military foreign assistance administration abroad. It is here where the opportunity – and the need – exists for a new operational scenario.

5.2.1 USAID's Role has Evolved

The world has changed and with it, USAID. Consider a corporate analogy. At its inception, a company operated largely in a monopoly environment. Over time, however, new players and new roles emerged leading to new relationships. The company now acts as a subsidiary to a parent company that recognizes the subsidiary's unique skills. This very unique basket of skills requires that company's identity to remain distinct though it collaborates with and reports to the parent company and others in a "market", more importantly, no longer defined by control – rather, by collaboration. USAID seems to function very much like a venture capital firm that invests funds in riskier areas to achieve a "value on investment". In general, its portfolio has a longer-term investment horizon, though that portfolio has increasingly included short- and medium-term "investments" as well. It operates as a subsidiary of the Department of State, that in turn serves as its advocate.

Success in this new relationship calls for clarity of role and a corresponding focus on core competencies. Role-clarity allows greater alignment of USG foreign assistance engagement and corresponding operations not only for USAID but for other USG entities in a more complementary fashion.

Therefore, a "focused" USAID means that it is organized around core roles and differentiating competencies that drive the configuration of its business operating model and related capabilities while leveraging the complementary strengths of other entities in a partnership fashion.

Today, there are more than 50 separate USG entities are involved in non-military foreign assistance¹¹. What is USAID's differentiating role and related core competencies relative to other actors involved in development? In January 2004, USAID published a discussion document titled, *U.S. Foreign Aid – Meeting the Challenges of the Twenty-first Century* (the White Paper). That, in addition to the key documents mentioned earlier¹² articulate several important and emerging elements for clarifying USAID's potential role, as a government entity, within the broader context of the NSS and the Joint Plan:

¹¹ *Development Co-operation Review – United States*, Development Assistance Committee (DAC), Organization of Economic Cooperation and Development (OECD), 2002.

¹² The *National Security Strategy*, the *Joint State-USAID Strategic Plan*, the *2002 USAID Performance and Accountability Report*

*“To be the Principal **Steward** for U.S. Non-Military Foreign Assistance and **Catalyst** for Development Abroad in Support of National Security and National Interests”*

Secretary of State Colin Powell said recently, “USAID is an important part of our country’s foreign policy team. Its work is at the core of our engagement with the world. Over the long term, our foreign assistance programs are among our most powerful national security tools”¹³

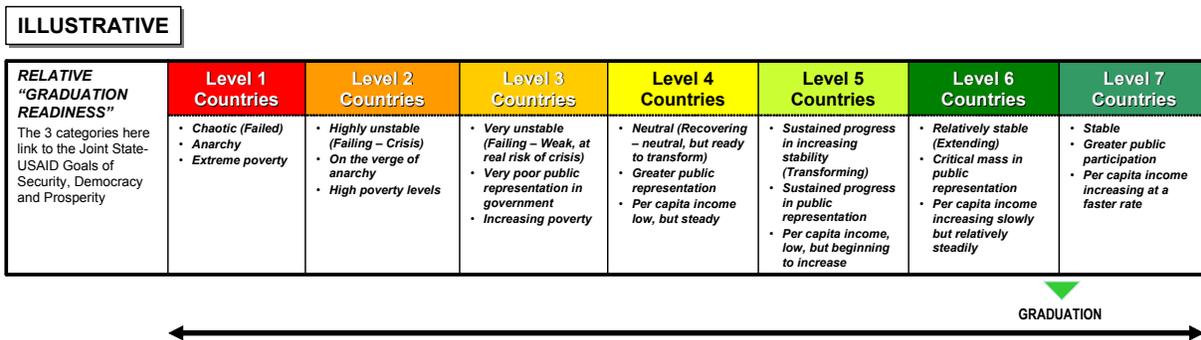
The role of “Principal Steward” can be seen as uniquely belonging to USAID (see *Development in the National Interest*) given its mission, development expertise and significant and diverse field presence. It also means that USAID manages the “investments” it makes on behalf of the USG and the American people is executed as strategically as possible and managed as a portfolio. Portfolio and risk management are critical elements of this role.

A foundation for the “Catalyst” role already exists; however, USAID will need to re-examine and perhaps re-orient its business components and supporting capabilities within the context of the future operational environment. Once this is done, the Agency, as an effective “catalyst” can drive the programming of USG development and humanitarian assistance agenda as well as influence both the policy setting and strategic planning processes. This is already being collaboratively done in many posts as USAID lends its skills in facilitation because of its field experience at the local level, planning culture and portfolio insight.

However, roles can still evolve. A result of the Joint Plan, the Joint Policy Council and the Joint Management Council was created to examine the evolution. It is vital that, together, USAID and the Department of State anticipate how future roles affect the business model.

5.2.2 The DGC Facilitates Foreign Assistance Strategic Planning at the Country Level

A key tool to utilize in the development of the country assistance strategy is the DGC. The first part of the DGC looks at classifying countries (see figure below).

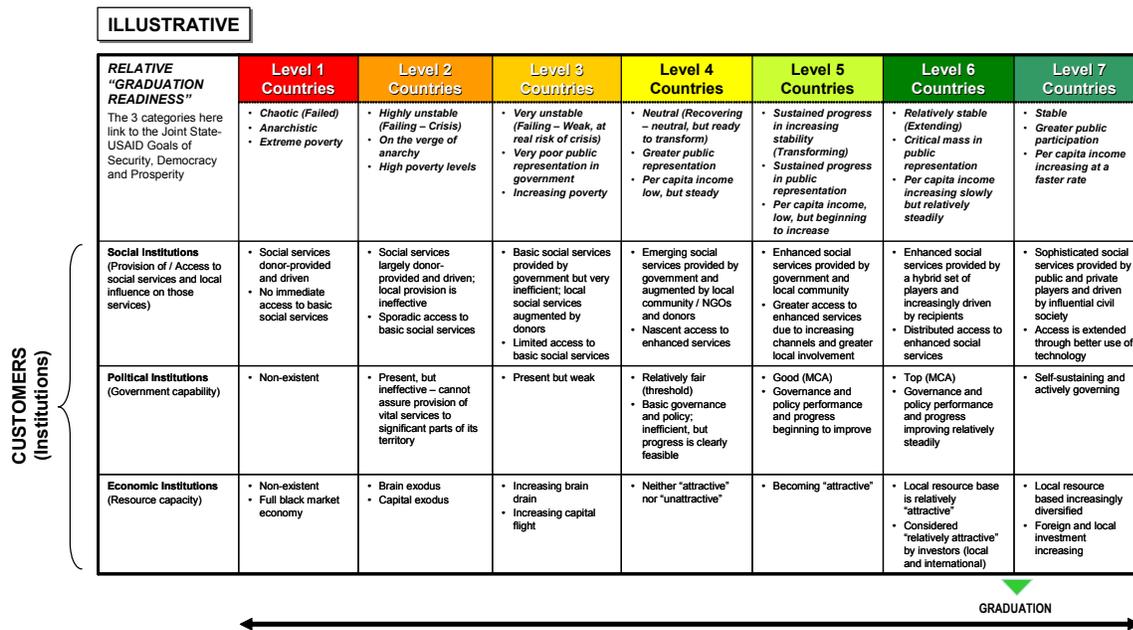


6. FIGURE – Development Graduation Continuum: A Perspective on Country Classification

¹³ FY2002 USAID Performance and Accountability Report

The attributes in each level correspond to the Joint State-USAID goals of “Security”, “Democracy” and “Prosperity”. It encourages both focus and in-depth assessment of countries. As mentioned earlier, two of the dominant themes in this decade are institutions and ownership. “Institutional ownership”, the combination of the two, should be a foundational principle to the way assistance is programmed. These institutions, then, are termed “clients” for the purposes of this paper. While these institutions are termed “client”, the underlying assumption is that the ultimate beneficiary of U.S. non-military foreign assistance would be the local people of that country.

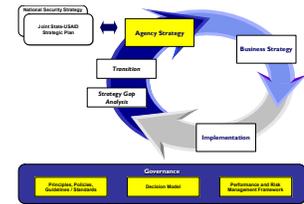
Once a country has been classified (classification is done on a relative basis), clients within each country (institutions that directly receive foreign aid) must also be identified and segmented, and their “health” as a group determined. Each row (see below) represents three categories of clients – political institutions, economic institutions and social institutions. It is within the intersection of country level and client type that detailed profiles of both country (including what the assistance – development, humanitarian, etc. – need is) and client (including what their needs are) would have to be described, used, maintained and managed. The cells describe general group attributes for each client type. Country classification, clients and their needs are the basis for strategy and USAID can “select” areas on the DGC that it would cover while highlighting areas where other USG interlocutors focus; the DGC should be an integral part of assistance planning and is an example of what could be part of USAID’s knowledge management capability.



7. FIGURE – Development Graduation Continuum: A Perspective on Client Classification

5.3 USAID’s Agency-level Strategy is a Role-Based Operationalization of the Joint Plan

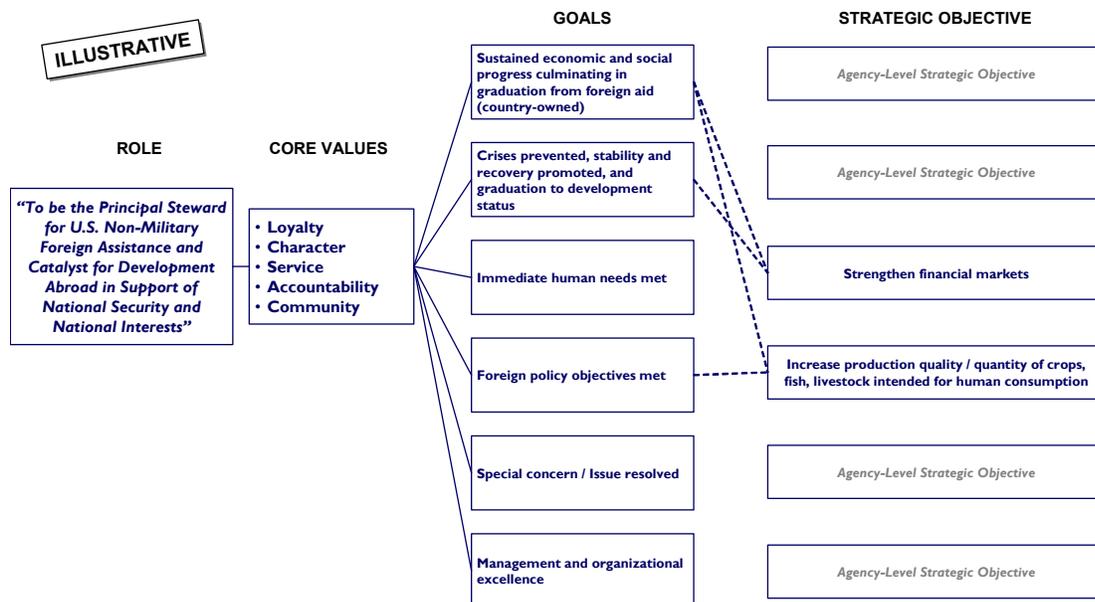
Agency-level strategy consists of the organization’s mission, goals and objectives as well as high-level resource planning. Strategic direction and high-level priorities and constraints (eg. resource, location, program) are established and clearly communicated at this level. This forms the basis for the downstream business strategy and implementation. Not all of the elements of the Joint Plan pertain to USAID; therefore, the cornerstones to USAID’s Agency-level strategy are its unique roles. Agency-level strategy, for the most part, is generally longer term and not changed often as it establishes the strategic direction. In the past, these strategies were established every five to eight years. But, three to five-year enterprise-level strategies are increasingly common, in recognition of the dynamics of the external environment.



According to the White Paper, “transformational development” is defined as development that transforms countries through far-reaching fundamental changes in **institutions** of governance, human capacity and economic structure that enable a country to sustain further economic and social progress without depending on foreign aid. The emphasis on institutions is an important step towards creating bases for LOBs and performance measurement.

5.3.1 USAID’s Role is the Basis for Agency Strategy

The White Paper also outlines “core operational goals” for the Agency that aligns with the role – “To be the Principal **Steward** for U.S. Non-Military Foreign Assistance and **Catalyst** for Development Abroad in Support of National Security and National Interests”. The figure recasts the White Paper typologies into goal statements according to the definition of “goal” in the strategy taxonomy. More than one strategic objective can contribute to more than one goal (see below). How the Agency-level strategic objectives contribute to goals needs to be determined.



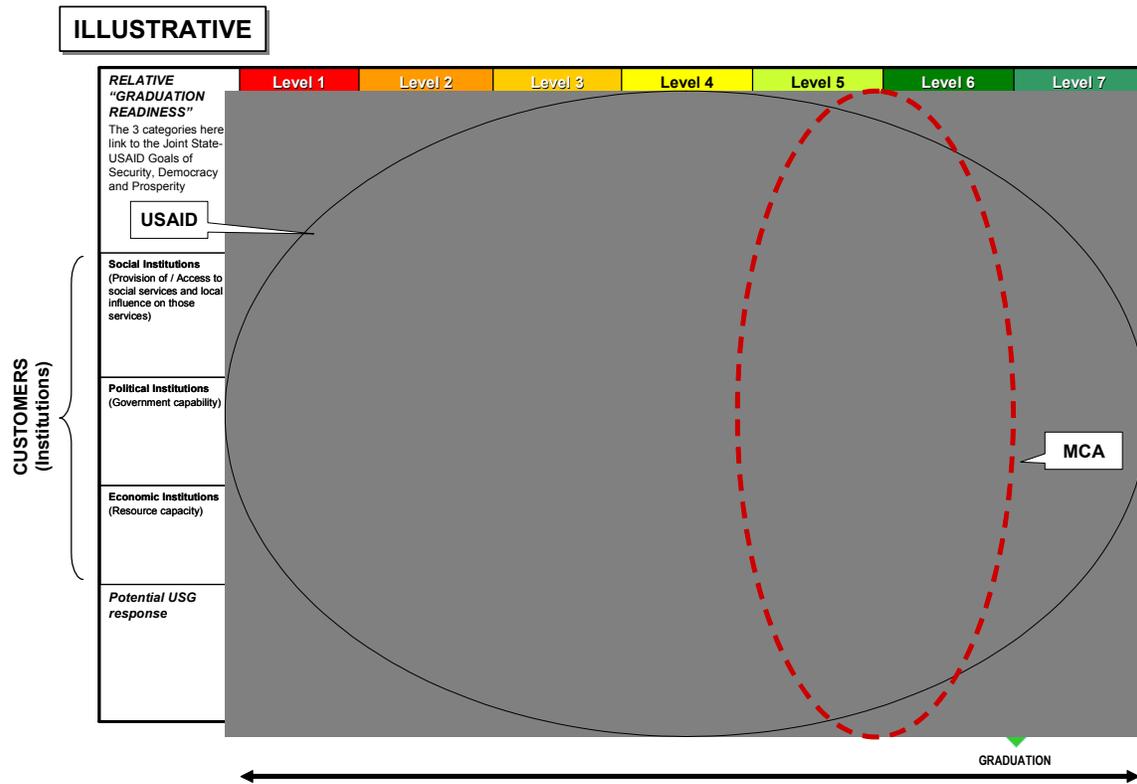
8. FIGURE – Applying the Strategy Taxonomy, An Example of Potential Goals for the Agency

5.3.2 Lines of Business (LOBs) and the DGC

Interestingly, an analysis of the five core operational goals – Transformational Development; Fragile States; Humanitarian Assistance; Strategic States; and Global, Transnational and Special Concerns – as stated in the White Paper resulted in a slightly different perspective.

The typologies identified seemed to better align to the definition of “Line of Business” (LOB)¹⁴. A “Line of Business” (LOB) is a part of a business area – defined by a set of related needs / issues – that delivers a logical set of value-added services to a target group. For example, one country may require services from one or more LOB. A LOB should be (1) client-defined; (2) role-specific; (3) dynamic; and (4) unique / differentiating. It is critical that we understand that LOBs (1) are not necessarily organizations; and (2) have supporting business components, many of which, can be shared across LOBs. Sharing business components can be a substantial source of efficiency, synergy and differentiation.

The DGC can also be used at this level to facilitate strategic planning / programming and resource allocation based on country placement along the continuum. Because countries have been classified / segmented, the needs of institutions can be identified and articulated to drive high-level resource planning, identification of service requirements (including the USG response) from one or more of the LOBs and corresponding performance requirements, further supporting a portfolio perspective. In addition, USAID can focus on a specific area of the continuum as illustrated below (see also Appendix A-6); service delivery is project-supported.



