A NEW MODEL FOR DEVELOPMENT: USAID MANAGEMENT & PROCESS REFORM

JUNE 2014

FOUR YEARS AGO, President Obama elevated development alongside diplomacy and defense as a core pillar of America's national security and foreign policy. In order to deliver against these high expectations, USAID undertook an ambitious reform agenda called USAID Forward to make our Agency more efficient, effective, and business-like than ever before. These reforms have touched upon every part of our Agency, bringing new partnerships, greater investments in the catalytic role of innovation, and a relentless focus on results.

Under USAID Forward, the Agency has undertaken numerous reforms in recent years as part of its ongoing effort to streamline processes, provide tools and guidance that meet changing needs, achieve consistency, and support the flexible and creative environment necessary to accomplish our mission. The Agency has been engaged in an ongoing effort to improve and strengthen acquisition and assistance (A&A) pre- and post-award processes to increase cost-efficiency and maximize the development impact of foreign assistance dollars. In parallel, the Agency has instituted rigorous, evidence-based strategic planning and project design processes.

To take this process to the next analytical level, USAID, in collaboration with the Advisory Committee on Voluntary Foreign Aid's Sub-Committee on Award Cost Efficiency Study—a panel of health, development, and private sector management experts—and with the generous support of the Bill & Melinda Gates Foundation, undertook an in-depth analysis of USAID health awards and procurement processes with the consulting firm Oliver Wyman. This review—called the Award Cost Efficiency Study (ACES)—produced a series of core recommendations to increase the value that USAID achieves for taxpayer money. This document presents a summary of these recommendations and highlights the Agency's management reform achievements and plans.

We are working proactively to sustain and build this reform effort by assessing how these recommendations can be applied to further improve our efficiency and effectiveness. As a result, the Agency has formed two groups: the first dedicated to accelerating reductions in newborn, child, and maternal mortality and the second focused on implementing a range of management reforms.

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METHODOLOGY

The Award Cost Efficiency Study (ACES) identified opportunities to increase the value-for-money that USAID achieves so that resources can be used more effectively to save more lives. The consultants:

- Performed a detailed review of 60 health awards, selected from among Washington and mission awards that had more than two years—and greater than $10 million in total estimated cost—remaining;

- Conducted a brief review of the Agency's acquisition and assistance processes and interviewed staff;

- Conducted partner outreach and interviewed 25 implementing partners, including InsideNGO, Professional Services Council, and InterAction; and

- Analyzed the procurement processes of peer development agencies, interviewing five peer donor entities and industry experts.

PROCESS IMPROVEMENT RECOMMENDATIONS AND USAID ACTIONS

Following their review, the consultants made 10 process improvement recommendations to the Agency. These recommendations and USAID actions to date are described below.

1 Define "What Success Looks Like" During the Award Design Phase

The consultants recommended that USAID clearly describe its vision for successful award outcomes in its Requests for Applications and Requests for Proposals (RFA/RFP) to enable a more objective evaluation of applications/proposals. More specifically, they suggested that USAID:

- Build on the existing USAID framework for defining high-level health impact and supporting objectives;

- Connect broad objectives with specific results and, where possible, activities; and

- Set expectations, using quantifiable outcome targets, but allow the partners to propose activities.

USAID Actions

- Formulating better guidance on how to create more detailed scopes of work projected for issuance in the fall of 2014.

- Established senior Agency leadership approval process, known as the Acquisition Assistance Review and Approval Document (AARAD), which requires Assistant Administrators to validate that all new planned solicitations for awards at or above $25 million in total estimated cost fulfill the qualifying criteria at the pre-solicitation stage. Seven qualifying criteria are reviewed: policy relevance; commitment to sustainable results; feasibility; value for money; partner capacity; funding; internal clearance. The Administrator provides the authorization to proceed with all planned awards at or above $75 million in total estimated cost at the pre-award stage.

