

April 2009

# FOREIGN AID REFORM

Comprehensive  
Strategy, Interagency  
Coordination, and  
Operational  
Improvements Would  
Bolster Current  
Efforts



GAO

Accountability \* Integrity \* Reliability



Highlights of [GAO-09-192](#), a report to congressional requesters

## Why GAO Did This Study

In January 2006, to better align foreign assistance programs with U.S. foreign policy goals, the Secretary of State appointed the Administrator of the U.S. Agency for International Development (USAID) to serve concurrently as Director of Foreign Assistance (DFA) and gave the DFA authority over all Department of State and USAID foreign assistance funding and programs. The Office of the Director of Foreign Assistance (State/F) was given responsibility for reforming foreign assistance by, among other things, consolidating State and USAID foreign assistance processes. GAO was asked to (1) examine State/F's key efforts to consolidate State and USAID foreign assistance processes and (2) identify any key challenges that affect State/F's reform of foreign assistance. GAO evaluated budget, planning, and other documents and interviewed agency officials in Washington, D.C.; Ethiopia; Haiti; Jordan; Kenya; Peru; and Ukraine.

## What GAO Recommends

GAO is making seven recommendations to enhance State-USAID organizational transformation, interagency coordination and collaboration, planning processes, and workforce management. State and USAID generally acknowledged or agreed to consider six of the seven recommendations but asserted they had met the one related to regional planning. GAO maintains this recommendation is valid; it is important that an agency clearly capture all relevant programs and activities in its planning processes.

View [GAO-09-192](#) or [key components](#). For more information, contact Denise Fantone at (202) 512-4997 or [fantoned@gao.gov](mailto:fantoned@gao.gov); or David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

## FOREIGN AID REFORM

### Comprehensive Strategy, Interagency Coordination, and Operational Improvements Would Bolster Current Efforts

#### What GAO Found

Since June 2006, in its efforts to consolidate State and USAID foreign assistance processes, State/F has implemented certain key practices that are characteristic of successful organizational transformations—for example, developing a mission statement and involving employees. In addition, State/F has taken several steps to consolidate State and USAID planning and budgeting processes—for example, instituting common program definitions for the use of foreign assistance funds to collect, track, and report on data related to program funding and results. State/F also began developing annual operational plans, based on the common program definitions, to serve as annual expenditure plans, performance plans, and performance reports for State and USAID foreign assistance projects worldwide and to provide descriptive information about other U.S. government agencies' foreign assistance programs. Moreover, State/F initiated a pilot program for developing a 5-year country assistance strategy (CAS) intended to provide a comprehensive view of all U.S. foreign assistance activities in every country in which U.S. resources are targeted. Further, beginning with fiscal year 2008, State/F implemented a joint State-USAID foreign assistance budget process to bring needed coherence of program activities and accountability for resources. Finally, State/F established an integrated State-USAID workforce to direct the consolidation of State and USAID foreign assistance operations.

Despite this progress, State/F faces challenges that could constrain its efforts to reform foreign assistance. For example, State/F lacks time frames for developing a comprehensive U.S. foreign assistance strategy—one of its assigned responsibilities—and fully implementing the 5-year CAS. As a result, State/F has limited capacity to demonstrate progress in these key reform efforts. State/F also lacks a clear, consistent strategy for communicating with USAID and State employees about its efforts, leading to confusion among staff and hindering management-staff relations; although State/F has devised an initial plan to address this challenge, it has not yet carried out this plan. In addition, State/F's operational plans do not adequately describe some of USAID's regional foreign assistance activities, and consequently senior management may lack a holistic overview of foreign assistance resources needed to make informed trade-offs among various priorities. Further, the goals and measures in State/F's country operational plans sometimes do not align with those of other agencies providing foreign assistance in the country, limiting State/F's assurance that all U.S. foreign assistance funds in the country are strategically tied to broader U.S. foreign policy goals in the country. Finally, both a 2008 State/F internal review and GAO found that State/F had not yet clearly defined the roles of some of its employees and organizational units and had not matched all employees' skills with their positions. State/F has taken initial steps in response to the internal report's findings, including defining the roles and responsibilities of various executive and managerial positions and organizational units, but has not yet done so for all State/F staff, and has not developed a long-term workforce management plan to address workforce planning challenges.

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## Abbreviations

CAS	country assistance strategy
COO	Chief Operating Officer
CT	counterterrorism
DFA	Director of Foreign Assistance
DOD	Department of Defense
FACTS	Foreign Assistance Coordination and Tracking System
foreign assistance framework	Framework for U.S. Foreign Assistance
GHAI	Global HIV/AIDS Initiative
MCC	Millennium Challenge Corporation
State	Department of State
State/F	Office of the Director for Foreign Assistance
USAID	U.S. Agency for International Development
WMD	weapons of mass destruction

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United States Government Accountability Office  
Washington, DC 20548

April 17, 2009

The Honorable Robert Menendez  
Chairman  
Subcommittee on International Development and  
Foreign Assistance, Economic Affairs, and  
International Environmental Protection  
Committee on Foreign Relations  
United States Senate

The Honorable Daniel K. Akaka  
Chairman  
Subcommittee on Oversight of Government Management,  
the Federal Workforce, and  
the District of Columbia  
Committee on Homeland Security and  
Government Affairs  
United States Senate

The Honorable Howard L. Berman  
Chairman  
Committee on Foreign Affairs  
House of Representatives

In January 2006, the Secretary of State announced a major transformation in the U.S. government's procedures for directing and managing foreign assistance programs. The Secretary noted that U.S. foreign assistance programs were fragmented among multiple Department of State (State) bureaus and offices and between State and the U.S. Agency for International Development (USAID). The Secretary observed that this fragmentation made it more difficult to plan coherently and risked conflicting or redundant efforts and wasted resources. To better align U.S. foreign assistance with broader foreign policy goals, the Secretary created the position of Director of Foreign Assistance (DFA),<sup>1</sup> reporting to the Secretary of State at a level equivalent to the rank of Deputy Secretary of State. The Secretary gave the DFA authority over all State and USAID foreign assistance funding and programs and charged the DFA with

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<sup>1</sup>In the past, the DFA has served concurrently as USAID Administrator, a position that also reports to the Secretary of State.

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providing overall leadership to foreign assistance delivered through other entities.<sup>2</sup>

In June 2006, State's Office of the Director of Foreign Assistance (State/F) was created to carry out the DFA's responsibilities and focus the use of foreign assistance on achieving the Secretary's transformational diplomacy goal: "to help build and sustain democratic, well-governed states that will respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system."<sup>3</sup> State/F was given responsibility for developing, among other things,

- a coherent, coordinated U.S. government foreign assistance strategy;
- multiyear country-specific assistance strategies and annual country-specific operational plans;
- consolidated policy, planning, budget, and implementation mechanisms and staff functions required to provide leadership to USAID and State foreign assistance; and
- guidance for foreign assistance delivered through other U.S. government agencies.

In this context, you asked us to (1) examine key actions that State/F has taken to reform and consolidate State and USAID foreign assistance processes and (2) identify any key challenges that affect State/F's reform of foreign assistance. At your request, in October 2008 we issued a legal opinion on the delegation of authorities to the DFA.<sup>4</sup> Additionally, in November 2008, we issued a correspondence on State/F's foreign aid information systems recommending that the Secretary of State direct the DFA to use best practices for risk management procedures for two

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<sup>2</sup>More than 25 U.S. government entities are involved in providing foreign assistance. See appendix II.

<sup>3</sup>*Strategic Plan Fiscal Years 2007-2012: Transformational Diplomacy*, U.S. Department of State and U.S. Agency for International Development, revised May 7, 2007. The five strategic objectives of transformational diplomacy are achieving peace and security, governing justly and democratically, investing in people, promoting economic growth and prosperity, and providing humanitarian assistance.

<sup>4</sup>We concluded that, with respect to functions originally conferred by statute either upon the Secretary or the President, the subsequent redelegation by the Secretary of these functions was authorized by law. See GAO, *Delegation of Authorities to the Director of Foreign Assistance*, GAO B-316655 (Washington, D.C.: Oct. 29, 2008).

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information systems currently managed by State/F.<sup>5</sup> (See app. III for details on State/F's information systems and the status of our recommendations.)

In preparing this report, we examined and analyzed budget, planning, management, and workforce plans and documents. We also interviewed officials at State and USAID headquarters in Washington, D.C., and at six U.S. embassies and USAID missions in Ethiopia, Haiti, Jordan, Kenya, Peru, and Ukraine; the USAID missions in Kenya, Peru, and Ukraine have responsibilities for activities in several countries throughout their respective regions. We conducted this performance audit from May 2008 to April 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I contains a more detailed description of our scope and methodology.

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## Results in Brief

State/F has taken a number of actions to reform and consolidate State and USAID foreign assistance processes. These actions have included undertaking an organizational transformation, developing consolidated planning and budgeting processes, and creating an integrated State-USAID workforce to manage the foreign assistance reforms.

- **Organizational transformation.** In consolidating State and USAID foreign assistance processes, State/F has taken steps that are consistent with key practices that we have found to support successful organizational transformations. These practices include developing mission and vision statements and, to involve employees in the transformation, creating employee review teams and conducting “after-action reviews” to obtain employee feedback.
- **Consolidated planning and budgeting processes.** First, State/F instituted common definitions for requesting and reporting on foreign assistance funds—known as the standardized program structure—based on a framework that reflects the transformational diplomacy goal’s five

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<sup>5</sup>GAO, *Foreign Assistance: State Department Foreign Aid Information Systems Have Improved Change Management Practices but Do Not Follow Risk Management Best Practices*, [GAO-09-52R](#) (Washington, D.C.: Nov. 21, 2008).

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strategic objectives, to collect, track, and report on standardized data on program funding and results achieved with that funding. Second, in 2006, State began developing annual operational plans, based on the standardized program structure, that were intended to serve as annual spending plans, performance plans, and performance reports and thus strengthen the linkage between resources, activities, and results for State and USAID foreign assistance programs.<sup>6</sup> The operational plans, which State/F has modified over time, reflect funding information for State and USAID foreign assistance projects worldwide; they also aim to provide information about other U.S. government agencies' foreign assistance activities and resources. Third, in 2008, State/F initiated a pilot program for developing a 5-year country assistance strategy (CAS) document designed to provide a comprehensive view of all U.S. agencies' foreign assistance programs in each country, including strategic approach, top priorities, and resource assumptions. State/F guidance encourages State and USAID to obtain input from other U.S. government agencies in developing the CAS. Fourth, beginning with fiscal year 2008, State/F implemented a joint State-USAID foreign assistance budget process, refining the process annually based on its after-action reviews.

- **Integrated workforce.** In early 2006, to support the consolidated budget, planning, and reporting processes for State and USAID foreign assistance programs, State/F established 88 employee positions to staff the new office. Sixty-five positions were to be filled by USAID personnel and 23 positions were to be filled by State personnel. In commenting on a draft of this report, State/F noted that, as of October 2008, it had created job descriptions for all of these new positions.

Despite its progress in reforming State and USAID foreign assistance, State/F lacks implementation time frames, goals, and benchmarks for aspects of its foreign assistance reforms; does not have a clear, consistent communication strategy; and faces a number of challenges related to annual and multiyear planning, budgeting processes, and workforce management.

- **Lack of time frames, goals, and benchmarks.** Time frames for developing and implementing a comprehensive, integrated U.S. foreign assistance strategy have not been established. According to State/F officials, State/F is awaiting direction and guidance on U.S. foreign assistance reforms from the new administration. In addition, State/F has

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<sup>6</sup>After fiscal year 2008, the performance plan and performance report were removed from the operational plans; they are now a separate document.



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not yet developed time frames for the full implementation of the CAS because it has not completed the pilot phase for implementing the CAS. We have previously reported that, without time frames for key transformation initiatives, agencies miss opportunities to determine—and focus attention on—critical phases of their transformation efforts and the essential activities that need to be completed.<sup>7</sup> Moreover, without both a comprehensive, integrated U.S. foreign assistance strategy and guidance for other U.S. entities' foreign assistance, State/F lacks assurance that U.S. foreign assistance programs are strategically tied to overarching U.S. goals. Also, as of February 2009, State/F had not determined how it will measure the anticipated efficiency gains to be realized from developing its consolidated program management systems, the Foreign Assistance Coordination and Tracking System (FACTS) and FACTS Info.<sup>8</sup>

- **Unclear communication strategy.** State/F lacks a clear, consistent strategy for communicating about its planning and budgeting reforms. Communicating information early and often helps, among its other benefits, to build an understanding of the purpose of planned changes and build trust among employees and stakeholders. According to many officials in headquarters and in the six countries we visited, poor communication about the fiscal year 2007 operational planning process—for example, State/F's failure to clarify contradictory guidance—led to confusion among staff. In November 2008, State/F said that it would create a Communications Manager position to develop and implement more effective communications processes. As of April 2009, State/F had created but not yet filled this position.
- **Annual planning challenges.** First, State/F's operational plan, as designed, does not clearly capture all of the foreign assistance programs and services implemented by USAID's regional offices. As a result, senior State/F managers may lack the overview of foreign assistance resources that they need to make informed decisions. Second, State/F faces challenges in coordinating and collaborating with officials in other U.S. government agencies to obtain funding and performance information about these agencies' foreign assistance programs. For example, Department of Defense (DOD) staff responsible for implementing certain

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<sup>7</sup>GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

<sup>8</sup>FACTS, which State/F began developing in mid-2006, is used to collect foreign assistance planning and reporting data, including plans for implementing current-year appropriated budgets and performance planning and reporting data. FACTS Info, which State/F created in 2007, is used to aggregate, analyze, and report data on U.S. foreign assistance programs under the authority of the DFA.

