Date: June 25, 2014
To: Jack Leslie, Chairman, ACVFA Panel
From: Ray Chambers, Chair, ACES Blue Ribbon Advisory Panel
Subject: Doing Things Differently at USAID: Recommendations for improved effectiveness and efficiency to accelerate action and save additional lives

Executive Summary

Over the past year, the ACES Blue Ribbon Advisory Panel has worked alongside the dedicated leadership and staff of USAID as they have undertaken increasingly ambitious – and inspiring – efforts to improve the way USAID operates and to save the lives of ever more mothers and children.

While maintaining a full plate of responsibilities focused on helping children and mothers thrive, the USAID team has shown an impressive willingness to engage in the Award Cost Efficiency Study (ACES) process and embrace its animating principle that saving a greater number of lives depends on fundamental revision to practices. In doing so, USAID has demonstrated a commitment to achieving the near-term global health targets of the Millennium Development Goals (MDGs), which come due on December 31, 2015, and the longer-term objective of bringing an end to preventable child and maternal deaths.

The ACES Project began in July 2013 and quickly adopted a two-pronged approach:

- Through the end of November 2013, with the generous support of the Bill & Melinda Gates Foundation, the consulting firm Oliver Wyman assisted the Advisory Panel and USAID in its analysis of near term and long-term potential process improvements to maximize value for money in USAID programming. This resulted in a set of ten proposed changes and transformation pathways to USAID's contracting processes.
- Beginning in January 2014, USAID began a process to ensure that its *current* Mission plans for ending preventable child and maternal deaths were as efficient and effective as possible. The ambitious country reprogramming approach, called a "Framework for Action in 24 Countries," reflects the significant influence of ACES and according to USAID, is likely to result in spending shifts of 30 to 50 percent on *existing* awards.

Should the reprogramming take place as expected and other sharpening of USAID's strategy stay on track, USAID has reported to the Panel that between now and the end of 2015, approximately 510,000 child, newborn, and maternal lives will be saved across the 24 countries.

Accomplishing this would position USAID in a clear leadership role, as other institutions in the public and private sectors race to complete a "Lives Saved Scorecard" by the time of the 2014 UN General Assembly. These efforts are part of an unprecedented "unbreakable syndicate" working to achieve the health Millennium Development Goals (MDGs) and save the required 2.2 million children and 100,000 mothers to achieve that target.

As USAID and the other global health donors that comprise the syndicate strive to reach the health MDGs, the Advisory Panel – consistent with Oliver Wyman's recommendations - hopes that all donors increasingly look to measure return on investment in all strategies, programs, and specific awards. Such return on investment (ROI) analysis should include metrics that measure health impact and efficiency and that are jointly developed with partners ahead of investment.

Further, while the Panel encourages USAID and other donors to enhance their investments toward MDG achievement and beyond, it is also expected that countries benefiting from USAID and partner support follow a path that results in funding self-sufficiency, perhaps aligned with the set of development goals under discussion for the 2015-2030 period.

Looking toward implementation of the reprogramming as well as USAID's effort to support MDG achievement with other global health donors and ministries of health, the ACES Blue Ribbon Advisory Panel wants to ensure that USAID's internal arrangements are optimal for achieving success. The Panel has drawn ideas from more streamlined operational structures that exist within USAID, and strongly recommends that USAID consider following the model of its own groundbreaking President's Malaria Initiative (PMI), by establishing a "Child and Maternal Survival" Coordinator tasked with overseeing USAID's near- and longer-term goals for lives-saved impact, as well as working to gain greater contracting and operational efficiency, and with substantially greater budgetary and approval authority. USAID should carefully consider the Coordinator's position within the organization and ensure that he or she has close access to the Administrator for support as well as tight linkages to the Global Health Bureau and Missions to align strategic focus and technical approach.

Such an outcomes driven, integrative, and focused organizational structure also draws on best practices from private sector product and program management, which typically emphasize collaborative development of programs, local execution, and global data capture on key performance indicators. In many cases, these practices are successful at substituting dedicated accountability for previously-diffuse responsibility.

Following the PMI model, the Advisory Panel recommends that USAID vest this Coordinator with tools that include - but are not limited to - management dashboards supported by improved data flows from country offices; a team of maternal and child health focal points placed within country missions to serve as liaisons between the Mission and counterparts in Washington; and flexible funding mechanisms to "jump-start" spending and prevent commodity shortages. As with PMI, the country government's own scale-up plans should form the basis for USAID support.

The Award Cost Efficiency Study (ACES): Memo of Recommendations to the Advisory Committee on Voluntary Foreign Aid (ACVFA)

I. Introduction

In July 2013, USAID embarked on the Award Cost Efficiency Study (ACES), a comprehensive effort led by USAID Administrator Rajiv Shah to review USAID's program designs, funding mechanisms, and cost structures and to outline opportunities for USAID to enhance spending effectiveness and efficiency. The Bill & Melinda Gates Foundation generously supported a team from Oliver Wyman, a leading management consulting firm, to work alongside USAID during this process to analyze current spending, benchmark against best practice, and provide a roadmap for implementation.

The Advisory Committee on Voluntary Foreign Aid (ACVFA) asked the ACES Blue Ribbon Advisory Panel to review progress and make recommendations to USAID on the most critical next steps required as a result of the Oliver Wyman report.

II. Oliver Wyman-guided Management Reform Proposals

From July through November 2013, Oliver Wyman reviewed 60 vendor contracts and interviewed 25 implementing partners to identify spending trends and opportunities for enhanced efficiency. Based on its analysis, Oliver Wyman proposed ten process improvements intended to increase value for money in USAID's award process. These recommendations focus on themes that include increased transparency to enhance and expedite decision making, improved alignment between strategy and operational practices, use of appropriate and timely metrics to monitor progress, and ensuring USAID staff have the training necessary to be successful.

The ten recommendations, in summary form, are as follows:

1. Define "what success looks like" during award design phase, including with respect to lives saved targets
2. Select most appropriate instrument (i.e., Acquisition or Assistance) and streamline timelines to enable effective award management
3. Increase financial transparency of administrative / programmatic costs
4. Begin to evaluate costs in relation to outcomes
5. Promote competition / create and compete awards that can be successfully managed by a wider variety of applicants
6. Assess and motivate partner performance using appropriate, measurable, and timely metrics that hold partners accountable for value for money results
7. Broaden existing practice of managing the universe of awards as a portfolio from planning through award management
8. Equip personnel with the right skills to assess value for money, hold them accountable, and provide incentives to motivate
9. Enable timely access to relevant, useful information
10. Streamline, standardize, and automate acquisition and assistance (A&A)

The Advisory Panel recommends that each of the process improvements outlined in the Oliver Wyman assessment be adopted in a timely and deliberate manner by USAID. The Panel has been encouraged to learn that USAID has begun to initiate or implement many of these reforms, but requests further detail on implementation progress, since this work emanates directly from the Panel's originating purpose. An outline of what has occurred and what will occur, as well as the timeframe for implementing any management changes such as a movement to electronic reporting, is expected. USAID should also indicate which reforms (if any) might be included within the

responsibilities for a new potential child and maternal survival Coordinator (see IV, below), or might remain with the management bureau.

III. Challenges Highlighted By the Oliver Wyman Assessment and Direct Observation

While supporting the Oliver Wyman recommendations and commending USAID's embrace of them, the Blue Ribbon Advisory Panel recognizes that there are underlying management challenges within USAID's Global Health Bureau that appear to be limiting an effective and efficient awards process, successful implementation of contracts, and the link between strategy development and execution.

Oliver Wyman has highlighted some of these challenges in its "root cause analysis" around how awards are designed. The Oliver Wyman team notes that "staff have limited visibility into the active and historical award universe," that there is a "limited connectivity between Global Health and M bureau to brainstorm shared services together, ensure awards are appropriately scoped, and sized," and that "standardized mechanisms are not in place for D.C./field staff to interact around award design." These challenges likely stem from USAID's highly-decentralized current operating model and contribute to a fragmentation of data, decision making, and strategy development across USAID's Global Health Bureau. Oliver Wyman commented on bureaus operating as siloes and recommended 'transformation pathways,' to include cross-bureau project management offices to drive organizational and process change management and implementation. Oliver Wyman also encouraged an Awards center of excellence to serve as a resource and mechanism for value for money.

As a result of the fragmentation Oliver Wyman noted, the Global Health Bureau appears to be limited in its ability to aggregate program information across countries; restricted in its flexibility to program awards; and otherwise constrained in its ability to optimize value for money as well as impact.

IV. Proposed Coordinator Position for Child and Maternal Survival

As USAID examines these underlying management challenges, the Advisory Panel suggests that USAID consider and adopt operating approaches that exist elsewhere within its portfolio. An excellent example is the U.S. President's Malaria Initiative (PMI), which vests responsibility with the U.S. Global Malaria Coordinator. The Coordinator maintains a streamlined decision-making framework, all based on country plans (Malaria Operational Plans, or MOPs), which include transparent goals, targets, and indicators developed jointly with a country's National Malaria Control Program (NMCP) and key partners.

As has been highlighted both by external evaluations and by USAID itself, PMI has made extraordinary contributions to reducing under-five mortality in all 15 original PMI focus countries and has demonstrated exceptional value for money. PMI has also been lauded for its essential role in improving coordination among global and multilateral partners and for remaining flexible and catalytic with resources. As two examples of this catalytic activity, PMI has made use of its ability to provide 'jump-start' funding ahead of funding allocations to quickly stand up programs and increase coverage. PMI has also made use of a Central Emergency Procurement Fund to address commodity shortages. According to an external evaluation of PMI conducted in 2011, PMI procured more than $8 million of malaria commodities in 2010, minimizing and preventing stock outs and likely saving many lives.[1]

PMI has also been praised for its reprogramming flexibility, which has allowed countries to rapidly meet emergency needs or new priorities and has positioned PMI as an essential partner to countries as well as to other bilateral and multilateral funders such as the Global Fund.

The Blue Ribbon Advisory Panel recognizes that any changes to USAID's management practices, particularly in a highly decentralized environment, pose challenges that will require considerable time and attention. The first step

[1] *External Evaluation of the President's Malaria Initiative*, Final Report. December, 2011.

would be to appoint a Coordinator dedicated to child and maternal health. The Panel thereafter recommends USAID take forward alterations on a sequenced basis, concentrating first on maternal and child health programs and functions in a handful of countries that hold the most promise of immediate lives-saved relative to the Millennium Development Goals. This approach would follow the path taken by PMI, which began with limited Round 1 programs in 2006 in three countries (Angola, Tanzania, and Uganda), expanded to seven countries in 2007, 15 countries in 2008, and 19 in 2011. Alternatively, an expedited process could be followed given existing experience.

The Panel believes that the undertaking would benefit from a close partnership with USAID's vendors, who will provide meaningful guidance on how to responsibly roll-out such a change, and maximize its likelihood of success.

V. Critical responsibilities for the Child and Maternal Health Coordinator

If USAID chooses to move forward with establishing a Coordinator, the Blue Ribbon Advisory Panel encourages USAID to select someone with deep management experience in the public, private, or non-profit sectors as well as a thorough understanding of how USAID operates. This background will prove essential for undertaking the detailed planning required and also for leading change within USAID. While the Panel expects that USAID will rapidly develop a detailed list of responsibilities for the Coordinator, the Panel suggests that one critical capability of this Coordinator will be the authority to work closely with partners and vendors as awards are designed to define targets for impact against an agreed baseline. This suggestion builds on Oliver Wyman's recommendation number six (noted above), but also takes as its basis a similar authority held by the Global Malaria Coordinator. Vendors and partners – with USAID oversight - would then have responsibility for tracking progress against targets at least on an annual basis. Such clear definitions and regular tracking have been instrumental in the fight against malaria under the PMI model and will help ensure that USAID's reforms not only enhance efficiency but also impact.

The Coordinator should also have the ability to set standard and streamlined evaluation and reporting requirements structures to facilitate more rapid program implementation as well as impact assessment of these programs across awards.

USAID may also wish to charge the Coordinator with outlining next steps to harmonize efforts of global and implementing partners across the child and maternal health continuum to rapidly improve child and maternal health outcomes.
To successfully manage these responsibilities, USAID should consider positioning the Coordinator within USAID in such a way to give him or her both direct access to the USAID Administrator as well as regular engagement with leadership, technical experts, and staff capacity of the Global Health Bureau and Missions.

VI. Additional work on Mission Reprogramming

The Advisory Panel has reviewed the available data and analyses emerging from the country reprogramming undertaken by USAID, which is titled, "Framework for Action in 24 Countries." USAID completed 'beta tests' of efficiency and effectiveness in five countries (Bangladesh, DRC, Mozambique, Nigeria and Senegal), aiming to understand how successfully USAID's current health programs aligned with the goal of ending preventable child and maternal deaths. Building on this work, USAID has carried out similar reviews across all 24 priority countries that account for 70 percent of maternal and child deaths in the developing world. Reflecting the significant influence of the Oliver Wyman report, USAID personnel estimate that between 30 and 50 percent of the funds remaining on existing awards could be reallocated to improve outcomes.

While these results are quite encouraging, the spending shifts of existing rewards and how they will result in quantitative reprograming remain unclear. The Blue Ribbon Advisory Panel recommends that USAID continue to sharpen its quantification of potential savings as well as its calculation of how reprogramming will translate into additional lives saved. USAID's current lives saved analysis approach remains heavily dependent on modeling

existing approaches and intervention coverage levels against potential coverage levels drawn from idealized 'best performer' country contexts.

VII. Ongoing work of the ACES Blue Ribbon Advisory Panel

Administrator Shah has requested that the ACES Blue Ribbon Advisory Panel continue to support USAID leadership during the next phases of activity. The Panel will therefore remain intact to support USAID as it continues to put in place the Oliver Wyman recommendations and develop and execute the introduction of a coordinator role for child and maternal survival.

VIII. Conclusions

While the Advisory Panel remains strongly supportive of USAID's efforts to take forward recommendations from Oliver Wyman's vendor awards review as well as review of broader procurement and management practices, the Panel also has come to the conclusion that without substantial changes in USAID's existing management and budgetary arrangements, the reforms and dual lives saved targets – for 2015 and 2018 – will not be achieved. The Panel strongly recommends that that the model utilized by PMI, with a coordinator empowered to make rapid decisions around budgets and programming, is key to for USAID to achieve its intended goals around child and maternal survival. This is consistent with the conclusions of the Oliver Wyman study based on deep insights from robust Acquisition and Assistance analysis, in-depth external stakeholder interviews across partners, donors, vendors and peer agencies, and benchmarking best practices beyond the development sector. These features could serve to support USAID to implement necessary changes.

The Panel would suggest that USAID develop a detailed implementation plan around any accepted recommendations. This plan should reference - but not be limited to - the following information:

- The intended sequencing of roll-out activities
- Internal USAID capacity – including capacity from both the Management Bureau and Global Health Bureau – and financial resources that will be dedicated to the efforts
- Likely risks and strategies for mitigating these risks
- Clear metrics that USAID will use to hold itself and partners accountable for any changes, especially around child and maternal lives saved targets
- How new management structures might be integrated with existing lines of authority and accountability
- Details on how key vendors as well as local NGOs will be engaged and mentored to ensure impact as well as sustainability

The Panel commends USAID for undertaking a bold self-assessment process and for its serious consideration of high-value reforms and new ways of operating.

Our observations of USAID have confirmed to the Panel that USAID staff around the world go to work each day thinking about the contributions they can make to save the life of a child or mother at risk. It has been tremendously inspiring to the Panel that these USAID staff also want to find ways to do this work better.

OLIVER WYMAN

USAID AWARD COST EFFICIENCY STUDY
RECOMMENDATIONS & TRANSFORMATION PATHWAY

DECEMBER 6, 2013

MARSH & McLENNAN COMPANIES

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• To recap, the Award Cost Efficiency Study aims to **unlock value for money in USAID awards** and redeploy it **toward saving and improving lives** • Today's update comprises our **recommended actions and illustrative examples** for how USAID can achieve better value for money in awards	*5-7*
• USAID will need to adopt **value for money as a core philosophy** – Requires institution-wide changes in the A&A operating model (capabilities, organization, process, policy, and technology) – Requires USAID and its partners to be aligned on changes in the way of doing business and incentivized to achieve them • The prize is a **very substantial recurring benefit** (i.e., a return of 8-11% on the dollar) that can be plowed back into awards for greater programmatic impact and improved lives • Select experience of peer foreign aid and US health assistance agencies shows **this is feasible**	*8-14*
• **Value for money means:** – Clear, measurable project objectives tied to outcomes – Evaluating cost in relation to benefit – Managing partner performance over the life of the award – Managing awards as a portfolio to exploit synergies, partner insights, and benchmarking – Institutionalizing capabilities with the right training and tools	*15*

Executive summary (2 of 2)

Slide reference

- We propose USAID adopt the following 10 recommendations: *16-20*

1. **Define "what success looks like"** during award design phase
2. **Select most appropriate instrument** (i.e., Acquisition or Assistance) and streamline timelines to enable effective award management
3. **Increase financial transparency of administrative / programmatic costs**
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5. **Promote competition** / create and compete awards that can be successfully managed by a wider variety of applicants
6. **Assess and motivate partner performance** using appropriate, measurable, and timely metrics that hold partners accountable for value for money results
7. **Broaden existing practice of managing the universe of awards as a portfolio** from planning through award management
8. **Equip personnel with the right skills to assess value for money**, hold them accountable, and provide incentives to motivate
9. Enable **timely access to relevant, useful information**
10. **Streamline, standardize, and automate A&A processes** to reduce variation and ensure it is only selectively, intentionally used

- This agenda will benefit from being managed as an Agency **transformation effort** *21-25*
  - 5 design teams to develop new VFM A&A model
  - 4 cross-departmental operational teams to enable cultural shift, tools and training
  - Coordinated by a Transformation Management Office
- Important issues need to be addressed at the outset: (1) leadership alignment, (2) GH and M teaming, (3) USAID staff bandwidth, (4) joint collaboration with partners *26*
- The transformation effort should be prioritized according to the ACES value for money framework, with **proof of concept of core VFM principles** up-front *27-28*
- Workstreams can be staged for **impact and criticality**

CONTEXT

The Award Cost Efficiency Study aims to increase value-for-money USAID achieves in order to redeploy dollars toward saving lives

Ultimate objective: Enable USAID to focus on value-for-money and ensure budget appropriations deliver maximum impact with minimum cost to save more lives

What Success Looks Like

- **Identify and quantify savings** that can be realized and redeployed
  - Retrospective "deep dive" manual review of existing contracts and awards, backed by rigorous analysis
  - Assessment of cost drivers within existing A&A process from an internal (USAID) and external (partner organization) perspective
- Provide identified list of actionable changes to assistance and acquisition that will result in reduced costs

What Success Entails

- **Determine the systemic changes** required to install a more efficient process that will ensure USAID's goals are more effectively realized
  - Prospective "systemic improvement" to develop a more efficient award management process
  - Assessment of value-for-money best practices internal and external to USAID that can be incorporated into the USAID award architecture
- Provide identified list of actionable changes to policies and procedures that will enable identified reduced costs to be realized

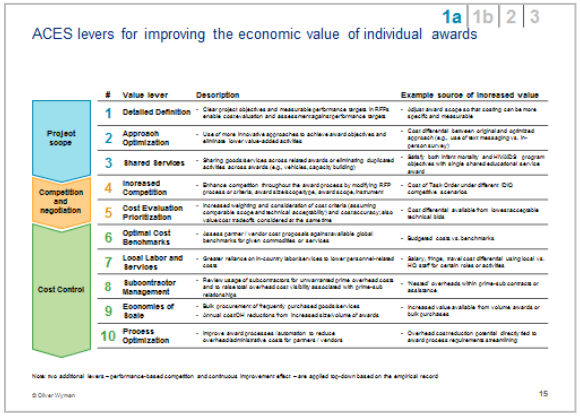
CONTEXT

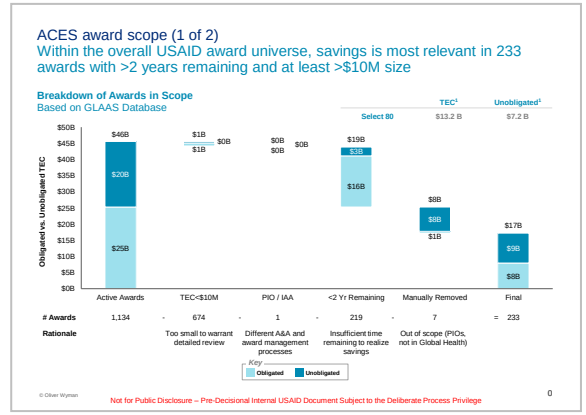
Previous update focused on drivers of value for money within awards, award-level savings, and preliminary A&A process changes to realize future savings

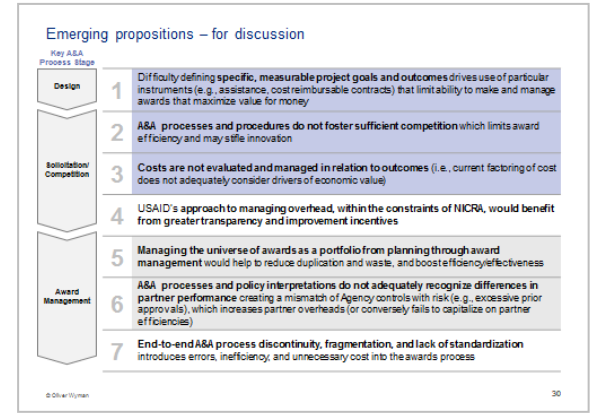
A Drivers of value for money in awards

B Future cost avoidance and current savings

C Emerging propositions, hypotheses







- Shared "ten value levers" that were applied to awards bottom-up (looking at individual cost elements and activities) in a systematic way

- Applied value levers to 50 awards in ACES' Scope
- Identified potential future cost avoidance and current award savings

- Outlined preliminary hypotheses around areas of cost inefficiency in A&A process and steps USAID can take to address them

CONTEXT

Five ACES workstreams have converged to inform our institutional recommendations on improving value for money

Phase 2 Workstreams

Individual Award Analysis

- Applied 10 value levers to 60 Global Health awards
- Estimated current savings and potential future cost avoidance
- Extrapolated to relevant universe of global health awards

Portfolio-Level Award Analysis

- Developed and tested 32 value for money hypotheses quantitatively using awards database

Process Evaluation

- Mapped current USAID A&A process and policies
- Diagnosed 8 opportunity areas for improved cost efficiency

Partner Outreach

- Interviewed 37 individuals in 23 partner organizations to understand how A&A process drives cost behavior
- Identified 8 opportunities to improve cost efficiency

Peer Development Agency Profiles

- Profiled DFID, GIZ, Sida, DANIDA, NORAD, and GFATM to identify best practices in managing value for money
- Gained insight from other USG agencies' experience

Final Recommendations

- How to achieve better **value-for-money** (i.e., unlock and redeploy its resources)
- **Specific actions** underpinning each recommendation with examples
- How to **operationalize recommendations**

Momentum is building around the need to achieve greater programmatic impact for money spent within global health

Funding Competition

USG budget deficit and **sequestration** are creating an environment of funding scarcity in the USG

Competitive pressure is increasing as **donors increasingly demonstrate value for money**

Global health organization base is expanding, increasing USAID choice of partners and driving **need for more rigorous evaluation criteria**

USAID Reality

Given the volume of money it controls, **USAID can have significant impact by unlocking funds** to be redeployed for programmatic purposes

Given its monopsony status, USAID **can drive change within the partner community**

Given its large size, USAID can **drive change within broader global health community**

USAID partners have expressed that **streamlined, alternative A&A processes** can drive greater value for money

Innovation / Enablement

New methods of data collection (e.g., mobile technology) are **enabling access to higher quality, more "real time" data**

Field of "innovative financing" is growing, with **new performance incentive systems being piloted** by donors and organizations

Donors and organizations becoming **increasingly experienced in articulating expected impact and outcomes of global health projects**, and managing to those outcomes / impact

USAID will rapidly need to adopt value for money as a core philosophy

Existing reforms and project initiatives are steps in the right direction

Agency Reform Efforts

Recent USAID reforms have focused on improving aid effectiveness and results measurement:

- **2006**: Implemented the "standardized program structure," tying indicators to funding
- **June 2010**: Created the Bureau for Policy Planning and Learning to centralize evaluation processes
- **November 2010**: Reformed the procurement system to use more local suppliers and build local capacity under Forward

Targeted Initiatives

There are focused initiatives underway to:

- Employ innovative award designs under FOGs
- Further standardize parts of the A&A process
- Move to an all-electronic award filing system, eliminating hard copy files for future awards (ASIST)
- Concentrate commodity purchasing to enable economies of scale

- Reforms and innovations have **improved effectiveness and efficiency** in parts of the A&A process
- However, USAID is **still not consistently aligned** around or functioning to achieve maximum value-for-money

Re-orienting around value for money has the potential to unlock substantial future savings for redeployment within USAID awards, whether acquisition or assistance based

Confidential Information Redacted.

