



Management Performance

USAID strives to remain a premier bilateral development agency—indeed to be the best development agency in the world.

Being best doesn't mean being the biggest or most assertive, but rather being the most dynamic and productive. It means helping lead the development community in responding to the most significant challenges, identifying the most worthwhile objectives, operating the most efficiently and effectively, being recognized as a valued partner, achieving consistent successes, and having the greatest possible impact.

To remain a premier development agency in the 21st century, USAID must overcome significant challenges. It must adapt to the changing political and economic context of U.S. foreign policy. USAID must become more efficient, flexible, and consistent in purpose in the face of shrinking staff and declining budgets.

It must respond to increased congressional demands for accountability and impact, as reflected in the Government Performance and Results Act, the Government Management Reform Act, and related legislation.

The Agency is addressing these challenges through two performance objectives: *Enhanced Leadership to Achieve Development Results*, and *Enhanced Management Capacity to Achieve Results and Deliver Development Assistance Resources*. Various aspects of management performance are discussed below in two broad sections: Leadership for Results and Managing for Results.

Leadership for Results

Since the earliest days of the Agency, USAID has provided leadership in development. There has been a constant stream of research that, when applied, has changed the face of the globe: the eradication of smallpox and the "green revolution" are two old examples of this. Currently, USAID is the leader in population, girls' education, and the environment, among many other goal areas. This leadership is manifested and maintained in many ways as the discussion below will indicate.

Research and Technical Leadership

USAID exercises its technical leadership through the research it supports, the technology it develops, and the technical capacities it maintains. These investments strengthen USAID's technical capabilities, broaden its strategic vision, enhance its partnerships, and improve its performance. USAID investments in research and technical leadership have been significant.

- The Agency demonstrated how vitamin A supplements reduce child mortality rates. Joined by other donors, it led an initiative to ensure that in five to seven years 80 percent of at-risk children would have adequate vitamin A intake. The expected result is a 20-percent reduction in child mortality.

- The Agency has long provided support for the agricultural research and technology crucial for developing new crops, farming methods, and agribusiness.

USAID has also played a prominent role in promoting the use of information technology in development. It contributes to U.S. governmentwide information technology efforts in several ways. It actively promotes the global information infrastructure and the principles of open and universal access in all its endeavors. The Agency's comparative advantage lies in working with developing countries and in supporting telecommunications infrastructure (partly through policy reform) as well as development applications related to information technology. The Agency's Leland Initiative, begun in FY96, has already substantially improved information technology policy and use in more than a dozen African countries.

USAID has helped expand the global information infrastructure and broaden its benefits. In recent years, for example, the Agency supported initiatives such as the National Health Information System in Niger and helped reestablish and expand the database for the new Food Security and Market Information System in Rwanda. It helped set up electronic accounting in Georgia's central banking system and installed management information systems in Nicaragua's Central Ministry of Education. In building civil society in Lithuania, USAID strengthened the independent media.

Training is one of the Agency's most powerful tools for strengthening technical capacity. Indeed, training is important for achieving strategic objectives in nearly all Agency-assisted countries. The Agency works to ensure that such training is carefully planned, technically sound, efficiently delivered, and continuously improved. In the past two years, it made significant headway improving

training management, developing more effective partnerships, and enhancing host-country training capabilities.

- The Agency promoted the use of up-front stakeholder agreements (1,356 of them in FY98) that clearly describe intended roles, responsibilities, and outcomes to ensure that training is applied when trainees return to their host countries. Follow-up surveys indicate that about 80 percent of recent participants applied their training on the job and that nearly all of them did, in fact, return home.
- The Agency adopted new policies to ensure that people with disabilities can participate fully in all Agency-supported training opportunities.

Strengthened Partnerships

USAID's ability to achieve results depends largely on the quality of the partnerships it forges. From day-to-day delivery of grass-roots services to collaboration among governments on international mandates, the Agency has partnerships with many kinds of institutions. It forms partnerships with other donors to ensure that policies are harmonious, goals consistent, and programs complementary. It forms partnerships with host country governments to make sure Agency objectives are fully understood and supported and that its programs contribute as much as possible to host country goals. It forges partnerships with businesses, private voluntary organizations, nongovernmental organizations, and educational institutions to ensure a commitment to common strategies and tactics. Effective partnerships not only ensure greater consistency of purpose and action but multiply the Agency's own capabilities and resources.

