2004 USAID Summer Seminar Series

August 17: USAID's Business Transformation: Results to Date
Organizer: Nancy Barnett, M/AA
Materials: Presentation appended

Synopsis

Today's global environment demands a faster, more agile USAID with a sharper focus on the results of our investments of American taxpayer dollars overseas. Meeting foreign policy and program management challenges requires a modern, flexible and well-disciplined organization.

Managing a comprehensive business transformation across an agency as large and decentralized as USAID is an enormous challenge. The Business Transformation Executive Committee (BTEC) unites the most senior career executives across the Agency in a partnership to reform USAID's management systems and improve organizational performance. Over the past two years, BTEC has developed the major components of the Agency's business transformation plan. USAID is introducing new business systems, processes and changes to our organizational structures.

Notes

Nancy Barnett, USAID/M/AA
The eighth summer seminar focused on the Agency's Business Transformation activities and achievements to date. The seminar referenced "USAID's Business Transformation Results Report." The report was released in August 2004, as part of the Office of Management and Budget's (OMB) coordinated government-wide release of similar reports centered on President's Management Agenda results. USAID's report was prepared to inform USAID employees, members of Congress, business partners, and U.S. taxpayers of the Agency's business transformation initiatives and achievements over the past three years. USAID's business transformation plan is organized around four focus areas that describe how we are applying the Agency's most important assets: our People, our Ideas and our Technology to improve our Results in development and humanitarian initiatives around the world.

The need to improve USAID's business systems was first acknowledged by Administrator Andrew Natsios at his Senate confirmation. Administrator Natsios realized that the establishment of an effective governance structure would be integral to the success of the Agency business transformation initiatives. He created the Business Transformation Executive Committee (BTEC) to set priorities, oversee reforms and make decisions.

The BTEC was first implemented in early 2002, as a "best practice" governance structure for agency-wide management improvements. The chairman of the BTEC is the Deputy Administrator, Frederick Schieck. The vice chairs are John Marshall, Assistant Administrator for Management and Barbara Turner, Deputy Assistant Administrator for Policy and Program Coordination Bureau. Ms. Turner is "acting" vice chair. The BTEC is comprised of senior career executives from across the Agency who have developed the major components of the business transformation plan. The committee also serves as the Agency's capital investment review board, with the main goal of ensuring that IT investments within USAID meet the highest priorities, as well as, employee needs. In addition, the BTEC set out to accomplish two main tasks, to reform the Agency's management systems, and to improve the Agency's organizational performance. In order to accomplish these goals, the BTEC meets monthly to review progress and make decisions. Through these meetings, the committee established sub-committees, comprised of Agency employees in both Washington and overseas missions, to further study reform initiatives and create action plans.

The Business Transformation Report was designed to address three areas: the Administrator's Management Reform Principles; the State-USAID Joint Strategic Plan, and the President's Management Agenda (PMA).

The Administrator articulated a set of core principles to guide the Agency's transformation with Management Reform Principles:
• Simplify and standardize business systems and processes to reduce costs, simplify use, and enable the Agency to respond with speed and agility to changing program needs.
• Establish a customer service culture in all USAID's service providing organizations that demonstrates a dedicated commitment to making Agency programs as effective as possible.
• Increase efficiency by reducing overhead expenses and improving the ratio of product to process, making sure that the Agency's

costs of doing business are transparent, aggressively managed, and compare favorably with peer organizations.
• Promote partner inclusiveness in all business relationships to better meet the needs of internal and external customers and to ensure that small businesses are well-represented.
• Increase transparency in program and business decision-making, assuring that decisions are fast, results driven, and clearly understandable to partners large and small.
• Ensure accountability and compliance with the letter and spirit of all applicable laws and regulations to achieve a clean audit opinion; deter legal disputes; acquire a sterling reputation for sound management; and improve relations with the Congress, GAO, and OMB.
• Deliver programs smarter, faster, better, and cheaper, continuously improving USAID's performance as a global "thought leader" and as the world's most effective delivery organization of economic and humanitarian assistance. (see BTEC report http://www.results.gov/agenda/report8-04/USAID.pdf)

The Strategic Plan for FY04-FY09 directly supports the U.S. National Security Strategy, which identifies development as the third essential component of foreign policy, alongside defense and diplomacy. The Joint Strategic Plan management objective is to strengthen diplomatic and program capabilities. The strategic goals are to achieve management and organizational excellence, and to ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.

The President's Management Agenda (PMA) was launched in 2001 as a strategy for improving the management and performance of the U.S. government. The PMA incorporates three guiding principles: citizen-centered by providing citizens greater services at lower cost; performance-driven in order to make sure the government is well run; and results-oriented to ensure that resources are well managed and wisely used.

The main initiatives in USAID's Business Transformation are Strategic Management of Human Capital, Knowledge for Development, Business Systems Modernization, and Strategic Budgeting. These integrated initiatives incorporate the five PMA initiatives: Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government and Budget and Performance Integration.

Hand-outs for this seminar include copies of the summary tables from the appendices in the Business Transformation Results Report. These tables provide an "at a glance" view of the Agency's business transformation initiatives, the relationship to the PMA and the joint strategic plan management performance goals and, very importantly, the benefits to USAID employees and U.S. taxpayers.

The video message from the Administrator provides context for our reforms including Agency challenges, our response to the challenges (our business transformation initiatives) and key achievements to date.

Andrew Natsios, USAID Administrator (via videotape/paraphrased)
When Administrator Natsios arrived at USAID, he made it a priority to correct the inefficiencies of the business systems within the Agency. At the top of his list were the financial management and procurement systems, and the human capital system.

There have been some notable accomplishments such as the "Phoenix" financial management system implementation in Washington. When the Phoenix overseas deployment is completed next year, the Agency will have its first ever integrated financial management system. With this new system, it will be easier to complete financial audits.

The Agency has many antiquated management systems. The systems in use today are systems which were implemented in the early to mid nineties. These software systems are out-dated and their maintenance is cumbersome. A new integrated system will substantially improve the quality of the Agency's central business systems.

Last year, the Agency received its first ever clean audit from the Office of the Inspector General, and USAID has begun to revitalize the workforce through new hiring programs. The hope is to have nearly 600 new hires by the year 2005. These new hires will include 250 Foreign Service appointments over the next three years. When we adequately re-staff the Agency, we will be even better equipped to carry out our mission.

A new, more structured budgeting system has also been set into place to help us allocate resources based on performance. The new budgeting system, along with a new knowledge for development system, will further help enable the Agency to achieve its goals. When one adds the new worldwide staffing template, which justifies budget allocations, a relationship can be seen between the size of a staff and a budget.

