

Rural Development (RD) Mission Area Strategic Plan



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Introduction

On October 13, 1994, President Clinton signed into law the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act. This legislation established 7 mission areas within USDA based upon the primary missions of the Department. Rural development is one of those missions. The Act also realigned many of the Department's programs and reduced the number of USDA agencies.

Three new agencies, the Rural Business-Cooperative Service (RBS), the Rural Housing Service (RHS), and the Rural Utilities Service (RUS), were established. These agencies constitute the Rural Development mission area and support the following USDA Strategic Goals:

- 1.1 Expand economic and trade opportunities for agricultural producers and other rural residents; and
- 1.3 Provide effective customer service and efficient program delivery.

Most of the programs delivered by the mission area agencies are not new. The staffs of these agencies have been, and will continue to be, important providers of financial and technical assistance to rural communities. Their efforts in the past have helped millions of rural Americans achieve a higher standard of living and have enabled them to live healthier, more productive, and more enjoyable lives. Much, however, remains to be done. The development of rural America is a difficult and complicated task in the best of circumstances. The mission area is charged with being the lead Federal entity for rural development in an era of dwindling Federal resources and in the face of rapid changes in the global economy. Substantial challenges exist for both rural America and the mission area.

This plan covers fiscal years 1997 through 2002. It shall be reviewed annually and updated every 3 years as required by the Government Performance and Results Act (GPRA).

Extensive internal and external consultation was held in preparation of the strategic plan. All mission area employees were surveyed to obtain their thoughts and comments. Over 50 percent of the employees responded. Rural Development State Directors held 39 listening forums with partners and stakeholders to identify their concerns and obtain their input. Lastly, a National Listening Forum was held to obtain the comments and concerns of national interest groups.

Rural America is diverse and complex. The thousands of communities which make up rural America are at different stages in their adjustment to the forces which impact our national economy. Some communities have adjusted well and are prospering. There are, however, regions of the country, and pockets in every State, where unemployment and poverty are widespread. Between these two extremes are numerous individual communities, throughout the country, with major unmet needs. Until these needs are met, these communities have a very limited ability to attract the job-creating businesses needed for the community to grow and prosper in the future.

There is no single recipe for rural prosperity. There are logical ways to promote development and there is considerable potential. Guiding principles for this development include:

- Enhance the connection between rural and urban areas by improving information infrastructure, the dissemination of information, and the ability of rural residents and businesses to use it.
- Encourage and assist rural firms to target specialized, niche markets.
- Create "artificial scale economies" to counter the high costs of providing government services or doing business in rural areas due to their small-scale,

low-density settlement patterns. This can be accomplished through the development of partnerships between communities or businesses to jointly buy services or equipment.

- Improve the competitiveness of rural firms by enhancing the core skills of management and labor.

Even though rural communities are very diverse, with each one having its own unique needs, most of them share a common problem - difficulty in obtaining financing for needed improvements. This problem is exacerbated by the limited number of available users to support the repayment of debt, the high cost per user of rural projects due to their small scale, and the lack of expertise in many rural communities in the technical aspects of project development and management. Most small rural communities do not have bond ratings, which makes it nearly impossible for them to obtain private sector financing. Rural residents and businesses encounter similar problems in obtaining financing. Financing for homes or businesses in small rural communities is often very limited due to the small number of interested lenders in the area and the high potential for loss in case of financial failure due to the limited number of people who might be interested in assuming the debt or buying the property securing the debt.

Rural Development programs are designed to meet the diverse needs of rural communities and to help them obtain the financial and technical assistance needed to improve the quality of life in rural America and help individuals and businesses compete in the global marketplace. These programs consist of a variety of loan, loan guarantee, and grant programs, plus technical assistance, in the areas of business and industry; cooperative development; rural housing; community facilities; water and waste disposal; electric power; and telecommunications, including distance learning and telemedicine.

Rural Development loan programs, with an outstanding portfolio of approximately \$77.7 billion, are delivered through a National Office for each agency, 47 Rural Development State offices and a network of other field offices. The mission area is supported by a Finance Office and a Centralized Servicing Center in St. Louis, Missouri, which services the direct single-family housing portfolio.

The mission of the **Rural Business-Cooperative Service** is “to enhance the quality of life for all rural Americans by providing leadership in building competitive businesses and sustainable cooperatives that can prosper in the global marketplace.” RBS accomplishes this mission by investing its financial resources and technical assistance in businesses and cooperatives, and by building partnerships that leverage public, private, and cooperative resources to create jobs and stimulate rural economic activity.