The Agency identified three partner-centered objectives in its FY99 performance plan: 1) developing the Organization for Economic Development and Cooperation Development Assistance Committee's 21st Century Strategy, which provides a common framework among donor agencies for structuring assistance; 2) developing mechanisms to advance public-private partnerships within the U.S.-Japan Common Agenda, the U.S.-European Union New Transatlantic Agenda, and similar World Bank initiatives; and 3) mobilizing increased donor financing and greater policy coherence in postconflict responses, negotiating a donor statement of principles for postconflict rehabilitation, and establishing a donor network focused on peace-building and postconflict responses. In support of these objectives, the Agency

- Managed the U.S. government dialog for the triennial Development Assistance Committee's (DAC) review of U.S. development assistance programs, which was highly favorable. The DAC is a coordinating committee of the Organization for Economic Development and Cooperation (OECD), which helps coordinate many bilateral donor efforts.
- Expanded cooperation with the European Commission under the umbrella of the New Transatlantic Agenda. The Agency especially fostered cooperation in activities associated with El Niño, democracy and civil society, and the development aspects of global climate change.
- Worked with other donors, especially the Inter-American Development Bank, in responding to critical development issues identified at the Summit of the Americas. Responses included the

Presidential Initiative on Food Safety as well as initiatives affecting education, microenterprises, and core labor standards to protect workers' rights and improve labor-management relations.

- Supported the Sahel Regional Program and the Permanent Interstate Committee for Drought Control in the Sahel and the Club du Sahel system, one of the most successful host country-donor collaborations in Africa. Created to coordinate food aid and other emergency resources in the Sahel, this committee now supports an environmental monitoring and early warning system. It also conducts research, does policy analysis and planning, and develops policy and strategy.

Assistance Channeled Through NGOs

The most effective way to implement development assistance is often through private voluntary organizations (PVOs) and nongovernmental organizations (NGOs), especially at the grass-roots level. In FY97, the Agency obligated 34 percent of its development assistance through PVOs and NGOs, up from 31 percent in FY95.

USAID has helped PVOs become more effective by revising the Agency's competitive grant programs. Agency grant programs now place emphasis on improving PVOs' management and technical capacity and upgrading their monitoring and management systems. The criteria also encourage more partnerships with local NGOs, local governments, USAID Missions, and other PVOs. Finally, they enhance sustainability by diversifying PVO funding and resource bases. This emphasis on partnerships and results is paying off.

- By FY97 about half the Agency-supported PVO programs had community financing or cost recovery mechanisms so they could continue delivering services when USAID funding ended.
- In 1996 only about half of Agency-funded PVO agreements included a local partner; by 1998, 75 percent had them. In 1996 only 55 percent of PVO agreements transferred funds to local organizations; in 1998 64 percent included such transfers.

One of the Agency's more innovative approaches to partnership, Lessons Without Borders, began in 1994. Under this program, USAID and American local, state, and private organizations team up to apply what the Agency has learned about development to solving U.S. problems. The program hosted two conferences during 1997-98, one in Knoxville, Tennessee on rural enterprise, and one in Chicago on international women's business.

Coordination Among U.S. Agencies

The Agency's strategic plan clearly supports the U.S. Government's Strategic Plan for International Affairs. The Agency coordinates its policies, plans, and initiatives with many federal agencies.

For example, USAID drafted its higher education policy and action plan in close consultation with partners in higher education and in extensive collaboration with the Departments of Agriculture, Commerce, Education, and Labor; the U.S. Information Agency; the National Institutes of Health; the Smithsonian; and others. The Agency shaped its initiative to combat infectious diseases in consultation with the Centers for Disease Control, the Departments of State and Defense, the

National Oceanic and Atmospheric Administration, the NIH, the White House, and other agencies. USAID also provides leadership for President Clinton's interagency Initiative on the Greater Horn of Africa, a partnership among the Horn's 10 member states and principal donors to improve food security and collaborate in efforts to prevent, mitigate, and resolve conflict.