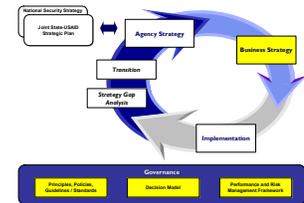
9. FIGURE – Development Graduation Continuum: A Perspective on Response and Focus Area

¹⁴ Adapted from the Federal Enterprise Architecture Business Reference Model, v2.0

One might also apply a set of tools, as illustrated and discussed in Appendix A-8, to determine the development impact of USAID’s portfolio of business. As standards are put into place across the enterprise, portfolio management can be performed both from multiple perspectives and levels, eg. Agency-level, country, LOB.

5.4 USAID’s Business Strategy is Based on the Agency-level Strategy

Business strategy consists of the strategies at the business component level – tactics that further define the work to be carried out, service and performance requirements and resource requirements. The business strategy allows for a little more variability in planning, often developed for one- to three-year horizons but with mechanisms for event-driven adjustment (to be discussed further in the “Strategy Gap Analysis and Transition” section). It also includes the strategy for configuring its business model so that the strategic intent articulated in the Agency strategy is aligned with the business design, including the strategic components and supporting capabilities that the Agency will have to effectively execute on the business strategy. This is further discussed in *Moving from Strategic Planning to Strategy Management*.



5.4.1 USAID’s Competencies and Business Components Must Support Its Role

The **core** competencies that support the “Principal Steward” and “Development Catalyst” roles described earlier must differentiate USAID from other players. The focus is on the word “core”. From an enterprise perspective, a core competency is an organization's combination of institutional technical skills, development knowledge and practical management capacity applied to perform a unique and specialized set of activities that make a value-added contribution towards the achievement of organizational objectives while differentiating that organization from other players within the business system. The preponderant focus on development is exactly what makes USAID ideally suited to play the role of “Principal Steward” as development has an inherent “portfolio” perspective.

Four core competencies have been identified at USAID¹⁵, but there may be more. The core competencies described below could distinguish USAID from other players participating in development if they are supported by differentiating business components. These components support and strengthen competencies so that despite any shift in USG priority, event, or strategic opportunity or issue identified, USAID can respond quickly and flexibly, while minimizing disruption to operations.

¹⁵ *Development in the National Security Interest*

CORE ROLE	CORE COMPETENCIES	POTENTIAL DIFFERENTIATING COMPONENTS
Principal Steward for U.S. Non-Military Foreign Assistance and Catalyst for Development Abroad in Support of National Security and National Interests	Development Expertise – “a preponderant focus on development”	<ul style="list-style-type: none"> ▪ Seamless, Integrated Alliance / Partner Management ▪ Comprehensive Development Knowledge Management ▪ Robust Portfolio and Risk Management ▪ Dynamic Response Resource Management (surge capacity)
	Development Strategy and Implementation – “a view of development issues that looks across sector-defined lines”	
	Development Diplomacy – “dialogue supportive of a broad spectrum of the diplomacy agenda of the USG”	
	Development Integration – “in a unique position to recognize and act on development-related strategic opportunities and perform quickly as a catalyst to advance U.S. interests”	

10. TABLE – USAID Core Competencies and Differentiating Business Components

USAID already has laid some of this groundwork with the Global Development Alliance, the Knowledge for Development, and Strategic Management of Human Capital initiatives. Once an enterprise strategy and operating vision is developed, a Concept of Operations could capture how these business components enable the core competencies and use capabilities to deliver value.

- **Seamless, Integrated Alliance / Partner Management** will enable the collaboration, coordination and control needed to bring together the component skills of development and humanitarian assistance participants in an integrated and mutually beneficial arrangement.

- **Comprehensive Development Knowledge Management** will allow USAID to securely and comprehensively leverage knowledge in multiple ways – (1) Strategically, to discover, advocate for and act as caretaker of good development ideas, (2) Tactically, to operationalize ideas and facilitate relationships and connections with development actors no matter who and where they are and (3) Operationally, to capture, transfer, support development diplomacy and innovate in a way that multiplies the value on investment. The research and development (R&D) performed by the Pillar Bureaus is an example of this differentiating business component, that becomes the “business intelligence” of the Agency through enabling capabilities.

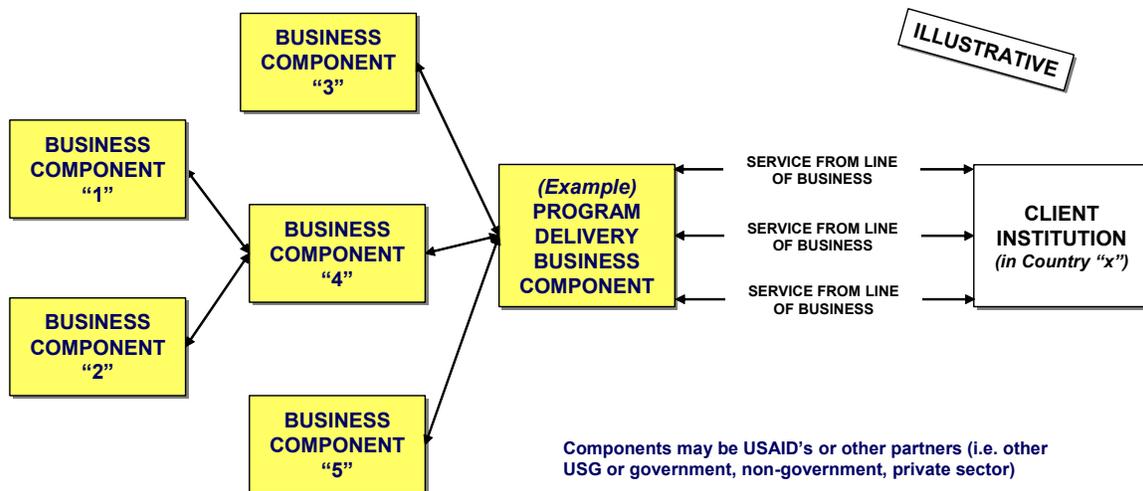
- **Robust Portfolio and Risk Management** will enable USAID to manage investments as strategically as possible by systematically applying proven and new targeting techniques and well-defined measures and metrics to manage for the future across the network of program participants while facilitating the early identification and resolution of opportunities and problems / issues – i.e. “what-if” scenarios – respectively.

- **Dynamic Response Resource Management** would provide USAID with the surge capacity it needs to identify and optimally deploy constrained resources to address priorities between alternating business components where needed.

5.4.2 Aligning the Business Model to Strategy

It is here where an “agile” USAID would configure its business model so that it can leverage the value of the extended enterprise and tap into the complementary business components of strategic partners. This includes partners within the USG and larger government cohort (state, local and international) as well as with the private sector and non-government communities. The configuration would fully enable the implementation / execution of strategies in the field as well as in Washington. USAID already uses strategic partners to deliver specific services, but to fully leverage the value of the extended enterprise requires a different way of thinking and relating to third parties both within and outside government. An idea out of the review effort is that of establishing a Foreign Service National (FSN) corps of professionals that would be available for worldwide duty. USAID can analyze the idea against existing “corps” models like the military reserve at the Department of Defense. The possibilities are exciting and compelling.

It is also here where an “adaptive” USAID would be able to quickly flex its business model to respond to changes in the environment. A key element of flexibility is the concept of business components. These components collaborate with one another and are often reusable across lines of business offering opportunities for efficiency, innovation and synergy. Below is a simplified graphic of these relationships.

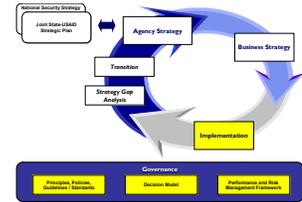


11. FIGURE – Collaborating Business Components Form a Business Network

The DGC can also facilitate overseas operational planning because countries have been classified. The Business Model Review Group made several visits to the field and found several regional service platforms models that support USAID missions (see Appendix A-9). There may be opportunities to identify and better structure those models based on country placement on the DGC, program alignment and target institutions in that country.

5.5 Implementation Becomes Flexible Because Preceding Strategies Have Been Aligned to the Business Model

Implementation consists of how specific projects and related activities will be executed in the country or in Washington, including the detailed resource planning, mobilization and deployment related to those projects – operations. Since Agency and business strategies cascade and have been implemented, strategic priorities and high-level constraints established and communicated early on, field activities should have the flexibility to choose and develop operations plans as needed within those constraints while allowing for exception when justified. It also includes the critical program oversight and monitoring, among other activities, that informs the Agency as an enterprise of actual performance, trends, etc. It is here where the experiences from implementation must be captured, analyzed, codified, distributed and used. Moreover, it is also here where many strategic opportunities and issues are identified, regardless of location, time, origination, etc.

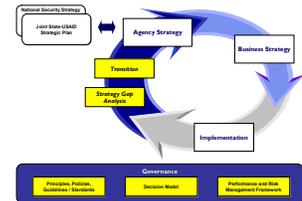


The implementation stage is where the enterprise truly realizes how focused, responsive, agile and adaptive it is.

The DGC can also be used as a framework for organizing the capture of experiential information so that strategies can be developed – no matter which type, annual or emergent – using as contemporaneous information as possible.

5.6 Improving the Strategy Management Process – Strategy Gap Analysis and Transition

Strategy gap analysis and transition allows for strategy adjustment and intervention as needed – a continuous process. Some organizations have institutionalized event-driven, in-depth strategy analysis, adjustment and intervention approaches. These best practices enable organizations to identify strategic opportunities and issues, take advantage of and/or resolve them (respectively) as when, or as close to when they happen, as well as refresh and strengthen the organization’s core strategy management capability. The group has identified a set of candidate opportunities for this practice.



And, as environments and times change, strategy gap analysis and transition allows for the Agency to mature the strategy management process itself in order to reflect best-in-class development strategies and tools. Appendix A-10 provides an example of a strategy maturity model that the Agency can use to gauge itself and evolve the process in lockstep with the dynamics of the external environment. As is the practice today, the Office of Policy and Program Coordination (PPC) can continue to steward the strategy management process for the Agency because of its broad Agency perspective.

6 An On Demand World Requires an On Demand Enterprise

“... U.S. foreign assistance, and USAID, must move in new directions... we must devise bold, new approaches ...”

“... Too much is at stake in all this. We have to ensure that these themes suffuse the future of foreign assistance – all in the national interest.”

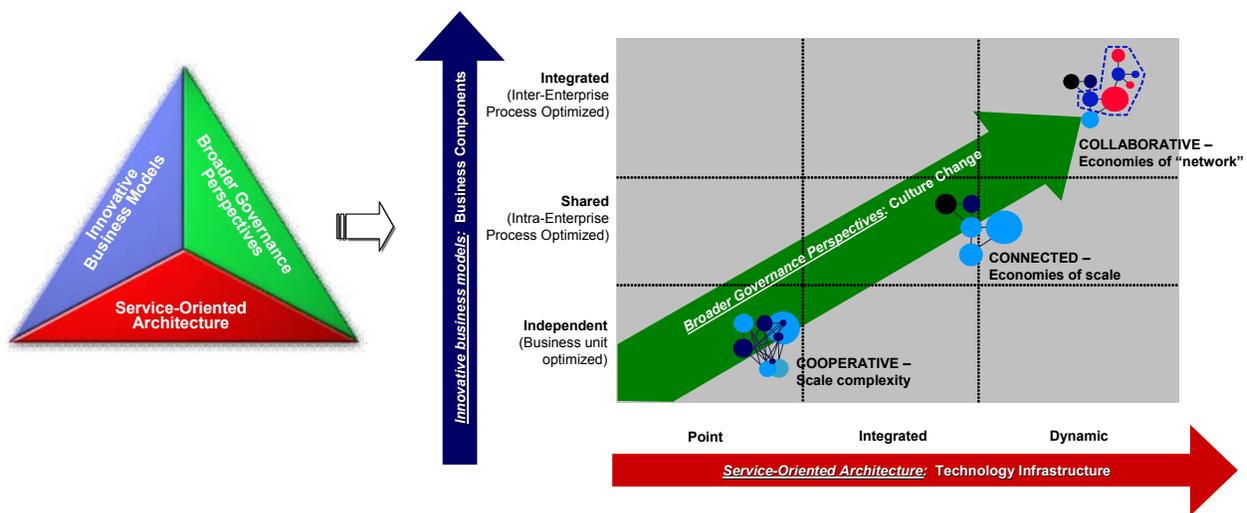
Andrew Natsios
Administrator, USAID
(The Joint State-USAID Strategic Plan and Foreign Aid and the National Interest, respectively)

Transforming into an on demand enterprise will require a new agenda – one that guides each player’s path with an eye to the future.

- A **focused** USAID focuses on core roles and components that differentiate the Agency
- A **responsive** USAID is able to systematically sense, understand and respond comprehensively to the dynamic needs of clients, partners, influencers and investors
- An **agile** USAID configures its business model so that it can leverage the value of the extended enterprise and tap into the complementary business components of strategic partners
- An **adaptive** USAID can flex / surge – ramp up or down – its business model to respond quickly to environmental changes

To make strategy real, three dimensions of change are examined concurrently so that USAID’s strategy aligns to its program structure, business design and its performance management approach. It also looks at initiatives within a broader roadmap of change that eventually reduces the complexity by becoming a collaborative, extended enterprise.

Not all initiatives are long-term – some are immediately actionable, others can be medium-term efforts and many are dependent on others – but they must all be pointed in the same direction towards the same vision. Most importantly, many efforts and activities underway already contribute to the foundation needed – it is critical to understand them, their impact and leverage as much as possible (or adjust) where appropriate to minimize disruption.



12. FIGURE – Three Dimensions of Change

- Business model – What components make up the extended enterprise? Which should be USAID’s and which should be tapped into elsewhere? How should they collaborate?

- Service-oriented architecture – How should those components be configured to enable a service-orientation? What standards must be in place? What capabilities enable those components? How can technology be used to multiply both the efficiency and effectiveness of the work?
- Broader governance perspectives – What governance approaches and structures must be in place to leverage relationships that are networked within and outside the Agency and instill a culture that results in desired behaviors?

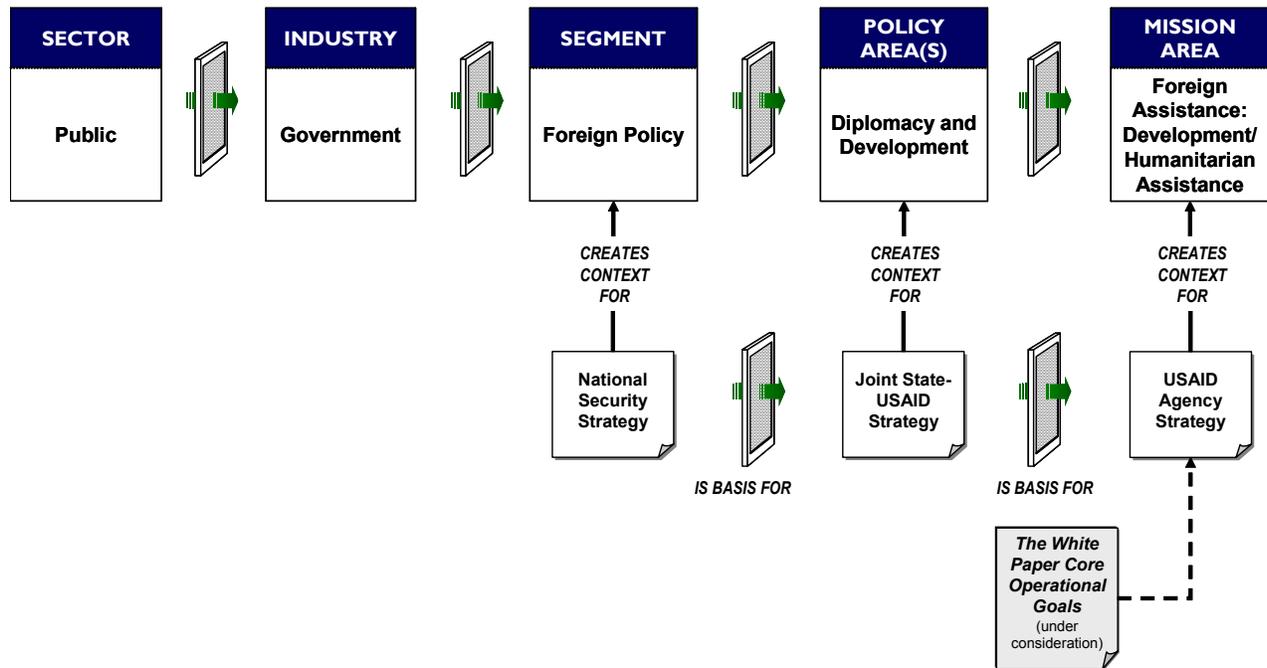
USAID has a proud record of achievement in the interest of US foreign policy and the improvement of people’s lives in the countries where it works. It also has a well-established culture of finding ways to accomplish its objectives, even when it has not always been given the resources or credit it deserves.

