National Security and
International Affairs Division

B-285478

June 30, 2000

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

The Honorable Joseph I. Lieberman
Ranking Member, Committee on Governmental Affairs
United States Senate

Subject: Observations on the U.S. Agency for International Development's Fiscal Year 1999 Performance Report and Fiscal Years 2000 and 2001 Performance Plans

As you requested, we have reviewed the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 1999 performance reports and fiscal year 2001 performance plans required by the Government Performance and Results Act of 1993 (GPRA). In essence, under GPRA annual performance plans are to establish performance goals and measures covering a given fiscal year and provide the direct linkage between an agency's longer-term goals and day-to-day activities. Annual performance reports are to subsequently report on the degree to which those performance goals were met. This letter contains two enclosures responding to your request concerning key program outcomes and major management challenges at the U.S. Agency for International Development (USAID). Enclosure I to this letter provides our observations on USAID's fiscal year 1999 actual and fiscal years 2000 and 2001 planned performance for the key outcomes that you identified as important mission areas for the agency. These key outcomes are (1) increased economic growth in developing countries, (2) reduced spread of HIV/AIDS, and (3) lives saved and suffering reduced from natural or man-made disasters. Enclosure II lists the major management challenges facing the agency that we and USAID's Inspector General identified, how their fiscal year 1999 performance report discussed the progress the agency made in resolving these challenges, and the applicable goals and measures in the fiscal year 2001 performance plans.

Results in Brief

USAID has made progress in establishing outcome-oriented goals and developing indicators and targets that help measure overall results. However, because the agency's goals in the three outcome areas are so broad and progress is affected by

many factors other than USAID programs, the indicators cannot realistically serve as measures of the agency's specific efforts. USAID recognizes this limitation and has improved its fiscal year 2001 performance plan to discuss agency efforts within this broader context. USAID is also seeking to better understand the relationships between its specific programs and their contributions to the desired overall outcomes.

With respect to the outcome of increased economic growth in developing countries, the agency's program strategies, as described in its performance report and performance plan, generally support its five goals. Of course, international economic forces and host country policies can significantly affect economic growth, as USAID fully recognizes. For example, the economic slowdown in parts of Latin America affected foreign investment rates and growth rates in the region as a whole.

The agency's goal to reduce HIV transmission and the impact of HIV/AIDS is outcome-oriented. In 2000, USAID established a specific numeric goal for reducing HIV transmission by 10 percent. USAID has not established a performance goal and indicators to measure its progress in mitigating the impact of HIV/AIDS, noting that it recently designed programs in this area. In its FY 1999 Performance Report, USAID did not provide sufficient information to determine if it met its performance goal, noting that data on HIV incidence are only available every 3-4 years.

For the outcome of lives saved and suffering reduced from natural or man-made disasters, USAID has developed relevant performance goals. The performance indicators represent reasonable attempts to measure overall progress toward this outcome, but they cannot currently be used for assessing USAID's specific efforts, due to the lack of data and to unanticipated factors inherent in disaster situations.

The agency recognizes the need to improve the quality and timeliness of its performance data in order to understand the relationships between its programs and results, and it describes these efforts in several places in its fiscal year 2001 plan. In general, where data are reported on various indicators for the fiscal year 1999 performance report, the most recent data are from the end of the 1998 calendar year.

USAID's major management challenges remain (1) implementing a comprehensive financial management system, (2) improving the reliability of its financial management information, (3) improving its information security, (4) monitoring the year 2000 technology update problem, (5) improving results reporting, (6) improving human resource capabilities, and (7) addressing the breadth of USAID's program management mandate. USAID recognizes the challenges in almost all of these areas and cites overall progress in developing strategies to address them. However, its fiscal year 2001 performance plan provides only general time frames and does not set progress milestones or indicate resource allocations for addressing any of its management challenges.