The **Rural Housing Service**’ mission is “to improve the quality of life in rural America and help build competitive, vibrant rural communities through its community facilities and housing programs.” Two of the key components of a healthy community are decent and affordable housing and the availability of essential community services such as fire protection and health care. RHS has financed over 2 million single-family homes since the inception of its home ownership program. The rural housing programs are an essential part of the President’s National Homeownership Initiative. In the last 20 years, the community facilities program has enabled over 7,000 communities to provide basic community services for their citizens.

The mission of the **Rural Utilities Service** is “to serve a leading role in improving the quality of life in rural America by administering its electric, telecommunications, and water and waste programs in a service-oriented, forward-looking and financially responsible manner.” RUS programs provide rural residents access to modern, affordable telecommunications, water, waste water disposal, and electric service. These

essential infrastructure systems are the foundation for rural Americans to be contributors in the global economy.

The mission area administers the rural portion of the Administration's Empowerment Zones and Enterprise Communities (EZ/EC) Initiative. Its mission is "to create self-sustaining, long-term economic development in areas of pervasive poverty, unemployment, and general distress, and to demonstrate how distressed communities can achieve self-sufficiency through innovative and comprehensive strategic plans developed and implemented by alliances among private, public, and nonprofit entities." This program is seen as the first step in rebuilding poverty-stricken communities in rural America. It is designed to empower people and communities to work together to create jobs and opportunities. The Secretary of Agriculture has designated three rural Empowerment Zones and 30 Enterprise Communities.

Also housed in the mission area is the National Rural Development Partnership, a nationwide network of rural development leaders and officials committed to the vitality of rural areas. The network is organized by the National Rural Development Council, 36 State Rural Development Councils, and the National Partnership Office.

As a part of the Departmental reorganization and establishment of the mission area, the administrative management functions and policy analysis functions of the three agencies were consolidated within the mission area. Operations and Management, which is headed by a Deputy Under Secretary, provides administrative support for the entire mission area. Likewise, the Policy and Planning Staff, which is also headed by a Deputy Under Secretary, coordinates policy analysis support for the entire mission area.

Streamlining and technological innovation are driving the need for Rural Development to change its approach to its mission. Reduced resources are requiring an increased focus on leveraging, partnerships and non-monetary assistance for rural communities. This shift will require increased retraining and redeployment of staff.

Legislative Mandates

The legislative authorities for the mission area programs are found in the Consolidated Farm and Rural Development Act, as amended; Title 5 of the Housing Act of 1949, as amended; the Cooperative Marketing Act of 1926, as amended; the Food Security Act of 1985, as amended; and the Rural Electrification Act of 1936, as amended. The mission area is also impacted by other legislation, such as the Federal Agricultural Improvement and Reform Act of 1996 (1996 Farm Bill), the Telecommunications Act of 1996, and the Energy Policy Act of 1992. A basic mandate of most mission area programs is that they are not to compete with private credit, but rather supplement that credit. If the individuals or entities can obtain affordable credit to meet all, or part, of their needed funding from other sources, they are expected to do so. Another legislative mandate, provided in the 1996 Farm Bill, is that priority should be given in the delivery of our programs to the smallest and poorest communities.

Partnerships and Coordination

The partnerships and coordination with other organizations required for program delivery varies between agencies and by programs within the agencies. Most of the direct financial programs do not require a partner for program delivery but we are seeking to ensure the placement of our funds are coordinated with, and support the delivery of, the funds of other entities. We are, however, seeking to leverage our funds to the maximum extent possible with other lenders. Our guaranteed programs are made through local financial institutions. This coordination occurs at the local level. This plan is the basis for the development of State/Tribal strategic plans required by the 1996 Farm Bill. The Rural Development State Directors are developing these plans with their vari-

ous public and private partners to support the coordinated delivery of all resources, both financial and technical.

To ensure our programs are delivered efficiently and effectively at our State Offices, and take advantage of opportunities for streamlining, Rural Development will cooperate with the Offices of the Assistant Secretary for Administration and the Chief Information Officer as they implement the Administrative Convergence initiative. This initiative will consolidate the administrative resources and functions (financial management, human resources management, property and contracting, civil rights, and information resource management), both nationally and at the State level, for the Farm and Foreign Agricultural Services and Rural Development mission areas and at all levels for the Natural Resources Conservation Service.

Other Departmental agencies which the mission area works closely with are the Economic Research Service; Farm Service Agency; Natural Resources Conservation Service; Forest Service; Foreign Agricultural Service; Agricultural Marketing Service; Cooperative State Research, Education and Extension Service; and the National Agricultural Statistics Service. Outside of the Department coordination is required with Housing and Urban Development, Economic Development Administration, Environmental Protection Agency, Small Business Administration, the Department of Labor, the Department of Energy, and the Federal Communications Commission. The plans have been shared directly with some of our closest partners and through the plan review process with the other partners.