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foreign assistance programs told us that the goals and measures in State/F's operational plans do not always align with the goals and measures articulated in DOD plans and strategies. Third, foreign assistance program definitions and categories used in State/F's operational plan sometimes overlap and do not always adequately describe program achievements. Fourth, although State/F encourages the use of customized, outcome-oriented indicators to measure program impact, its guidance does not describe how State/F will use this information. State/F uses the quantitative, output-oriented information from its standard output indicators to inform its resource requests and report to Congress and the American people. Fifth, State/F's planning process excludes State's and USAID's operating and administrative expenses for foreign assistance programs, constraining State/F's ability to ensure needed levels of administrative support for their foreign assistance programs.<sup>9</sup>

- **Multiyear planning challenges.** The 5-year CAS currently being piloted may not adequately replace USAID long-term country strategies as a day-to-day management tool for USAID country missions. According to some USAID and State officials, the CAS is a high-level document that includes overall objectives for the country but—unlike USAID's previous multiyear country strategies—lacks substantive content and details on how USAID is to achieve its objectives. Furthermore, the initial suspension of the development of USAID country strategies during the CAS pilot led to planning challenges at some USAID missions, particularly during 2006 and 2007—the first 2 years of State/F's existence. According to some USAID officials, until USAID issued its guidance for developing interim country strategies, uncertainty about USAID's long-term goals and strategies for the country hampered their ability to plan and manage project activities and reach long-term agreements with host country governments. In September 2008, USAID took a step to address USAID missions' concerns by issuing interim guidance for missions that had not yet developed a CAS, permitting them to extend and update their country strategies, if needed. The DFA also issued guidance in October 2008 outlining three strategic planning options regarding the development of interim country strategies. However, until State/F finalizes the CAS document and USAID fully develops and implements its new multiyear country strategies, the development of USAID country-specific strategic plans will remain an interim process.

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<sup>9</sup>In this report, references to operating and administrative expenses include amounts derived from State's Diplomatic and Consular Protection account and USAID's Operating Expense account but do not include program funds used to support administrative costs.

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- **Budget process challenges.** First, although State/F intended the consolidated budget process in part to bring needed coherence and accountability to State and USAID foreign assistance programs, as of March 2009 the process included only about half of the funds appropriated to or administered by State and USAID for international affairs programs.<sup>10</sup> Second, although there are benefits and drawbacks that must be considered and balanced in any budgeting system, aspects of State/F budget reforms may affect missions' ability to respond to unexpected events in a timely manner. State/F's budget process requires that all funds be committed in advance and at a finer level of detail than in the past. State and USAID officials in headquarters and the field described the process to approve changes in committed resources as lengthy and complex and expressed concern that these requirements could have the unintended effect of limiting missions' ability to respond to time-critical conditions, such as those caused by riots or natural disasters.
  - **State/F workforce management challenges.** First, State/F has not yet clearly defined the roles of some of its employees and organizational units and, second, it has not fully ensured that all of its employees have the skills needed to carry out their responsibilities—that is, to support and manage the consolidated budget, planning, and reporting processes for USAID and State foreign assistance programs. An October 2008 State/F internal management review noted, among other issues, that the roles of some State/F employees and organizational units were not well defined or understood and that employees' skills were not always well matched with their positions. Moreover, State and USAID officials in Washington, D.C., and the field told us that some State/F employees lacked experience with, and knowledge of, countries' foreign assistance needs. State/F has taken some steps in response to the internal report's findings, including defining the roles and responsibilities of its various executive and managerial positions and its organizational units. However, as of April 2009, State/F had not defined roles and responsibilities for some of its staff and had not developed a long-term workforce management plan for periodically reassessing its workforce capacity to carry out assigned responsibilities.

We are making seven recommendations to enhance State-USAID organizational transformation, interagency coordination and collaboration, planning processes, and workforce management. In commenting on a draft of this report, State and USAID generally acknowledged, or agreed to consider, six of the seven recommendations but asserted that they had met

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<sup>10</sup>The process also excludes billions of dollars of foreign assistance funds for programs outside State and USAID's jurisdiction.

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our recommendation related to regional planning. We maintain that the operational plan structure does not adequately define regional activities and note that it is important that an agency clearly capture all relevant programs and activities in its planning processes.

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## Background

In January 2006, the Secretary of State stated that America's current foreign assistance structure risks incoherent policies, ineffective programs, and wasted resources when spending is not strategically tied to overarching U.S. goals and foreign assistance is fragmented across numerous bureaus and agencies.<sup>11</sup> At that time, the Secretary created the position of DFA to lead State/F's implementation of State and USAID's consolidated planning, budgeting, and reporting processes and also to serve concurrently as the Administrator of USAID, with both of these positions reporting directly to the Secretary. In addition, within the federal government and among interest groups, scholars, and others, an ongoing debate about how to improve the efficiency and effectiveness of U.S. foreign assistance has led to several proposals to reform U.S. foreign aid, ranging from, among others, elevating USAID to a cabinet-level agency to merging USAID with State.

In January 2009, the new Secretary of State observed that the incoming administration is committed to reviewing ways to improve the distribution of U.S. foreign assistance. She stated that the administration should build on initiatives that had proven successful while determining whether poorly performing initiatives could be improved. The Secretary also noted that the incoming administration has emphasized, among other things, the need to coordinate and consolidate foreign assistance programs housed throughout executive agencies. Meanwhile, modernizing foreign assistance is a stated priority of the Chairman of the House Committee on Foreign Affairs.

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## Foreign Assistance Framework

In 2006, to help align foreign assistance programs with the transformational diplomacy goal, State/F developed the framework for U.S. foreign assistance (foreign assistance framework). The framework ties this goal to five strategic objectives—peace and security, governing

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<sup>11</sup>USAID, "Remarks by Condoleezza Rice, U.S. Secretary of State: New Direction for Foreign Assistance, January 19, 2006, U.S. Department of State, Washington, D.C.," <http://www.usaid.gov/press/speeches/2006/sp060119.html> (accessed Apr. 2, 2009).

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justly and democratically, investing in people, economic growth, and humanitarian assistance—to various category-country types, in an effort to move recipient countries to the next level. (See app. IV for a detailed description of the foreign assistance framework, including descriptions of the country categories.)

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## International Affairs Funding and State/F’s Budget and Planning Processes

Funding for international affairs, which includes funding for foreign assistance, is provided through annual appropriations and an account structure reflected in reports of the appropriations committees.<sup>12</sup> Of the \$42.5 billion appropriated for programs classified as international affairs in fiscal year 2008, almost \$36.6 billion was appropriated to accounts administered by State or USAID; the remaining \$5.9 billion went to other departments, agencies, and organizations.<sup>13</sup> For example, programs are implemented by the Departments of Defense (e.g., education and training); Agriculture (e.g., P.L. 480 food aid); and Treasury (e.g., technical assistance and debt restructuring). In addition to these agencies implementing programs classified as international affairs, a number of other federal entities are involved in providing foreign assistance (see app. II). Of the \$36.6 billion appropriated to or administered by State and USAID, approximately half went through the new State-USAID consolidated budget, planning, and reporting processes in fiscal year 2008 (see table 1).<sup>14</sup>

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<sup>12</sup>Each appropriation account is also assigned to a budget function and subfunction used by the budget committees to develop an overall fiscal plan—a system to classify budget authority outlays, receipts and expenditures according to the national needs being addressed. Function 150, International Affairs, includes maintaining peaceful relations, commerce, and travel between the United States and the rest of the world and promoting international security and economic development abroad.

<sup>13</sup>Congressional Research Service. GAO did not independently verify this funding information.

<sup>14</sup>Accounts at State and USAID that are not reflected in State/F’s budget and planning processes for fiscal year 2008 include State’s Diplomatic and Consular Program (\$6.8 billion), Contributions to International Organizations (\$1.4 billion) and International Peacekeeping (\$2 billion) accounts, and USAID’s Operating Expense account (\$801 million).

**Table 1: Budget Accounts and Authority under State/F Budget and Planning Approval Processes, Fiscal Year 2008**

Account name	Estimated fiscal year 2008 budget authority (current dollars in millions)
Andean Counterdrug Initiative	325
Assistance for Eastern Europe and the Baltic States (formerly Support for Eastern European Democracy)	294
Assistance for the Independent States of the Former Soviet Union	397
Child Survival and Health Programs	1,829 <sup>a</sup>
Conflict Response Fund	n/a
Democracy Fund	239 <sup>b</sup>
Development Assistance	1,624
Development Credit Authority	8
Economic Support Fund	5,323 <sup>b</sup>
Foreign Military Financing	4,689 <sup>b</sup>
International Disaster/Famine Assistance	650 <sup>b</sup>
International Military Education and Training	85
International Narcotics Control and Law Enforcement	944 <sup>b</sup>
International Organizations and Programs	317
Migration and Refugee Assistance	1,338 <sup>b</sup>
Nonproliferation, Anti-Terrorism, Demining and Related Programs	497 <sup>b</sup>
Peacekeeping Operations	261
U.S. Emergency Refugee and Migration Assistance	76 <sup>b</sup>
USAID Office of Transition Initiatives	45
<b>Total</b>	<b>18,941</b>

Sources: State Department and Congressional Research Service.

Notes:

In addition to having approval authority over these accounts, the DFA has authority to coordinate with, but not approve, State's Global HIV/AIDS Initiative account (approximately \$4.7 billion in fiscal year 2008) and the Millennium Challenge Corporation (approximately \$1.5 billion in fiscal year 2008). Public Law 480 Food Aid (approximately \$2.1 billion in fiscal year 2008) is appropriated to the Department of Agriculture and its Title II programs (Food For Peace) is administered by the USAID Administrator, not the DFA (in the past, these positions were held by the same individual).

In some cases, foreign assistance funds administered by State or USAID support programs are implemented by other agencies. For example, State administers funding appropriated for Foreign Military Financing and International Military Education and Training programs that are implemented by DOD. In administering these appropriations, State shares accountability for the proper use of these funds.

GAO did not independently verify funding information provided by the Congressional Research Service.

<sup>a</sup>This is an approximation of the portion of the Global Health and Child Survival appropriation apportioned to USAID.

<sup>b</sup>The amounts for these accounts include funding provided in Supplemental Appropriations Act, Pub. L. No. 110-252, 122 Stat. 2323 (2008), and in the case of the Economic Support Fund, Disaster Relief and Recovery Supplemental Appropriations Act, Pub. L. No. 110-329, 22 Stat. 3585 (2008) as well. GAO has not independently verified amounts appropriated in these two acts.

State and USAID use several planning and budget documents in the consolidated planning and budget processes for State and USAID foreign assistance. Some were created by State/F, some predate State/F, and some are governmentwide documents (see table 2).

**Table 2: Key Foreign Assistance Planning and Reporting Documents**

**Key State/F planning and reporting documents**

<b>Document</b>	<b>Description</b>	<b>Primary purpose</b>	<b>Key dates</b>
State/F annual operational plan, performance plan, and performance report	In each country receiving U.S. assistance, an operating unit (i.e., country program, regional office, or Washington-based bureau) led by the U.S. Ambassador compiles an annual operational plan, performance plan, and performance report in an effort to ensure that the activities of all U.S. agencies providing assistance in the country are coordinated and appropriately linked to foreign policy objectives. These documents are intended to provide a comprehensive presentation of all foreign assistance resources planned for implementation in country; to strengthen the link between funding, activities, and results; and to collect standardized data about foreign assistance programs.	Annual planning; budgeting	Operating units began developing operational plans in October 2006.
State/F 5-year country assistance strategy (CAS)	State/F is developing 5-year, country-specific strategies that aim to bring together all U.S. agencies' foreign assistance activities in a country regardless of funding source. The CAS document will be a maximum of 15 pages long, and will be developed separately from USAID's country-specific long-term strategies, which are currently being revised.	Strategic planning	In 2008, State/F began a pilot project in 10 countries to develop the CAS. State/F began an after-action review in early 2009, to inform CAS development and implementation going forward.

**Key pre-existing State and USAID foreign assistance planning and reporting documents**

<b>Document</b>	<b>Description</b>	<b>Primary purpose</b>	<b>Key dates</b>
USAID multiyear country strategy	Prior to the creation of State/F, USAID missions routinely developed multiyear country strategies, which identified USAID goals and strategic objectives and included detailed information on expected results and how progress toward results would be measured.	Strategic planning	In June 2006, State/F suspended the development of new country strategies. In September 2008, USAID issued guidance for developing interim strategies at missions where a CAS had not yet been developed. USAID plans to further develop final country strategy guidance after the CAS roll-out is complete.

