

USAID Business Transformation

Ideas



Results

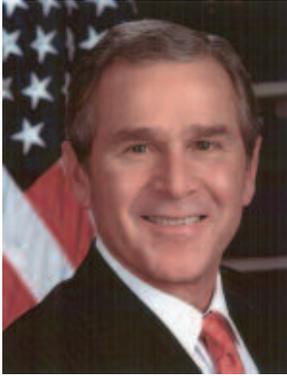


People



Technology





“What matters most is performance and results. In the long term, there are few items more urgent than ensuring that the federal government is well run and results-oriented. This Administration is dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used. We owe that to the American people.”

President George W. Bush



“I’m a great believer in team efforts. That’s why we have a State/USAID Joint Strategic Plan. That’s why we have a Joint Management Council. The Joint Strategic Plan lays out our foreign policy and development assistance priorities in the coming years and by doing so, it promotes an organizational culture in both agencies that values effectiveness and accountability”

Colin Powell
Secretary of State



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 incentives

Technology

Modernizing business systems to accelerate program delivery and results

Ideas

Capturing and generating USAID development knowledge

Results

Investing in successful programs



USAID at a Glance

- Authorities: Foreign Assistance Act of 1961. Statutory Agency
- Budget \$14.2 Billion in FY 2004 appropriations
- Workforce: 1,970 U.S. Direct Hire; Total 7,600 (Including Foreign Service Nationals and Personal Services Contractor)*
- Location: HQ-Washington, D.C.; Overseas Missions in over seventy-five countries within four regions - Sub-Saharan Africa; Asia and Near East; Latin America & Caribbean; and Europe & Eurasia
- Major Strategic Goal Areas: Democracy and Human Rights; Economic Prosperity and Security; Social and Environmental Issues; Humanitarian Response; and Management and Organizational Excellence.

* As of March 31, 2004

A Message from the Administrator

When I assumed leadership of USAID in May 2001, I pledged to make the Agency's modernization one of my highest priorities. Today's challenges demand a faster, more agile USAID with a sharper focus on the results of our investments of American taxpayer dollars overseas.

The context of foreign assistance has changed dramatically since USAID's origin in the Marshall Plan and establishment as an independent agency in 1961. Rapid technological change, the end of the Cold War, the growing menace of global terrorism, and the surge of HIV/AIDS and other life-threatening diseases have combined to alter radically the 21st century landscape. The security of the United States now depends on freedom and opportunity beyond the nation's borders. President Bush has recognized foreign assistance as a vital cornerstone of national security. The President's September 2002 National Security Strategy—issued shortly after the 9/11 attacks on the United States—emphasizes development as one of the three essential components of American foreign policy alongside defense and diplomacy.

Building on the National Security Strategy, USAID and the State Department have created a Joint Strategic Plan, a Joint Policy Council and a Joint Management Council to strengthen our collaboration when and where it makes sense. We are working together to review our policies, programs and administrative services and continuously improve coordination, eliminate redundancies and ensure intended results.

This year we published a White Paper listing five major foreign assistance goals: promoting transformation or sustainable development; strengthening fragile states; providing humanitarian relief; promoting U.S. geostrategic interests; and mitigating global and transnational ills. Our Business Transformation plan is helping USAID achieve these core missions.

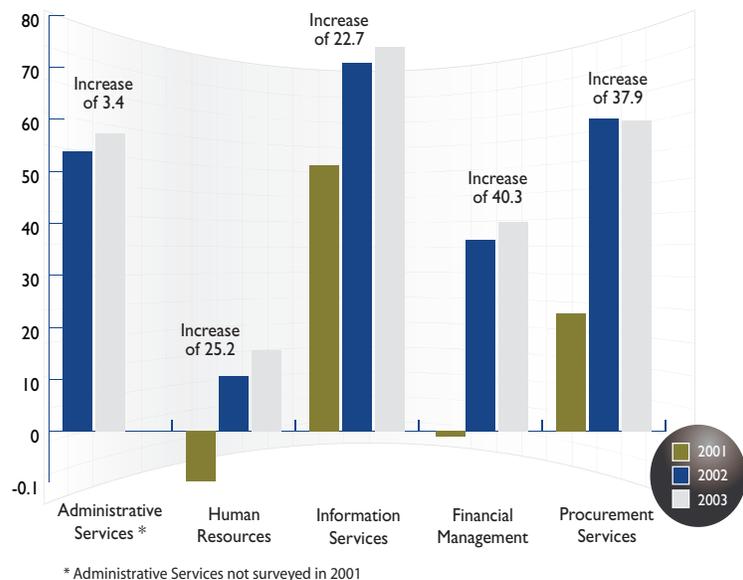
We are proud of the early successes described in this report. We are beginning to see tangible benefits to Agency employees and American citizens alike.

We've shown consistently improving scores on my annual Agency-wide survey of employee satisfaction with management services.

We've demonstrated financial accountability. USAID received its first unqualified ("clean") audit opinion from the Office of the Inspector General for our FY 2003 annual financial statements.

We've launched the Development Readiness Initiative to recruit and train the Agency's 21st century workforce in the skills needed to meet future challenges. **Our streamlined employee performance evaluation process** promises to boost employee morale and motivation, and **we have launched an automated HR tool** to simplify and quicken USAID's job recruitment procedures.

USAID Customer Service Satisfaction





"The most fundamental changes in national security policy since the beginning of the Cold War are occurring. And President Bush has been emphatic that *development* will play a central role. This is, then, a turning point for USAID as it is for the country as a whole. To remain effective, the Agency must enhance its business systems and processes. I have made management reform one of my highest priorities so that this Agency can meet the challenges of the new era."

Administrator Andrew S. Natsios

We've laid the groundwork for an Enterprise Architecture (an information technology blueprint) and **developed a new Capital Planning and Investment Control (CPIC) process** that are helping us get the most value out of our IT investments, and have been recognized as among the best in the federal government.

We have established a Program Management Office (PMO) to apply best practices in IT project management and risk mitigation to our IT and e-Government initiatives, and to make sure new systems work and are delivered on time and within budget.

We have implemented knowledge management tools to bring development professionals together "virtually" to share experiences and best practices for improved program performance.

We have developed a strategic budgeting model to enable us to link performance and resource allocation more efficiently.

We are additionally making good progress in modernizing our financial and procurement systems to enable greater speed, transparency, and accountability in our business transactions.

We are also showing steadily improving scores in all five initiatives of the President's Management Agenda: Strategic Management of Human Capital; Improved Financial Management; Expanded e-Government; Competitive Sourcing; and Budget and Performance Integration.

Our next steps will include overseas implementation of our new financial system, Phoenix, along with new procurement software that will integrate with State's financial platform. These systems will standardize and web-enable our core business processes to reduce costs, make systems easier to use and enhance our ability to respond to emerging program needs. We will also begin to implement reforms of USAID's new overseas business model, and we will continue to expand and "mainstream" the highly successful Global Development Alliance into the Agency's day-to-day business activities.

Enormous challenges remain as we move towards our vision. This plan is helping us get there. Your support of our efforts is sincerely appreciated.

Administrator Natsios' Management Reform Principles

1. 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.
2. Establish a customer service culture making the Agency's own business systems as cost effective and user friendly as possible.
3. Increase efficiency by reducing overhead expenses so that costs of doing business are transparent, aggressively managed, and compare favorably with peer organizations.
4. 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.
5. Increase transparency in program and business decision-making, assuring that decisions are fast, results-driven, and clearly understandable to large and small partners.
6. Ensure accountability and compliance with the letter and spirit of all applicable laws and regulations to achieve a clean audit opinion, deter legal disputes and acquire a sterling reputation for sound management.
7. 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.

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Forward



In December 2003 USAID completed Phase One of the construction of the road from Kabul to Kandahar in Afghanistan.



Deputy Administrator Frederick W. Schieck
Chairman, USAID's Business Transformation
Executive Committee

Managing a comprehensive business transformation across an agency as large and decentralized as USAID is an enormous challenge. From the start, the Administrator recognized that establishing an effective governance structure would be one of the most important keys to our success. And certainly another such key is enlisting the support of our employees, in Washington and the field, in the success of our reform initiatives. In my role as Chairman of USAID's Business Transformation Executive Committee (BTEC), I have guided the process for achieving these objectives.

The Administrator created the BTEC to unite the most senior career executives across the Agency in a partnership to reform the Agency's management systems and improve organizational performance. The BTEC is based on the recognized "best practice" that successful, large-scale transformation requires active collaboration, shared ownership and accountability across an organization's entire top leadership team.

"Effective governance is the single most important predictor of [success in] getting business value from information and technology."

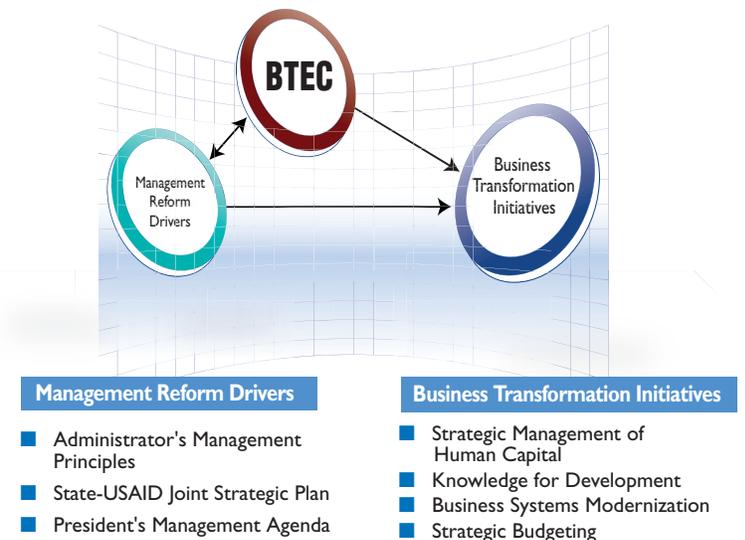
Center for Information Systems Research,
Massachusetts Institute of Technology

The BTEC meets monthly to review progress, set priorities and make decisions. It serves as the Agency's capital investment review board to ensure that investments address USAID's highest priorities and meet employees' needs. The BTEC puts the business needs of the Agency in the driver's seat, with individual employees, managers and USAID technicians headed toward the same destination. This is a vehicle for USAID executive leadership which blends needed results, resource decisions and supporting technology. Over

the past two years, the BTEC has developed the major components of our business transformation plan. The plan has been designed to address the President's Management Agenda (PMA), the Administrator's Management Reform Principles, and the management strategic objectives of the Joint State-USAID Strategic Plan.

Our results-oriented reforms are already benefiting our employees and U.S. taxpayers. Our plans and early successes are a tribute to the leadership of the President and our Administrator, and the responsive efforts by USAID's dedicated workforce. But our first steps are only a start in a multi-step, multi-year plan.

We are confident that our business transformation plan and the BTEC are making a difference in improving our capabilities to meet the challenges of the 21st century.



See appendix 3 for a listing of BTEC actions

Introduction



2004 marks the 50th anniversary of the Food for Peace program.



John Marshall
Assistant Administrator for Management
and Chief Information Officer

I am pleased to introduce USAID's Business Transformation Plan. This report has been prepared to inform USAID employees, members of Congress, our business partners, and other American citizens about our ambitious plans that will help maintain the status of this Agency as one of the world's premier foreign assistance organizations.

The past three years have been momentous ones for USAID due to our business transformation activities. Never in the Agency's history have management issues received so much attention.

A new Administrator arrived in 2001, found the Agency's management systems broken, and launched a comprehensive reform effort. A few months later, the President's Management Agenda was announced and expectations rose even higher.

USAID has faced many formidable challenges in its 43 year history. It has launched some of the boldest development initiatives around the world such as the Marshall Plan in post-war Europe. It has celebrated major successes, including the Green Revolution in south Asia and the recent 50th Anniversary of the Food for Peace Program. It has weathered criticism and survived major cutbacks.

Today's global challenges are different. Numerous public, private and non-profit organizations are actively participating in this dynamic environment. To maintain USAID's position of leadership, we need to focus more sharply on our results in the field and demonstrate our value.

USAID's business transformation plan is an integrated and coordinated plan with mutually reinforcing performance goals 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.

Keeping our focus on these important resources and the vital roles they play in achieving our results-oriented objective will ensure that we achieve the Administrator's vision for USAID and meet the complex challenges of today's world.

Our Strategic Management of Human Capital reforms address the **People** dimension and are presented in our comprehensive Human Capital Strategic Plan.

Our Business Systems Modernization (BSM) initiatives address the **Technology** dimension and includes modernizing the way we select and manage information technology (IT) investments.

Our Knowledge for Development (KfD) initiative addresses the **Ideas** dimension and includes a strategy to capture USAID's vast reservoir of development knowledge and generate new ideas.

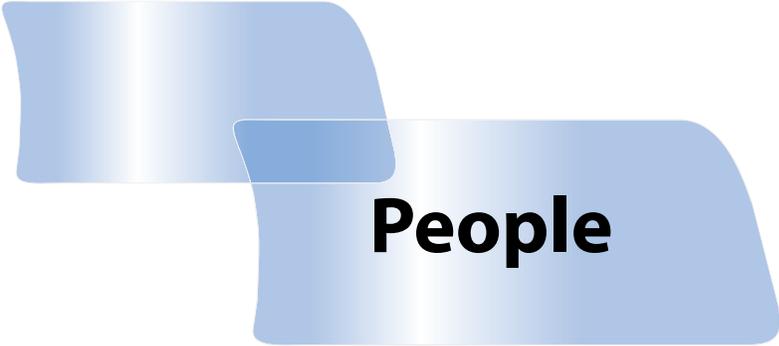
Our overarching Strategic Budgeting initiative addresses the **Results** dimension and includes reforms to improve the Agency's strategic planning and resource allocation.

The sections that follow summarize our reform efforts in each of these focus areas and include:

- A description of the challenge
- Our response to the challenge
- The results that have occurred
- The "next steps" in this forward movement

Please read ahead and see for yourself the achievements of our business transformation activities. Thanks for your interest and support as we proceed with these critical efforts.