Agency-wide effort involving the support of our employees is needed in order for the new business systems to be optimally effective and functional.

Patrick L. Brown, Deputy Director, Human Resources "Strategic Management of Human Capital" (People)
We are beginning to revamp our staff, which is rather refreshing after we saw the Agency's direct hire workforce dip forty percent in the nineties. In the last several years, the staff leveled off at about two thousand direct hire employees. This year we have

budgeted to hire more employees than we will lose. It is our hope that we will hire nearly 612 employees by the end of fiscal year 2005. This figure represents the total hiring we hope to achieve over the next two years, increasing the base level by 150.

By the end of the Development Readiness Initiative (DRI), a three year initiative spanning 2004-2006, we would have added about 250 new direct hires to our workforce. The DRI is designed to align workforce skills to business requirements. It is important to note that only one-quarter of the workforce are direct hires, while sixty-two percent are Foreign Service Nationals under personal service contracts. The Agency currently has in place 9-10 other mechanisms for employment.

We can use our experience so far in FY2004 to show the various elements that go into our overall DRI recruitment plan. Simply to replace attrition we have to hire about 80 new Foreign Service officers and about 90 civil service employees. To meet the DRI increases in those two categories for FY2004 we are hiring an additional 20 FSO and an additional 32 CS employees. In addition, Congress has given the Agency the authority to hire up to 85 employees under Foreign Service limited appointments not to exceed five years for overseas service. Many of these appointments will consist of conversions of contractors or employees in other employment categories with USAID. In general, for the years 2004-2005 we appear to be on target with our hiring.

Steve Crabtree, Division Chief, Financial Management, Management Bureau "Business Systems Modernization" (Technology)

As the Agency has expanded, we have seen a lot of problems with the financial management systems. It wasn't until 1988 that the problems began to surface. The problem was that there were no financial management systems on the market that were both federally compliant and that could also meet Agency requirements. For example, a basic requirement is the ability to process transactions in a foreign currency. Federally compliant commercial-off-the-shelf (COTS) financial systems that met these requirements did not begin to emerge until the mid-late nineties. In the meantime, the Agency attempted to create its own integrated software. These attempts were proven unsuccessful.

By 1998, products were available on the mandatory GSA schedule that met all of our requirements. The Agency procured the CGI-AMS package, Momentum, in September 1999. The new system, renamed "Phoenix" at USAID, was configured to Agency requirements and went into production December 2000 without any modification to the baseline product with Phoenix, the Agency has been able to turn off numerous legacy financial systems such as the systems for loan accounting and letter of credit processing. They have also been able to remove the antiquated IBM mainframe. Prior to 2000, before Phoenix was in practice, the Agency received disclaimers on its audit reports. This past year the Agency received unqualified opinions on all five of its financial statements – achieving its first clean audit report.

With the success of Phoenix, there was a desire to replace the Mission Accounting and Control System (MACS), the overseas accounting system, in an effort to standardize all Agency financial transactions on a single database. The process of replacing the MACS overseas began in July of 2003 with five pilot locations. This initial phase was completed in August of 2004, on schedule and under budget. Completion of the overseas deployment is dependent on upgrading the base software, Momentum, from its current Java-based format to a new, HTML package. The new package also includes a procurement module, Acquisitions, which is currently being configured by the Office of Acquisitions and Assistance (M/OAA) to replace their legacy system, NMS/A&A. The upgrade will also bring USAID onto the same version of the software as the Department of State and enable the two agencies to share the same platform and eventually lead to a complete integration of our two systems. The upgrade, and integration of Acquisitions, is scheduled for March 2005. By October 2005 we will complete the integration of State Department's financial management system with Phoenix, and by December 2005 all missions will be under this platform. Through this new roll-out, it is believed that we will be able to keep audits clean in the future. It is also important to note that with the new financial systems in place, taxpayer dollars are being saved across the board. Cost savings will continue as we integrate our financial systems with the State Department.

Lynn Kopala, Deputy Director, Office of Acquisitions and Assistance, Management Bureau "Business Systems Modernization" (Technology)

USAID does more than $7 billion worth of business a year in acquisitions and assistance, and the job of the acquisitions and procurement staff is to make sure dollars and materials are delivered to the offices and Missions that need them in the most efficient manner possible. Currently, the office lacks the systems and functionality to distribute funds and resources with maximum efficiency. Currently new, off-the-shelf solutions are being implemented which will greatly improve the Agency's productivity and results. This business system modernization (BSM) is an integral part of the business transformation.

Acquisitions and assistance instruments are simply tools to achieve development results around the world. To date, USAID has lacked the information systems that adequately support contracts and grants; they had to be implemented manually. There were several different systems worldwide that did not readily "talk" to one another. This lack of IT interface and transfer led to errors or gaps in the system. With the new technology, a software package called Momentum; the systems will be standardized and improved throughout the Agency so that all purchasers and users can depend on a smooth transition. The new system is scheduled to be implemented in Washington beginning in March 2005, and in the Missions beginning the following October. The gaps in the process, including common functionality, IT infrastructure, and system specific functions will be bridged. Part of this process is integrating with USAID's new financial system, the Joint Financial Management System with State Department, which will further extend the capabilities of the software to facilitate and improve the business of development.

Peter Hobby, Knowledge Management Advisor, Europe and Eurasia Bureau
"Knowledge for Development" (Ideas)
Knowledge for Development (KfD) plays an integral role in USAID's business transformation plan. The new KfD Strategy was recently approved by the BTEC. In general, KfD deals with the capturing and generating of USAID's development knowledge. More specifically, KfD seeks to capture the intellectual capital that is created in abundance throughout the Agency. Once captured, intellectual capital can then be shared Agency-wide.

KfD is very interested in the use of technology in an appropriate fashion. As opposed to the use of one tool, KfD seeks to utilize multiple tools in order to most efficiently capture the intellectual capital, and build a sense of support knowledge sharing community throughout the Agency. Since this is a demand driven area of concern, it is also important that the tools used to create an accessible wealth of knowledge be flexible.

In addition, KfD is also heavily vested in curbing the Agency's human capital crisis from a knowledge retention standpoint. Provisions are being put in place to capture the expertise of the senior members of the Agency that are on the verge of retiring, in order to better provide access to the intellectual capital, which is rarely documented, to the development community at large.

