

MANAGEMENT IMPROVEMENT

USAID's Management Vision

In his Senate confirmation testimony in 2001, USAID Administrator Andrew Natsios made transforming the Agency into a premier, high-performance, international development and humanitarian assistance organization one of his top priorities. Subsequently, the Administrator articulated a set of core principles to guide the Agency's transformation. He indicated that USAID would:

- Simplify and standardize business systems and processes to reduce costs, simplify use, and enable the Agency to respond with speed and agility to changing program needs.
- Establish a customer service culture in all USAID's service providing organizations that demonstrates a dedicated commitment to making Agency programs as effective as possible.
- Increase efficiency by reducing overhead expenses and improving the ratio of product to process, making sure that the Agency's costs of doing business are transparent, aggressively managed, and compare favorably with peer organizations.
- Promote partner inclusiveness in all business relationships to better meet the needs of internal and external customers and to ensure that small businesses are well-represented.
- Increase transparency in program and business decision-making, assuring that decisions are fast, results driven, and clearly understandable to partners large and small.
- Ensure accountability and compliance with the letter and spirit of all applicable laws and regulations to achieve a clean audit opinion; deter legal disputes; acquire a sterling reputation for sound management; and improve relations with the Congress, the General Accounting Office, and the Office of Management and Budget.
- 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.

USAID's Business Transformation Plan

USAID is implementing a comprehensive plan to reform the Agency's management systems, modernize customer service, and improve performance. This plan can be envisioned as a four-lane highway toward high performance in which each lane represents one of USAID's four major business transformation initiatives:

1. Strategic management of human capital,
2. Business systems modernization,
3. Knowledge for development, and
4. Strategic budgeting

The four parallel lanes, aligned and integrated, are built on a roadbed of "best practices." USAID's "Business Transformation Executive Committee" (or BTEC) oversees and directs the process, and will be supported by a new Program Management Office (PMO) and Management Policy and Metrics (MPM) staff.

Relationship to the President's Management Agenda

In August 2001, President Bush unveiled the five elements of the President's Management Agenda (PMA):

1. Strategic management of human capital,
2. Competitive sourcing,
3. Improved financial management,
4. Expanded electronic government, and
5. Budget and performance Integration.

The four components of USAID's business transformation are fully consistent with the PMA and were explicitly designed to produce the performance breakthroughs desired by both the President and the Administrator.

1. USAID's *Strategic Management of Human Capital* initiative, for example, directly addresses the PMA's human capital concerns and also encompasses aspects of "competitive sourcing" by requiring that future staffing decisions explicitly consider a range of sourcing alternatives prior to recruiting.
2. USAID's *Business Systems Modernization* initiative includes reforms to the Agency's financial management, acquisition and assistance, and information technology capabilities, and directly addresses the PMA's e-government, financial performance, and competitive sourcing objectives.
3. USAID's *Knowledge for Development* initiative includes plans to improve the strategic management of the Agency's intellectual capital, enhance learning from experience, and strengthen partner collaboration to facilitate

the technology-enabled business transformation envisioned under the PMA's e-government and human capital objectives.

4. *USAID's Strategic Budgeting* initiative encompasses strategic planning, budgeting, and decision-making reforms to better link performance and budget and to make Agency decision-making as performance-driven as possible.

FY 2002 Accomplishments

The Agency achieved significant accomplishments last year (FY 2002), including the following efforts:

- Established a fully functioning Business Transformation Executive Committee (BTEC), chaired by the Deputy Administrator and composed of Agency senior executives, providing Agency-wide leadership for the business transformation and ensuring that initiatives and investments are focused on the Agency's highest priority needs.
- Implemented business transformation "quick hits," including:
 1. Adopting an automated e-recruitment module (reducing the average processing time for recruiting new staff from 120+ to 30 days);
 2. Piloting an automated e-procurement system (and deploying e-procurement capabilities to the Offices of Procurement, Security, Information Resources Management, and Administrative Services);
 3. Developing a worldwide, Web-based staff reporting and data collection tool;
 4. Standardizing indefinite quantity contracts (speeding and simplifying the procurement of frequently used goods and services);
 5. Establishing transformation and customer service objectives for Agency executives;
 6. Expanding the use of the Remedy Customer Relationship Management Tool, which tracks customer requests, to improve services from all relevant offices; and
 7. Improving the process for recovering unused funds from previous fiscal years.
- Completed a comprehensive Headquarters organizational restructuring to strengthen program management capacity in the field by centralizing technical leadership in three Washington-based "pillar" bureaus corresponding to Agency program priorities of Global Health; Democracy, Conflict and Humanitarian Assistance; and Economic Growth, Agriculture, and Trade.