- Implemented reforms to the project design process, including establishing a framework in which missions are connecting their development objectives and expected results down to the activity level. USAID has strengthened the multi-mechanism project design process to ensure that the USAID instruments are holistically designed, based on analytical rigor and using the best available evidence in support of the mission's higher level objectives. As part of the project design process, missions identify the necessary interventions to achieve lasting development results, which are then translated into RFAs/RFPs. The process requires extensive stakeholder consultation, examination of evidence and best practices, and a sustainability plan.

- Established annual health implementation plan guidance requiring a clear explanation of the connection between grant portfolios and country plans and priorities, as determined by lives saved (LiST) methodology in the child and maternal health.

2   Select Most Appropriate Instrument (i.e., Acquisition or Assistance) to Enable Effective Award Management

To ensure selection of the most appropriate instrument for a particular program, the consultants recommended that USAID:

- Update and clarify its instrument selection guidance, as the current federal-wide guidance does not provide clear guidance for USAID's context;

- "Level the playing field" by addressing the time disparity in making acquisition vs. assistance awards so that staff do not select one instrument over another in order to get an award processed more quickly; and

- Develop Integrated Project Teams to increase collaboration between program and contracting staff in award design.

USAID Actions

- Implemented sweeping reforms to the project design process, which call for cross-mission project teams to design and implement projects. These teams include the early involvement of Contracting Officers to provide recommendations on the selection of instrument and assist the team in ensuring cost realism. Provided training to nearly 800 USAID staff members in the field over the past two years on the new guidance, as a result of which standard operating procedures have been adopted in two-thirds of our missions.

- Created a variety of new and updated guidance, templates, and training to guide both technical and procurement staff, including templates informing

the recommendation and choice of instrument, and tools to assist technical evaluation committees, source selection decisions, competitive range determinations, and memorandums of negotiation.

- Instituted a Procurement Action Lead Time (PALT) tracking process with each bureau and mission to ensure internal transparency on procurement processes and identify delays quickly.

- Redesigned A&A website was launched in the spring of 2013 to offer a ToolBox structure aimed at providing efficient access to various resources needed for Agency technical and procurement staff, for their collaboration efforts in planning and implementation of USAID programs. The ToolBox is available to all Agency staff and includes a variety of helpful links that guide the A&A process. Available resources include: priority information from the Management Bureau's Office of Acquisition and Assistance, including Official/Mandatory Templates; A&A Planning and the Agency Business Forecast; Professional Development and Training resources; Acquisition & Assistance Contracting Officer Representative and Agreement Officer Representative references for each phase of the A&A award process; and much more.

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3   Increase Financial Transparency of Administrative/Programmatic Costs

The consultants recommended that the Agency develop clear definitions for indirect, administrative, and programmatic costs, which better enable USAID contracting staff to assess overlap between indirect and administrative costs. The consultants also suggested that USAID track administrative to programmatic cost ratios to compare applicants and audit partners according to these new cost definitions as well as assess and incentivize improvement over time.

USAID Actions

- Pursuing options to develop a robust cost database, which will further improve the quality of government estimates and assist the A&A workforce in effective award planning, evaluation, negotiation, and monitoring. The first step of this process—the initiation of electronic filing of proposals—was launched in April 2014.

- Designed detailed new templates and guidance in the review and clearance process, including an Independent Government Cost Estimate template for summer 2014. These new tools will improve the quality of government cost estimates, which are critical in evaluating proposed costs and establishing a strong negotiation position during award competitions, potentially resulting in lower costs and more realistic pricing.

4 Evaluate Costs in Relation to Outcomes

The consultants recommended that in evaluating proposals/solicitations, the Agency should evaluate costs in relation to programmatic outcomes. As part of this recommendation, the consultants also encouraged USAID to give more consideration to when and how to include the total estimated cost in RFPs/RFAs, or to publish it as a range, in order to encourage more variability in proposed costs by partners.