There are many solutions that allow us to see early accomplishments of the KfD Strategy:
- Communities of Practice (CoPs) - to understand how systems work on all levels;
- After Action Learning - in order to document and learn from the past events;
- Expertise Locators - to provide access to the expertise of the people at USAID;
- Knowledge Mapping-account for the informal pieces that are often overlooked as pertinent to a larger process;
- Knowledge 'Yellow Pages'- broaden attempt to expose access to information available;
- Collaboration Software - supports teams and knowledge sharing;
- Improved document management, search, and portal technologies, to better capture and integrate knowledge resources from all lines of USAID business across the Agency; and
- KfD - provides leadership and incentives for knowledge sharing

Next on the horizon is the rollout of the strategy to the bureaus, missions, and partners. Implementation planning is underway. The KfD yellow pages project is going through the prototype/pilot/rollout processes leading to implementation. In addition, a series of knowledge conferences will be held, with the next one occurring in spring of 2005. The "ideas" component of USAID's business transformation will be facilitated by KfD projects and staff.

Joseph Lombardo, Director, Strategic and Performance Planning, Policy and Program Coordination Bureau "Strategic Budgeting" (Results)
Strategic Budgeting seeks to align resources with program priorities. In the case of USAID, we face the challenge of applying aid effectiveness criteria in developing programs to support U.S. foreign policy priorities. Over the years, this has become increasingly complex: the Agency manages multiple appropriation accounts; the scope and range of foreign aid has increased to include issues such as HIV/AIDS and terrorism; and there is a concomitant need to differentiate countries according to their commitment a la the Millennium Challenge Account to promoting sound economic policy, good governance, and investment in people. Furthermore, the Agency's budget has mushroomed from about $7 billion in FY 2001 to over $14 billion in FY 2004. Moreover, OMB has placed a greater emphasis on budget and performance integration. These trends make it clear that traditional incremental adjustment to budgets needs to be replaced with a more strategic approach.

To address this challenge, in formulating the FY 2005 budget USAID developed a strategic budgeting process to allocate resources among bilateral programs. First, counties were placed into categories: Top Performers (top rated on MCA indices); Good Performers (near misses and other high performing countries not meeting the income threshold for MCA consideration); Fragile or Failing States; and Strategically Important Countries for Foreign Policy. Second, USAID constructed a complex statistical formula to assess the degree to which the Agency's budget request strategically allocated funds based on Country Commitment, Program Performance, Foreign Policy Importance, and Development Need. The results showed a strong positive correlation between the model and the budget request. Most of the discrepancies were due to the need for the Agency to request large levels of funding for Afghanistan, Israel, Egypt, Jordan and Pakistan. In addition, an analysis of the source of funding for each of the country categories were found to be along the lines the model would predict: Development Assistance and Child Survival & Health are the primary sources of funding for Top and Good Performers, whereas Economic Support Funds is the primary source of funding for Fragile and Strategic States. The analysis also showed that two-thirds of the Development Assistance funds and over three-quarters of Child Survival and Health funds were allocated to top and good performers, whereas over 85 percent of the Economic Support Funds were allocated to fragile states and strategic foreign policy countries.

Looking towards the formulation of budget for Fiscal Year 2006 and beyond, the Agency is applying a new set of definitions to the categories of countries to more clearly differentiate among Transformational Development Countries, Fragile States, Geo-Strategic States, as well as among regional and central programs designed to support humanitarian aid and address transnational development issues, such as HIV/AIDS. Within the Transformational Development Country category, further distinctions are being made as to how well the country performs on MCA and other objective criteria. This information when combined with more specific strategic budgeting criteria for sector, such as family planning, education or environment, will help guide decisions and where to allocate resources and how to approach the development problems those resources will address. Thus, this new paradigm for strategic budgeting will allow the Agency to decide a priori which are the priority countries for improving education, and then how

to approach education programming depending on the type of country one is working in (e.g. programs may require different approaches in a fragile state than, say, in a transformational development country).

Question and Answer Session

I am concerned about a growing vulnerability in the Agency over the last several years with respect to human resources and procurement. I've noticed that there are an increasing number of inexperienced staff managing programs and procurements. In Washington (and in the field), I think that its due to non-U.S. direct hire technical staff being in charge of managing programs and projects. Also, as we move out of central mechanisms of procurement to GSM mechanisms, we lose the quality controls. What are other people thinking about this? What are we going to do about this?
Lynn Kopala: First, the procurement function itself both here and in the field is vastly understaffed in terms of direct hires that can sign and negotiate contracts and grants. There are several reasons for that. About 50 to 60 percent of the workforce on the procurement side is reaching the age of retirement. To combat this problem, we are recruiting with haste. Second, one thing we really need to examine with respect to the contract, acquisition, and assistance sides is the professionalization piece. We have a career management program that is over ten years old. There are contemporary business skills that are just as important as knowing the nuts and bolts of contract writing, such as working in a team environment, collaborative communication techniques, and internal consulting techniques. Lastly, our use of technology should allow us to do things more quickly, but we must make a point to capitalize on the opportunities that it brings us. Web-based tools, used properly, can improve collaboration.

Patrick Brown: From a human resources point of view several parts of that question resonate for me. The 'missing generation' includes the people that we lack at the mid-level in the Foreign and Civil Service. We are adjusting in several ways to accommodate this lack in human resources. First, we fill the gap with New Entry Professionals (NEPS), whom we bring into the Foreign Service above the normal entry level. Then we begin to fill the entry level pipeline with the International Development Intern (IDI) program. While these two sources are being grown, we use the non-career or limited appointment authority to fill the gaps with employees who have gained valuable USAID experience as U. S. Personal Service Contractors or in other non-direct hire employment categories. On the Washington side, we are hiring 32 new civil servants through our DRI program. Also in FY '04, in the direct hire area, we are hiring 85 limited term Foreign Service officers for overseas assignments. As far as awareness of the gaps the questioner identified is concerned, the Agency has recognized it as a problem which we are addressing through both recruitment and training.

Peter Hobby: KfD is also concerned with ways to solve these same issues.

In terms of knowledge for development and collecting the information—how do we collect data not just internally, but externally? You mentioned that the Agency was trying to be more inclusive. We were excited about the new GSA schedule until it rolled out; however, we now have some concerns. How do we get information to people so that they understand what our experience is while the project is in progress, rather than waiting until the end of the evaluation period? Is there going to be an area where contractors can provide input and feedback in terms of this new direction to make sure it's going well?
Hobby: AID is actively building out its extranet infrastructure and investigating what applications are suited to that environment. One of its key concerns is how to handle Sensitive But Unclassified information. The Agency has a pilot program underway to test an application with the Office of Small and Disadvantaged Business Utilization (OSDBU) to gather partner information. Strengthening the relationship between USAID and its partners is one of the main objectives of KfD and the extranet development process.