Objectives, Scope, and Methodology

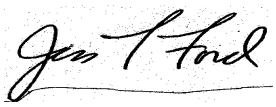
Our objectives concerning selected key agency outcomes were to (1) identify and assess the quality of the performance goals and measures directly related to a key outcome, (2) assess the agency's actual performance in fiscal year 1999 for each outcome, and (3) assess the agency's planned performance for fiscal year 2001 for each outcome. Our objectives concerning major management challenges were to (1) assess how well the agency's fiscal year 1999 performance report discussed the progress it had made in resolving the major management challenges that we and USAID's Inspector General had previously identified and (2) identify whether the agency's fiscal year 2001 performance plan had goals and measures applicable to the major management challenges. As agreed, in order to meet the Committee's tight reporting time frames, our observations were generally based on the requirements of GPRA, guidance to agencies from the Office of Management and Budget (OMB)for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of USAID's operations and programs, and our observations on USAID's other GPRA-related efforts. We did not independently verify the information contained in the in performance report or plan. We conducted our review from April through May 2000 in accordance with generally accepted government auditing standards.

Agency Comments and Our Evaluation

On June 14, 2000, we received written comments from USAID's Acting Assistant Administrator, Bureau for Management, on our draft report. USAID found the report to be generally fair and balanced but noted some differences with our interpretations of terminology and GPRA requirements in the section on HIV/AIDS. For example, USAID said it was not required to report on proxy indicators in its fiscal year 1999 performance report. We have modified our observations with respect to terminology used to more clearly represent USAID's efforts. We also acknowledge that USAID may not have been required to report data on proxy indicators that were not designated as formal indicators in its FY 1999 Performance Plan. However, we believe that USAID could improve its performance reporting by providing as much data as possible, on incidence (when available) as well as on proxy indicators. This is particularly true given the significant data limitations USAID outlines to the direct measurement of its progress in reducing the number of new HIV infections.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies of this report to other congressional Committees and the Honorable J. Brady Anderson, USAID Administrator. Copies of this report will released on the internet at www.gao.gov.

Please call me on (202) 512-4128 if you or your staff have any questions. Key contributors to this letter were Virginia Hughes, Lynne Holloway, and Thomas Zingale.



Jess T. Ford, Associate Director
International Relations and Trade Issues

Observations on the U.S. Agency for International Development's Fiscal Year 1999 Actual Performance and Fiscal Year 2000 and 2001 Planned Performance Related to Key Outcomes

This enclosure contains our observations on the U.S. Agency for International Development's (USAID) fiscal year 1999 actual performance and fiscal year 2000 and 2001 planned performance for key outcomes identified by the Senate Governmental Affairs Committee as important mission areas for the agency. The key outcomes for USAID are: (1) increased economic growth in developing countries, (2) reduced HIV transmission and the impact of HIV/AIDS, and (3) lives saved and suffering reduced from natural or man-made disasters. As requested, we have identified the goals and measures directly related to a selected key outcome. Our observations are organized according to each selected key outcome and follow the goals and measures.

Key Agency Outcome: Increased Economic Growth in Developing Countries

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Increased Economic Growth in Developing Countries

Goal 1: Average annual growth rates in real per capita income above 1 percent achieved. USAID growth targets were met in the Asia and Near East geographic regions but were not met in the other three regions – sub-Saharan Africa, Latin America-Caribbean, and Europe-Eurasia.

Goal 2: Average annual growth in agriculture at least as high as population growth achieved in low-income countries. This goal was met in all regions except Europe and Eurasia.

Goal 3: Proportion of the population in poverty reduced. This goal was met in Asia and the Near East, but not in the other three regions.

Goal 4: Openness and greater reliance on private markets increased. USAID used three indicators: (1) percent of countries with improved economic freedom scores, (2) percent of countries with positive average annual growth rates in exports and imports, and (3) percent of countries with increased average annual growth rates of direct foreign investment. This goal was partially met. Only Europe-Eurasia met the targets for improved Economic Freedom Scores and for increased foreign investment. All regions met the targets for expanded trade.

Goal 5: Reliance on concessional foreign aid decreased in advanced developing countries. This target was met in all regions except Latin America-Caribbean.

GAO Observations on USAID's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Increased Economic Growth in Developing Countries

The five performance goals relate directly to the desired outcome of achieving increased economic growth in developing countries. However, indicators of economic growth in a country cannot realistically serve as measures of US AID's specific efforts. USAID assistance can contribute to economic growth, but many other factors determine the level of growth in a country. USAID clearly recognizes the importance of these external factors, such as the international financial situation, the domestic policy environment, and unanticipated local disruptions. USAID also notes that it serves as just one element of a coordinated donor strategy.