Mission strategic plan (MSP)	Annually, all U.S. overseas posts, whether they receive U.S. foreign assistance funding or not, are required to submit a 3-year MSP. The MSP is intended to enable posts to track progress toward mission-specific, high-level diplomatic and management goals. It includes a post's annual budget request for all State and USAID foreign assistance funding by program area, and for the investing in people strategic objective, by program element.	Strategic planning; budgeting	This document was revised in 2007 to include a section on State/USAID foreign assistance.
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**Key governmentwide planning and reporting documents**

Document	Description	Primary purpose	Key dates
Congressional Budget Justification (CBJ)	Agencies submit CBJs to the appropriations committees in support of their annual budget requests. State/F's CBJ is linked to the foreign assistance framework and consistent with the long-term considerations of the joint State-USAID strategic plan.	Budgeting	Beginning with the CBJ for fiscal year 2008, State/F integrated foreign assistance resources into one joint document and submitted it in February 2007.
Performance and Accountability Report (PAR)	Called for by Office of Management Budget (OMB) guidance, the PAR combines the annual performance report required by the Government Performance and Results Act of 1993 <sup>a</sup> with an agency's financial statements and accountability report. The PAR provides information on an agency's actual performance and progress toward achieving the goals in its strategic plan and performance budget. The majority of performance information for results achieved with State and USAID foreign assistance resources are extracted from the performance reporting information in State/F's FACTS database.	Performance reporting	Agencies were to transmit various aspects of their fiscal year 2008 PARs to the President, Congress, and OMB between December 2008 and January 2009.

Sources: USAID, State, and OMB.

<sup>a</sup>Pub. L. No. 103-62, § 4, 107 Stat. 285, 299-89 (1993).

The budget process for State and USAID's foreign assistance funds follows the traditional federal budget and appropriation process, with one important distinction: after Congress appropriates funds to programs authorized under the Foreign Assistance Act, USAID and State undergo a congressional notification process known as the 653(a) consultation process.<sup>15</sup> In compliance with notification procedures established by law State/F notifies Congress of the type of assistance and level of funding to be provided to individual countries and international organizations. In

<sup>15</sup>This process is named after Section 653(a) of the Foreign Assistance Act of 1961, now codified at 22 U.S.C. §2413(a). This section states that not later than 30 days after the enactment of a law appropriating funds to carry out a provision of this act (other than section 451 or 637 of the Arms Export Control Act), the President shall notify Congress of each foreign country and international organization to which the U.S. government intends to provide any portion of the funds under such law and the amount of funds under that law, by category of assistance, that the U.S. government intends to provide to each.



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practice, State and USAID foreign assistance funds generally are not made available for obligation until the reporting requirements are finalized.

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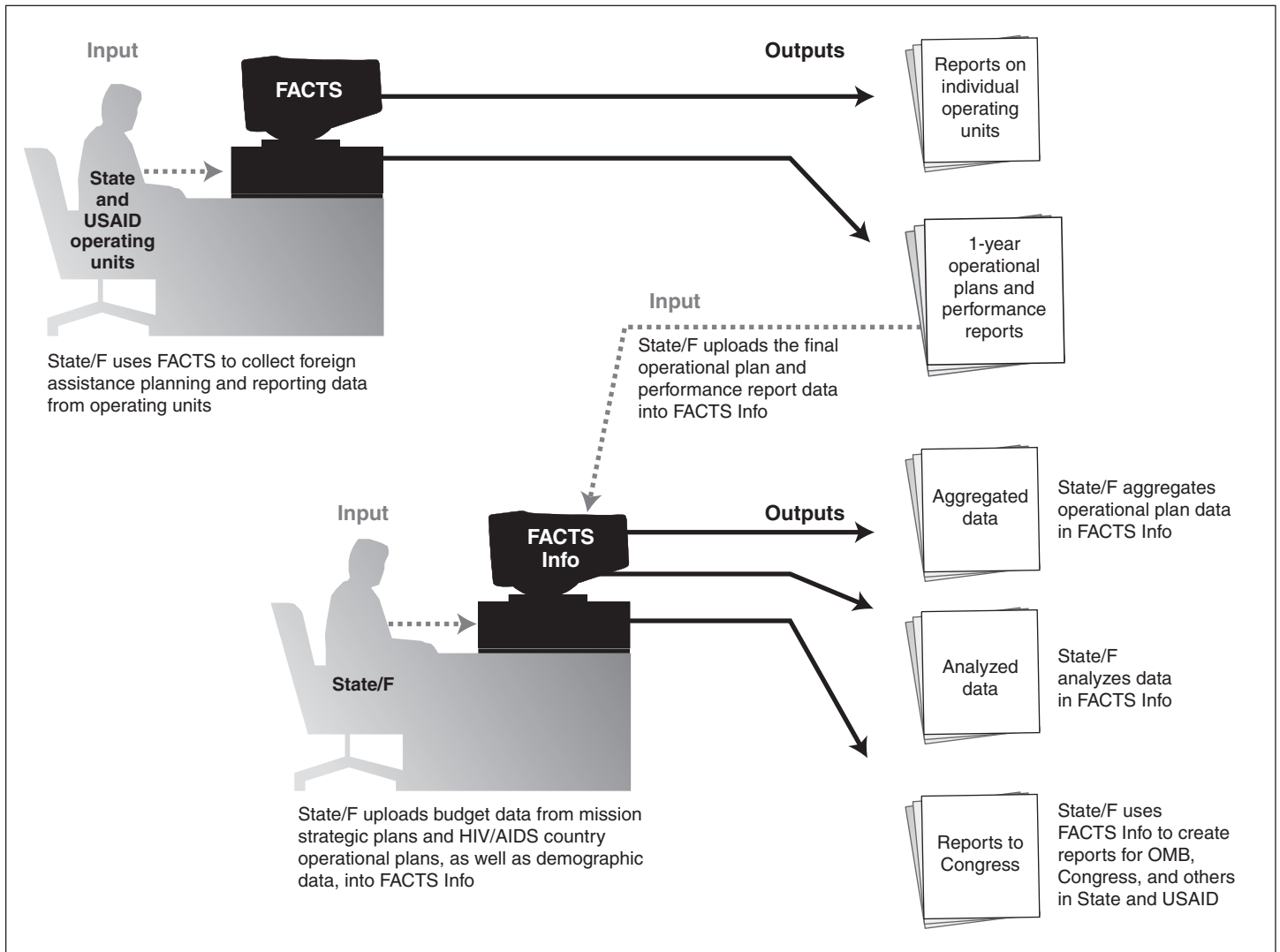
## State/F Information Systems

In conjunction with USAID, State/F developed the FACTS I database to collect foreign assistance planning and reporting data, including plans for implementing current-year funds and performance planning and reporting data. According to numerous FACTS I users as well as our previous review, FACTS I was slow and unreliable during the first 2 years of the foreign assistance budget, planning, and reporting processes.<sup>16</sup> State/F developed FACTS II to address these issues. State/F also created FACTS Info, a system that allows State/F to aggregate, analyze, and report data on many U.S. foreign assistance programs. During its pilot phase (September 2007–February 2009), FACTS Info was accessible to a limited number of users within State and USAID; State/F began to expand usage to additional State/F and USAID users in early 2009. Figure 1 depicts the data flow for both systems.

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<sup>16</sup>GAO-09-52R.

**Figure 1: FACTS and FACTS Info Data Flow Chart**



Sources: GAO analysis of Department of State data; Nova Development (clip art).

**Notes:**

FACTS= Foreign Assistance Coordination and Tracking System

OMB= Office of Management and Budget

State= Department of State

State/F= Office of the Director of Foreign Assistance

USAID= U.S. Agency for International Development

## Key Practices for Agency Transformation

Implementing a large-scale change management initiative such as the State-USAID foreign assistance organizational transformation is a complex endeavor that requires the concentrated efforts of both leadership and employees to accomplish new organizational goals. Experience shows that failure to adequately address—or, often, to consider—organizational culture is at the heart of unsuccessful mergers and transformations. We have reported on a number of key practices that have consistently been found in successful mergers, acquisitions, and transformations (see table 3).<sup>17</sup>

**Table 3: Key Practices and Implementation Steps for Mergers and Organizational Transformations**

Key practice	Implementation step
1. <b>Ensure that top leadership drives the transformation.</b>	<ul style="list-style-type: none"> <li>Define and articulate a succinct and compelling reason for change.</li> <li>Balance continued delivery of services with merger and transformation activities.</li> </ul>
2. <b>Establish a coherent mission and integrated strategic goals to guide the transformation.</b>	Adopt leading practices for results-oriented strategic planning and reporting.
3. <b>Focus on a key set of principles and priorities at the outset of the transformation.</b>	Embed core values in every aspect of the organization to reinforce the new culture.
4. <b>Set implementation goals and a timeline to build momentum and show progress from day one.</b>	<ul style="list-style-type: none"> <li>Make public implementation goals and timeline.</li> <li>Seek and monitor employee attitudes and take appropriate follow-up actions.</li> <li>Identify cultural features of merging organizations to increase understanding of former work environments.</li> <li>Attract and retain key talent.</li> <li>Establish an organization-wide knowledge and skills inventory to exchange knowledge among merging organizations.</li> </ul>
5. <b>Dedicate an implementation team to manage the transformation process.</b>	<ul style="list-style-type: none"> <li>Establish networks to support implementation team.</li> <li>Select high-performing team members.</li> </ul>
6. Use the performance management system to define responsibility and assure accountability for change.	Adopt leading practices to implement effective performance management systems with adequate safeguards.
7. <b>Establish a communication strategy to create shared expectations and report related progress.</b>	<ul style="list-style-type: none"> <li>Communicate early and often to build trust.</li> <li>Ensure consistency of message.</li> <li>Encourage two-way communication.</li> <li>Provide information to meet specific needs of employees.</li> </ul>
8. <b>Involve employees to obtain their ideas and gain their ownership for the transformation.</b>	<ul style="list-style-type: none"> <li>Use employee teams.</li> <li>Involve employees in planning and sharing performance information.</li> <li>Incorporate employee feedback into new policies and procedures.</li> <li>Delegate authority to appropriate organizational levels.</li> </ul>

<sup>17</sup>GAO-03-669.

Key practice	Implementation step
9. Build a world-class organization.	Adopt leading practices in acquisition management, financial management, human capital and information technology to build a world class organization.

Source: GAO.

Note: We compared State and USAID efforts related to seven of the nine key practices developed in our past work on organizational mergers and transformations. These seven practices are shown in boldface type. Because of the evolving nature of State/F's organization and workforce, we did not review State and USAID efforts related to key practice 6 ("using the performance management system to define responsibility and assure accountability for change" ) or 9 ("building a world-class organization" because of the evolving nature of State/F's organization and workforce).

## Interagency Coordination and Collaboration

Successful planning and implementation of multi-agency efforts such as foreign assistance reform is a challenge that requires interagency coordination and collaboration. We have previously reported on a range of barriers that agencies face when they attempt to collaborate.<sup>18</sup> For example, agencies sometimes have missions and goals that may conflict, making reaching a consensus on strategies and priorities difficult. Also, interagency collaboration is often hindered by incompatible procedures, processes, data, and computer systems. As we have also previously reported,<sup>19</sup> the following practices can help agencies sustain and enhance interagency collaboration:

- Define and articulate a common outcome.
- Establish mutually reinforcing or joint strategies.
- Identify and address needs by leveraging resources.
- Agree on roles and responsibilities.
- Establish compatible policies, procedures, and other means to operate across agency boundaries.
- Develop mechanisms to monitor, evaluate, and report on results.
- Reinforce agency accountability for collaborative efforts through agency plans and reports.
- Reinforce individual accountability for collaborative efforts through performance management systems.

<sup>18</sup>GAO, *Managing for Results: Barriers to Interagency Coordination*, [GAO/GGD-00-106](#) (Washington, D.C.: Mar. 29, 2000).

<sup>19</sup>GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

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**State and USAID Have Taken Steps to Support Organizational Transformation, Develop Consolidated Foreign Assistance Planning and Budgeting Processes, and Establish State/F Workforce**

In consolidating their foreign assistance operations, State and USAID took several steps that our previous work has shown to support such an organizational transformation.<sup>20</sup> State/F also took steps to develop consolidated State-USAID foreign assistance planning and budgeting processes. In addition, State/F took steps to establish an integrated State-USAID workforce.

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**Key State and USAID Efforts Supported Organizational Transformation**

Consistent with key practices that we have previously found in successful mergers and organizational transformations, State and USAID efforts to establish State/F have included (1) ensuring top leadership's involvement in the transformation, (2) establishing a mission statement, (3) developing key operating principles, (4) establishing key implementation goals and timelines, and (5) involving employees in the transformation.

**Top Leadership Involvement**

Top leadership at State and USAID articulated reasons for, and drove, the organizational transformation of State's and USAID's foreign assistance, beginning with the Secretary of State's 2006 announcement creating the DFA position. In April 2006, 2 months before State/F was officially established, the DFA appointed a Chief Operating Officer (COO), who was responsible for helping formulate the transformed organizational structure as well as developing and implementing State/F's reformed planning and budgeting processes. We have previously reported that appointing a COO or Chief Management Officer is one way to elevate attention on management issues and transformational change, integrate various initiatives, and institutionalize accountability for addressing them.<sup>21</sup>

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<sup>20</sup>GAO-03-669.

<sup>21</sup>GAO, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, D.C.: Nov. 1, 2007).