At the end of the day, USAID’s business model must reflect how people should collaborate in the future to deliver value-added services that fulfill its role efficiently and effectively. Now is the time – the opportunity – for USAID to redefine what development and humanitarian assistance truly means and looks like to its clients overseas as well as to its stakeholders at home.

*“To be the Principal **Steward** for U.S. Non-Military Foreign Assistance and **Catalyst** for Development Abroad in Support of National Security and National Interests”*

Appendices

A-1: Relationship Between the NSS, Joint State-USAID Strategy and USAID Agency Strategy



13. FIGURE – Operational Context / Drivers for USAID’s Agency Strategy

A-2: Paper – *Development in the National Security Interest*

Development in the National Security Interest¹⁶

V.4.3 3/3/04

“A world where some live in comfort and plenty, while half of the human race lives on less than \$2 a day, is neither just nor stable. Including all of the world’s poor in an expanding circle of development—and opportunity—is a moral imperative and one of the top priorities of U.S. international policy.”

—National Security Strategy of the United States of America, September 2002

Overview

Traditionally, USAID strategy formulation has not placed a strong emphasis on national security policy linkages. The President’s National Security Strategy (NSS) puts development at the forefront of national security along with defense and diplomacy. The State/USAID Strategic Plan provides more detail on how State and USAID will contribute to all three cornerstones of the national security strategy. The recently distributed White Paper outlines how foreign aid can address various facets of the development cornerstone of the NSS.

It is proposed that the National Security Strategy serve as an “organizing principle” that provides consistency and synergy among the strategies of the Agency’s various technical and geographic components. Such an orientation will help improve the external understanding of USAID’s role, enhance its relevance to the national security process and provide the Agency with more relevance, influence and voice in interagency fora.

I. Introduction

This paper addresses the vital relationship that the development function has in meeting the national security interests of the United States. It also demonstrates the pivotal role USAID (the United States Agency for International Development) performs in carrying out that function.

The United States has been providing foreign assistance formally since the end of World War II. For more than forty years, USAID has been the primary custodian of that responsibility. Other entities of the U.S. Government, such as the State Department, the Treasury, the Department of Health and Human Services and the newly established Millennium Challenge Corporation, also have components of the foreign aid function.

The primary objective of USAID is not a single, universally held concept – even within the Agency itself. Many believe that the primary purpose of providing foreign aid is to improve the

¹⁶ This paper was written under the aegis of Administrator Andrew Natsios’ Business Model Review Group. The recommendations provided herein will be part of a restructuring and simplification of USAID’s overall strategic process.

lives and reduce the suffering of the world's poor. Others point to the need to strengthen economies and promote democratic governance.

The conclusion of this paper is to reaffirm what always has been the single, unifying objective of American bilateral development assistance – which is to serve the strategic foreign policy interests of the United States Government and the American people. USAID does many good things that improve the lives and future prospects of the world's poor. However, it is pivotal to understand that it does these things in the national interest of the United States.

II. Why Development is a Strategic Tool

This paper's lead quote is from President George W. Bush's 2002 National Security Strategy. The NSS establishes U.S. foreign policy priorities and identifies the means to achieve them. These means include a number of government tools. The most salient of these are diplomacy, defense, intelligence, public diplomacy and development. These foreign policy tools are used in different combinations and sequences to achieve the country's international objectives. The objectives are many, varied and often interrelated. Most prominent of these is keeping America safe and secure. Another high priority is to ensure the nation's continued economic prosperity. Foreign policy objectives also encompass the projection abroad of American values. Such values include showing compassion in the face of humanitarian crisis and the promotion of human rights.

As America pursues its national interests in the 21st century, it faces a rapidly changing global context. Conditions of insecurity and instability that arise from terrorism, transnational crime, failing states and global disease pandemics are changing the landscape in which diplomacy, defense and development must operate. "Development" as a term often used interchangeably over the years with "foreign assistance" must now be understood to comprise more than long-term transformation of a country's institutional capacity for economic, political and social progress. It also encompasses the strengthening of fragile states, responding to humanitarian needs, mitigating transnational and global ills, and supporting US geostrategic interests.¹⁷

The 2002 NSS emphasizes the importance of development (see the Table on the following page), along with diplomacy and defense, as key to the successful achievement of the country's strategic objectives. The reasons for including development as a strategic instrument of foreign policy have not always been intuitively clear to those in the diplomatic corps, the defense establishment and elsewhere. However, the logical fit is very clear-cut. Illustrative examples include:

¹⁷ USAID's February 2004 white paper entitled "US Foreign Aid: Meeting the Challenges of the 21st Century" posits these five areas as core operational goals of foreign assistance. It argues that, for foreign assistance to be effective, USAID must distinguish between these goals, align resources more closely with each goal, and manage such resources more strategically.

Development in the National Security Strategy

NSS Objective	Related Role of Development
Champion Aspirations for Human Dignity	“We will use our foreign aid to promote freedom and support those who struggle non-violently for it, ensuring that nations moving toward democracy are rewarded for the steps they take.”
Strengthen Alliances to Defeat Global Terrorism	“We will disrupt and destroy terrorist organizations by diminishing the underlying conditions that spawn terrorism [and] by enlisting the international community to focus its efforts and resources on areas most at risk.”
Ignite a New Era of Economic Growth Through Free Markets and Free Trade	“A strong world economy enhances our national security by advancing prosperity and freedom in the rest of the world. Economic growth, supported by free trade and free markets, creates new jobs and higher incomes, It allows people to lift their lives out of poverty, spurs economic and legal reform, [supports] the fight against corruption, and it reinforces the habits of liberty.”
Expand the Circle of Development by Opening Societies and Building the Infrastructure of Democracy	“Sustained growth and poverty reduction is impossible without the right national policies”

Illustrative examples include:

- 1) People who have hope for a better future for themselves and their children are less likely to become engaged in conflict or terrorism. They live in societies that are democratic and equitably prosperous and give them a stake in stability and development, both of which are threatened by conflict and crisis. Not only will people with hopeful expectations for the future be less likely to become involved in conflict, but they also will discourage others from such activity. Being the world’s remaining superpower, the United States is affected by conflict virtually wherever it occurs. Conflict can result in the costly involvement of the U.S. military and can cause serious harm to a variety of American economic interests. Advancing development, especially in fragile states, provides stabilizing hope for people living under extreme poverty. Successful investment of foreign assistance resources can help prevent conflict.

- 2) The strategic rationale for humanitarian engagement is similar. People in desperate circumstances, be it from natural disaster, war or other causes, may be more easily drawn into violence. Moreover, the cultural values of the American people do not accept suffering, regardless of where it takes place. Helping people in distress is the right thing to do. Thus, responding to humanitarian crisis is important to the security as well as the core values of the American people.

- 3) While it always has been true, globalization has made it even clearer that prosperity in other countries is important to the prosperity and security of the United States. Conversely, a lack of prosperity in fragile countries can lead to conflict and failed states. In an economically interdependent world, economic growth in other countries means new markets for American goods, services and investments – and the American jobs all of these bring. Foreign assistance promotes the conditions essential for economic stability and growth.
- 4) Health, the environment, narcotics and other transnational issues also fall well within national security parameters. In a globalized world, as the HIV/AIDS pandemic has demonstrated, infectious disease is not confined within distant borders. Thus, in addition to reducing suffering (a strong core value), addressing transnational issues abroad also protects the welfare of the American people.

The U.S. Government also provides foreign assistance through means other than its bilateral channels. Such assistance passes through the International Financial Institutions (e.g. the World Bank, the IMF, the regional development banks) and other international organizations, such as the United Nations system. Non-governmental organizations (NGOs) also receive substantial support from the USG for carrying out worldwide development aid. However, these entities cannot be expected to focus sufficiently on the full array of development issues that influence U.S. national security. This is one of the critical arguments for bilateral aid provided through USG agencies.

III. How Diplomacy, Defense and Development Interact

Diplomacy, development and defense complement and support one another in the achievement of the national security interest. As the graphic below illustrates, while each of these elements has its own unique responsibilities, each also interacts with the others in essentially supportive ways.



Relationship with Diplomacy: In the countries where USAID is engaged, the economic, political and social issues that comprise development generally rank at the top of the agenda of the local political class and in the minds of the majority of the people. Accordingly, such topics are consistently priority items in the bilateral diplomatic dialogue. At the 2003 Worldwide Mission Directors Conference, Secretary of State Colin Powell observed that: “USAID is at the front line of foreign policy.” In the joint

USAID/State Department “*Strategic Plan – Fiscal Years 2004-2009*,” nine of the twelve strategic goals involve foreign assistance provided through USAID (see Table below). These goals include: regional stability, counterterrorism, international crime and drugs, democracy and human rights, economic prosperity and security, social and environmental issues, humanitarian response, public diplomacy and public affairs, and management and organizational excellence.

**Joint State/USAID Strategic Plan
Strategic Goals Involving Development Action**

Regional Stability	Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States.
Counterterrorism	Prevent attacks against the United States, our allies, our friends, and strengthen alliances and international arrangements to defeat global terrorism.
International Crime and Drugs	Minimize the impact of international crime and illegal drugs on the United States and its citizens.
Democracy and Human Rights	Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom.
Economic Prosperity and Security	Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation.
Social and Environmental Issues	Improve health, education, environment, and other conditions for the global population.
Humanitarian Response	Minimize the human costs of displacement, conflicts, and natural disasters.
Public Diplomacy and Public Affairs	Increase understanding for American values, policies, and initiatives to create a receptive international environment.
Management and Organizational Excellence	Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.

Because of the nature of its program, USAID officers are in regular contact with everyone from presidents and ministers to business leaders, civil society representatives and a wide array of average citizens. The dialogue that is carried out not only concerns project matters, but often also involves important bilateral policy issues. This “policy dialogue” (as it has been known in USAID) – or development diplomacy – frequently relates to matters of priority national security interest. For example, efforts to improve the justice system in Colombia address pivotal international terror, human rights, and narcotics control issues. Democracy and governance programs in Eastern Europe focus on the pivotal transition from socialism and provide another key area of development diplomacy. A primary objective of the NSS and the Joint State/USAID Plan is to ensure that today’s troubled countries do not become tomorrow’s failed states. Foreign assistance is a major means of preventing conflict and terror, key elements of the NSS.

Furthermore, research has shown that even in poor, stable countries, the ability to adopt appropriate policies that promote effective, long-term development is primarily a function of internal political will. It is in this arena where development and diplomacy must work together most closely to provide not only technical advice but also diplomatic support to the reformers in a partner country who are trying to make a difference.

Relationship with Defense: In the area of defense, the collaboration is less routine, but still critical. Military personnel view effective application of development resources as a means of preventing conflict and, therefore, reducing costly, non-essential troop deployments. In post-conflict situations, military civil affairs components initiate high priority stabilization and nation-building efforts, such as those currently taking place in Iraq and Afghanistan. Such activities closely parallel the types of actions undertaken by USAID humanitarian components (e.g. OFDA), transition elements (e.g. OTI) and, ultimately, the development activities that are more typically the purview of USAID overseas field missions. The sooner the military is able to pass civil affairs and other related activities to USAID, the quicker it is able to re-deploy its limited civil affairs assets to other, more urgent priorities. USAID’s role then becomes one of building the means that will promote the hope and stability that can avert renewed conflict and help failed nations become sound transformational development states.

IV. National Security Policy and USAID

USAID has a variety of constituencies. These may include such entities as NGOs, universities and a variety of public interest groups. While such interests are generally compelling and unquestionably part of USAID’s mandate, the Agency’s primary responsibility is to contribute to U.S. national security. The Agency’s ultimate legitimacy and importance are found in its ability to serve the country’s foreign affairs interests. Claims on foreign aid must be weighed in terms of their national security relevance and priority.

Traditionally, USAID strategy formulation has not strongly emphasized national security policy linkages. The NSS has made clear that development and developing countries have moved to the forefront of national security, along with defense and diplomacy. The NSS now will serve as an “organizing principle,” one that provides consistency and synergy among the strategies of the Agency’s various technical and geographic components. Such an orientation will improve

external understanding of USAID's role, enhance its relevance to the national security process and provide the Agency with more influence and voice in interagency fora.

While the NSS will serve as the organizing principle for a more coherent Agency strategic process, it also will emphasize the flexibility essential for success at the program level in the field. Thus, while establishment of strategic goals and objectives will be more standardized within USAID, decisions regarding the program "means" (which activities, types of assistance, etc.) will remain more at the operating unit level, though still unmistakably tied to the achievement of clearly defined foreign policy objectives.

V. USAID's Role

The Introduction to this paper notes that the foreign affairs development component of the United States Government is comprised of many elements beside USAID, which has the largest role and most development resources of that group. According to a recent report by the OECD,¹⁸ there are more than 50 separate U.S. government units involved in the provision of foreign assistance. While most (including USAID) fall under the general policy guidance of the Secretary of State, there is little formal effort to co-ordinate their overall activities at the Washington level.¹⁹

Among the USG elements within the development sector, USAID has a number of important and distinctive attributes and roles.

- a. *Preponderant Focus on Development:* USAID is the only component within the USG that is defined by its development role. Other involved agencies (e.g. State, Treasury) have other primary responsibilities that relegate development to a secondary or lower order of importance and status. USAID has the greatest concentration of experts and experience in development. As a result, when other USG agencies are given a development role, they often either seek USAID assistance in planning and administering their programs (e.g. PL 480 on behalf of the Department of Agriculture) or have USAID conduct the program on their behalf (e.g. ESF programs carried out with State Department resources). USAID's critical mass of development resources makes it the most flexible of the agencies, able to respond to demands in virtually any sector on comparatively short notice.²⁰ As recent experience in Iraq and Afghanistan illustrate, Agency resources are particularly valuable when applied to the urgent requirements of post-conflict nation-building and reconstruction priorities.
- b. *Development Strategy and Implementation:* Because of its broad development focus, USAID has a view of development issues that cuts across sector-defined lines (e.g. economics, health, agriculture) enabling it to think and plan more strategically. As a

¹⁸ "Development Co-operation Review – United States." Development Assistance Committee (DAC), Organization of Economic Cooperation and Development (OECD), 2002.

¹⁹ Coordination in the field may be somewhat better because of the controlling authorities held by Ambassadors.

²⁰ While USAID often is criticized internally and externally for its ponderous bureaucracy, compared with other donors – particularly the IFIs and the UN system, it is able to mobilize its resources to produce action in the field more quickly than any other related entity.

result, USAID is able to act in an integrated fashion on development issues and bring coherence to the many disparate elements often involved. Accordingly, USAID has a uniquely important role to play in strategic planning with the diplomacy and defense national security elements in meeting the nation's foreign policy objectives. Also, because of the breadth of its human resources, USAID has the organizational and staff flexibility to absorb new areas of responsibility, as it did when it became involved in the area of democracy and governance.

- c. *Conduct of Development Diplomacy:* "Policy dialogue" is, in effect, development diplomacy. This dialogue is supportive of a broad spectrum of the diplomacy agenda of the United States Government and is carried out under the guidance, and with the collaboration, of the Department of State. USAID's diplomatic dialogue takes place with a wide variety of interlocutors. With senior host country officials, dialogue often concerns topics as diverse as economic policy and structure, rule of law and human rights and public health policy. Diplomacy is also a factor on matters of key interest involving other elements of the international development community that view USAID as their primary contact for most related matters. Finally, a long tradition of marshalling resources from the private and NGO sectors has taken more coherent form under the aegis of the USAID's Global Development Alliance, which attracts and focuses such assets to the beneficial purposes of the provider and U.S. foreign policy interests.
- d. *Development catalyst:* Because of its significant and diverse field presence, USAID is in a unique position to recognize and act on development-related strategic opportunities and perform quickly as a catalyst to advance U.S. interests. USAID leads with ideas in ways that others cannot. A good example was the OTI "ministry in a box" program that jump-started post-conflict government in Iraq.

VI. Relationship of a More Focused Strategic Process to the White Paper (U.S. Foreign Aid – Meeting the Challenges of the Twenty-First Century)

The December 2003 White Paper encourages USAID "to identify, clarify and distinguish among its core operational goals..." It further states: "The relevance of U.S. foreign assistance to U.S. national security and the call for greater aid effectiveness are key drivers of strategic reforms." It "argues that to establish policy coherence and address both real and perceived effectiveness issues, USAID needs to identify, clarify, and distinguish among its core operational goals; more clearly align resources with these goals; and manage strategically to achieve results in terms of each goal."