USAID's program strategies constitute only a small part of the overall strategy for achieving progress. For example, for goal 3, USAID seeks to reduce the proportion of the population in poverty, but its major program efforts in this area emphasize the development of microenterprises and nonfarm rural enterprises. The agency does not clarify how closely linked these specific programs are to the overall goal. The agency notes that, in general, it is seeking to improve its understanding of how its specific programs relate to broader goals.

Unmet fiscal year 1999 performance goals and measures for the Key Agency Outcome of Increased Economic Growth in Developing Countries

For goal 1, the target was not met in Europe-Eurasia, Latin America-Caribbean, and in sub-Saharan Africa.

For goal 2, the target was not met in Europe-Eurasia.

For goal 3, the targets were not met in sub-Saharan Africa, Europe-Eurasia, and Latin America-Caribbean.

For goal 4:
For the economic freedom indicator, the target was not met in Asia-Near East, Latin America-Caribbean, and sub-Saharan Africa.
For the trade growth indicator, the targets were met.
For the foreign investment indicator, the targets were not met for Asia-Near East, Latin America-Caribbean, and sub-Saharan Africa.

For goal 5, the target was not met in Latin America-Caribbean.

GAO Observations on USAID's Unmet Fiscal Year 1999 Performance Goals and Measures for the key Agency Outcome of Increased Economic Growth in Developing Countries

Progress in achieving economic growth can be seriously affected by international financial conditions. For example, USAID recognizes that the economic slowdown in Latin America has affected foreign investment rates in the region. The agency expects that its African Trade and Investment Policy Program and its Program in Support of Central American Participation in the Free Trade Areas of the Americas

may improve trade and investment levels. The agency did not, however, provide any progress milestones or timetables for achieving economic growth through these efforts.

USAID notes that in Eurasia, policy and institutional reform has lagged, resulting in negative agricultural growth.

With respect to economic freedom, USAID notes that significant slowing has occurred in Asia-Near East and in sub-Saharan Africa, but it does not provide an explanation. The agency recognizes that the multilateral institutions take the lead on broad fiscal and monetary policy issues, and USAID plays a supportive role, working to eliminate restrictive barriers and promote open market policies.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Increased Economic Growth in Developing Countries

All goals were retained. Some changes were made in indicator targets in selected regions.

GAO Observations on USAID's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Increased Economic Growth in Developing Countries

USAID provides only very general information on how fiscal year 1999 performance may affect estimated performance levels for fiscal year 2000. For example, it notes that performance targets for Latin America-Caribbean and Europe-Eurasia will be met only if Eurasia continues its recovery from a recent economic slowdown and a turnaround occurs in the economies of several countries in Latin America and the Caribbean.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Increased Economic Growth in Developing Countries

The indicator for goal 3 in the fiscal year 1999 plan has been revised in the fiscal year 2001 plan to read "Share of country populations in poverty reduced 50 percent by 2015." This wording differs from the fiscal year 1999 indicator, which read, "Percentage of countries with average annual growth rates of GDP (in constant prices) per capita at or above levels to achieve a 25 percent reduction in the proportion of the population below the poverty line by 2005."

Some specific targets have been adjusted, in most cases making them more ambitious.

GAO Observations on USAID's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Increased Economic Growth in Developing Countries

The agency does not fully explain the implications of this wording change. It notes that this wording conforms the goal to the Development Assistance Committee goal to which the United States subscribes.

The agency is seeking to adjust its targets realistically. It notes that it has adjusted some of its targets upward because performance (notably in agricultural growth) far exceeded expectations. Also, it notes that the Asian financial crisis has been less widespread and less prolonged than many had expected.

In our assessments of USAID's fiscal year 1999 and 2000 plans, we noted the importance of recognizing that USAID's contributions in this area need to be described in the context of other donor efforts and other factors affecting economic growth. The agency's Annual Performance Plan for Fiscal Year 2001 demonstrates clear progress in addressing this particular area. However, we continue to note that (1) the plan relies on weak financial and program results data and (2) the agency has yet to develop clear linkage between agency and individual country goals.