People

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 on-line 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

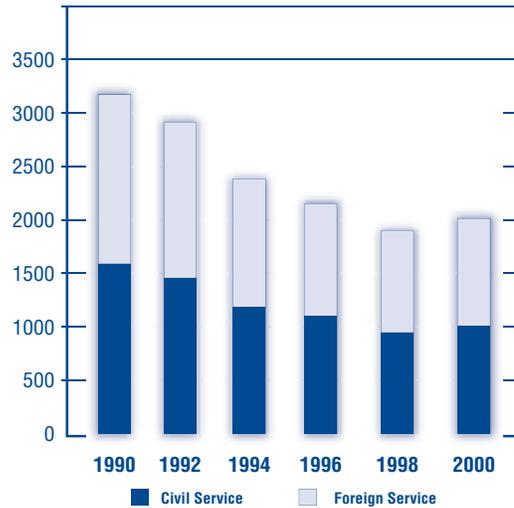
People: Strategic Management of Human Capital

The Challenge

The decade of the 1990's was marked by aggressive downsizing and cost-cutting in administrative functions across the federal government. From 1992 to 2000, USAID's direct hire workforce was cut by nearly 40 percent. The administrative support functions of procurement and human resources management were particularly hard hit. At the same time, world events produced new demands for foreign assistance in the former Soviet Union, Eastern Europe, and other areas. USAID's program budgets grew to respond to new challenges, but the Agency did not receive additional operating expense (OE) funds to pay for the extra administrative costs associated with these emerging priorities. To meet new demands, the Agency rationed its OE shortages by reassigning employees and shifting OE funds from less critical activities to more urgent ones. Human resources functions like staffing and training were eliminated or significantly cut back.

The USAID inherited by Administrator Natsios in early 2001 was faced with serious resource shortages. Since 9/11, new demands of rebuilding Afghanistan and Iraq and fighting the global war on HIV/AIDS have compounded USAID's challenges. From fiscal year 2001 to 2003, the Agency's pro-

USAID Direct-Hire Workforce



grammatic responsibilities and spending nearly doubled, while its direct hire workforce and OE budget have remained essentially flat. As a consequence, USAID today faces growing human capital gaps, as identified by the BTEC and the Administrator's annual all-employee survey, including:

- A lack of surge capacity to meet emerging needs
- A workforce that is rapidly aging, has a void in the mid-management ranks, and is losing skills and "institutional memory"

USAID Human Capital Strategic Action Plan



- Chronically vacant or under-staffed positions and accumulating backlogs of work
- A bureaucratic and cumbersome performance appraisal process that is perceived to lack fairness, honesty, transparency, and linkages between results and rewards
- Morale and "burn out" problems and perceptions that USAID is not an employee-friendly work environment
- Perceived barriers to equal employment opportunity
- Insufficient capacity in human resources (HR) functions to recruit and develop an effective 21st century workforce

The Response

To address the Agency's most critical workforce and competency gaps, the BTEC led the development of a five year USAID Human Capital (HC) Strategic Plan. The plan describes the human resources capabilities necessary to implement the overall Joint State Department-USAID Strategic Plan, while directly addressing the human capital goals of the President's Management Agenda (PMA). The plan addresses five strategic objectives:

- A high-performing workforce achieved;
- Staff strategically aligned with Agency priorities;
- A more flexible workforce established;
- A diverse workforce created; and
- Increased human resources capacity to support USAID's mission

Achievements

Activities for each of the Agency's human capital strategic objectives are highlighted below.

I. A High Performing Workforce Achieved

Development Readiness - Filling Critical Talent Gaps

The Development Readiness Initiative (DRI), modeled after the Department of State's successful Diplomatic Readiness Initiative, was launched by Administrator Natsios in fiscal year 2004. The DRI is the most aggressive recruitment effort to rebuild and revitalize the Agency's workforce in more than a decade. This initiative, the cornerstone of the Agency's succession planning efforts, provides surge capacity to respond quickly to emerging program priorities. Over the next three years, the Agency plans to hire a total of 250 additional employees through DRI budget authorities, thereby increasing the direct hire workforce from 2,000 in fiscal year 2004 to 2,250 by fiscal year 2006 (assuming full funding). These new employees are being recruited through several hiring mechanisms. Entry-level Foreign

57 new Foreign Service Officers have entered the agency in 2004 as of June 30th including 15 International Development Interns and 39 New Entry Professionals. 20 of these FSOs were hired under the DRI authority. One additional 2004 FSO class will join the Agency by October.

Service officers are being recruited and trained through the International Development Intern (IDI) program. The Agency is reinstating a Contract Specialist intern program (CSIP) and expanding the use of Presidential Management Fellows (PMFs) to fill critical skill gaps in its procurement staff and other Washington-based Civil Service positions. The additional human resources provided by DRI enable USAID to:

- Immediately fill important, longstanding vacant positions
- Increase the levels of oversight and accountability of organizations receiving taxpayer funds by US direct hire employees
- Allow more employees to attend training without creating coverage gaps
- Respond to new and emerging program requirements without reassigning employees from other Agency programs

The Agency is hiring approximately 50 new employees through the DRI in FY '04. 20 Foreign Service Officers have already been hired and the remaining balance is being met by hiring 10 PMFs, 2 HR interns, and 20 CSIP interns in the Civil Service.

Performance Management Reforms - Creating a High Performance Workforce

New performance management policies approved by the BTEC will streamline the cumbersome annual employee evaluation process. The new procedures will reduce the amount of paperwork previously required. Greater emphasis will be placed on meaningful inter-personal communications about organizational goals, expectations, performance, results, and career development needs. The revised process will provide clearer connections between performance ratings, results and rewards, and thereby provide a stronger incentive for employees to improve job performance and achieve expected results.

Training-Sharpening Skills and Developing New Leaders

Administrator Natsios has made a strong commitment to rebuilding the Agency's depleted training capacity to make sure that employees' skills match the challenges of their jobs. The training curriculum has been overhauled to cre-

ate a career progression of courses for employees at entry, mid-level and senior levels, and significant funding levels have been requested. This approach envisions a training pyramid for Agency employees that includes leadership, management, technical and job skills training available to employees during the course of their careers.

Entry and mid-career training will focus on improving technical and job skills. Project and contract management training have been identified as skills requiring particular emphasis. The Agency's Cognizant Technical Officer (CTO) Certification Program is expanding to meet the need for highly trained project managers of large, complex projects. This program teaches employees how to select the appropriate assistance or acquisition instrument (i.e., contract, grant or cooperative agreement) and manage the project from award through administration, monitoring, evaluation and close-out.

An aggressive leadership development program has been

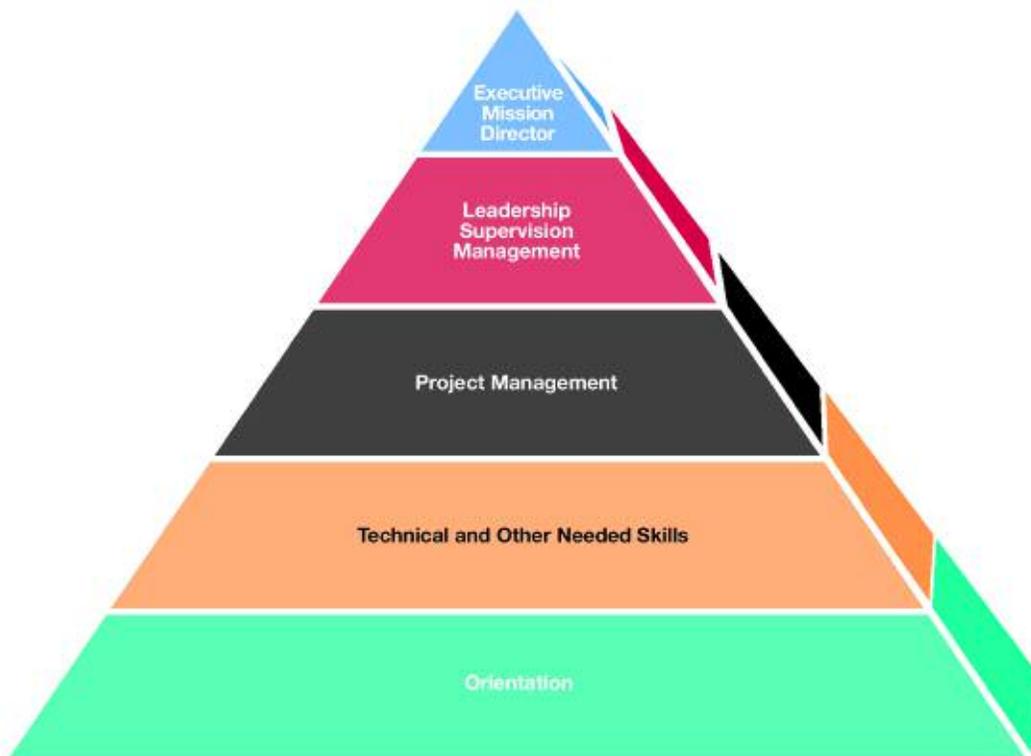
developed. The Agency reviewed leadership skills at the Senior Foreign Service and Senior Executive Service levels to determine appropriate curricula. As part of this program USAID has expanded the training partnership with the Federal Executive Institute to include mentoring and coaching courses.

A large number of courses are now available to employees through the Agency's "e-Learning Institute," launched in 2002.

Accounting, marketing, management, communications, and other subjects are taught through text presentations, simulations, and chat rooms. The self-paced, self-taught courses are a cost efficient alternative to more

expensive instructor-led courses and have resulted in a significant cost-savings for USAID. These savings will continue to grow rapidly as more advanced level Agency courses require distance learning courses as prerequisites, and as more and more employees learn to access this relatively new training medium.

An Emerging Leadership course for mid-career employees uses a "blended" training approach that includes traditional instructor-led classroom training and self-taught training through access to online courses on the Internet. Courses are tailored to topics of leadership and management identified by the student and his or her mentor, a senior manager who has been assigned as a coach.



The pyramid shows the types of training an employee will take over the course of a career at USAID

2. Staff Strategically Aligned with Agency Priorities

Workforce Analysis and Planning

A key part of the Human Capital Strategy is the establishment of a modern workforce planning capability that integrates with the Agency's overall strategic planning and budgeting processes. USAID is currently conducting the first comprehensive workforce analysis in the Agency's history. This analysis will help to determine staffing levels needed to meet program demands, identify gaps in skills and staffing levels, and create a plan to close the gaps. Initial workforce analysis efforts focused on USAID's growing Global Health programs and the administrative functions of procurement and human resources management to determine the appropriate methodology to use Agency wide. USAID plans to implement a workforce planning system in the 2nd quarter of FY 2005.

Right-Sizing the Overseas Presence – Two New Models

USAID has developed an **Overseas Staffing Template**, a consistent, transparent method for allocating overseas staff that is integrated with the Agency's strategic planning and budgeting process. Applying this template, Agency management is repositioning the overseas Foreign Service workforce—700 full-time staff—to address critical staffing gaps in the Asia and Near East region. Annual reviews of the overseas staffing template will be conducted based on new mandates and priorities as well as new workforce planning levels.

A study of the Agency's **Overseas Business Model** was completed in the 3rd quarter of 2004. The findings contain

recommendations to the Administrator for consolidating administrative functions in regional service centers to further rationalize staffing and to streamline overseas operations. Plans for implementing decisions are in development.

The Agency's comprehensive workforce planning effort, when completed, together with the findings from the Agency's Overseas Business Model study, will establish a strategic process for the overseas staffing of both U.S. direct hires and non-U.S. direct hires.

3. A More Flexible Workforce Established

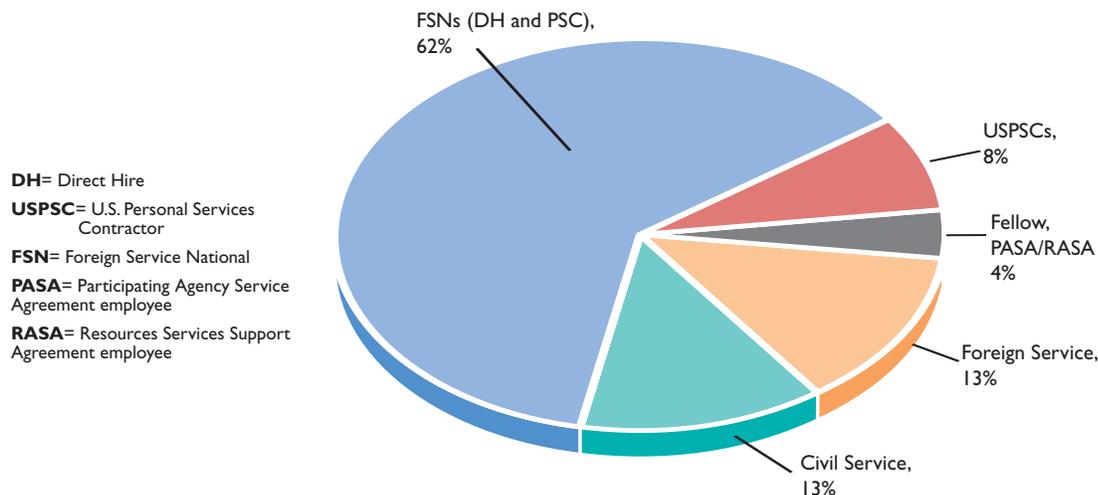
Non-Career Limited Term Foreign Service Appointments—Rapid Placement of Staff to Respond to Emerging Program Priorities

In the 2003 legislative session, Congress provided USAID with a new flexible hiring authority that permits hiring of up to 85 new limited-term Foreign Service employees per year for three years (fiscal years 2004 through 2006) for overseas assignments. This new authority will help fill the approximately 40 overseas positions that typically remain unfilled at the end of each Foreign Service assignment cycle due to a lack of human resources. The new authority will also assist in providing a surge capacity to respond to global emergencies and new strategic priorities, such as those associated with recently opened or re-opened missions in Pakistan, Thailand, Afghanistan, Iraq, Sudan and Djibouti. 52 candidates have accepted offers for non career Foreign Service limited appointments as of July 2004.

4. Creating a Diverse Workforce

To promote and sustain a diverse and efficient workforce,

USAID Workforce Profile



USAID is conducting a study of workforce diversity issues and developing an action plan that will incorporate meaningful affirmative employment goals into recruitment and training strategies. Current recruitment outreach activities include participation in national job fairs and visits to college campuses. USAID recruiters also coordinate with the Department of State Diplomats in Residence (DIR) to attract a diverse pool of applicants for the Agency's Foreign Service. Many DIRs are located at minority serving institutions.