This approach will enhance the linkages between Agency strategies and programs and the National Security Strategy and the Joint USAID/State Department Strategic Plan. It also will provide a means for optimizing the use of human and program resources among Agency field programs.

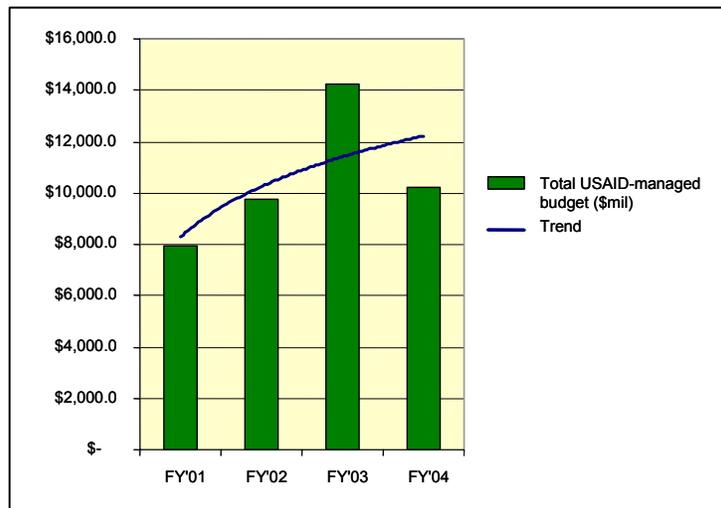
A-3: Challenges of the Internal Operating Environment

This appendix briefly describes the challenges of the Agency’s internal operating environment. It is important to note, however, that the Agency has undertaken several important steps to reform which are currently underway:

- Reorganizing USAID / Washington
- Developing an overseas workforce allocation template
- Management reform initiatives
 - Strategic Management of Human Capital
 - Business Systems Modernization
 - Knowledge for Development
 - Strategic Budgeting

Several initiatives have already begun to demonstrate positive results that may very well align to a larger transformation roadmap.

Since Fiscal Year (FY) 1998, USAID’s budget, both the managed directly by USAID and co-managed with the Department of State, has increased by almost 40 percent and continues to trend up²¹. USAID must be able to deal with this trend while at the same time flexibly adapting its business model to change should the budget shift in the opposite direction – budget volatility.



14. FIGURE – Trend in budget growth for USAID

According to anecdotal information from USAID staff and leadership, and interviews from some USG entities, while USAID’s reputation with clients and partners is relatively strong in the field, the Agency has experienced growing difficulty in effectively “telling its story” to important stakeholders and partners in the U.S.

²¹ Source: PPC Office of Resource Allocation

One major challenge is a proliferation of seemingly uncoordinated strategies within and outside the Agency. Within the agency, several strategies are developed – sector and sub-sector, regional and sub-regional, issue, organization / operating unit, etc. – that do not seem to show a coherent linkage to one another. The fragmentation of strategy makes it difficult to tell a coherent story within and outside USAID. The internal fragmentation is further compounded by strategies originated from outside the Agency – i.e. the NSS, the Joint Plan (to an extent), and Presidential Initiatives – all of which have direct and downstream effects on the business model.

In addition, strategy processes seem to be tightly coupled – with strategic, tactical and operational planning done together. Important differentiations that could increase flexibility, i.e. between strategy and budget allocation, seem to be unclear.

A mature organization, the Agency has also evolved from an organization traditionally responsible for all aspects of development, from program design to implementation (eg. “digging the ditches”) to one increasingly responsible for program oversight. Moreover, USAID’s business model has become increasingly complex and inflexible and many of its “knowledge workers” are soon to become retirement-eligible.

Over time, the Agency’s approach to operational improvement had shifted from one focus area to another to more effectively accomplish objectives and/or address new legislation and priorities dictated by executive and oversight bodies. Historically, the changes in approach have largely relied on improvements to traditional processes and/or realignment of internal resources and include:

- Organizing around issues and/or directives;
- Organizing around specific programs or sectors (eg. Science and Technology and Pillar Bureaus, respectively);
- Organizing around geographic areas (Regional bureaus);
- Specific functional re-organization and/or process improvement;
- Functional systems modernization;
- Re-orientation around strategic objectives (SOs); and
- Combinations of the above

Each change in approach has tended to layer over the last, bringing on more complexity and rigidity to the Agency’s business model. The ability to institutionalize changes into strategic business capabilities has been difficult. Many aspects of today’s operations are labor-intensive, time-consuming and often require heroic effort to complete work. In addition, the complexity of the business model has resulted in a lack of flexibility needed to respond to changes in the environment. More analysis is needed to ascertain whether earlier strategies for improvement have reached the point of diminishing marginal returns.

A-4: Summary of Observations and Findings

Recommendations were made separately and are not included in this appendix.

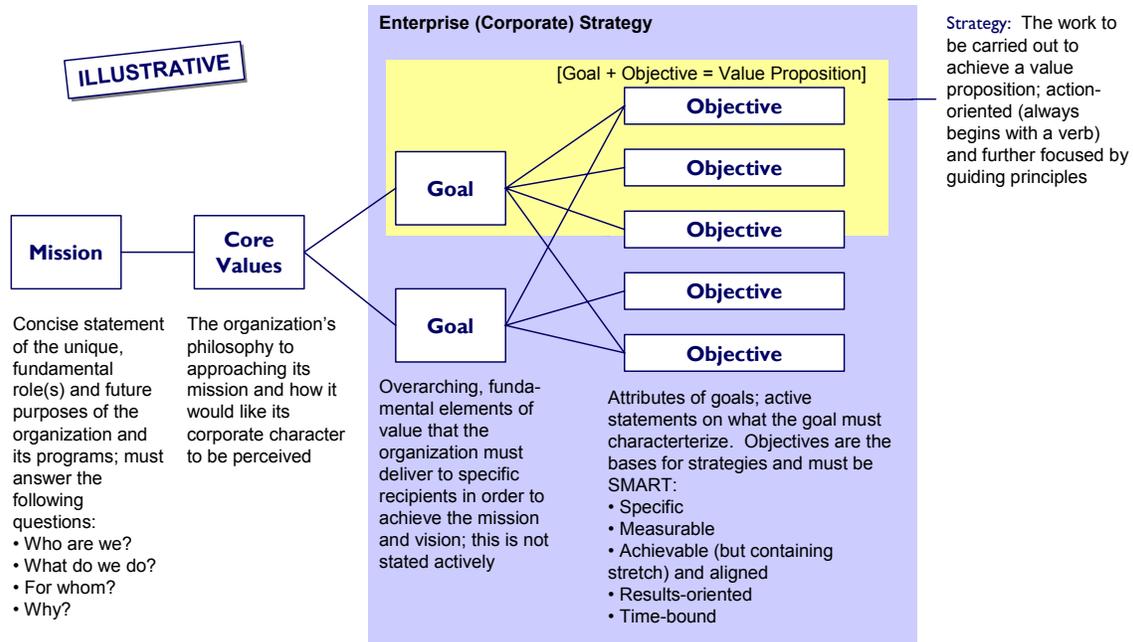
STRATEGY AND PERFORMANCE	
<i>Observations</i>	<i>Findings</i>
Application of strategic planning policies has become bureaucratic, cumbersome, overly time consuming and not well understood outside the Agency (85% of survey respondents felt that the current process needed streamlining); moreover once strategies are developed, they do not seem to receive the necessary resources for implementation	<ul style="list-style-type: none"> ▪ There seems to be lack of strategic and program coherence and standards across the Agency ▪ Strategy seems to be geared towards slow-cycle planning ▪ The strategic objective structure appears uneven ▪ It seems that the Agency lost its ability to design programs due to overwhelming focus on strategic planning ▪ Strategic, tactical and operational planning appear to be tightly coupled, reducing flexibility
There are many ad hoc requests for information that often seem to be repeated	<ul style="list-style-type: none"> ▪ Analytical requirements seem to proliferate and are not well-focused ▪ ADS sought to control and coordinate field workload by centralizing in PPC approval authority for ad hoc requests but the requirement appears largely ignored
The Washington review process is cumbersome and time-consuming	<ul style="list-style-type: none"> ▪ Coordination between bilateral, regional and centrally-directed activities seem to be disjointed
The Agency's programming language is difficult to communicate to outside audiences	<ul style="list-style-type: none"> ▪ Communications appear to be more tailored for specific internal audiences ▪ A standard lexicon for linking programs to government or agency strategic parameters does not seem to be readily available
42% of survey respondents felt that the primary roles served by U.S. bilateral assistance was to serve USG national security and policy interests vs. 21% to promote economic growth and 22% to provide humanitarian assistance	<ul style="list-style-type: none"> ▪ More people seem to believe that the role of USAID is to support USG national security and foreign policy interests
It is difficult to report results in a coherent way that relates to U.S. foreign policy interests	<ul style="list-style-type: none"> ▪ The proliferation of strategies and strategic direction originated both internally and externally seem to contribute to downstream fragmentation ▪ The proliferation of and lack of standardization in standard objectives (SOs) and indicators throughout the Agency seem to be a natural result of the above ▪ The force and authority of strategies appear unclear

PEOPLE	
<i>Observations</i>	<i>Findings</i>
Demand for resources continues to grow in the field	<ul style="list-style-type: none"> ▪ There seems to be an imbalance of resources in Washington relative to the field
It is difficult to report results in a coherent way that relates to U.S. foreign policy interests	<ul style="list-style-type: none"> ▪ The proliferation of and lack of standardization in standard objectives (SOs) and indicators throughout the Agency seem to contribute to the downstream fragmentation
Project design skills have declined sharply in recent years	<ul style="list-style-type: none"> ▪ It appears that the time spent project design has been directed to strategy formulation, over which the Agency has less influence
An opportunity to consolidate some Controller, Executive Office (EXO) and Program Budget activities seems to be growing	<ul style="list-style-type: none"> ▪ A “business manager” role seems to be evolving

OPERATIONS	
<i>Observations</i>	<i>Findings</i>
Many management units exist	<ul style="list-style-type: none"> ▪ Missions do not seem to have a firm understanding of all activities represented in their portfolios, given the various and diverse sources of funding
Regional service platforms are offering more services to missions but in different ways	<ul style="list-style-type: none"> ▪ There appears to be three types of service: (1) program management; (2) technical management; and (3) administrative management ▪ Regional service platforms seem to offer opportunities for greater efficiency and synergy for the three types of services above, but need to be examined on a case basis
Many kinds of mission models exist	<ul style="list-style-type: none"> ▪ There seem to be seven types of mission models: (1) Full; (2) Medium; (3) Small; (4) Virtual; (5) Non-presence; (6) Hub-and-spoke; and (7) Federated
Results from many mission assessments are uneven and provide little comparable cross-bureau information and data	<ul style="list-style-type: none"> ▪ Mission assessment methodologies do not appear to be coordinated nor captured in a standardized way
Surge requirements are increasing	<ul style="list-style-type: none"> ▪ Opportunities to leverage other resources (FSNs) appear ripe
ICASS costs have escalated significantly over the years	<ul style="list-style-type: none"> ▪ A “cost containment” incentive could be an important guiding principle moving forward
More people desire greater delegation of authority for procurement issues	<ul style="list-style-type: none"> ▪ Greater delegations of authority exist and depend on taking procurement training, but an understanding of the training does not seem to be shared

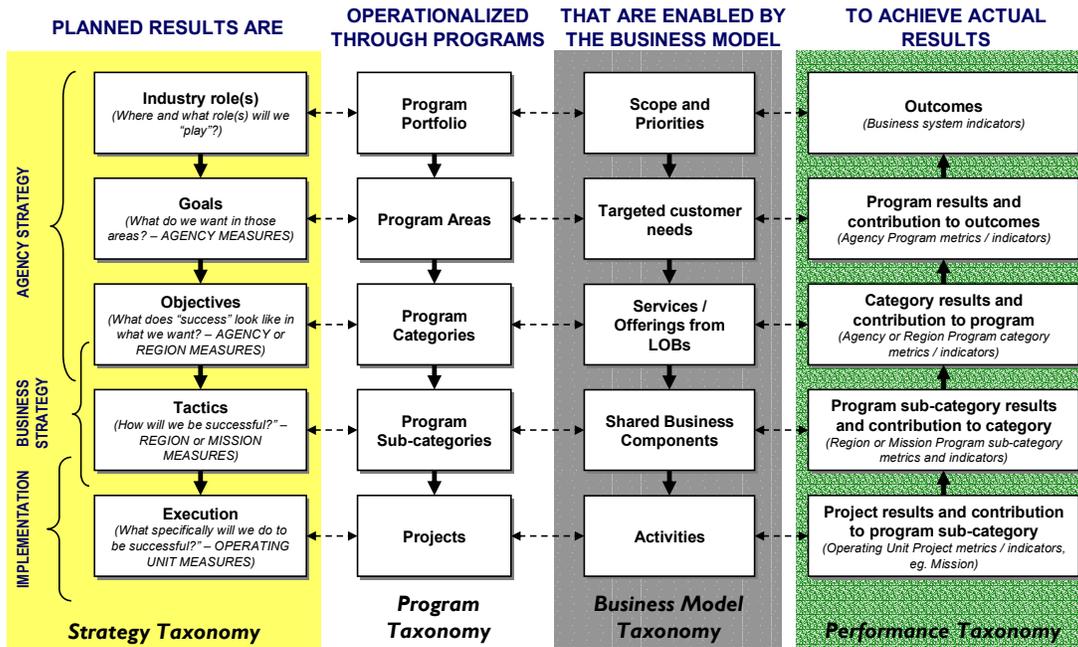
A-5: Four Distinct and Interrelated Taxonomies

A standard strategy taxonomy guides strategy development by the application of definitions ...

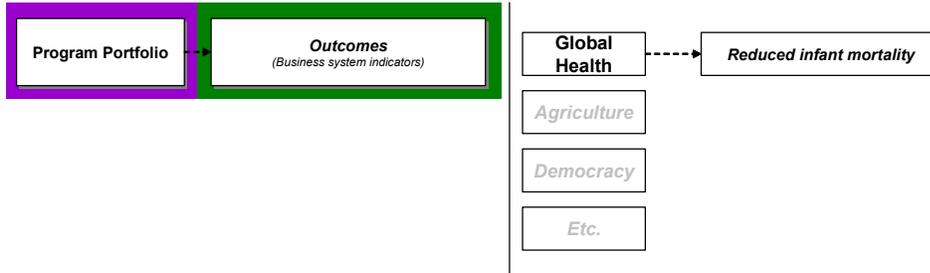


15. FIGURE – Strategy Taxonomy

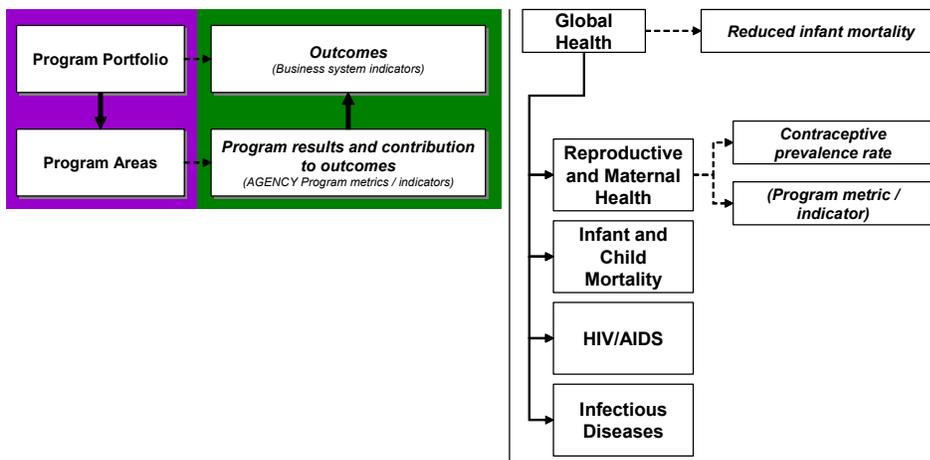
... other distinct, but interdependent taxonomies must also be recognized (from Figure 5).