Key Agency Outcome: Reducing HIV transmission and impact of the HIV/AIDS pandemic in developing countries

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Reducing HIV Transmission and Impact of the HIV/AIDS Pandemic in Developing Countries

Performance goal: number of new infections slowed

Indicator: Number of new HIV infections
- Not reported

GAO Observations on USAID's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Reducing HIV Transmission and Impact of HIV/AIDS Pandemic in Developing Countries

USAID established a goal and indicator to address the reduction of HIV transmission but it did not address efforts to mitigate the impact of HIV/AIDS.

USAID reported that it could not provide data on meeting its performance goal because data are only available every 3-4 years[1] but in its 1999 Performance Plan USAID outlined several other factors that could be used to track its progress.[2] USAID noted, for example, that many countries are registering significant increases in condom sales and use in high-risk situations—an important proxy indicator for reduced HIV transmission. However, USAID supplied no supporting data in the report. While USAID said that it is not technically required to provide data on these other factors, we believe the agency would have improved its report by providing the data.

Slowing the number of new HIV infections in developing countries is an outcome-oriented performance goal and USAID uses an outcome indicator—number of new infections. The other potential indicators that it mentions in its 1999 plan—rate of reported condom use and the percent decrease in reported prevalence of sexually transmitted infections-- are objective, quantifiable proxy measures for HIV infection rates. While these indicators measure outputs of USAID efforts rather than the performance goal, they can be used as proxies when HIV infection data are not available.

[1] USAID is supporting improvement in national sentinel surveillance systems to allow for annual measurement of this indicator by 2001.
[2] USAID's 1999 Annual Performance Plan cites rate of reporting condom use, percentage decrease in reported prevalence of selected sexually transmitted infections, and volume of USAID condoms shipped to HIV emphasis countries as program level indicators that it tracks.

Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Reducing HIV Transmission and Impact of the HIV/AIDS Pandemic in Developing Countries

USAID does not include sufficient information in the report to provide a basis for determining if USAID met its performance goal.

GAO Observations on USAID's Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Reducing HIV Transmission and Impact of the HIV/AIDS Pandemic in Developing Countries

USAID provides anecdotal information on its contributions in areas such as policy development, field research, and best practices. USAID could improve its report by discussing how these activities are linked to achieving its performance goal.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of reducing HIV transmission and impact of the HIV/AIDS pandemic in developing countries

USAID revised its performance goal and indictor for HIV/AIDS in the fiscal year 2000 Annual Performance Plan.

Revised performance goal: new HIV infections reduced by 10 percent by the year 2007

Revised indicator:

- Percentage reported condom use in casual relations increased, disaggregegated by gender

GAO Observations on USAID's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Reducing HIV Transmission and Impact of the HIV/AIDS Pandemic in Developing Countries

As in the 1999 Performance Plan and Report, USAID's 2000 Annual Performance Plan does not establish a performance goal or indicators to measure mitigating the impact of HIV/AIDS.

In its 2000 Performance Plan, USAID does not explain why it revised its performance goal to add a specific numeric goal of reducing new HIV infections by 10 percent by the year 2007, and did not provide evidence that this reduction is reasonable. USAID explains why it chose the percentage of reported condom use as a proxy for HIV incidence and provides data that demonstrates an increase in condom use in 1999. Nevertheless, because condom use is a proxy indicator, it may not provide a complete indication of program outcomes. We believe that USAID should also report data on other proxy indicators, such as reductions in the reported number of non-regular sex partners.

USAID reports that by 2001 surveillance systems will be in place in the key countries where USAID has HIV/AIDS programs, which will allow direct measurement of new HIV infections. However, in the FY 2000 Performance Plan, USAID changed the indicator to measure behavioral changes that affect the spread of HIV/AIDS. The indicator, which is a proxy for HIV transmission, is percent reported condom use in casual relations disaggregated by gender.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of reducing HIV transmission and impact of the HIV/AIDS pandemic in developing countries

Performance goal: HIV infections reduced by 10 percent between 1998 and 2007

Revised Indicator: HIV prevalence rates among young women ages 15-24

GAO Observations on USAID's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Reducing HIV Transmission and Impact of HIV/AIDS Pandemic in Developing Countries

The 2001 Performance Plan does not establish a performance goal or indicators to measure mitigating the impact of HIV/AIDS.