From the OP side, it is counterproductive for the document structure of the contractor and that of USAID to differ. There should be a standard format on each side where all you have to fill out is a statement of work. I would hope that part of this transformation process would be to try and look at how you streamline the process to reduce the intellectual content that has to go into each action and to reduce error potential.
Kopala: The software that we're installing is commercial off the shelf software—the opposite of how systems development has taken place in the past. One of the big challenges is the culture of the contracting field. For a contracting officer, the decision whether to sign a contract is very serious and personal. Contract formats and language frequently reflect individual variations from officer to officer. It will be a challenge for contracting officers to rely on technology and to adopt more standardized documents.

There are a lot of complaints about inability of outside contractors, not existing USAID contractors, to break into the procurement system. There are also a lot of perceptions of conflict between VOs and contractors. I'm interested in the Procurement System Improvement Project. How will that, in a meaningful way, measure increases in efficiency and procurement, the competitiveness of procurement, as well as the long-term structural openness of procurement. How will that be accomplished? (If you could characterize your response in the context of a specific mission.)
Kopala: We can use any overseas post as an example. If Washington wants to find out in real time what an overseas post is awarding competitively or what kinds of businesses to which they're awarding contracts or grants, Washington and the post exchange and verify information on an ad hoc basis. Reporting isn't ingrained in our systems as part of completing the award transaction process. To some extent, the same mentality reins here in Washington, too. The performance emphasis is on negotiating, getting the best business deal, awarding the contract, etc. This is of course extremely important – but so is the reporting and accountability: to management, to Congress, to the White House, to the American taxpayer. The internet technology will make the data transfer and quality better, as well as improve interagency collaboration and communication with the outside

world. In terms of your question about the long-term structural openness of procurement, I've recently come on board to USAID and my job here includes serving as the Agency's Competition Advocate. I will be very interested in hearing any ideas you or anyone else may have with respect to this issue.

Due to the large turnover in the Agency, I am interested in possible incentive programs that we can implement for employee retention. Are we looking at student loan repayment programs for people coming in as IBIs or PMFs, noting that USAID is in a minority of government agencies not offering it? Secondly, are we looking at ways for civil servants to convert more easily to the Foreign Service if they so choose? It seems like the models work well. After appropriations have been made, can we maintain the needs versus performance balance?
Brown: People who come into the Agency as civil servants are attracted to our mission. In the case of the Presidential Management Fellows, while we sometimes very much want these highly capable people to remain in the Civil Service, we understand that it sometimes serves the larger needs of the Agency for some of them to change to the Foreign Service. In fact, we have formalized a Civil Service to Foreign Service Conversion Program, which allows civil servants to temporarily fill a Foreign Service overseas position while retaining the ability to return to the Civil Service. We're doing about eight conversions this fiscal year, more than we usually do. Regarding student loan repayment programs, as more and more Agencies offer this important benefit, USAID is at disadvantage in the recruitment and retention areas. We actually created a plan to build funding for it into our budget a few years ago, but it was rejected by OMB. It's something that we would like to do, and that we are looking at again very seriously.

Joe Lombardo: I think your question is related to what happens when we allocate funds in an operational year budget. The strategic budgeting model focuses on the formulation stage of the budget. We're not constrained as much by earmarks and directives. When we get an appropriation bill after its gone through Congress, there are invariably going to be additional constraints put on the budget itself. We try to remain as close as we can to our criteria, but we must keep in mind the statutory requirements. We can't possibly anticipate what all of the different earmarks will be in the planning stage. That is why we often have a disparity between what we expect and what actually occurs.

Welcome to **Session 8**

USAID's Business Transformation: Results to Date

Organizer: Nancy Barnett
Panel: Joe Lombardo, Peter Hobby, Lynn Kopala, Patrick Brown, Steve Crabtree

Tuesday, August 17, 2004

Business Transformation in USAID

Nancy Barnett

Bureau for Management, Office of the Assistant Administrator

U.S. Agency for International Development

Agenda

- Introductions/Overview (Nancy Barnett)
- Video (Andrew Natsios on Management Systems)
- Presentations (Panel of Experts on the 4 Business Transformation Initiatives)
- Closing Remarks
- Q&As (please hold your questions!)

USAID accelerates the development of countries and their people.

Since the Marshall Plan, we've helped to transform economies and societies all over the world.

Now, we are transforming our Agency.

People Revitalizing our workforce by attracting new talent, increasing training and providing performance

Technology Modernizing business systems to accelerate program delivery and results

Ideas Capturing & generating development knowledge

Results Investing in successful programs

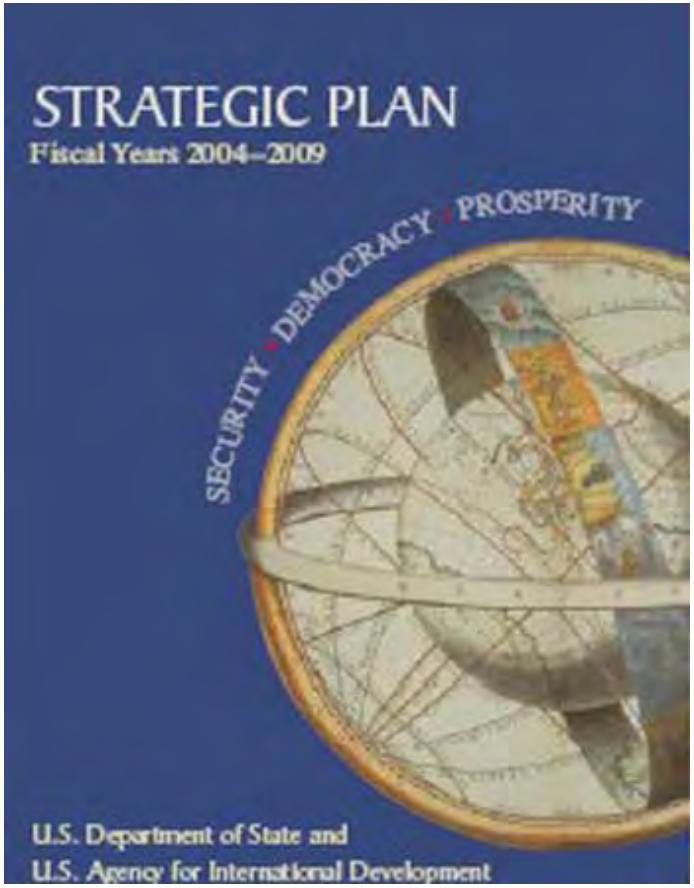
Business Transformation Executive Committee (BTEC)

- A “best practice” governance structure for agency-wide management improvements—implemented 2002
- Broad-based membership - senior career executives from across the Agency
- Developed major components of BT Plan

Administrator's Reform Objectives

- Simplicity and standardization
- Customer service culture
- Lower operating costs
- Partner inclusiveness
- Transparency
- Accountability and compliance
- Program performance

USAID's Strategic Plan & Joint Management Goals



Joint Management Strategic Objectives & Goals

Strategic Objective	Strengthen Diplomatic and Program Capabilities.
Strategic Goals	Management and Organizational Excellence. Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.
Performance Goals	• A high performing, well-trained, and diverse workforce aligned with mission requirements. • Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements. • Personnel are safe from physical harm and national security information is safe from compromise. • Secure, safe, and functional facilities serving domestic and overseas staff. • Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability. • Customer-oriented, innovative delivery of administrative and information services, acquisitions, and assistance.