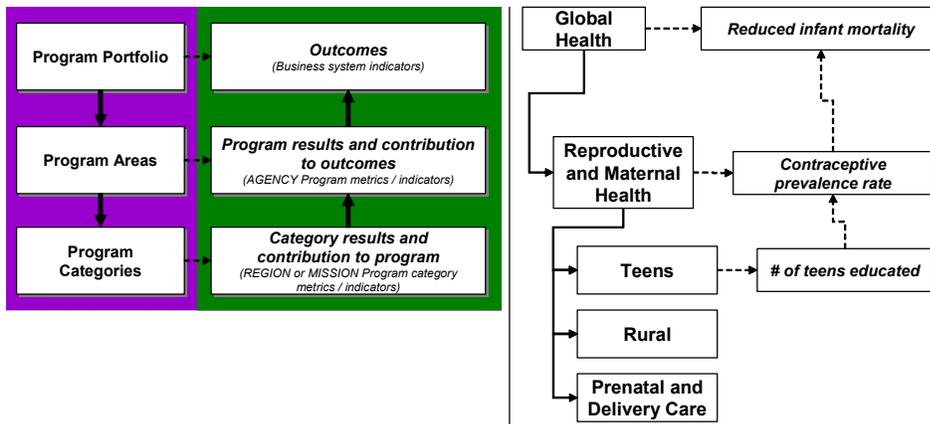
An example of distinguishing the program and performance taxonomies is depicted below.



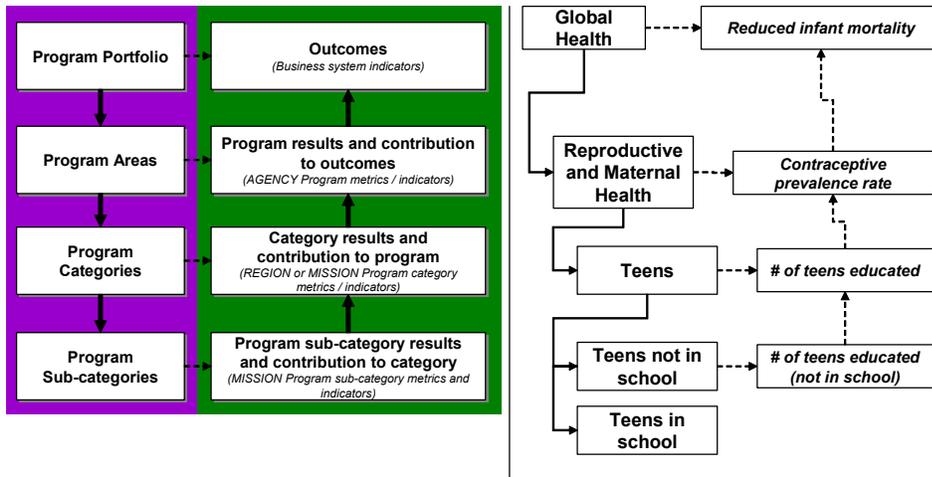
16. FIGURE – Example of Program and Performance Taxonomy, Overlay 1



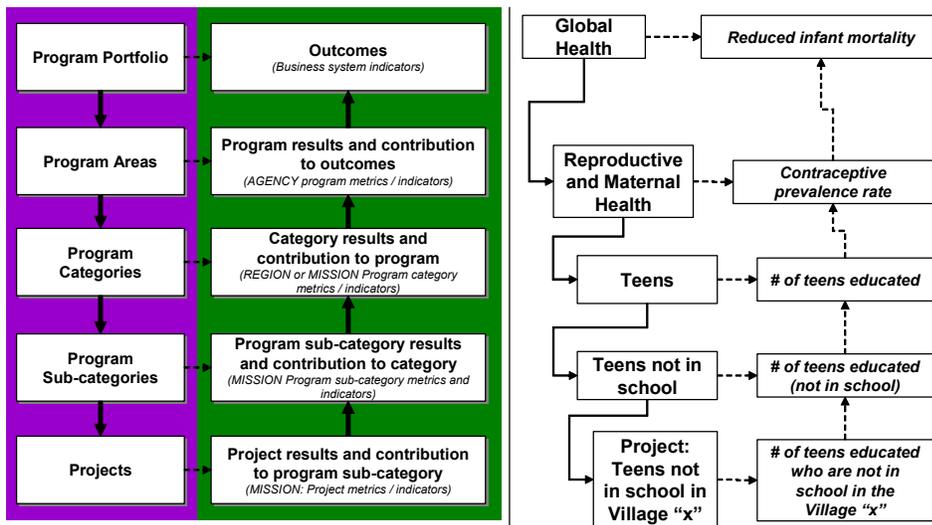
17. FIGURE – Example of Program and Performance Taxonomy, Overlay 2



18. FIGURE – Example of Program and Performance Taxonomy, Overlay 3



19. FIGURE – Example of Program and Performance Taxonomy, Overlay 4



20. FIGURE – Example of Program and Performance Taxonomy, Overlay 5

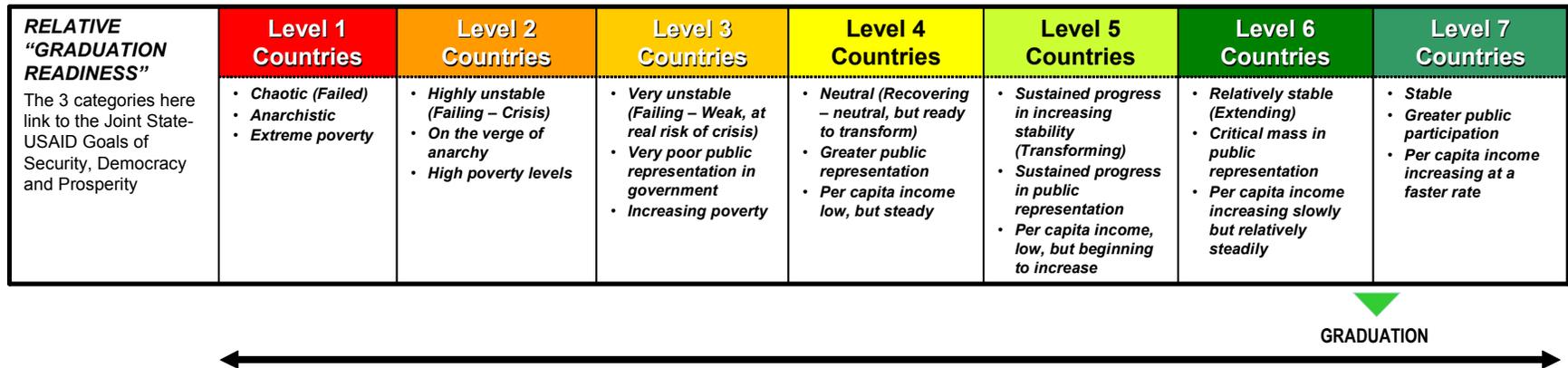
A-6: The Development Graduation Continuum (DGC)

The Development Graduation Continuum (DGC) is a tool to conceptualize / visualize and facilitate the classification of country segments, corresponding client segments and their needs. It could be used at all levels of strategy for multiple purposes, and is also a notional framework that provides one approach to operationalizing precepts of the White Paper.

I. Classify Countries First

The attributes at each classification level generally align to the principles in the Joint Plan – “Security”, “Democracy” and “Prosperity”.

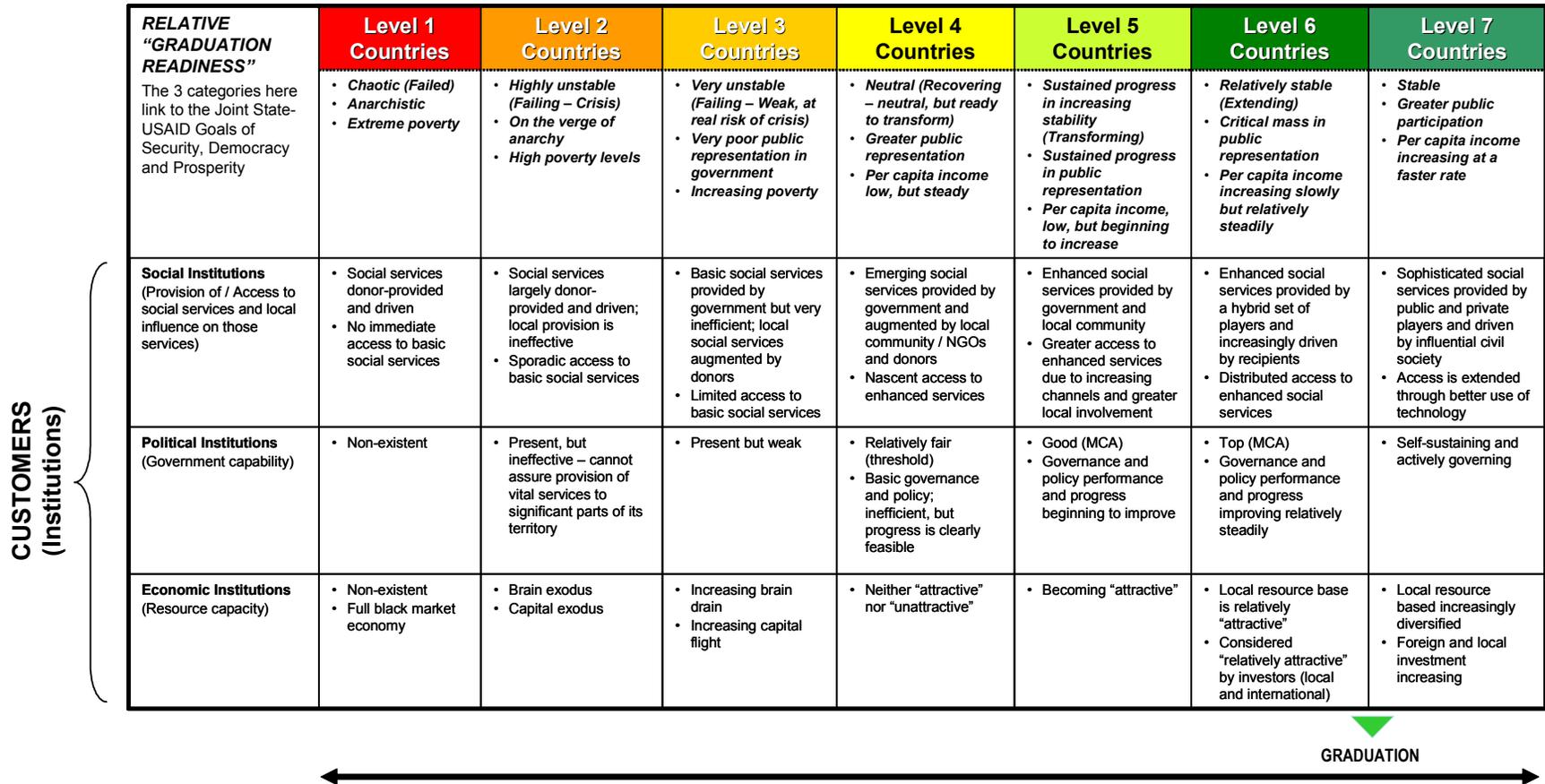
ILLUSTRATIVE



21. FIGURE – The DGC, Classifying Countries

II. Understand the health of institutions, as a group, within them

ILLUSTRATIVE



22. FIGURE – The DGC, Segmenting Clients

III. Prioritize, strategize and select the response based on placement; and measure/manage performance by closing gaps

ILLUSTRATIVE

**CUSTOMERS
(Institutions)**

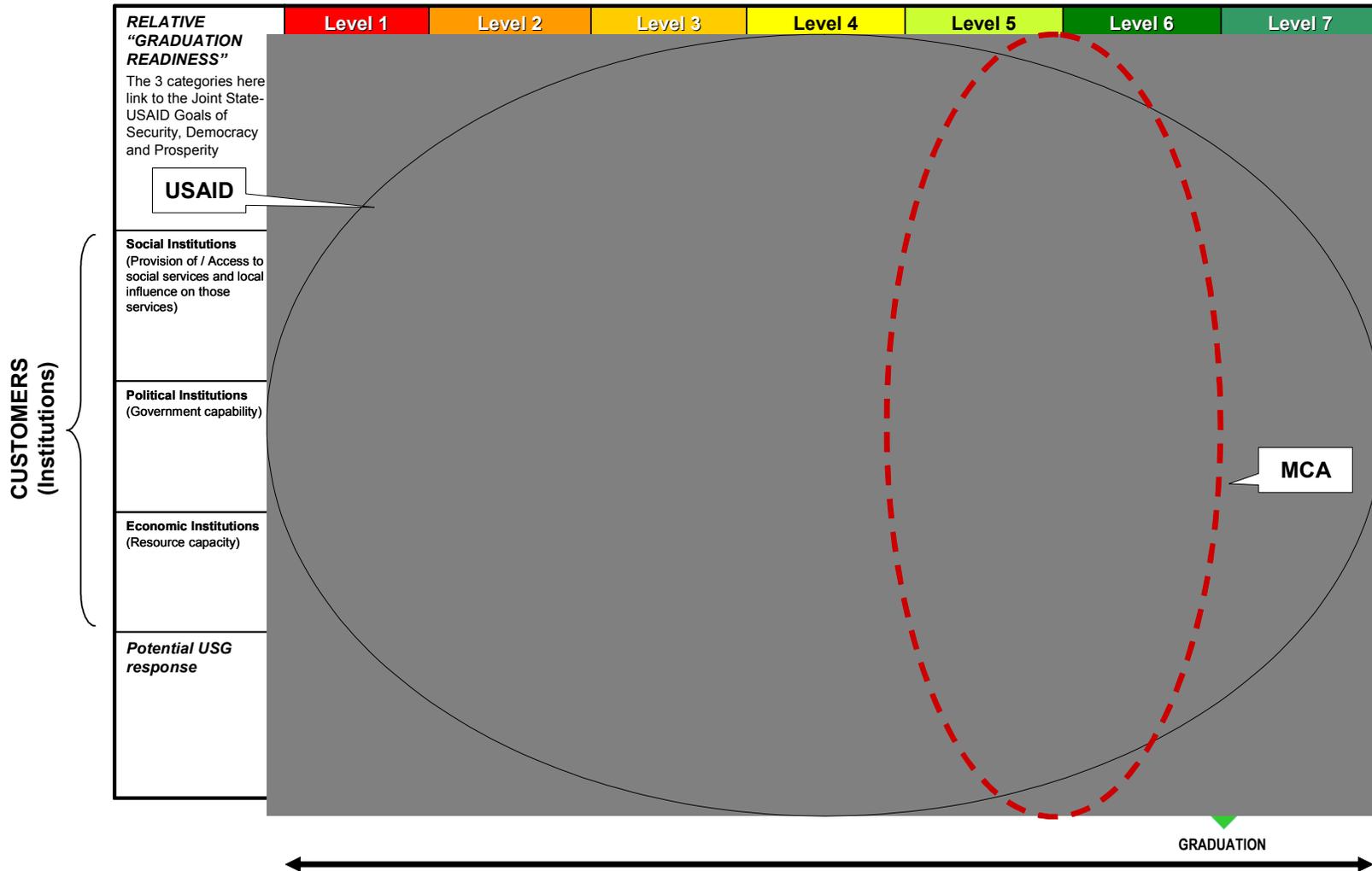
	Level 1 Countries	Level 2 Countries	Level 3 Countries	Level 4 Countries	Level 5 Countries	Level 6 Countries	Level 7 Countries
RELATIVE "GRADUATION READINESS" The 3 categories here link to the Joint State-USAID Goals of Security, Democracy and Prosperity	<ul style="list-style-type: none"> Chaotic (Failed) Anarchistic Extreme poverty 	<ul style="list-style-type: none"> Highly unstable (Failing – Crisis) On the verge of anarchy High poverty levels 	<ul style="list-style-type: none"> Very unstable (Failing – Weak, at real risk of crisis) Very poor public representation in government Increasing poverty 	<ul style="list-style-type: none"> Neutral (Recovering – neutral, but ready to transform) Greater public representation Per capita income low, but steady 	<ul style="list-style-type: none"> Sustained progress in increasing stability (Transforming) Sustained progress in public representation Per capita income, low, but beginning to increase 	<ul style="list-style-type: none"> Relatively stable (Extending) Critical mass in public representation Per capita income increasing slowly but relatively steadily 	<ul style="list-style-type: none"> Stable Greater public participation Per capita income increasing at a faster rate
Social Institutions (Provision of / Access to social services and local influence on those services)	<ul style="list-style-type: none"> Social services donor-provided and driven No immediate access to basic social services 	<ul style="list-style-type: none"> Social services largely donor-provided and driven; local provision is ineffective Sporadic access to basic social services 	<ul style="list-style-type: none"> Basic social services provided by government but very inefficient; local social services augmented by donors Limited access to basic social services 	<ul style="list-style-type: none"> Emerging social services provided by government and augmented by local community / NGOs and donors Nascent access to enhanced services 	<ul style="list-style-type: none"> Enhanced social services provided by government and local community Greater access to enhanced services due to increasing channels and greater local involvement 	<ul style="list-style-type: none"> Enhanced social services provided by a hybrid set of players and increasingly driven by recipients Distributed access to enhanced social services 	<ul style="list-style-type: none"> Sophisticated social services provided by public and private players and driven by influential civil society Access is extended through better use of technology
Political Institutions (Government capability)	<ul style="list-style-type: none"> Non-existent 	<ul style="list-style-type: none"> Present, but ineffective – cannot assure provision of vital services to significant parts of its territory 	<ul style="list-style-type: none"> Present but weak 	<ul style="list-style-type: none"> Relatively fair (threshold) Basic governance and policy; inefficient, but progress is clearly feasible 	<ul style="list-style-type: none"> Good (MCA) Governance and policy performance and progress beginning to improve 	<ul style="list-style-type: none"> Top (MCA) Governance and policy performance and progress improving relatively steadily 	<ul style="list-style-type: none"> Self-sustaining and actively governing
Economic Institutions (Resource capacity)	<ul style="list-style-type: none"> Non-existent Full black market economy 	<ul style="list-style-type: none"> Brain exodus Capital exodus 	<ul style="list-style-type: none"> Increasing brain drain Increasing capital flight 	<ul style="list-style-type: none"> Neither "attractive" nor "unattractive" 	<ul style="list-style-type: none"> Becoming "attractive" 	<ul style="list-style-type: none"> Local resource base is relatively "attractive" Considered "relatively attractive" by investors (local and international) 	<ul style="list-style-type: none"> Local resource based increasingly diversified Foreign and local investment increasing
Potential USG response	<ul style="list-style-type: none"> Developmentally sound emergency / humanitarian assistance 	<ul style="list-style-type: none"> Targeted developmentally sound emergency / Humanitarian assistance USAID short-term development stabilization and intervention 	<ul style="list-style-type: none"> Targeted humanitarian assistance USAID increased development 	<ul style="list-style-type: none"> Hybrid development portfolio (USAID and MCA); more USAID 	<ul style="list-style-type: none"> Hybrid development portfolio (USAID and MCA); more MCA USAID as development expert showing implications of and to foreign policy 	<ul style="list-style-type: none"> Largely MCA USAID as development advisor showing implications of and to foreign policy 	<ul style="list-style-type: none"> USG engagement is targeted, more in geostrategic areas Graduated and Self-sustaining