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## Mission Statement

State/F's top leadership and key staff established mission and vision statements to guide the organization's transformation. This effort began about 2 years after State/F was created, in response to findings from an April 2008 outside review of its organization and processes. According to the statement, State/F's mission, on behalf of the Secretary of State and the DFA, is to

- provide leadership, coordination, and strategic direction within the U.S. government and with external stakeholders to enhance foreign assistance effectiveness and integrate foreign assistance planning and resource management across State and USAID;
- lead strategic, operational, and performance planning of U.S. foreign assistance with a focus on aligning resources with policy priorities;
- develop and defend foreign assistance budget requests and allocate State and USAID foreign assistance funding to meet urgent needs and new opportunities and to ensure long-term sustainable investments; and
- promote good stewardship of foreign assistance funds by strengthening oversight, accountability, and transparency.

## Key Operating Principles

In addition to establishing mission and vision statements, State/F senior leaders and staff developed a key set of operating principles. These principles include

- being accountable to the American people for ensuring the effective use of foreign assistance resources,
- being constructive and cooperative partners with stakeholders, and
- valuing State/F's employees as its most important resource.

We have previously reported that operating principles articulating the core values of a new organization can, like the mission statement, serve as an anchor that remains valid and enduring while organizations, personnel, programs, and processes may change.<sup>22</sup>

## Implementation Goals and Timelines

State/F set and met certain implementation goals and timelines for key aspects of its consolidated budget and planning processes. For example, State/F exceeded its goal of implementing country-specific operational plans—a key annual budget and planning document for the reformed

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<sup>22</sup>GAO-03-669.

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performance budgeting process—to 67 pilot countries in its first year. In addition to those pilot countries, each USAID country mission, regional office, and Washington, D.C.-based bureau—collectively known as operating units—produced an operational plan for fiscal year 2007.<sup>23</sup> All operating units produced operational plans for fiscal year 2008. State/F’s COO told us that another key goal was submitting a joint State-USAID foreign assistance budget request based on the new foreign assistance framework. State/F accomplished this goal even though the office was established after the fiscal year 2008 budget formulation process had begun.

## Employee Involvement

State and USAID involved their employees in the transformation by using employee teams and by obtaining employees’ ideas about the transformation. According to its COO, State/F created implementation teams at State/F’s inception to focus on two key areas: (1) overseeing the organizational and administrative changes needed to create the new office and (2) developing and implementing the reformed planning and budgeting processes. Each year since its creation in 2006, State/F has conducted after-action reviews to seek employee feedback on how to improve various processes. For example, employee teams are currently reviewing State/F’s core processes and identifying suggested improvements for each. According to State and USAID bureau and field staff with whom we met, State/F implemented several employee suggestions from these reviews. We have previously reported that employee involvement, such as State/F’s use of employee teams and after-action reviews, strengthens the transformation process by including frontline perspectives and experiences.<sup>24</sup>

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<sup>23</sup>Although State/F uses the term “country-specific operational plan,” operating units other than countries submit operational plans. For example, in fiscal year 2008, State/F listed 190 operating units—155 countries, 11 USAID regional offices, and 24 State and USAID regional and functional bureaus based in Washington, D.C.—that were required to submit operational plans. State/F defines an operating unit as the organizational unit responsible for implementing a foreign assistance program for one or more elements of the foreign assistance framework.

<sup>24</sup>[GAO-03-669](#).

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State/F Developed  
Consolidated State-USAID  
Foreign Assistance  
Planning and Budgeting  
Processes

State/F developed a program configuration, known as the Standardized Program Structure and Definitions (standardized program structure), to provide a consistent way to categorize and account for State-USAID foreign assistance. State/F also began developing annual operational plans, performance plans and performance report based on the standardized program structure, to strengthen the link between foreign assistance funding, activities, and results.<sup>25</sup> In addition, State/F initiated a pilot program for multiyear, country-specific foreign assistance strategies, intended to take a comprehensive approach in describing overall U.S. strategic approaches and priorities, goals, and resource assumptions. Moreover, State/F implemented a consolidated budget process for State and USAID foreign assistance programs, beginning with the fiscal year 2008 budget request.

Standardized Program  
Structure

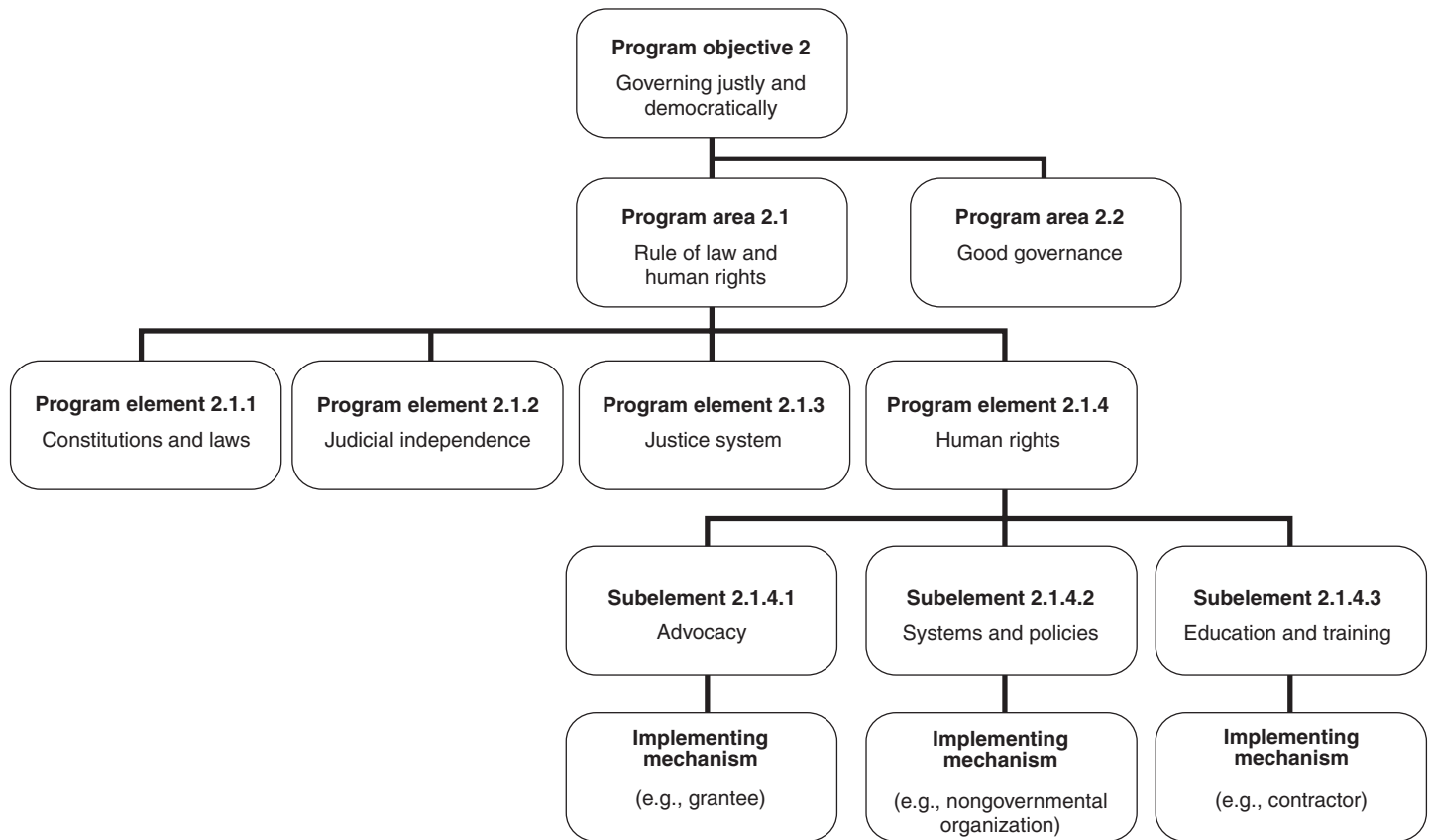
To collect and track standardized data on program funding and results achieved with that funding, State/F instituted the standardized program structure. This structure provides common definitions for the use of foreign assistance funds and flows from the foreign assistance framework, using the framework's five program objectives plus one administrative objective. For each objective, State/F developed a common configuration of goals linked to implementing mechanisms. This program structure is the foundation of the annual operational plan and the performance report as well as the FACTS data system. (Fig. 2 shows an excerpt of the configuration of goals for the governing justly and democratically program objective.) State/F also developed standard definitions and sets of indicators related to these goals. For example, State/F defines the human rights program element as "advancing the protection of international human rights, including labor rights, by supporting governmental and nongovernmental organizations created to protect, promote, and enforce human rights." One indicator related to this program element is "the number of public advocacy campaigns on human rights supported by the U.S. government."

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<sup>25</sup>Prior to fiscal year 2008, the operational plan included the performance plan and performance report; these are now published as a separate document.



**Figure 2: Excerpt of State/F's Standardized Program Structure**



Source: State/F.

### Annual Country-Specific Operational Plans

According to State/F's operational plan guidance, State/F's annual operational plans are intended to show how all U.S. government agencies' foreign assistance resources—including resources provided by U.S. agencies<sup>26</sup> other than State and USAID—are being used to support the goals and objectives outlined in the foreign assistance framework. The operational plans, which operating units began developing in October 2006, were originally multifunctional, serving as annual spending plans, performance plans, and performance reports. According to State/F guidance, the plans were intended to strengthen the link between funding, activities, and results for joint State-USAID foreign assistance programs.

<sup>26</sup>See appendix II for a list of the more than 25 U.S. departments, agencies, and other entities involved in providing foreign assistance.

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State/F guidance notes that operational plans differ from other State and USAID planning and reporting requirements in that they provide detail about the specific uses of all available funds for the given fiscal year. State/F piloted the operational plan in 67 “fast track” operating units in fiscal year 2007 and required all 190 operating units, including country missions and regional and functional bureaus in State and USAID, to complete an operational plan in fiscal year 2008.

Using the standardized program structure, the operational plan reflects funding information for individual State and USAID foreign assistance projects (i.e., at the implementing mechanism level).<sup>27</sup> For each project, the operational plan shows the entities and individuals receiving funding, the amounts received, the activities being funded, and the expected results. We have previously reported that pursuing a closer alignment between performance planning and budgeting—much like State/F is attempting to do with its operational plans and standardized program structure—is essential in supporting the transition to a more results-oriented and accountable federal government.<sup>28</sup> Developing a link between requested funding and expected performance goals is a critical first step in defining the performance consequences of budgetary decisions. By structuring the operational plan around the program configuration, State/F is able to collect standard funding and performance data on individual programs worldwide through FACTS and report on foreign assistance in the aggregate—something that was not possible prior to State/F’s reforms. Although State and USAID are the only U.S. agencies currently entering data into and receiving reports from the FACTS and FACTS Info systems, State/F originally expected the systems to eventually include data from the more than 25 other U.S. entities involved in foreign assistance.<sup>29</sup> State/F

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<sup>27</sup>State/F’s guidance for operational plans defines an implementing mechanism as a binding relationship established between a U.S. Government agency and an outside party to carry out U.S. Government-funded programs, by authorizing the use of U.S. Government funds for (1) acquisition of services or commodities; (2) the provision of assistance (a grant); or (3) to fulfill specific agreements such as cash transfers to host-country governments. For the purposes of this report, we refer to implementing mechanisms as projects.

<sup>28</sup>GAO, *Managing for Results: Agency Progress in Linking Performance Plans with Budgets and Financial Statements*, GAO-02-236 (Washington, D.C.: Jan. 4, 2002).

<sup>29</sup>We acknowledged in November 2008 (GAO-09-52R) that FACTS does not include information from agencies other than State and USAID; however, we also noted that contractual documents for FACTS I and FACTS II state that one of the purposes of FACTS is to combine all U.S. government planning and reporting on foreign assistance activities into one central data system.

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recognizes that doing so will be difficult because, among other reasons, different agencies use different procedures, processes, and systems to formulate budget requests, allocate resources, and measure results.

In addition, the operational plans are intended to provide information about how all U.S. government agencies are coordinating and collaborating in each country to achieve short-term and long-term foreign assistance goals as well as information on other agencies' foreign assistance resources. State/F's operational plan guidance requires State and USAID staff to describe how the programs of all other U.S. government agencies in the country are helping address, at the program area level, the goals in State/F's foreign assistance framework.<sup>30</sup> To obtain this information, State and USAID staff must work with other agencies. According to some USAID and State staff at field missions, the annual operational plan process has improved transparency among the various U.S. government agencies involved in U.S. foreign assistance activities in the country. For example, State officials in Ukraine stated that, because of going through the operational plan process with other U.S. agencies, State has a much better view of all U.S. agencies' programs in Ukraine, including some details about what activities other agencies' programs include. Also, USAID officials in both Haiti and Peru said that interacting and collaborating with other agencies that are implementing foreign assistance activities in the country during the operational plan process raised their own awareness of other agencies' program activities and goals. As a result, they said that they were able to make better-informed decisions for State/F's planning and budgeting processes.