Key External Factors.....

Macroeconomic influences - Changes in the economy can have a major impact on our financial programs and the ability of our customers to meet their obligations. A rise in unemployment generally impacts low-income families first and can result in an increase in delinquency rates. Inflation can impact the disposable income of low-income families and may also adversely impact the ability of small communities and businesses to meet their obligations if their operating expenses are increasing faster than their income. Changes in the cost of money have the greatest impact on the mission area. Rising interest rates obviously impact the cost of the financing provided by the mission area and the ability of new customers to afford the needed assistance. It limits the ability of our existing customers to graduate to private sector credit. Rising interest rates will impact the subsidy rates for each program and reduce the amount of funds available for lending.

Legislative and other regulatory changes - Significant changes in the environment in which a family, community, or business operates have an impact on how they will function in the future. For example, Welfare Reform will have a major impact on low-income families especially during periods of economic downturn. The Telecommunications Act of 1996, which moved the telecommunications industry from a tightly regulated industry to a competitive deregulated industry, is impacting our rural telecommunications customers. The 1992 Energy Policy Act may change dramatically the business environment of the electric utility industry.

Reductions in funding - Our financial programs are dependent upon Federal funding. Reductions in the level of funding will reduce our ability to help rural America and achieve our goals. Likewise, reductions in funding at the State or local level will limit our ability to leverage our funds with the resources of other organizations.

Mission

The mission of the Rural Development mission area is to:
 “Enhance the ability of rural communities to develop, to grow, and to improve their quality of life by targeting financial and technical resources in areas of greatest need through activities of greatest potential.”

Goals**Goal 1****GOOD JOBS AND DIVERSE MARKETS.**

Rural Development will improve the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives.

Rural America is currently experiencing an economic and population revival, after the declines of the 1980's. Yet rural America continues to face significant challenges. Income and earnings from nonfarm jobs in rural areas continue to lag those in urban areas. Structural changes in production agriculture have been, and will continue to be, significant. There is a strong continuing need for more diversified sources of income for farm and nonfarm workers in rural areas.

The need is not just for jobs, but for jobs that pay a livable wage. Less than one in four rural jobs are in farm or farm-related industries. During the 1990's, the rural-urban gap in real per capita annual income remained approximately \$6,000 or greater, while rural nonfarm jobs in 1994 paid over \$8,000 per job less than urban jobs. The rural-urban gap in real earnings per nonfarm job is wider now than it was in either 1980 or 1990. There is also disparity in the poverty rates between rural and urban areas. In 1994, 16 percent of rural residents were in poverty compared to 14.2 percent of urban residents.

■ Objective 1.1

Increase the availability and quality of jobs in rural areas.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Build leveraging partnerships to expand total resources going to rural areas by leveraging program monies with funds from State, local and private sources.
- Work with local communities to ensure funds are directed to projects with the highest job creation potential.
- Coordinate with the Foreign Agricultural Service to promote product development in rural areas which have a foreign market.
- Involve 1890 and 1862 land-grant universities in providing technical assistance to minority-owned businesses and entrepreneurs in training, credit acquisition assistance, and business plan development.

Performance Measures

- Create or retain 35,000 jobs through loans, grants, and technical assistance to rural businesses.
- Generate \$2.0 billion of income in the local communities through the investment of funds from the business programs.

■ Objective 1.2

Encourage and promote the use of marketing networks and cooperative partnerships to increase and expand business outlets.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Coordinate efforts with the Foreign Agricultural Service to utilize cooperatives to promote, in rural areas, the development of products which have a foreign market.
- Partner with public, non-profit, and educational institutions to heighten awareness and understanding of cooperatives and marketing opportunities in underserved rural areas.
- Provide field level training and technical assistance to cooperatives and developing cooperative groups.

Performance Measures

- At least 100 cooperative groups indicate technical assistance and educational services provided by RBS fulfill their requirements.

■ Objective 1.3

Direct Rural Development program resources to those rural communities, and customers with the greatest need.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Establish an Outreach Program and Outreach Liaison Position.
- Implement the Rural Community Advancement Program (RCAP).
- Improve accessibility of Rural Development programs for Native Americans.
- Utilize Geographic Information System to improve targeting of funds.