KNOWLEDGE for DEVELOPMENT

President's Management Agenda:

"Government likes to begin things - to declare grand new programs and causes. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises."

—President George W. Bush

President's Management Agenda
Guiding Principles

- Citizen-centered
- Performance-driven
- Results-oriented

USAID Transformation Plan Incorporates President's Management Agenda (PMA)

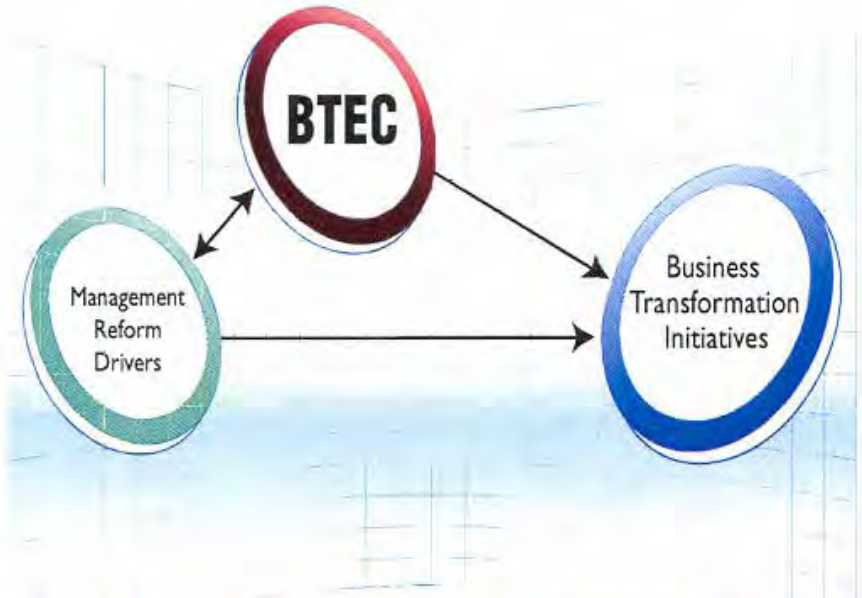
USAID Transformation Plan

- Strategic Management of Human Capital
- Business Systems Modernization
- Knowledge for Development
- Strategic Budgeting

President's Management Agenda

- Strategic Management of Human Capital
- e-Government
- Financial Performance
- Competitive Sourcing
- Budget & Performance Integration

USAID Business Transformation



Management Reform Drivers

- Administrator's Management Principles
- State-USAID Joint Strategic Plan
- President's Management Agenda

Business Transformation Initiatives

- Strategic Management of Human Capital
- Knowledge for Development
- Business Systems Modernization
- Strategic Budgeting

Message from the Administrator

Andrew Natsios, Administrator,

U.S. Agency for International Development

Human Capital

Patrick Brown,

Deputy Director, Human Resources, Management Bureau

People: Human Capital

Revitalizing our workforce by attracting new talent, increasing training and providing performance incentives

- Hired new employees with mission critical skills through the Development Readiness Initiative to align workforce skills to business requirements
- Saved $836,000 in taxpayer funds through online training enabling employees to complete nearly 2000 web-based courses to enhance job performance
- Trained nearly 1000 employees on Executive and Senior Leadership to enhance career development opportunities
- Streamlining employee performance evaluations and linking rewards to results to boost staff morale, motivation, and performance

USAID Recruitment Targets

FY 2004 Hires--Progress Report as of 08/12/2004

Category	Projected FY 2004	Employment Offers Made	Clearances Initiated	Entered on Duty as of 8/12/2004
FS replace Attrition	80	106	106	44
FS DRI	20	20	20	20
FSL 85	85	78	63	Offers accepted: 63
CS replace Attrition	90	77	76	70
CS DRI	32	34	34	15
Total	307	315	299	212

Business System Modernization

Steve Crabtree, Division Chief, Financial Systems, Management Bureau

&

Lynn Kopala, Deputy Director, Office of Acquisitions and Assistance, Management Bureau