Policy Development

USAID's strategic plan and annual performance plan are the framework for reviewing strategies and developing policies to achieve the Agency's performance goals. In FY98, policy analysis culminated in a formal review of policies and strategies for each of the Agency's seven goal areas as well as issues that cut across goal areas.

In FY97 and FY98 the Agency developed policies for community partnerships on disability, basic education, and higher education. It also refined policy guidance on endowments, microenterprise assistance, nonproject assistance policy, and on capital lending, among other things. The Agency also provided guidance for new efforts, such as the infectious disease strategy and the action plan for global climate change. Such policy guidance facilitates innovative programming, especially in areas that cut across more than one USAID goal. The Greater Horn of Africa Initiative action plan, for example, provides the framework for integrated strategic planning for crisis prevention and food security.

Policy Coordination

Coordination of strategic planning and policy development outside the Agency is critical if USAID is to remain a premier development agency. To ensure that the Agency's development perspective is considered, USAID participates

in such interagency policy groups as the National Science and Technology Council committees. On issues such as crisis prevention it coordinates efforts with the European Union and other donors. It collaborates with the U.S. Department of Agriculture and other donors on food security and implementation of the World Food Summit action plan. It participates in the U.S.–European Union Task Force on Emerging and Reemerging Infectious Diseases. It provides leadership for the Development Assistance Committee working groups on trade and on global climate change.

In regular reviews of its goal areas and development agenda, the Agency identified several issues that need to be addressed across goal areas. Some will require new strategies that integrate them into Agency programs; others may need to be incorporated in future strategic plans. These issues include the following:

- **Food Security—Millennium Initiative.** Food security is central to USAID's integrated, sus-

tainable development program, and agricultural research is one of its most effective and sustainable investments. The Agency intends to continue supporting food security and to expand agricultural research partnerships and technology transfers.

- **Gender.** During FY97–98 the Agency implemented important measures from its gender plan of action. Among other things, it issued guidance on gender requirements in awarding contracts, grants, and cooperative agreements and on requirements for collecting, analyzing, and reporting on gender-disaggregated data.

Performance Measurement And Evaluation

Since 1995, USAID has implemented profound management changes to improve the Agency's ability to create a

learning culture and achieve results. Like other U.S. government agencies, USAID has struggled to develop useful and meaningful performance goals and indicators, consistent with the Government Performance and Results Act. It is listening, learning, changing, and making progress.

- The Agency expanded technical assistance to help operating units sharpen their strategic planning and strengthen their performance indicators.
- It completed systematic reviews of operating unit strategies and R4s (annual Reports on Results and Requests for Resources), assessing performance for every strategic objective in every operating unit. It identified appropriate remedial actions where programs were failing to achieve expected results and applied this performance information in program and budget decisions.
- It developed formal Performance Monitoring and Evaluation

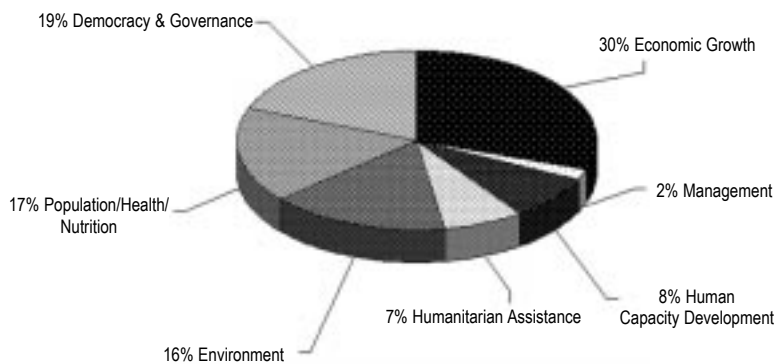
USAID's Progress in Managing for Results

USAID has long been committed to managing for results. Beginning with the Agency's bottom-up strategic planning and performance monitoring efforts in the early 1990s, the Agency has worked energetically and effectively to infuse a results orientation into program and budget decision-making. This orientation can be seen in the Agency's strategies for sustainable development (1993); strategic framework (1994); reengineered operations policies and procedures (1995); Results Reports and Resource Requests, or R4s (1996); strategic plan (1997); annual performance plan (1997); and annual performance reports (since 1993). As a result of these efforts, USAID's programs are becoming more transparent, credible, and effective.