5. Increasing HR Capacity to Support USAID's Mission

Based on comments from the Administrator's annual Employee Survey, the Agency is developing a strategy to improve personnel services and streamline HR processes. To enhance services, an automated recruitment tool, Avue, was introduced to accelerate processing of HR transactions. Avue reduces the amount of time required to fill vacancies, streamlines the job application process, and provides timely information to applicants. As a result, the internal recruitment cycle has been reduced from 229 days to less than 45 days from job announcement to employee selection in conformance with OPM standards. An internal study revealed that Avue has saved the Agency the equivalent of 7 full time positions due to the streamlining of processes as a result of the web-based and automated features. These features enable filling out and submitting applications on-line, notifying applicants of the status of their application by email and automating the rating and ranking process. These increased efficiencies enable the Agency's human resources professionals to devote more time to serving as consultants to their customers.

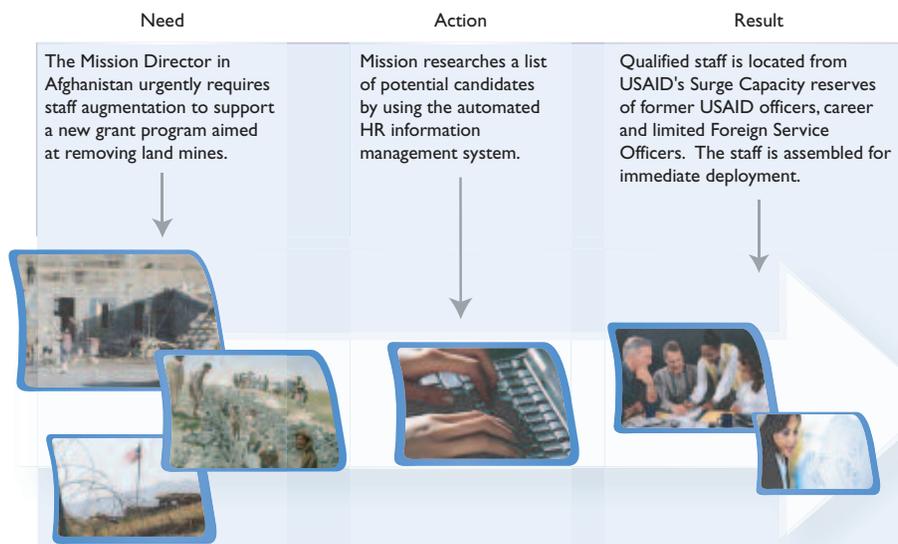
Next Steps

USAID has developed a human resources accountability system that includes performance metrics to monitor, evaluate, and track achievement of priorities and goals in USAID's Human Capital Strategy. Plans to implement the system are currently being developed.

The Agency is exploring plans to develop an automated HR information management system (HRIMS). An HRIMS will provide quick and easy access to centralized information such as an internal skills database that will assist managers in identifying needed staff when making key decisions related to unexpected international crises and global emergencies. In parallel to these efforts, USAID is participating in the cross-agency OPM HR Line of Business e-Government initiative. This initiative envisions improving the delivery of HR services through consolidation of common HR functions that are shared throughout the federal government.

Human Capital Milestones	
Hire 50 employees under DRI.	4th Quarter FY 2004
Appoint 85 non-career FS to fill vacancies overseas.	4th Quarter FY 2004
Construct initial staffing models based on workforce data collection and initiate recruitment and assignment actions to address staffing gaps.	1st Quarter FY 2005
HR accountability system with metrics initiated.	2nd Quarter FY 2005
Implement final workforce planning system to address Agency skills/staffing gaps.	2nd Quarter FY 2005

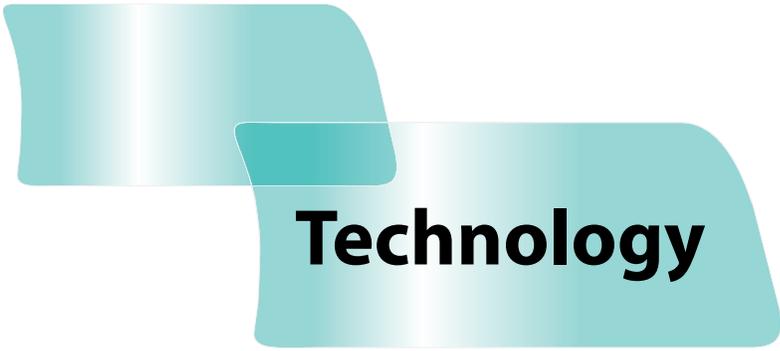
An Example of How Human Capital Initiatives Will Help USAID Respond Quickly to Urgent Program Needs



Summary of Human Capital Achievements & Benefits

Initiatives	USAID Employee Benefits	U.S. Taxpayer Benefits
Development Readiness Initiative (DRI)	Allow more employees to attend training without creating job coverage gaps	New talent is in place for current and future succession to ensure continuity of Agency program operations.
FY '04 legislation authorizes USAID to hire 85 Foreign Service Limited positions per year through FY 2006.	Respond to new and emerging program requirements without reassigning employees from other Agency programs.	USAID is able to quickly respond to high profile, often politically sensitive, and quick response situations that can be critical to national security.
<p>In the past three years, USAID's training has doubled from the levels of the 1990s.</p> <p>New certification training programs for technical staff to address skills gaps and to develop new skills.</p> <p>E-Learning Institute launched.</p>	<p>Nearly 1000 employees have received executive and senior leadership training;</p> <p>Over 500 employees have received supervisory training;</p> <p>Over 900 employees have received CTO certification training;</p> <p>Improves employee morale in critical, but under-staffed functions, such as procurement;</p> <p>Employees have completed nearly 2000 courses on-line with reduced disruptions to work responsibilities due to time away from office. (May '03 - July '04).</p>	<p>Enhanced employee performance results in taxpayer funded Agency programs being carried out as effectively as possible.</p> <p>USAID's distance learning courses have saved approx. \$836K for the Agency for the period 5/03 - 6/04 when compared to traditional instructor led training. In addition, enormous savings are achieved due to lack of travel, hotel and per diem.</p>
New performance management policies approved by the BTEC will streamline annual evaluation procedures, training, awards and accountability.	Reduces the amount of time supervisors spend preparing annual evaluation forms; places more emphasis on counseling, career development and results.	Improves employee performance and achievement of results through better performance incentives.





Technology

Modernizing business systems to accelerate program delivery and results

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

Technology: Business Systems Modernization

The Challenge

USAID has a proud tradition of innovation and autonomy in designing development programs and managing its missions overseas. The Agency has also been highly creative in applying information technology in its missions and at its headquarters in Washington, DC. However, the lack of telecommunications capacity in many countries combined with an organizational culture that prefers decentralized, non-standard solutions have presented challenges. Until recently this situation prevented the Agency from realizing efficiencies and other benefits of a common worldwide technology platform connecting headquarters and mission-based systems. Widespread use of personal computers, e-mail and office automation without a standard global strategy for business applications has led to disconnected "islands of automation" throughout USAID. This has resulted in extensive use of unique, informal and un-audited data and systems for reporting at each mission and at high cost. In addition, timely, accurate and reliable standardized management reports are often not able to be produced.

In the 1990's, USAID recognized the need to modernize, standardize and integrate its business processes into a single global business platform. Unfortunately, an ambitious modernization effort failed and led to perceptions of USAID as a poorly-managed organization. The Administrator's assessment of the Agency's service delivery capabilities when he arrived in 2001 indicated that USAID's business systems remained slow, cumbersome, based on obsolete business practices and technology, and out of compliance with federal standards. The challenges of the 21st century require that USAID develop management systems that provide:

- Faster, more cost-effective processing of transactions and delivery of foreign assistance overseas
- Improved surge capacity for emergencies and unanticipated workload spikes
- Elimination of paper-processing, freeing employees to perform higher-value work
- Comprehensive, consistent, and timely information to

- Agency managers worldwide, enabling them to monitor, direct, and report on program performance
- Systems that work together seamlessly to merge financial management, procurement, and management reporting into one easy-to-use system
- State-of-the-art internal controls to prevent and detect unauthorized activities

The Response

In recognition of these challenges, the BTEC developed a Business Systems Modernization (BSM) plan to establish a worldwide business platform capable of supporting higher levels of performance. The goal of the BSM initiative is to enhance the delivery of Agency services and programs through Internet-enabled, globally deployed systems and standardized processes and practices. The BSM initiative is incorporating the lessons learned from past Agency efforts and is designed to focus on customer and employee needs.

Three main points make the BSM different from past modernization efforts:

- The Agency program leadership assures USAID business needs come first when making investment decisions about information technology systems. USAID's Business Transformation Executive Committee (BTEC), a governance structure of senior leaders from across the Agency, is responsible for using the Enterprise Architecture and Capital Planning and Investment Control processes to set priorities and make critical decisions on BSM investments. BTEC's oversight ensures that transformation initiatives remain focused on the Agency's mission requirements and strategic objectives.
- Improved project management capabilities are in place. USAID has established a Program Management Office (PMO) that is being staffed by certified IT project managers to ensure application of "best practices" in risk mitigation, change management, life cycle system development and portfolio management to BSM initiatives.
- BSM is using proven commercial software products. Rather than developing a custom, home grown, or "big bang" solution, BSM is using commercial off-the-shelf (COTS) software modules that have been designed to work together. These software products have been rigorously tested and proven to meet federal standards, and have been used successfully by numerous agencies, including the Department of State.

Over the past several years, USAID has made significant progress in modernizing its business systems by: implementing a new core accounting system, Phoenix, in Washington, DC; planning for the integration of Phoenix with the State Department's accounting system through the Joint Financial Management System (JFMS) project; planning to deploy Phoenix overseas along with a new State-USAID Joint Acquisition and Assistance Management System (JAAMS); and by participating in numerous cross-agency e-Government initiatives through the President's Management Agenda.

Phoenix Accounting System - Enabling Fast, Transparent and Accountable Transactions

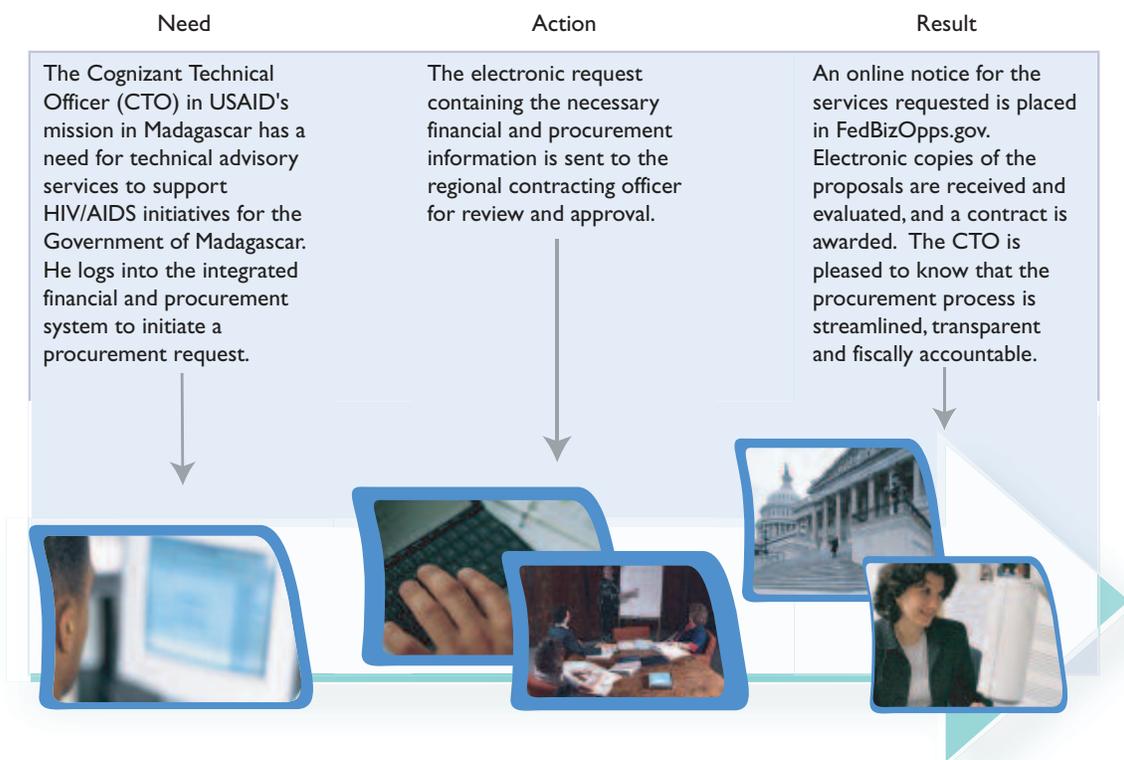
Deployment of Phoenix overseas will extend the headquarters core accounting system to USAID's world-wide missions and when fully implemented will be the central component of the Agency's global business platform. The overseas deployment of a Web-based, financial management system will provide an affordable and standardized agency-wide system for budget execution, accounting, and financial management. Phoenix will replace the current Mission Accounting and Control System (MACS) system with one that is compliant with federal regulations. A key benefit is that financial transactions entered in the field will post

immediately to the general ledger accounts. Mission employees in financial management offices will benefit by accomplishing their tasks more efficiently.

Phoenix provides the following benefits to USAID employees and U.S. taxpayers:

- **Accountability:** Phoenix will allow rigorous compliance with federal audit requirements. The Agency will be able to routinely produce detailed federal financial statements directly from the financial system that will provide an accurate accounting of funds for employees and U.S. taxpayers.
- **Improved Decision Making and Planning:** Phoenix will enable USAID managers to quickly access financial management data, answer important day-to-day business questions, and make strategic decisions based on up-to-the-minute data.
- **Efficiency and Effectiveness:** Phoenix will enable close collaboration among administrative and program staff throughout financial, procurement, and budget life cycles, while enforcing appropriate separation of duties. As a result, financial management activities will enhance mission delivery.

An Example of How BSM Will Help USAID Operate



Phoenix has been successfully implemented in Washington and now supports Washington-based accounting transactions. The Agency ran pilot programs of the system in five overseas missions during the summer of 2004 and will fully replace the MACS system with Phoenix in up to 40 overseas missions by December 2005.

"We are very excited. We think Phoenix will work. The two main advantages of Phoenix are that data is entered only once, and that the Washington office will be able to run financial reports independently of missions."

Chief Accountant Sherif Zohdi, USAID Egypt Mission.