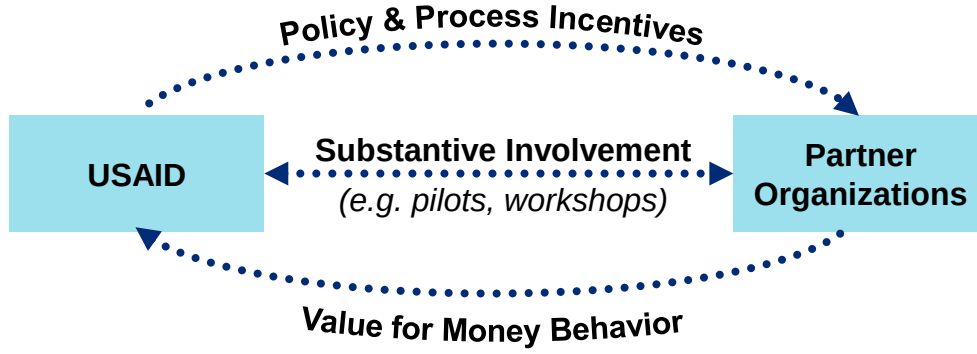
Re-orienting around value for money requires institution-wide changes in the A&A operating model…

Capabilities & Configuration • **Skills** – Do staff have appropriate skills to accomplish what is expected of them? • **Training** – Is adequate training provided to enable personnel to perform their jobs most effectively? • **Organizational Structure** – Are appropriate staff doing the right activity at the right time and with the right people?	**Process** • **Workflow** – Is the A&A process clearly defined? • **Standardization** – Does variation exist and add value within the A&A process?
Policy • **Policies** – Are policies supportive of achieving greater value for money in procurement? • **Enforcement** – Are correct policy interpretations enforced uniformly? • **USG Policy Alignment** – Are policies in line with broader USG best practices?	**Technology Enablement** • **Information** – Is the right information being captured at the right level of granularity with the right quality? • **Tools** – Are the right templates / forms available to capture useful, necessary data? • **Systems** – Are the right systems in place and connected to enable efficient and effective award management?

…and alignment between USAID and its partners on the required business changes and incentives to drive the right behavior

USAID and its partners will need to engage and adapt to achieve value for money

- Align internally around value for money principles as the basis for engaging partners
- Establish policies and processes to drive behavior toward value for money in USAID and partners
- Engage partners to obtain feedback and create alignment (e.g., design)
- Clearly communicate and consistently enforce new policies



- Adapt behavior in response to USAID incentives
  - Partners expressed willingness to change, but rightly seek consistency in how policy is applied
  - Greater competition, with incentives linked to performance and delivery, will drive greater compliance and desired behavior
- A quarterly two-way feedback loop will establish a virtuous circle to drive cost effective program outcomes Engage with USAID to provide feedback and expertise

Peer institutions show that value for money can be institutionalized, with significant impact

Foreign aid peer agency – select experience

Department for International Development

- Defined value for money standards
- Instituted annual project assessments around value for money
- Halted funding to organizations not achieving value for money

→ ***National Audit Office found UK aid achieved better value for money after DFID reforms***

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giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

- Completed organizational redesign (merged three German aid agencies) to enable re-orientation around "cost-effectiveness"
- Established internal "Quality Haus" to drive continuous improvement

→ ***OECD review rated new GIZ to be highly efficient and effective vs. previous structure***

The Global Fund To Fight AIDS, Tuberculosis and Malaria

- Performed end-to-end process assessment to identify opportunities to improve value for money (working with CGD)
- Instituted new process for accurately tracking award performance
- Transformed funding process to ensure based on performance
- Re-engineered procurement processes to achieve significant price reductions on commodities and vehicles

→ ***New fundraising effort expected to raise 50% more than previous (in 2010)***

THE WORLD BANK

- Launched "Health Results Innovation Trust Fund" to pilot innovative results-based financing instruments
- Overhauled training and organizational competency model to supported shift from inputs-based to outcome-based cost evaluation

→ ***Success led World Bank to commit additional $700M to HRITF in September***

Likewise, US grant-making organizations have demonstrated that a streamlined, standardized assistance environment can be implemented successfully

US organization value-for-money success *(select examples)*

- Established Scientific Management Review Board to conduct periodic reviews of organizational effectiveness
- Launched new database to improve standardization and transparency in grant searching and benchmarking

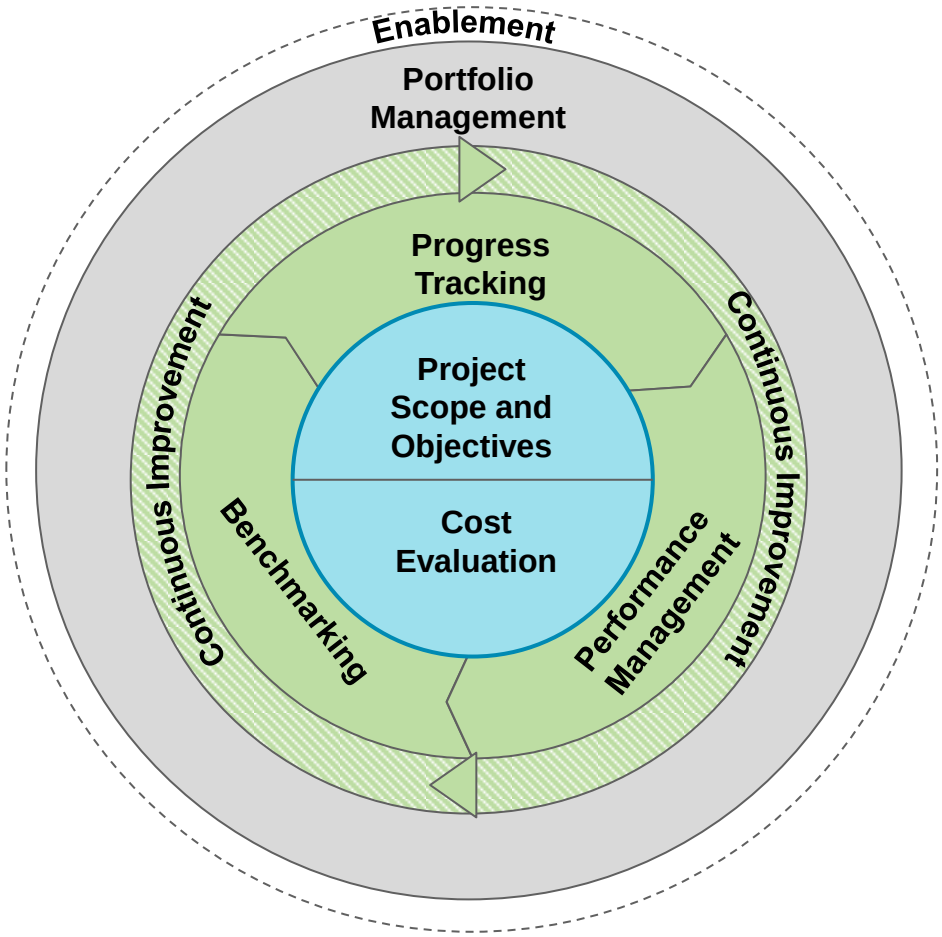
All grants now catalogued and easily searched along multiple success measures

- Implemented electronic grant announcement system for researchers to learn about and apply to grants through a standardized, two phase, application process
- Launched new database to track grant performance; database made available internally to provide insight on past-performance and externally to contribute to the other research efforts

Grant application process standardized and research performance information leveraged in multiple ways

Clear, measurable outcomes-based objectives, grounded in cost economics, are necessary to achieve greater value for money

Value for Money Framework



1 - The Core: Value for Money Table Stakes*

- *Project Scope and Objectives*: Clearly define project outcomes to measure award success
- *Cost Evaluation*: Evaluate costs in relation to programmatic outcomes

2 - Reinforcement: Continuous Improvement

- *Progress Tracking*: Establish programmatically relevant metrics to enable timely progress tracking
- *Performance Management*: Reward positive and discourage negative performance
- *Benchmarking*: Collect data to serve as benchmarks to drive continuous improvement

  Ensure benchmarks are updated annually based on best in class information

3 - Amplification: Managing the Portfolio

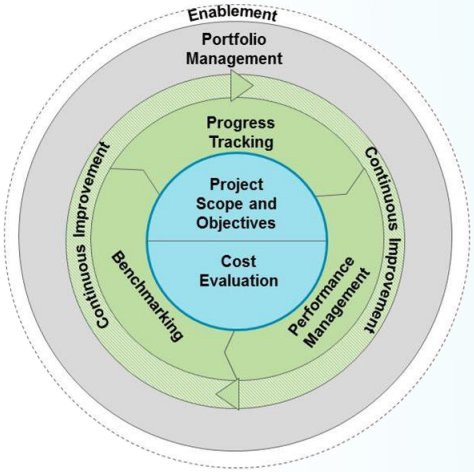
- *Portfolio Management*: View awards as a portfolio to facilitate synergies, partner insights, and benchmarking

4 - Enablement: Training and Tools for Implementation

- Institutionalize value for money with the right capabilities, processes, and technology

**** "Know what you're buying, and know how much it will cost."***

We recommend USAID adopt 10 improvements in its management of value for money in acquisition & assistance



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6	**Assess and motivate partner performance** using appropriate, measurable, and timely metrics that hold partners accountable for value for money results
7	**Broaden existing practice of managing the universe of awards as a portfolio** from planning through award management
8	**Equip personnel with the right skills to assess value for money**, hold them accountable, and provide incentives to motivate
9	Enable **timely access to relevant, useful information**
10	**Streamline, standardize, and automate A&A processes** to reduce variation and ensure it is only selectively, intentionally used

Value for money begins with defining clearly "what success looks like" and selecting the instrument that will best achieve award objectives

The Core: Value for Money Table Stakes

	High-level Recommendation	Recommended Actions
 1	**Define "what success looks like" during award design phase**	• **Clearly describe vision for successful award outcome in RFA / RFP*** – Build on existing USAID framework for defining high-level health impact and supporting objectives – Connect broad objectives with specific results and, where possible, activities, to enable comparison of applications/proposals – USAID sets expectations but, where appropriate, partners propose activities • **Set quantified targets** in RFA / RFP – Where impractical, set sample targets for purposes of comparing applicants / respondents • **Ensure targets are risk-adjusted** and allow for course corrections
 2	**Select most appropriate instrument** (i.e., Acquisition or Assistance) to enable effective award management	• **Update and clarify instrument selection guidance**, as current federal definition does not provide clear guidance in USAID context • **Create new selection criteria** that are germane to effective award management • **"Level the playing field"** by addressing the time disparity in making to Acquisition vs. Assistance awards • **Develop Integrated Project Teams (IPTs) to increase collaboration** between program / contracting staff in award design

**** See examples in Appendix 3***

Achieving value for money also requires an ability to select from large pool of applicants based on evaluation of proposed costs in relation to outcomes

The Core: Value for Money Table Stakes

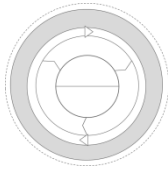
	High-level Recommendation	Recommended Actions
 **3**	**Increase financial transparency of administrative / programmatic costs**	• **Clearly define indirect, administrative, and programmatic costs** and require partners to use new definitions • **Enable USAID contracting staff to assess overlap** between indirect and administrative costs • **Audit partners** according to new cost definitions • **Track administrative to programmatic cost ratios** to compare applicants and assess and incentivize improvement over time
 **4**	**Begin to evaluate costs in relation to outcomes**	• **Encourage variability in proposed costs** by publishing TEC selectively • **Collect and compare proposed budgets** for all applicants / offerors • **Applicants propose activities, resources, and associated costs** to achieve award results and objectives – In smaller awards, propose total award cost – In uncertain or large awards, propose activity-level costs • **USAID evaluates technical proposals and budgets in relation to activities / outcomes** defined in RFA / RFP – In uncertain or large awards, evaluate partners against smaller scenario • **Rely on value for money audits** to ensure adherence to proposed budgets in relation to activities / outcomes • **Eventually, pay for outcomes**
 **5**	**Promote competition** / create and compete awards that can be successfully managed by a wider variety of applicants	• **Continue to promote full and open competition** for awards when appropriate • **Determine drivers of applicant pool size** (e.g. award size, award scope, instrument type, subcontractor usage) • **Develop and pilot practices to address each driver** (e.g. smaller, focused awards)

Ongoing partner management can reinforce value for money behavior over the life of an award; managing awards as a portfolio can maximize value

Reinforcement: Continuous Improvement

	High-level Recommendation	Recommended Actions
 6	**Assess and incent consistent partner performance** using appropriate, and timely metrics; holding partners accountable for value for money results; track quarterly, update annually	• **Conduct value for money evaluations** throughout life of award • Create a "partner report card" to **track partner performance across awards** • **Tie evaluation to rewards / consequences** – Build legal terms into award document[1] to enable scope reduction or award close-out when partner performance is below expectations – Incorporate incentives at various levels, including award, USAID-review, and public level

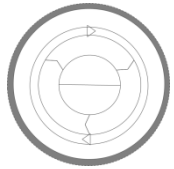
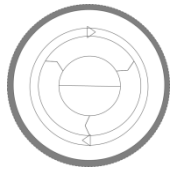
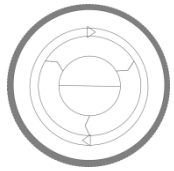
Amplification: Managing the Portfolio

	High-level Recommendation	Recommended Actions
 7	**Broaden existing practice of managing the universe of awards as a portfolio** from planning through award management	• **Capture and store award attributes** in a central system • Ensure award information is **easily accessible and searchable** • Develop **dashboards to provide regular reports** on USAID funding • Formulate **checklists for portfolio management** during award design and management • **Begin with GH** and expand to other bureaus over time

Notes: 1.) Legally binding contractual agreement

To institute a value for money culture, USAID staff must be enabled with the right training, information, and process support

Enablement: Training and tools for implementation

	High-level Recommendation	Recommended Actions
 8	**Equip personnel with the right skills to assess value for money**, hold them accountable, and provide incentives to motivate	• **Enable personnel** with proper training and supportive policy, build new capabilities where needed • **Incentivize achievement** of organizational goals – **Communicate desired end state and metrics** that will be used to measure progress – **Hold personnel accountable** for their responsibilities • **Institutionalize collaboration** between GH and M/OAA, co-locate staff
 9	Enable **timely access to relevant, useful information**	• **Gather specific and standard information** from every award • **Enable data capture** (e.g., Partner online application portal via e-forms, standardized RFA / RFP, budget, work plan templates) • **Develop IT system** that can be easily accessed, maintains data quality through use of electronic documentation, etc. • **Create dashboards** to provide relevant, timely, insightful information
 10	**Streamline, standardize, and automate A&A processes** to reduce variation and ensure it is only selectively, intentionally used	• **Minimize variation and remove non-value added activities** to streamline A&A processes • **Clearly define processes** to design, solicit / compete, and manage awards • Where possible, **utilize tools and technology to automate A&A processes** • **Enable easier training of new staff / handoff of awards** when staff rotate between DC / field • **Identify areas of variation in award process** and determine need for standardization

We've identified 5 key VFM implementation workstreams, supported by 4 cross-institutional functional teams and a Transformation Management Office

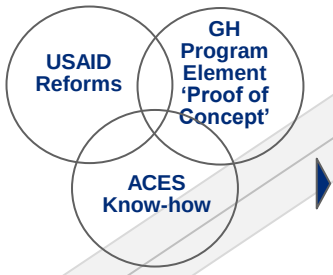
Transformation workstreams

	Workstream	Description
New Value for Money A&A Model	Project Scope	*Develop new, SMART project scoping – e.g., define impact, objectives, results, activities, timelines*
	Cost Evaluation / Assessment	*Develop new process for proposal cost evaluation, including NICRA adjustments*
	Performance Tracking	*Develop award progress tracking system, partner reporting requirements, value for money assessment*
	Performance Incentives	*New performance incentive systems to reward / give consequences to partners*
	Cost / Outcomes Benchmarking	*Database of costs associated with activities and outcomes to improve value-for-money in proposal evaluation / competition and award management*
Cross Cutting Operational Support	Process Streamlining	*Assess, streamline, and standardize process in support of VFM*
	Training	*Implement new joint VFM training curriculum and competency model for program and management personnel*
	Organizational Structure & Competency Model	*Assess staffing needs, determine appropriate configuration, adjust performance management*
	Information Management	*Assess knowledge management needs and build supporting IM system(s)*

Transformation Management Office
Measures, monitors, and reports performance of transformation

USAID will need a strong Transformation Management Office (TMO) capability to coordinate and drive the necessary changes

Operationalizing ACES via the TMO requires fusing institutional goals, GH Bureau and ACES capabilities:



Steering Committee

Oversees transformation efforts; includes senior leadership

Transformation Management Office

Workstream Support Teams

Responsibility for strategic project analysis, planning and implementation

Reporting

- **Measure progress via KPIs and metrics** by gathering timely and accurate information
- **Assess impacts of critical dependencies** between workstreams; tie impact to planning
- **Communicate consistent messages** to relevant stakeholders
- **Track achievement** against objectives

Design & Planning

- **Align implementation activities with strategic vision**
- **Proactively manage risks** and institute mitigation strategies
- **Monitor capacity** of organizational capabilities and resources
- **Sequence initiatives** to optimize impact and mitigate issues
- **Ensure required technology** is in place to support implementation

Support

- **Create standardized templates** and tools for workstreams
- **Ensure organizational readiness** before implementation activities commence
- **Lead development of consistent training programs** and actively support cultural change
- **Conduct quality control** by monitoring adherence to required processes

The Management and Global Health Bureaus will jointly need to drive the value for money transformation for global health awards

M Bureau
GH Bureau

	Workstreams	Responsible Offices
New Value for Money A&A Model	Project Scope	Acquisition & Assistance Policy, Programs, and Planning *Heavy involvement from OCS, HIDN, OHS, OHA, and PRH*
	Cost Evaluation / Assessment	
	Performance Tracking	Acquisition & Assistance Management, Policy, Budget & Performance Policy, Programs, and Planning
	Performance Incentives	
	Cost / Outcomes Benchmarking	
Cross Cutting Operational Support	Process Streamlining	Acquisition & Assistance Policy, Programs, and Planning
	Training	Professional Development and Management Support
	Organizational Structure & Competency Model	
	Information Management	Office of the Chief Information Officer Professional Development and Management Support

Key Questions

Staffing:

- How many staff exist at each level in GH and M?
- What is current staff utilization?
- Which workstream will require the heaviest / lightest lift?
- What level of effort will team members dedicate to the transformation?

Empowerment:

- How senior must the team be?
- How will the team turn recommendations into official policy and process?
- How will the team be enabled to enforce new value for money practices?

TRANSFORMATION PATHWAY

The core VFM transformation workstreams would need to focus initially on generating designs or blueprints across the recommended areas for change

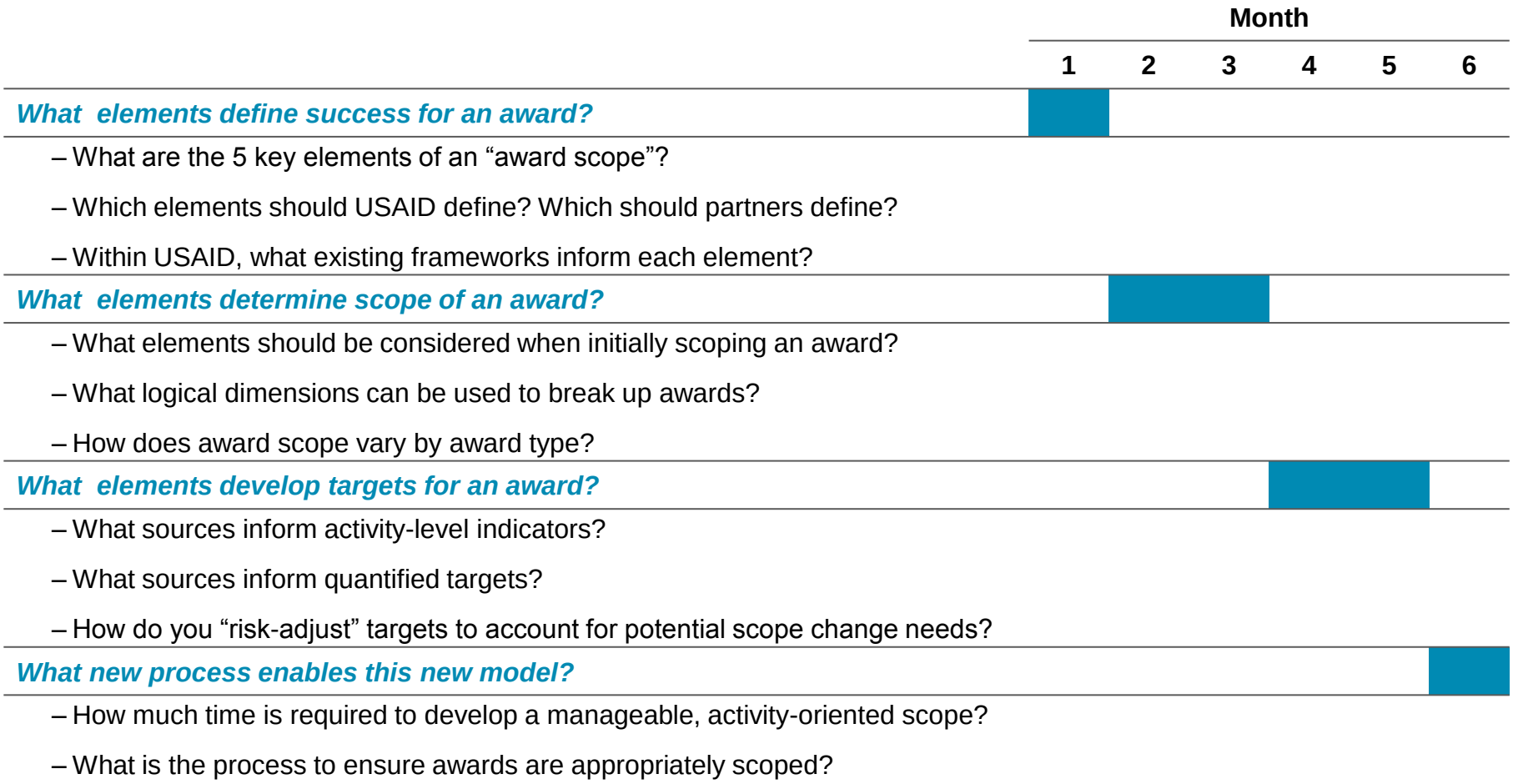
	Design	Pilot / Test	Rollout
Purpose	• Identify gaps between current and future state • Determine how to address via staged approach • Identify quick wins to "clear the brush" and serve as springboards • Selective piloting	• Assess whether design can successfully bridge gap between current and desired future state • Build organizational support/buy-in • Incorporate feedback / improve to enable successful scale-up	• Institutionalize practice across the organization • Sustain change to ensure practice becomes engrained culturally
Key information	• Leverage info / experience from USAID, peers, and partners • Recognize "success" metrics and how to track them	• Track "success" metrics to quantify impact of pilot • Apply small-scale best practices already occurring within USAID	• Determine if "success" metrics are maintained in expanded rollout – If not, identify causal factors and potential fixes
Stakeholders	• Determine internal workflow disruption • Consider external partner impact and response	• Receive feedback from impacted parties to identify remaining gaps between current and future state	• Ensure new processes are streamlined for USAID / partners • Minimize programmatic disruptions
Outcome	• Create design principles that serve as guideposts during transformation • Designate initial area for pilot implementation • Determine whether to buy / build	• Understand scalability of concept through evidence-based piloting • Identify remaining fixes that will enable expanded rollout	• Bridge the gaps between current and future state to organizationally achieve value for money • Create success blueprint that can be expanded to other initiatives

Focus of next six months

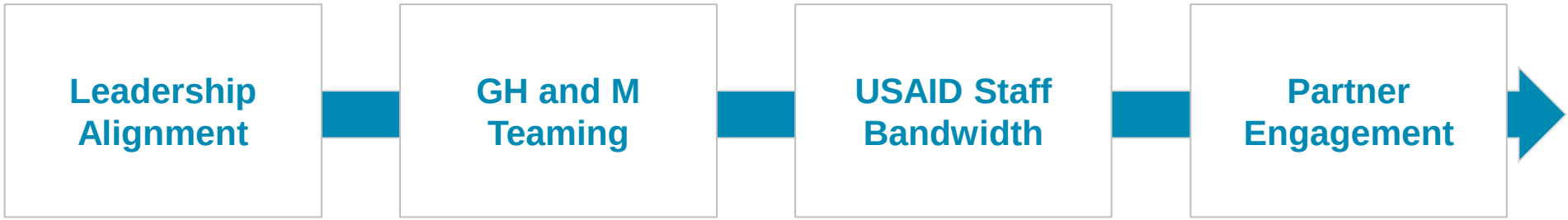
…Piloting could begin almost in parallel, with Agency rollout and enabling infrastructure over 2-3 years

As a next step, USAID needs to define the desired end state for each of the core VFM workstreams

Design phase (next six months): Sample activities under "Project Scope" workstream



Four key issues need to be addressed near-term to pave the way for future success



- What are USAID goals around value for money?
- Is USAID willing and able to make the investment to implement a full scale transformation effort?