GRADUATION

23. FIGURE – The DGC, Strategizing Based on Segmentation

IV. Select a “market area” and focus on role

ILLUSTRATIVE



24. FIGURE – The DGC, Focusing on a Market

DESCRIBING SOME USES FOR THE DGC

Strategize, prioritize and select based on placement along the continuum

Once a segmentation of countries is done, a further client (institutions) segmentation can be performed. Other ways of segmenting can be by issue or priority as funding follows priority. Segmentation better facilitates the strategy process and subsequent alignment of operations in a number of ways, including:

- Strategies can be tailored based on placement on the DGC
- Partner profiles and their competencies can be aligned to client segments, needs, level along the DGC
- A “knowledge-base” can be established and leveraged across multiple perspectives
- Relevant performance measures and related metrics can be established based on DGC level
- Responses can be tailored accordingly

Measure and manage performance by closing gaps

The Agency has focused its programming on longer-term objectives with corresponding outcome-based performance measures. While a longer-term portfolio is a valid one, the performance measures have often made it difficult to demonstrate results in shorter time increments. This is true of many players in development.

The team performed a best practice analysis of strategy and performance approaches through a series of external interviews, research and document reviews. The emphasis on institutions, including ownership of activities by those institutions, provides an opportunity to measure performance and progress by closing gaps and achieving milestones from an institutional perspective, thus allowing for shorter-term assessment and strategy adjustment, if need be while allowing for a longer-term orientation.

In addition, institutional emphasis enables the use of balanced measures and metrics that can be indexed against broader development indicators, or outcomes. Balanced measures and metrics characterize the business results that would enable USAID to attribute its operations to the institutions it funds. Those business results are made up of four perspectives: client, internal or process, financial and innovation. For example, in one multi-lateral development institution, augments measures in the “financial”, “process” and “innovation” categories with measures in the “client satisfaction” category. That multi-lateral institution would poll clients and other stakeholders periodically to gain insight on their experience with the organization, whether it be through the service provided or with a specific person or team the stakeholder interacted with.

Those business results would then be indexed against key development indicators, or outcomes, that are comprised of, at the highest level, three categories of indicators – political, economic and social. The indexing of business results against key development indicators could provide important insights for forecasting, risk management, sensitivity analysis, etc. The Agency is already tracking many of these indicators.

A “portfolio” perspective, enabled by a robust segmentation would also enhance the performance measurement and management dialogue.

Manage risk by capturing political, economic and social indicators at each level of the DGC

The DGC also provides a framework for organizing political, economic and social indicators so that (cite the FANI Report on risk) it, along with the portfolio” perspective, can support the risk management process. The Agency is already tracking many of these indicators, but can also leverage the competencies and capabilities of others.

Use the DGC to look for economies of scale and scope to drive operating models

The advantage to placing countries along the DGC is that it also can illuminate patterns that may influence how overseas operating models can be structured. The Agency has been trending towards “regional service hubs” or regionally placed competency centers for the provision of program management, technical and administrative services. One may observe important patterns in operational structure depending on where countries fall on the DGC.

For example, the Central America model strategically aligns its operating model around the MCA goals, which seem to fall within the Levels 5 and 6 countries and probably include Level 4 countries within the continuum. That prioritization will enable them to focus programs and activities within a defined boundary. While exceptions may occur, they will remain and be treated as exceptions.

Another example is the Central Asia model, a hub-spoke model, which appear to fall within Levels 3 and 4 and take into account some infrastructure and logistics variables.

The DGC can help the Agency patterns and trends that can illuminate opportunities for design.

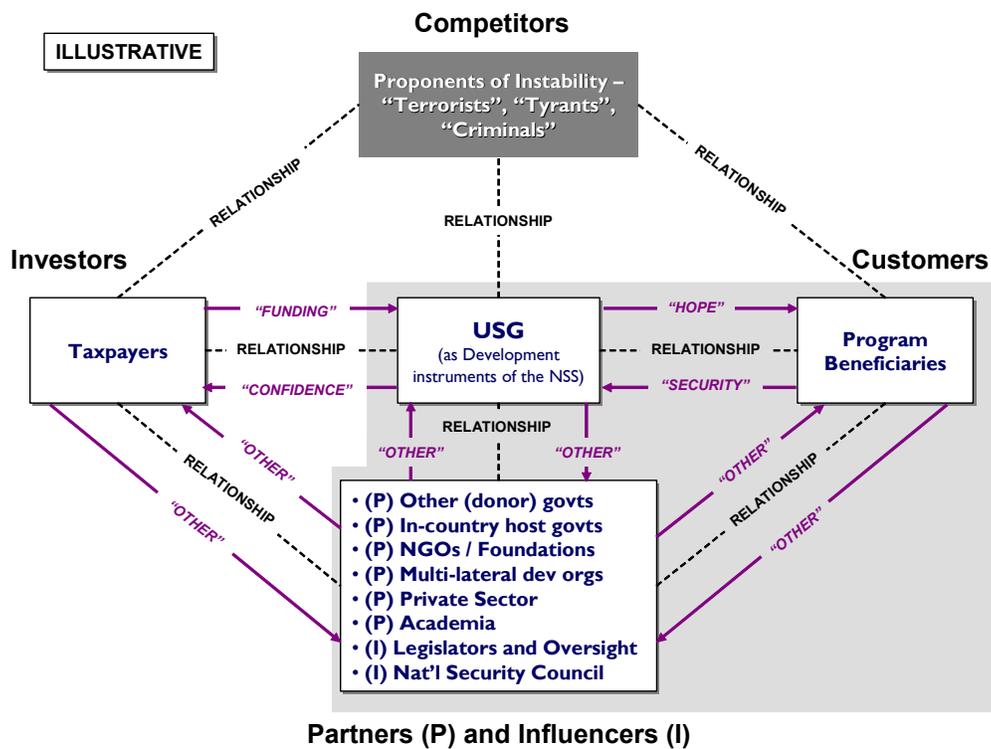
Forecast workforce needs

The placement of countries and clients on the DGC can reveal trends and patterns that could help in workforce planning and placement. If continuously updated with experiential data and monitored for changes in behavior, USAID can manage its human capital for the future.

A-7: Value Net

Consider the relationships in the figure – a value net – below; it assumes that the entity in focus is the U.S. government within the context of development as policy instruments of the NSS. U.S. taxpayers may be considered “investors” who provide tax revenues that fund the operations of the USG. While USG agencies separately may have distinct missions, the value-added provided by the USG as a whole to development clients/customers – program beneficiaries in developing countries – can be termed as “hope” and in turn, the value exchanged with clients is “security” which is then translated into “confidence”, the value on investment provided by the USG to its “investors”. The value exchanged is the purpose for the NSS.

Today’s environment has provided more, and oftentimes, better ways to exchange value – directly to clients or indirectly with the help of partners and influencers who may have competencies that may complement those particular to the USG’s. Interestingly, the most compelling view is that of the “competitor’s”. According to the NSS, these players compete for the same set of clients and investors. It is this view that should serve as the greatest incentive for policy coherence and the requisite efficient and effective coordination and collaboration of USG operations overseas. And, it is this view that provides the compelling backdrop becoming an on demand enterprise.



25. FIGURE – A “Value Net” depicts the exchange of “value” based on relationships

A-8: Taking a Portfolio Perspective on Lines of Business (LOBs)

An analysis of the five core operational goals in the White Paper resulted in a slight different perspective on (1) Transformational Development; (2) Fragile States; (3) Humanitarian Assistance; (4) Strategic States; and (5) Global, Transnational, Special Concerns. The typologies identified seem to better align to the definition of Line of Business.

It is critical that we understand that LOBs (1) are **not** necessarily organizations; and (2) have supporting business components, many of which, can be shared across LOBs. It is here where sharing components can be a substantial source of efficiency, synergy and differentiation.

Today's LOBs

Interestingly, USAID's **current** LOBs map closely to two of the three emphasis areas for "transformational development". However, most of USAID's capacity is concentrated in the Global Health and Conflict and Humanitarian Assistance.

Transformation Development Emphases	USAID's Current LOBs
Institutions of Governance (Political)	<ul style="list-style-type: none"> ▪ Democracy and Governance ▪ Economic Growth, Agriculture and Trade (including Education and Environment) ▪ Global Health ▪ Conflict and Humanitarian Assistance
Institutions of Economic Structure (Economic)	
Institutions of Human Capacity (Social)	
Other	

26. TABLE – Alignment of USAID's Current LOBs to Elements of "Transformational Development"

If USAID were to focus on core roles – Principal Steward and Catalyst – that aligns to the precepts of transformational development, the "portfolio" might look a little different than it does today. However, the reality is that USAID also administers funds covering humanitarian assistance, economic support (ESF), and transnational issues.

The following figure below illustrates a scenario that assumes that seven executives – those who would be the developers of and decision makers on the Agency-level strategy – participated in this exercise; and that the same executives determined the weight assigned to each development component (or LOB). The exercise may also be carried out with other key stakeholders like the Department of State (given the Joint Plan) and the results could be presented to agents – whose priorities drive much of how USAID programs the funds it is budgeted – to facilitate more robust discussion and inter-agency collaboration, especially if paired with cost data, as well as track portfolio performance over time.

ILLUSTRATIVE

COMPETENCY (Skills / Expertise)	Development Component	High (3 pts)	Medium (2 pts)	Low (1 pt)	Weighted Competency Tallies	Current Competency Score
	Political institutions (Democracy and Governance)	2	4	1	15	19.0
	Economic institutions (Economic Growth and Trade)	1	4	2	13	16.5
	Social institutions (Education)	0	2	5	9	11.4
	Social institutions (Health)	7	0	0	21	26.6
	Humanitarian (Humanitarian Assistance)	7	0	0	21	26.6
	Total Competency Raw Score	51	20	8	79	100.0

CAPACITY (Where resources are invested)	Development Component	High (3 pts)	Medium (2 pts)	Low (1 pt)	Weighted Capacity Tallies	Current Capacity Score
	Political institutions (Democracy and Governance)	0	3	4	10	14.7
	Economic institutions (Economic Growth and Trade)	0	2	5	9	13.2
	Social institutions (Education)	0	1	6	8	11.8
	Social institutions (Health)	6	1	0	20	29.4
	Humanitarian (Humanitarian Assistance)	7	0	0	21	30.9
	Total Capacity Raw Score	39	14	15	68	100.0

PORTFOLIO (Transformational Development Impact)	Development Component	Formula = (Capacity + Competency) * Weight			Transformational Development Impact
		Competency Score	Capacity Score	Weight	
	Political institutions (Democracy and Governance)	19.0	14.7	32%	10.8
	Economic institutions (Economic Growth and Trade)	16.5	13.2	25%	7.4
	Social institutions (Education)	11.4	11.8	25%	5.8
	Social institutions (Health)	26.6	29.4	12%	6.7
	Humanitarian (Humanitarian Assistance)	26.6	30.9	6%	3.4
	100.0	100.0	100%		

Diversification counts ... and value on investment may be increased by "shifting" investments within the portfolio

27. FIGURE – Tool for Analyzing USAID’s “Portfolio”: Today’s LOBs

A Possibility for Tomorrow’s LOBs

It is not inconceivable, however, that the USAID’s LOBs would look different in the future – in fact, the Federal Enterprise Architecture (FEA) mandate is driving all federal agencies to apply architectural standards towards the defining LOBs.

As an example, another way of looking at a LOB can be through a services-perspective aligned around the core operational goals, which may facilitate synergies. This would create a different “portfolio” as well.

Potential USAID LOBs	Key Questions to Answer
Transformational Development	<ul style="list-style-type: none"> ▪ What value-added services do we deliver? ▪ What comprises those services? ▪ What business components support the delivery of those services? Are they distinct? ▪ Can some business components be shared across multiple lines of business? ▪ How do business components collaborate to deliver services?
Fragile States	
Humanitarian Assistance	
Strategic States	
Global / Transnational	
Conflict Management and Mitigation	

28. TABLE – Another perspective at looking at LOBs

Assuming that USAID focused on its core role – Principal Steward – that aligns to the precepts of national security and national interests, the “portfolio” would look different. The value of USAID’s preponderant focus on development in this scenario is heightened even more in this scenario because of the inherent portfolio mentality. USAID is ideally suited for promoting policy coherence overseas across the suite of USG actors who engage in overseas foreign assistance. One can only imagine the inter-agency discussions with USAID leading the dialogue if USAID had a powerful portfolio and risk management capability to support its competencies (stated earlier). The table below illustrates the potential future portfolio scenario.

ILLUSTRATIVE ... A POTENTIAL FOR TOMORROW

COMPETENCY (Skills / Expertise)	Foreign Assistance Component	High (3 pts)	Medium (2 pts)	Low (1 pt)	Weighted Competency Tallies	Current Competency Score
	Transformational Development	2	4	1	15	20.0
	Fragile States	2	3	2	14	18.7
	Humanitarian Relief	7	0	0	21	28.0
	Geostrategic States	0	0	7	7	9.3
	Global / Transnational	5	1	1	18	24.0
<i>Total Competency Raw Score</i>		48	16	11	75	100.0

CAPACITY (Where resources are invested)	Foreign Assistance Component	High (3 pts)	Medium (2 pts)	Low (1 pt)	Weighted Capacity Tallies	Current Capacity Score
	Transformational Development	0	3	4	10	13.3
	Fragile States	0	2	5	9	12.0
	Humanitarian Relief	7	0	0	21	28.0
	Geostrategic States	2	4	1	15	20.0
	Global / Transnational	6	1	0	20	26.7
<i>Total Capacity Raw Score</i>		45	20	10	75	100.0

PORTFOLIO (Impact to National Security)	Foreign Assistance Component	Formula = (Capacity + Competency) * Weight			Impact to National Security
		Competency Score	Capacity Score	Weight	
	Transformational Development	20.0	13.3	42%	14.0
	Fragile States	18.7	12.0	21%	6.4
	Humanitarian Relief	28.0	28.0	11%	6.2
	Geostrategic States	9.3	20.0	9%	2.6
Global / Transnational	24.0	26.7	17%	8.6	
		100.0	100.0	100%	

Diversification counts ... “shifting” investments along these LOBs within the portfolio here may facilitate a different set of conversations

29. FIGURE – Tool for Analyzing USAID’s “Portfolio”: A Possibility for Tomorrow’s LOBs

A-9: Preliminary²² Typologies for Regional Service Platforms and USAID Missions

During the regional field visits, the team identified three preliminary categories of services:

- **Program Management:** The management of program operations, eg. strategy formulation, policy direction, development diplomacy
- **Technical Management:** The technical design and support of assistance programs
- **Administrative Management:** The provision of business management disciplines that support program delivery, oversight and technical assistance; eg. financial management, human resources, legal and procurement

Regional service platforms support USAID missions. The following tables provide preliminary descriptions of the two types of typologies:

- Regional Service Platforms
- USAID Missions

REGIONAL SERVICE PLATFORM TYPOLOGIES		
<i>Regional Service Platform</i>	<i>Description</i>	<i>Examples</i>
Full-Service	<ul style="list-style-type: none"> ▪ Provides program, technical and administrative support services as needed 	<ul style="list-style-type: none"> ▪ REDSO/Kenya ▪ RCSA ▪ RDM/A
Technical and Program Management	<ul style="list-style-type: none"> ▪ Provides technical management services as needed 	<ul style="list-style-type: none"> ▪ WARP
Administrative Management	<ul style="list-style-type: none"> ▪ Provides administrative management services as needed 	<ul style="list-style-type: none"> ▪ Budapest
Twining	<ul style="list-style-type: none"> ▪ Service provision to other missions as appropriate and needed 	<ul style="list-style-type: none"> ▪ Serbia to Montenegro (full-service) ▪ Philippines to Mongolia (administrative and technical services)

²² The typologies are being further examined and will likely result in changes.