The consultants also recommended that USAID should note the importance of cost effectiveness in RFAs/RFPs and follow-up with a robust cost realism analysis. USAID should encourage applicants to propose activities, resources, and associated costs to achieve award results and objectives (i.e., either total cost for smaller awards or activity-level costs for larger awards).

Finally, to ensure adherence to proposed budgets, USAID should use value-for-money audits that look at costs in relation to activities and outcomes. The consultants also recommended that the Agency move towards more payment for outcomes in its awards.

USAID Actions

- Issuing templates on cost analysis, cost realism, and independent government cost estimates in summer of 2014.

- Exploring the development of an Award Performance Plan that would help link development outcomes to costs, thus strengthening the Agency's oversight of funding expenditures and programmatic progress.

5 Promote Competition by Creating and Competing Awards That Can Be Successfully Managed by a Wider Variety of Applicants

The consultants recommended that the Agency continue to promote full and open competition for awards and to take steps to broaden participation in the competitive process. To accomplish this, USAID should:

- Determine the drivers of applicant pool size (e.g., award size, award scope, instrument type, subcontractor usage); and

- Develop and pilot practices to address each driver (e.g., smaller, focused awards).

USAID Actions

- Designed and created a new procurement tool—the Development Innovation Accelerator—that allows us to engage in collaborative project design with new partners and outside experts.

- Expanded outreach to the partner community through a range of forums as well as enhanced access to upcoming competitive opportunities through the Business Forecast, industry days, and pre-solicitation conferences. Key examples: Industry days for the Agency's Supply Chain Management System and Monitoring and Evaluation programs.

- Nearly doubled our domestic awards to small businesses over the last 5 years, growing from 8 percent in 2009 to 15 percent today. Established a Mentor-Protégé Program to encourage the participation of U.S. small businesses and piloted the Small Business Indicator, which allows us to see precisely which countries and regions are succeeding—or failing—to reach our goals of partnering with small businesses. Before 2010, our Agency had never received a passing grade on the Small Business Scorecard. In 2014, we were awarded our second "A" grade in the past three years.

- Doubled direct funding to local actors since 2010, implementing a critical shift in the way we administer our assistance to strengthen and partner with local change-agents purposefully, strategically, and cost-effectively. Recently launched the Local Systems Framework, which identified 10 core principles of successful local partnerships, including smarter evaluation systems and more flexible projects that can adapt to emerging needs. In 2013 alone, we worked with 1,150 local organizations in 74 countries.

6   Assess and Motivate Partner Performance

Several recommendations were made which were designed to assess and incentivize partner performance to ensure strong value-for-money results. For example, the Agency should:

- Conduct value-for-money evaluations throughout the life of the award;

- Create a "partner report card" to track partner performance and hold partners accountable, on individual awards and across their award portfolio; and

- Build legal terms into the award documents tying partner performance to rewards and consequences, such as allowing the Agency to reduce or close-out the award when partner performance falls below expectations, as well as incorporate incentives at various levels.

USAID Actions

- Launched a campaign to strengthen USAID reporting of past performance. As a result, compliance on past performance reporting increased from the single digits to 41 percent.

- Revised policy guidance in April 2013 to enhance the importance of past performance during the technical review of applications and proposals and made significant progress in both the quantity and quality of contractor performance evaluations.

- Initiated a dialogue attended by 125 partners on what works and what does not around performance monitoring and evaluation—including issues that range from technical to communication to contracting.

7 Broaden the Existing Practice of Managing the Universe of Awards as a Portfolio, from Planning through Award Management

The consultants recommended that to improve the Agency's overall management of awards, the Agency should:

- Capture and store award attributes in a central system;

- Ensure that award information is easily accessible and searchable;

- Develop dashboards to provide regular reports on USAID funding; and

- Formulate checklists for portfolio management during award design and management.

Suggestions were also made that these processes could begin with the Bureau for Global Health and expand to other bureaus over time.