Using HIV prevalence data from antenatal clinics will provide a more direct measure of USAID- supported prevention efforts than proxy indicators alone. However, these data may not accurately reflect prevalence for men, or nonpregnant women and other population groups. For example, women infected by HIV are less fertile than uninfected women and so would be less likely to come to antenatal clinics. USAID should also include data it collects on proxy indicators to measure contributions of its program.

Key Agency Outcome: Lives Saved and Suffering Reduced from Natural or Man-made Disasters

Fiscal year 1999 Performance Goals and Measures for the Key Agency Outcome of Lives Saved and Suffering Reduced from Natural or Man-made Disasters

Goal 1: Crude mortality rate for refugee populations returned to normal range within six months of onset of an emergency. USAID stated that no global data were available for reporting results on this goal.

Goal 2: Nutritional status of children under 5 in populations made vulnerable by emergencies maintained or improved. USAID stated that no data were available for reporting results on this goal.

Goal 3: Conditions for social and economic development improved in conflict, post-conflict, and rapid transition countries. Using as its indicator "the number of people displaced by open conflict," USAID reports that, while the number of such displaced persons (including refugees) declined generally in Africa and Europe from 1995 baseline levels, this indicator depends on success or failure in conflict prevention efforts and is not useful as a direct measure of USAID performance.

Goal 4: Political rights and civil liberties in post-conflict situations increased. USAID uses the indicator, "Change in the number of countries designated post-conflict that are classified as free/partly free/not free," as reported by Freedom House. USAID reports that its goal was met in Latin America but not in its other three geographic regions, although progress was achieved in these areas.

GAO's Observations on USAID's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Lives Saved and Suffering Reduced from Natural or Man-made Disasters

The four performance goals relate directly to the desired outcome of saving lives and reducing suffering in disaster situations. The indicators represent reasonable attempts to measure progress toward this outcome, but they cannot currently be used for assessing USAID's specific efforts, due to the lack of data and to unanticipated factors inherent in disaster situations. For all four performance goals, USAID presents a detailed discussion of the difficulties of measuring progress, including a discussion of the adequacy of data and agency efforts to improve the data. USAID is seeking to improve some data by selecting several pilot sites where data on mortality rates and child nutrition can be collected and targets set for future monitoring.

As the key approach to achieving the outcome of saving lives and reducing suffering, USAID emphasizes the importance of developing strategies for conflict prevention. It notes that the international community has failed to develop conflict prevention initiatives, in part due to a lack of leadership and integration of effort. We see this as a reasonable assessment and, and we note also, of course, the need to mediate and terminate existing conflicts.

Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Lives Saved and Suffering Reduced from Natural or Man-made Disasters

For goals 1 and 2, no results were reported due to lack of data.

For goal 3, targets were not met in Latin America-Caribbean and in Asia-Near East.

For goal 4, targets were not met in sub-Saharan Africa, Asia-Near East, and Europe-Eurasia.

GAO's Observations on USAID's Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Lives Saved and Suffering Reduced from Natural or Man-made Disasters

For goal 3, USAID notes appropriately that changes in the number of refugees and internally displaced persons are a direct indication of changing trends of conflict but are not a direct measure of USAID performance. For example, the agency notes that the latest refugee and displaced persons estimates for Latin America are significantly higher than the target, primarily due to Colombia's political violence and human rights abuses, which have resulted in an estimated 1.4 million displaced persons. As a result, the agency has not provided specific plans, performance measures, and timetables in this section.

Even where the goal of reduced numbers of refugees was reported to have been met, ongoing violence in several parts of sub-Saharan Africa, in the countries of the former Yugoslavia, and in parts of Eurasia continues to cause unanticipated increases in the numbers of refugees and displaced persons.

For goal 4, USAID appropriately discusses the difficulty of assessing the effectiveness of programs that promote political, economic, and social freedoms in post-conflict countries. It notes that it is not feasible to have overall indicators that directly measure the diverse programs in various countries. The agency expects to supplement the Freedom House indicators with measures tailored to specific countries. Where violence flares up, as recently seen in Sierra Leone, progress achieved over a 5-year time frame can be quickly erased. Again, as USAID understands, the key to re-establishing civil freedoms lies in international conflict prevention and resolution efforts.

USAID is active in numerous humanitarian relief efforts throughout the world. In fiscal year 1998, its Office of Transition Initiatives identified four priority countries – Bosnia, Honduras, Indonesia, and Nigeria. Its report briefly describes these programs, but it does not discuss any lessons learned from evaluations of these programs.