- Will leadership hold GH and M jointly accountable to implement change?
- Can GH and M core staff (i.e., COs / AOs and CORs / AORs) work together successfully as integrated project teams?

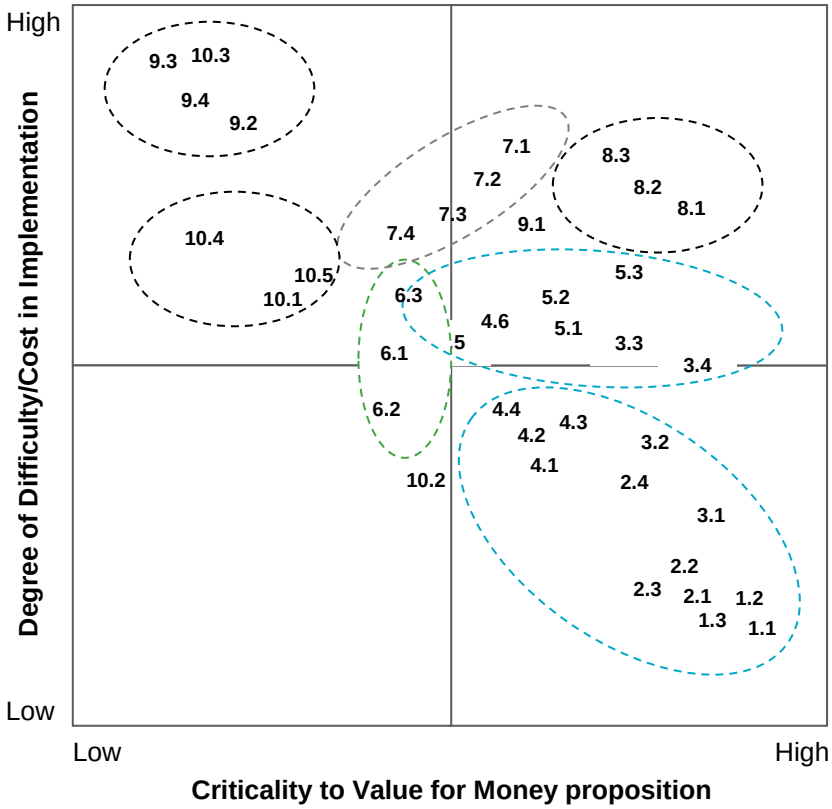
- Is USAID willing to invest staff time to support the transformation effort?

- Is USAID prepared to ask partners to adapt to new procurement models?
- Is USAID committed to collaboration, testing potential changes with partners and incorporating their feedback?

Prioritization of recommendations

Following the Value for Money framework developed in ACES, “core” recommendations #1-5 should be prioritized

Mapping of opportunities



ACES recommendations clusters

1 Define “what success looks like” during award design phase

- 1.1 Clearly describe vision for successful award outcome in RFA/RFP
- 1.2 Set quantified targets in RFA/RFP
- 1.3 Ensure targets are risk-adjusted

2 Select most appropriate instrument

- 2.1 Update and clarify instrument selection guidance
- 2.2 Create new selection criteria germane to effective award management
- 2.3 “Level the playing field” between Acquisition and Assistance
- 2.4 Develop Integrated Project Teams (IPTs) to increase collaboration

3 Increase financial transparency of administrative/programmatic costs

- 3.1 Clearly define indirect/administrative/programmatic costs and require partners to use new definitions
- 3.2 Enable USAID A&A staff to assess overlap between indirect/administrative costs
- 3.3 Audit partners according to new cost definitions
- 3.4 Track admin-to-program cost ratios to compare applicants and assess / incentivize improvement

4 Begin to evaluate costs in relation to outcomes

- 4.1 Encourage variability in proposed costs by publishing TEC selectively
- 4.2 Collect and compare proposed budgets for all applicants/offerors
- 4.3 Applicants to propose activities, resources, and associated costs to achieve award results and objectives
- 4.4 USAID to evaluate technical proposals and budgets in relation to activities/outcomes defined in RFA/RFP
- 4.5 Rely on value for money audits to ensure adherence to proposed budgets in relation to activities/outcomes
- 4.6 Pay for outcomes

5 Promote competition

- 5.1 Continue to promote full and open competition for awards where appropriate
- 5.2 Determine drivers of applicant pool size
- 5.3 Develop and pilot practices to address each driver

6 Assess and incent consistent partner performance

- 6.1 Conduct value for money evaluations through life of award
- 6.2 Create “partner report card”
- 6.3 Tie evaluation to rewards/consequences

7 Broaden existing practice of managing the universe of awards as a portfolio

- 7.1 Capture and store award attributes in central system
- 7.2 Ensure award information is easily accessible and searchable
- 7.3 Develop dashboards to provide regular reports on USAID funding
- 7.4 Formulate checklists for portfolio management during award design and management beginning with GH

8 Equip personnel with the right skills to assess value for money

- 8.1 Enable personnel with proper training and support policies; build new capabilities where needed
- 8.2 Incentivize achievement of organizational goals
- 8.3 Institutionalize collaboration between GH and M/OAA; co-locate staff

9 Enable timely access to relevant, useful information

- 9.1 Gather specific, standard information from every award
- 9.2 Enable data capture
- 9.3 Implement automated IM support
- 9.4 Create necessary MIS dashboards

10 Streamline, standardize, and automate A&A processes

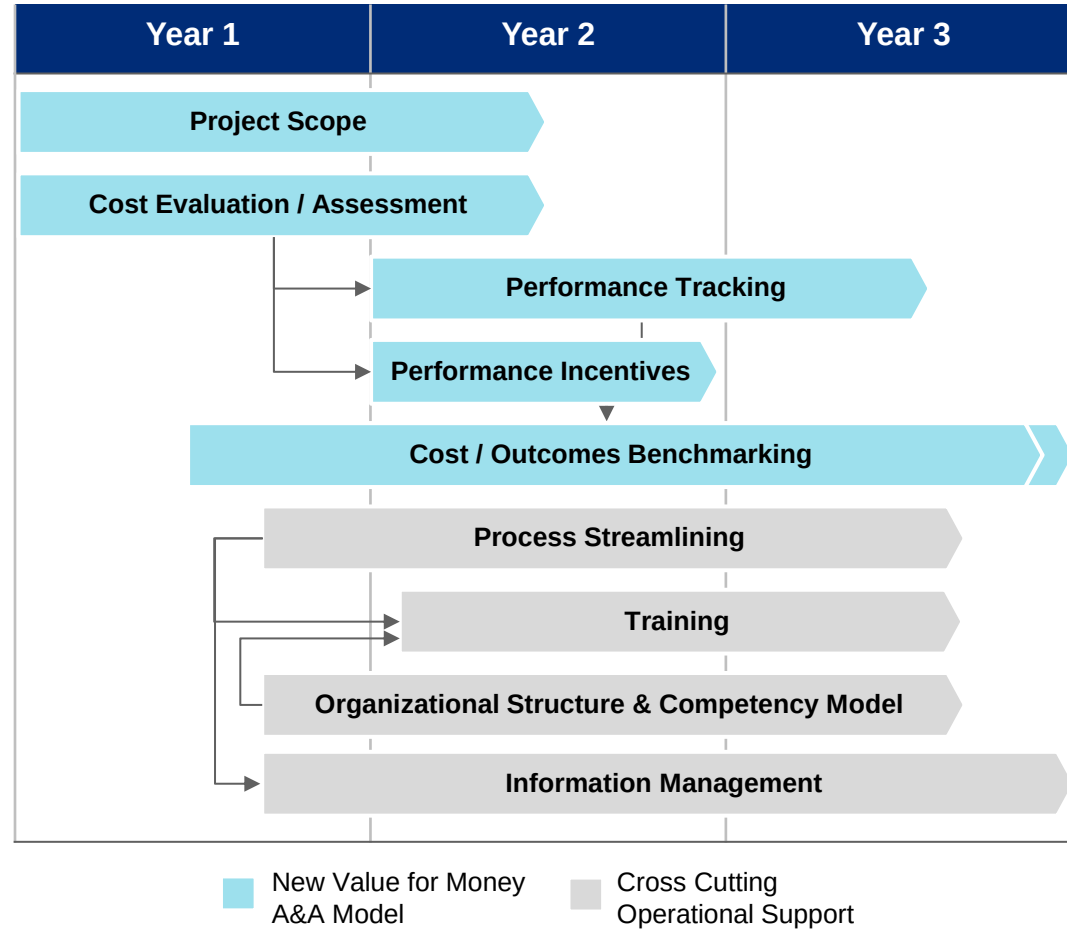
- 10.1 Minimize variation and remove non-value added activities
- 10.2 Define standard operating procedure in design, solicit/compete, and manage awards
- 10.3 Where possible, automate A&A processes
- 10.4 Enable easier training of new staff / handoff of awards
- 10.5 Identify areas of variation in award process and confirm opportunities for standardization

USAID should stage the resulting workstreams taking into account critical dependencies within clusters (e.g., design before rollout), long lead-time items (e.g., systems, personnel training), and the need to compartmentalize change (e.g., do the process re-engineering work together)

Commentary

- Begin by addressing the "core" of value for money
  - Project scope
  - Cost evaluation / assessment
- As project scopes become more defined and costs are reported in relation to outcomes, begin tracking to enable future benchmarking
- Begin enablement workstreams (e.g., process streamlining, etc.) once initial design decisions have been taken regarding value for money "core" recommendations

Potential sequencing of transformation workstreams



Appendix

Recommendations detail – illustrative examples

Recommendation 1: Define "what success looks like"
Develop SMART targets at the outset that link to Agency performance framework (applies to acquisition and assistance)

Recommended Actions

- **Clearly describe vision for successful award outcome in RFA / RFP**
  - Sets expectations for applicants / respondents (initially partners can help propose metrics, eventually in RFA / RFP)
  - USAID will not define everything to activity level; partners can propose activities
  - Build off existing USAID frameworks
- **Connect broad objectives with specific, activity-level expectations**
  - Enables comparison of applications/proposals
- **Set quantified targets** in RFA / RFP
  - Where not possible, could set example targets for purposes of comparing applicants / respondents
- **Ensure targets are risk-adjusted** and allow for course-correction should issues arise in implementation
- **Institutionalize best practices**
  - E.g. Utilize procurement COE

Desired end state (Assistance example)

RFA	*Sources*	*Examples*
USAID Generally Applies Today		
Health outcomes	**Existing strategic frameworks** (e.g. USAID priorities, CDCS)	• Improve health of Malawians
Award objectives	**Existing reporting needs** (e.g., Standardized Performance Indicators, Intermediate Results)	• % of children receiving Vitamin A from USG-supported programs
USAID Not Uniformly Doing Today		
Expected award results	**Award-specific vision for "what success looks like"**	• 40% (by year 3) and 90% (by year 5) of population within 3 km of primary care health facilities
Award activity targets	**Activities / deliverables required to achieve success within award**	• 5 (by year 2) and 10 (by year 4) health facilities built • 5,000 procedures performed annually to address unmet needs

*RFA requests that all applicants respond to **specific award outcomes and targets** to better compare technical proposals and budget narratives*

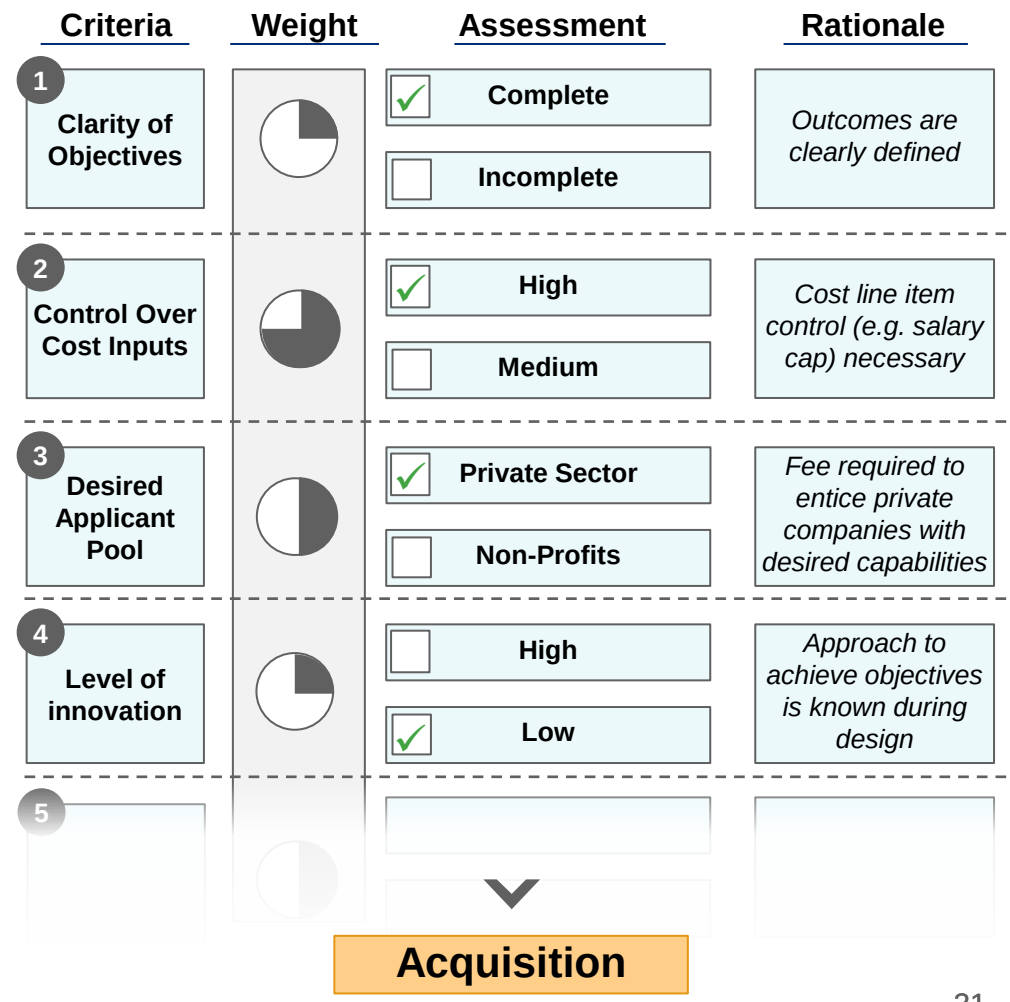
Recommendation 2: Select most appropriate instrument

Simplify and standardize instrument selection rules adapted to USAID environment to enable most efficient, effective award management

Recommended Actions

- **Update and clarify instrument selection guidance**
  - Current use Acquisition predicated on delivering "direct benefit or use of the Federal government"[1]
  - However, as USAID focuses on activities which benefit other entities which then benefit USG, there is no clear divide between Acquisition / Assistance
- **Create new selection criteria** that are germane to effective award management
  - E.g., clarity of objectives at project outset, cost input control, applicant pool type
  - Use above criteria to automate instrument selection
- **"Level the playing field"** by equalizing time to make Acquisition and Assistance
  - PALT for competitive contract is 268 days, 150 days for competitive cooperative agreement or grant
  - Reduce delays associated with additional acquisition steps (e.g., CRB, etc.)
  - Program / technical and contracting staff should work as Integrated Project Teams (IPTs) to select appropriate instrument type in award design phase

Example Future Instrument Selection Tool



1. Federal Grant and Cooperative Agreement Act of 1977

Recommendation 3: Improve admin vs. programmatic cost transparency

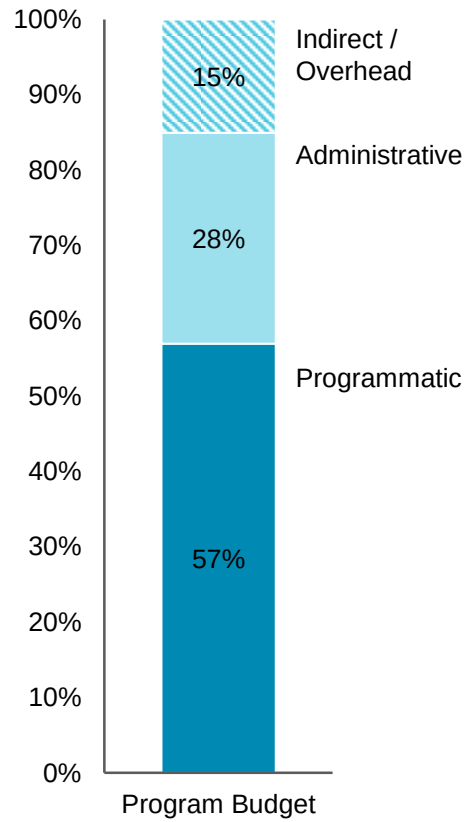
Clarify and standardize admin and programmatic cost definitions, and evaluate and manage applicant / partner cost ratios to improve cost efficiency

Recommended Actions

- **Clearly define** indirect, administrative, and programmatic costs and require partners to use new definitions
- **Enable USAID contracting staff to assess overlap between indirect and administrative costs**
  - Develop / provide summary of costs covered by NICRA which should not appear as administrative
  - Help partners determine how to split programmatic costs shared across awards
- **Audit partners according to new cost definitions**
  - A-133 audits assess costs within new framework of cost definitions
- **Track administrative to programmatic cost ratios** to compare applicants and assess and incentivize improvement over time
  - Within awards
  - Across the award portfolio

Example Future Cost Definitions

Example Applicant Budget



Cost Definitions

	Definition	Calculation
Indirect / Overhead	• Organization-level costs which cannot be allocated to a specific project using any clear logic (e.g., CEO time)	• NICRA covers indirect / overhead • Adjust provisional rates to align with costs under new cost definitions as determined in annual audit
Administrative	• Costs of administrative functions that directly support project (e.g., obtaining travel approvals, admin support for a project director)	• Introduce new cost category in budget templates and require partners to distinguish between these and programmatic costs
Programmatic	• Cost of activities directly related to achieving project outcomes (e.g., building a clinic, meeting with MoH, etc.)	• No change

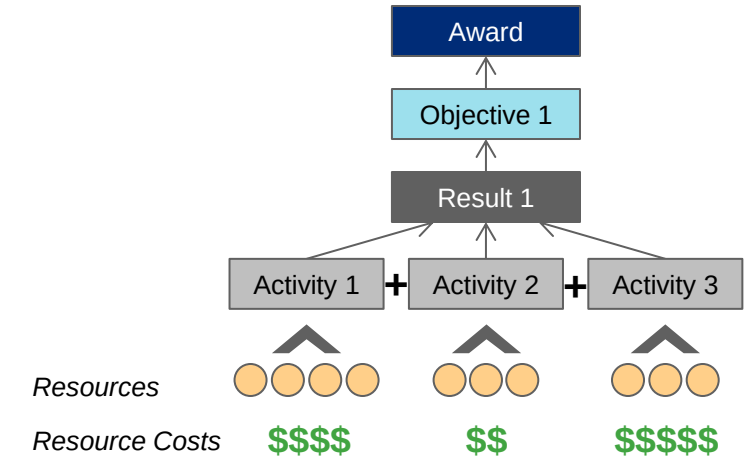
Recommendation 4: Evaluate costs in relation to outcomes (1/2)
First, collect information required to evaluate costs in relation to outcomes (both Acquisition and Assistance)

Recommended Actions

- **Recommendation 1 is a pre-requisite**
- **Requires high level of coordination**
  - Attribution must be handled through cooperation with partners
- **For uncertain or large awards:**
  - Provide results / activities for smaller scenario (e.g. 1 country / region) for which partners propose total costs
  - Require partners propose costs for full range of award activities (used to evaluate award performance)
- **Encourage variability in proposed costs by publishing TEC selectively**
- **Collect and compare proposed budgets for all applicants / offerors**
  - If many, only review technically viable applicants / offerors
- **Rely on value for money audits** to ensure adherence to proposed budgets in relation to activities / outcomes
- **Pay for outcomes**
  - Long-term goal is to shift away from resource level costs

Evaluating cost in relation to outcomes – initial stage

For Tightly-Scoped Awards
Partners propose costs up to award level

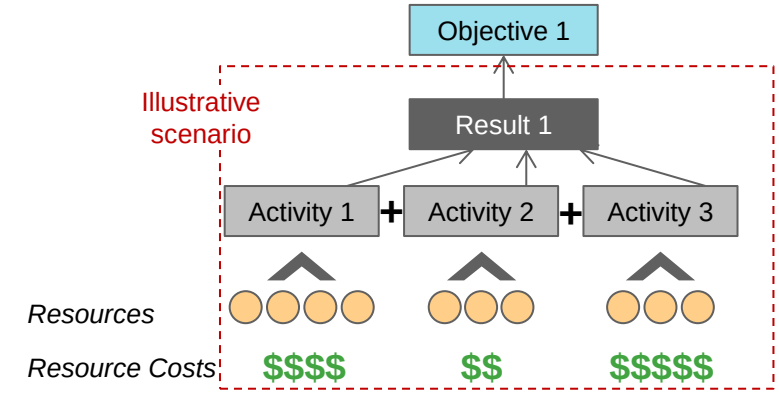


Results can be rolled up to objectives, and ultimately to award — 3

Activities and associated costs can be rolled up to results — 2

USAID proposes activities, and partners propose the resources and costs associated with them — 1

For Large Awards
Partners propose activity-level costs



Partner proposes representative activities and associated costs

Number of activities does not need to be determined

Recommendation 4: Evaluate costs in relation to outcomes (2/2)
Then, assess overall value by comparing technical score with proposed costs

Desired end state

Cost Evaluation: Illustrative process

	Description	Applicant A	Applicant B
1 Review technical proposal	• **Assess for technical merit** • Ensure technical approach realistic for outcomes • Assign technical score	*90*	*80*
2 Review proposed budget	• After technical review, **analyze multiple proposed budgets** in relation to award-specific outcomes • Ensure budgeted costs realistic for outcomes	$85M	$60M
3 Assess value	• **Compare "value scores" (i.e. ratio of technical score to proposed costs)**	**1.06** per $1M	**1.33** per $1M