USAID is coordinating the implementation of Phoenix overseas with the State Department through a project referred to as the Joint Financial Management System (JFMS). This project began in 2002 when it was recognized that State and USAID were independently implementing the same financial software package, and they could achieve savings by working together to produce a single system to serve both agencies. Plans call for USAID and State to converge onto a single system running on the same platform serving both agencies at the end of calendar year 2005. Savings of over \$5 million in software license fees are expected to accrue through fiscal year

Phoenix Overseas Deployment Project Milestones	
Complete pilot projects at Peru, Egypt, Ghana and Nigeria overseas missions	4th Quarter Fiscal Year 2004
Deployment of Phoenix to new overseas missions	During FY 2005
Re-host Phoenix to State Department's Charleston Financial Services Center as part of the Joint Financial Management System Project	1st Quarter FY 2006
Complete deployment of the Phoenix Financial Management System to all USAID overseas accounting centers	1st Quarter Fiscal Year 2006

2007 as a result of leveraging the combined purchasing power of the two agencies.

Joint Acquisition and Assistance Management System - Enabling Accurate Procurement Data Anytime & Anywhere

The Joint Acquisition and Assistance Management System (JAAMS) is the other core building block of USAID's global business platform. Similar to the collaboration effort on financial systems under JFMS, USAID is coordinating the implementation of a new procurement system with State. Because over 60% of USAID's budget funds are obligated through contracts and grants, the acquisition and assistance (A&A) process is the primary means by which USAID implements its international development and humanitarian assistance programs. More than half of the Agency's procurement transactions are conducted overseas. Modernizing A&A processes and integrating A&A transactions with Phoenix is critical to USAID's ability to reduce transaction cycle time, accelerate the delivery of foreign assistance where it is needed, and produce more timely and accurate business information.

The proposed software for JAAMS is in the same family of software products as Phoenix. This means the Agency will have a procurement system that is fully integrated worldwide with the financial system. This will prevent duplicate entries; eliminate the cumbersome interface between the

Joint Acquisition and Assistance Management Project Milestones	
Complete requirements analysis and project planning	1st Quarter Fiscal Year 2005
Implement joint USAID and State procurement solution in Washington, and integrate with respective financial management systems	During Fiscal Year 2005
Complete pilot project at a USAID mission	3rd Quarter Fiscal Year 2005
Complete full deployment of JAAMS	1st Quarter Fiscal Year 2006

two legacy systems, enable easily accessible information on program commitments, obligations and expenditures. The new system will be rolled out to both the Washington, D.C. offices and to the overseas missions in 2005. At the same time JAAMS will also be integrated with Phoenix and USAID's e-Grants activities. Once this integration has been successfully completed, the combined system will be merged with State's systems to create an integrated global business platform.

Program Management Office - Providing Project Management Support

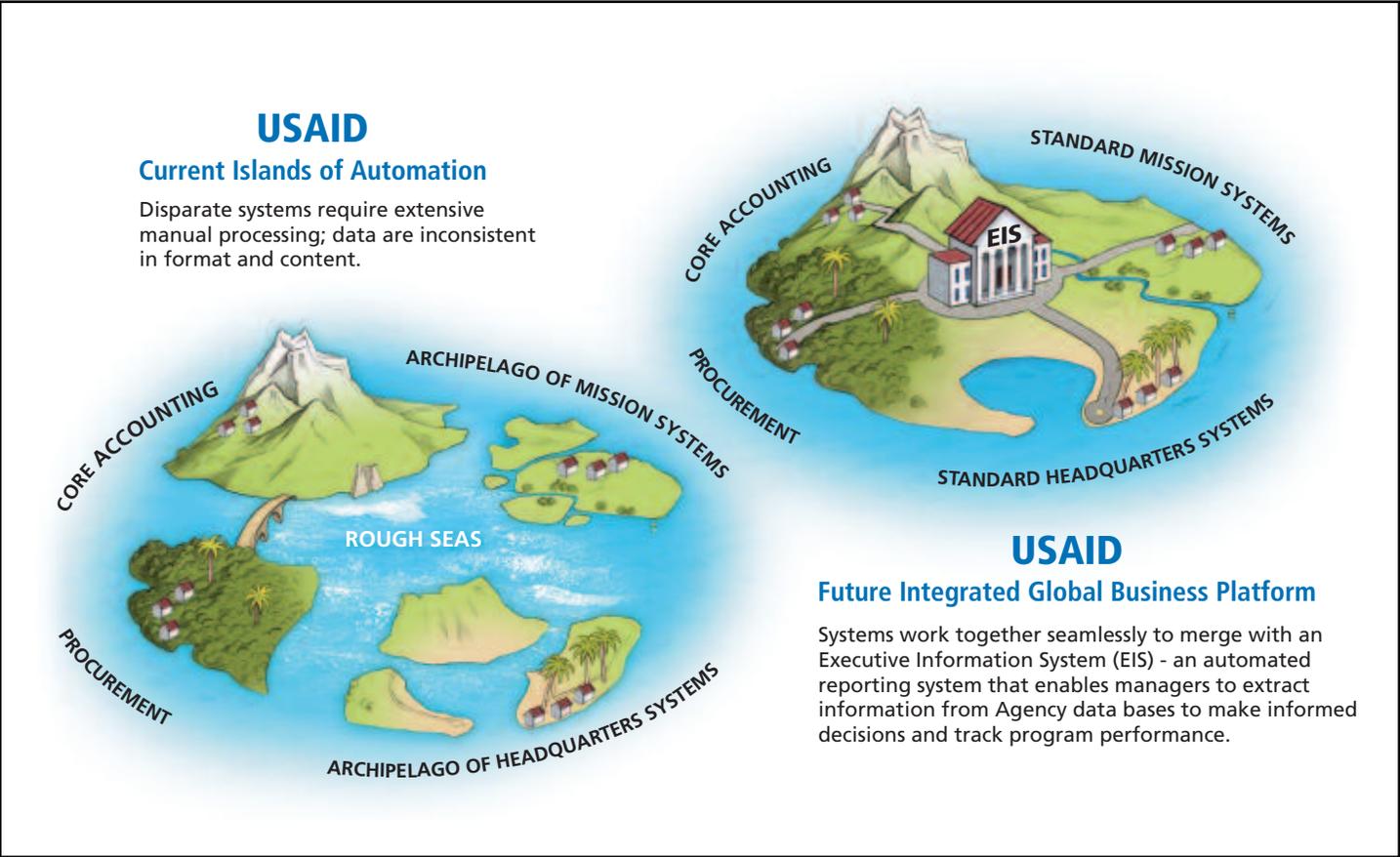
A Program Management Office (PMO) has been established to provide project and portfolio management support to the Agency's major IT capital investments including those comprising the BSM initiative. The PMO will implement centralized and structured coordination of these major initiatives; oversee and monitor project performance; and measure project results. A key responsibility of the PMO is to assure that the Agency, in partnership with State, develops an Enterprise Architecture that

informs the rational investment of IT resources in support of the Agency business goals.

E-Government Initiatives - Enabling Citizen-Centered Services

The Agency is an enthusiastic participant along with other federal agencies in the President's "Quicksilver" e-Government initiatives. These initiatives were selected by an interagency task force in 2001 to simplify and unify common functions across the federal government. The purpose of these projects is to expand the use of the Internet and computer resources in order to deliver government services that are citizen-centered, results-oriented, and market-based.

USAID actively participates in the development of seven e-Government initiatives: e-Travel, e-Records, e-Clearance, e-Training, Grants.gov, e-Records Management, and Integrated Acquisition Environment (IAE). IAE is designed to ensure that federal agencies follow the same procurement processes and buy from the same suppliers. USAID also participated in the e-Recruitment and e-Payroll initiatives that are now fully operational.



USAID Participation in E-Government Initiatives

eGov	Description	Benefits to U.S. Taxpayers	Benefits to USAID Employees	Next Steps
Grants.gov (formerly E-Grants) Lead Agency: Health & Human Services	Builds a common point for all organizations seeking Federal grant funds to find, apply and ultimately manage grants on-line.	Increases competition for and simplifies administration of grants, allowing more Agency funds to be spent on real services. This leads to more efficient and effective grant programs.	Streamlines award of grants and potentially increases and strengthens the pool of grant applicants, ultimately improving delivery of program benefits.	Will be piloted in FY '04, rolled out in FY '05 and integrated with the Joint Acquisition and Assistance Management System by FY '06.
Integrated Acquisition Environment Lead Agency: General Services Administration	Creates an electronic service to assist agencies purchase goods and services efficiently and securely.	Reduces both the administrative expenses and the actual costs of goods and services by allowing agencies to join together in purchases.	Reduces the time and costs to obtain a range of goods and services.	USAID will produce a data migration plan in combination with eGrants by the end of the Fiscal Year 2004.
E-Travel Lead Agency: General Services Administration	Provides travelers with a world-class travel management system, allowing a person to perform each step of the travel process—from planning and ticketing through filing for reimbursement.	Increased use of self-servicing will provide significant savings through reduced administrative costs and better use of travel services leading to cost-savings such as volume discounts.	Employees will be able to use an internet accessible tool similar to those available to the general public to make travel reservations on-line in a paperless, fast and efficient manner.	USAID will select from three potential vendors and perform a pilot test of the E-Travel web-based application in two USAID locations by the end of Fiscal Year 2004.
E-Records Management Lead Agency: National Archives and Records Administration	Helps agencies to better manage their electronic records and use information to improve their operations and the quality of services they provide to their customers.	Improves services from agencies because they will be able to access the information they need to make timely and correct decisions while maintaining accountability.	Improves USAID management of its correspondence and maintenance of records associated with its operations. Faster response to inquiries.	USAID will produce a data migration plan by the end of the Fiscal Year 05.
E-Clearance Lead Agency: National Archives and Records Administration	Provides an electronic means of providing information needed to process a new or updated security clearance, streamlining and improving the clearance process.	Lower cost of performing security background investigations. Speeds up process, reducing time to staff classified positions. Will facilitate periodic reinvestigations.	Easier for new applicants and current employees to apply for and maintain their security clearances. Reduces cost of clearance.	Pilots will be conducted in FY '04. Implementation will occur in FY '05, including the building of interfaces with Agency HR and OPM systems.
E-Payroll Lead Agency: Office of Personnel Management	Consolidates 22 payroll systems, simplifying and standardizing Federal human resources management and payroll policies and practices. This will allow better integration of payroll, human resources, and financial management functions and systems, reducing costs and improving service.	Consolidation of federal payroll systems and centers reduces costs and duplicative capabilities.	USAID lowered the administrative costs associated with its payroll processing as well as enhancing services to its employees.	Next Steps not applicable—in 2003, USAID successfully implemented the U.S. Department of Agriculture's National Finance Center payroll system.
E-Training Lead Agency: Office of Personnel Management	Creates a premier system offering simple, one-stop, electronic access to a wide variety of high-quality training materials and services that support the development of the Federal workforce.	Better trained federal employees will help agencies accomplish their missions. Travel expenses related to training are reduced.	Allows federal employees to pursue career development and professional training at locations and times of their choosing, without disrupting their job performance, increasing skills and job satisfaction.	USAID's e-learning initiative provides a range of courses, including Web-based project management certification and other courses, to mission staffs worldwide. USAID plans to expand the course offerings.
E-Recruitment Lead Agency: Office of Personnel Management	Provides the USAJOBS Federal Employment Information System on-line recruiting service to job seekers, allowing them to use a range of advanced features including intuitive job searching, electronic resume submission, and on-line determination of status and eligibility.	Makes it easier for those interested in federal employment to identify and apply for USAID positions. Electronic processing simplifies and speeds up hiring process.	Simplifies the process for creating and advertising USAID position vacancy announcements.	Next Steps not applicable—in FY 2002 USAID's vacancy announcements successfully linked to USA JOBS. In addition, the Agency has implemented AVUE, an online recruitment tool that allows applicants to post, view and apply for open positions.

Other USAID E-Government Projects

eGov Project	Description	Benefits to Taxpayers	Benefits to USAID Employees	Next Steps
Central Contractor Registry (CCR) Lead Agency: General Services Administration	Creates an electronic process for potential vendors and contractors to meet the registration requirements necessary to do business with the federal government.	Will allow more contractors, including small businesses, to gain access to information on the over \$4 billion in contracts that USAID awards annually, improving USAID's mission performance.	Together with the Integrated Acquisition Environment, Phoenix and JAAMS will increase competition for awards, thus reducing costs and improving program service delivery.	Phoenix will link with the CCR to populate USAID's vendor database and will be used by the USAID procurement system.

Achievements

New Core Accounting System Successfully Implemented at USAID's Headquarters

The successful implementation of Phoenix in Washington, DC has resulted in highly efficient payment operations.

Phoenix provides accurate financial information to Agency managers to ensure that programs are being carried out in the most cost-efficient and cost effective manner.

First Ever Clean Audit Opinion

For FY 2003, USAID received its first clean, unqualified audit. This represents a major milestone for USAID. In previous years, the Office of Inspector General was unable to audit any of the Agency's financial statements due to internal system and data deficiencies. This achievement was greatly facilitated by the efficiencies provided by Phoenix headquarters operations.

In FY 2003 USAID achieved its first clean, unqualified audit — a clear indicator that the BSM program and on-going financial management improvements are beginning to show positive results.

Enterprise Architecture -- A Blueprint for Modernizing Business Processes and IT Systems

USAID began developing its Enterprise Architecture, an IT and business process modernization blueprint, in 2003 in close collaboration with State. USAID focused its initial efforts on defining the architecture supporting a single business segment. The HIV/AIDS program in the Global Health Bureau was selected for the first EA segment and it was successfully completed in March 2004. The Agency's EA efforts have had a number of positive results such as identifying opportunities to strengthen the management of HIV/AIDS programs. It also provides the foundation for developing the HIV/AIDS executive information system (EIS)

prototype for the Bureau of Global Health to support the President's HIV/AIDS reporting requirements.

An EA will be used by Agency managers to identify, analyze, and improve processes, systems and investments to better achieve USAID's mission.

The Agency developed its EA through extensive interaction between the IT staff and the business managers in the Global Health Bureau who will be its end users and primary beneficiaries. This collaborative process has ensured that end users understand and accept the EA as their management tool, rather than as one developed and imposed on them by the IT staff. This highly successful approach and the resulting EA have been recognized as a best practice, and nine other federal agencies have been referred to USAID for briefings and demonstrations. In addition, USAID and State are currently working together to consolidate both agencies' enterprise architectures, building from a base in large part established at USAID.

Capital Planning and Investment Control - Accountability for IT Investments

USAID established new Capital Planning and Investment Control (CPIC) procedures that are streamlined and compliant with federal regulations. The new procedures were designed to implement investment practices required by The Clinger-Cohen Act of 1996. This legislation requires major IT investments be supported by comprehensive business cases, evaluation and control mechanisms, and be approved by a high level executive body representing agency-wide business interests. The BTEC serves as the CPIC authority for USAID. To ensure approved projects are meeting the objectives described in business cases, quarterly progress reports are required.