The Agency's commitment has not gone unnoticed. Results-based management is now the goal of nearly every development agency and donor. Agency staff have been asked to make presentations and to participate in workshops sponsored by the Development Assistance Committee (DAC), the U.N. Development Program, the World Bank, and others aimed at sharing approaches. The recent triennial DAC review of U.S. development assistance highlighted Agency progress and leadership in managing for results. Similar recognition has come from the Government Accounting Office, the Office of Management and Budget, (for example, in USAID's most recent budget passback), and the National Academy of Public Administration, which asked USAID to host its first interagency workshop on performance measurement in January 1999.

Figure 4.1. Distribution of USAID Strategic Objectives, 1997

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Guidance, which it published as “TIPS” aimed at strengthening operating units’ ability to monitor and evaluate performance by disseminating best practices, refining standards, and clarifying policies for the entire Agency. During FY97 and FY98, TIPS covered *Quality Standards for Performance Measurement, The Role of Evaluation in USAID, and Establishing Performance Targets*.

- The Agency disseminated performance measurement and evaluation guidance in worldwide cables, such as the Agency’s March 1998 message on common indicators.
- It improved general USAID capability in performance measurement—particularly in newer goal areas such as democracy and the environment—through working groups, workshops, and seminars on indicators.
- The Agency developed and disseminated indicators handbooks for performance in several areas: the environment, democracy and governance, and population and health.
- It also developed a formal training program, Reaching 4 Results,

which it field-tested in FY98. Worldwide implementation is scheduled for FY99.

Largely because of these efforts, the coverage and quality of USAID’s performance monitoring improved in FY97. Relatively complete performance information (indicators, baseline, and actuals) was available for only 39 percent of USAID’s operational-level strategic objectives in FY97. By FY98, such data were available for 64 percent of those objectives. Since new programs cannot usually expect results data for the first two years, USAID’s target is to have data for 80 percent of strategic objectives.

Analysis of Performance Data

The Agency is analyzing country strategic objective indicator data in a variety of ways. Such data, although dry, do give another picture of how the Agency is performing.

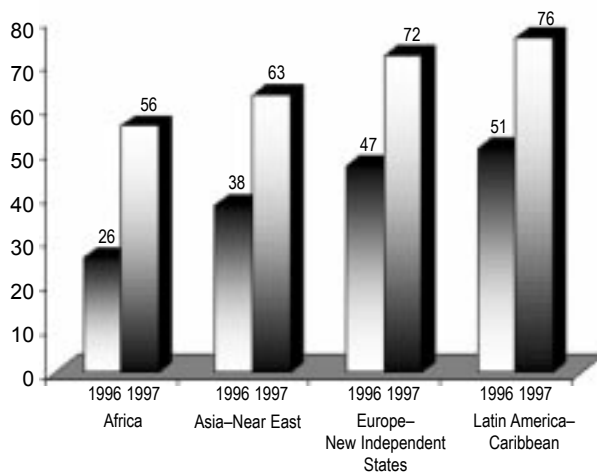
Performance is measured against strategic objectives. At USAID the greatest number of strategic objectives have to do with economic growth and with democracy and governance, as figure 4.1 shows. (Note that this figure quantifies strategic objectives, not the amount of money obligated for each goal area.)

USAID bureaus vary in how well they report performance data. The four regional bureaus are clustered around a mean of 64 percent, as figure 4.2 shows. The Latin America and Caribbean Bureau has a more mature program, which is reflected in the higher number of programs for which data are reported for that bureau. The Africa region, by contrast, being in a much earlier stage of development, has many more challenges to face, which makes target setting more difficult. The Bureau for Humanitarian Response and the Global Bureau are reporting data for the first time this year, so expectations about their reporting are lower than for the rest of the Agency. Moreover, because there are activities in many countries for each strategic objective in the Global Bureau, it is much more difficult to establish meaningful targets. The Agency is now revising how the Global Bureau sets targets.