Evaluate scores and assess whether technical weighting should increase

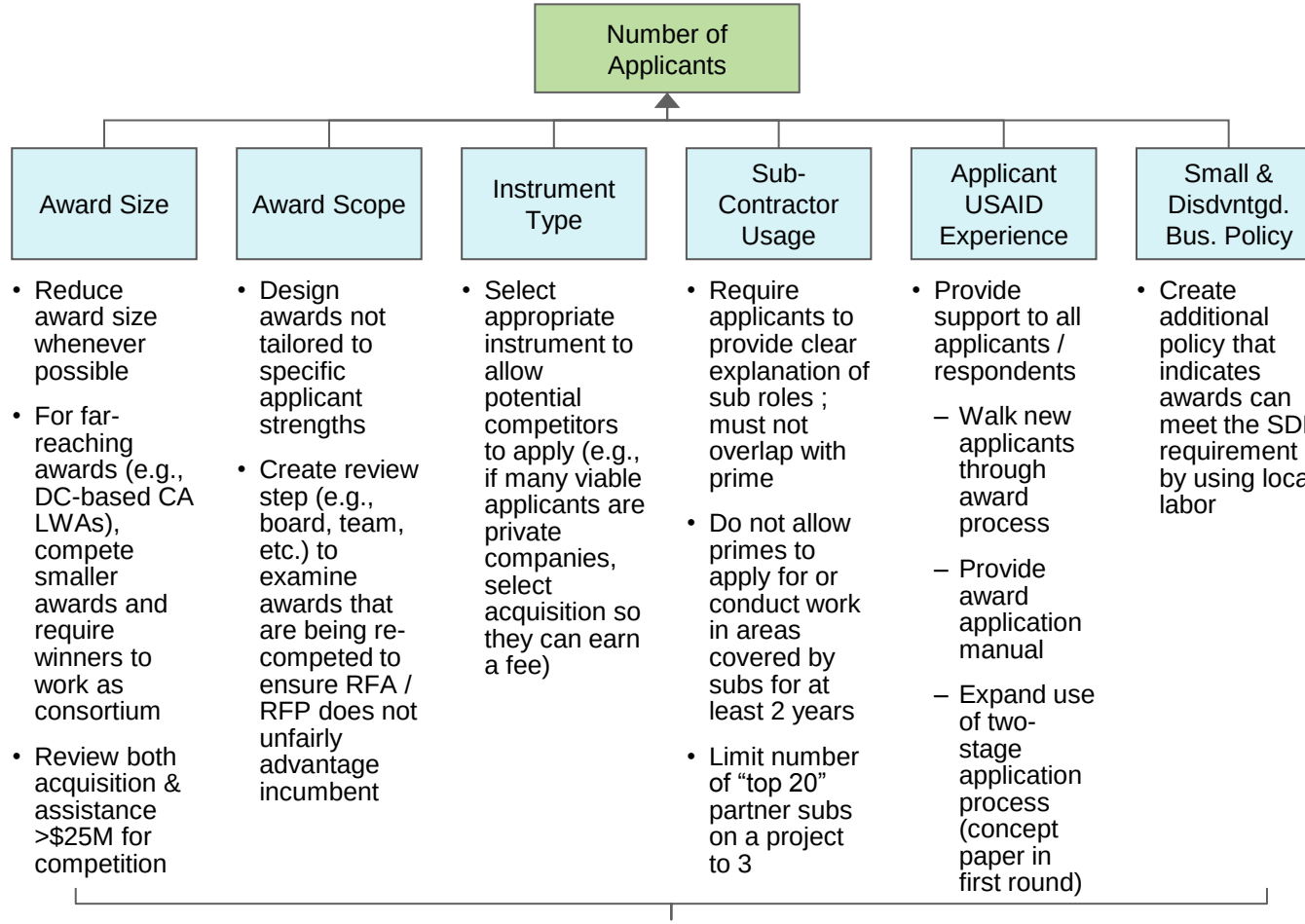
Recommendation 5: Promote competition

Put new policies in place to promote greater competition – a key factor in gaining value for money

Recommended Actions

- **Continue to promote full and open competition** for awards when possible, per ADS 300 guidance
- **Align on factors** that drive number of applicants / respondents
- **Develop new practices / policies** to address each driver
- **Pilot / pressure test new potential practices / policies** and measure impact on competition
  - Implement those that are successful

Potential New Competition Policies / Guidance



Track competition *(e.g. number of applicants / respondents) to understand best practices in RFA / RFP structure, and to follow progress of competition promotion*

Recommendation 6: Assess and incent partner performance (1 of 2)

Regularly assess partner performance and value for money within USAID awards and across the relevant award portfolio (e.g., Global Health)

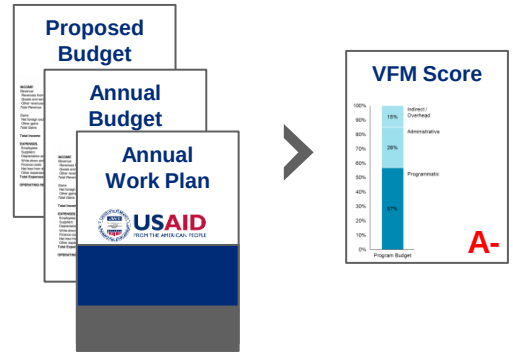
Recommended Actions

- **Establish value for money evaluation** criteria and inform partners
- **Conduct value for money evaluations throughout the award life**
  - Incorporate into annual reviews and award close-out
  - Risk adjust for situations outside partner control
- **Create a "partner report card"** incorporating performance and value for money information for a partner across their awards
- **Track partner performance** over time across awards
  - Identify award types, geographic regions, or program elements in which partner performs both well and poorly
  - Use information in selecting partners for future awards
- **Track commodity costs** to benchmark against other awards

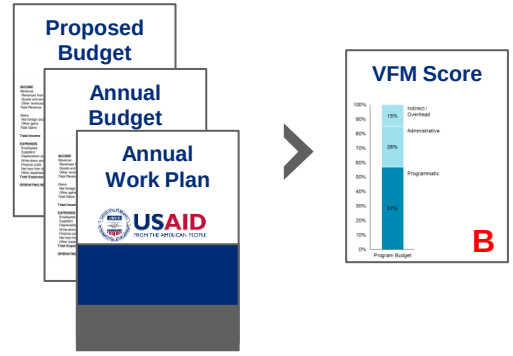
Example Partner Value for Money Assessments

1 Assess value for money at the award level → **2 Create value for money report card at USAID level**

Award 1



Award 2

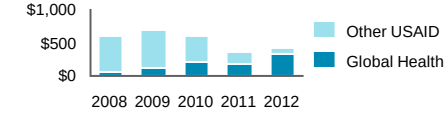


NGO #1 **B+**

1. Active / Past Projects

Prime for Indonesian family planning award; sub for capacity building project

2. Annual USAID Funds



3. Strengths and Weakness

Partner has had difficulty starting awards on time; frequently uses local labor to much success

4. Outcome cost benchmarks

Activity	Cost	Admin %	Status
Activity 1	$400K	13%	On target
Activity 2	$650K	17%	On target
Activity 3	$2.1M	8%	Behind schedule

5. Government Audits

See Appendix E

Frequency	Every 3-6 Months	Annually
Owner	Global Health	OAA

Recommendation 6: Assess and incent partner performance (2 of 2)
Provide rewards and consequences reflecting partner performance

Recommended Actions

- **Tie evaluation to rewards / consequences** to motivate partner performance
  - Vary rewards / consequences based on instrument type (acquisition vs. assistance)
- **Build legal terms into award document**[1] to enable scope reduction or award close-out when partner performance is below expectations
- **Incorporate incentives on a variety of levels**, including award level, USAID-review level, and potentially beyond USAID via published reports

Notes: Legally binding contractual agreement

Example Performance Incentives

Awards

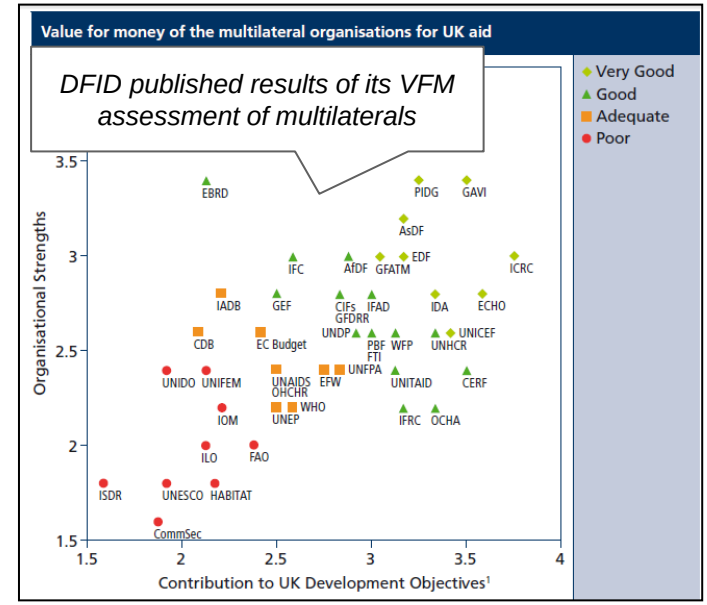
- Incorporate performance-based funding where possible
  - Incentive-based fee for acquisition
  - Fixed + variable tranches, payment-by-results or other structures in assistance
- Adjust level of AOR involvement in overseeing award per evaluation findings
- Decrease scope or, in extreme cases, close-out award if value for money not achieved

USAID

- Incorporate report card grades into future solicitation evaluations in a standardized fashion to incentivize continuous improvement in VFM

Global

- Publish partner VFM reports to increase transparency and reward top performers



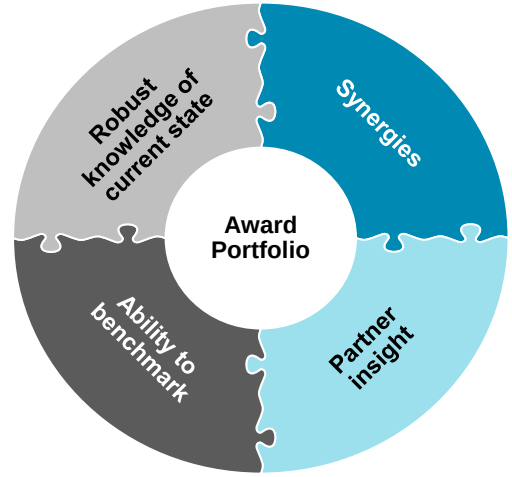
Recommendation 7: Manage universe of awards as a portfolio

Aggregate and leverage information across all active awards to create award synergies, partner insights, and performance benchmarks

Recommended Actions

- Capture and store **award attributes in a central system**, including:
  - Attributes tracked in GLAAS (e.g. instrument, awarding office, funding sources)
  - Award objectives, metrics, performance, summary of key learnings, PAD contents, etc.
- Ensure award information is easily **accessible and searchable**
  - Database should permit cross-cutting award views (e.g. total OHA spending in Kenya)
- Develop **dashboards to provide regular reports on USAID funding**
  - Simplifies and automates portfolio review both internally and for Congressional updates
- **Formulate checklist for portfolio management during award design and management**
  - Reduce unnecessary duplications
  - Identify opportunities for shared services
  - Increase knowledge of partner activity to inform performance management
  - Leverage best prices for programmatic activity
- **Begin with GH and expand to other bureaus over time**

Example future portfolio management checklist



USAID
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1. Robust knowledge of current state

☑ Are similar awards being performed in the same location?

2. Synergies

☑ Are similar services / resources being used for awards in the same locations?

3. Partner insight

☑ Is Partner X a prime or sub for another award in the same location?

4. Ability to benchmark

☑ Have awards with similar objectives / elements / etc. been performed?

☑ Have we compared the costs for specific activities in similar awards?

Recommendation 8: Enable organizational performance (1/2)

Equip personnel with the right skills to assess value for money, hold them accountable, and provide proper career incentives

Recommended Actions

- **Enable personnel** to meet organizational goals with proper training and supportive policy
  - Build new capabilities (e.g., hire new types of personnel) if needed
- **Hold personnel accountable** for their responsibilities
  - **Communicate the desired end state** and metrics that will be used to measure progress, on an Agency level, and performance, on a personnel level
- **Incentivize achievement** of organizational goals
- **Institutionalize collaboration** between GH and M/OAA
- ***Leadership*** *needs to communicate the importance of value for money in the context of development*

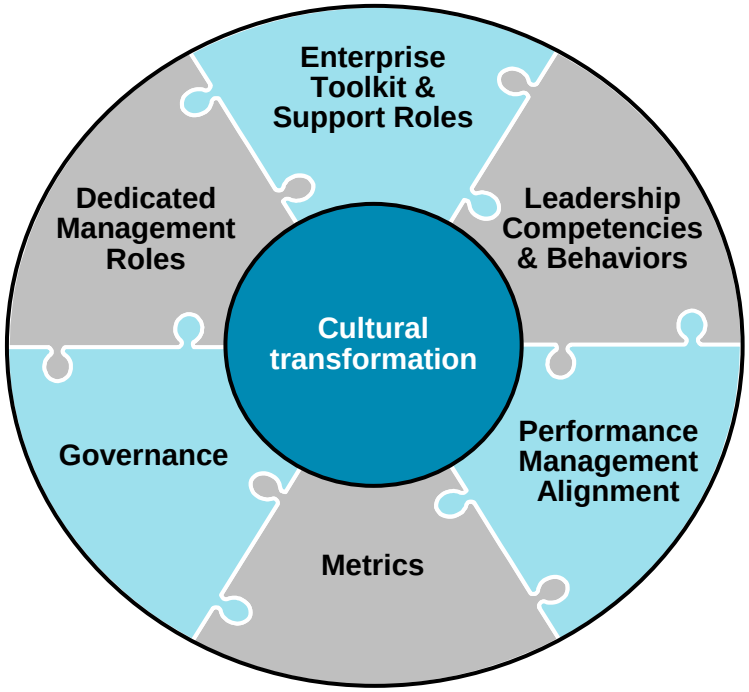
Example : Joint Training & Performance Management Plan

	CO / AO	COR / AOR
Training	• Value for money curriculum: – Cost evaluation in relation to outcomes – High-level programmatic training (e.g. typical activities needed to achieve common objectives)	• Value for money curriculum: – Defining SMART project objectives – Evaluating costs in relation to outcomes during award design and management
Staff Configuration	• Work together as integrated project teams (IPTs) to design, compete / solicit, and manage awards, co-locate staff in same office	
Performance Accountability	• Responsible for conducting value for money assessments in solicitation / competition (not just checking for cost realism)	• Responsible for tracking partner progress against SMART activities and outcomes, as well as costs, defined in proposal • Responsible for adding to set of activity / cost benchmarks
Performance Incentives	• Provide public recognition for utilizing best practice (e.g., best practice RFAs are highlighted in monthly M/GH newsletter) • Incorporate into performance evaluations (AEFs)	• Provide public recognition for utilizing best practices • Incorporate into performance evaluations (AEFs)

Recommendation 8: Enable organizational performance (2/2)

Cultural transformation is a critical component of enabling staff to successfully implement new value for money activities

6 dimensions to consider that enable cultural transformation:



Enterprise Toolkit & Support Roles
- Two types of toolkits: transforming the organization (e.g. via training, policy updates and communication) and managing the change associated with the new practices
- Dedicated teams that support current and new information management systems

Governance
- Ongoing review of organizational performance
- Collective responsibility
- Operational excellence a constant in VFM language

Dedicated Management Roles
- Establish a team lead for the Organizational Model and Staff Training Operational Support Workstreams
- Giving that role operational responsibilities to enable actions based on transformation performance

Leadership Competencies & Behaviors
- Leaders from GH and M understand and support the new operating model
- Leaders are comfortable with the metrics driven management approach to monitor transformation progress
- Empower leaders to guide their teams

Metrics
- Leadership to select Key Performance Indicators to monitor progress of transformation of organizational performance
- Team lead(s) for the Organizational Model and Staff Training Operational Support Workstreams responsible for reporting on metrics and empowered to make operational decisions based on reported progress

Performance Management Alignment
- Giving teeth to metrics and behaviors through linkage into the performance management methodologies (e.g. enabling team leads to make operational decisions based on reported progress)

Recommendation 9: Produce right data for right people at right time (1/2)

Gather appropriate data to enable AOs/COs and AORs/CORs to assess value for money across the award life cycle

Recommended Actions

- **Gather specific and standard information** from every award
  - Ensure information is sufficient for value for money assessments throughout award life cycle
- **Enable data capture**
  - Partner online application portal (e.g., e-forms)
  - Standardized RFA / RFP, budget, work plan templates
  - Portal for easy manual data entry
- **Develop IT system** that can be easily accessed, maintains data quality through use of electronic documentation, etc.
  - High search functionality and information usability
  - Link systems / tools through single interface covering award life cycle
- **Create dashboards** to provide relevant, timely, insightful information
  - Tailor system outputs to meet personnel needs

Example Data Requirements

Data needed

Award-level	Organizational	External
• Current and prior award info, searchable by key attributes • SMART metrics and corresponding application examples • Past partner performance • Direct cost benchmarks by region / award type	• Standardized templates, i.e. performance reports • Recognized areas of expertise within USAID • Identified activities that historically realize successful outcomes and value for money • Instrument type guidelines	• Commodity price benchmarks • Partner performance across USG and peers • Similar activities (current and historical) conducted by peers • Specific best practices across peer aid agencies

Process

Design → Solicitation/ Competition → Manage → VFM Performance

Award Decisions

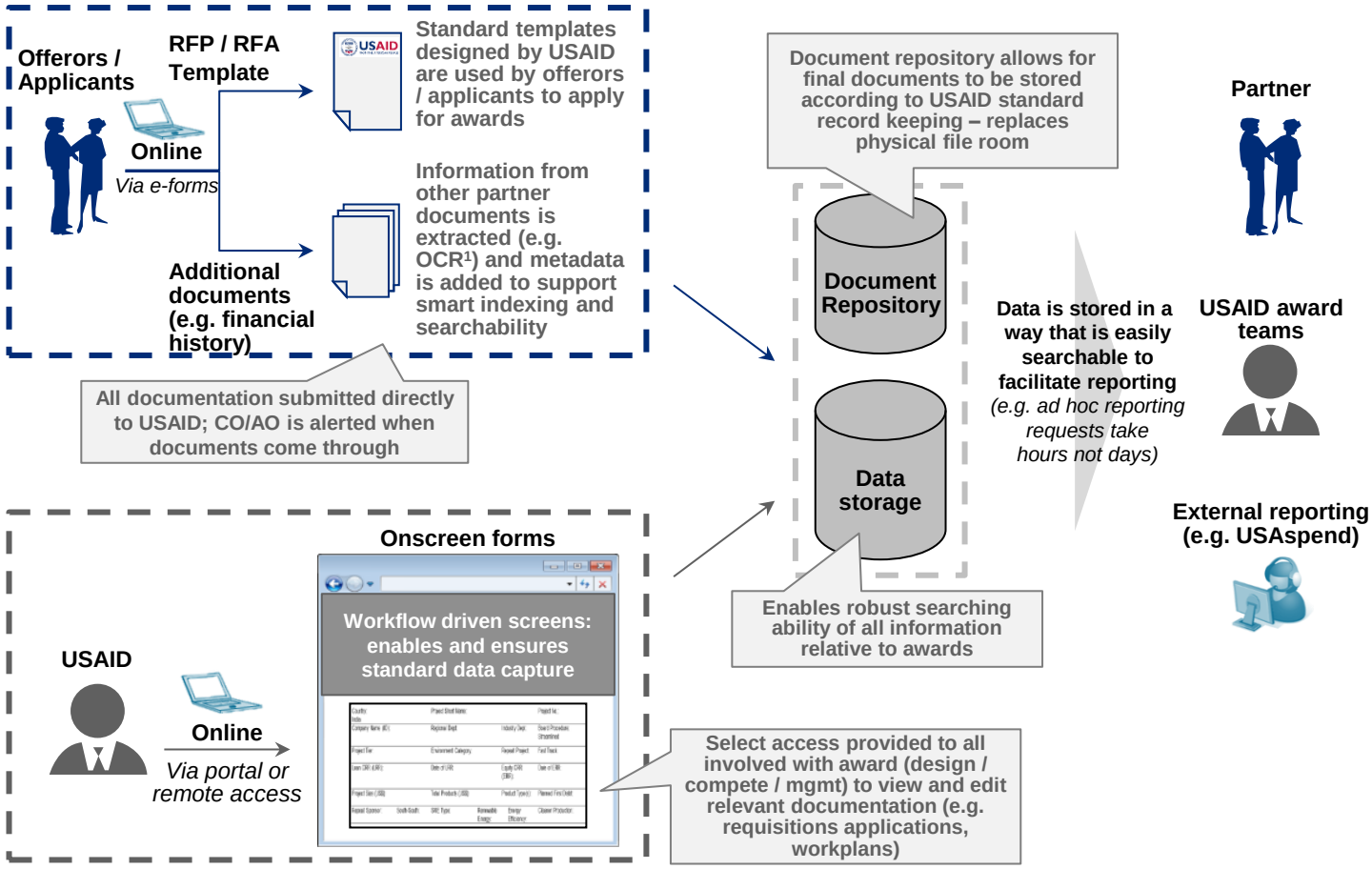
Design	Solicitation/ Competition	Manage	VFM Performance
• Objectives • Size and Scope • Place of performance • Instrument type • Activities • Indicators to measure activities	• Compare proposals / applications in standard format • Determine best value for money proposal / application • Check costs for realism and programmatic relevance	• Progress of award toward milestones • Value of money based on award progress	• Success of award • Value for money as compared to similar awards • Best practices

Recommendation 9: Produce right data for right people at right time (2/2)

A comprehensive system (or set of linked systems) is needed for data collection, workflow management, and reporting

Inputs to a workflow driven information management system can come from USAID and Implementing Partners

Information management system includes data and document storage that is accessible to multiple users



Benefits that enable VFM

Reduction in time spent editing, searching and sharing

- Content entered into USAID Information Management system is stored centrally and accessible through multiple channels
- Documents can be transferred quickly, without the need for printing or scanning

Enabling of parallel processing

- Multiple users can view applications and documents concurrently, specific documents can be checked out for editing to ensure version control

Elimination of manual tasks

- Many award tasks can be directly entered into system, eliminating the need to produce lengthy documents when templates can be created ahead of time
- OCR[1] can be used to capture data fields from paper forms, eliminating the need for manual data entry

Easier status checks / traceability

- Document repository stores all data fields filled out during award process and includes automatically updating the workflow tool that shows award status

1. OCR: Optical Character Recognition – common method for digitizing paper files, information from files can then be stored and searched easily

Recommendation 10: Streamline and standardize A&A process

Processes and tools underpinning and sustaining a value for money culture should be standardized to the extent possible

Recommended Actions

- **Minimize variation and remove non-value added activities** to streamline A&A processes
- **Clearly define processes** to design, solicit / compete, and manage awards in a way that leaves very little room for interpretation
- Where possible, **utilize tools and technology to automate A&A processes** to decrease errors, variation, and time necessary to design, solicit / compete, manage award
- **Assign process owners and metrics** to individual transformation steps in order to monitor success
- **Enable easier training** of new staff / handoff of awards when staff rotate between DC / field
- **Identify areas of variation in award process**, evaluate to ensure adding value

Desired End State

	Design	Solicit / Compete	Manage	VFM performance
	Defined processes enabled by A&A policy directives (AAPDs)			
Standardized	All COR / AORs receive the same training on designing awards with SMART principles and conveying this in the RFP / RFAs	Proposals / Applications must be evaluated with cost contributing to at least 20% of the evaluation criteria	Level of involvement (e.g., meeting cadence, activity mgmt.) during award is standardized and stated explicitly in policy for A&A	Metrics used to monitor Agency performance and reporting deadlines should be consistently applied to Operating Units
Flexible	Based on award type and objectives, application of SMART principles can vary	COR / AORs can increase the level of weight carried by cost in the evaluation above 20% if they believe it will result in high value for money	COR / AORs can increase or decrease level of involvement based on predetermined risk factors (e.g., geo, expertise); must justify according to policy	Operating Units may have different mechanisms / cadences for collecting metrics and incentivizing performance but must satisfy Agency std.