Executive Information System (EIS) Project Milestones	
Key elements of EIS installed	4th Quarter Fiscal Year 2005
Complete EIS	During Fiscal Year 2006

Next Steps

Executive Information System

USAID is developing an Executive Information System (EIS) -- an agency-wide automated reporting system that integrates program performance, budget, accounting, and procurement information. This information system facilitates data analysis and reporting to meet the needs of Congress, OMB, the Administrator, headquarters employees and overseas mission staff. An EIS will

enable managers to obtain information from Agency data bases to make informed decisions and to track program performance. USAID began developing a prototype of the EIS in 2004 and expects to have the system linked to Agency information sources—including Phoenix, field support information systems, and emerging specialized systems—by 2006.

USAID will also:

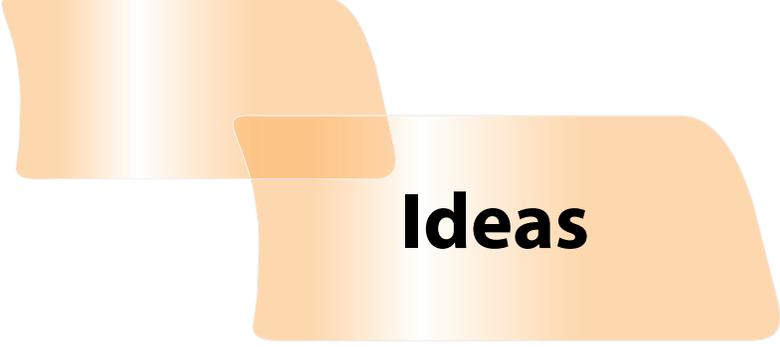
- Complete a joint Enterprise Architecture with the Department of State by its institutionalization as a strategic management tool.
- Continue to integrate systems, networks, and IT infrastructure with State.
- Collaborate with the State Department on the messaging management initiative called State Messaging and Archival Retrieval Toolset (SMART) which will replace current diplomatic cable distribution systems.
- Continue participation on the cross-agency e-Gov initiatives.

Summary of Business System Modernization Achievements and Benefits

Initiative	USAID Employee Benefits	Taxpayer Benefits
Implemented Phoenix accounting system at USAID headquarters. Phoenix is a standard, commercial off the shelf (COTS) system that is regulatory compliant.	Timely, accurate, reliable reports enable improved business decision-making and reporting.	First clean audit opinion in FY '03 assures taxpayers that Agency can manage and account for its funds. Significantly reduced late payment penalties for vendor payments. Interest of \$18,000 was paid in FY '03, only 14% of the amount paid in 2001. In FY '04, only \$1,132 in late payment interest was paid to vendors during first six months - projected annual savings of \$127K less than 2001.
New CPIC policies and procedures approved and implemented.	Clarifies for employees the requirements to justify and manage an IT project for senior management approval.	Ensures that IT investments are focused on efficient and cost effective use of funds to support the agency mission.
Developed HIV/AIDS EA as first section of Agency EA that serves as foundation for a prototype for a Global Health Bureau EIS.	As the Agency EIS develops, USAID will increase its capacity to acquire performance data at a more detailed and comprehensive level within and across bureaus. This benefits Agency decision makers.	Increases USAID's access and application of performance data to better monitor the distribution of resources in order to maximize tax payers' investment in Agency services.
State/USAID Joint Financial Management System collaboration.	Improved employee customer service due to streamlined and standardized services, for example, single point of contact for help desk and system upgrades.	\$5 million cost savings through FY '07 due to joint licensing agreements for financial systems services provided by a common vendor.

Ideas





Ideas

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”

Ideas: Knowledge for Development

The Challenge

For more than four decades USAID has been providing foreign assistance and humanitarian relief to the developing world. Throughout this period, the Agency has developed innovative ideas to assist a world in need. As a result of these efforts, USAID is a recognized leader in development knowledge.

USAID collects, organizes, and maintains online records of more than 117,500 current reports, analyses, and technical and program documents, as well as more than 7.6 million pages of additional materials in microfiche format. This "explicit" knowledge (mission and bureau databases, strategies, evaluations, reports, communications, and email) is an invaluable Agency information resource. It is critical that the Agency gather and share this knowledge with internal and external partners by the most effective means available.

By 2007, nearly 60% of the Agency's Foreign Service Officers and 30% percent of its Civil Service employees will be eligible for retirement. USAID anticipates that it will undergo continuing high levels of retirement over the next five years—particularly among the most senior, experienced, and hard to replace employees. Those retiring are taking much of USAID's institutional memory with them. Much of what USAID employees learn over their careers, including ways of operating, negotiating, and solving problems, is tacit knowledge learned on the job. Codifying and retaining both tacit and explicit knowledge requires innovative "knowledge management" strategies and capabilities.

USAID's vast reservoir of knowledge stretches across not only the Agency itself but also across USAID's "extended enterprise," which includes its federal partners, international donors, contractors and grantees, recipient countries, development organizations, non-governmental organizations (NGOs), private voluntary organizations (PVOs), and even its retirees. Ensuring that the Agency and its extended enterprise benefit from this information means that USAID must create systems, processes, and an institutional culture that advances knowledge sharing.

The Response

USAID's knowledge is a valuable resource that informs how development goals are accomplished, maintained and preserved for use by future generations. USAID has created the Knowledge for Development transformation initiative (called "KfD") to improve knowledge sharing and collaboration within the Agency and among its business partners. KfD seeks to synthesize knowledge sharing activities and resources already in use, provide easier access to this knowledge, and allow Agency staff and partners to better use relevant knowledge and generate new ideas. The KfD initiative draws on USAID's knowledge of the foreign aid environment to empower employees overseas and in Washington, DC to make informed decisions and advance the National Security Strategy in the implementation of development assistance policies and programs.

The Strategic Management of Human Capital initiative under the President's Management Agenda identifies effective knowledge management systems as this is a key part of USAID's strategy to generate, capture, and disseminate knowledge and information that is relevant to USAID's mission. USAID designed KfD as a systematic approach to access, use to full advantage, and learn from the Agency's years of knowledge and experience. This approach will:

- Develop mechanisms for preserving institutional knowledge to compensate for rapid staff turn-over and to orient new staff in the conduct of USAID's business (e.g., designing, implementing, managing, and evaluating development programs)
- Offer a "one-stop shop" for Agency staff to obtain most of the relevant knowledge needed to do their jobs;
- Accelerate the application of innovative ideas for Agency decision-making, learning, and partnering to achieve USAID objectives and goals
- Promote linkages between knowledge sharing communities in Washington, D.C. and the field and provide links to other external knowledge sources relevant to USAID's international development business

These outcomes will enhance USAID's broad-based and effective sharing of expertise, lessons learned, best practices, on-the-ground experience, and other institutional knowledge. The KfD initiative will achieve the goal of ensuring that the Agency's information and knowledge resources

support superior development and decision-making at all levels and meet the needs of business partners.

Achievements

KfD Strategy - A Roadmap to Preserving Knowledge and Tapping Innovation

USAID has designed a multi-faceted KfD strategy that addresses the different requirements and goals of knowledge sharing for staff in the field, staff developing long-term strategies, and staff providing vital support to USAID's daily operations. This strategy - approved by the BTEC in Spring 2004 - will continue through FY 2008. The KfD strategy provides the framework for implementation of "knowledge management" tools, techniques, and methodologies such as communities of practice, collaborative software, expertise directories, and on-line repositories for lessons learned.

Communities of Practice - Sharing Ideas, Methods & Best Practices

Under KfD, a series of communities of practice pilots were launched to support knowledge sharing throughout the Agency. Communities of Practice are groups of professionals who come together around a topic or "domain of knowledge" - either virtually or in person-to share ideas, insights and information, help each other solve problems, and advise

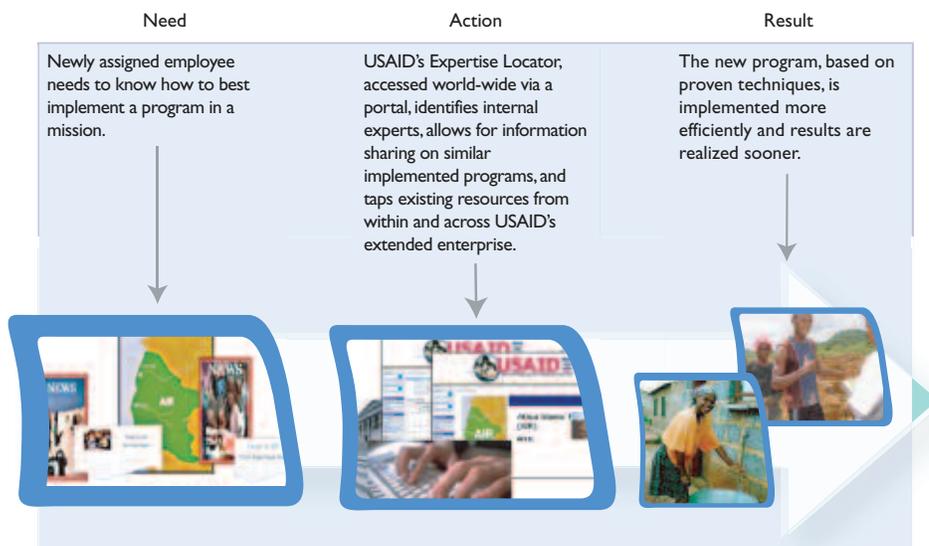
each other. A series of best practices, lessons learned, and recommendations for integrating communities of practice into the KfD strategy resulted from these pilot activities.

In addition, a Youth Community of Practice (YCoP), hosted by the Bureau for Economic Growth, Agriculture and Trade (EGAT), continues to grow. The YCoP brings together more than 180 Agency staff from 15 overseas missions and the Washington-based program bureaus, as well as youth practitioners and youth-serving organizations worldwide. Members of the community shares ideas, program models, principles of best practice, and web site resources. Expertise is shared on youth thematic areas such as livelihoods, civic engagement, alternative education and youth participation. The purpose of this forum is to create more effective, youth-centered program activities. The community benefits USAID employees by bringing together a wide range of expertise from different regions of the world that previously would not have had the systematic means to collaborate. It has created a mechanism that allows for the development of new tools for program design, implementation, management and monitoring for use by Agency field missions and bureaus.

Knowledge Management Inventory - An Internet Accessible Reference Tool

A Knowledge Management Inventory of USAID program activities has been developed for on-line collaboration and

An Example of How KfD Will Help USAID Operate



knowledge sharing. This online catalogue of development databases, communities of practice, training resources and other knowledge assets, has links to over 200 different knowledge sharing activities throughout the Agency.

Next Steps

A key component of the KfD initiative is collaboration throughout the USAID extended enterprise - a particularly complex task given the diversity within the extended enterprise and the intricacy of a global organization. Faced with the integration of geographically and globally dispersed teams and colleagues, USAID is in the process of reviewing collaboration tools for use Agency-wide. Collaboration software provides a set of web-based functions that support the 'virtual' meeting places where ideas and documents can be shared.

As USAID conducts future pilots and rolls out new tools to support the KfD efforts, the Agency will rely on employees in the field and in Washington to help with implementation. A Knowledge Coordinator (KC) will be established in each

USAID overseas mission to identify and catalogue existing knowledge sharing capabilities, document knowledge sharing needs that have not been met, and deploy KfD solutions to meet those needs.

Expanding upon the on-line cataloguing activities of the Knowledge Management Inventory, a comprehensive "Knowledge for Development Yellow Pages" is currently in development that will provide an on-line listings of subject matter experts and knowledge sharing tools throughout the Agency.

USAID and State are coordinating to identify joint Knowledge Management initiatives to advance the goals of both the USAID KfD initiative and State's Knowledge Leadership program. A pilot project that will provide access to economic databases between agencies is in its early stages and will be coupled with the trial use of an improved search engine capability for both agencies. As new activities are identified and implemented, milestone accomplishments will be reported to the State/USAID Joint Management Council.

Summary of Knowledge For Development Achievements & Benefits

Initiatives	USAID Employee Benefits	U.S. Taxpayer Benefits
<p>BTEC approved KfD strategy that establishes roadmap for an integrated knowledge management system to gather development information and experience and share it with internal employees and external business partners.</p> <p>USAID Knowledge Fairs held in 2002 and 2003.</p> <p>Mission Knowledge Coordinator training developed and piloted with southern African missions at Regional Center for Southern Africa in 2004 (to be expanded).</p>	<p>Standardized methods and tools for knowledge capture, classification, retrieval and sharing.</p> <p>Reduces time spent searching for correct information.</p> <p>Improves identification and acquisition of knowledge needed to perform effectively.</p> <p>Improves ability to collaborate with development colleagues/innovate and solve problems more quickly.</p> <p>Increases sharing of knowledge leveraging of solutions across Missions.</p>	<p>More efficient Agency operations.</p> <p>More re-use of knowledge/less redundancy of knowledge.</p> <p>Increases responsiveness to constituent needs.</p>
<p>Communities of Practice launched.</p>	<p>Easier access to knowledge and expertise needed for Agency operations.</p>	<p>More efficient Agency operations.</p> <p>Increases responsiveness to constituent needs.</p>
<p>Knowledge Inventory established.</p> <p>Pilot Knowledge "Yellow Pages". (under development)</p>	<p>Enhances awareness and access to existing Agency knowledge assets.</p>	<p>More efficient Agency operations.</p> <p>More re-use of knowledge/less redundancy of knowledge.</p>

Innovative Ideas

Global Development Alliance - Promoting Public-Private Partnerships

In 2001 USAID created the Global Development Alliance (GDA) to foster public-private partnerships that combine the Agency's international development expertise with the resources and innovations of the private sector. A principal Agency business model, the GDA is a central element of USAID's strategic assessment, planning and programming efforts. The underlying premise of the business model is that USAID and private partners collaborate to bring their greatest assets to the table to work together to encourage economic growth, develop businesses and workforces, address health and environmental problems and expand access to education and technology. Through such partnerships, USAID has leveraged an additional four dollars from the private sector for every one dollar it invests toward international development.

In Angola, USAID partnered with ChevronTexaco to revitalize the agriculture industry in a country torn by 27 years of civil war. The program is designed to help refugees and former soldiers return to their villages and resume their farming occupation along with developing a diverse economic base for Angola. Under the alliance five projects have been launched including a micro-credit bank and the rehabilitation of an agricultural vocational school.