With three levels of performance assessment, the Agency, in effect, gets three different views on how well operating units are meeting expectations: 1) In 1998, operating units evaluated themselves as meeting or exceeding 90 percent of their strategic objectives. Self-assessments by the operating units were slightly more optimistic than the final bureau judgments, as figure 4.3 shows. 2) On the basis of numerical indicators from the performance tables, the units met or exceeded 82 percent of strategic objectives for which annual performance targets had been established. 3) In the judgment of bureau review meetings in Washington, operating units were judged to have met or exceeded expectations on 86 percent of strategic objectives.

The Agency has made significant progress toward establishing a project monitoring system that shows whether programs are on track, and programs are by and large meeting their targets (see section on performance information databases, below). The Agency will

Figure 4.2. Proportion of Indicators Developed for Bureau Strategic Objectives
(percentage per regional bureau, 1996, 1997)



be addressing the question whether the target setting and evaluation process is a fair and accurate way to measure progress. This is part of USAID's work as it develops its performance evaluation system and the performance management culture to support it. The Agency is firmly committed to seeing this process through to the end.

AGENCY EVALUATIONS

USAID emphasizes evaluation as a basis for understanding performance monitoring data, reaching judgments about what works and what doesn't, and taking action. Evaluations underlie decision-making at both operational and Agency levels. In recent years, the number of operational-level evaluations received in Washington dropped substantially, from 489 in 1994 to 270 in 1996 and 183 in 1997. This decline was partly intentional. In the past many evaluations were conducted simply to meet bureaucratic requirements and had little impact. In developing the new system of management and reporting, the Agency encouraged Missions to institutionalize much of the analysis formerly done in evaluations. We do not yet know whether the falloff in formal evaluations has been counterbalanced by less formal analysis. An intensive

assessment of the status of operational evaluations during FY99 should provide the basis for additional policy, guidance, or training in FY2000.

Evaluations were done for FY97 and FY98 on the following:

- Democratic local governance (Bolivia, Honduras, Mali, Philippines, Ukraine)
- Food aid (Bangladesh, Ethiopia, Honduras, Indonesia, Sahel)
- Postconflict electoral assistance (Angola, Cambodia, El Salvador, Ethiopia, Mozambique, Nicaragua)
- Graduation strategies, girls' education, and taking stock on Agency reengineering (Egypt, Guatemala, Guinea, Malawi, Nepal, Pakistan)
- Capital markets (India, Kenya, Morocco, Philippines, Romania).
- Enterprise funds (a special study)

Ongoing evaluations and studies initiated in FY98 cover democracy and cross-sectoral linkages, emergency assistance,

durable partnerships, and the state of the art of Agency evaluations.

A number of these evaluations—including the assessment of girls' education, the stocktaking on reengineering, and the special study of enterprise funds—have already changed Agency policy and practice.

NEW PERFORMANCE INFORMATION DATABASES

In FY97 and FY98, USAID assembled a new Performance Monitoring and Analysis database that draws on operational-level results from R4s to support analysis for the Agency's annual performance report. Increasingly, USAID uses this database for supplementary analyses that inform program and budget decision-making. The Agency used the database for the following tasks in FY98:

- To analyze the distribution of operational-level results in relation to the goals and objectives outlined in the Agency strategic plan
- To measure operating units' capacity to report on performance
- To identify those units, geographical regions, goal areas, and Agency objectives for which the Agency was still having trouble putting performance monitoring plans in place
- To compare results from different processes for assessing performance (to make the annual review process more efficient)
- To help operating units prepare strategic plans and frameworks for reporting results, by providing data on existing indicators.

- To investigate how development tools such as information and communication technology, which cut across goal areas, will help the Agency fulfill its strategic plan
- To begin tracking quality-of-performance measurement data, sources of indicator data, and the time period of data—all of which are issues that of concern to the inspector general

In FY98, USAID also created a database of country development trends to analyze its progress toward Agency goals and to provide a framework for assessing development needs and potential. This section of the report drew on information in that database.