State/F has made several changes to the operational plan process. In response to findings in the 2007 after-action review, the process was split into two phases beginning in fiscal year 2008. The purpose of this two-part structure was to more evenly distribute the workload for State and USAID over time and to permit State and USAID project data to be provided later in the fiscal year, after each operating unit receives its allocations and has had the opportunity to plan their projects. According to State/F officials, after fiscal year 2008, State/F discontinued the two-phased approach and instead separated the operational plans from the performance plans and reports. The operational plans serve as annual spending plans and discuss planned activities and expected results from the current year

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<sup>30</sup>Prior to fiscal year 2008, this information was required at the program element level, which includes a finer level of detail than the program area level.

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appropriation; annual performance plans and reports capture fiscal year performance planning and performance reporting.

State/F also made a number of changes to the information contained in the operational plans, based on feedback from the after-action reviews. For example, State/F eliminated the requirement for operating units to provide narrative information at the subelement level and made this information optional at the implementing mechanism level. It also eliminated performance indicators at the implementing mechanism level. These changes were in direct response to staff concerns that State/F was collecting detailed information that was not being used in decision making. Also, State/F now prepopulates certain data fields in the FACTS database with prior-year information; staff must re-enter prior-year information only if it has changed. According to USAID and State officials, these changes have reduced the workload burden for staff working on the operational plans, especially in field locations that experienced slow connections with the FACTS database. Finally, State/F adjusted some of the standard indicators to better fit programs and permits the use of custom indicators at the program element level to highlight the unique circumstances of a particular program or country in addition to the standard indicators.

## 5-Year Country-Specific Foreign Assistance Strategies

In June 2006, State/F directed USAID to suspend any planned updates to its multiyear country strategies. State/F did so because it planned to replace the USAID-only country strategies with a joint State-USAID country assistance strategy (CAS). In August 2007, the DFA established a joint USAID-State task force to develop an approach for these strategies. The task force completed its efforts and, since February 2008, the DFA approved plans for new 5-year CAS that would take a comprehensive approach by including the efforts of all U.S. agencies providing foreign assistance in the country. According to State/F's guidance for developing a CAS document, each CAS should include, among other things, an overall strategic approach and priorities, a discussion of up to five priority goals, and resource assumptions.<sup>31</sup> The guidance states that the CAS is meant to

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<sup>31</sup>State/F guidance states that each CAS will be a maximum of 15 pages in length and consist of four major sections: (1) introduction (1.5 pages); (2) overall strategic approach and priorities (2 pages); (3) discussion of up to five priority goals 2-3 pages per goal; and (4) resource assumptions (1-2 pages). Each CAS will also include two appendixes: (1) a bibliography of relevant technical analyses and (2) country analyses requirements.

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- identify and describe U.S. foreign assistance goals in specific countries and provide a sense of prioritization among these goals;
  - improve strategic and programmatic coordination, collaboration, and transparency within the U.S. government; and
  - provide a comprehensive statement of overall U.S. foreign assistance priorities in a given country, regardless of funding source.

To achieve these goals, USAID and State are to consult with the host-country government, nongovernment and private sector organizations in the country, and other international donors. State/F guidance also encourages input from other U.S. government agencies.

During 2008, State/F piloted the CAS in 10 countries.<sup>32</sup> According to the pilot selection criteria, the countries chosen

- are broadly representative of the diversity of U.S. foreign assistance;
- are enthusiastic about participating in the pilot;
- have large, medium, and small programs; and
- receive funds through a large variety of accounts, including the Millennium Challenge Account Compact and Threshold Programs and the President's Emergency Plan for AIDS Relief.

In the meantime, some USAID officials in Washington, D.C., and at field missions expressed concern that some USAID country strategies had become outdated and did not reflect the current political and developmental environment, creating a gap between country-level guidance for planning, programming, and budgeting and a longer-term view of a country's needs and strategies for meeting them. In September 2008, USAID issued guidance permitting field missions to develop interim country strategies until the CAS is fully developed and implemented.

As of January 2009, all 10 pilot countries had submitted a draft CAS to State/F; as of April 2009, State/F had approved four of them and the remaining six were under review. According to State/F, when all 10 pilot CAS documents are approved, State/F plans to conduct an after-action review to determine best practices and lessons learned and then may

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<sup>32</sup>The countries are Armenia, Bosnia and Herzegovina, Democratic Republic of the Congo, Honduras, Jamaica, Morocco, Mozambique, Nepal, the Philippines, and Tanzania.

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Consolidated Budget Process  
for State and USAID Foreign  
Assistance Programs

consider initiating a subsequent follow-on pilot project. State/F has not established time frames for implementing the CAS worldwide.<sup>33</sup>

State/F implemented a joint State-USAID foreign assistance budget process, beginning with the fiscal year 2008 budget request, and made subsequent changes to the process based on its experiences and feedback from after-action reviews. Initially, it focused on foreign assistance planned for individual countries based on a categorization of their development using the foreign assistance framework.<sup>34</sup> State/F created country core teams for each country receiving foreign assistance and gave them the responsibility of recommending funding requests for each country, based on State/F's five strategic objectives and using the standardized program structure. These initial core teams consisted of a team leader from State/F, representatives from relevant regional and functional bureaus, a State/F Resources and Appropriations staff member, and other stakeholder U.S. government agencies. Because this process began after embassies and USAID missions submitted their funding requests for fiscal year 2008, embassy and mission staff were not initially assigned to country core teams.

State/F's joint budget process increased the visibility of foreign assistance resources within State and USAID. According to State/F and USAID officials with whom we met, the new process had a positive effect on how foreign assistance budgets were presented and defended during the Secretary's review. Under this new process, comparable USAID and State bureaus present their foreign assistance budget proposals to the Secretary in a joint session. In the past, because the USAID Administrator also served as the DFA,<sup>35</sup> the Administrator had an opportunity to participate in each session along with the Secretary, the Deputy Secretary of State, or the Under Secretary of State for Political Affairs. According to State/F officials, this process resulted in a better understanding of foreign assistance programs and priorities between State and USAID and provided

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<sup>33</sup>Some countries, including Afghanistan and Iraq, will be exempt from producing a CAS based on the size of their programs and other factors.

<sup>34</sup>The five country categories are rebuilding countries, developing countries, transforming countries, sustaining partnership countries, and restrictive countries. A sixth category, global or regional, captures activities that cross a single country's borders.

<sup>35</sup>Two USAID Administrators have served as DFA, from June 2006 to April 2007 and from November 2007 to January 2009, respectively.

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the Secretary of State with a comprehensive overview of planned foreign assistance resource allocation.

State/F responded to employee feedback from after-action reviews and made several changes to the fiscal year 2009 and 2010 budget processes. For fiscal year 2009, to better reflect the bureau structures of State and USAID, State/F replaced the country core teams, which focused on individual countries, with assistance working groups, which were composed of regional and functional bureau representatives and had greater knowledge of particular countries and programs. In addition to establishing the regional assistance working groups, State/F held a roundtable for each of the five strategic objectives. This allowed functional bureaus to incorporate cross-cutting and global priorities into country-focused funding proposals for the fiscal year 2009 budget request.

For fiscal year 2010, the process was pared down further and regional bureaus were given primary responsibility for creating budget proposals, which reduced the time State/F officials had to spend reconciling regional and functional bureaus budget requests. State/F also created an intranet site to which it posted budget proposals, allowing regional and functional bureaus to comment on each other's budget proposal. The effect of this change remains to be seen.

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## State/F Integrated Workforce

State/F took several steps to establish its organizational structure and develop its human resource capabilities. In early 2006, State/F began to staff its new office. State reassigned 23 employee positions to State/F, and USAID assigned 65 employee positions to State/F.<sup>36</sup> The 23 State positions were reassigned from various bureaus and units within State. The 65 USAID positions were reassigned from several USAID offices, including many from the Bureau for Policy and Program Coordination.<sup>37</sup> USAID and State reached an agreement on the employee reassignments on June 1, 2006.

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<sup>36</sup>In September 2007, State/F established additional positions, for a total of 97. An additional position was added in January 2008, resulting in a total of 98. As of February 2009, 15 of the 98 positions were vacant.

<sup>37</sup>The Bureau for Policy and Program Coordination, which was abolished in 2006, included several offices that were responsible for allocation of resources, strategic planning, and related functions.

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By the end of March 2007, State/F had created new job descriptions and defined the skills and competencies needed for 16 of the 23 positions reassigned from State; State/F made minor or no changes to the rest of the existing position descriptions. New job descriptions for the 65 positions reassigned from USAID were approved in September 2007, 16 months after State/F began operations. In commenting on a draft of this report, State/F told us that, as of October 2008, it had created job descriptions for all of the new positions.

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## State/F Faces Implementation Challenges Related to Organizational Transformation, Planning and Budgeting, and Workforce

Despite progress in its organizational transformation, developing consolidated planning and budgeting processes, and establishing an integrated State-USAID workforce, State/F faces implementation challenges related to these efforts. Specifically, State/F (1) lacks implementation time frames, as well as goals and benchmarks, for several aspects of its foreign assistance reform efforts; (2) lacks a clear and consistent strategy for communicating with staff and stakeholders about its transformation and reform efforts; (3) faces several challenges related to its annual planning processes; (4) faces challenges in developing and implementing its multiyear planning process; (5) faces challenges in its consolidated budget process; and (6) has not fully addressed concerns regarding management of its workforce.

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## State/F Lacks Implementation Time Frames for Comprehensive Foreign Assistance Reforms and Developing a Foreign Assistance Strategy and Country-Specific Strategies

Although State/F has established time frames for certain key elements of foreign assistance reform, it has not established time frames for developing and implementing a comprehensive, integrated U.S. foreign assistance strategy covering all agencies involved in delivering U.S. foreign assistance, or for developing guidance for foreign assistance delivered through other U.S. government entities. According to State/F officials, State/F was awaiting direction and guidance from the incoming administration regarding its goals and priorities for U.S. foreign assistance reforms. In addition, because it has not completed the pilot phase for the 5-year CAS, State/F has not yet developed time frames for fully implementing the CAS. As our previous work suggests,<sup>38</sup> without time frames for implementing the comprehensive and country-specific strategies, State/F lacks target dates needed as an objective means to track and report its progress. Moreover, until it develops and implements a comprehensive, integrated U.S. foreign assistance strategy, as well as

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<sup>38</sup> [GAO-03-669](#).



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guidance for other U.S. agencies' foreign assistance, State/F lacks assurance that State's, USAID's, and other agencies' programs are strategically tied to overarching U.S. goals.

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### State/F Lacks Goals and Benchmarks for Measuring Progress for Certain Reform Processes

State/F has not defined goals for certain aspects of foreign assistance reform or developed benchmarks to gauge whether the reforms are successful. Without these key aspects of successful mergers and transformations, State/F is unable to pinpoint performance shortfalls and gaps and suggest midcourse corrections, and will not know what success looks like. For example, State/F's COO told us that State/F did not define what it wanted to achieve from restructuring and streamlining State and USAID mission and bureau plans and reports or determine how it would gauge progress toward those goals and define success. Without a clear picture of the results to be achieved, it is difficult to ensure that reforms are implemented in a way that achieves the desired results.

Also, as of January 2009, State/F had not determined how it will measure the anticipated efficiency gains to be realized from developing consolidated program management systems. As a result, some State and USAID employees in Washington, D.C., and in the six countries we visited did not understand how their work was contributing to State/F's desired results and could not determine whether the reforms were helping State/F achieve its goals. For instance, according to State/F, one of the results expected from FACTS and FACTS Info was a substantial decline in ad hoc requests to embassies and missions for budget and performance information. However, USAID officials in all six countries we visited told us they have no way of knowing whether the data they enter into FACTS is being used because State/F does not disseminate information about the use of FACTS data. They also said that the number of USAID headquarters and State/F requests for information—known as taskers—had declined only slightly or not at all. On the other hand, State/F told us that although it does not track and communicate to the field the number of inquiries it handles at headquarters using FACTS or FACTS Info, its reliance on embassy- and mission-provided data has declined. State/F's Congressional Relations Specialist said that she frequently uses FACTS and FACTS Info to respond to information requests from congressional committees and rarely sends taskers to the field for information. She hypothesized that the taskers to the field may be from State and USAID bureau officials and that these requests would decline over time as FACTS and FACTS Info become more widely accessed and well known.

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## State/F Lacks a Clear and Consistent Communication Strategy

State/F lacks a clear, consistent strategy for communicating about its organizational transformation and planning and budgeting reforms. Communicating information early and often helps to build an understanding of the purpose of planned changes, builds trust among employees and stakeholders, cultivates a strong relationship with management, and helps gain employee ownership for a merger or transformation.

According to officials in headquarters and in the six countries we visited, poor communication about the fiscal year 2007 operational planning process led to a great deal of confusion. For example, a USAID official in Jordan said that State/F repeatedly changed its guidance over a short period of time; at times, the updated guidance contradicted, instead of built on, previous guidance and staff were unsure which guidance to follow. In addition, many staff told us that when seeking clarification on the conflicting guidance, they had received either no response or an untimely response from State/F. Also, State/F officials told us that, in hindsight, it appeared that State/F could have benefited from fuller and earlier communication about its planning and budgeting reforms with Congress and other stakeholders, such as contractors and nonprofit organizations involved with program implementation. To address these challenges, in November 2008, State/F said that it would create a Communications Manager position to develop and implement more effective communications processes; as of March 2009, this position had been created but not yet filled.