With regard to USAID's P.L. 480, title II, emergency food aid programs, the agency appropriately recognizes that a key element is an early and objective analysis of the situation and a more streamlined interagency decision-making structure. The agency reports that the number of beneficiaries reached in 1998 increased 42 percent over

the number from the previous year. The agency notes that it has received improved reporting on how food aid affects the nutritional status of beneficiaries.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Lives Saved and Suffering Reduced from Natural or Man-made Disasters

Goal 1 is retained, but with revisions to the indicator's definition, monitoring, and data sources. Instead of using the global indicator "crude mortality rates in emergency situations," USAID has selected "pilot sites" where baseline data are available and can be monitored.

Goal 2 is retained, but with revisions to the indicator's definition, monitoring, and data sources. Instead of using a global indicator for acute child malnutrition in refugee populations, USAID is selecting pilot sites where baseline data are currently available.

Goal 3 has been restated as "Conditions for Social and Economic Development Improved in Postconflict Transition Countries." The indicator was changed from "number of people displaced by open conflict" to the "change in number of refugees and internally displaced persons."

Goal 4 has been retained. USAID notes that it added Heritage Foundation scores to the indicators used in categorizing conflict-prone countries.

GAO's Observations on USAID's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Lives Saved and Suffering Reduced from Natural or Man-made Disasters

USAID generally describes how the lack of sufficient data for overall results reporting led it to revise its indicators for its fiscal year 2000 plan.

For goals 1 and 2, for which USAID states that data are not sufficient to measure overall progress, the agency's approach of selecting specific monitoring sites is reasonable. By selecting sites where data are available, targets for progress can be established at each site and can be tracked in the future. By selecting almost the same pilot sites for Goals 1 and 2, USAID will be able to analyze mortality rates and child nutrition data in the same pilot sites. The agency has not provided specific targets and milestones for its efforts in this area.

For goal 3, USAID notes appropriately that it is difficult to measure agency performance in this area. The numbers of persons displaced by open conflict can fluctuate sharply from year to year depending on factors unrelated to USAID programs.

For goal 4, USAID did not explain why it added Heritage Foundation indicators.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Lives Saved and Suffering Reduced from Natural or Man-made Disasters

Goal 1 is retained. Indicators for crude mortality rates have been set for a total of six pilot sites in Angola, Kenya, Nepal, and Sudan.

Goal 2 is retained. Indicators for acute child malnutrition have been set for a total of nine pilot sites in Angola, Kenya, Sudan, Uganda, Nepal, and Kosovo.

Goal 3 and its indicator are retained from the fiscal year 2000 performance plan.

Goal 4 is retained. The Heritage Foundation scores are no longer being tracked, but USAID is continuing to use the Freedom House scores.

GAO's Observations on USAID's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Lives Saved and Suffering Reduced from Natural or Man-made Disasters

For goals 1 and 2, USAID selected its pilot sites based on availability of data. It does not specifically discuss why, for goal 1, no site was selected for tracking mortality rates among the displaced populations of the former Yugoslavia, whereas such a site was selected for goal 2. These data improvement efforts should result in better tracking and understanding of important indicators of progress in the countries being monitored.

For goal 4, USAID is not tracking Heritage Foundation scores, because coverage was not complete. It is retaining the Freedom House scores, but it will begin experimenting with efforts to supplement Freedom House scores with indicators relevant to country-specific performance.

USAID's fiscal year 2001 performance plan demonstrates a clear effort to address the weaknesses that GAO has identified with respect to discussing data limitations and the context within which USAID programs operate. As noted previously, the plan continues to have weaknesses in the areas of data reliability and demonstrating linkages between agency and individual country goals.

Observations on the U.S. Agency for International Development's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the U.S. Agency for International Development (USAID). The first column lists the management challenges identified by our office and the USAID Inspector General (IG). The second column discusses what progress, as discussed in its fiscal year 1999 performance report, USAID made in resolving its major management challenges. The third column discusses the extent to which USAID's fiscal year 2001 performance plan includes performance goals and measures to address the management challenges that we and the USAID IG identified.