Managing For Results

USAID cannot remain a premier development agency unless it excels in delivering development assistance. To achieve the best possible development results, the Agency must manage program operations, workforce, financial resources, information resources, and grant and contract services as efficiently and effectively as possible.

Program Operations

In late 1993, USAID began to “reengineer” its program operations system—the processes involved in planning, approving, and implementing programs; monitoring and evaluating the results; and supporting management and information systems. In formulating new processes for doing business, the Agency was guided by five core values: results orientation, customer focus, empowerment/accountability, teamwork, and diversity.

In early 1998, USAID took stock of staff and partner perceptions about how well the Agency has reoriented its operations toward these values and how the reforms have affected program operations. Participants reported that performance information and the perspectives of customers and partners were regularly incorporated into Agency decision-making. Although most participants largely felt that the increased emphasis on results had positively influenced Agency work, most also identified serious unintended consequences. These included excessive time burdens on staff and partners and overly quantitative and short-term indicators that did not fully capture significant development results, such as increased institutional capacity. As a result, the Agency adopted measures to streamline performance reporting in late 1998.

The stocktaking also revealed a need for more visible leadership of the reform process, greater clarity about new procedures, and better Agency monitoring. As a result, the Bureau for Management and for Policy and Program Coordination began working together in April 1998 through a joint operations governance team to resolve

uncertainties in the interpretation of operational policies and procedures. By mid-1998 this team had made the Agency’s directive system more accessible to staff and partners; had ensured that various related problems in the performance management system were being addressed; and had assembled teams to prepare any guidance needed on issues ranging from how to engage partner participation to establishing minimum requirements for obligating funds.

Human Resources Management

To manage its programs for results, USAID must have the right people—with the right training and skills—in the right places at the right time. Over the past nine years, the Agency has been severely constrained by declines in personnel and operating budget levels. Figure 4.4 illustrates declines in civil service and foreign service levels from fiscal year 1990 through 1998. A major concern is the steady decline in the number of seasoned foreign service officers. The level of foreign service staffing declined 4.5 percent during FY97 and FY98. The U.S. direct hire

Figure 4.3. Three Views on Whether Operating Units Met Or Exceeded Expectations in 1997
(self, indicator, and bureau assessment, as %)

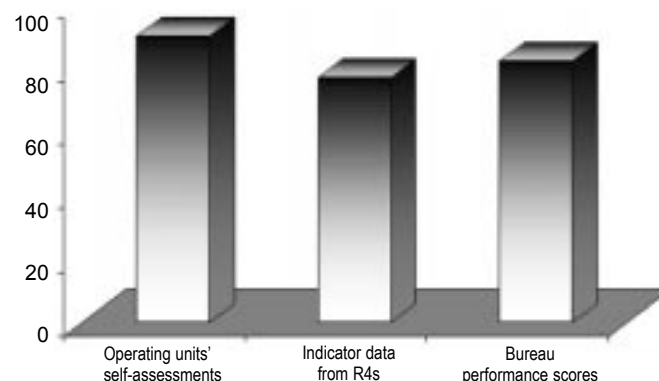
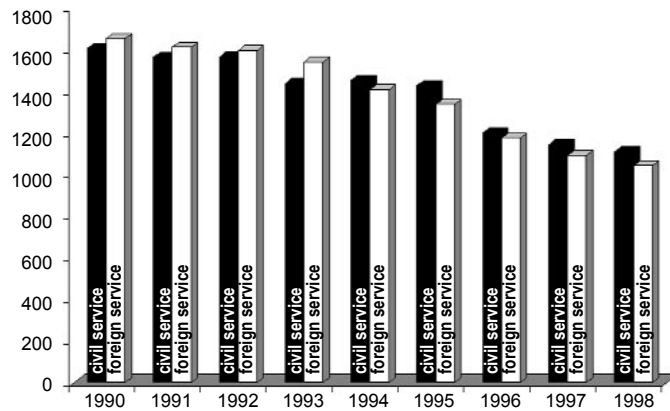


Figure 4.4. Total USAID U.S. Direct Hire Staff, 1990–98 (Excludes OIG)

staff and total Agency employment both declined 3 percent. Continued staff reductions, coupled with limited hiring, are eroding the Agency's capacity to operate effectively.

