

USAID's humanitarian and development work reflects our nation's most cherished values: the belief that every citizen, regardless of where that man or woman comes from, who their parents might be, what kind of village or family they call home, is entitled to his or her rightful share of personal, political, economic, and civic power.

—HILLARY RODHAM CLINTON

Mission and Organization

The U.S. Agency for International Development is the federal agency that manages U.S. foreign economic and humanitarian assistance programs. USAID's predecessors go back to the Truman administration, the Marshall Plan, reconstruction after World War II, and the Point Four Program. In 1961 President Kennedy signed the Foreign Affairs Assistance Act into law, thus creating the entity USAID.

Since that time, USAID has been the primary U.S. agent to help countries recover from disaster, escape poverty, and become more democratic. USAID's mission is to contribute to U.S. national interests by supporting the people of developing and transitional countries in their efforts to achieve enduring economic and social progress and to participate more fully in resolving the problems of their countries and the world.

USAID is headquartered in Washington, D.C., with a field presence around the globe. The Agency implements development assistance in four regions of the world—Africa, Asia and the Near East, Latin America and the Caribbean, and Central and Eastern Europe and the New Independent States of the former Soviet Union. There are 70 field-based missions implementing development programs, and three regional services offices. In addition, USAID has offices in five countries providing coordination with other donor nations.

USAID's staffing levels have declined by 35 percent since 1993. At the end of fiscal year 1998, the Agency had 2,152 U.S. direct-hire employees, excluding the Office of the Inspector General. USAID also had a little over 4,000 employees hired locally in the countries in which development programs are implemented, and some 800 U.S. nationals hired through various temporary mechanisms. The Agency's field presence and the cadre of local staff give the United States a wealth of

Figure 2.1. Total USAID Staffing Levels 1993–98

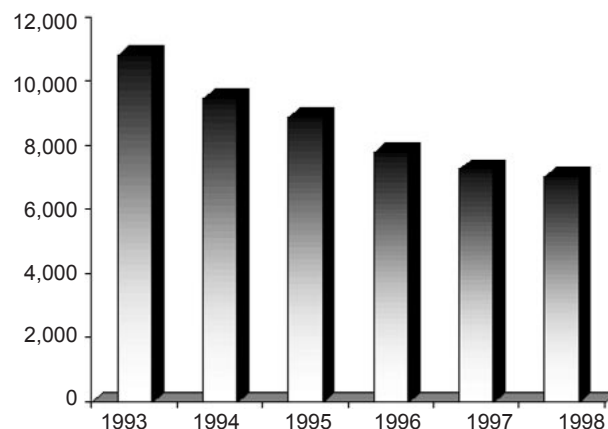
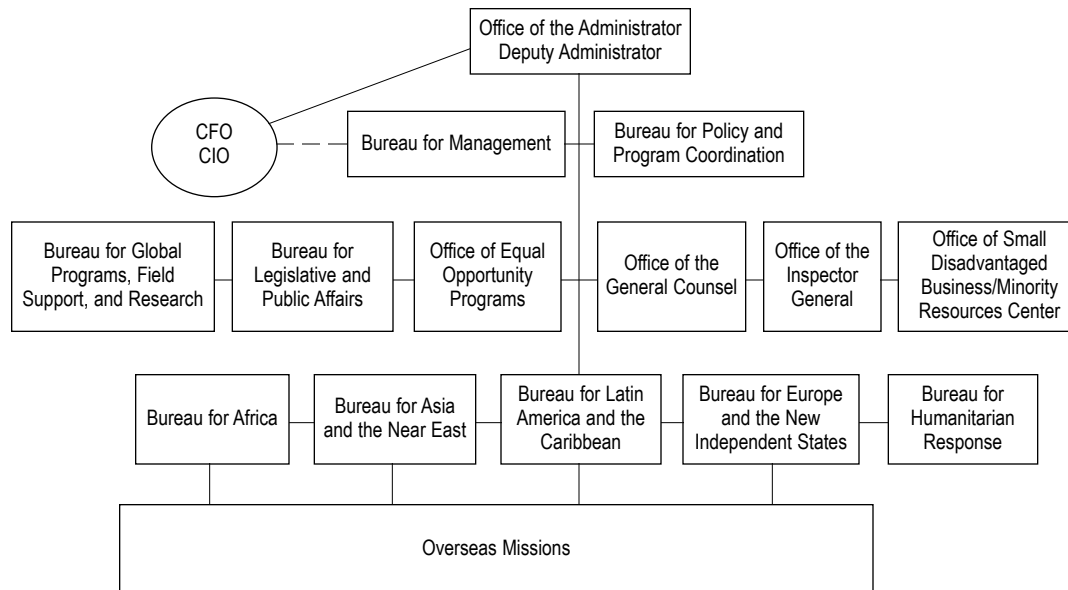


Figure 2.2. U.S. Agency for International Development Organizational Chart



practical understanding of local conditions. (Figure 2.1 illustrates the trend in overall staffing.)