Performance Measures

- Invest 20 percent of Rural Business Enterprise Grant (RBEG) funds, and 21 percent of Intermediary Relending Program (IRP) funds in EZ/EC communities.
- Invest 10 percent of B&I funds, 20 percent of IRP funds, 20 percent of Rural Business Enterprise Grant funds, and 2 percent of Rural Economic Development Loan and Grant (REDLGP) Program funds in other Presidential and Departmental Initiatives (Pacific Northwest, REAP Zones, Champion Communities, etc.).
- Provide technical assistance to cooperatives in 80 impoverished or economically depressed counties.

■ Objective 1.4

Manage the loan portfolio in a manner that is efficient and effective.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Enhance Rural Community Facilities Tracking System (RCFTS) to monitor and assist in the management of new programs, such as the Rural Economic Development (zero interest) Loan and Grant Programs.
- Develop software capable of monitoring and assisting in determining benefits of the secondary market sale of third-party Intermediary Relending Program (IRP) recipient loans.

Performance Measures

- 91 percent currency rate for guaranteed Business and Industry (B & I) loans.
- 100 percent currency rate for Rural Economic Development loans.
- 100 percent currency rate of IRP loans.

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Goal 2**QUALITY HOUSING AND MODERN COMMUNITY FACILITIES.**

Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital and credit for quality housing and modern, essential community facilities.

Vibrant communities are critical to the success of rural America. One of the key components of a healthy community is decent, safe, sanitary and affordable housing.

- In 1989, one in five rural households paid more than 30 percent of its income for housing costs.
- 1.6 million rural households live in substandard housing.
- Despite improvements in housing quality, especially in the number of rural units with complete plumbing facilities, there are about 3 million units whose occupants are cost-burdened or which are physically sub-standard.

Another fundamental foundation for strong rural communities is the availability of community facilities such as fire stations, health care clinics, and child care facilities. These facilities often help the economic development and provide the bedrock and the sense of identity of the community.

■ Objective 2.1

Improve the quality of life for the residents of rural communities by providing access to decent, safe, affordable housing.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Build leveraging partnerships to expand resources going into rural areas.
- Direct resources to the neediest families and communities.
- Work with rural communities to ensure housing funds are wisely invested.
- Expand self-help housing to all 50 States.
- Provide leadership for the President's Homeownership Initiative in rural areas.

Performance Measures

- Provide 75,000 rural households with improved or more suitable housing, through home ownership programs.
- Provide 100 communities with improved rental housing.
- Relieve 4,000 rural households in Multi-Family Housing (MFH) projects of rent overburden.
- Create or retain 107,000 jobs through the Single Family Housing (SFH) program.
- Improve 41,000 existing single-family homes.
- Add 34,000 new single-family homes to the tax base of local communities.
- Generate \$9.7 billion of income in the local communities through program activity.
- Provide 7,900 rural households with improved or more suitable housing through rental housing programs.

■ Objective 2.2

Improve the quality of life in rural America by providing essential community facilities.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Build leveraging partnerships to expand resources going to rural areas.
- Direct resources to the neediest projects and communities.
- Work with local communities to ensure funds are wisely invested.
- Support Welfare Reform by promoting development of day-care facilities.

Performance Measures

- Participate with 419 funding partners in financing community facilities.
- Provide 15,000 child care days as a result of RHS/LISC Child Care Initiative.
- Assist 500 communities with new or improved essential community facilities.
- Provide 28 new day care projects providing 70,000 child care days.
- Provide new or improved essential community facilities for 15 million people.
- Reduce patient travel time and distances to health care facilities in 21 communities.
- Shorten fire/rescue emergency response times in 35 communities.
- Create or retain 24,500 jobs in community facilities projects.

■ Objective 2.3

Direct Rural Development program resources to those rural communities and customers with the greatest need.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Establish an Outreach Program and Outreach Liaison Position to improve service to underserved and under represented communities.
- Improve accessibility of Rural Development programs for Native Americans.
- Utilize Geographic Information System to improve targeting of funds.

Performance Measures

- Invest 30 percent of SFH guaranteed funds in areas where the average median income is less than the States' non-metro median income.
- Invest 5 percent of MFH funds in targeted areas.
- Invest 3.5 percent of CF direct and 1.5 percent of CF guaranteed in EZ/EC communities

■ Objective 2.4

Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Develop joint funding agreements with partners.

Performance Measures

- Assist 2,750 families to achieve home ownership by using leveraged funds.
- Participate with 750 funding partners in financing low-income housing.
- Assist in the development of 313 community facilities projects by using leveraged funds.

■ Objective 2.5

Manage the loan portfolio in a manner that is efficient and effective.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Improve portfolio and debt management by implementing the Dedicated Loan Origination and Servicing (DLOS) system.
- Reinvent the Multi-Family Housing (MFH) Program, including completion of automation projects to improve program management.