The Enterprise Development Alliance is just one of many initiatives supported through the GDA. Partners range from host-country ministries and small businesses to foundations and large corporations. Through these alliances USAID has been able to bring critical, new assets and innovative approaches to development challenges.



"The Enterprise Development Alliance takes advantage of USAID's and Chevron Texaco's collective strengths to make an important contribution to the economic recovery of Angola."
David O'Reilly *Chairman ChevronTexaco*

The GDA provides benefits to both Agency employees and U.S. taxpayers. USAID staff benefit by collaborating with development colleagues to innovate and solve problems more quickly. U.S. taxpayers benefit by providing more development assistance with fewer foreign assistance dollars. In fiscal years 2002 and 2003, approximately 200 alliances have been created with approximately \$500 million in USAID funds, leveraging over \$2.9 billion in partner resources. In addition, more economic growth and prosperity in developing countries translates into greater security for Americans.

Results





Results

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 Asia and Near East programs
- Re-allocated \$30 million to higher performing, higher need programs

Results: Strategic Budgeting

The Challenge

USAID manages program funds from a number of foreign affairs accounts directed at addressing a broad array of international issues facing the United States. These range from fighting the HIV/AIDS pandemic and sustaining key countries supporting the war on terrorism to bolstering democracy, the rule of law, and good governance in countries important to U.S. national security. Approximately 80% of USAID programs are implemented through field offices overseas.

The Agency's portfolio of funds in FY 2004 is nearly \$14 billion, double the amount of FY 2001. These increases were necessary to support U.S. foreign aid objectives to address the instability and insecurity that arise from terrorism, transnational crime, failing states, and global diseases.

The growing global complexities underscore the need to use U.S. foreign assistance resources effectively. USAID's challenge is to move from allocating resources based on incremental adjustments to the annual budget to a strategic budgeting approach that informs resource allocation decisions to better align foreign aid and U.S. foreign policy objectives.

The Response

Building on the President's Management Agenda, which mandates improved integration of budget and performance, USAID launched a strategic budgeting transformation initiative. A new USAID/State strategic plan provides the performance goals to drive this initiative.

The Agency developed a statistical budgeting model that assesses the allocation of program resources to improve the linkage between strategic and program priorities. The Office of Management and Budget (OMB) Program Assessment Rating Tool (PART), a standardized and systematic template for rating program performance, is used to help the Agency improve the effectiveness of its programs. The PART provides OMB with feedback on how well federal programs are performing and achieving their goals. The Agency also designed an Overseas Staffing Template to determine the appropriate allocation of Foreign Service officers to USAID missions. Together, these three strategic planning tools converge to improve the Agency's effective use of its resources.

Achievements

Joint State/USAID Strategic Plan - The First of Its Kind

The first Joint State/USAID Strategic Plan, which was finalized in FY 2003, directly supports the U.S. National Security Strategy. The five year plan guides the Agency in planning and prioritizing programs and in the delivery of development and humanitarian assistance. The Joint Strategic Plan lays the framework for the development of performance measures and targets against which the Agency's program performance will be measured and reported. To ensure consistency in the application of the plan, USAID and Department of State synchronized their budget and planning cycles in FY 2004.

Performance and Budget Integration - Results Driven by Better Performance

USAID has instituted a performance-based system of planning, managing, and measuring outcomes and results of programs based on the strategic budgeting initiative. This system has been integrated into a framework for the strategic allocation of resource requests for the annual budget submission to the Office of Management and Budget (OMB) and the Congressional Budget Justification. The system is informed by the Agency's new Strategic Budgeting Model as well as from information obtained from PART reviews. The performance based budget system enables OMB and Congress to make better-informed authorization decisions and makes more evidence-based spending decisions that achieve positive results for the American taxpayer.

Strategic Budgeting Model

The Agency developed a formal strategic budgeting model to help decide how to allocate resources to bilateral country programs. The model is based on the following criteria: development need, country commitment, foreign policy importance and program performance. The Agency first applied this model to the formulation of its FY 2004 budget request, which resulted in reallocation of some funds from lower performing to higher performing programs. The model was expanded during the formulation of the FY 2005 budget to categorize countries based on Millennium Challenge Account (MCA) criteria of commitment to economic freedom, governing justly, and investing in people.

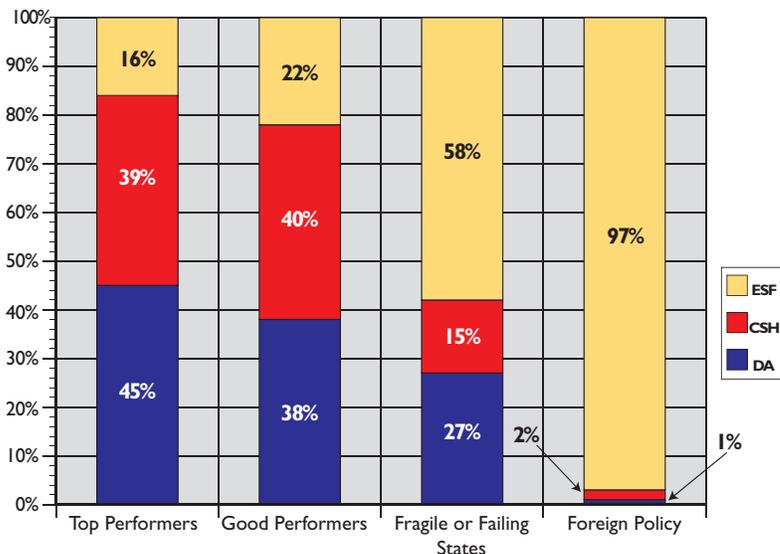
The countries were divided into four categories:

- Top Performers (based on MCA criteria),
- Good Performers (including near misses and other high performers who do not meet the per capita income threshold for MCA consideration),
- Fragile or Failing States, and
- Other Foreign Policy Priority Countries (those which are rated low on country commitment, as measured by MCA criteria, or which are important for U.S. foreign policy reasons).

This more sophisticated model was used to inform the budget allocations to USAID country programs across the four categories. The Agency has several appropriation accounts that finance country programs around the world. The Economic Support Fund (ESF) is primarily for financing important foreign policy programs in countries such as Israel and Egypt; Child Survival and Health (CSH) focuses on sector programs that affect maternal and child health, HIV/AIDS, other infectious diseases, and family planning and reproductive health; and Development Assistance (DA) is mainly for financing economic development, agriculture, democracy and governance, environment and education programs. DA and CSH are generally allocated to programs in countries that are considered top or good performers.

The Agency analyzed the proposed budget request for FY 2005 to determine how well the fund allocations aligned with the country categories. The graphic below shows that DA and CSH are the primary funding sources for top and good performers and ESF is primarily the funding source for fragile and failing states and foreign policy important countries. This allocation is consistent with U.S. foreign policy

FY 2005 Request by Account within Country Category



objectives and represents a strategic alignment of these appropriation accounts.

The Strategic Budgeting Model will be further differentiated to take account of how to allocate program resources in transformational development countries; fragile, failing and recovering states; and in countries of geo-strategic importance to U.S. foreign policy.

Program Assessment Rating Tool (PART) - Strategically Assessing Program Performance

The PART reviews at USAID began in FY 2002 when the following Agency sector program areas were evaluated: Population - funded through the CSH account; Global Climate Change; and Food Aid. These initial evaluations contributed to the FY 2004 budget process. In FY 2003, USAID moved from a sector focus to a geographic focus and applied the PART to the Latin American and Caribbean (LAC) region programs in Child Survival and Health and Development Assistance as well as to programs in Transition Initiatives. In FY 2004, USAID completed a program performance assessment of its Operating Expense funded management services. The Agency received a good evaluation from OMB on this PART review due to recently implemented management reforms such as: use of performance information to make process improvements; and use of information technology capital planning and investment control processes to improve the selection and oversight of IT investments. By the close of FY 2004, USAID will have assessed fully 60 percent of its programs.

The PART results help the Agency to improve program effectiveness and resource allocation decisions. The PART assessment of USAID's Population program, for example, led the USAID to allocate funds more strategically by taking account of country-level needs (measured in terms of population density, fertility, and unmet needs for family planning). As a result, USAID reassigned over \$30 million of the FY 2002 Population/CSH allocation from lower need countries to higher need countries.

The PART reviews provide performance assessments of Agency programs that managers need to make informed resource allocation decisions. This information is the basis for providing evidence-based funding requests aimed at achieving specific, positive results.

Overseas Staffing Template - Strategically Placing USAID Foreign Service Officers

USAID's Overseas Staffing Template was developed to determine the appropriate allocation of U.S. Direct Hire (USDH) mission staff based on a variety of factors including program size, foreign policy priorities and MCA criteria. This was done to better align staff with Agency strategic objectives. In FY 2004, USAID began to reallocate its existing 700 overseas staff positions based on this model. As a result, 21 positions are being reassigned to the Asia and the Near East region. The template will be applied every two years to ensure staff is allocated in line with program and U.S. foreign policy initiatives.

Next Steps

A recently completed Business Model Study will help the Agency to continue to "right-size" and "regionalize" program delivery, as appropriate, and provide linkage to Strategic Budgeting efforts to improve the efficiency and effectiveness of central, regional and bilateral program operations.

The business model review looked at how well USAID is set up to carry out its development, humanitarian, and other missions; how quickly it can respond to new challenges; and how safely and effectively it operates in dangerous places. The study's recommendations call for improving cross-agency strategies. Missions will choose from a limited list of program objectives and use a standard set of performance indicators to measure progress. Streamlining the strategic planning process, will reduce the time and resources expending on planning efforts. The study also recommends re-introducing mission management assessments every three to four years, to review how mission programs are staffed, structured and managed. Interim guidance for these reforms will be issued during the 4th quarter of FY 2004.

USAID's strategic budgeting initiative will continue to evolve as the Agency begins implementation of the joint strategic plan. The results of this effort will institutionalize a set of processes and tools that integrate performance information into the budget decision-making process.

Strategic Budgeting Milestones	
Complete PART assessments for 60% of Agency programs.	4th Quarter Fiscal Year 2004
Integrate State/USAID Annual Performance Plans; Finalize joint performance indicators.	2nd Quarter Fiscal Year 2005
Implement the Agency's new business model.	4th Quarter Fiscal Year 2005
Begin mission program management evaluations.	During FY 2005

Summary of Strategic Budgeting Achievements & Benefits

Initiatives	USAID Employee Benefits	U.S. Taxpayer Benefits
State/USAID Joint Strategic Plan	Performance Goals provide meaning to employees' work contributions to the mission of their organization.	Programs and resources better aligned in the two organizations. Joint performance standards and targets for development and diplomacy result in more efficient use of taxpayer dollars.
Strategic Budgeting Model	Transparent method for employees to understand the factors that determine the program resources their missions receive.	Better performance-based, results oriented decision-making produces more US benefits per dollar. Higher taxpayer confidence in financial integrity.
PART Reviews	Disciplined approach to assessing program performance. Consensus-based, high-quality performance measures and targets enable managers and program staff to make informed funding decisions.	Resources appropriately allocated to programs that make a measurable and substantial contribution to U.S. foreign policy objectives.
Overseas Workforce Template	Ensures mission staff is assigned where needed to effectively accomplish mission program delivery functions.	More efficient use of human resources. Ratio of staff to program dollars delivered improving.

Appendix I

USAID PMA Scorecard Summary as of 3rd Quarter of Fiscal Year 2004

Initiative

Human Capital

Status  Progress 

The Agency's progress score remains "Green" for the third consecutive quarter as it continues to successfully implement activities to meet the core criteria for this PMA initiative. A five year Human Capital Strategic Plan has been finalized that lays out plans to address workforce issues in the coming years. Good progress has been made on training and recruitment initiatives. In the area of performance management the Agency has finalized new rules for promotion into the Senior Foreign Service that place significantly greater emphasis on leadership competencies. The Agency will maintain a "Red" status score until the following initiatives, currently in development, are completed and implemented: a comprehensive workforce and skills gap analysis; succession planning strategies; under-representation strategies to sustain a diverse workforce; and implementation of an HR accountability system to make informed decisions about human capital.

Competitive Sourcing

Status  Progress 

USAID remained "Red" on status and "Yellow" on progress. The Agency is in the process of reviewing the 2004 FAIR Act Inventory for possible candidates for competition. In the meantime, USAID is implementing related Business Process Improvement (BPI) studies. The Agency's personnel recruitment process was selected and approved by USAID's BTEC as the first BPI review. An internal working group has been formed to provide both short-term and long-term recommended improvements. In addition, a recently completed overseas business model study recommends the use of local outsourcing for appropriate functions. The Agency's future competitive sourcing competitions will determine if it meets the core criteria for this PMA initiative.

Financial Management

Status  Progress 

While USAID maintained a "Red" status score for Financial Management, the Agency maintained its "Green" progress score for the 6th straight quarter by continuing to meet its target activities to address the core criteria for this PMA initiative. For the first time, the Agency received an unqualified audit opinion on its FY 2003 financial statements and expects to maintain this position in FY '04. The roll out of the Phoenix accounting system to USAID's overseas missions will address the remaining compliance issues that have kept the Agency's status rating at "Red" (i.e., material weaknesses and noncompliance with federal laws or regulations). Green status is achievable when the Phoenix accounting system is successfully implemented and provides accurate and timely data that is actively used by managers to answer critical business and management questions (estimated December 2005).

E-Government

Status  Progress 

As a result of USAID's activities to establish an Enterprise Architecture, the Agency's status score moved from "Red" to "Yellow" in the 2nd quarter of FY '04 and remained yellow at the end of the 3rd quarter. The Agency maintained its "Green" progress score for the 6th straight quarter. USAID EA efforts identified HIV/AIDS new technology and policy initiatives for the Bureau of Global Health and provided the foundation for developing an executive information system (EIS) prototype to support reporting requirements under the President's Emergency Plan for AIDS Relief (PEPFAR). The Agency is making good progress in its participation on seven cross-agency e-Government initiatives. The next important milestone is completion of the first joint component of the Enterprise Architecture with Department of State. To achieve a Green status score USAID must also fully meet the following core criteria: acceptable business cases for all major systems; operational IT systems are verified as 90% secure by the Inspector General (currently 80% of the Agency's operations IT systems have been verified as secure by the OIG), and costs/schedule/performance overruns and shortfalls are less than 10% (currently USAID is at less than 30%).