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## State/F Faces Challenges in Its Annual Operational Planning Processes

As with any planning structure, State/F's operational plans have several strengths but also present challenges. First, although regional missions complete operational plans, they do not clearly capture all of the foreign assistance programs and services implemented by USAID's regional offices. As a result, senior management may lack the holistic overview of foreign assistance resources needed to make informed decisions about trade-offs among various priorities. According to leading practices in federal strategic planning, an agency's strategic goals and objectives should cover its major functions and operations, and its annual performance plan should cover each program activity set forth in its

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budget.<sup>39</sup> Like its country-specific, or bilateral, missions, USAID's regional offices provide foreign assistance programs, although these programs tend to operate across borders. Regional offices also implement and manage programs in limited presence countries<sup>40</sup> and provide technical assistance and support to bilateral missions and programs. However, according to regional officials with whom we met, it is difficult to categorize and capture technical assistance in the operational plan. In addition, they stated that because the operational plan has a bilateral mission focus and distinguishes between programs in different sectors, it does not adequately describe regional offices' programs and services in multiple sectors for multiple limited presence countries. Senior leaders in State/F acknowledged that the operational plan's bilateral mission focus is problematic in this regard. In commenting on a draft of this report, State/F stated that regional activities can be and are captured in operational plans, noting that regional operating units produce operational plans. Based on our work, we maintain that the operational plan structure does not adequately capture regional activities.

Second, State/F faces challenges in coordinating and collaborating with officials in other U.S. government agencies to obtain funding and performance information, at the program element level, about these agencies' foreign assistance programs. Officials from these agencies told us that State/F did not coordinate well with their agencies in planning for programs that these agencies implement with State or USAID funding. For example, DOD staff who implement Foreign Military Financing and International Military Training and Education programs told us during our site visits that State/F's goals and measures—as reflected by the standardized program structure in the operational plans—did not always align with the broader goals and measures articulated in DOD's own planning documents and strategies for its own programs. Moreover, officials from other U.S. government agencies implementing their own foreign assistance programs told us of challenges they face in providing information to State and USAID officials for inclusion in the operational plan. As a result, State/F cannot be sure, through its operational plan

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<sup>39</sup> Although the Government Performance and Results Act requires these practices at the department/agency level, we have previously reported that they can serve as leading practices for planning within lower levels within federal agencies. For example, see GAO, *Pipeline Safety: Management of the Office of Pipeline Safety's Enforcement Program Needs Further Strengthening*, [GAO-04-801](#) (Washington, D.C.: July 23, 2004).

<sup>40</sup> A limited presence country is one in which USAID has limited or no official presence but to which a regional office provides some foreign assistance.

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process, that governmentwide foreign assistance funds are strategically tied to overarching policy goals. At some field missions, officials from the Departments of Commerce, Energy, Health and Human Services, and the Treasury told us that providing support for State/F processes, such as the operational plan, creates an additional workload that is neither recognized by their agencies nor a factor in their performance ratings. We have previously reported that federal programs contributing to the same or similar results should collaborate to ensure that goals are consistent and, as appropriate, program efforts are mutually reinforcing.<sup>41</sup> In addition, as a key collaboration practice, agencies can reinforce individual accountability for collaborative efforts through their performance management systems.

Third, although the standardized program structure is generally a useful tool to categorize foreign assistance programs, its program structure categories sometimes overlap and in some cases, its performance indicators do not always adequately describe program achievements. State/F guidance does not discuss how to categorize programs within the standardized program structure, except to say that it is critical that funds be identified by what is being done, rather than why it is being done.

- **Standardized program structure categories are not mutually exclusive.** Staff from State and USAID told us that it is not always clear to them how to categorize program activities, which could result in similar programs' being coded differently. For example, a USAID official in the East Africa Regional Office, describing a civilian program similar to neighborhood watches, said that the subelement that best describes the program falls under the "Stabilization Operations and Security Sector Reform" program area, which generally involves military programs. The official ultimately sought legal counsel to determine whether it was appropriate to code the program in this subelement or whether it should be coded in a subelement under a civilian program area. State/F officials told us that the standardized program structure was developed by interagency experts in each of the program areas and that it would continue to rely on individuals who know and understand the programs and are best positioned to categorize them.
- **Standard indicators do not always capture program performance.** Staff from State and USAID told us that they sometimes cannot find standardized performance indicators to describe State/F programs and

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<sup>41</sup>GAO-06-15.

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therefore choose “the next best thing.” As a result, State/F cannot ensure that its programs and projects are reported accurately and consistently. For example, a State official in Ethiopia told us that he and USAID officials whom he consulted were unable to find a performance indicator that accurately described training provided to Ethiopian police units for defusing bombs. Eventually, the State and USAID officials selected one indicator from several that related generally to police training, even though none accurately described the type of assistance being provided. In commenting on a draft of this report, State/F officials told us they have been working for the past year on a comprehensive review of the standardized program structure in order to clarify and update program definitions but that they would also review the standard indicators

These design weaknesses in the standardized program structure could compromise accuracy and data reliability in the operational plans, performance reports, FACTS, and FACTS Info, all of which are grounded in the standardized program structure.

Fourth, as State/F itself recognizes, its required standard indicators are generally output oriented and therefore provide little information about program impact. State/F chose to use output measures, in part, to aggregate and report, at the agency level, quantitative information common to foreign assistance programs across countries. USAID staff at the six overseas missions we visited told us they saw this shift as a step backward from the progress some USAID missions had made over the years toward using more outcome-oriented measures to obtain information on program impact. State and USAID officials in headquarters and the field recognized the value of being able to aggregate information across countries at the agency level but questioned the usefulness of the output-oriented information collected with State/F’s standard indicators. For example, a USAID official in Haiti told us that the USAID mission and its implementing partners have shifted their focus away from impact measures toward measures that provide less information on actual progress. In addition, USAID officials in Kenya expressed concerns that the quality and availability of the qualitative information needed to manage program activities had declined, reducing the mission’s ability to measure, and respond to inquiries about, program impact. State/F’s guidance encourages the use of custom indicators to establish targets and monitor the progress and impacts of their projects but it does not describe how State/F will use this information. Some State and USAID officials noted that although information related to program impact is important for managing programs and understanding the programs’ effects, they were not sure how, or if, State/F uses such information. These officials observed

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that, in contrast, State/F's guidance says that the quantitative, output-oriented information collected with the standard indicators is used to inform its resource requests and report to Congress and the American people.

Fifth, State/F's planning process excludes certain of State's and USAID's operating and administrative expenses for foreign assistance programs, constraining State/F's ability to ensure needed levels of administrative support for their foreign assistance programs.<sup>42</sup> Although State/F plans and budgets for foreign assistance program funds, State's Resource Management Bureau and USAID's Management Bureau plan and request funds for operating and administrative expenses. As a result, senior management lacks a comprehensive view of the total resources needed to support their program activities.

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### State/F Faces Challenges in Developing and Implementing Its Multiyear Planning Process

State/F faces two key challenges related to its development of the 5-year CAS. First, the CAS may not adequately replace USAID's country strategies, as State/F initially planned. According to some USAID and State officials in Washington, D.C., and in the countries we visited, the CAS is a high-level document that includes overall objectives for the country but—unlike USAID's country strategies—lacks substantive content and details on how USAID is to achieve its objectives. For example, the CAS' content is limited to high-level information on (1) the country program and the overall U.S. strategic approach and priorities, (2) up to five priority goals, and (3) resource assumptions. In contrast, the 2002-2006 USAID country strategy for Peru, for example, includes, for each of Peru's seven objectives, a detailed discussion of the objective, the development challenge, performance measures, critical assumptions, commitment and capacity of other development organizations, and sustainability issues.

To address USAID missions' concerns, in October 2008 the DFA issued an executive message that outlined three strategic planning options regarding the development of interim country strategies. The message stated that a USAID mission could (1) continue to use an existing country strategy; (2) develop an interagency CAS; or (3) develop an updated, USAID-specific country strategy if the existing strategy is no longer relevant and a CAS is

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<sup>42</sup>In this report, references to operating and administrative expenses include amounts derived from State's Diplomatic and Consular Protection account and USAID's Operating Expense account. Program funds used to support administrative costs are included in the operational plan process.

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not likely to be in place in fiscal year 2009. According to this guidance, these options would be available while the CAS is being piloted. As of March 2009, State/F officials told us that it had not yet completed an assessment of the CAS pilot.

Second, State/F's suspension of the development of USAID country strategies led to planning challenges at some USAID missions, particularly during the first 2 years of State/F's existence. According to some USAID officials, until October 2008—when USAID issued guidance for developing interim country strategies—the absence of a long-term country strategy hampered their ability to plan and manage project activities. For example, in June 2008, USAID officials in Ethiopia told us that before their country strategy had expired, USAID and the Ethiopian government routinely agreed on program activities that USAID planned to carry out over the next several years, pending availability of funds. However, absent a current multiyear strategy, and because of the resulting uncertainty about USAID's long-term goals and strategies for the country, USAID officials were reluctant to reach preliminary agreements with various Ethiopian government ministries. In Ukraine, USAID officials told us that in June 2006, State/F suspended the mission's efforts to update its 2003-2007 country strategy. As a result, the officials said, USAID's strategy for Ukraine became outdated and did not reflect the current political, economic, and developmental environment in Ukraine, which had changed dramatically. They, too, were reluctant to execute agreements with the Ukrainian government without a clear understanding of how these projects link to a long-term strategy for the country. In contrast, USAID officials in Haiti told us that State/F's suspending development of new country strategies had not adversely affected them because a 3-year country strategy for 2007-2009 had been approved and implemented in August 2006. Although the guidance issued by USAID in September 2008 is a step forward in addressing USAID missions' concerns, the development of USAID country-specific strategic plans will remain an interim process until the CAS is finalized and USAID country strategies are fully developed and implemented.

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### State/F Faces Challenges in Its Consolidated Budget Processes

We identified two key concerns with State/F's consolidated budget processes. First, although State/F's consolidated budget process was in part intended to bring needed coherence and accountability to governmentwide foreign assistance programs, the process excludes billions of dollars both within and outside State and USAID's jurisdiction. For example, of the \$36.6 billion appropriated to, or administered by, State and USAID, only about half went through the new State-USAID

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consolidated budget, planning, and reporting processes in fiscal year 2008. Further, according to State/F guidance, State/F coordinates with, but does not approve budget requests and resource allocations for, the Global HIV/AIDS Initiative (GHAI) or the Millennium Challenge Corporation (MCC); the appropriations act for fiscal year 2008 included \$1.8 billion and \$1.6 billion, for GHAI and MCC, respectively. State/F's process also does not include Pub. L. 480 Title II grants,<sup>43</sup> for which almost \$1.7 billion was appropriated in fiscal year 2008.

Second, State/F's budget process reforms may affect a mission's ability to respond to unexpected events in a timely manner. Under State/F's operational plan process, funds are allowed and committed at lower levels—the element and subelement levels respectively—than they were with previous processes. This change allows State/F to report a finer level of detail regarding how funds are used. However, State and USAID officials, both in headquarters and the field, expressed concern that this change could have unintended impacts on a mission's ability to respond effectively to changing conditions, possibly hampering its ability to address time-critical issues such as riots or disasters. For example, officials in State's Bureau of Western Hemisphere Affairs, describing their efforts to identify funding for a new, multiyear administration initiative, said that before State/F was created, the bureau was able to quickly and easily reallocate funds to respond to unexpected events. Now, to address such an event, the bureau must request and receive approval to reallocate funds in the operational plan, because State/F requires all funds to be committed in advance. The officials said that they have found this to be a complex and lengthy process, requiring multiple levels of approval—often up to the DFA<sup>44</sup>—for a variety of funding changes. State/F has taken some steps to reduce the burden of its reallocation process. For example, it delegated authority to USAID mission directors to approve reallocation requests in certain instances. In addition, State/F decreased the number of

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<sup>43</sup>Title II of the Agricultural Trade Development and Assistance Act of 1954 (a.k.a. Public Law 480) ch. 469, 68 Stat. 454 (1954), codified as amended at 7 U.S.C. § 1691a, provides U.S. food assistance in response to emergencies and disasters around the world, and provides development-oriented resources to help improve long-term food security. Title II funding is appropriated to the Department of Agriculture and administered by USAID.

<sup>44</sup>State/F's guidance states that the DFA must approve changes to (1) the overall funding amount for an operating unit; (2) the amount of funding for any account within an operating unit; (3) the overall funding amount for an objective; and (4) funding related to "protected" program areas, program elements, implementing mechanisms, and other items such as congressional directives and administration priorities.



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reallocation requests that need to be approved by the DFA. In another example, USAID officials in the field described their efforts to respond to unexpected parliamentary elections in Ukraine while their operational plan was under review by State/F. According to these officials, the mission requested that State/F release some funds prior to approving the plan, so that the mission could develop and implement programs related to the Ukraine's upcoming elections. According to State/F's reprogramming guidance for fiscal years 2007 and 2008, this request required the signatures of 10 USAID and State officials (outside State/F) and 4 State/F officials, including the DFA. USAID officials said the approval took 6 weeks and that this limited their ability to develop and implement their programs.