Performance Measures

- 98 percent currency rate for Community Facility (CF) borrowers.
- 97 percent currency rate for Multi-Family Housing (MFH) borrowers.
- 90 percent currency rate for Single Family Housing (SFH) borrowers.
- Reduce paperwork burden in Multi-Family Housing (MFH) by 25 percent.
- Graduate 9,860 Single Family Housing (SFH) borrowers to conventional credit.
- Graduate 75 Community Facility (CF) borrowers to conventional credit.

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Goal 3

MODERN AFFORDABLE UTILITIES.

Rural Development will improve the quality of life of rural residents by promoting and providing access to capital and credit for the development and delivery of modern, affordable utility services.

Access to safe drinking water and modern, affordable utilities is critical if a community is to prosper. An estimated 2.5 million rural Americans have a critical need for safe, dependable drinking water, including approximately 1 million residents who do not have water piped into their homes.

The telecommunications program provides capital, establishes telecommunications standards, and provides policy guidance for rural telecommunications in the Administration's National Information Infrastructure Initiative. The Information Superhighway can provide rural residents access to libraries, training centers, vocational schools, and other institutions located in metropolitan areas and support rural businesses. It also provides improved health care through linkage with other rural health care providers and urban medical centers for clinical interactive video consultation, distance training of rural health care providers, and access to medical expertise and library resources.

As part of the restructuring of the electric utility industry, Rural Development is ensuring the continued availability of reliable, high-quality electric service at a reasonable cost to rural consumers. Many rural electric and telecommunications systems are aging and the obsolete infrastructure must be replaced and improved.

■ Objective 3.1

Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable water and waste water services in rural communities.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Continue to build leveraging partnerships to expand resources going to rural areas.
- Direct resources to the neediest projects and communities.
- Work with local communities to ensure funds are wisely invested.
- Achieve the goals of Water 2000 by bringing safe, clear drinking water to every rural household.

Performance Measures

- Provide central water and waste disposal service to 277,000 rural residents who previously did not have service.
- Provide 1.7 million people with safe, affordable drinking water.
- Provide quality drinking water through the development or expansion of 722 rural water systems.
- Provide 648,000 people with improved, safe, affordable waste disposal service.
- Invest \$25 million of W&W funds in EZ/EC communities.

■ Objective 3.2

Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable telecommunications services, including distance learning and telemedicine facilities, in rural communities.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Continue to build leveraging partnerships to expand resources going to rural areas.
- Where applicable, direct resources to the neediest projects and communities.
- Work with borrowers and grantees to ensure funds are wisely invested.
- Implement the President's National Information Infrastructure Initiative thereby increasing educational and health care levels in rural areas.

Performance Measures

- Connect 250,000 new telecommunications subscribers.
- Provide 1.8 million residents and businesses with improved telecommunication service.
- Provide 46 schools with transmission facilities for distance learning applications.
- Provide 2.3 million rural residents and businesses with education or training experiences through distance learning facilities.
- Provide distance learning facilities to 1,095 schools.
- Provide telemedicine facilities to 1,819 health care providers.

■ Objective 3.3

Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable electric service to rural communities.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Continue to build leveraging partnerships to expand resources going to rural areas.
- Where applicable, direct resources to the neediest projects and communities.
- Work with borrowers to ensure funds are wisely invested.

Performance Measures

- Upgrade 110 rural electric systems.
- Benefit 1.6 million residents with improved electrical systems.
- Generate \$7.5 billion of income in the local communities through the Electric, Telecommunications, and Water & Waste (W & W) programs.
- Generate over 26,000 jobs as a result of electric facilities constructed with RUS funds.

■ Objective 3.4

Where applicable, direct Rural Development program resources to those rural communities and customers with the greatest need.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Establish an Outreach Program and Outreach Liaison Position.
- Implement the Rural Community Advancement Program (RCAP).
- Improve accessibility of Rural Development programs for Native Americans.
- Achieve the goals of Water 2000.

Performance Measures

- Provide 56 new or improved health care facilities in medically underserved areas.
- Provide financial assistance for 216 water and waste systems in the 540 persistent-poverty counties.
- Provide financial assistance for 183 water and waste systems in the 700 counties with persistently declining populations.
- Provide financial assistance for 45 electric systems in the 540 persistent poverty counties.
- Provide financial assistance for 80 electric systems in the 700 counties with persistently declining populations.

■ Objective 3.5

Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Objective

- Where possible, increase the leveraging of RUS funds with borrowers and supplemental lenders.