USAID Actions

- Finalizing policy to be released in summer 2014 to delegate more administrative approvals to program staff who manage awards, which will result in more efficient award management. For example, Contracting and Agreement Officers will have the option to allow experienced program staff the authority to approve travel and subawards under assistance mechanisms.

- Developed three iPhone apps that present a map of our programs worldwide; results of Demographic Health Surveys for more than 80 countries; and a library of third-party evaluations.

- Revised project design guidance that allows missions to design and manage grants and contracts holistically and strategically under a broader project implementation framework.

8   Equip Personnel with the Right Skills to Assess Value for Money, Hold Them Accountable, and Provide Incentives to Motivate

To equip and motivate personnel, the consultants recommended that USAID should provide personnel with proper training and supportive policies, building new capabilities where needed. In addition, USAID should incentivize achievement of organizational goals by communicating the desired goals and metrics that will be used to measure progress towards those goals, as well as hold personnel accountable for their performance towards the goals. Finally, the consultants recommended that the Agency institutionalize collaboration among bureaus through the use of Integrated Project Teams in the design, solicitation, competition, and management of awards.

USAID Actions

- Established a Professional Development and Training Division in 2012 to provide a variety of just-in-time training courses for technical offices, including courses on how to write a clear and robust Statement of Work and how to conduct the close-out of awards.

- Established ProgramNet, an online resource through which staff in Washington and the field can collaborate and learn from each other, as well as have easy access to the latest tools and information. ProgramNet has over 3,600 USAID users and regularly hosts webinars that have attracted over 2,200 attendees.

- Trained 1,500 staff and partners in evaluation, which specifically assess the value of our programs, and trained 500 staff in the metrics required to track our results.

- Institutionalized collaboration across Bureau leadership through the Administrator's Leadership Council, which has established five corporate management objectives, including ending preventable child and maternal deaths

9   Enable Timely Access to Relevant, Useful Information

The consultants made a number of suggestions relating to the Agency's award-related data management processes:

- Gather specific and standard information from every award;

- Enable better data capture (e.g., partner online application portal via e-forms, standardized RFA/RFP, budget and work plan templates);

- Develop an IT system that can be easily accessed;

- Maintain data quality through use of electronic documentation; and

- Create dashboards to provide relevant, timely, and insightful information.

USAID Actions

- Establishing a new A&A planning process tool scheduled to be launched in the fall of 2014 that links the Agency A&A plan to award and financial data and tracks priority actions as well as PALT.

- Launched Agency Secure Image and Storage Tracking in April 2014, an electronic filing system where all new award documents will be stored, ensuring a uniform file standard across the Agency as well as ease of access and review to relevant award and cost information.

- Piloting the AIDTracker Plus portfolio management system with 18 missions in order to track performance monitoring indicator for all awards. Finalizing the business case for a Development Information Solution that effectively accesses and manages data to strengthen strategic planning, design, budgeting, procurement, implementation, monitoring, evaluation and reporting of USAID's portfolios of projects, activities and operations.

10 Streamline, Standardize, and Automate A&A Processes to Reduce Variation

The consultants recommended improvements to A&A processes, including reducing variation in the design, competition, and management of awards, such as:

- Providing a clearly defined process to design, solicit/compete, and manage awards;

- Using tools and technology to automate A&A processes, where possible;

- Providing more effective training for new staff; and

- Identifying areas of variation in award processes and determining the need for standardization.

USAID Actions

- Exploring options for an electronic end-to-end award management system that will include the electronic submission of proposals and applications, which would allow the Agency to more efficiently access and evaluate technical and cost proposal data.

- Implemented Standardized Mission Orders and templates for the project design process and performance monitoring and evaluation of ongoing awards.

- Pursued an upgrade to our Global Acquisition and Assistance System that will significantly increase functions to incorporate standard text, more readily ensure appropriate and consistent clauses, and enhance overall standardizations of our A&A instruments.

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