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## State/F Faces Challenges in Workforce Management Issues

Although State/F has taken some steps to establish a workforce and organizational structure, including beginning to define the roles and responsibilities of its employees, our work and an October 2008 State/F internal management review found that State/F faces key challenges in managing its workforce. For example, the State/F internal management review found that (1) State/F had not yet clearly defined the roles of some of its employees and organizational units and (2) State/F had not ensured that its employees have the skills and competencies needed to manage foreign assistance programs. According to State/F officials, in an effort to demonstrate an impact on U.S. foreign assistance programs, State/F initially gave precedence to creating and deploying consolidated budget, planning, and reporting processes rather than to examining the workforce composition, defining roles and responsibilities, and ensuring needed skills and competencies. Although it is important for leaders to be decisive and deliver early successes, we have previously found that success in an organizational transformation or merger is more likely when positions are filled based on the competencies needed for the new organization.<sup>45</sup>

- **Roles and responsibilities.** The October 2008 internal management review noted that the roles of some State/F employees and organizational units were not well defined or understood; that the responsibilities of some offices overlapped; and that there was confusion about when, during the planning and budgeting processes, certain employees should be involved in various issues. Similarly, State and USAID officials in

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<sup>45</sup>GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: Nov. 14, 2002).

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Washington, D.C., and most of the six countries we visited told us that State/F employees sometimes were unable to answer questions about operational plan guidance, FACTS, and FACTS Info and were unsure where in State/F to direct such questions so as to ensure timely, accurate answers.

- **Skills and competencies.** State/F's internal management review noted concerns about whether some State/F employee skills are well matched with State/F's core functions. The review found that although State/F staff had strong skills, they either were not placed in positions where they could leverage these skills or their skills did not match the capabilities that State/F required. During our work, some State and USAID officials in Washington, D.C., and in the field echoed these concerns.

Although State/F has taken some actions in response to its October 2008 internal review, it has not developed a long-term workforce management plan for addressing these challenges. During our review, State/F officials told us that they had initiated several corrective actions in response to recommendations in the internal review, such as defining roles and responsibilities for its various executive and managerial positions and its organizational units; developing plans to ensure that the current workforce is aligned to meet these needs; and improving training and professional development offered to its employees. However, State/F has not clearly defined roles and responsibilities for some of its employees. In addition, State/F has not developed a long-term workforce management plan to periodically reassess its workforce capacity to carry out assigned responsibilities, such as supporting and managing the consolidated budget, planning, and reporting processes for State and USAID foreign assistance programs. Our previous work has shown that many aspects of workforce planning and management require long-term strategies, to ensure that the agency's human capital program capitalizes on its workforce's strengths and addresses related challenges in a manner that is clearly linked to achieving the agency's mission and goals.<sup>46</sup>

Further, although State/F has defined its core functions and is "translating them down to its various offices," State/F officials told us that these definitions are considered an internal management tool and therefore have not been, and will not be, shared with State and USAID employees outside State/F. We have previously reported that having an effective and ongoing

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<sup>46</sup>GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

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internal and external communication strategy is essential to making transformation happen;<sup>47</sup> communicating with stakeholders should be a top priority and is central to forming the partnerships that are needed to develop and implement the organization's strategies. Moreover, we have observed that such communication is especially crucial in public sector organizational transformations, such as State and USAID's reform of foreign assistance. Policymaking and program management demand transparency, and stakeholders and interested parties are concerned not only about the results to be achieved but also about the processes to be used in achieving those results.

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## Conclusions

State/F has taken important recent steps to align State and USAID foreign assistance activities with broader foreign policy goals. Several aspects of State/F's establishment—such as involving top leadership, developing a mission statement and operating principles, employing a Chief Operating Officer, and involving employees in the transformation process—are consistent with leading practices that we have previously found to increase the likelihood of success in such a large-scale transformation. Moreover, State/F's actions to consolidate and reform State and USAID planning and budgeting could help address program fragmentation; strengthen accountability; and tighten the link among strategic objectives, resource allocation, and program implementation. For example, by basing its annual operational plans and 5-year CAS on its standardized program structure, State/F is attempting to tie its planning and budgeting to strategic foreign policy objectives. Further, the CAS process has the potential to further transparency and enhance interagency coordination and collaboration by including the activities of all U.S. agencies providing foreign assistance in the country. If effectively implemented, the CAS could also be a first step in creating a comprehensive governmentwide strategy for U.S. foreign assistance.

In other respects, State/F's initiatives are not well aligned with key practices that we have previously found in successful transformations and mergers. Without time frames, goals, and measures for defining success for all aspects of its foreign assistance reforms—including developing and implementing a comprehensive U.S. foreign assistance strategy, developing guidance for other U.S. entities' foreign assistance, and fully implementing its stated goal of multiyear comprehensive country

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<sup>47</sup>GAO-03-293SP.

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assistance strategies—State/F’s capacity to build momentum and demonstrate progress in these key reform efforts is limited. Lacking a comprehensive U.S. strategy, federal agencies risk implementing a fragmented patchwork of programs that could limit the overall effectiveness of the federal effort while failing to address the highest priorities. In addition, absent a clear, consistent strategy for communicating with staff about planning and budget reforms, State/F’s communications with staff in Washington, D.C., and in the field may—despite initial steps to develop and implement more-effective communications processes—continue to cause confusion, constraining its ability to build management-staff relations and staff’s sense of ownership for the reforms.

Among the planning and budgeting challenges discussed in this report, it is particularly important to clearly capture all relevant programs and activities in an agency’s planning process. Because State/F’s operational plan does not clearly articulate the programs and services implemented by USAID’s regional offices, senior management may lack a holistic picture of foreign assistance resources and may therefore lack important information needed to make informed decisions among competing priorities. Additionally, unless State/F ensures that the goals and measures in its operational plans are compatible with those articulated in the related plans and strategies of other U.S. entities delivering foreign assistance, it may continue to face challenges in obtaining information about these agencies’ activities and, in the long term, may face challenges in collaborating with these agencies to develop a comprehensive governmentwide foreign assistance strategy.

Finally, without a long-term workforce management plan for periodically assessing its workforce capacity to manage foreign assistance, including implementing strategies to fill any identified gaps in skills and competencies, State/F cannot ensure that its staff are prepared to meet the demands of reforming and consolidating foreign assistance processes.

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## Recommendations for Executive Action

We are making the following seven recommendations to the Secretary of State to further the reform of U.S. foreign assistance.

Once the incoming administration has defined its overarching goals for foreign assistance, we recommend that the Secretary of State work with all U.S. government entities involved in the delivery of foreign assistance to take the following steps:

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- Develop and implement a comprehensive, governmentwide foreign assistance strategy, complete with time frames and measures for successful implementation. Involving other agencies in this effort could include adopting key practices that we have found to sustain and enhance interagency coordination and collaboration in addressing common goals.
  - Develop and use compatible goals and measures to inform their planning, budgeting, and reporting for their respective foreign assistance programs.

If the administration decides to continue foreign assistance reform efforts consistent with the State/F reforms announced in January 2006, we recommend that the Secretary direct the DFA to

- establish a time frame for fully implementing all aspects of these reforms as well as benchmarks and goals to measure progress and define success;
- establish a time frame for developing and implementing multiyear, country-specific, foreign assistance strategies in all countries where U.S. departments, agencies, or organizations provide assistance;
- ensure that State/F's communication strategy encourages substantive, timely, two-way information exchanges between State/F and USAID and State employees;
- consider an operational plan structure that clearly portrays and accurately captures the functions and activities of regional programs and activities; and
- develop a long-term workforce management plan to periodically assess State/F's workforce capacity to manage foreign assistance.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Secretary of State and the USAID Administrator for review. State provided consolidated, written comments on behalf of both State and USAID that are reprinted in appendix V. In addition, State and USAID provided technical corrections and additional comments for our consideration, which we incorporated as appropriate.

While State and USAID generally acknowledged or agreed to consider six of our seven recommendations, State and USAID officials said that they believed they had already met our recommendation to consider an operational plan structure that clearly portrays and accurately captures the functions and activities of regional programs and activities.

In response to this comment, we clarified in our report that regional missions do in fact complete operational plans. However, as we note in our report, regional officials told us that it is difficult to categorize and capture key


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regional activities in the plan. Specifically, they said that because the operational plan has a bilateral mission focus and distinguishes between programs in different sectors, it does not adequately describe regional offices' programs and services in multiple sectors for multiple limited presence countries. Further, we note in our report that senior leaders in State/F acknowledged that the operational plan's bilateral mission focus is problematic in this regard. We believe that it is important to clearly capture all relevant programs and activities in an agency's planning process so that senior management has a holistic picture of foreign assistance resources—important information needed to make informed decisions among competing priorities. We therefore maintain that this recommendation remains valid.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to interested congressional committees, the Secretary of State, the Acting Administrator of USAID, and the Director of the Office of Management and Budget. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact Denise M. Fantone at (202) 512-4997 or [fantoned@gao.gov](mailto:fantoned@gao.gov); or David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Individuals who made key contributions to this report are listed in appendix VI.



Denise M. Fantone  
Director, Strategic Issues



David Gootnick  
Director, International Affairs and Trade

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# Appendix I: Scope and Methodology

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The objectives of this study were to (1) examine key actions that the Office of the Director of Foreign Assistance (State/F) has taken to reform foreign assistance by consolidating the foreign assistance operations of the Department of State (State) and the U.S. Agency for International Development (USAID) and (2) identify any key challenges that affect State/F's implementation of these reforms.

To accomplish both of these objectives, we obtained and analyzed various agency documents describing the creation of State/F and its workforce, including organizational charts, staffing charts, position descriptions, and changes in work responsibilities. We also obtained and analyzed various State/F documents describing its reformed planning, budgeting, and reporting processes, guidance for implementing these processes, and examples of the documents produced by these processes (e.g., Operational plans and Congressional Budget Justifications). We also obtained and reviewed the fiscal years 2007 and 2008 "after-action reviews" of the State/F's planning and budgeting processes conducted by State/F, as well as documents that describe changes to the processes based on these reviews.

We conducted more than 40 interviews with State and USAID officials in Washington, D.C., involved in State/F's reforms, including officials in various State/F offices and in various State and USAID regional and functional bureaus. To gain an understanding of the field's involvement in and perspectives on State/F's reforms, we also conducted site visits at U.S. Embassies and USAID missions in six countries: Ethiopia, Haiti, Jordan, Kenya, Peru, and Ukraine. We selected these locations on the basis of the following factors:

- Funding levels. Each country's program was among the top recipients of U.S. funding in its geographic region.
- Regional responsibilities. USAID missions in three of the six countries—Kenya, Peru, and Ukraine—are also responsible for managing regional programs or programs in neighboring countries.
- Variety of foreign assistance activities. In all of the countries, a variety of foreign assistance activities are provided by State and USAID as well as by other federal agencies, including the Departments of Agriculture, Commerce, Defense, Energy, Health and Human Services, and the Treasury.

At each embassy and mission, we met with officials involved in State/F's planning and budgeting processes. While most of these officials were from

State and USAID, we also met with officials from other agencies that implement programs on their behalf or that coordinate with them, including the Departments of Agriculture and Defense.

Finally, our review was informed by our past work. We reviewed our past reports related to State and USAID, as well as reports on strategic planning, performance budgeting, performance reporting, and interagency collaboration and coordination. We also selected seven of the nine key practices from our past work on organizational mergers and transformations to review State and USAID efforts to establish State/F. Our review did not include the practices of using the performance management system to define responsibility and assure accountability for change or building a world-class organization because of the evolving nature of State/F's organization and workforce.



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# Appendix II: U.S. Departments, Agencies, and Other Entities That Provide Foreign Assistance

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- African Development Foundation
- Centers for Disease Control and Prevention
- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Energy
- Department of Health and Human Services
- Department of the Interior
- Department of Justice
- Department of Labor
- Department of State
- Department of the Treasury
- Environmental Protection Agency
- Export-Import Bank
- Inter-American Development Foundation
- Millennium Challenge Corporation
- National Institute of Standards and Technology
- National Oceanic and Atmospheric Administration
- National Science Foundation
- Overseas Private Investment Corporation
- Peace Corps
- USAID
- U.S. Fish and Wildlife Service
- U.S. Forest Service
- U.S. Institute of Peace
- U.S. Patent and Trademark Office
- U.S. Trade and Development Agency

Note: Congressional Research Service presentation of Organization for Economic Co-operation and Development (OECD) data.

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# Appendix III: State/F Information Systems

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To support State and USAID planning, budgeting, and reporting of foreign assistance under these reforms, State/F developed two new data information systems, the Foreign Assistance Coordination and Tracking System (FACTS) and FACTS Info.<sup>1</sup> FACTS, which State/F began to develop in mid-2006, is a database used to collect foreign assistance planning and reporting data, including plans for implementing current-year appropriated budgets and performance planning and reporting data. FACTS Info, which State/F created in 2007, is a system used to aggregate, analyze, and report data on U.S. foreign assistance programs under the authority of the DFA. Although State and USAID are the only U.S. agencies currently using both systems, State/F expects the systems to eventually include data from other agencies involved in foreign assistance, including, among others, the Millennium Challenge Corporation and the Department of Treasury.