To address staffing concerns, the Administrator convened a task force to recommend a process for work-force planning, decision-making, and management. As a result of task-force recommendations, the Agency established a management council of senior executives charged with making corporate decisions about Agency work-force requirements. Among other things, the management council commissioned internal studies to determine the appropriate size of Washington headquarters staff, the Agency's technical staff requirements, and the deployment of staff overseas.

The Agency developed new and innovative training courses (stressing management, procurement, operations, and technical skills) and trained 4,833 people worldwide. In addition, it developed the framework for a new leadership and program operations course.

The Agency conducted workshops in FY98 to train staff in strategic planning, activity implementation, performance monitoring and evaluation, and acquisi-

tions and assistance planning and administration.

The Agency held several seminars on contract and grants management for both contracting and program staff. A desktop guide for nonprocurement personnel was issued to supplement seminars and formal courses. During the fiscal year USAID also awarded contracts for training technical personnel who serve as technical officers for acquisition and assistance instruments.

Acquisition And Assistance

With efficient and effective acquisition and assistance processes, USAID can work with the best contractors and grantees at the lowest cost. For the past several years, USAID has concentrated on improving acquisition and assistance by improving communications with employees and partners and by testing innovative contracting techniques. The Agency's website expanded in 1998 to provide more procurement-related information, both internally and externally. The Agency created a website on results-oriented assistance instruments, welcoming online contributions from the recipient community and Agency contracting and technical personnel.

The Agency also held regular meetings and training sessions with organizations

of contractors and recipients to exchange information and address issues of concern.

According to feedback during the recent stocktaking, both USAID staff and partners still view acquisition and assistance as time consuming and overly bureaucratic. As a result, in FY98 an Agency task force recommended expanding technical training and streamlining acquisition and assistance processes to make them easily understandable and consistently applied. Task-force recommendations led to the creation of an acquisition and assistance advisory panel to establish a process for Agencywide participation in procurement policymaking.

The Agency also tested several new initiatives to expedite acquisitions and assistance during FY98. For example, it tested "fast track" competitive procedures for certain indefinite-quantity contracts for which selection of the contractor is based mainly on past performance and price, so a full-blown technical proposal is not needed. The Agency is also trying a leader-associate grant arrangement, whereby USAID/Washington and field Missions will award a series of contracts from one competition.

Information Resources Management

USAID's results orientation and commitment to results, teamwork, and partnerships make it crucial that information be available to staff and partners when it is needed. To meet that need, in the mid-1990s the Agency began developing an ambitious corporate information system, called the New Management System. By FY97 it had become clear that the system, as initially designed, would not perform as planned. In FY97 and FY98 the Agency implemented improvements to get the Agency's information systems back on track.

CAPITAL PLANNING, IMPLEMENTATION, AND MONITORING

During FY98, the Agency began implementation of a new information technology management strategy to improve compliance with the Clinger-Cohen Act, the Government Performance and Results Act, and Raines's Rules. The new approach identifies and incorporates best practices and lessons learned industrywide to improve management discipline and program performance.

The Agency created a capital investment review board, chaired by the chief information officer, to manage its portfolio of information technology. That board implemented a process for selecting technology and is developing monitoring and evaluation processes and policies. It reviewed and approved selection of Year 2000 (Y2K)-compliant office suite software and personal computers for use Agencywide.

In May 1998, the General Services Administration awarded a contract to provide the Agency with access to specialized management advice, support, and expertise. Work performed under this contract will use performance-based contracting principles as much as possible.

NEW MANAGEMENT SYSTEM

The purpose of the New Management System (NMS) is to integrate the Agency's business operations and improve its ability to capture, manage, and report on strategic goals and objectives. In FY98, a newly appointed management team began to use emerging technology and to assign priorities to Agency requirements. The team changed the Agency's approach from directly managing software development to managing software acquisition. The team took many steps to instill dis-

cipline in the management of information technology—especially the NMS.

An independent review of the NMS was conducted under the oversight of the General Services Administration. The GSA recommended ways to repair and replace NMS modules that were not functioning as well as planned. The review prompted a change from a fully tailored management information system to consideration of options now available as commercial off-the-shelf packages.