USAID works in close partnership with private voluntary organizations (PVOs), indigenous nongovernmental organizations (NGOs), universities, American business, international agencies, host countries, other donor nations, and other U.S. government agencies. USAID contracts with more than 3,500 American companies and over 300 U.S.-based PVOs.

Table 2.1 (next page) shows the allocation of USAID's nearly \$7 billion budget authority in fiscal year 1998. This level represents less than one half of 1 percent of the federal budget.

Program Performance

USAID organizes its activities around seven goal areas—six development goals and a management goal. This accountability report provides an

overview of the progress in implementing those goals.

Performance information on the development goals reflects fiscal year 1997 data because of problems inherent in gathering data from many countries and developing reliable trend analysis. The results reported are primarily the outcome of several years of effort by many organizations, including host governments and other donors.

USAID dedicates itself to six goal areas that are critical to sustainable development:

- **Broad-based economic growth.** To help the world's poor, development programs must provide them with opportunities to improve their lives. In 1997, 145 Agency programs supported broad-based economic growth and agricultural development. USAID's programs were designed to generate growth in per capita income, growth in agriculture, a reduction in poverty, and openness and

greater reliance on private markets.

- **Advancing democracy.**

Emerging democracies around the world have just begun consolidating the institutions of a civic society. USAID works with local and national governments and American, international, and indigenous PVOs and NGOs to support free and fair elections, to teach the skills of democratic governance, and to help citizens empower themselves and become full participants in their own development. In 1997, 85 percent of USAID's country and regional programs provided assistance in democracy and governance.

- **Building human capacity.**

Without a decent education children become adults with limited opportunities. Improving education in poor countries leads to faster, more sustainable development and helps strong democratic institutions emerge. USAID

works to expand access to education for underserved populations, especially girls and women. In addition, the Agency helps host country institutions of higher education contribute more to sustainable development. In 1997, USAID allocated most of its funding for human capacity development to basic education. Funding was provided for programs in Africa, Latin America and the Caribbean, and Asia and the Near East. Of that, 96 percent went to basic education for children.

■ **Stabilizing population growth and protecting human health.**

Population growth and population pressures both cause and affect ecological, economic, political, and social transformations. USAID supports long-term approaches to population and health problems, including support for family-planning systems and services, vaccination and immunization programs, AIDS prevention, and child and maternal nutrition programs. Over 60 percent of USAID's country, regional, and headquarters offices had population, health, and nutrition objectives in 1997. In addition, USAID, with other donors, began developing a global strategic plan to address malaria, tuberculosis, the containment of antimicrobial resistance, and the improvement of surveillance systems.

■ **Promoting sound environmental management.**

Environmental changes often go unnoticed until a crisis erupts. Rapid population growth, industrialization, and urbanization all increase the demands made of the earth. In fiscal year 1997, USAID had environmental pro-

grams in more than 60 countries worldwide. The Agency increased efforts to slow global climate change, improve natural resource management, and improve energy services. This reflects, in part, the Agency's increased attention to transborder issues, such as global climate change.

■ **Providing humanitarian assistance.**

Humanitarian assistance saves lives, reduces suffering, and reestablishes the conditions necessary for political and economic development. USAID provides humanitarian assistance in response to natural disasters, man-made disasters, and complex emergencies. In all its humanitarian assistance efforts, the Agency works closely with other donors, international organizations, and other U.S. agencies. In 1997, 20 countries and regional and central USAID offices supported humanitarian assistance activities. Fifteen missions and offices pursued objectives of assisting with the transition from prolonged crisis and conflict to resuming progress

toward development, nine countries and offices pursued objectives supporting relief, and nine supported prevention and mitigation of the effects of disasters.

The Program Performance section of this Accountability Report provides illustrative results in these goal areas. They are drawn from a more extensive Agency Performance Report for fiscal year 1998.

Management Performance

USAID's management goal focuses on changes necessary to remain a premier development agency. USAID must meet significant challenges to achieve this goal. It must adapt to a changing political and economic context of U.S. foreign policy and become more efficient, flexible, and consistent in purpose. The Agency is addressing these challenges by enhancing leadership and management capacity.

USAID has provided leadership in development since its early days. Currently, it leads research in popula-

Table 2.1. U.S. Agency for International Development Budget Authority (in \$ millions)

Item	Fiscal Year 1998 (actual)
Development assistance	1,725
International disaster assistance	190
Credit programs	11
Operating expenses—USAID	479
Operating expenses—USAID/IG	29
Economic support fund	2,420
Eastern Europe	485
Former Soviet Union	771
Food for Peace	867
Total	6,977

tion, girls education, and the environment, among other goal areas.