Performance Measures

- Leverage \$6 of private funds in rural telecommunications infrastructure for every \$1 of RUS telecommunications program loan advances.
- Leverage \$2.75 of private funds in rural electric infrastructure for every \$1 of RUS electric program loan advances.

Management Initiatives

■ Management Initiative 1

COMMUNITY CAPACITY BUILDING

Rural Development will provide information, technical assistance, and, when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.

The preceding three goals recognize that rural development involves providing financial assistance. This management initiative adds the understanding that a successful comprehensive community development process also involves technical assistance. Mission area programs can also provide technical assistance to rural communities and cooperatives, often in partnership with public and private organizations.

Time Frame for Completion

FY 2002

Strategies for Achieving the Management Initiative

- Provide guidance to rural leaders on sources of technical assistance, which will help them assess community strengths, plan for the future, and prepare applications for assistance.
- Use local and state coordinating bodies, such as planning districts and the State Rural Development Councils, to identify alternative sources of funding for rural projects.
- Implement collaborative rural economic and business development training for rural organizations, involving other Federal, State, and local agencies, and organizations.
- Expand the base of knowledge and understanding of the rural development mission area employees in economic and business development, evaluation methods and operations, and analyzing the social/economic dynamics of rural areas and communities.

Performance Measures

- Assist 400 communities with the development of applications for assistance from non-Rural Development sources.
- Establish State Rural Development Councils in the remaining 14 States.
- Establish 150 formal relationships with other rural development partners.
- Attend and participate, in a leadership or trainer role, in business development and community leadership programs.
- Provide cooperative research and educational materials to 75,000 customers.

■ Management Initiative 2

INNOVATION, LEARNING, AND CONTINUOUS IMPROVEMENT.

Rural Development will design and implement new and innovative internal initiatives which strengthen its ability to help rural residents and communities.

The mission area's resources are being adjusted as a result of the Administration's and Congress' joint efforts to balance the Federal budget. To adapt to available resources, yet still achieve the mission area's Goals, Rural Development must be innovative in improving its processes, systems, and organizational structure.

The performance measures used throughout this plan are based upon data in the existing systems. Future system enhancements will be based on the needs of the programs and will add to the base of data available to measure progress.

■ Partnerships and Coordination

As a part of the Secretary's initiative on Administrative Convergence, close coordination will occur with the Assistant Secretary for Administration, the Chief Information Officer, and the Chief Financial Officer.

Time Frame for Completion

FY 2002.

Strategies for Achieving the Management Initiative

- Support the establishment of USDA Service Centers and encourage their use as a resource for the local community.
- Develop Rural Development information and technical infrastructure that will improve service delivery through more effective information systems.
- Assure accurate financial reporting for customers by implementing the Rural Development Century 2000 Project.
- Develop and install a GPRA-driven planning system to accurately and efficiently measure impacts (outcome) of Rural Development programs on recipients, communities, and rural economies; with the ability to relate performance measures to future requests for funding.
- Enhance Rural Development's ability to track and monitor administrative and program funds appropriations and provide accurate reports to all internal customers.
- Implement the requirements of the Debt Collection Improvement Act.
- Improve financial management and reporting to reduce number of outstanding audit issues.

Performance Measures

- Co-locate all Rural Development field offices in USDA Service Centers.
- USDA Service Center staff will be the primary resource in outreach efforts for its programs.
- Have an operational New Guaranteed Loan System (NGLS) by December 1998.
- Have an operational Departmental-wide Telecommunications Enterprise Network by September 1998.
- Replace the obsolete RUS Wang System by September 1998.
- By March 1999 at least 60 percent of the RUS Modernization Project will be operational.
- Migrate and implement MFH applications to the USDA Service Center technical architecture by December 1999.
- Have more accessible information due to the employment of WEB technology.
- Replace distributed legacy systems, such as the Management Record System (MRS) by December 1999.
- By the end of 1999 all Rural Development automated systems will recognize the year 2000 in mathematical calculations.
- Implement USDA's Foundation Financial Information System (FFIS).
- Reduction in the number of outstanding financial statement audit issues.
- Reduce outstanding audit issues related to financial management and reporting.
- Where appropriate, Rural Development will participate in Treasury's tax offset and loan servicing programs.
- By 1999 all disbursements are made electronically.

■ Management Initiative 3

EMPLOYEE EXCELLENCE.

Rural Development will create and sustain a work environment that develops and fosters partnerships, cooperation, full and open communications, teamwork, mutual respect, and maximum individual development.