In November 2008, in connection with our body of work addressing the management of State/F and at your request, we reported on (1) the creation and development of FACTS and FACTS Info and (2) whether State/F is following best practices for configuration management—the process of establishing and maintaining control over changes made to a system—and risk management of FACTS and FACTS Info.<sup>2</sup> In conducting this work, we reviewed FACTS and FACTS Info system procurement, contract, development, performance, and assessment documents from State and USAID. We also reviewed State/F's configuration management and risk management procedures for consistency with industry best practices.

FACTS has been developed in two phases, known as FACTS I and FACTS II. In conjunction with USAID, State/F developed FACTS I in December 2006 as a database to collect foreign assistance planning and reporting data, including plans for implementing current-year appropriated budgets and performance planning and reporting data for State, USAID, and the more than 25 other U.S. departments and agencies involved in providing foreign assistance.<sup>3</sup> According to a State/F survey of over 100 State and USAID users in 2007, as well as our interviews with State and USAID officials in Washington, D.C., and the six countries we visited, FACTS I

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<sup>1</sup>Neither FACTS nor FACTS Info is intended to serve as an accounting or financial tracking system. Both State and USAID have separate systems for these purposes.

<sup>2</sup>GAO, *Foreign Assistance: State Department Foreign Aid Information Systems Have Improved Change Management Practices but Do Not Follow Risk Management Practices*, [GAO-09-52R](#) (Washington, D.C.: Nov. 21, 2008).

<sup>3</sup>Only programs under the authority of the DFA are currently detailed in FACTS.

was slow and unreliable during the first 2 years of the new foreign assistance funding process. To remedy these problems, in February 2008, State/F hired a contractor to develop FACTS II, which was deployed worldwide in October 2008. State/F created FACTS Info to aggregate, analyze, and report data on U.S. foreign assistance programs under the authority of the DFA. During the initial pilot phase, which began in September 2007, FACTS Info was accessible to a limited number of State and USAID users. FACTS Info was expanded to include additional State/F and USAID users when the pilot phase ended in February 2009.

FACTS II and the ongoing pilot of FACTS Info have recently implemented new configuration management processes, but both lack adequate risk management procedures, such as formalized procedures to plan for foreseeable risks. State/F has taken steps to address these challenges, such as updating the project management plan and implementing change tracking software to address certain weaknesses, particularly to both systems' configuration management. However, as of October 2008, State/F had not fully implemented improvements to the systems' risk management; State officials noted that they plan to complete these improvements by December 2008. Because both FACTS II and FACTS Info lack formal processes for risk management, State/F cannot ensure that risks are identified, analyzed, tracked, and mitigated, increasing the likelihood that potential problems become actual problems. Moreover, State/F was unable to mitigate a key risk that led to problems with the development of FACTS II. Without improved risk management processes, risks may not be effectively managed.

In our November 2008 report, we recommended that, to help ensure that FACTS II and FACTS Info are implemented successfully and perform as designed, the Secretary of State direct the DFA to better utilize best practices for risk management procedures to both systems.<sup>4</sup> In particular, we recommended that the DFA (1) identify and develop a comprehensive list of system development risks for FACTS II and FACTS Info; and (2) fully develop risk mitigation plans for FACTS II and FACTS Info. State has taken some actions in response to these recommendations. Specifically, State/F issued a risk registry that includes 27 systems development risks for both FACTS II and FACTS Info and how it had either already addressed or planned to address the risks. Also, State/F developed a draft of a combined risk management plan for both FACTS II and FACTS Info and, in February 2009, a State/F official told us that they expected the plan to be approved by the end of that month. However, as of April 2009, the plan had not yet been approved.

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<sup>4</sup>[GAO-09-52R](#).

# Appendix IV: Foreign Assistance Framework

**Goal: To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty and conduct themselves responsibly in the international system.**

Country category and definition	Strategic objectives					End goal of U.S. foreign assistance	Graduation trajectory
	Peace and security	Governing justly and democratically	Investing in people	Economic growth	Humanitarian assistance		
<b>Rebuilding countries</b> States in, or emerging from and rebuilding after, internal or external conflict.	Prevent or mitigate state failure and/or violent conflict.	Assist in creating and/or stabilizing a legitimate and democratic government and a supportive environment for civil society and media.	Start or restart the delivery of critical social services, including health and educational facilities, and begin building or rebuilding institutional capacity.	Assist in the construction or reconstruction of key internal infrastructure and market mechanisms to stabilize the economy.	Address immediate needs of refugee, displaced, and other affected groups.	Stable environment for good governance, increased availability of essential social services, and initial progress in creating policies and institutions on which future progress will rest.	Advance to “developing countries” or “transforming countries” category.
<b>Developing countries</b> States with low or lower-middle income, not yet meeting MCC performance and political rights criteria.	Address key remaining challenges to security and law enforcement.	Support policies and programs that accelerate and strengthen public institutions and the creation of a more vibrant local government, civil society and media.	Encourage social policies that deepen the ability of institutions to establish appropriate roles for the public and private sector in service delivery.	Encourage economic policies and strengthen institutional capacity to promote broad-based growth.	Encourage reduced need for future HA by introducing prevention and mitigation strategies, while continuing to address emergency needs.	Continued progress in expanding and deepening democracy, strengthening public and private institutions, and supporting policies that promote economic growth and poverty reduction.	Advance to “transforming countries” category.
<b>Transforming countries</b> States with low or lower-middle income, meeting MCCa performance and political rights criteria.	Nurture progress toward partnerships on security and law enforcement.	Provide limited resources and technical assistance to reinforce democratic institutions.	Provide financial resources and limited technical assistance to sustain improved livelihoods.	Provide financial resources and technical assistance to promote broad-based growth.	Address emergency needs on a short-term basis, as necessary.	Government, civil society, and private sector institutions capable of sustaining development progress.	Advance to “sustaining partnership” category or graduate from foreign assistance.

**Appendix IV: Foreign Assistance Framework**

Country category and definition	Strategic objectives					End goal of U.S. foreign assistance	Graduation trajectory
	Peace and security	Governing justly and democratically	Investing in people	Economic growth	Humanitarian assistance		
<b>Sustaining partnership countries</b> States with upper-middle income or greater for which U.S. support is provided to sustain partnerships, progress, and peace.	Support strategic partnerships addressing security, CT, WMD, and counter-narcotics.	Address issues of mutual interest.	Address issues of mutual interest.	Create and promote sustained partnerships on trade and investment.	Address emergency needs on a short-term basis, as necessary.	Continued partnership as strategically appropriate where U.S. support is necessary to maintain progress and peace.	Continue partnership or graduate from foreign assistance.
<b>Restrictive countries</b> States of concern where there are significant governance issues.	Prevent the acquisition and proliferation of WMD and support CT and counter-narcotics.	Foster effective democracy and responsible sovereignty. Create local capacity for fortification of civil society and path to democratic governance.	Address humanitarian needs.	Promote a market-based economy.	Address emergency needs on a short-term basis, as necessary.	Civil society empowered to demand more effective democracies and states respectful of human dignity, accountable to their citizens, and responsible towards their neighbors.	Advance to other relevant foreign assistance category.
<b>Global or regional</b>	Activities that advance the five objectives, transcend a single country's borders, and are addressed outside a country strategy.					Achievement of foreign assistance goal and objectives.	Determined based on criteria specific to the global or regional objective.

Source: Department of State.

Notes:

CT = counterterrorism

MCC = Millennium Challenge Corporation

WMD = weapons of mass destruction

# Appendix V: Comments from the Department of State

APR-05-2009 21:28

State RM GAO Liaison

P.002



**United States Department of State**

*Assistant Secretary for Resource Management  
and Chief Financial Officer*

*Washington, D.C. 20520*

Ms. Jacquelyn Williams-Bridgers  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "FOREIGN AID REFORM: Comprehensive Strategy, Interagency Coordination, and Operational Improvements Would Bolster Current Efforts" GAO Job Code 450676.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Peggy Hoyle, Senior Advisor, Office of the Director of U.S. Foreign Assistance at (202) 647-2624.

Sincerely,

A handwritten signature in black ink that reads "James L. Millette".

James L. Millette

cc: GAO – Jackie Nowicki  
F – Richard Greene (Acting)  
State/OIG – Mark Duda

**Department of State Comments on GAO Draft Report**

**Foreign Aid Reform: Comprehensive Strategy, Interagency  
Coordination, and Operational Improvements Would Bolster Current  
Efforts**

(GAO Report GAO-09-192, GAO Code 450676)

Thank you for allowing the Department of State the opportunity to comment on the draft report, Foreign Aid Reform: Comprehensive Strategy, Interagency Coordination, and Operational Improvements Would Bolster Current Efforts.” We appreciate the recommendations offered by the GAO.

As the GAO found, State/F has implemented certain key practices and programs characteristic of successful organizations and has launched processes to coordinate State/USAID planning, budgeting, reporting, and strategizing. The driving purpose behind this effort was and continues to be greater coherence, transparency and accountability for U.S. foreign assistance. As the Secretary of State indicated at the time that the reforms were launched, we must get our own house in order first. What she meant was that step one of the reforms would be to obtain coherence over the assistance under her direct approval authority, that is, State and USAID appropriations. Having accomplished that, we recognize, as does GAO, that it is appropriate to consider taking additional steps toward greater coherence over all USG foreign assistance, and we view the GAO’s recommendations in that light.

*Recommendation: Develop and implement a comprehensive, government-wide foreign assistance strategy.* At the time the reforms were launched in 2006, F gave serious consideration to undertaking a government-wide foreign assistance strategy. With the NSC having developed the government-wide National Security Strategy and USAID having recently completed its White Paper on development, we had a unique appreciation of how much time, effort and political capital are expended in these endeavors. We also believed that these existing products, taken together, offered useful, appropriate and far-reaching guidance for foreign assistance. Based on the forgoing and other cost/benefit factors, F deferred initiating a government-wide foreign assistance strategy. With a new Administration and three years of learning associated with the reforms, it makes sense to revisit this issue. We appreciate this recommendation and take it under advisement.

*Recommendation: Develop and use compatible government-wide goals and measures for planning, budgeting and reporting.* We believe that the reforms in place represent a strong foundation for the government-wide endeavor recommended. With the standardized program structure, offering a common language for all programming, and the refined FACTS database, the tools are in place for government-wide planning and reporting of foreign assistance programs. For annual planning, the Operational Plan, which is grounded in the program structure, can be expanded beyond State and USAID planning in a more robust way. On the longer-term planning horizon, the country assistance strategy pilot is already government-wide and can serve as the basis for planning for all foreign assistance programs over five or more years. Common indicators and measures have been developed by interagency experts and, linked to the common definitions, serve as the lynchpin of across the board, consistent reporting. With respect to the budget, there is now interagency budgeting for State and USAID, the first time all of the appropriations under the Secretary have been comprehensively considered and requested. While we recognize that significant steps would need to be taken to have joint budgeting across all relevant agencies, e.g. DOD, as above, we appreciate this recommendation and take it under advisement.

*Recommendation: Establish a timeframe and benchmarks for full implementation of the reforms.* If the Administration decides to continue and build upon the reforms, it makes sense to consider having timeframes and benchmarks in place.

*Recommendation: Establish a timeframe for country assistance strategies.* At this time, F is completing the Country Assistance Strategy (CAS) Pilot Project assessment and will brief the new Administration on the results of the pilot project. Based on the new Administration's guidance, we will consider the future of the CAS or any recommended successor as well as realistic timeframes.

*Recommendation: Ensure that there is a communication strategy with timely two-way information exchanges:* From the GAO findings, we understand that the basis for this recommendation is purported communication issues with the 2007 Operational Plan process. The 2007 Operational Plan process was carried out in 2006, three years ago when the F office was but a few months old. At that time, an optimal communications



apparatus admittedly did not exist. However, in the three years since, F has developed a strong and consistent communications apparatus. There is well-vetted, timely guidance associated with all F processes. Our Deputy COO acts as communications manager and sends out a weekly written update with developments in foreign assistance in general and the F processes specifically. F senior staff regularly attend USAID senior staff meetings as well as all State Department bureau planner meetings to provide verbal and written updates. These updates are reinforced in the weekly updates. F senior staff confer with regional and functional colleagues on a regular basis to exchange specific information regarding their respective areas. As appropriate, they also visit the field to understand better field concerns and to respond to any questions about F processes. F staff participate in training for incoming State foreign service classes at FSI as well as incoming USAID DLI classes. Finally, as noted below, F has established a special assistant position which will act as communications manager. Good communication is critical and there is always room for improvement. In that vein, we think it is important to consider this recommendation.

*Recommendation: Consider an operational plan structure that captures regional activities.* We believe we have met this recommendation. Regional activities can be and are captured in the Operational Plans. In fact, regional units produce their own Operational Plans.

*Recommendation: Develop strategies to fill gaps in employee skills and competencies.* Enhancing employee capacity and understanding has been a focus of the Office of the Director of US Foreign Assistance as it has matured. We concur with the idea of further improving employee skill sets and will work to encourage and implement further training and enhancement.

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# Appendix VI: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Denise M. Fantone, (202) 512-4997 or [fantoned@gao.gov](mailto:fantoned@gao.gov); and David Gootnick, (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

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## Staff Acknowledgments

In addition to the contacts named above, Jacqueline M. Nowicki (Assistant Director), Thomas Costa, Benjamin T. Licht, Reid Lowe, Sheila Rajabiun, and George Taylor made key contributions to this report. David Dornisch and Grace Liu provided technical support.

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