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USAID AWARD COST EFFICIENCY STUDY
GLOBAL HEALTH A&A AWARD-LEVEL ANALYSES

December 6, 2013

MARSH & McLENNAN COMPANIES

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Contents

Context: Award-level analysis workstream overview and objectives

Sixty awards were analyzed to estimate cost redeployment opportunities, both in the existing Global Health portfolio and for future awards

Supporting research
- Oliver Wyman and external best in class supply chain/ sourcing practices
- Fact-based analysis of USAID award universe to elucidate and support findings

Process evaluation (top down)
- Develop process maps from:
- Review of relevant policies and procedures
- USAID interviews
- Processes include: Funding, pre-solicitation, solicitation of an award, award management

Partner outreach (lateral)
- Conduct 25 partner interviews
- Finalize approach
- Develop learnings capture template
- Synthesize findings

Stakeholder management
- Weekly reviews with USAID working team
- Senior Leadership check-ins
- Administrator updates
- ACES Panel presentations

360° evaluation of award-level savings and future cost avoidance

Award analysis (bottom up)
- Refine efficiency levers
- Finalize award scope and actual sample; extrapolation methodology
- Analyze 60 awards across Phases 1-2
- Validate with USAID
- Capture and distill findings by lever

Objectives

- Directionally **quantify award-level potential current savings / future cost avoidance**
- **Estimate total savings / cost avoidance** potential in GH portfolio based on individual award analysis
- **Incorporate results into systemic findings**, conclusions and recommendations to enhance cost-effectiveness of USAID A&A process

Context: Global Health A&A Award-level Analyses

- Objective: This document is a **compilation of the methodology and findings from the award-level analysis conducted for 60 Global Health awards** as part of the Award Cost Efficiency Study (ACES)
- Contents: This document **outlines the approach and steps taken to conduct the award-level analysis**
  - The body of the document is organized along these four steps
    - Award selection: How were the 60 awards selected from the A&A universe?
    - Value lever identification: What were the sources of value identified in awards?
    - Value lever application: How were these value levers applied to awards, and how were savings calculated?
    - Savings extrapolation: Based on the savings identified in the 60 awards, what is the total potential opportunity across the A&A universe?
  - The appendix contains supporting material, explanation of sources used, and detailed calculations / findings
- Note: The **60 award review summaries can be found in a separate companion document** ("Compendium of award profiles for 60 awards reviewed") and on the USAID O drive

Context: ACES parameters and constraints

Study parameters

Scope:

- Program management and G&A efficiencies assuming same technical content
- Bottom-up opportunities (looking at individual cost elements and activities) vs. top-down
- Selected A&A awards
  - Electronic and paper-based physical files
  - Proposed budget*
  - Additional supporting files, e.g:
    - RFA/RFP
    - negotiation documents
    - technical evaluations
    - annual budgets and work plans
  - Interviews with CO/AOs and COR/AORs

Constraints

- Award files often not complete or fully analyzable
  - E.g., missing negotiation memo, detailed budgets, TEC memo, annual work plans, etc.
  - E.g., budgets not tied to program objectives
- Actual spend vs. budget not available/not captured at budget line item level
- Sub-contractor/sub-recipient work plan and budget detail not available (~50%)
- CO/COR and AO/AOR availability limited (~66%)
- Access to NICRA accounting**
- Access to annual audits or IG reports

** Assumed to be representative of actual outlays*
*** Limits understanding of how NICRA funds may overlap with separate administrative and indirect budget line items*

Section 2 | Award-level analytic approach and results

Methodology overview

We applied ten ‘value levers’ to the relevant subset of A&A awards to generate savings ranges which were extrapolated to the broader ACES award scope

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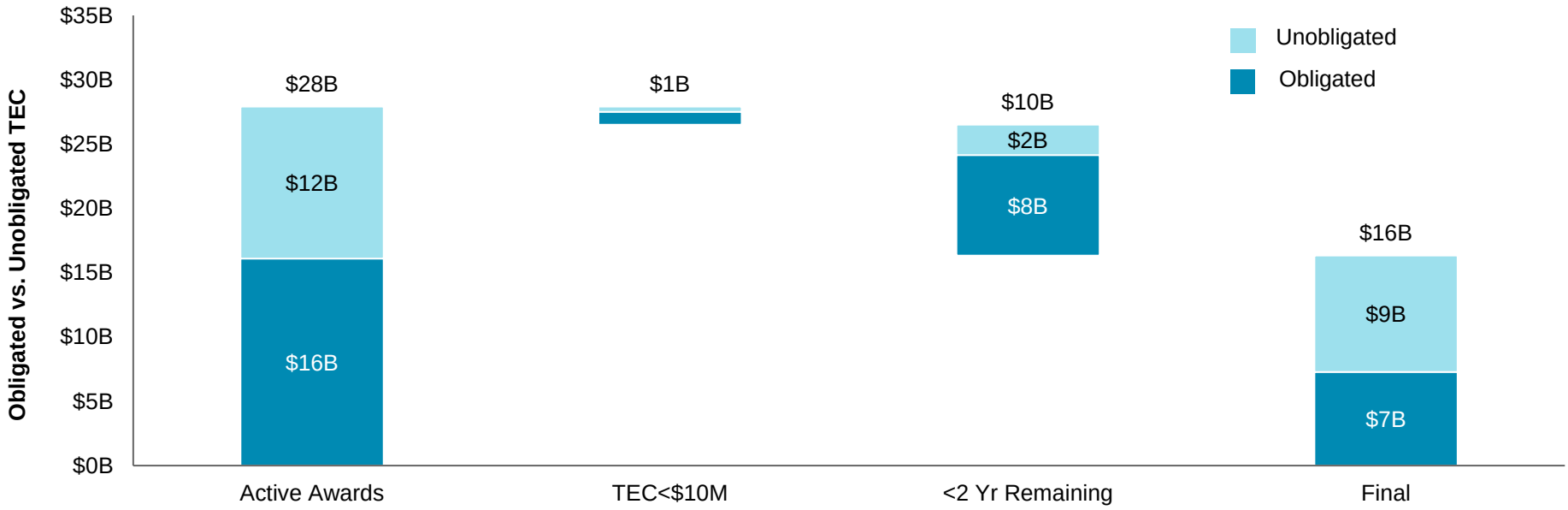
Award selection: How were the awards within ACES' scope selected?

Within the active GH award universe, ACES scope was defined as comprising 226 awards with at least 2 years remaining and $10M or more in TEC

Breakdown of awards in scope

Based on selection of relevant GH awards from Global A&A system (as of July 2013)



# Awards	1,111	−	672	−	213	= 226
Rationale			Too small to warrant detailed review		Insufficient time remaining to realize savings	

Note: The definition of active awards and ACES Scope changed over the course of the ACES Project based on direction from USAID; upon further review GH flagged certain awards originally included as "out of scope"

Source: Extract from GLAAS (July 2013) provided by M / ACES working team, Oliver Wyman analysis

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Value levers: What were the economic principles used to identify opportunities?

Ten value levers for improving the economic value of individual awards exclusive of programmatic outcome were applied to 60 awards

#	Value lever	Description	Example source of savings
1	**Detailed Definition**	• Clear project objectives and measurable performance targets in RFPs enable cost evaluation and assessment against performance targets	• Adjust award scope so that costing can be more specific and measurable
2	**Approach Optimization**	• Use of more innovative approaches to achieve award objectives and eliminate lower value-added activities	• Cost differential between original and optimized approach (e.g., use of text messaging vs. in-person survey)
3	**Shared Services**	• Sharing goods/services across related awards or eliminating duplicated activities across awards (e.g., vehicles, capacity building)	• Satisfy both infant mortality and HIV/AIDS program objectives with single shared educational service award
4	**Increased Competition**	• Enhance competition throughout the award process by modifying RFP process or criteria, award size/scope/type, award scope, instrument	• Cost of Task Order under different IDIQ competitive scenarios
5	**Cost Evaluation Prioritization**	• Increased weighting and consideration of cost criteria (assuming comparable scope and technical acceptability) and cost accuracy; also value/cost tradeoffs considered at the same time	• Cost differential available from lowest acceptable technical bids
6	**Optimal Cost Benchmarks**	• Assess partner / vendor cost proposals against available global benchmarks for given commodities or services	• Budgeted costs vs. benchmarks
7	**Local Labor and Services**	• Greater reliance on in-country labor/services to lower personnel-related costs	• Salary, fringe, travel cost differential using local vs. HQ staff for certain roles or activities
8	**Subcontractor Management**	• Review usage of subcontractors for unwarranted prime overhead costs and to raise total overhead cost visibility associated with prime-sub relationships	• 'Nested' overheads within prime-sub contracts or assistance
9	**Economies of Scale**	• Bulk procurement of frequently purchased goods/services; annual cost/OH reductions from increased size/volume of awards	• Savings available from volume awards or bulk purchases
10	**Process Optimization**	• Improve award processes / automation to reduce overhead/administrative costs for partners / vendors	• Overhead cost reduction potential directly tied to award process requirements streamlining

Note: two additional analyses – performance-based competition and continuous improvement effect – are applied top-down based on levers identified and on empirical research

Source: Oliver Wyman analysis

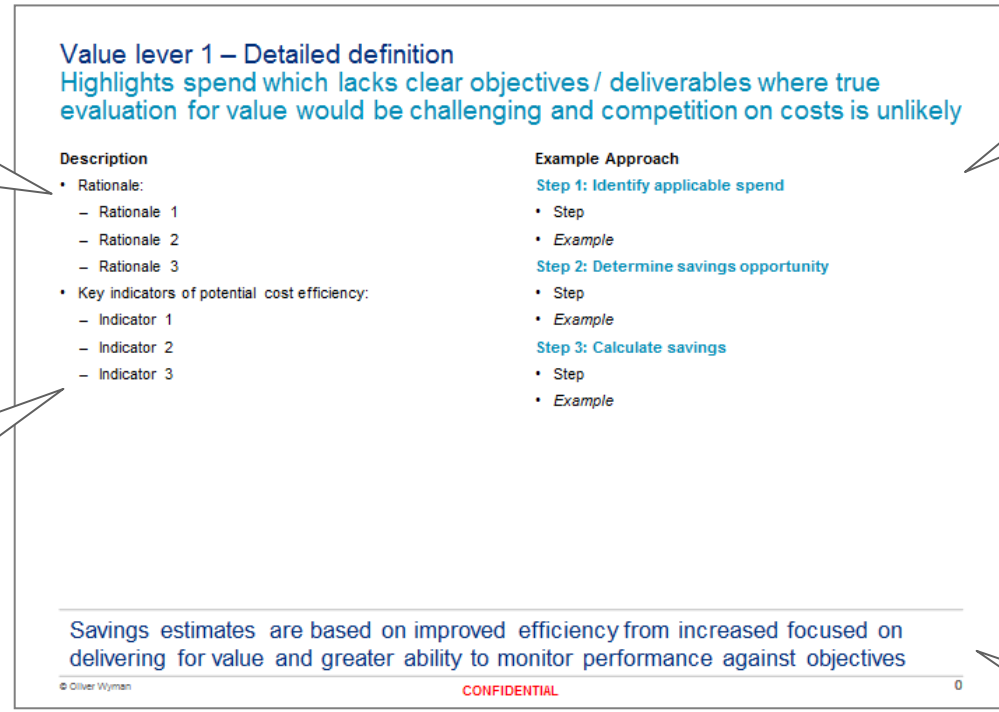
Value lever application: How were the value levers applied?

Value levers were applied to individual awards looking at individual cost elements and activities systematically

Methodology for each value lever

What are the reasons for applying this value lever?

How do you know when to apply this lever?



Value lever 1 – Detailed definition

Highlights spend which lacks clear objectives / deliverables where true evaluation for value would be challenging and competition on costs is unlikely

Description

- Rationale:
  - Rationale 1
  - Rationale 2
  - Rationale 3
- Key indicators of potential cost efficiency:
  - Indicator 1
  - Indicator 2
  - Indicator 3

Example Approach

Step 1: Identify applicable spend
- Step
- *Example*

Step 2: Determine savings opportunity
- Step
- *Example*

Step 3: Calculate savings
- Step
- *Example*

Savings estimates are based on improved efficiency from increased focused on delivering for value and greater ability to monitor performance against objectives

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How do you calculate savings for this lever?

Generally will fall into two categories:

- Bottom up: Identify difference between current spend and optimal spend
- Empirical research: Identify applicable spend, then estimate % savings opportunity based on case studies

What is the ultimate source of savings?

See appendix for description of how and how often each value lever was applied

Value lever application: How frequently were levers applied?

In two-thirds of awards reviewed, cost avoidance could be realized via clarified project scopes, use of cost as an evaluation criteria, and benchmarking costs

Lever frequency
Based on 60 awards reviewed

	#	Value lever	Frequency: DC-Assistance (n=26)	DC-Acquisition (n=7)	Field-Assistance (n=25)	Field-Acquisition (n=2)	**Total (n=60)**
Project scope	1	**Detailed Definition**	20	5	17	0	**42**
	2	**Approach Optimization**	10	3	13	2	**28**
	3	**Shared Services**	13	0	14	2	**29**
Competition and negotiation	4	**Increased Competition**	10	6	8	0	**24**
	5	**Cost Evaluation Prioritization**	20	7	13	1	**41**
Cost Control	6	**Optimal Cost Benchmarks**	15	5	19	1	**40**
	7	**Local Labor and Services**	4	0	5	0	**9**
	8	**Subcontractor Management**	9	4	6	1	**20**
	9	**Economies of Scale**	0	0	0	0	**0**
	10	**Process Optimization**	3	3	2	2	**10**

At least 2/3 of total award type

Note: two additional analyses – performance-based competition and continuous improvement effect – are applied top-down based on the empirical research
Source: Award files, Oliver Wyman analysis; future potential award savings

Value lever quantification: How do we think about the opportunity to redeploy funds from awards?

We distinguished two types of costs: those realizable on the active portfolio, others that will come from future awards

	Potential redeployment from current awards	Potential redeployment on future awards
Description	• Savings that can be generated from existing awards if certain provisions are renegotiated or recommended changes are made in ongoing award management – e.g., application of optimal cost benchmarks to future purchases • Savings range reflects likelihood of success in re-negotiation, not factoring in costs, based on OW judgment	• Future cost avoidance that will be realized if awards are made reflecting enhanced processes, capabilities and policy implementation − e.g., performance-based awards that encourage competition and cost evaluation

Redeployment Potential
Based on review of 60 awards

• Calculated as % ranges based on Award Type, then discounted for probability of success (n = 60)

Award Type		Low Range	High Range
DC	Acquisition	1%*	2%*
	Assistance	2.0%	2.4%
Field	Acquisition	0%	1%
	Assistance	2%	3%
Total		**1.7%****	**2.3%****

* Note: 4-7% on non-commodities; 0% opportunity assumed on commodities due to lack of available information and centralized nature of commodity purchases, actual opportunity may be greater
** Note: Assuming 100% success rate would make range 3% - 4%

• Calculated as % ranges based on Award Type (n = 60)

Award Type		Low Range	High Range
DC	Acquisition	3%*	4%*
	Assistance	9%	11%
Field	Acquisition	20%**	32%**
	Assistance	10%	14%
Total		**6%**	**8%**

* Note: 13-18% on non-commodities; 0% opportunity assumed on commodities due to lack of available information and centralized nature of commodity purchases, actual opportunity may be greater
** Note: Due to small sample size (n=2), DC Acquisition non-commodities range of 13-18% used for Field Acquisition awards

Source: Oliver Wyman analysis; Note: Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Value lever quantification: What is driving the upper and lower range of redeployable funds estimates?

Cost avoidance percentages are presented as ranges for two reasons:

1 **Reflects cumulative effect of uncertainty in budget data when aggregated**

Example

- Prime is charging overhead to manage sub-contractors that have significant USAID experience
- Data is not available to explain how prime overhead is being used and why it is needed
- Based on other projects that eliminate prime overhead to manage subs, theorize portion or all of prime overhead could be eliminated
- Therefore savings presented as range – i.e., portion to all of prime overhead

2 **Reflects alternative, mutually exclusive scenarios**

- Multiple award recipients for similar awards operating in overlapping regions can share administrative / office costs
- Estimate roughly 10% savings if basic support services are shared (e.g., overhead / administrative functions)
- Estimate 50% savings if award recipients fully share offices

Source: Oliver Wyman analysis

Value lever quantification: What is the sensitivity of current redeployable savings estimates to our probability of success assessment?

Time remaining and justification as basis for renegotiating awards determine redeployment potential

Effect of timing

- Savings not applicable to funds already obligated
- Current awards have finite remaining life (2–5 yrs)
- $7.3B already obligated to awards in ACES scope (226); $9.0B left
- = Foregone savings of $70 – $90M

Effect of probability of success

Probability of recovery	Justification for savings given award data	Level of effort to prove savings	Potential realizable savings ($M)	Award examples
Not likely 	Very limited →	Heavy	No Savings	*Shared Services* • Potential to re-use previous project equipment; however, as award is in Year 3, set-up costs already incurred
Low probability 			30 – 50	*Approach Optimization* • AOR indicated high travel costs could be reduced; however, global scope may indicate majority of travel actually required
Moderate probability 	Moderate →	Moderate	70 – 90	*Sub-Contractor Management* • Likely duplicity in sub-contractor roles – little justification in tech Q&A but no sub-award budgets available for analysis
Strong probability 			100 – 140	*Optimal Cost Benchmarks* • Reducing travel costs (e.g. number of trips or cost of tickets) which have not yet been budgeted for
Very likely 	Strong →	Minimal	140 - 190	*Optimal Cost Benchmarks* • Original budget denominated in USD, yet South African inflation rate applied; clear justification exists to equalize

OW assessment range = $80-100M on 60 awards

Note: Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

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Extrapolation of results: How are the ACES analytic approach and results conservative?

Scope of award analysis

- Program management and G&A focus vs. program effectiveness
- Technical evaluation or merits out of scope
- Subset of award universe (226 largest vs. 1111 active; PIOs/IAAs excluded)

Award analysis approach: Future award potential savings

- Many levers unquantified or unquantifiable despite empirical approach
- Data limitations preventing
  - Comparison of budget to program objectives
  - Investigation of Comparison of budget with actuals
  - Comparison of NICRA with programmatic indirect costing
  - Investigation of sub-awards
- Except in case of egregious items (e.g. pool cleaner), acceptance of standard allowance costs and existing negotiated agreements (e.g. service center costs)
- Exclude commodities from empirical savings percentages, assuming that no savings opportunities exist on commodities
- Conservative empirical savings estimates to account for unique dynamics at USAID (e.g. lower percentages for performance-based competition applied to assistance awards)

Award analysis approach: Current award potential savings

- Bottom-up approach to renegotiation (individual partners and awards)
- Bottom-up approach to recovery, with realistic probability weighting
- Assume obligated is unrecoverable
- Assume current award savings on unobligated spend only
- Assume current awards cannot be recompeted (within same award)
- Assume current award savings apply to awards in ACES scope

Savings extrapolation approach

- Use % unobligated in relation to historic obligated TEC % by instrument for the current savings
- Use historic % obligated in relation to TEC by instrument for the extrapolation

Additionally, ACES is focused on inefficiency in program management vs. evaluating programmatic effectiveness − understates likely savings potential

Caveats around ACES award-level analyses

Given data limitations, award analyses should be used to understand general magnitude of potential savings / cost avoidance and areas for further exploration

Data limitations / caveats

- Budget data was used as the basis of savings / cost avoidance analysis
  - Expenditure data was not available for analysis
- Proposed budgets and annual budgets differed significantly across many dimensions
  - Programmatic relevance: Majority of budgets that provided line item detail did not link line items to activities, making it impossible to evaluate costs in relation to outcomes
  - Structure: Some workplan / annual budgets were activity-based and not broken out by line item or traditional cost categories
  - Level of detail: Some provided budgets were aggregated to a handful of broad categories, while others included detailed line items (e.g. “labor” vs. specific titles and level of effort)
  - Availability: Some budgets not available for review; others only had proposed budgets available
- Given turnover and TDY, often difficult to schedule interviews with AO/CO or AOR/CORs with sufficient context and institutional knowledge to speak to specific awards

Implications for use and interpretation of data

- The bottom-up award analysis approach allowed us to assess cost inefficiency across a selection of awards in the A&A universe
- This analysis does:
  - Offer a sense of general magnitude of the total potential savings / cost avoidance opportunity
  - Provide insight into the relative importance of specific issues / value levers
  - Provide specific award examples of broader policy / process findings in the Award Cost Efficiency Study
- However, given the data limitations, these award analyses do not, on their own, provide sufficient information to renegotiate specific awards
- Note that the savings / cost avoidance figures identified **do not** include the costs associated with the changes required to realize these savings

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future awards until FY2019

Appendix

Appendix contents

Section		Appendix contents
1a	Award selection	• List of 60 awards analyzed • *60 awards analyses (separate document)*
1b	Value lever identification	• *None*
2	Value lever application	• Value lever application methodology • Empirical analysis sources • Lever application findings
3	Savings extrapolation	• Extrapolation supporting materials • Extrapolation calculation steps

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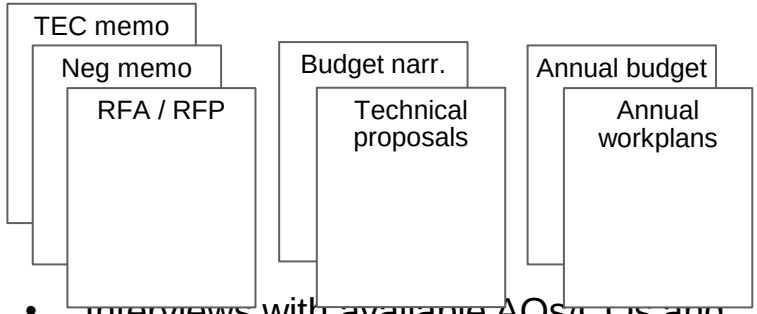
Value lever application methodology

To understand the total potential opportunity available in the Global Health portfolio, we reviewed a selection of 60 awards to determine which levers apply

Analysis of 60 awards

- Award files



- Interviews with available AOs/COs and AORs/CORs, negotiators, and A&A specialists & feedback on draft award summaries
- Secondary research (e.g. project and applicant / offeror websites, publicly available annual reports)
- Validation from ACES working team at USAID

Output

- Based on primary and secondary research, developed 60 award summaries that include
  - Award overview dashboards: Details from GLAAS, proposed budgets, general description of award
  - Award process overview: Notes on RFA, negotiation process and progress to date
  - Future award applicable levers and quantification of cost avoidance opportunity
  - Empirical analysis application: Rationale for quantification of savings based on empirical analysis
  - Detailed lever-specific analysis: 1-page back-up for each quantified lever
  - Next steps / areas for further exploration

Value lever application methodology: Value lever 1 – Detailed definition

Highlights spend which lacks clear objectives or specific deliverables, making value assessment and cost competition challenging

Description

Rationale:

- Clear project objectives, measurable targets in initial RFP/ RFAs enable cost evaluation and assessment against metrics
- Lack of detail in objectives and performance targets can lead to vague budgeting
  - Often done at the award level and not broken down into discrete deliverables
  - Proposed costs matching the published TEC exactly
- Very difficult to evaluate cost proposals in awarding phase and performance in the field during implementation without detailed objectives, timelines, deliverables and budgets

Key indicators of potential cost efficiency:

- Very broad scope (e.g. improve general health system)
- Lack of quantifiable performance targets (e.g. no metrics such as “85% of children <5 yrs slept under LLIN”)
- Recipient neglects to clarify purpose for large portions of proposed budget, which seem to be used to fill gap to match TEC

Example approach

Step 1: Identify applicable spend

- Identify the spending dedicated to unclear objectives
- *Example: Line item ($43.5M) in proposal stated that the exact purpose would be determined when “programmatic needs on a country level have been identified”*

Step 2: Determine savings opportunity

- Savings rate based on assumption that lack of clarity leads to padding of budget
  - Creates no incentive to improve processes / reduce cost to stay competitive and limits ability to evaluate appropriateness of budgets
- Lever works with increased competition and cost evaluation prioritization to drive 15% savings based on empirical research

Step 3: Calculate savings

- Multiply applicable spend * savings opportunity (i.e., 10%)
- Empirical savings estimate of 15% is discounted to 10% to avoid double counting

Savings estimates are based on improved efficiency from greater focus on delivering for value and ability to monitor performance (incl. cost) against objectives

1 – SMART = Specific, measurable, attainable, relevant and time-bound

Value lever application methodology: Value lever 2 – Approach optimization

Identifies opportunity to deliver the same award objectives more cost effectively

Description

Rationale:

- Some types of spending may not be required to achieve programmatic objectives or may present opportunities to substitute lower-cost activities
- Identification of lower value-add activities could divert funding toward programmatic goals within the award or in other awards

Key indicators of potential cost efficiency:

- Significant start-up spend (e.g. office space) despite recipient managing a similar predecessor project
- Significant domestic spending for field activities (e.g. "domestic commuting" or DC office equipment)
- More resources than required to deliver on objectives (e.g. large number of staff)
- Funds spent on programmatic global-level activities that were not implemented at the field level
- Opportunities to substitute lower-cost activities to achieve programmatic goals (e.g. in-person vs. text message surveys)

Example approach

Step 1: Identify applicable spend

- Based on detailed budget information, identify budget categories not required to achieve objectives
- *Example: Line item indicated intent to outfit a DC office for 14-person project staff (most already employed by org), despite having a fully functional DC office*
  - *Estimated at $3K per person * 14 people = $43K*

Step 2: Determine savings opportunity

- Identify alternative spending levels based on likely need
- *Example: Only 1-2 staff were not already employed by the organization*
  - *New office equipment / furniture likely needed for the 1-2 new staff totals $6K*

Step 3: Calculate savings

- Subtract alternative spending levels *($6K)* from applicable spend *($43K)*

Savings estimates are based on elimination or substitution of budget categories which are not required, or could deliver similar programmatic value at lower cost

Value lever application methodology: Value lever 3 – Shared services

Identifies overlapping or duplicative award activity that could suggest opportunities to share goods/services and collaborate in the field

Description

Rationale:

- Many award recipients share similar programmatic goals in the same geographic area
- Inconsistent coordination can lead to duplicative activities across awards
- Lack of portfolio management across awards leads to missed opportunities to share goods / services across related awards (e.g. vehicles, office space) or to conduct services in most effective manner (e.g. shared conference for HIV/AIDS and reproductive health)

Key indicators of potential cost efficiency:

- Multiple organizations based in the same location offering similar services (e.g. training events, microcredit program)
- Multiple organizations based in the same location in different office spaces