USAID's leadership to achieve development results is manifested in several ways. In addition to research, technical leadership is exercised through the technologies the Agency develops and the technical capacities it maintains. USAID has made significant investments in these areas.

USAID's ability to achieve development results depends largely on the quality of partnerships it forges. Effective partnerships ensure greater consistency of purpose and multiply the Agency's own capabilities and resources. The Agency carried out a number of activities in this area and identified three partner-centered objectives in its fiscal year 1999 performance plan. USAID implements much of the development assistance program through PVOs and NGOs. In fiscal year 1997, the Agency obligated 34 percent of its development assistance through these organizations. The Agency also coordinates its policies and initiatives with many federal agencies.

USAID has implemented management changes to improve its ability to manage for results and to implement the Government Performance and Results Act. Reporting of performance data by operating units increased from 40 percent in fiscal year 1997 to 64 percent in fiscal year 1998. For the past two years, when performance data are combined with other information on a USAID objective in a country, field staff and headquarters technical reviewers agreed about 80 percent of the time on what performance had been toward achieving the objective. USAID has streamlined processes relating to performance monitoring, reporting, and reviewing, and work has begun to clarify guidance for developing strategic plans.

In late 1993, USAID initiated a 'reengineering' of its program operations systems and procedures guided by a set of core values. During fiscal year 1998, USAID surveyed staff and partner perceptions about how well the Agency has reoriented itself toward these values and how the reforms have affected the delivery of programs. Although most participants felt that the increased emphasis on results has positively influenced USAID's work, most identified unintended consequences. Steps were taken during fiscal year 1998 to address concerns raised.

Continued staff reductions and limited hiring are greatly affecting the Agency's capacity to operate effectively. During fiscal year 1998, procedures were put in place to ensure adequate work-force planning, decision-making, and management. USAID has also concentrated on improving acquisition and assistance by improving communication with staff and partners and testing innovative contracting techniques.

It is crucial that information be available to staff and partners when needed. Improvements are needed in USAID's information resources in order to fully meet this need and fully comply with federal requirements. During fiscal year 1998, USAID implemented a new information technology management strategy. The new approach identifies and incorporates best practices and lessons learned industrywide to improve management discipline and overall performance. The Agency also took steps to repair its integrated management information system, which has not performed as planned.

Making USAID's mission-critical systems year-2000 compliant has been the top information technology priority. Four of five such systems were renovated during fiscal year 1998 and are now being tested. The fifth system is

being renovated and will be implemented by July 1999.

The management performance section of this Accountability Report provides more detailed information on activities to enhance USAID's leadership position and strengthen management capacity.

Financial Highlights

USAID's Inspector General's Office was unable to express an opinion on the fiscal year 1998 financial statements because its audit scope was impaired by systems that were unable to produce complete, reliable, timely, and consistent financial statements. An executive summary of the inspector general's audit on the financial statements, internal controls, and compliance for fiscal year 1998 is included in the report.

USAID's financial management systems do not comply substantially with federal financial management system requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The system also fails to meet some important financial management systems requirements, such as the capability to produce all required financial reports and other management information at an acceptable level of timeliness and accuracy.

USAID completed an extensive review of core accounting business processes and simplified them. Some core accounting functions were transferred to another federal agency and to a private bank. The goal is to simplify the core accounting business needs in order to use a commercial off-the-shelf core accounting product with few modifications. USAID plans to acquire the accounting system in fiscal year 1999 and to implement it in Washington and field missions during

fiscal years 2000 through 2002. A new chief financial officer (CFO) is taking the lead in these improvements. The CFO has also initiated improvements to strengthen the CFO organization and functions.

The Financial Highlights section of this report analyzes the financial statements and reports on USAID activities related to commercial payments, debt management, and civil monetary penalties.

Management Controls

USAID identified nine material weaknesses in management controls. These include deficiencies related to financial management systems and procedures, information resources management, and program performance reporting. Correcting the material weaknesses is one of the Agency's highest management priorities. USAID has established detailed corrective action plans with key milestones and target dates. A committee of senior Agency officials is providing oversight of the process.

USAID views audit follow-up as a fundamental component of its effort to implement adequate management controls and to improve the efficiency and effectiveness of programs and operations. The Agency works in partnership with the Office of the Inspector General to ensure timely and appropriate responses to audit recommendations and to improve the overall quality of the audit management program.

The Management Control section of this report discusses in detail the material weaknesses and the report on management actions in response to audit recommendations required by the Inspector General Act.