Budget and Performance Integration

Status  Progress 

USAID moved from "Red" to "Yellow" in status in the 2nd quarter of FY '04 and maintained the Yellow rating at the end of the 3rd quarter. USAID has maintained "Green" progress ratings for 8 consecutive quarters. USAID earned an upgrade to Yellow based on meeting the Human Capital milestone associated with the requirement for performance appraisal plans to link, differentiate, and provide consequences for members of the Senior Executive Service, Senior Foreign Service, and managers. USAID also developed efficiency measures for all of the programs that underwent the Program Assessment Rating Tool (PART). A new budget planning schedule synchronizes USAID budget reviews with Department of State and will lead to a joint USAID/State Annual Performance Budget for 2006. To achieve green status, USAID needs to: complete PART ratings for all programs; systematically use performance measures by policy makers; accurately (+/- 10%) report the full cost of achieving USAID performance goals in budget and performance documents and accurately estimate (+/-) the marginal cost of changing performance goals; use PART evaluations to direct program improvements; and consistently use PART ratings to justify funding requests, management actions and legislative proposals.

KEY TO "STATUS" SCORES

-  Indicates that the agency has met all of OMB's core criteria for the initiative.
-  Indicates achievement of some but not all of OMB's core criteria for the initiative and agency has no "red" conditions.
-  Indicates that at least one of the conditions identified by OMB for that initiative is in need of correction.

Appendix 2

USAID/Department of State Joint Strategic Plan

Joint Strategic Plan

The Department of State-USAID Joint Strategic Plan outlines the two organizations shared mission, core values, goals and priorities in both policy and management areas. The joint management strategic objectives are closely linked to the goals of the President's Management Agenda (PMA). In accordance with the Joint Strategic Plan, a State-USAID Joint Management Council was established in the fall of 2003 to oversee and implement collaborative management activities. Eight working groups collaborate on joint activities in the following areas: Resource Management; Management Processes and Systems; Management Services & Planning; Information & Communications Technology; e-Government; Facilities; Security and Human Capital. The JMC activities have already produced cost savings for the U.S. taxpayer and improved services for employees in both agencies.

Joint Management Council Achievements

Human Capital: Developed a pilot exchange program of domestic and foreign assignment opportunities for mid-level Foreign Service Officers from both State and USAID. The exchange program serves to increase understanding in the two agencies of each other's role in the foreign affairs process and helps fill respective program needs with trained officers.

Information and Communications Technology: Established direct connections between State's and USAID's intranets, making both networks available to domestic and overseas staff from each agency. Real-time and secure communications are vital for State and USAID to work together, and this joint access will make it easier for employees of both agencies to share information.

Resource Management: Aligned both agencies budget and planning cycles to ensure policy and program decisions are made with full input from both State and USAID.

Security: Updated a Memorandum of Understanding between the two agencies to improve joint security responsibilities overseas.

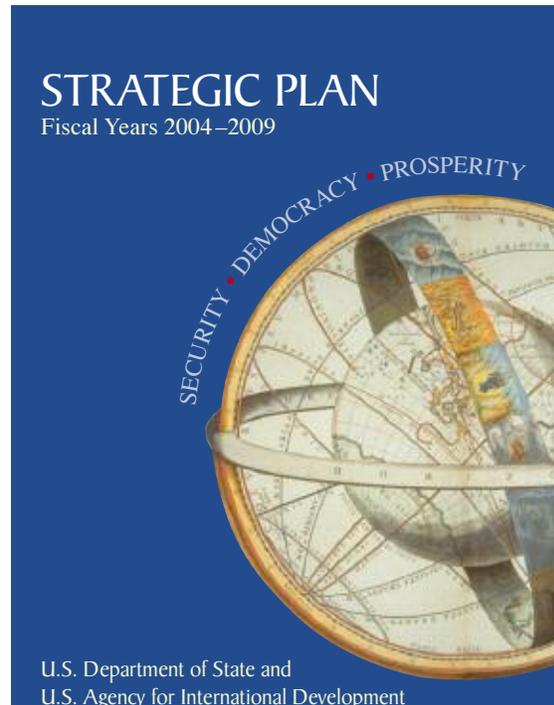
USAID and State continue to make progress in the following areas.

Management Systems & Processes: Collaborating on a Joint Financial Management System (JFMS). This on-going initiative is producing significant cost savings through joint licensing agreements.

E-Government: Developing a joint Enterprise Architecture to support major business and technology requirements in accordance with the PMA e-Government initiative.

Management Service & Planning: Implementing shared services pilots at four overseas posts. A joint review of select administrative services at these posts identified opportunities to improve services and eliminate wasteful and/or unnecessary duplication. Streamlining administrative functions overseas has the potential to enhance services, decrease costs, and reduce overseas staffing not only for State and USAID but also for the U.S. government as a whole.

Facilities: Improving ways to provide safe, secure, comfortable and cost efficient housing to overseas staff in both organizations.



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	<ul style="list-style-type: none"> • 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.

Appendix 3

BTEC ACTIONS FY 2002 - FY 2004

Transformation Area	Initiative	PMA Goals Supported	USAID Employee Benefits	U.S. Taxpayer Benefits	Management Performance Goals (Joint Strategic Plan)
BUSINESS SYSTEMS MODERNIZATION (Technology)	Financial Management System - Approved the deployment of the Agency's financial system ("Phoenix") to overseas missions	Improved Financial Performance	An integrated system will provide more timely, reliable and useful information for decision-making.	Integrated system will facilitate more timely and accurate reporting on USAID's financial position.	Integrated budgeting, planning and performance management; effective financial management; and demonstrated financial accountability.
	Obligation Management - Launched an all-out effort to review and better manage obligations.	Improved Financial Performance	Residual funds from expired awards are quickly reprogrammed for current needs and employees have access to improved policies and procedures for managing obligations.	Improves accountability for Agency funds.	Integrated budgeting, planning and performance management; effective financial management; and demonstrated financial accountability.
	Simplified Contracting - Approved reduction in the number of formats for Indefinite Quantity contracts, a frequently used contracting mechanism		Reduces the amount of time contracting officers spend to create and award the contracts.	By streamlining and consolidating the number of IQC formats, a more efficient process results and costs savings are achieved.	Customer-oriented, innovative delivery of administrative and information services, acquisitions and assistance.
	Cognizant Technical Officer Training (CTO) - launched the development of on-line courses.	Strategic Management of Human Capital	Provides flexibility to obtain immediate training on contract and grant management.	Better trained staff improves contract management and accountability for appropriated funds.	A high performing, well-trained and diverse workforce aligned with mission requirements.
	E-Purchasing Software - Approved the use of ARIBA Buyer software for IT purchases	Expanded Electronic Government	Reduces the amount of time procurement official spends on IT purchases and improves delivery time to customer.	Facilitates interaction and negotiation with potential vendors.	Modernized, secure and high quality information technology management and infrastructure that meet critical business requirements.
	Enterprise Architecture - Approved USAID's enterprise architecture program plan.	Expanded Electronic Government	Provides the information necessary to make sound decisions on new technology.	Better planned and managed IT investments will ultimately reduce costs.	Modernized, secure and high quality information technology management and infrastructure that meet critical business requirements.
	Capital Planning - Approved policies governing the Agency's capital planning and investment control	Expanded Electronic Government	Provides clear guidance for assessing cost, benefits and risks of capital investments.	Establishes management controls to ensure that capital investment decisions are sound and cost-effective.	Modernized, secure and high quality information technology management and infrastructure that meet critical business requirements.

Transformation Area	Initiative	PMA Goals Supported	USAID Employee Benefits	U.S. Taxpayer Benefits	Management Performance Goals (Joint Strategic Plan)
HUMAN CAPITAL (People)	Recruitment - Approved an automated recruitment tool and initiated business process improvements for overall recruitment process.	Strategic Management of Human Capital Expanded Electronic Government	Reduces the amount of time required to fill vacancies and improves communication with managers.	Streamlines application process and provides timely information to applicants.	A high performing, well-trained and diverse workforce aligned with mission requirements.
	Performance Management - Approved reforms to the performance management program impacting annual evaluation procedures, training, awards and accountability.	Strategic Management of Human Capital	Will reduce the amount of time supervisors spend preparing annual evaluation forms and place more emphasis on counseling, career development, and achievement of results.	Improves employee performance and achievement of results.	A high performing, well-trained and diverse workforce aligned with mission requirements.
	Comprehensive Staffing Information- Launched the development of an Agency web-based staffing pattern system.	Strategic Management of Human Capital	Reduces the time missions and Washington bureaus spend collecting staffing data and provides comprehensive information for workforce planning and analysis.	Improves accuracy and timeliness of reporting on Agency staffing.	Modernized, secure and high quality information technology management and infrastructure that meet critical business requirements.
	Human Capital Strategy - Approved the Agency's Human Capital Strategy and identified short-term priorities.	Strategic Management of Human Capital	Accelerated actions to fill mission critical foreign service and Civil Service positions, rationalize overseas staffing and address other short-term needs.	Improves the Agency's ability to build, sustain and effectively deploy a high-performing workforce and ultimately achieve program results.	A high performing, well-trained and diverse workforce aligned with mission requirements.
	Competitive Sourcing - Approved criteria and a process for considering Agency commercial activities for public-private competition and competitive sourcing policy that includes business process improvements.	Competitive Sourcing	Business process improvements will streamline procedures for selected management functions.	Streamlines business processes and provides best value to U.S. taxpayers.	A high performing, well-trained and diverse workforce aligned with mission requirements.
KNOWLEDGE FOR DEVELOPMENT (Ideas)	Knowledge for Development Strategy - Approved the direction for the knowledge for development strategy and action plan.	Strategic Management of Human Capital	Provides mechanisms/tools for staff to preserve and share knowledge on development assistance programs.	Provides the knowledge and information needed to improve program results.	A high performing, well-trained and diverse workforce aligned with mission requirements.
STRATEGIC BUDGETING (Results)	Strategic Budgeting Model - Supported the development of a strategic budgeting model.	Strategic Budgeting	Provides a framework for making budget decisions.	Provides for better control over resources used and accountability for results by program managers.	Integrated budgeting, planning and performance management; effective financial management; and demonstrated financial accountability.
	Operating Expense Priorities - Approved operating expense priorities and trade-offs.	Strategic Budgeting	Ensures that operating expense resources are allocated to highest priority requirements.	Ensures most effective and efficient use of operating expense resources.	Integrated budgeting, planning and performance management; effective financial management; and demonstrated financial accountability.
OTHER	Customer Service Standards - Approved customer service standards for Washington bureaus providing management services and technical support to field missions.		Improves customer service to employees in Washington offices and field missions. Gains measured and realized.	Ensures that missions and Washington offices have the administrative and technical support needed to achieve program results.	Customer-oriented, innovative delivery of administrative and information services, acquisitions and assistance.
	Customer Relationship Management - Approved the use of an automated customer service tool.		Improves customer service through timely feedback mechanism. Ensures that missions and Washington offices receive timely and quality support services.	Provides efficient and effective use of resources.	Customer-oriented, innovative delivery of administrative and information services, acquisitions and assistance.

Appendix 4-

USAID Business Transformation Initiatives-Summary Charts

Human Capital

Challenge	Response	USAID Employee Benefits	U.S. Taxpayer Benefits	Relationship to PMA Human Capital Goals	Management Performance Goals (Joint Strategic Plan)
Lack of Agency human capital plan to address: mission critical skills gaps; workforce planning and analysis; and looming wave of impending retirements	Developed a comprehensive human capital strategic plan to cover fiscal years 2004 - 2008 approved by the BTEC that when institutionalized and fully operational will have a performance metrics accountability system to monitor effectiveness of Agency action plan mapped to the goals of the PMA.	Human Capital Plan addresses employee needs both short term and longer term that focuses on training; closing mission critical skill gaps; enhancing performance management and employee incentives.	Ensures mission critical skills are recruited for faster delivery of assistance where needed = more lives saved, faster economic improvement Higher taxpayer confidence in USAID to fulfill its mission effectively.	Goal: Develop, analyze and use a comprehensive human capital plan.	A high performing, well-trained and diverse workforce aligned with mission requirements.
Due to downsizing of the 1990's, lack of entry level staff to ensure succession planning and to rapidly respond to new program priorities	Development Readiness Initiative established to hire new, Civil Service and Foreign Service employees above attrition for entry level and intern positions.	Allow more employees to attend training without creating job coverage gaps.	New talent is in place for current and future succession to ensure continuity of Agency program operations.	Goal: Managers assure that a continuously updated talent pool is in place for current and future succession.	A high performing, well-trained and diverse workforce aligned with mission requirements.
Lack of workforce to rapidly respond to global emergencies and new program priorities	FY '04 legislation: Foreign Service Limited positions are being recruited for rapid deployment to missions in need of development assistance.	Respond to new and emerging program requirements without reassigning employees from other Agency programs.	Appropriate staff is in place to effectively carry out the tax-payer funded programs of USAID.	Goal: Sustain a significant reduction in mission critical skill gaps.	A high performing, well-trained and diverse workforce aligned with mission requirements.
Lack of training due to budget cuts in the 1990s	New training programs for entry, mid-level and senior levels to address skills gaps and to develop new skills.	Boosts employee morale.	Increased training enhances and improves employees' skills and contributes to more effective and efficient achievement of agency strategic objectives and performance goals.	Goal: Assure that a continuously updated talent pool is in place.	A high performing, well-trained and diverse workforce aligned with mission requirements.
Lack of effective and efficient performance management system and employee incentives	New performance management policies approved by the BTEC will streamline annual evaluation procedures.	Reduces the amount of time supervisors spend preparing annual evaluation forms; places more emphasis on counseling, career development and results.	Employees more motivated to perform well and achieve results.	Goal: Performance appraisal plans link, differentiate and provide consequences.	A high performing, well-trained and diverse workforce aligned with mission requirements.
Lack of monitoring & tracking system with performance metrics to determine success of strategic objectives of Human Capital Plan	Human Resource Accountability system established with performance metrics based on Administrator's Annual Survey and Federal Human Capital Survey. Implementation plans are in development.	Enhances USAID's capability to attract a high quality, diverse workforce.	Systematic evaluation of Agency human resources management ensures effective and efficient utilization of taxpayer funds.	Goal: Develop and use an accountability system to make informed human capital decisions.	A high performing, well-trained and diverse workforce aligned with mission requirements.