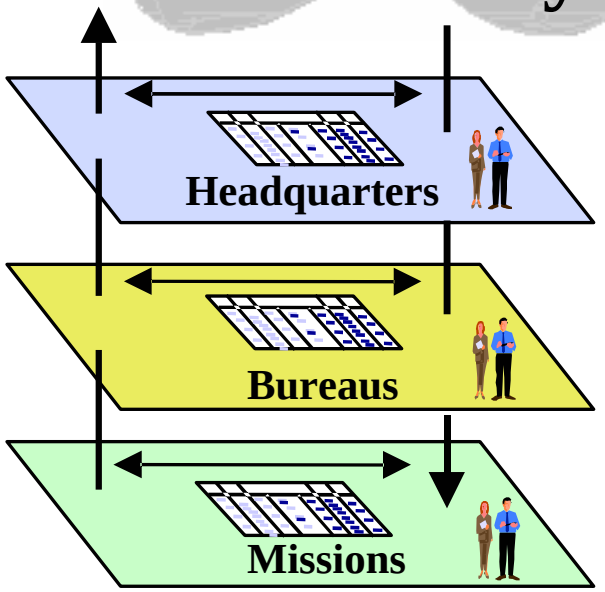
Technology: BSM

Modernizing business systems to accelerate program delivery and results

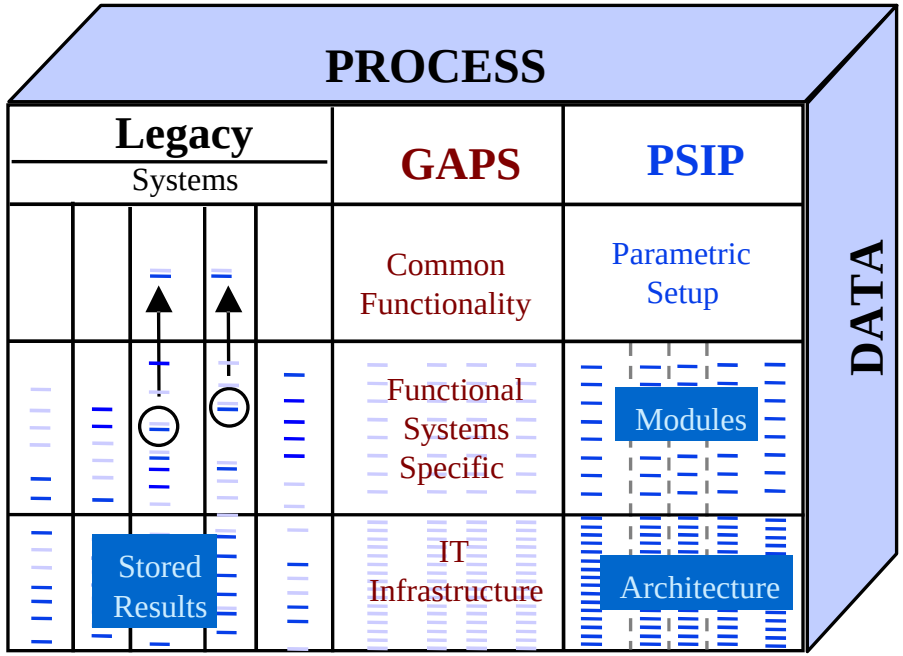
- Received first-ever clean audit on Agency financial statements that demonstrates transparent and accountable practices
- Deploying new financial management system and procurement software overseas to enhance decision-making and enable fast and accountable transactions
- Saving over $5 million in taxpayer funds over 3 years through joint licensing agreements as a result of the JFMS collaboration with State
- Reduced late payment penalties to vendors by $127,000 as a result of financial management improvements
- Launched an online recruitment tool that simplifies the hiring process, enables applicants to apply for jobs over the Internet, and provides better services to citizens.

Functional Understanding

USAID
Business Systems Modernization



Organizational Levels



Our Team evaluates the functionality at all organizational levels.

Islands of Automation

USAID

Current Islands of Automation

Disparate systems require extensive manual processing; data are inconsistent in format and content.

USAID

Future Integrated Global Business Platform

Systems work together seamlessly to merge with an Executive Information System (EIS) - an automated reporting system that enables managers to extract information from Agency data bases to make informed decisions and track program performance.

Ideas: KfD

Peter Hobby, KM Advisor, Management Office, E&E Bureau

Ideas: KfD

Capturing and generating USAID development knowledge

- Enhancing Knowledge management systems and methods to capture and share development expertise and new ideas
- Providing instant access to knowledge assets through on-line “yellow pages”

KfD enables the transformation of:

- ***People*** (revitalizing our workforce)
- ***Technology*** (modernizing business systems)
- ***Results*** (successful programs)

With ***Ideas***…

capturing and generating USAID development knowledge

The KfD Strategy…

Provides solutions to meet these needs with:

- Communities of Practice (CoPs)
- After Action Learning
- Expertise Locators
- Knowledge Mapping
- Knowledge 'Yellow Pages'
- Collaboration Software
- Improved document management, search, and portal technologies, and
- KfD-provided leadership and incentives for knowledge sharing

BTEC KfD Next Steps

- Strategy Rollout
  - Bureaus, Missions, Partners
- Implementation Planning
  - Project Plans
  - Performance Measurement Plan
- KfD Yellow Pages
  - Prototype, Pilot, Implement
- USAID Knowledge Conference
  - Spring, 2005

Strategic Budgeting

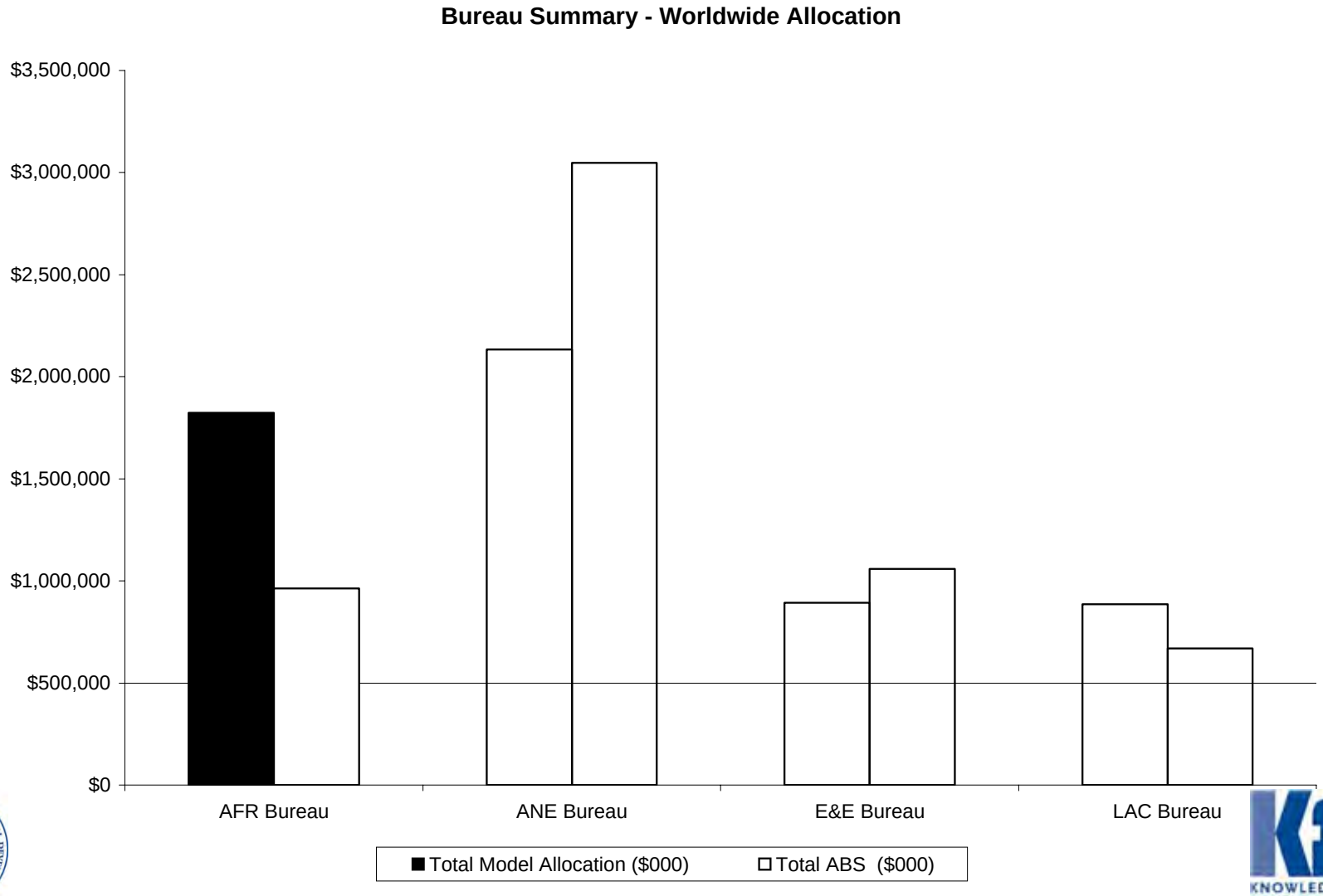
Joseph Lombardo, Director, Strategic and Performance Planning, Policy and Program Coordination Bureau