Example approach

Step 1: Identify applicable spend

- Based on detailed budget information from similar awards, identify overlapping budget categories
- *Example: Two related awards budgeted project management costs ($19.6M + $22.5M) but calculated costs in different ways despite similar scopes*

Step 2: Determine savings opportunity

- Identify alternative spending levels based on revised project approach utilizing shared services
- *Example: One award utilizes a central project management unit (PMU) to coordinate across project partners, incremental cost per partner is $1.2M. If second award utilized the same PMU for its four partners would add $4.8M (vs. projected $22.5M budgeted)*

Step 3: Calculate savings

- Subtract alternative spending levels *($4.8M)* from applicable spend *($22.5M)*

Savings estimates are based on reduction in duplicative spending among award recipients that is not providing increased programmatic benefit

Value lever application methodology: Value lever 4 – Increased competition

Program structure, award scope and process can impact the pool of potential awardees, reducing competitive pressure and need to differentiate on cost

Description

Rationale:

- Many savings opportunities stem from lack of number of bidders (greater competition)
- Competition is a natural way to ensure that bidders are focusing on increasing value for money
- Lack of competition places less pressure on incumbent to optimize approach, demonstrate achievement of objectives, and manage costs; and on USAID to evaluate program budgets

Key indicators of potential cost efficiency:

- Very large award size
- Criteria that heavily advantages incumbents
- Short amount of time to submit bids
- Only 1-3 technically acceptable bidders

Example approach

Step 1: Identify applicable spend

- Identify whether other organizations have capacity to manage the award or subset of the award
  - If AOR/COR believed recipient / offeror is the only organization able to manage award, lever not applied
  - If the AOR/COR believed other viable competitors existed, but did not compete, the lever was applied
- *Example: Increased competition could portion of total award budget ($35M)*

Step 2: Determine savings opportunity

- Lever works with detailed definition and cost evaluation prioritization to drive 15% savings based on empirical research

Step 3: Calculate savings

- Multiply applicable spend * savings opportunity (i.e., 10%)
- Empirical savings estimate of 15% is discounted to 10% to avoid double counting

Savings estimates are based on improved cost proposals for the same technical value as a result of increased competition

Value lever application methodology: Value lever 5 – Cost eval. prioritization

Highlights opportunities to reprioritize cost evaluation in the partner selection process

Description

Rationale:

- Technical and cost evaluations are frequently done separately and cost evaluations are often not incorporated into the final selection process (revert back to technical evaluation)
- Additionally, most RFA/RFPs publish a specific TEC
- With cost typically not a factor in selection and stated TECs, little incentive to develop accurate, competitive cost budgets
- Propose budgets are often the published TEC, even if TEC does not reflect the likely cost of achieving award objectives
  - Examples with different amounts per cost bucket yet totals are within 0.1% of totals and with completely different cost buckets yet totals are exactly the same

Key indicators of potential cost efficiency:

- Costs are defined loosely (e.g. cost defined as adherence to budget in previous awards)
- Cost is weighted very low in the evaluation process or is not a discriminating factor in evaluation process at all
- Lowest cost, technically sound proposal less than award recipient budget proposal

Example approach

Step 1: Identify applicable spend

- Lever is applicable and can be quantified if all applicant budgets (successful and unsuccessful) are available in files
- *Example: Applicable spend would be the TEC of winning vendor*

Step 2: Determine savings opportunity

- Identify lowest-cost proposed budget for applicant that has similar technical / programmatic capacity
- *Example: Lowest cost spend would be the lowest proposed TEC for applicants that had similar technical scores to winning vendor*
- In other cases where multiple applicants did not apply or non-winning bids match TEC, lever works with increased competition and cost evaluation prioritization to drive 15% savings based on empirical research

Step 3: Calculate savings

- Subtract lowest cost proposal from applicable spend to determine potential savings

Savings would be based on improved value for money from factoring costs more decisively into evaluation

Value lever application methodology: Value lever 6 – Optimal cost benchmarks

Highlights award spend not evaluated against best available cost benchmarks for goods or services

Description

Rationale:

- Budget line items not aligned with best-in-class benchmarks can indicate opportunities to improve efficiency (lower cost) while maintaining programmatic goals

Key indicators of potential cost efficiency:

- Annual salary increases significantly higher than inflation rate benchmarks
- Individual budget line items (e.g. vehicles, IT, travel policies) do not seem to reflect best available benchmarks, including differences between awards for same items
- Indirect costs applied on top of each other (e.g. indirect cost rates applied to cost line items that appear to be administrative / indirect costs such as “technical support and management pool”)
- Admin costs increase over life of award with no apparent adjustment to TEC or deliverables (e.g. funds moved into spending categories that have higher indirect cost rates)

Example approach

Step 1: Identify applicable spend

- Identify applicable line item(s) where improved cost benchmarks could be applied
- *Example: U.S.-based labor subject to salary inflation rates of 5% (higher than standard 3%) leads to total labor costs of $7.6M*

Step 2: Determine savings opportunity

- Determine potential spend if aligned with best-in-class benchmarks
- *Example: If salary set at 3%, labor costs would total $6.8M*

Step 3: Calculate savings

- Subtract potential spend ($6.8M) from applicable spend ($7.6M), resulting in savings of $800K

Savings estimates are based on difference in best available benchmarks vs. award budgets for goods, services and project management

Value lever application methodology: Value lever 7 – Local labor & services

Identifies opportunities to make better use of host country personnel and services for programmatic (capacity) development and cost avoidance

Description

Rationale:

- High utilization of DC-based staff or other non-host country staff associated with higher wages, travel cost, and allowances
- Does not develop skills in local countries as well higher associated costs

Key indicators of potential cost efficiency:

- Usage of global technical or administrative staff when local labor available

Example approach

Step 1: Identify applicable spend

- If line item labor budgets available, identify potential roles which could be shifted to country
- Verify with AOR/COR that local labor is a viable alternative for required skill set (administrative and technical)
- Applicable spend includes all labor line items which could be shifted to country
- *Example: Calculate total cost of global labor*

Step 2: Determine savings opportunity

- Use benchmark in-country wage rates to calculate cost of local labor
- *Example: Use WHO region benchmarks to calculate alternative cost (e.g. cost of health educator $8/hour in Uganda vs. $30/hour in U.S.)*

Step 3: Calculate savings

- Subtract local labor cost from applicable foreign labor spend to determine savings

Savings estimates are based on reducing personnel cost budgets associated with foreign staff within awards; also furthers USAID reform objectives

Value lever application methodology: Value lever 8 – Subcontractor mgmt

Highlights opportunities to reduce duplication in the roles and/or overhead fees associated with the use of subcontractors/subrecipients

Description

Rationale:

- Prime recipients often play a critical role in managing subrecipients and subcontractors
- However, prime-sub relationships are sometimes subject to double overhead charges or are not clearly defined

Key indicators of potential cost efficiency:

- High number of subcontractors
  - No detail on allocation of funds between subs; could indicate lack of clarity on project roles
  - Opportunity to reduce costs associated with multiple subs by utilizing shared services or reducing duplicate activities (e.g. conferences)
- Prime indirect cost rates applied to subs that have extensive experience with USAID
- High overhead rates applied to subs relative to other awards
- Unnecessary usage of subs i.e. prime has capability to complete activity

Example approach

Step 1: Identify applicable spend

- Identify redundant prime-sub fees
  - *Example: Sub charged $6.3M for subcontractor handling*
- Identify nested overhead
  - *Example: $1.4M of the $6.3M charge was based on overhead on top of subcontractor overhead*

Step 2: Determine savings opportunity

- Calculate alternative spending without redundant fees or activities
  - *Example: Save $1.4M if nested overhead eliminated; save $6.3M if redundant prime-sub fees eliminated*

Step 3: Calculate savings

- Savings opportunity equals the total cost of redundant fees or activities

Savings estimates based on reducing costs associated with charging management fees on top of overhead and inefficient spend among primes and subs (e.g. duplicated activities)

Value lever application methodology: Value lever 9 – Economies of scale
Identifies opportunities for volume discounting based on concentration of spend

Description

Rationale:

- Many award recipients working toward similar programmatic goals in same geographic area
- Some budget categories could benefit from aggregating demand to secure volume discounts

Key indicators of potential cost efficiency:

- Incumbent continues a previous project - indicates potential for economies of scale
- Opportunity for award volume discounting based on concentration of spend across several awards

Example approach

Step 1: Identify applicable spend

- Identify opportunities to purchase goods or services at volume discount (e.g. between awards or between partners located in similar geographic areas)

Step 2: Determine savings opportunity

- Calculate alternative spending with volume discounting or preferred supplier arrangements, savings range of 5 to 15%[1]

Step 3: Calculate savings

- Calculate difference between alternative spending and current spending

Savings estimates are based on unit cost reduction for commodities (e.g. office supplies) or recurring services (e.g. travel) from volume / bulk purchasing

1 Based on case studies – to be shared / discussed at future meeting

Value lever application methodology: Value lever 10 – Process optimization

Highlights opportunities to automate and improve award processes to reduce overhead / administrative costs for USAID and partners

Description

Rationale:

- Some award processes and policies can be manual and cumbersome, which can increase overhead costs for both USAID and partners
- Highly administrative processes can discourage partners from applying, reducing the competition for awards

Key indicators of potential cost efficiency:

- Multiple personnel handoffs for award process
- Applicant uses "plug figure" from USAID for some category of spend (e.g. travel); opportunity to generate cost avoidance by creating improved cost evaluation templates
- Errors in cost evaluations and budgets due to partners sending PDF of budgets vs. excel files with calculations

Example approach

Step 1: Identify applicable spend

- Identify costs that were apparently caused by inefficient processes
- *Example: Duplicative line items totaling $1.4M in cost proposal were not recognized by USAID personnel reviewing cost proposal because the totals aligned with Plug Figures supplied by USAID in RFP*

Step 2: Determine savings opportunity

- Determine potential savings opportunity
- *Example: Total reduction opportunity relative to % of remaining TEC (~60%)*

Step 3: Calculate savings

- Multiply applicable spend ($1.4M) by savings opportunity (60%), resulting in savings of $840K

Savings estimates are based on reducing administrative costs that could be achieved from a more streamlined or straight-through process

Value lever application methodology: Empirical savings

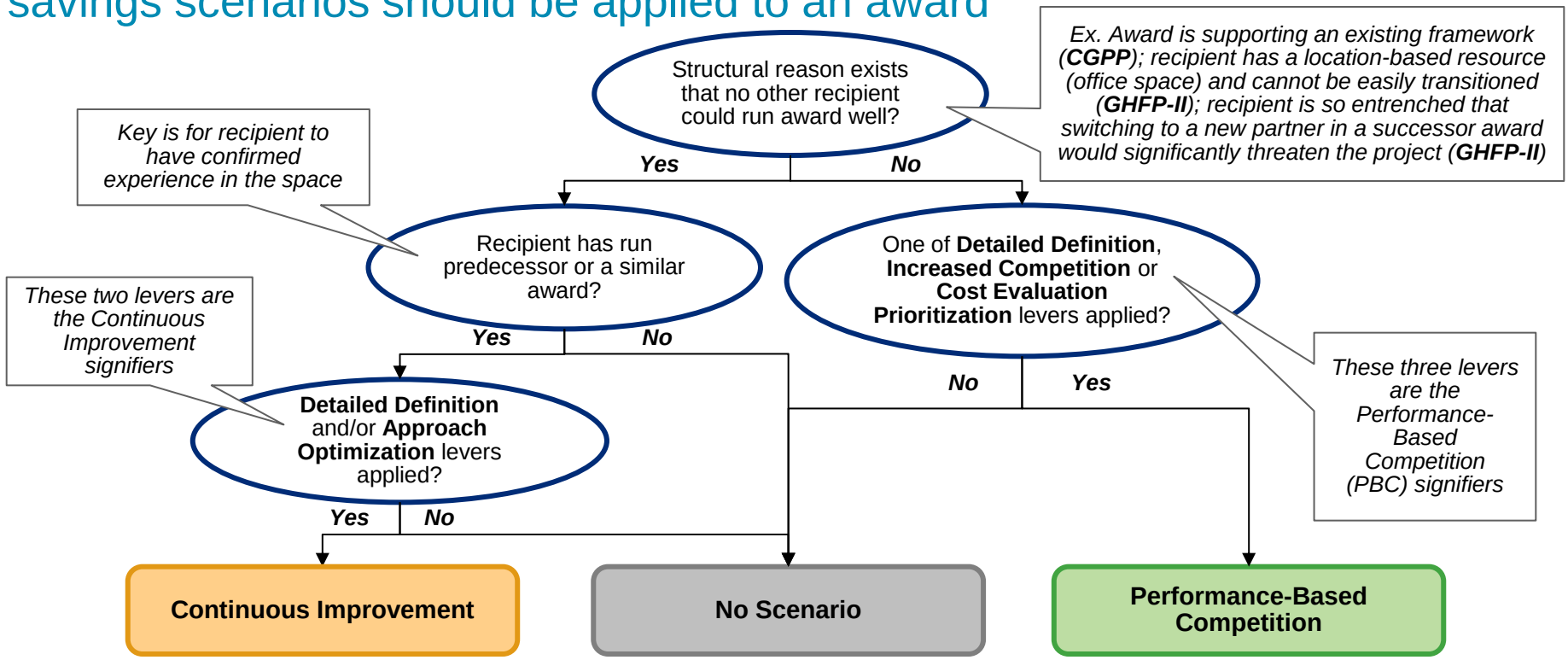
Two situations occur where value levers work together to generate savings – in these situations, savings are based on empirical research

	Situation 1 **Performance-Based Competition**	Situation 2 **Continuous Improvement**
Applicable Value Levers	*Detailed Definition, Increased Competition, Cost Evaluation*	*Detailed Definition, Approach Optimization*
Rationale	• More objective evaluation of applicant proposals / bids in relation to defined objectives and value for money • Performance-based award management in relation to defined outcomes • Applicants submit more cost-effective proposals • Recipients manage award more efficiently due to threat of future competition	• Recipients determine best personnel, tools and programs before project begins, reducing waste and focusing efforts • Recipients of follow-on awards apply best practices from previous work to more efficiently deliver on programmatic goals • Increased programmatic innovation (vs. current innovation which is focused on reducing NICRA)
Potential Savings *(Empirical Research)*	Up to 15%	Up to 6-7%
	(Note: savings percentages were discounted for assistance and to account for potentially duplicative savings – see following page for details on how savings percentages were applied to awards)	

Empirical research helps quantify the effects of competition and learning

Value lever application methodology: Deciding when to apply empirical savings

There are several logical steps used to determine what, if any, empirical savings scenarios should be applied to an award



Percentage Savings applied to Analyzable TEC

	Acquisition /Assistance
Only continuous improvement levers applied	6% – 7%
Additional levers applied	5%

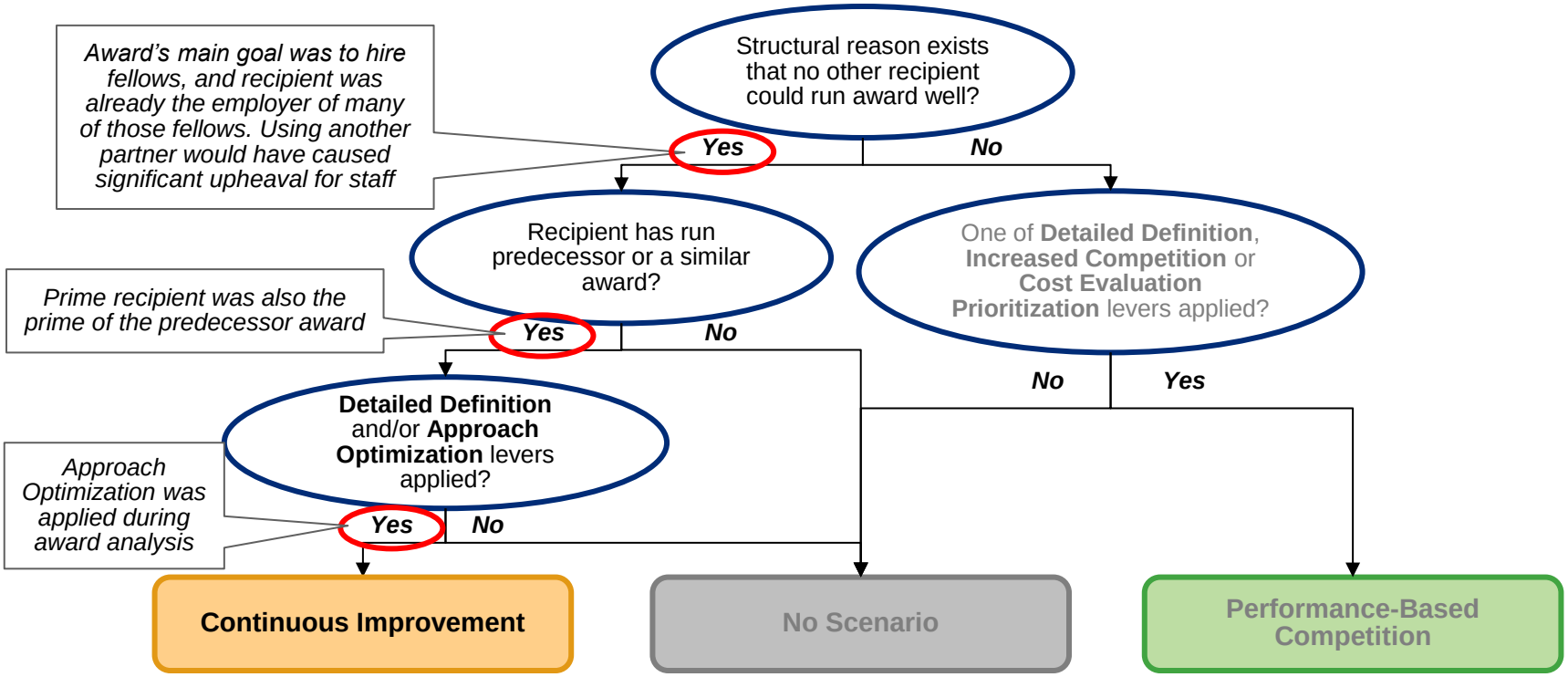
Percentage Savings applied to Analyzable TEC

	Acquisition	*Assistance*
Only one PBC lever applied	3%	2%
Only two PBC levers applied	6%	4%
All PBC levers applied	10%	7%
All PBC levers applied with no additional savings	15%	10%

Source: Oliver Wyman Analysis, Empirical Case Studies

Value lever application methodology: Deciding when to apply empirical savings

Example: Global Health Fellows Program II was a successor award; awarding it to the same prime offered a smooth transition of critical staff and office space



Percentage Savings applied to Analyzable TEC

	Acquisition /Assistance
Only continuous improvement levers applied	6% – 7%
Additional levers applied	5%

No other levers were applied to the award

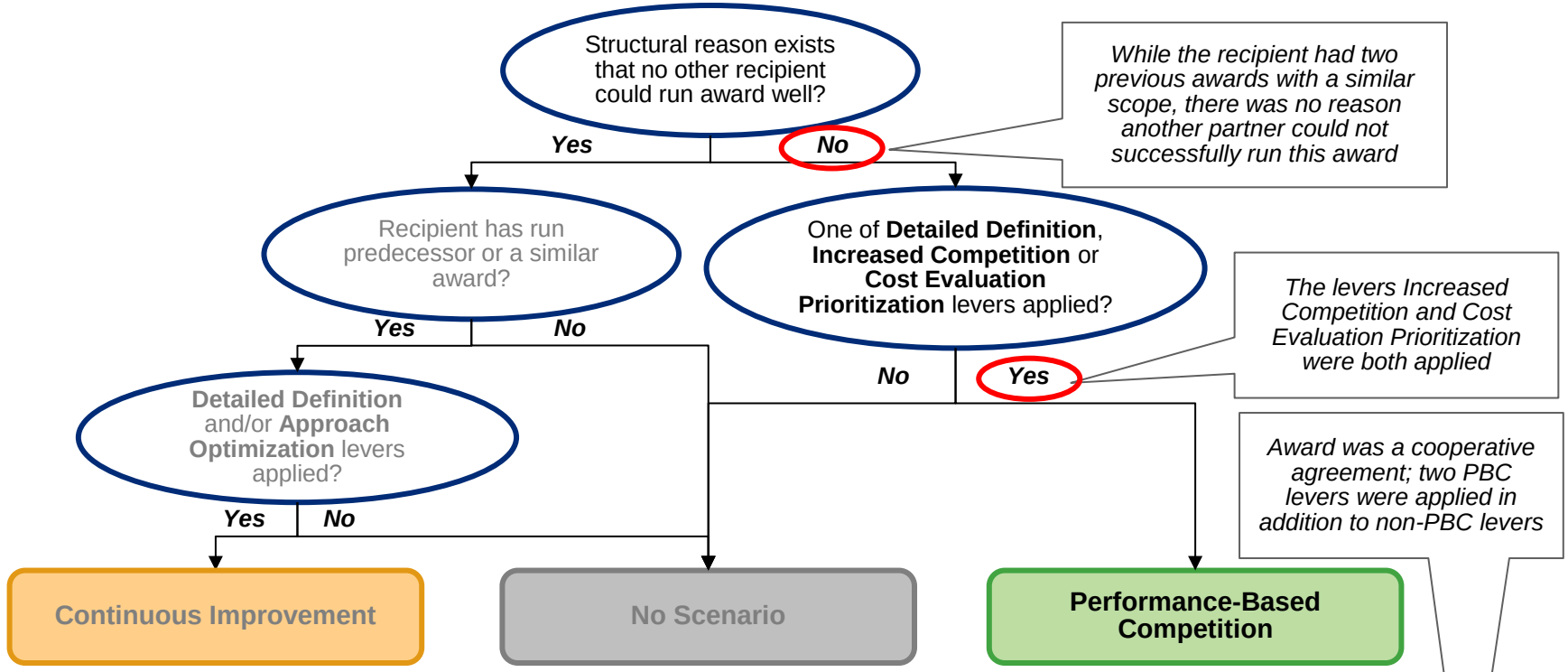
Percentage Savings applied to Analyzable TEC

	Acquisition	*Assistance*
Only one PBC lever applied	3%	2%
Only two PBC levers applied	6%	4%
All PBC levers applied	10%	7%
All PBC levers applied with no additional savings	15%	10%

Source: Oliver Wyman Analysis, Empirical Case Studies

Value lever application methodology: Deciding when to apply empirical savings

Example: The Palestinian Community Infrastructure Development award had few competitors, but the prime included a number of capable sub-contractors



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All PBC levers applied	10%	7%
All PBC levers applied with no additional savings	15%	10%

Source: Oliver Wyman Analysis, Empirical Case Studies

Empirical analysis sources: Performance-based competition

Detailed project definition / performance-based contracting, competition, and a focus on cost can deliver 15% savings / cost avoidance

Case Context	Savings experience	Rationale for application
• NNSA divided a large combined IT and cyber security contract two distinct pieces, allowing 50 smaller businesses to compete	• Competition led to **$22 million** in savings, or a **15%** reduction in cost from the previous award	• USAID also has large projects that could feasibly be restructured to allow for smaller contractors to take more manageable, discrete pieces of work
• In October 1994, executive officials of 27 agencies signed an OFPP-sponsored pledge to implement performance-based service contracts (PBSCs) • 26 contracts from 15 agencies were involved in a pilot study using PBSCs	• On average, **contract price decreased 15%** in nominal dollars after the introduction of PBSC	• Contracts in the study ran the gamut, with nontechnical and professional and technical services • Fixed priced contracts and cost reimbursement contracts were also included • Awards varied from $.1M to $325M
• USAID submitted an RFP that explicitly requested offerors not try to meet the maximum TEC • Cost control was included in evaluation criteria • USAID had five offerors, four of which were technically proficient	• Final offeror budget came in at **$33M**, representing a savings of **15%** from TEC	• Strongly recommending that the TEC not represent a benchmark to hit, using cost control as an evaluation criteria and having multiple offerors/applicants could represent best practices for USAID

In practice we pare down the percentage of savings per award to account for potential duplicative savings and differences between assistance and acquisition

Source: White House, “Cutting Waste and Saving Money Through Contract Reform”, 07/07/10, Acquisition and Contracting Improvement Plans and Pilots, OMB 2009; NASA FY 2014 Budget, ACES Phase One Report, “Enhancing Competition Awareness in DoD” 5/2010

Empirical analysis sources: Continuous improvement

Approach optimization and continuous learning can drive 6% - 7% savings, even in situations where competition is not possible