The Agency also established an NMS executive team to develop performance measures and to monitor performance against schedule and cost objectives, program and functional requirements, and time and quality goals. The team developed a corporate approach to ranking requirements—ranking them within the confines of time, budget, and human resources, judging risks from an Agencywide perspective.

The new contract for information technology support and expertise consolidates technical management of the NMS and other information technology programs. The contractor introduced a disciplined and comprehensive approach to the acquisition, integration, life-cycle management, and operation of USAID's information technology resources. This management approach provides accurate information on progress in maintaining and improving the NMS.

YEAR 2000 CONVERSION

Until FY97, USAID expected that the NMS would address many of the Agency's Y2K requirements. When the NMS failed to perform as planned, the Agency had to address a wider range of Y2K issues. During FY98 the Agency placed a high priority on preparing for Y2K. It consolidated Y2K program management under the new informa-

tion technology administration contract and is receiving a full range of Y2K services. The Agency moved responsibility for Y2K program management into a line position, reporting directly to the chief information officer. The Y2K conversion is multifaceted and affects administrative and program operations, in USAID/Washington and in overseas Missions, with customers, partners, and stakeholders. Highlights of 1998:

- USAID completed a cost-benefit analysis of proposals for making desktop computer resources Y2K-compliant. The capital investment review board determined which options were most cost-effective and the best value. The Agency completed blanket purchase agreements to facilitate the worldwide acquisition of Y2K-compliant personal computers and desktop software. It is now ready to implement those agreements in offices worldwide.
- The Agency completed a worldwide survey of computerized assets, such as elevators and heating and air-conditioning systems, outside the information system. Agency facilities contain relatively few devices vulnerable to Y2K problems. Where there are potential problems, the Agency is addressing available options directly with the supplier of the device.
- USAID Missions completed more than 80 percent of upgrades needed on telecommunications routing equipment and USAID/Washington has completed more than 90 percent of such upgrades. The Agency's Y2K program coordinators worldwide are developing contingency plans for communications and operations

in the event of local power failure.

- The Agency completed two of the four steps needed to assess Y2K technology problems, and inventory modification needs, and assign priorities on critical systems. Modifications are in progress and testing is planned once the updates are completed.

Financial Management

Strong financial management is essential for linking resources to results. During FY98, USAID continued to address deficiencies in its financial management operations and systems. The Agency's financial accounting system, the Worldwide Accounting and Control System, was evaluated as part of the independent review of NMS. The review confirmed the need for significant improvements and recommended options for meeting financial management needs.

The Agency chose a three-pronged strategy to make financial accountability and reporting more efficient and effective: 1) it is purchasing an off-the-shelf core accounting system, 2) using services from other government agencies,

and 3) contracting some functions out to the private sector. In FY98 the Agency completed a business process improvement analysis, which will help the Agency define functional requirements for the accounting system. The Agency expects to acquire the new system in fiscal year 1999. It will be implemented in Washington and the missions during fiscal years 2000 through 2002. Meanwhile, the Agency is working closely with the Office of the Inspector General to improve the environment for financial management and to produce better financial statements.

In FY98, the Agency signed an agreement with Riggs National Bank to service loans and formally agreed to a cross-servicing arrangement whereby the Department of Health and Human Services handles cash advance operations for certain grants. Both operations are lower in cost than in-house processing and should be fully functional within a year.

Maintaining Leadership In a Complex World

USAID is a complex organization operating in a complex and uncertain world. Throughout its existence, the

Agency has been a leader in the development community. Many of the most successful development initiatives start with USAID and spread through other donors.

USAID is more than the sum of its parts. Its Missions, central and regional bureaus, and the Global Bureau technical centers work together to produce results. The Agency collaborates successfully with other parts of the U.S. government, with other multilateral and bilateral donors, and with the U.S. private sector (be it businesses, universities, or voluntary organizations), mobilizing broad coalitions to accomplish U.S. foreign policy goals.

USAID is committed to attracting and retaining the best team to manage its diverse mission in a rapidly changing world. The Agency's people, systems, and partners demand that it continue to refresh and invest in a diverse and well-managed work force.