Most USDA agencies have traditionally relied on a top-down management approach. Achievement of our Goals in a manner that includes partnering with community-based rural development organizations will require us to change our management approach and workplace environment.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Management Initiative

- Establish communication channels throughout the mission area to ensure that employees have the information necessary to implement mission-area-wide policies and that senior managers understand and address employees' questions and concerns.
- Develop a workforce capable of delivering a full range of financial and non-financial services in support of rural development activities.
- Instill the value of cultural diversity in all Rural Development personnel and develop a workforce which is representative of the diversity of the areas in which they work.
- Revise the performance appraisal system to include the accomplishment of goals and objectives of the strategic plan and incorporate employee input on how managers can enhance their managerial performance.
- Include in the recognition and rewards system a linkage to the accomplishment of the goals and objectives of the strategic plan.

Performance Measures

- Publish results of partnership efforts in Rural Development internal publications.
- Pre/post course assessments show employees' acquisition of critical skills.
- Demographics of staff in the National Office, Finance Office, Centralized Servicing Center, and each State are reflective of the local community.
- Implement a reengineered performance appraisal system.
- Implement the new employee recognition and rewards system policies and practices.

■ Management Initiative 4

QUALITY CUSTOMER SERVICE.

Rural Development will foster and continually strengthen an internal culture that focuses on and is driven by customer needs, both internally and externally, systematically acts to make internal processes and individual actions responsive to the needs of customers, and assures that all customers and employees are treated fairly, equitably, and with dignity and respect.

The mission area is committed to providing all customers, whether they are members of the general public or employees, with courtesy and equal treatment. Rural Development has also made a commitment to listen to its external customers and to

take action to resolve their concerns. Feedback from customers is critical when determining customer needs, identifying processes in need of reengineering and measuring the effectiveness of Rural Development programs.

Time Frame for Completion

Ongoing.

Strategies for Achieving the Management Initiative

- Implement processes to systematically obtain feedback from internal and external customers.
- Review those processes, regulations, and reporting procedures identified by the customer as being too burdensome and revise as needed to give them a customer-friendly orientation based on concepts of simplicity, ease of use, and adoption of modern technologies. Assure that the needs of socially disadvantaged customers are addressed when making revisions.
- Ensure applications for loans and proposed adverse decisions affecting socially disadvantaged customers are treated equitably.
- Assure that administrative support services to agencies, all State Rural Development offices, and all programs are customer-focused and committed to providing outstanding and equitable service to all internal customers.

Performance Measures

- Survey customers at least every other year for each appropriate program and administrative area.
- Customer feedback data received for each program area is used to identify problems and initiate corrective action.
- Average timeframes for processing applications, requests for servicing actions, and adverse decisions for each class of applicant will be within 10 percent of the timeframe for the same activity for all applicants.

Linkage of Goals to Annual Performance Plan

An annual performance plan will be prepared each fiscal year to accompany the Rural Development budget request. The plan will consist of annual performance measures directly linked to the general goals, objectives and strategies contained in the strategic plan. It will outline an annual increment of the key strategies called for in the strategic plan and any additional strategies that are required to implement Rural Development objectives and achieve current performance goals. It will also contain baseline data for the measures for the 2 fiscal years prior to the budget year.

The data systems used by the Rural Development mission area contain elements responsive to many needs other than this plan. The performance measures included in this plan are selected indicators of success in achieving the goals and are based on data currently available in the existing systems. As new systems are developed and refined, additional data will be available for measurement of future performance.

Most of the performance measures used in this plan will also be used in the annual performance plan. However, additional or different measures may be used in any given year to report on priority concerns related to the Goal or to make use of new data that has become available. For example, a strategy under Initiative 4, "Quality Customer Service", is to periodically survey external customers. This information, when available, will be a useful measure for reporting on program delivery.

The annual performance plan will constitute the basic management tool to direct the application of resources to implement key strategies and identify specific efforts that will be used to achieve goals, objectives and performance measures. Performance plans will include estimated staff years and program costs required to achieve performance goals.

Upon completion of the fiscal year for which the annual performance plan was prepared, a report to Congress will be made defining achievement of the performance goals.

Goal 1 is linked to the Business and Industry program, Intermediate Relending Program, Rural Business Opportunity Grants, Rural Business Enterprise Grants, Rural Economic Development Loans and Grants, Cooperative Services' Research on Cooperatives, Appropriate Technology Transfer for Rural Areas, and the Cooperative Development Grant Program.

Goal 2 is linked to the Community Facilities Program, the Multi-Family Housing Program and the Single Family Housing Program.

Goal 3 is linked to the Electric Program, Telecommunications Program, including Distance Learning and Telemedicine, and the Water and Waste Water Disposal Program.