Case Context	Savings experience	Rationale for application
• Boeing was having difficulty meeting its goal of producing integrated interceptor missiles for the DoD • Boeing applied lean manufacturing techniques and continuous learning to reduce waste and create greater efficiency	• Boeing achieved a cost savings of **$2.3 million** per interceptor, and equivalent of **6%** savings across the contract	• USAID single source contractors could apply learnings from predecessor awards to achieve better cost efficiencies
• Geisinger, an integrated health system, continuously evaluates its care models and employs lessons learned to further innovate • Geisinger's Medical Home pilots are designed to deliver value by improving care coordination and optimizing health status for each individual	• Geisinger's Medical Home pilots, embracing the best of previous learnings, achieved **7%** total medical cost savings	• With a focus on innovation, award recipients can hone their approaches, making each successive award better, faster and more efficient

7% is a ceiling, but in practice we conservatively pare down the percentage to account for potential duplicative savings

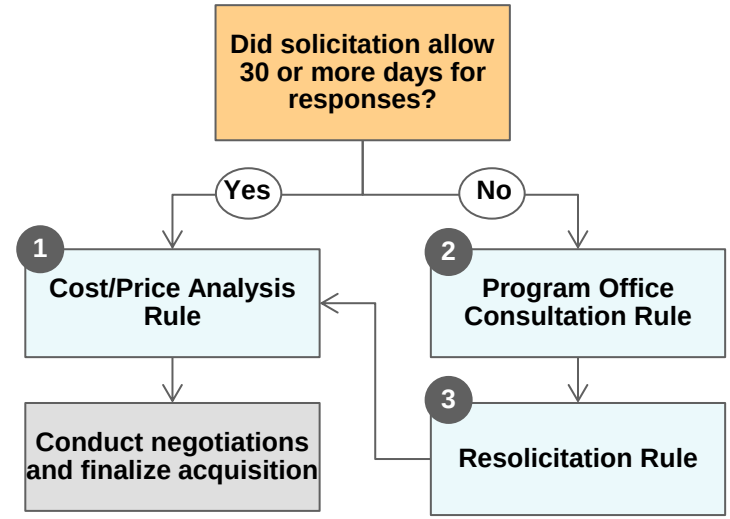
Source: "Identifying Real Cost Savings in Lean Manufacturing" Purdue University, 4/2013, Washington Post "Boeing Wins Missle Deal" 12/08, "Continuous Innovation In Health Care: Implications Of The Geisinger Experience" HealthAffairs, 9/2008

Empirical analysis sources: Enforcing competition
DOD best practices

- DOD's **Better Buying Power** initiative requires competitive strategy at each program milestone
  - Strategy must plan improvement in competition for each component by at least 2% a year; rate for effective competition[1] by at least 10% a year
  - Metric for evaluating competition: competitive obligated money divided by total obligated money
- DOD encourages identification of subcontractor work that can be competed separately
  - e.g. A Navy surveillance system program broke out commercial components. Lowered prices and created larger, more stable supplier base
- DOD has a "competition advocate" for Agency and each procurement activity

- **Sole-offeror process:** The DOD goes through three steps if a competitive solicitation only had one response.[2] To date, this has effectively lowered prices

1. **Cost/Price Analysis**: CO conducts cost reasonableness analysis
2. **Program Office Consultation**: CO consults program office to determine whether requirements are unnecessarily restrictive; revise to promote competition
3. **Resolicitation**: Resolicit for at least 30 additional days



Source: GAO, "Defense Contracting: Actions Needed to Increase Competition" (March 2013)
1) When more than one offer is received under a competitive solicitation 2) In June 2012, DOD codified the policy in the Defense Federal Acquisition Regulation Supplement (the DOD equivalent to the ADS) to add the third requirement

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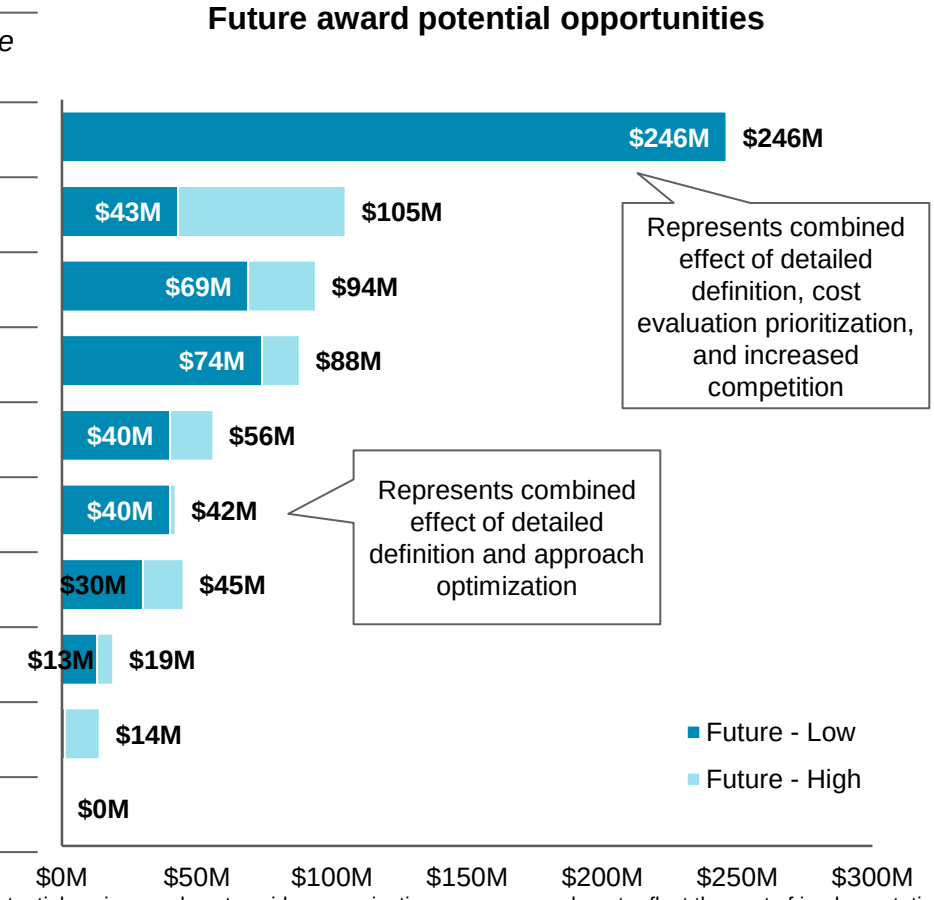
Lever application findings: Future award potential savings by lever

Most future award potential opportunities identified in ACES will come from implementing systemic changes to drive performance-based competition

Lever quantification: Future award potential opportunities

Based on selection of 60 awards; some levers quantified in combination based on empirical research

Savings Driver	Frequency	
	Acquisition (n=9)	*Assistance (n=51)*
Performance-Based Competition	7	37
8 Subcontractor Management	5	15
2 Approach Optimization	5	21
6 Optimal Cost Benchmarks	6	34
3 Shared Services	2	27
Continuous Improvement	1	8
1 Detailed Definition	0	5
7 Local Labor and Services	0	9
10 Process Optimization	0	5
9 Economies of Scale	0	0



Source: Award files, program / contracting officer interviews, Oliver Wyman analysis; Note: Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation; Applied the ratio of unobligated funds at expiration as a % of TEC (removing outliers in terms of unused TEC at expiration) and segmented by DC vs. Field, Acquisition vs. Assistance

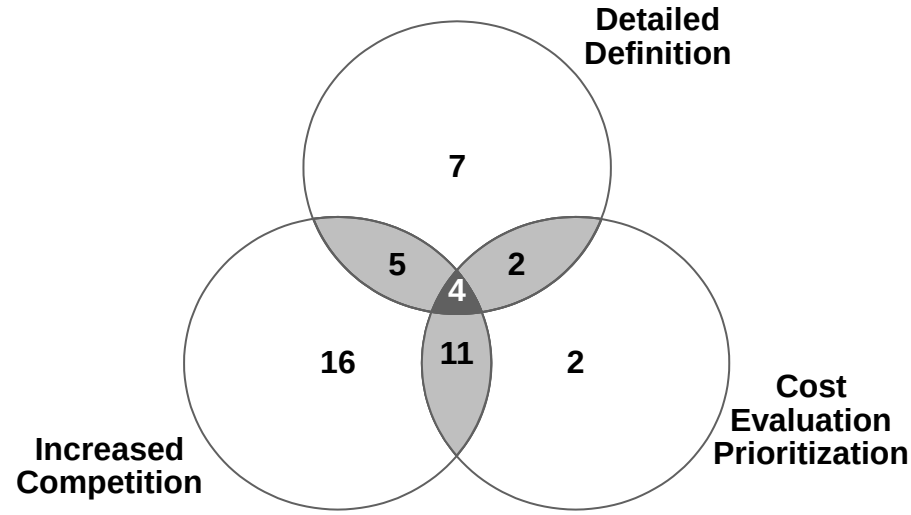
Lever application findings: Performance-based competition

Greatest savings come from promoting performance-based competition via defined scopes, increased competition, and systematic cost evaluation

Discussion

- Three value levers work together to drive cost avoidance – **cannot achieve full benefit of performance-based competition without all three elements**
  - Detailed definition enables consistent comparison across applicants / offerors
  - Increased competition allows for more diverse pool of competitors
  - Cost evaluation prioritization provides means to evaluate competitors on value
- When all three conditions exist, **empirical research suggests at least 15% savings possible**
  - Where applicable, savings percentages discounted to reflect unique challenges inherent in USAID Assistance awards

Number of Select 60 awards with characteristics enabling performance-based competition



- Most awards already include at least one of these elements, but **few include all three conditions required to maximize value**
- In total, 44 awards were missing at least one element of performance-based competition
  - If systemic changes made to enable performance-based competition, future award potential savings estimated at $246M

Source: Oliver Wyman analysis; diagram counts awards for which applicable lever was not applied; Note: Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Continuous improvement

For awards where competition is not feasible or desirable, empirical research indicates management based on continuous improvement can drive value

Discussion

- **Some awards have structural reasons for not maximizing competition**, e.g.
  - Deeply specialized knowledge or non-transferable resources in a particular org
  - Significant threat of disruption to services if competed
  - Project supporting existing framework / coalition (e.g. Core Group Polio Project)
- For awards offered to incumbent or experienced organization, empirical research indicates that **continuous improvement should drive 6-7% in value**
- Analysis of the Select 60 identified 9 opportunities to apply continuous improvement with **$40-42M in potential savings**
- Some reviewed **awards have already embedded an expectation of continuous improvement** in the design of the award

Continuous improvement best practices

Field – Cost-Plus-Award-Fee Contract
Uganda IRS Phase II (AID-617-C-12-00004)
- Recipient also held the predecessor award, in which it utilized existing infrastructure and innovative partnerships to save over $2M
- The recipient's proposal highlights the intent to find new ways to reduce or reallocate costs

Field – Associate Award under LWA
RESPOND Tanzania Project (AID-621-LA-13-00001)
- RFA highlights cost efficiencies expected due to prime's past experience in country
- In response, prime consolidated one of four field offices into the central office
- Equipment and supplies are being utilized from the predecessor award (trucks, computers, etc.)

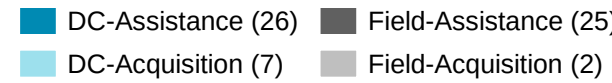
Field – Associate Award under LWA
ISDP (AID-668-LA-12-00003)
- RFA sets continuous improvement expectations by requiring expats to be replaced with local labor by the end of Year 3

Note: Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Value lever 1 – Detailed definition

While some awards included detailed metrics or targets in the RFA / RFP, over half of field and DC-based Assistance awards lacked a clearly defined scope

#	Sub-Lever	Description	Future Savings	Frequency
1	**Overlapping scope**	• Scope overlaps with other awards, leading to potentially duplicative activities	***Derived Empirically***	3 + 3 = 6
2	**Broad scope with no defined metrics[1]**	• Broadly scoped objectives • RFA/RFP does not include defined metrics for success	$31M – $46M	11 + 1 + 10 = 22
3	**Performance metrics not quantified**	• RFA/RFP includes defined metrics but does not set performance targets	***Derived Empirically***	5 + 1 + 3 = 9
4	**Quantifiable targets not linked to accountability**	• Performance targets are quantified with unclear mechanism to ensure accountability	***Derived Empirically***	1 + 4 = 5
Total			$31M – $46M	42



Source: Oliver Wyman analysis
Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation
1) Quantification of future savings based on application on five awards where impact of broad scope with no defined metrics was quantifiable

Lever application findings: Value lever 2 – Approach optimization

Analysis indicates opportunity to drive efficiency by ensuring alignment between RFA/RFP objectives and proposed budgets / resources

#	Sub-Lever	Description		Future Savings	Frequency
1	**More resources than required to deliver on objectives**	• Award uses unnecessary or duplicative resources based on the described outcomes / approach in the technical proposal	Labor	$41M – $46M	3 6 **9**
			Admin	$12M – $20M	3 2 2 **7**
			Office / supply costs	$4M – $4M	1 1 3 1 **6**
			Travel	$8M – $16M	2 3 **5**
2	**Savings identified in negotiation used to increase budget**	• Savings applied programmatic budget with no corresponding increase in scope		$4M – $9M	4 **4**
3	**Significant start-up spend**	• Significant start-up spend despite recipient managing similar predecessor project		$1M – $1M	1 1 1 **3**
4	**Global activities not implemented at field level**	• Activities conducted at global level, then never implemented in field		$4M–$4M	2 **2**
Total				$73M – $99M	36

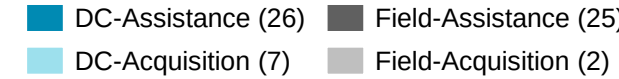
DC-Assistance (26) Field-Assistance (25)
DC-Acquisition (7) Field-Acquisition (2)

Source: OW Analysis
Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Value lever 3 – Shared services

Analysis indicates some opportunity to share services between awards with similar programmatic goals or locations; additional data required to quantify

#	Sub-Lever	Description	Future Savings	Frequency
1	**Opportunity to share services**	• Multiple organizations based in the same location offering similar services (e.g. training events, microcredit program) or administrative costs (e.g. supplies)	$41M – $53M	12 / 14 / 2 **28**
2	**Opportunity to share office space**	• Multiple organizations based in the same geographic area in different office spaces	$1M – $4M	1 / 5 **6**
Total			$42M – $58M	34



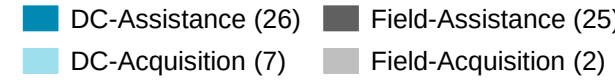
Source: OW Analysis

Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Value lever 4 – Increased competition

Nearly all DC acquisition awards reviewed could increase competition, whether through a broader competitive pool or revised award scope

#	Sub-Lever	Description	Future Savings	Frequency
1	**Limited competition**	• Few technically acceptable applicants, despite availability of other applicants	***Derived Empirically***	9 3 6 **18**
2	**No competition**	• Sole source environment with opportunity to compete award or portions of award	***Derived Empirically***	1 3 2 **6**
Total			***Derived Empirically***	24



Source: OW Analysis

Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Value lever 5 – Cost evaluation prioritization

Two-thirds of reviewed awards did not weight cost in the evaluation criteria during the evaluation process

#	Sub-Lever	Description	Future Savings	Frequency
1	**Cost not weighted in evaluation criteria**	• Cost evaluations are not incorporated into the final selection process	***Derived Empirically***	20 | 7 | 13 | 1 **41**
Total			***Derived Empirically***	41

Source: OW Analysis

Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Value lever 6 – Optimal cost benchmarks

Five optimal cost benchmark sub-levers drive up to $96M in future savings

#	Sub-Lever	Description		Future Savings	Frequency
1	**Inflation / salary escalation rates above benchmarks**	• Year-over-year cost increases pegged above inflation for USD-denominated budgets		$42M – $48M	7 / 4 / 17 — **28**
2	**Salary / fringe above benchmarks**	• Individuals' salaries/fringe exceed those in comparable awards		$18M – $25M	2 / 1 / 3 — **6**
3	**Unit costs above benchmarks**	• Individual budget line items are higher than available benchmarks	Travel	$4M – $5M	5 / 4 — **9**
			Vehicles	$0M – $0M	2 — **2**
			Computers	$1M – $1M	3 / 1 / 4 — **8**
			Rent	$1M – $1M	1 / 2 — **3**
			Other (office supplies / fees)	$0M – $0M	1 / 1 — **2**
4	**Indirect cost application inconsistent with benchmarks**	• Inconsistent application of indirect costs compared with proposed rates, bases of application, methodology		$15M – $15M	3 / 1 — **4**
5	**Budget exchange rate inflated TEC**	• Exchange rate above benchmark when award created, inflating TEC		$0M – $0M	1 — **1**
Total				$80M – $96M	63

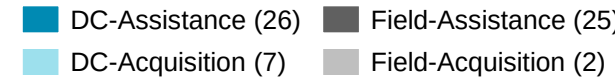
DC-Assistance (26) · Field-Assistance (25) · DC-Acquisition (7) · Field-Acquisition (2)

Source: OW Analysis
Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Value lever 7 – Local labor and services

Some opportunity exists to transition from expat / home-based staff to local labor, though lower than expected in part due to lack of detailed budgets

#	Sub-Lever	Description	Future Savings	Frequency
1	**Replace expats with local labor**	• Expat labor is used in field offices, but there is evidence of sufficient capacity for local labor	$12M – $18M	2 + 4 = **6**
2	**Replace home-based staff with local labor**	• Home-based staff conduct project management, financial management, and other coordination functions which could be transitioned to local labor	$2M – $2M	2 + 1 = **3**
Total			$14M – $19M	9



Source: OW Analysis

Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Value lever 8 – Subcontractor management

Lack of transparency in charges / fees and ambiguity in prime-sub roles drive opportunity to increase efficiency in subcontractor management

#	Sub-Lever	Description	Future Savings	Frequency
1	**Redundant sub management / OH charges**	• Prime charges sub handling fee, while sub also charges overhead fee, leading duplicative overhead charges	$23M – $34M	3 | 1 | 1 **5**
2	**Overhead fees to manage experienced USAID contractors**	• Partners charge sub handling fees on subs with extensive USAID experience	$4M – $5M	2 | 1 | 2 **5**
3	**Overlapping prime-sub roles / activities**	• Prime and subs have duplicative programmatic activities, increasing costs but not adding value	$6M – $10M	2 | 1 **3**
4	**Mismatch between proposed and actual sub role**	• Mismatch between RFA/RFP-stated role of subs and actual budgeted or programmatic role	$12M – $28M	2 | 1 | 2 **5**
5	**High / unnecessary sub management-related charges**	• Excessive fees charged for managing subs compared to benchmarked fees in similar awards	$2M – $38M	1 | 2 **3**
Total			$46M – $115M	21

DC-Assistance (26) | Field-Assistance (25) | DC-Acquisition (7) | Field-Acquisition (2)

Source: OW Analysis
Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Lever application findings: Value lever 10 – Process optimization

In some awards, internal processes contributed to delays or increased TEC; these findings are not exhaustive and likely underestimate impact within Select 60 awards

#	Sub-Lever	Description	Future Savings	Frequency
1	**Instrument selection**	• Award could be structured as different instrument (e.g. contract instead of CA)	$0M – $0M	3 **3**
2	**Lengthy steps**	• Key steps in process (e.g. review of RFA/RFP) delayed action	$0M – $0M	1 1 **2**
3	**Error / oversight in budgeting process**	• Budget errors or lack of standardization led to misrepresentation of TEC	$1M – $16M	3 1 1 **5**
Total			$1M – $16M	10

DC-Assistance (26) Field-Assistance (25)
DC-Acquisition (7) Field-Acquisition (2)

Source: OW Analysis
Note: Future potential savings not discounted to reflect unobligated funds at expiration; Potential savings and cost avoidance projections are gross – do not reflect the cost of implementation

Extrapolation supporting materials: Award segmentation (1 of 2)

To further understand potential savings differences across awards, the 60 awards were segmented based on objectives outlined in the RFA / RFP

Awards by type

Based on Oliver Wyman analysis of 60 awards reviewed

Award Type	# Awards Reviewed / TEC	Description	Example
Technical Assistance	20 awards $2.4B TEC	• Build capacity through training, tools, and facilitation of service delivery	• US-based NGO conducts training in Kenya to improve awareness of HIV/AIDS and gender-based violence
Service Delivery	12 awards $1.4B TEC	• Conduct field-based work to provide direct services (e.g. medical care, vaccinations) to target populations	• US-based for-profit conducts insecticide activities to prevent against malaria in Uganda
Service Delivery to Technical Assistance	9 awards $0.6B TEC	• Transitions from service delivery to technical assistance over the life of the award (usually required by RFA)	• South African NGO provides clinical care and then transitions capacity to government and serves as advisors in last two years
Grant Management	9 awards $0.8B TEC	• Administer sub-grants, usually to smaller field-based partners, and conduct project management	• US-based foundation administers global health research grants to foreign-based researchers working in concert with US-based scientists
Commodity Procurement	4 awards $4.6B TEC	• Purchase commodities (e.g. medicines, contraceptives) in bulk, leveraging economies of scale	• US-based partnership conducts bulk purchases to fulfill materials needs across Global Health programs
Comprehensive Services	4 awards $1.1B TEC	• Manage integrated program involving direct service delivery, technical support, and project management	• US-based NGO conducts high-impact MCH interventions and improves approaches to MCH issues
Staffing	2 awards $0.3B TEC	• Identifies qualified global health professionals to fill staffing needs of USAID	• US-based NGO identifies students and professionals with experience / interest in global health to fill USAID's staffing needs

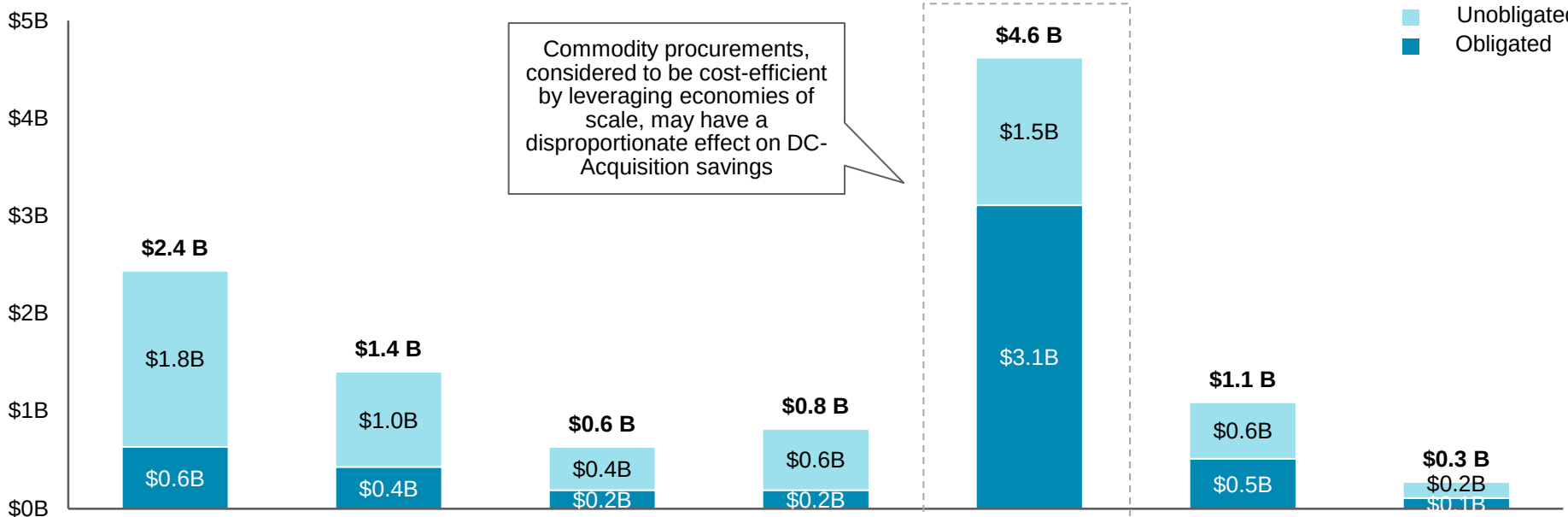
Source: Award files, Oliver Wyman analysis

Extrapolation supporting materials: Award segmentation (2 of 2)

Due to the large size and lower savings in commodity procurement awards, savings ranges for DC-acquisition awards are potentially underestimated

Award category size (TEC)