Gray Boxes: Completed

White Boxes: On-going

Business Systems Modernization

Challenge	Response	USAID Employee Benefits	U.S. Taxpayer Benefits	Relationship to PMA	Management Performance Goals (Joint Strategic Plan)
<p>"As-is" business environment of numerous antiquated, fragmented, non-standard systems and data bases. Lack of timely, reliable business information. Inability to link spending decisions with financial results. Financial records inaccurate not auditable. Labor-intensive, paper-based systems. High cost of processing transactions.</p>	<p>Replace dysfunctional "islands of automation" to achieve goal of a modern, modular, seamlessly integrated global business platform.</p>	<p>Timely, accurate, reliable reports enables improved business decision-making and reporting.</p> <p>Reduces low-value work, increases higher value jobs for employees.</p> <p>Higher employee job satisfaction.</p>	<p>Better results-based decision-making produces more US benefits per dollar.</p> <p>Reduces paperwork resulting in labor savings. Faster transactions = faster delivery of assistance where needed = more lives saved and faster economic improvement</p> <p>Reduces cost of transactions.</p> <p>Higher taxpayer confidence in financial integrity.</p>	<p>Improved Financial Management Performance.</p> <p>Expanded e-Gov.</p>	<p>Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements</p> <p>Customer-oriented innovative delivery of administrative and information services, acquisitions, and assistance</p>
<p>State Department and USAID have separate financial systems causing wasteful duplication and impeding collaboration envisioned by State-USAID Strategic Plan.</p>	<p>State/USAID Joint Financial Management System collaboration.</p>	<p>Improves employee customer service e.g., single point of contact for help desk and system upgrades.</p>	<p>On-going cost savings achieved due to elimination of redundant efforts and duplicative system upgrades.</p> <p>\$5 million cost savings through FY '07 due to use of a common vendor for financial management services.</p>	<p>Improved Financial Performance.</p> <p>Expanded e-Gov.</p>	<p>Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements.</p>
<p>Slow, fragmented, non regulatory compliant, custom designed accounting system that is costly to maintain and obscures decision making.</p> <p>IG unable to render an opinion on Agency's financial statements due to inconclusive financial data from legacy accounting system.</p>	<p>Implemented Phoenix accounting system at headquarters. Phoenix is a standard, commercial off the shelf (COTS) system that is regulatory compliant.</p>	<p>Timely, accurate, reliable reports enable improved business decision-making and reporting.</p>	<p>First Ever Clean Audit Opinion in FY '03 assures taxpayers that Agency can manage and account for its funds.</p> <p>Significantly reduced late payment penalties for vendor payments. Interest of \$18,000 was paid in FY '03, only 14% of the amount paid in 2001. In FY '04, only \$1,132 in late payment interest was paid to vendors during first six months - projected annual savings of \$127K less than 2001.</p>	<p>Improved Financial Management Performance</p> <p>Goals:</p> <ul style="list-style-type: none"> - FFMI compliant accounting systems - Agency financial reporting deadlines met - Audit opinion on annual statements are clean 	<p>Effective financial management; and demonstrated financial accountability.</p>
<p>Lack of policies on mission-oriented management of IT projects and use of funds to avoid losses associated with failed IT projects.</p>	<p>New CPIC policies and procedures approved and implemented.</p>	<p>Clarifies for employees the requirements to justify and manage an IT project for senior management approval. Provides guidance for senior management, to select and oversee IT investments.</p>	<p>Ensures that IT investments are focused on efficient and cost effective use of funds to support the agency mission.</p>	<p>E-Government</p> <p>Goal: Costs, schedule, performance overruns & shortfalls < 10%</p>	<p>Effective financial management; and demonstrated financial accountability.</p>
<p>The Agency has an increasing need to assess data in a common format across bureaus and systems.</p>	<p>Developed HIV/AIDS EA as first section of Agency EA that serves as prototype for Global Health Bureau EIS.</p>	<p>As the Agency EIS develops, USAID will increase its capacity to acquire performance data at a more detailed and comprehensive level within and across bureaus.</p>	<p>Increases USAID's access and application of performance data to better monitor the distribution of resources in order to maximize tax payers' investment in agency services.</p>	<p>Expanded e-Government</p> <p>Goal: Modernization blueprint in place.</p>	<p>Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements.</p> <p>Customer-oriented innovative delivery of administrative and information services, acquisitions, and assistance.</p>
Gray Boxes: Completed		White Boxes: On-going			

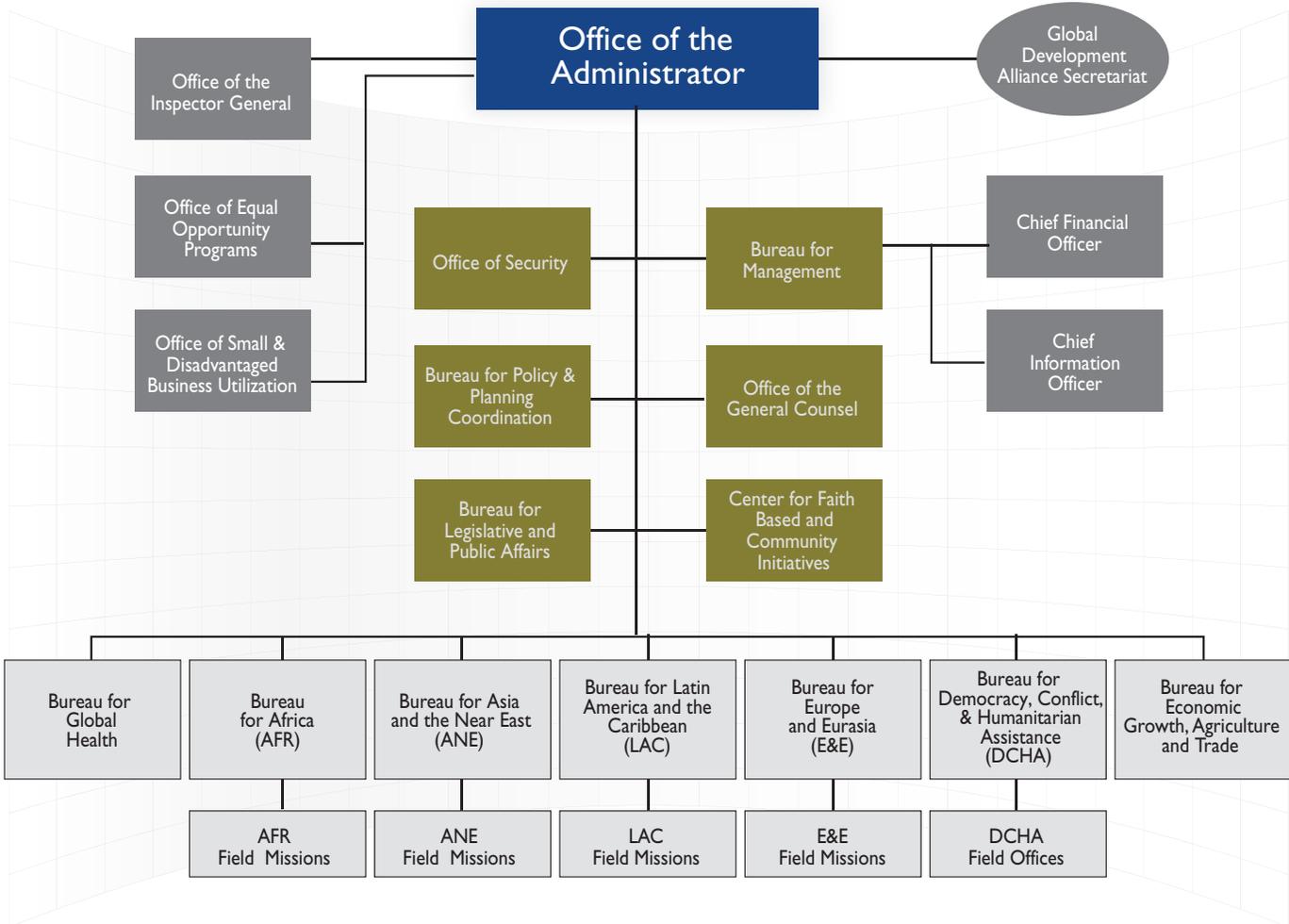
Knowledge for Development

Challenge	Response	USAID Employee Benefits	U.S. Taxpayer Benefits	Relationship to PMA	Management Performance Goals (Joint Strategic Plan)
<p>Improve ability to gather and share existing development information - to simplify access to information- to reduce redundancy - to support decision-making.</p> <p>Improve ability to retain knowledge from retirees (by 2007, over half of all the Agency's Foreign Service Officers and one-third of its Civil Servants will be eligible for retirement.</p> <p>Improve ability to share development information and knowledge with USAID "extended enterprise" - other federal agencies, international donors, contractors and grantees, recipient countries, NGOs and PVOs.</p>	<p>BTEC approved KfD strategy that establishes roadmap for an integrated knowledge management system to gather development information and experience and share it with internal employees and external business partners.</p> <p>USAID Knowledge Fairs held in 2002 and 2003.</p> <p>Mission Knowledge Coordinator training developed and piloted with southern African missions at Regional Center for Southern Africa in 2004.</p>	<p>Standardized methods and tools for knowledge capture, classification, retrieval and sharing.</p> <p>Reduces time spent searching for correct information.</p> <p>Improves identification and acquisition of knowledge needed to perform effectively.</p> <p>Improves ability to collaborate with development colleagues/innovate and solve problems more quickly.</p> <p>Increases sharing of knowledge/leveraging of solutions across Missions.</p>	<p>More efficient Agency operations</p> <p>More re-use of knowledge/less redundancy of knowledge.</p> <p>Increases responsiveness to constituent needs.</p>	<p>Strategic Management of Human Capital.</p>	<p>A high performing, well-trained and diverse workforce aligned with mission requirements.</p>
<p>Improve networking across formal organizational boundaries.</p> <p>Improve mentoring and training.</p> <p>Improved access to expertise and knowledge of employees.</p>	<p>Communities of Practice launched:</p> <ul style="list-style-type: none"> - Youth CoP - Land Markets Advisory Group - Strategic Planning CoP - GIS for Development CoP - Muslim World Outreach CoP - EvalWeb - Women in Development CoP 	<p>Easier access to knowledge and expertise needed for Agency operations.</p>	<p>More efficient Agency operations.</p> <p>Increases responsiveness to constituent needs.</p>	<p>Same</p>	<p>A high performing, well-trained and diverse workforce aligned with mission requirements.</p>
<p>Improve identification of / access to existing knowledge assets and activities.</p>	<p>Knowledge Inventory established - an online catalogue of Agency provided / supported development databases, communities of practice, training resources and other knowledge assets.</p> <p>Pilot Knowledge "Yellow Pages" - enhance facility for gathering and maintaining comprehensive inventory of USAID knowledge assets, activities and expertise (under development).</p>	<p>Enhances awareness and access to existing Agency knowledge assets.</p>	<p>More efficient Agency operations.</p> <p>More re-use of knowledge/less redundancy of knowledge.</p>	<p>Same</p>	<p>A high performing, well-trained and diverse workforce aligned with mission requirements.</p>
<p>Gray Boxes: Completed White Boxes: On-going</p>					

Strategic Budgeting

Challenge	Response	USAID Employee Benefits	U.S. Taxpayer Benefits	Relationship to the PMA - Budget & Performance Integration	Management Performance Goals (Joint Strategic Plan)
Lack of systematic framework that provides strategic objectives for development and diplomatic program and management functions.	State /USAID Joint Strategic Plan.	Performance goals in the plan provide meaning to Agency employees' work contributions to the mission of their organization.	Programs and resources better aligned in the two organizations. Joint performance standards and targets for development and diplomacy result in more efficient use of taxpayer dollars.	Goal: Strategic plans contain limited number of goals; measures used are PARTed measures.	Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability.
Growing global complexities bring with it a concomitant need to use U.S. foreign assistance resources effectively to achieve U.S. foreign policy objectives. Resource allocation decisions need to better align development assistance and foreign policy objectives.	Strategic Budgeting Model developed that provides a transparent framework for the allocation of funds to countries.	Transparent method for employees to see the factors that influence the resources their country-of-interest receives.	Better performance-based, results oriented decision-making produces more US benefits per dollar. Higher taxpayer confidence in financial integrity.	Goal: – Senior managers meet regularly, using performance information to make decisions – Agency can show full cost of achieving its performance goals and can accurately estimate the marginal cost of different levels of performance	Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability.
Lack of systematic methods, procedures and metrics to assess the performance of Agency programs.	PART reviews successfully completed that accurately demonstrate the relevance and performance of USAID programs. By the end of FY '04, 60% of USAID's programs will be assessed.	Disciplined approach to assessing program performance. Consensus-based, high-quality performance measures and targets enable managers and program staff to make informed funding decisions.	Taxpayer funds appropriately allocated to programs that make a measurable and substantial contribution to U.S. foreign policy objectives.	Goal: Agency uses the PART to direct program improvements and justify funding requests; less than 10% receive ratings of Results Not Demonstrated. Efficiency measures for all Agency programs are established.	Same
Lack of systematic method to determine appropriate allocation of staff to overseas missions.	Overseas Workforce Template developed.	Ensures mission staff is assigned where needed to effectively accomplish mission program delivery functions.	More efficient use of human resources. Ratio of staff to program dollars delivered improving.	Strategic Management of Human Capital & Budget & Performance Integration.	Same
<p>Gray Boxes: Completed White Boxes: On-going</p>					

USAID Organization Chart



Ten Major Achievements

FY 2001–FY 2004

- 1. Received first ever clean audit opinion on Agency financial statements** that demonstrates transparent and accountable financial practices.
- 2. Achieved over 25% improvement in employee satisfaction with administrative services** as a result of management reforms.
- 3. Launched comprehensive human capital strategy and Development Readiness Initiative** to identify and close critical skill gaps, revitalize the workforce and enhance Agency performance.
- 4. Deploying a new financial management system and new procurement software overseas** to enhance decision-making and enable fast and accountable transactions.
- 5. Allocated funds to countries with the most need and the highest commitment** through strategic budgeting. Re-allocated \$30 million to higher performing, higher need programs after an internal program performance assessment.
- 6. Saving over \$5 million in taxpayers funds** through joint licensing agreements as a result of the Joint Financial Management System collaboration with State Department.
- 7. Enhancing knowledge management systems and methods** to capture and share development expertise and new ideas.
- 8. Saved \$836,000 in taxpayer funds through on-line training,** enabling Agency 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.
- 9. Better aligning staff with foreign policy priorities** with a new overseas staffing template – 21 positions moving to Asia and Near East programs.
- 10. Streamlined and automated the Agency's recruitment process** reducing the hiring cycle from **229 days to less than 45 days** from job announcement to employee selection.