Resources Needed

Completion of this strategic plan can be accomplished within current and anticipated future levels of resources. However, to become a comprehensive community development organization, Rural Development needs to streamline its operations so that staff is available to perform the new functions expected of them. The second critical piece of this transition is providing training to the staff so employees know what is expected of them and have the skill needed to meet those expectations. Severe reductions of resources, beyond what is currently anticipated, will adversely affect achievement of the plan.

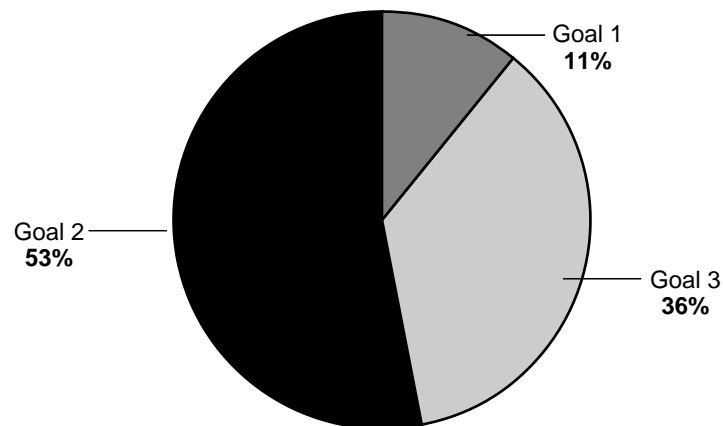
Resource Priorities

The resource allocation priorities for the programs administered by the Rural Development Mission area are a function of the Congressional appropriations and authorizing committees. In fiscal year 1997, of a total program level of \$8,160,284,000, 53 percent was appropriated to the Rural Housing Service, 36 percent to the Rural Utilities Service and 11 percent to the Rural Business-Cooperative Service. The Appropriations Committees have, at the Administration's request, included certain reservations of funds for specific areas, including Empowerment Zones/Enterprise Communities, Colonias, and Native Alaskan villages. These funds are reserved generally until the fourth quarter of the fiscal year, and if not used for the specific purposes, become available for other applicants. Within those priorities a key mission area policy is increased emphasis on the 500 rural counties that have experienced persistent poverty for the past four decades. Another policy emphasis is the Water 2000 initiative which targets resources to the estimated 2.5 million rural Americans who have some of the Nation's most serious drinking water availability, dependability and quality problems; including the approximately 1 million rural Americans without access to drinking water in their homes.

In particular, the Empowerment Zones/Enterprise Communities program assists communities with high levels of poverty by empowering them to implement sustainable, locally controlled strategic economic and community development activities. The program requires communities to build comprehensive, strategic, and citizen-con-

trolled 10-year community development plans. Then, based on their 10-year plan, program funds produce increased jobs, improved job skills, and expanded and improved community services. Federal funds are leveraged with resources from businesses, government, and non-profit sources.

Allocation of Program Resources by Goal



Program Evaluation

Program and management concerns, as a result of Congressional mandates, Administration initiatives, and internal studies have been identified and were considered in the development of this plan. For example:

- A Congressional mandate to escrow taxes and insurance for single family housing customers led to the establishment of a centralized servicing center, development of a new automated system, and substantial reorganization of field offices.
- Congressional and public concerns about having to deal with a variety of USDA offices has led to the Field Service Center initiative and the Administrative Convergence initiative.
- Weaknesses identified in audits on the guaranteed programs resulted in the development of a new guaranteed accounting system.
- Public concerns about treatment of minority applicants and borrowers led to the establishment of the Secretary's Civil Rights initiative.

In addition, the strategic plan development was guided by findings in GAO and OIG audits such as the following:

- Rural Development: Patchwork of Federal Programs Needs to be Reappraised.
- Rural Development: USDA's Approach to Funding Water and Sewer Projects.
- Rural Development: Steps Towards Realizing the Potential of Telecommunications Technologies.
- Empowerment Zones - Enterprise Communities.
- Business and Industrial Loan Program - Restructuring Loan Processing Servicing Activities.
- Rural Rental Housing Program Management Operations

RBS has initiated periodic outside evaluation reviews to assess its Cooperative Services operations, programmatic emphases and operational structure.

The policies defined in the strategic plan will be implemented through new regulations and systems. Rural Development will evaluate the impact of these strategically driven changes through Management Control Reviews, State Internal Reviews, and findings in future audits.

Role of External Entities

This plan was developed by Rural Development employees with facilitation services provided by outside contractors. Stakeholders provided significant contributions in the development of the plan through their participation in focus groups and listening forums held at the State and national levels.