USAID MISSION TYPOLOGIES		
USAID Mission Types	Description	Examples
Full	<ul style="list-style-type: none"> ▪ Stand-alone, more than 8 USDHs ▪ Provides most pertinent services due to complex programs ▪ May include regional personnel who provide services to one or more missions 	<ul style="list-style-type: none"> ▪ Ethiopia ▪ Bolivia
Medium	<ul style="list-style-type: none"> ▪ 4 to 7 USDHs who provide core program, administrative and technical management services ▪ Specialized technical and other services usually are provided by a regional service platform or Washington 	<ul style="list-style-type: none"> ▪ Zambia ▪ Ecuador
Small	<ul style="list-style-type: none"> ▪ 1 to 3 USDHs who provide mainly program management services ▪ Some administrative and technical management services may be provided by a regional service platform and ICASS and Washington 	<ul style="list-style-type: none"> ▪ Guyana ▪ Yemen
Virtual presence	<ul style="list-style-type: none"> ▪ No USDH presence in country; USAID presence managed by in-country PSCs (FSNs) with oversight from a regional platform or Washington 	<ul style="list-style-type: none"> ▪ Vietnam ▪ Venezuela
Non-presence	<ul style="list-style-type: none"> ▪ No physical AID mission ▪ Programs are managed through grantees, contractors, regional platforms or USAID/W 	<ul style="list-style-type: none"> ▪ Sudan ▪ Tibet
Hub-and-spoke	<ul style="list-style-type: none"> ▪ Once central mission serves as mission for one or more additional countries ▪ Provides the strategy, scope of work, and coordination for multiple bi-lateral programs managed from one mission ▪ Can have one or more spokes 	<ul style="list-style-type: none"> ▪ CAR
Federated	<ul style="list-style-type: none"> ▪ Shared strategic framework ▪ Shared instruments ▪ Multiple AID missions reporting independently to Washington ▪ Sub-regional strategic coherence 	<ul style="list-style-type: none"> ▪ Central America and Mexico

A-10: Strategy Maturity Model

The application of a strategy maturity model²³ can enable USAID to evolve its strategy management process. Illustrative maturity levels are:

MATURITY LEVEL	DESCRIPTION
Level 1: Ad hoc	<ul style="list-style-type: none"> ▪ Relying on personnel's pre-existing skills ▪ Lacking awareness of the group's need for capability
Level 2: Aware	<ul style="list-style-type: none"> ▪ Starting education of personnel ▪ Seeking best practices ▪ Learning from mistakes ▪ Establishing capability in single group ▪ Basic strategy management framework in place and business model aligned in place or planned to be in place in the short term ▪ Senior leadership commitment to positioning agency towards greater strategic planning
Level 3: Embedding	<ul style="list-style-type: none"> ▪ Comprehensive strategy management framework being updated and modified to work effectively within enterprise ▪ Expanding capability beyond a single group ▪ Educating personnel in depth ▪ Sharing experiences in group ▪ Documenting experience for reference
Level 4: Mature	<ul style="list-style-type: none"> ▪ Systematically transferring knowledge across groups, within and outside of the enterprise (as appropriate) ▪ General enterprise-wide acceptance of the framework and business model ▪ Standard strategy management processes incorporated ▪ Referencing organized information ▪ Ongoing education plans and support ▪ Performing internal reviews for consistency and quality
Level 5: World Class	<ul style="list-style-type: none"> ▪ Moving to a dynamic business model and strategy management framework ▪ Innovating – creating new methods ▪ Publishing methods ▪ Evolving methods ▪ Using timely feedback loops ▪ Continuous method optimization

30. TABLE – Strategy Maturity Levels

²³ Adapted from best practice. Source: IBM Corporate Strategy Group

Glossary

The glossary below is preliminary and not exhaustive.

Agency Strategy

Corporate strategy

An organization's mission, goals and objectives defining its overall strategic direction; includes industry role(s), definition of who the clients/customers are and what they need, priorities, constraints and enterprise-level attributes of success.

Answers the questions:

- Who are we? – Role and purpose for existence
- What business(es) are we in? – Lines of Business
- What do we do? – Services (includes products)
- For whom? – Clients/customers and their needs
- Why? – Value

Business Component

A business component is **part of an enterprise** that has a unique purpose – a logical grouping of cohesive business activities that includes the resources, people, know-how and technology necessary to delivery some value – and has the **potential** to operate semi-independently (in the extreme case as a separate company or as part of another company; it is bounded by a business service definition

Business Model

The business design or business components of an enterprise, how they are configured and interact / exchange value in response to business needs, as well as the overall value that results from operations

The way a business intends to generate value and involves both strategy and implementation – the “what for”, “what”, “who”, “when”, “where”, and “how” – of doing business by which an organization can sustainably deliver value

- The “what for”: Business requirements derived from values that are relevant to an organization's business
- The "what": Business components, capabilities and services
- The "who": Stakeholders – clients/customers, partners, suppliers, investors, influencers, competitors, etc.
- The "when": Frequency and time orientation (i.e. 24 x 7, seasonal)
- The "where": Location
- The "how": Selection of clients/customers, definition of services and offerings, delivery approach, governance, value capture, resource (i.e. people, finance, information, fixed and operating assets, relationships, brand) structure, etc.

Business Strategy

The definition of work, decided by an organization's senior executives, that the organization will carry out to successfully achieve its mission, goals and objectives

This includes the plan for configuring its business / operating model, the strategic capabilities it will have to effectively execute – the WHAT and the WITH WHAT – and the

performance requirements that drive implementation planning and operations

Business System

The environment, or context, in which entities (organizations, their business models) interact and interrelate to create and exchange value for reason(s) – the "Why" – specific to that environment

- The "Why": The values of players within the business system from which corresponding business requirements are derived

Business Transformation

A fundamental change in business operations as a result of specific changes to an organization's business model; this is more than "modernization"

Business Value

The value on investment – "success" – aligned with the values of the organization that is directly attributable to an organization's business activities; it represents the set of balanced performance measures from which more detailed performance measures and corresponding metrics (indicators) are derived

Capability

An institutionalized business ability – comprised of related people (skills and abilities), processes, information, applications and technology – that enables the organization to deliver business value in a sustained manner; eg. "seamless, integrated partner / alliance management"

Capacity

The availability of resources and assets – human, financial, information, fixed and operating, relationships, etc. – that would use capabilities to execute a value-added activity that supports/addresses a given competency.

For example, while USAID may have a strong competency in developing democratic political institutions, resource limitations may effectively constrain the Agency's response capacity in this sector

Champion

Key influencer who acts as a major proponent of the project and its goals and objectives at the lower levels of the organization

Client

A stakeholder; an entity who is the direct patron or recipient of specific services and/or related information from an organization

Core Competency

An organization's combination of institutional technical skills, (eg. development) knowledge and practical management capacity applied to perform a unique and specialized set of activities that make a value-added contribution towards the achievement of organizational objectives while differentiating that organization from other players within the business system

Competitor	A stakeholder; an entity who may serve as a viable threat and substitute to an organization's position and services, respectively
Core Value	The organization's approach to its mission and how it would like its corporate character to be perceived
Corporate Strategy	Agency-level strategy (see "Agency Strategy")
Customer	A client
Enterprise Architecture	<p>The design – the blueprint – of an organization's components that interact to meet a business need; there are three categories of several interdependent domains (in order):</p> <ul style="list-style-type: none">▪ Governance<ol style="list-style-type: none">1. Enterprise business / leadership management system (leadership, structure and approach)▪ Business Architecture<ol style="list-style-type: none">2. Services3. Processes4. Organization5. Knowledge▪ Technical Architecture<ol style="list-style-type: none">6. Data7. Applications8. Technology (platforms) <p>The enterprise architecture represents a holistic view across the across the enterprise and may be used to promote a portfolio management perspective for reuse, simplification and standardization; it illuminates opportunities for change but does not solve them</p>
Executive Sponsor	Key executive who assures visibility, appropriate resources, and buy-in at the highest levels of the organization
Goal	Overarching, fundamental elements of value that the organization must deliver to specific recipients in order to achieve the mission and vision; this is not stated actively
Governance	<p>The business and leadership management system established to ensure and provide assurance that an organization (1) accomplishes its mission, goals and objectives; and (2) can strategically and systematically respond to business change and the business risks associated with change</p> <p>Governance, a neutral concept, actively links strategy to execution and has three components</p> <ul style="list-style-type: none">▪ Leadership – decision model

- Structure – performance and risk management framework
- Approach – principles, policies and guidelines

Guiding Principles

Criteria that guide downstream decisions, enabling focus

Implementation

Operations. The planning and delivery tactical performance requirements; during implementation, capabilities are utilized (described in the Concept of Operations) to perform work with the flexibility and responsiveness needed, relative to the situation

Implementation

The approach to execution / delivery of services to targeted client customer segments

Influencer

A stakeholder. An entity with a vested interest who may not have a formal relationship with the organization in focus. It may exercise its clout to affect an organization's activities, however, the organization can exercise choice in its dealings with this type of stakeholder

Infrastructure

A subjective term depending on a specific perspective, anything that serves a "structural" purpose – the underlying foundation or basic framework of a system or organization

Line of Business (LOB)

(adapted from the Federal Enterprise Architecture Business Reference Model, v 2.0)

A "Line of Business" is a part of a business area – defined by a set of related needs / issues – that delivers a logical set of value-added services to a target group; a LOB should be

- Client/customer-defined
- Role-specific
- Dynamic
- Unique / differentiating

It is **not** necessarily an "organization"

Mission

Concise statement of the unique, fundamental role(s) and future purposes of the organization and its programs; must answer the following questions:

- Who are we?
- What do we do?
- For whom?
- Why?

Objective

An attribute of one or more goals; active statements on what the organization must characterize to achieve the goal. Objectives are the bases for strategies and must be SMART

- Scaleable
- Measurable

- Achievable (but containing stretch) and aligned
- Results-oriented
- Time-bound

Operating Strategy

Business strategy – tactics – specific to the organization’s business model

It provides the high-level "program-driven" Concept of Operations which suggest a standard set of business components, people (and organizations that provide them), information/knowledge, and technology utilized for implementation (capabilities)

Outcome

A characteristic of a business system representing the end results or consequences of all business activity within the business system (eg. increased life span); an organization may contribute to an outcome

Partner

A stakeholder; an entity whose activities complements that of the organization’s

Performance Measure

A desired “attribute of success” resulting from an organization’s business operations – the execution of an end-to-end business process; performance measures (i.e. relevance, accuracy, productivity, satisfaction, cost, risk, attractiveness) are the bases for deriving performance metrics

Performance Metric

A numeric or quantitative indicator derived from and representing a performance measure; these include numbers, percentages, ratios, distribution, variances, rates, etc. Examples of metrics:

- The performance measure is “relevance” – a corresponding performance metric is “% of clients/customers (or partners) who request to participate in a program”
- The performance measure is “accuracy” – a corresponding performance metric is “# of errors reduced”

Policy Area

A broad category of related public topics which guides programs

Program

An initiative reflecting a priority or set of related priorities aimed towards a specific group with

- Specific needs
- Defined start and end dates
- Funding profiles
- A set of activities to be performed
- Roles and responsibilities
- Bundled outputs – services, products, “know how”
- Defined performance requirements

There are different types of programs: (1) investment; and (2)

	recurrent
Resource	<p>An asset controlled by an organization that may be directly utilized for business activity, including</p> <ul style="list-style-type: none">▪ Human capital▪ Financial▪ Information▪ Fixed assets▪ Operating assets▪ Relationships▪ Brand
Stakeholder	<p>An entity that plays a role specific to an organization and its business i.e. clients, partners, suppliers, influencers, competitors</p>
Steering Committee	<p>A group, comprised of key decision-makers and influencers, that provides overall guidance and a forum for vetting a project's work</p>
Strategy	<p>The approach (how) to delivering on a specific value proposition; action-oriented and always begins with a verb</p>
Supplier	<p>A stakeholder. An entity that provides required value-added resources and/or services to the organization in focus; these resources and/or services will, in turn, be "utilized" by the organization for further value-added activities</p>
Sustainable Development <i>(Source: ADS)</i>	<p>Continued economic and social progress that rests on four key principles:</p> <ul style="list-style-type: none">▪ Improved quality of life for both current and future generations▪ Responsible stewardship of the natural resource base▪ Broad-based participation in political and economic life▪ Effective institutions which are transparent, accountable, responsive and capable of managing change without relying on continued external support <p>The ultimate measure of success of sustainable development programs is to reach a point where improvements in the quality of life and environment are such that external assistance is no longer necessary and can be replaced with new forms of diplomacy, cooperation and commerce</p>
Sustainable Development <i>(Source: World Development Report 2003)</i>	<p>Progress that meets the needs of the present without compromising the ability of future generations to meet their own needs</p>
Transformational Development	<p>Development that transforms countries through far-reaching,</p>

(Source: *White Paper*)

fundamental changes in institutions of governance, human capacity and economic structure that enable a country to sustain further economic and social progress without depending on foreign aid

Value

A principle or quality considered worthwhile or desirable; a need, want, or expectation

Vision

Desired future end-state of the organization that manifests the mission; a single, agree-upon and communicated sense – in broad terms and time frame – of where the organization should go and what it could become

Chapter 10

List of Contacts



Business Model Review Contacts

<i>Last Name</i>	<i>First Name</i>	<i>Title</i>	<i>Country</i>	<i>Role</i>	<i>Notes</i>
<i>American Embassy, Belgrade</i>					
Butcher	Duane	Administrative Officer	Serbia	Informant	
<i>Ascendant Consulting</i>					
Haecker	John	Consultant	USA	Stakeholder	Lead consultant for Workforce Planning Group project, sponsored by Rose Marie Depp
<i>Bearing Point</i>					
Woolford	Kathryn	Consultant		Consultant	
<i>Cassatt Corporation</i>					
Forman	Mark	Founder and Executive Vice President, Worldwide Services		Informant	Thought leader on strategy (including government) and enterprise architecture. Former technology head and strategist for OMB.
<i>Department of State</i>					
Anania	Jay	Director, Office of Management Policy		Informant	
Kaplan	Sid	Deputy Assistant Secretary, Office of Strategic and Performance Planning		Informant	Co-led development of the Joint State-USAID Strategic Plan with David Eckerson
Whiteside	Ruth	Principal Deputy Assistant Secretary, Human Resources		Informant	
<i>Fleishman-Hillard</i>					
Keyes	Denise	Senior Vice President, International Communications		Branding consultant	
<i>Foreign Commercial Service</i>					

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Bruce	Janis	ICASS Chairperson	Ghana	Informant	
<i>IBM</i>					
Cronau	Richard	Project Manager, HIV/AIDS Enterprise Architecture Project		Informant	
Fain	Timothy	Managing Consultant	USA	Stakeholder	PM to Business Transformation Executive Summary project
Kantor	Matthew	Partner, Strategy		Informant and Advisor	Thought leader on business, operations, change and technology strategy, including transformation, integration, business models
McGrath	Daniel	Director, IBM Corporate Strategy	Worldwide	Informant	Provided best practices on strategy -- Global coverage
Pockros	Perry	Associate Partner	USA	IBM Project Manager	Strategist and IBM IMR Program Manager
Reyes	Lynn	Senior Management Consultant	USA	Team member, Tasks 1-3	Business strategist covering all tasks
<i>Private Sector Council</i>					
Smith	Pete	Chairman and CEO		External Stakeholder	Represents private sector external stakeholder group
<i>Retired Foreign Service Officer</i>					
Cohen	David	Consultant	USA	Team member and Lead, USAID's Niche	Retired FSO -- former mission director, several missions
Lewellen	Mary	Consultant	USA	Team member and Lead, Overseas Staffing/Structure	Retired FSO -- former mission director (Ethiopia)