- Initiated a review of field and headquarters business processes and procedures, and developed an “overseas concept of operations” for how future financial management and procurement functions would be handled in the field.
- Enlarged the New Entry Professional (NEP) program to address the critical human capital gap that resulted from substantial lay-offs and negligible recruiting in the 1990s.
- Completed a second annual employee survey that showed USAID’s efforts to improve services and enhance customer satisfaction are already having an impact.
- Developed an initial performance-informed budgeting model that guided planning for the 2004 budget.
- Developed specific customer service standards for service providing headquarters organizations.
- Improved the operation of the Agency's financial systems by:
 - Expanding the use of existing cross-servicing and outsourcing agreements, including grants management (with the Department of Health and Human Services), loans management (with Riggs Bank), payroll (with the National Finance Center, and voucher processing (private contractor);
 - Completing mapping and attributing field financial data from the Mission Accounting and Control System (MACS) Auxiliary Ledger to the Agency operating units defined in the new core financial management system (Phoenix);
 - Deploying enhanced versions of Phoenix to better use web-based technologies and improve the Agency’s ability to collect accrual information through Web-based tools; and
 - Enhancing reporting and financial management through innovations such as an Agency-wide flash report that shows current year obligations against annual operating unit budgets and a pipeline report that enables Agency-wide web-based reporting of funding pipelines for operating unit strategic objectives.
- Closed the Agency’s Material Weakness on reporting and resource management by strengthening program performance and financial reporting systems.

FY 2003 Planned Accomplishments "

Major efforts planned to be undertaken this year (FY 2003) include the following:

- Procure new acquisition and assistance software.
- Undertake strategic planning exercises to produce consistency in programmatic and administrative approaches and structures:
 - Finalize and implement an integrated strategic plan with the Department of State.
 - Carry out a joint study examining opportunities to integrate elements of State and USAID financial management operations worldwide.
 - Finalize and implement a comprehensive human capital strategic plan that addresses USAID's needs and the requirements of the President's Management Agenda.
 - Develop a joint high-level State and USAID Enterprise Architecture, consistent with the overall Federal Enterprise Architecture, to serve as a framework for business process and systems improvements in both agencies;
 - Finalize and implement a knowledge management strategy to reposition the Agency as a global knowledge leader and to facilitate knowledge sharing among partners and staff.
- Expand the Strategic Budgeting model into a system that more accurately deals with different accounts, regions, and central programs, and integrates and rationalizes program, operating expense, and workforce allocations for all operating units and funding accounts.
- Incorporate the findings of the performance assessment rating tool (PART) into the rationale for the budget request for all pertinent activities.
- Conduct an overseas workforce study to develop criteria and models for rational, transparent, and effective allocation of overseas staff.
- Develop and use an integrated system of performance measures to assess business transformation progress.
- Initiate the application of cost accounting methods to management support services to facilitate reallocation of resources to highest priority functions.
- Conduct an Agency "knowledge fair," implement pilot "knowledge sharing" thematic groups, and develop an initial Agency knowledge portal.

- Deploy an enhanced version of the Phoenix financial management system using Windows 2000 and begin piloting Phoenix overseas, subject to the results of the State and USAID integration study.
- Establish a Program Management Office and Management Policy and Metrics staff to plan, coordinate, manage, and evaluate business transformation activities.

FY 2004 Projected Accomplishments "

USAID plans to carry out the following further management improvements in FY 2004:

- Begin testing integrated acquisition and assistance software and begin streamlining procurement processes to align with the new software.
- Implement standardized and integrated business process and systems throughout the Agency, coordinating with the State Department and other agencies where practical and mutually advantageous.
- Complete USAID's enterprise architecture in collaboration with the State Department, aligning the Agency business model with the Federal Enterprise Architecture.
- Adapt business processes to leverage Federal Government cross-servicing, e-government technologies, and outsourcing of selected functions.
- Continue deploying the Phoenix financial management system to overseas missions.
- Continue deploying the Strategic Budgeting system to make budget allocation decisions.
- Utilize the model of overseas workforce to begin making rational, transparent, and effective allocations of overseas staff.