Results: Strategic Budgeting

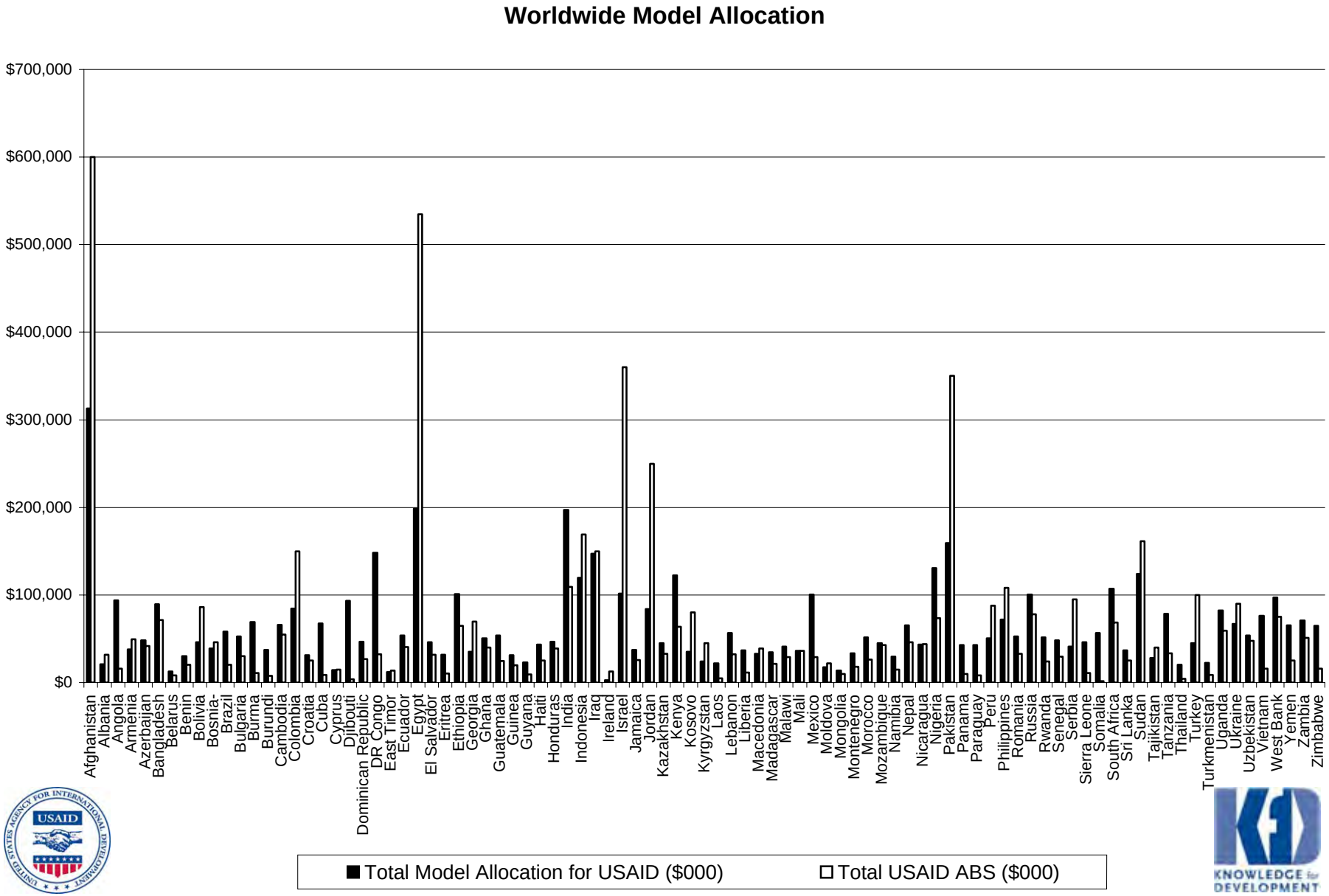
Investing in successful programs

- Strategically allocating program funds to countries with the most need and the highest commitment
- Better aligning staff with foreign policy priorities with a new Overseas Staffing Template-21 positions moving to ANE programs
- Re-allocated $30 million to higher performing, higher need programs