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<i>Last Name</i>	<i>First Name</i>	<i>Title</i>	<i>Country</i>	<i>Role</i>	<i>Notes</i>
Rishoi	Tom	Consultant	USA	Team Member and Lead, Strategy Mgmt	Retired FSO, Philippines

The World Bank

Rueda-Sabater	Enrique	Director, Corporate Strategy	Worldwide	Informant	
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U.S. Embassy

Appleton	David	Deputy Country Manager, Uzbekistan	Central Asian Republics	Informant	
Napper	Larry	U.S. Ambassador to Kazakhstan	Central Asian Republics	Informant	

U.S. Global Leadership

Gross	Jason	Director, Government and Business Affairs		Informant	
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USAID

Adams	Cecille	Controller, Bulgaria Mission	Bulgaria	Informant	
Adams	Jennifer	Health and Education Officer	Central Asian Republics	Informant	
Allen	Steve	Regional Legal Advisor, Budapest	Hungary	Informant	
Aller	Douglas	Chief of Staff and Executive Secretary		Informant	
Almeida	Fatima (Bing)	Supervisory Financial Analyst, Philippines Mission	Philippines	Informant	
Anderson	Craig	Energy and Water Officer, Almaty	Central Asian Republics	Informant	

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Angnosti	Sergei	Global Development Officer, Belgrade	Serbia	Informant	
Arellano	Bambi	Regional Mission Director, Budapest	Hungary	Informant	
Armstrong	Heather	Executive Officer, Serbia	Europe and Eurasia	Informant	
Atherton	Joan	Social Scientist Analyst, Program and Policy Coordination		Informant	
Banjanin	Neda	Financial Analyst, Controllers Office, Serbia	Europe and Eurasia	Informant	
Barnett	Nancy	Management Analyst, Bureau for Management	USA	Stakeholder	PM to Business Transformation Executive Summary project
Bastovanovic	Milan	Democracy and Governance Specialist, Serbia	Europe and Eurasia	Informant	
Beauboeuf	Marc	Global Development Officer and Acting Director, Benin	Benin	Informant	
Bell	Jeffery	Deputy Director, Office of Procurement	USA	Steering Committee member	
Blancas	Ferminicia	Chief Accountant, Philippines Mission	Philippines	Informant	
Boytokova	Rabiga	Program Office, Almaty	Central Asian Republics	Informant	
Bradshaw	Lois	Health Officer, HIV/AIDS, RDM Asia, Bangkok	Thailand	Informant	

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Brady	Larry	Supervisory Program Officer, Asia and Near East Bureau	Asia and Near East	Alternate Steering Committee Member	
Breslar	Jon	Deputy Assistant Administrator, Program and Policy Coordination	USA	Steering Committee member	
Bridgeman	Rebecca	Financial Management Officer, Almaty	Central Asian Republics	Informant	
Bridges	Kathy	Chief of Contracts, Ghana Mission	Ghana	Informant	
Britan	Gerry	Supervisory Program Officer, Management Bureau		Informant	
Broderick	Modupe	Global Development Officer	Benin	Informant	
Brody	Jim	Controller, Cambodia Mission	Cambodia	Informant	
Brookes	Charles	Controllers Office, Budapest	Budapest	Informant	
Brown	Melissa	Program Analyst, Program and Policy Coordination		Informant	
Brown	Keith	Deputy Assistant Administrator, Africa Bureau	Africa	Stakeholder	
Bryan	Carolyn	Controller, Serbia mission	Serbia, Europe and Eurasia	Informant	
Butler	Letitia	Supervisory Program Officer, Program and Policy Coordination		Informant	Lead, White Paper team
Callahan	Stephen	Acting Director, Management Bureau		Informant	

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Calongne	Todd	Public Affairs Specialist, Legal and Public Affairs		Informant	
Covert	Scot	Supervisory Executive Officer, Overseas Mgmt Support	USA	Steering Committee member	
Cromer	Sharon	Director, Ghana Mission	Ghana	Informant	
Crosswell	Michael	Policy Economist, Program and Policy Coordination		Informant	Principal Author, the White Paper
Dabbs	Carol	Supervisory Program Officer, Global Health Bureau		Informant	
Daily	Carrie	Executive Officer, Benin	Benin	Informant	
Deikun	George	Regional Mission Director, Almaty	Central Asian Republic	Informant	
Depp	Rose Marie	Director, Office of Human Resources	USA	Steering Committee member	Champion
Dolan	Tom	DCHA Advisor, RDM Asia, Bangkok	Thailand	Informant	
Donovan	Frank	Deputy Director, Philippines Mission	Philippines	Informant	
Dunbar	Ray	Executive Officer, Ghana Mission	Ghana	Informant	
Eckerson	David	Supervisory Program Officer, Program and Policy Coordination	USA	Project Manager	
Elliott	William	Supervisory Project Development Officer, E&E Office of Ops and Mgmt	Europe and Eurasia	Alternate Steering Committee member	

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Ervin	Ken	Regional Systems Manager, Almaty	Central Asian Republics	Informant	
Farbman	Michael	MCA Liaison, Program and Policy Coordination		Informant	Former mission director
Farrell	William	Conflict Mitigation Officer, Uzbekistan	Central Asian Republics	Informant	
Flanagan	Arthur	Global Development Officer, Belgrade	Serbia	Informant	
Flannery	Mike	Director, Security Office	USAID	Steering Committee member	
Fleuret	Patrick	Mission Director, South Africa	Africa	Informant	
Foerderer	William	Acting Director, Private Sector Officer	Serbia	Informant	
Francisco	Sunnette	Supervisory Financial Analyst, Cambodia Mission	Cambodia	Informant	
Fritz	Susan	Democracy and Governance Officer, Almaty	Central Asian Republics	Informant	
Fritz	Michael	Deputy Regional Mission Director, Almaty	Central Asian Republic	Informant	
Funston	Saskia	Program Information Officer, Almaty	Central Asian Republics	Informant	
Giddings	Stephen	Program Officer	Africa	Informant	
Gilson	Jean	Country Manager, Vietnam mission	Vietnam	Informant	
Giordano	Joanne	Senior Advisor, Office of the Administrator		Lead, USAID Branding	

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Gold	Richard	Program Officer, PPC		Informant	Lead, Strategy Community of Practice
Gordon	Carey	Regional Contracting Officer, RDM Asia, Bangkok	Thailand	Informant	
Granger	Bill	Executive Officer, Bulgaria Mission	Bulgaria	Informant	
Gray	Harold	Program Analyst, Program and Policy Coordination		Informant	
Greene	Bradford	Program Analyst, PPC		Informant	
Grieco	Jeffrey	Supervisory Public Affairs Specialist, Legislative and Public Affairs	USA	Steering Committee member	
Grizzard	Larry	Controller, Philippines Missions	Philippines	Informant	
Gueron	Joseph	Supervisory IT Specialist, Information Resource Mgmt	USA	Steering Committee Member	PM to HIV/AIDS Enterprise Architecture project
Hale	Joanne	Country Representative, Uzbekistan	Central Asian Republics	Informant	
Hardon	David	Regional Legal Advisor, Almaty	Central Asian Republics	Informant	
Harris	Timm	Program Office Chief, Ghana Mission	Ghana	Informant	
Harrison	Donald	Supervisory Program Officer	Europe and Eurasia	Informant	
Harvey	Michael	Country Officer, Tajikistan	Central Asian Republics	Informant	
Hausner	David	Senior Tech Advisor for HIV/AIDS, Cambodia Mission	Cambodia	Informant	

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Heller	Sonya	Program Analyst, Bureau for Econ Growth, Agriculture and Trade	USA	Alternate Steering Committee member	
Henderson	Parrie	Program Analyst, Program and Policy Coordination		Informant	
Hoirup-Bacolod	Maryanne	Supervisory Executive Officer	Cambodia	Informant	
Horton	Jean	Procurement Analyst, Humanitarian Response, Africa and Mgmt Div	USAID	Steering Committee member	
Imam	Waheed	Deputy Controller, Philippines Mission	Philippines	Informant	
Isayev	Ulugbek	Private Sector Project Manager, Uzbekistan	Central Asian Republics	Informant	
Jordan	Mosina	Mission Director	Latin America and Caribbean	Informant	
Jurjevic	Kristijan	Financial Analyst, Controllers Office, Serbia	Europe and Eurasia	Informant	
Kelly	Ellen	Democracy and Governance, Senior Rule of Law Advisor,	Europe and Eurasia	Informant	
Kerley	Janet	Monitoring and Evaluation Specialist, Africa Bureau	Africa	Informant	
Kleinjan	Mary Alice	Legal Officer		Informant	
Kneidinger	Mark	Deputy Assistant Administrator, Bureau for Management	USA	Stakeholder	Executive sponsor for the HIV/AIDS Enterprise Architecture project and deputy CIO
Lavkov	Andrey	Computer Technician, Tashkent	Central Asian Republics	Informant	

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Lawrence	Richard	Controller, Almaty	Central Asian Republics	Informant	
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Levitt	Daniel	Program Manager, Vietnam mission	Vietnam	Informant	
Lord	John	Contracting Officer, Almaty	Central Asian Republics	Informant	
Luten	Drew	Deputy General Counsel	USA	Steering Committee member	
Luzik	Peter	Tax Advisor, Ukraine	Europe and Eurasia	Informant	
Marshall	John	Assistant Administrator and CIO, Bureau for Management	USA	Steering Committee Co-chair	
Mashrabov	Hayrulla	Conflict Mitigation Specialist, Uzbekistan	Central Asian Republics	Informant	
Maxey	Michael	Director, Economic Growth and Trade		Informant	
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McPhie	Emily	Supervisory Program Officer, Democracy, Conflict and Humanitarian Asst		Informant	

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<i>Last Name</i>	<i>First Name</i>	<i>Title</i>	<i>Country</i>	<i>Role</i>	<i>Notes</i>
Merrill	Susan	Acting Mission Director, Cambodia Mission	Cambodia	Informant	
Minkel	Sandra	Controllers Office, Budapest	Budapest	Informant	
Moreira	Betina	Program Information Specialist, Serbia	Europe and Eurasia	Informant	
Morse	Linda	Deputy Assistant Administrator, Global Health Bureau		Informant	
Natsios	Andrew	Administrator		Executive Sponsor	
Newton	Alexander	Deputy Director, Ghana Mission	Ghana	Informant	
Newton	Gary	Supervisory Health and Population Officer, Global Health Bureau, Ofc of Field and Program	USA	Steering Committee Member	
Noble	David	Supervisory Financial Mgmt Officer, Office of Financial Mgmt	USA	Steering Committee member	
Norris	Mary	Enterprise and Finance Officer, Management	Central Asian Republics	Informant	
O'Keefe	Thomas	Supervisory Program Analyst, Africa Bureau, Office of Development Planning	Africa	Alternate Steering Committee member	
Osborn	Amy	Global Development Officer, Program Officer, Montenegro	Europe and Eurasia	Informant	
Peasley	Carol	Counselor	USA	Steering Committee member	Champion

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Pelzman	Kerry	Health and Education Officer	Central Asian Republics	Informant	
Peterson	Anne	Assistant Administrator, Global Health Bureau		Stakeholder	
Piscevic	Maja	Program Management Specialist, Comm Law, Serbia	Serbia	Informant	
Rader	Patricia	Supervisory Program Officer, Bureau for Econ Growth, Agriculture and Trade	USA	Steering Committee member	
Ramsey	Patricia	Program Regional Officer, Benin	Benin	Informant	
Repnikova	Irina	Information Specialist, Uzbekistan	Central Asian Republics	Informant	
Reynolds	William	Contracting Officer, Philippines Mission	Philippines	Informant	
Rifenbark	John	Program Officer, Management Bureau		Informant	
Rocha	Mario	Director, Europe and Eurasia	Europe and Eurasia	Alternate Steering Committee member	
Rogers	Len	Deputy Assistant Administrator, Democracy, Conflict and Humanitarian Asst		Informant	
Rosen	Kimberly	Enterprise Supervisory Program Officer, Management	Central Asian Republics	Informant	
Royalty	Carla	Administrative Officer, Latin America and Caribbean Bureau	Latin America and Caribbean	Steering Committee member	

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Rudenko	Stella	Ukraine		Informant	
Sabatine	Paul	Program Analyst, Program and Policy Coordination		Informant	
Sage	Nathan	Environment Program Manager, Vietnam mission	Vietnam	Informant	
Salamanca	Beth	Regional Executive Officer, Almaty	Central Asian Republics	Informant	
Schieck	Frederick	Deputy Administrator		Informant	
Schofield	Ken	Consultant	USA	Stakeholder	Business Liaison, HIV/AIDS Enterprise Architecture project
Serikbayeva	Gaukar	Microfinance Coordinator, Management	Central Asian Republics	Informant	
Sharipova	Ilgiza	Education Assistant, Uzbekistan	Central Asian Republics	Informant	
Shauket	Maureen	Regional Contracts Officer	Budapest	Informant	
Sheldon	Douglas	Consultant, Program and Policy Coordination		Informant	
Silvers	Joan	Program Officer, Philippines Mission	Philippines	Informant	
Simmons	Robert	Private Sector Officer, Tashkent	Central Asian Republics	Informant	
Simmons	Emily	Assistant Administrator, Economic Growth, Agriculture and		Informant	
Skudovich	Yulia	Administrative Financial Assistant, Uzbekistan	Central Asian Republics	Informant	

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Soules	Donald	Program Officer, Latin America and Caribbean Bureau	Latin America and Caribbean	Informant	
Steele	Gloria	Deputy Assistant Administrator, Europe and Eurasia	Europe and Eurasia	Informant	
Stephens	Tim	Acting Executive Officer	Budapest	Informant	
Stephenson	Spike	Director, Serbia		Informant	
Stevens	Kathryn	Democracy and Governance Officer, Serbia	Europe and Eurasia	Informant	
Tamberg	Andreas	Health Advisor, Uzbekistan	Central Asian Republics	Informant	
Tatem	Lewis	Senior Economist, Enterprise and Finance Office	Central Asian Republics	Informant	
Thahn	Bin	FSN Executive Officer, Vietnam Mission	Vietnam	Informant	
Tocco	Christophe	NEP, Democracy, Conflict & Humanitarian Asst.		Informant	
Tohill-Stull	Amy	General Development Officer, Almaty	Central Asian Republics	Informant	
Trott	Michael	Executive Officer and Legal Advisor, Philippines Mission	Philippines	Informant	
Turner	Barbara	Senior Deputy Assistant Administrator, Program and Policy Coordination	USA	Steering Committee Co-chair	
Varadi	Aniko	Regional Training Officer, Budapest	Hungary	Informant	
Vermillion	James	Director, Nicaragua Mission	Nicaragua	Informant	

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Vukasinovic	Bajana	Program Management Specialist, Banking and Finance, Serbia	Serbia	Informant	
Wallace	Susan	Director, Knowledge for Development		Stakeholder	
Ward	Mark	Deputy Assistant Administrator, Asia and Near East Bureau	Asia and Near East	Informant	
Waskin	Skip	Acting Director, RDM Asia, Bangkok	Thailand	Informant	
Weinberg	Chad	Program Analyst, Program and Policy Coordination		Informant	
West	Gordon	Deputy Assistant Administrator, Asia and Near East Bureau	Asia and Near East	Steering Committee member	
White	Mark	Supervisory Health & Population Officer, Cambodia Mission	Cambodia	Informant	
Williams	Michael	Assistant General Counsel, General Counsel		Informant	
Wilson	Wesley	Special Assistant for Policy, Program and Policy Coordination		Informant	
Winn	Jack	Director, Ofc for Program, Policy and Mgmt, Bureau for Democracy, Conflict and	USA	Steering Committee member	
Winter	Roger	Assistant Administrator, Democracy, Conflict & Humanitarian Asst.		Stakeholder	
Wise	Holly	Director, Global Development Alliance	USA	Steering Committee member	Sponsor for Private Sector external stakeholder group, working with the Private Sector Council

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<i>Last Name</i>	<i>First Name</i>	<i>Title</i>	<i>Country</i>	<i>Role</i>	<i>Notes</i>
Wisecarver	Steven	Deputy Regional Director, Office of East African Affairs, Africa	Africa	Steering Committee member	
Witherspoon	Margaret	Controller, Benin	Benin	Informant	
Wright	Jim	Program Development Officer, Ghana Mission	Ghana	Informant	
Yates	Michael	Mission Director, Philippines	Asia and Near East	Informant	

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Chapter 11

References



References

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