Table 1: Major Management Challenges

Major management challenge	**Progress in resolving major management challenges as discussed in the fiscal year 1999 performance report**	**Applicable goals and measures in the fiscal year 2001 performance plan**
USAID has not implemented a comprehensive financial management system.	USAID reports some progress in moving toward its management improvement goals. In February 1999, a new chief financial officer was appointed, and a central office was established to manage the effort to replace the agency's management information systems. In fiscal year 1999, the agency completed the process for the acquisition of a new, commercial, off-the-shelf core accounting system. In coping with the weaknesses of its present management system during 1999, the agency notes that most functional upgrades were tabled in deference to higher priority efforts to achieve compliance with the year 2000 computer upgrade goals.	USAID's performance goal of "Improving Management Systems" has two indicators using fiscal year 1999 baselines: (1) number of material weaknesses cited by its inspector general and (2) percent of audit recommendations closed within 1 year. Given that USAID is now implementing a comprehensive modernization of its information systems, it is reasonable to use 1999 as the benchmark year. The plan provides general time frames for completion but does not set progress milestones or indicate resource allocations. The plan notes that the managerial cost accounting system is an important tool enabling the agency to better manage for results, but it also notes that the system will not be fully implemented until

		problems with procurement, personnel, and payroll systems are addressed.
USAID's financial management information is unreliable.	USAID recognizes its problems in this area. It received a disclaimer of opinion by the inspector general on its financial statements for 1999, because its financial systems remain unable to produce accurate, complete, timely, and consistent financial statement information. Agency systems do not meet federal financial system requirements or applicable federal accounting standards. USAID reports some progress in that a chief financial officer was appointed in February 1999, and a central program management office was established to oversee the implementation of an integrated financial systems program. In fiscal year 1999, the agency acquired a new core accounting system to serve as the cornerstone of its modernization program. USAID reports that its chief financial officer and its inspector general agreed on a plan to focus audit resources on data quality problems.	The plan provides general time frames for completion but does not set progress milestones or indicate resource allocations. It notes that the Chief Financial Officer, the Chief Information Officer, and the Inspector General are working to improve the quality of the financial information. USAID notes that a modernization plan will be completed during fiscal year 2000 that will lay out priorities for replacing the major financial support systems over the next 5 years.
USAID's information security could be improved.	USAID reports that in fiscal year 1999 it developed an information system security plan that outlines proposals for bringing the agency into full compliance with the Computer Security Act and Office of Management and Budget guidance by fiscal year 2003. The agency noted that it also developed a program to implement best practices during this period, but it did not provide a description of the practices it has identified.	USAID's plan states that the agency's Information System Security Program does not yet fully comply with the Computer Security Act and guidance provided by the Office of Management and Budget. The agency's goal is to fully comply by fiscal year 2003. The plan lists agency objectives for fiscal year 2000, but it does not set a specific timetable for progress milestones, either within the

		year 2000 or the period up to fiscal year 2003. The plan does not discuss the specific approaches by which the agency is going to achieve its goals of compliance with the Computer Security Act and implementing its best practices program.
The year 2000 technology update problem is still being monitored.	USAID reports that completing year 2000 compliance work for USAID mission-critical systems was the agency's highest priority information management activity during 1999.	Although this technology problem is no longer deemed a major management challenge, USAID notes that the impact of possible sporadic flare-ups in some countries will require a continuing effort in fiscal year 2000 and beyond.
Other areas identified by the USAID IG:		
Results reporting	USAID notes that it has enhanced the validity and verifiability of performance data by developing data quality standards and incorporating them in agency training. It also notes that it has streamlined reporting requirements so as to focus on indicators most pertinent to decisionmaking.	USAID discusses its plans for improving its performance monitoring and reporting efforts, with respect to developing appropriate indicators and conducting evaluations. It notes that it is working with the inspector general to develop an audit of the data-management process.
Human resource capabilities	The report notes progress in the areas of technical training, new-entrant training, planning for foreign service recruitment, and prioritizing hiring in order to fill long-term needs.	The plan briefly describes the agency's plans to provide skills training for its staff and to train and certify all contracting officers. The agency recognizes its need for a new, fully-automated personnel system, but it states only that it expects to select a course of action during fiscal year 2000.

Breadth of USAID's program management mandate	This subject is not specifically discussed in the report.	This subject is not specifically discussed in the plan.

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