Strategic Budgeting

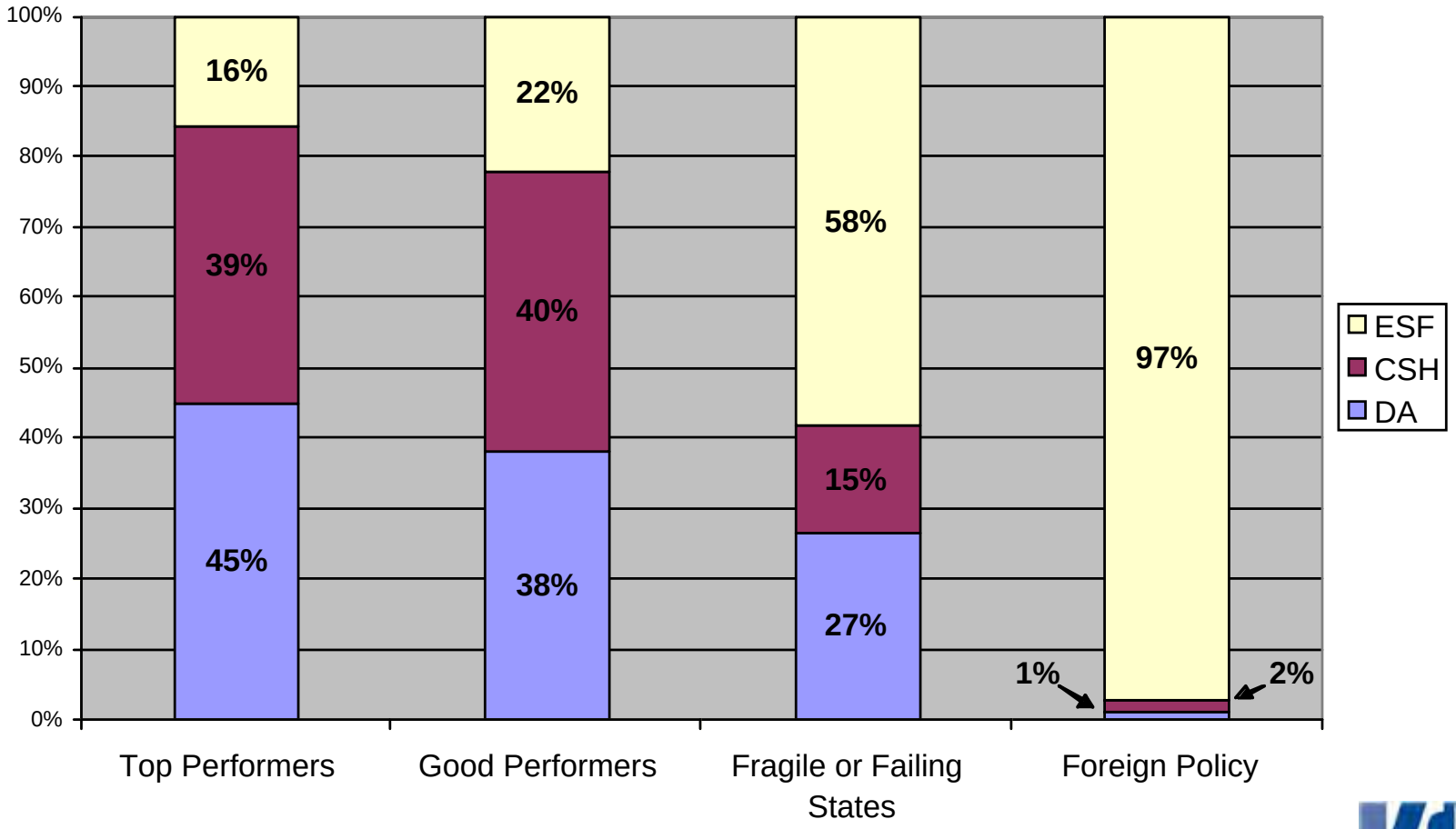


Strategic Budgeting



Strategic Budgeting

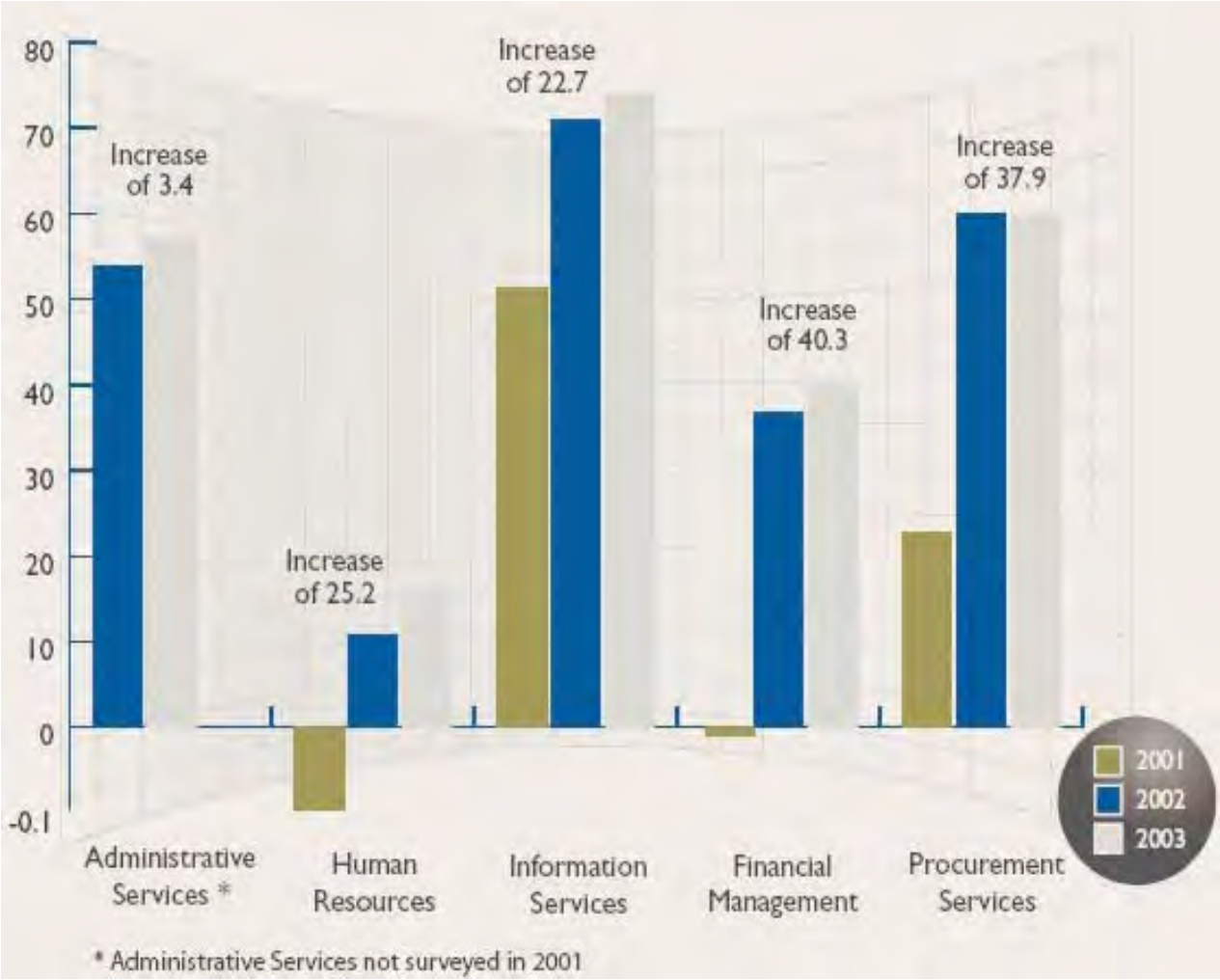
FY 2005 Bilateral ABS Proportional Funding by Account within Country Category (including cash transfers)



3rd Quarter PMA Scores

Initiative	*Progress*	*Status*
Budget and Performance Integration		
Human Capital		
Financial Performance		
Competitive Sourcing		
E-Gov		

USAID Customer Service Satisfaction



The **USAID Business Transformation Report** is available online:

http://www.usaid.gov/policy

BTEC Web site:

http://inside.usaid.gov/BTEC/

We welcome your feedback. Please contact us with your comments.

Come back next week for **Session 9**

Innovative Health Care Approaches

Organizer: Bryn Sakagawa
Panel: Mark Landry, Dr. Sara Bennett, and Dr. Pia Schneider

Tuesday, August 24, 2004