Based on Oliver Wyman analysis of 60 awards reviewed



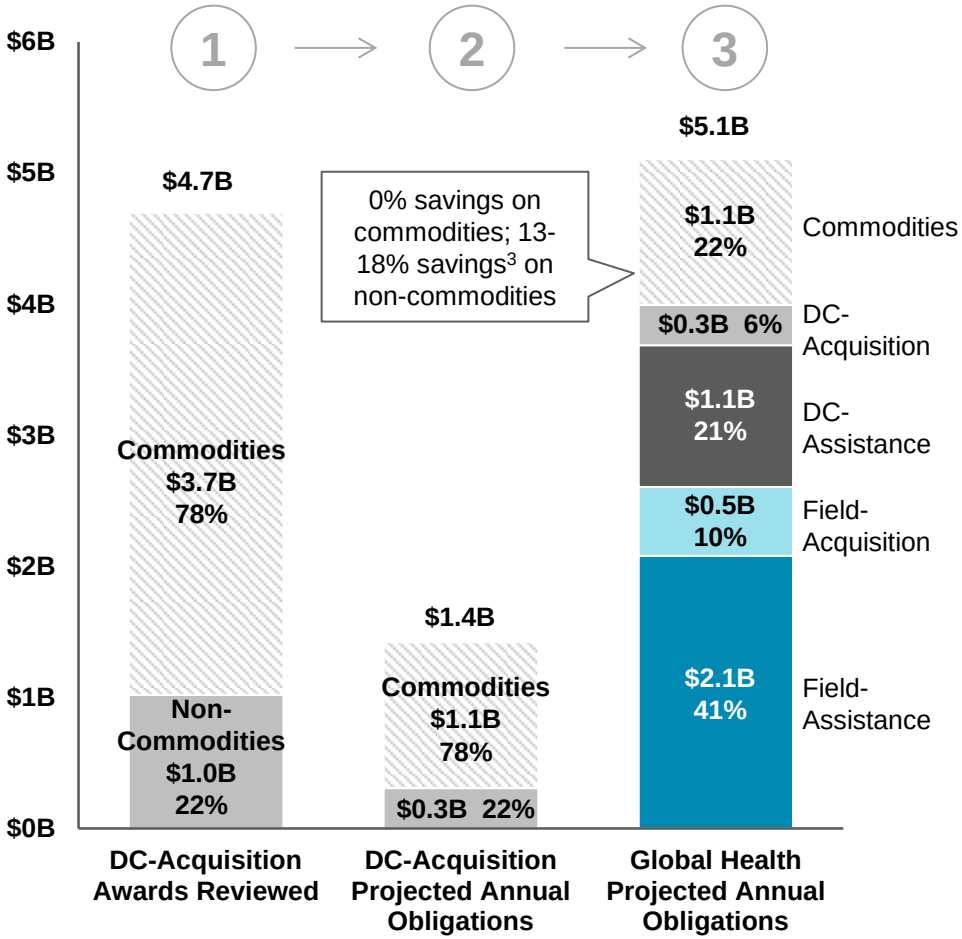
	TA	Service Delivery	Service Delivery to TA	Grant Management	Commodity Procurement	Comprehensive Services	Staffing
# Awards	20	12	9	9	4	4	2
Future Savings	9 – 11%	8 – 9%	13 – 17%	10 – 12%	2 – 3%	15 – 17%	12 – 15%
Current Savings	2 – 2%	2 – 2%	2 – 3%	3 – 4%	0 – 1%	5 – 6%	1 – 2%

1. 6-8% reflects potential savings on future awards; potential savings on currently existing awards range from 1.7% to 2.3%

Extrapolation supporting materials: Commodities adjustment (1 of 2)

Commodities, which only appear in DC-Acquisition[1], represent ~22%[2] of obligations; explicitly breaking them out segments savings opportunities

Extrapolating commodities across Global Health projected obligations



1. Commodities represent 78% of analyzable TEC of DC-Acquisition awards reviewed
   - Commodities have no identified savings due to leveraging economies of scale
2. To calculate savings, the ratio of commodities in the awards reviewed (78:22) is assumed in the $1.4B projected annual obligation of DC-Acquisition
3. In this case, of $5.1B in Global Health projected obligations, $1.1B (22%) is assumed to be for commodities
   - However, actual level of commodity obligations may be different
   - Information is not readily available in Global A&A System or in awards reviewed

Implications: **The total cumulative opportunity will be influenced by the actual proportion of commodities to total obligations**

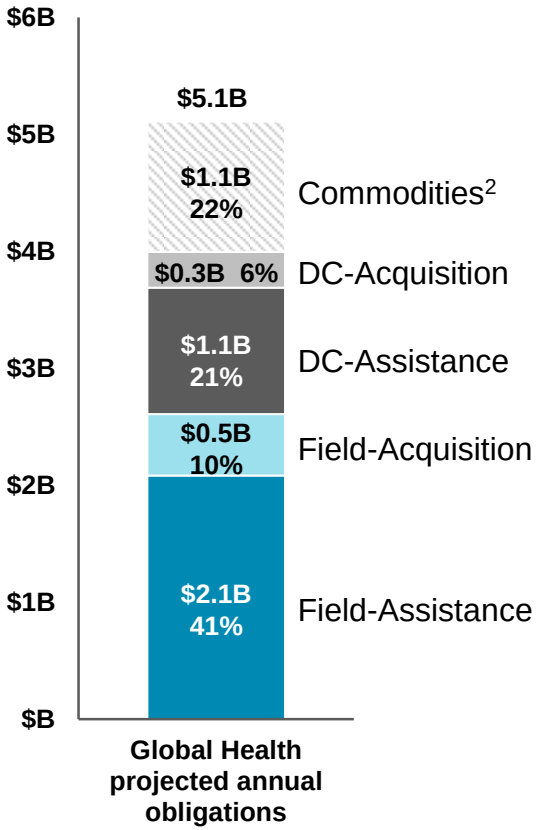
- If commodities represent less than 22% of total obligations, total opportunity may be higher
- If commodities represent more than 22% of total obligations, total opportunity may be lower

1. Four commodity procurement awards reviewed in Select 60 were all DC-Acquisition
2. Based on commodity procurement awards reviewed in Select 60
3. Future potential award savings

Extrapolation supporting materials: Commodities adjustment (2 of 2)

Varying the annual level of commodity obligations yields a greater range of potential cumulative savings opportunities[1]

Annual Global Health obligations



Savings sensitivity based on varying amount of commodity obligations

Impact of annual commodity obligations in the Global Health portfolio on savings	Cumulative savings opportunity[2]
$0.6B – 12%	**$1.2B – $1.6B**
$0.9B – 17%	**$1.1B – $1.5B**
Base case: Share of commodities in DC-Acquisition **$1.1B – 22%** *awards reviewed by ACES working team*	**$1.0B – $1.4B**
$1.4B – 27%	**$0.9B – $1.2B**

Note: Share of commodities capped at 27% for sensitivity analysis to not exceed the total projected level of DC-acquisition obligations

1. Cumulative savings opportunity during the next five years, from FY2014 to FY2018
2. Commodities were identified in only DC-Acquisition awards out of the Select 60 awards reviewed

Extrapolation supporting materials: Lever quantification

Though the opportunity size for shared services and local labor and services appears low, the full potential future award opportunity is likely higher

Lever	3 Shared services	7 Local labor and services	9 Economies of scale
Findings[1]	• 15 opportunities identified but not quantified	• 6 opportunities ($12-18M) to transition expat labor • 3 opportunities ($2M) to transition home office-based labor	• Not identified as a lever for any of the 60 analyzed awards
Driver of low future award opportunity estimates	• **Lack of cross-award data** – Requires visibility into awards with similar programs / geographies	• **Lack of detailed budget data** – Requires line item budget broken out by role / title • **AOR/COR knowledge of local labor market** – For some awards, lever was not applied after officers cited lack of resource availability to transition • **Limited opportunity found in many field awards** – Many proposals limited expat / home-based labor to a few key personnel	• **Lack of detailed budget data** • **Lack of cross-award data** – Requires visibility into awards with similar programs / geographies • **Limited opportunity found in awards** – Large task orders already aggregate demand for commodities
Implications	• **High opportunity likely exists** – Requires view across awards to better assess full shared service potential	• **Some opportunity likely exists** – Requires detailed budgets and knowledge of local resource availability to assess full potential	• Some opportunity may exist in goods not procured at an aggregate level (e.g. laptops); **however, total savings opportunity likely low** given small percentage of budget allocated to these items

The opportunity for increasing use of shared services and local labor and services could be better assessed with more geographic and programmatic context

1 Future award potential savings (OW analysis)

Savings extrapolation calculation steps: Summary

How are savings from the Select 60 translated into the total estimated savings numbers?

- **Step 1:** Estimate breakdown in current awards between ACES Scope (226), non-ACES Scope
  - Estimate yearly GH portfolio budget based on total obligation for 1,111 active awards, broken down by DC vs. Field and Acquisition vs. Assistance
  - Approximate the annual share of current award projected obligations of ACES scope awards vs. non-ACES scope awards
- **Step 2:** Calculate projected obligations for next five years based on segmentation between current (ACES vs. Non-ACES) and future
  - Estimate annual obligations for Global Health awards
  - Project the remaining obligations of current awards
  - Apply the breakdown of current awards between ACES scope and non-ACES scope
  - Calculate future as the difference between current and total projected obligations
- **Step 3:** Calculate savings percentages
  - Calculate potential future and current award opportunities for Select 60
  - Calculate savings percentages by Acquisition / Assistance and Field / DC, with commodities broken out separately (commodities only observed in DC-Acquisition awards)
- **Step 4:** Apply savings percentages to the projected obligations
  - Apply current award savings percentages to ACES scope projected obligations
  - Apply future award savings percentages to future award projected obligations

Savings extrapolation calculation steps

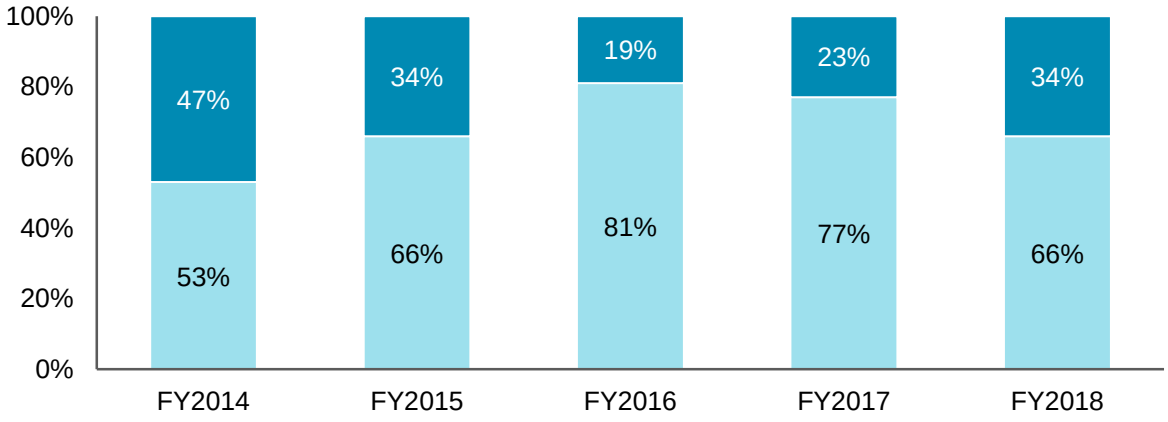
Step 1: Estimate breakdown in current awards between ACES Scope and non-ACES Scope

1a **Estimate yearly GH portfolio budget based on total obligation for active awards**

	Awards with <2 years since POP start *Divide TEC by total award length (years)*	+	**Awards with >2 years since POP start** *Divide obligated funds by years elapsed since award start*	=	**Total active award obligations** *Annual total projected obligations, to be extrapolated to future years*
ACES Scope	*$1.4B*	+	*$1.4B*	=	*$2.7B (53%)*
Non-ACES Scope	*$0.4B*	+	*$2.0B*	=	*$2.4B (47%)*
Total	***$1.8B***	**+**	***$3.4B***	**=**	***$5.1B*** *Estimated annual GH portfolio budget*

1b **Approximate the annual share of current award projected obligations of ACES scope awards vs. non-ACES scope awards**

Share of current award projected obligations: ACES scope vs. non-ACES scope



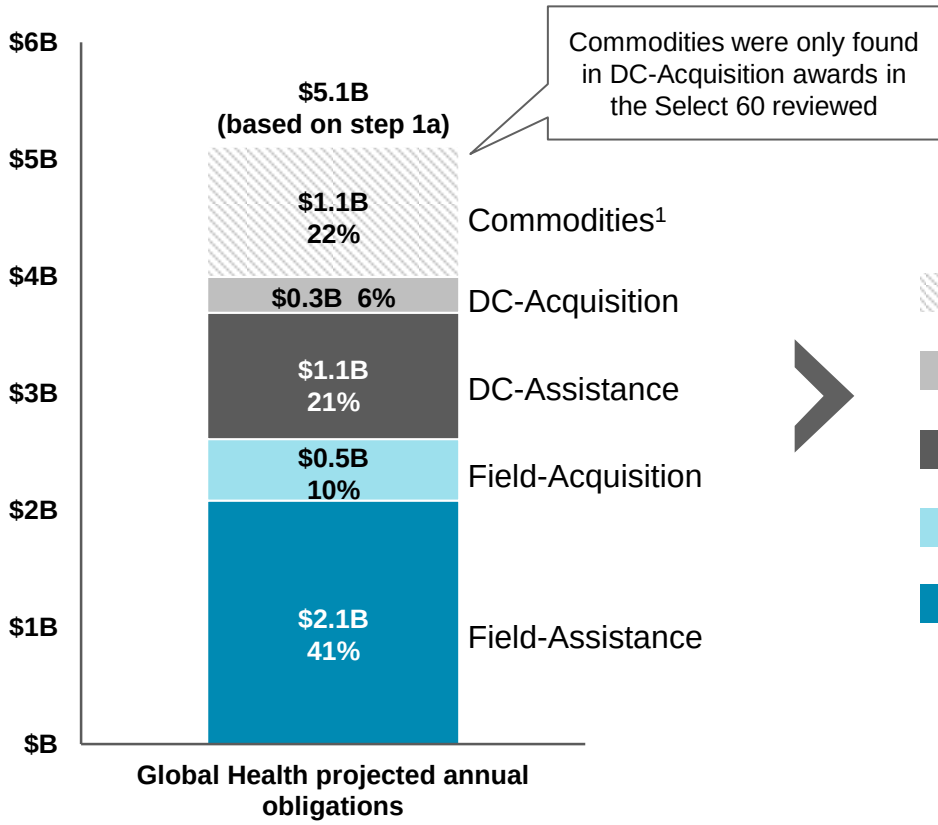
Key: ACES Scope Share; Non-ACES Scope Share

- Breakdown for Year 1 based on Step 1a
  - No ACES awards expire in the first two years
    - ACES scope only includes awards with greater than 2 years remaining
- ACES awards expire at a constant rate of 33% per year in FY2016 – FY2018

Savings extrapolation calculation steps

Step 1: Estimate breakdown in current awards between ACES Scope and non-ACES Scope

1c **Determine mix of DC vs. Field, Acquisition vs. Assistance and commodities in projected annual obligations for Global Health programs ($5.1B)**



Segmentation	Share
DC-Acquisition (Commodities)	22%
DC-Acquisition (Non-Commodities)	6%
DC-Assistance	21%
Field-Acquisition	10%
Field-Assistance	41%

1. Commodities were identified in only DC-Acquisition awards out of the Select 60 awards reviewed

Savings extrapolation calculation steps

Step 2: Calculate projected obligations for next five years based on segmentation between current (ACES vs. Non-ACES) and future

2a Estimate annual obligations of Global Health awards

	Actuals	Projections			
	Year 1 FY2014	*Year 2 FY2015*	*Year 3 FY2016*	*Year 4 FY2017*	*Year 5 FY2018*
Projected obligations *Based on Step 1a*	***$5.1B***	***$5.1B***	***$5.1B***	***$5.1B***	***$5.1B***

2b Project the remaining obligations of current awards

	Year 1 FY2014	*Year 2 FY2015*	*Year 3 FY2016*	*Year 4 FY2017*	*Year 5 FY2018*
Current award obligations[1]	$5.1B * 100% =***$5.1B***	$5.1B * 80% = ***$4.1B***	$5.1B * 60% = ***$3.1B***	$5.1B * 40% = ***$2.0B***	$5.1B * 20% = ***$1.0B***

2c Apply the breakdown of current awards between ACES scope and non-ACES scope

	Year 1 FY2014	*Year 2 FY2015*	*Year 3 FY2016*	*Year 4 FY2017*	*Year 5 FY2018*
ACES Scope	$5.1B * 53% = ***$2.7B***	$4.1B * 66% = ***$2.7B***	$3.1B * 81% = ***$2.5B***	$2.0B * 77% = ***$1.6B***	$1.0B * 66% = ***$0.7B***
Non-ACES Scope	$5.1B * 47% = ***$2.4B***	$4.1B * 34% = ***$1.4B***	$3.1B * 19% = ***$0.6B***	$2.0B * 23% = ***$0.5B***	$1.0B * 34% = ***$0.3B***

2d Calculate future as the difference between total and current projected obligations

	Year 1 FY2014	*Year 2 FY2015*	*Year 3 FY2016*	*Year 4 FY2017*	*Year 5 FY2018*
Future award obligations	$5.1B - $5.1B = ***$0.0B***	$5.1B - $4.1B = ***$1.0B***	$5.1B - $3.1B = ***$2.0B***	$5.1B - $2.0B = ***$3.1B***	$5.1B - $1.0B = ***$4.1B***

1) Based on ACES working team discussions on the rate of active awards that expire every year

Savings extrapolation calculation steps
Step 3: Calculate savings percentages

3a **Calculate potential future and current award opportunities for Select 60**

	Lever-Specific Savings *Quantified based on award files / budgets*	+	**Empirically Derived Savings** *Quantified based on findings from empirical research*	=	**Total Raw Savings from Select 60** *Can be segmented by DC[1] vs. Field / Acq. vs. Assistance*
Current	*$81M - $111M*	+	*N/A*	=	***$81M - $111M***
Future	*$287M - $450M*	+	*$310M - $313M*	=	***$597M - $762M***

3b **Calculate current and future award savings percentages**

Current Awards	**Total Raw Savings from Select 60**	÷	**Analyzable Unobligated from Select 60**	=	**Current Award Potential Savings Range**
DC Acquisition (Non-Commodities)	*$14M - $25M*	÷	*$0.4B*	=	***4% - 7%***
DC Acquisition (Commodities)	*$0M - $0M*	÷	*$1.2B*	=	***0% - 0%***
DC Assistance	*$48M - $58M*	÷	*$2.4B*	=	***2% - 2%***
Field Acquisition	*$0M - $0M*	÷	*$0.1B*	=	***0% - 1%***
Field Assistance	*$19M - $27M*	÷	*$0.8B*	=	***2% - 3%***
Total Current Award Potential	***$81M - $111M***	÷	***$4.9B***	=	***2% - 2%***

Future Awards	**Total Raw Savings from Select 60**	÷	**Analyzable TEC from Select 60**	=	**Future Award Potential Savings Range**
DC Acquisition (Non-Commodities)	*$130M - $188M*	÷	*$1.0B*	=	***13% - 18%***
DC Acquisition (Commodities)	*$0M - $0M*	÷	*$3.7B*	=	***0% - 0%***
DC Assistance	*$323M - $379M*	÷	*$3.4B*	=	***9% - 11%***
Field Acquisition	*$19M - $31M*	÷	*$0.1B*	=	***20% - 32%[2]***
Field Assistance	*$125M - $165M*	÷	*$1.2B*	=	***10% - 14%***
Total Future Award Potential	***$597M - $762M***	÷	***$9.4B***	=	***6% - 8%***

1. DC-Acquisition can be segmented by commodities and non-commodities (all awards reviewed with commodities were DC-Acquisition awards); no potential savings assumed on commodities; 2. Due to small sample size (n=2), DC Acquisition non-commodities future range of 13-18% used for Field Acquisition awards

Confidential Information Redacted.

OLIVER WYMAN

USAID AWARD COST EFFICIENCY STUDY

GLOBAL HEALTH A&A AWARD PORTFOLIO-LEVEL ANALYSES

DECEMBER 6, 2013

MARSH & McLENNAN COMPANIES

Contents

- **Document context**
- Award portfolio-level hypotheses organized by
  – ACES recommendations
  – Other study focus areas
- Appendix

Context: Global Health portfolio-level analyses

We have conducted a series of analyses to test hypotheses generated through the award analysis, process, and partner workstreams

- Objective: To support the hypotheses generated throughout the ACES project, a series of quantitative analyses were conducted to test findings from the award analysis, process, and partner workstreams
- Data sources: Depending on data availability, portfolio-level analyses were conducted across several data sets
  - Data was based on a GH extract from USAID's Global A&A System (GLAAS), the 60 awards reviewed, and USASpending
  - Where possible, the largest data set was used; however, a significant amount of data was available only through detailed review of 60 awards
- Contents: This document consolidates key findings from the portfolio-level analyses and are organized into categories:
  - Recommendation analyses: A series of analyses were conducted to inform and support recommendations
  - Other focus study areas: Ad-hoc analyses conducted to support working assumptions

GH award portfolio-level hypotheses tied to recommendations and data sets (1 of 3)

Recommendation		Hypothesis		Finding	Data set
1	**Define "what success looks like" during award design**	1.A	Technical assistance, service delivery, and comprehensive services awards are most in need of more clearly defined project scopes	Refuted	60 awards reviewed
2	**Select most appropriate instrument** (i.e., Acquisition or Assistance) to enable effective award management	2.A	Acquisition is used more frequently in field vs. DC awards due to the smaller average size of field awards, but more dollars flow through DC acquisition due to large commodity procurements	Inconclusive	1,111 active awards
		2.B	Use of assistance has been increasing relative to acquisition (by TEC, obligated funds, and number of awards)	Supported	1,215 awards started from FY08 to FY12 in GLAAS database
		2.C	Average award size has been increasing for assistance awards relative to acquisition awards (by TEC)	Supported	
3	**Increase financial transparency of administrative / programmatic costs**	3.A	It is difficult to discern trends in programmatic spend by award type due to non-standardized cost bucket definitions and cost reporting practices across awards	Supported	60 awards reviewed
		3.B	Indirect costs tend to be lower for larger awards	Inconclusive	60 awards reviewed
		3.C	Indirect cost efficiency is greater for awards with more narrowly defined programmatic objectives (i.e., commodity procurement, grant management, etc.)	Supported	60 awards reviewed
4	**Begin to evaluate costs in relation to outcomes**	4.A	Cost evaluation is prioritized more heavily in larger awards (by TEC)	Refuted	60 awards reviewed
		4.B	Cost evaluation is prioritized more frequently for acquisition awards than assistance awards	Refuted	60 awards reviewed

GH award portfolio-level hypotheses tied to recommendations and data sets (2 of 3)

Recommendation		Hypothesis		Finding	Data set
5	**Promote competition** / create and compete awards that can be successfully managed by a wider variety of applicants	5.A	Opportunities to promote competition exist across award categories	Supported	60 awards reviewed
		5.B	Larger awards (by TEC) generally have fewer viable applicants	Supported	60 awards reviewed
		5.C	Awards featuring the use of subs generally have fewer applicants	Supported	60 awards reviewed
		5.D	Awards with more amorphous programmatic objectives generally rely more on subs	Inconclusive	60 awards reviewed
		5.E	Awards that promote consortia of major partners have fewer viable applicants	Supported	60 awards reviewed
		5.F	Larger awards promote consortia of major partners more frequently compared with smaller awards	Supported	60 awards reviewed
6	**Assess and motivate partner performance** using appropriate, measurable, and timely metrics that hold partners accountable for value-for-money results	6.A	***Hypotheses developed and tested via process, partner, and peer organization findings***	Not applicable	
7	**Broaden existing practice of managing the universe of awards as a portfolio** from planning through award management	7.A	Awards in all categories show scope overlap	Inconclusive	60 awards reviewed

GH award portfolio-level hypotheses tied to recommendations and data sets (3 of 3)

Recommendation		Hypothesis		Finding	Data set
8	**Equip personnel with the right skills to assess value for money**, hold them accountable, and provide incentives to motivate	8.A	***Hypotheses developed and tested via process, partner, and peer organization findings***	Not applicable	
9	Enable **timely access to relevant, useful information**	9.A	***Hypotheses developed and tested via process, partner, and peer organization findings***	Not applicable	
10	**Streamline, standardize, and automate A&A processes** to reduce variation and ensure it is only selectively, intentionally used	10.A	The length of the pre-award process from RFA issuance to period-of-performance (POP) start date varies by type of award	Supported	60 awards reviewed
		10.B	POP start dates are concentrated around the end (September) and beginning (October) of the fiscal year	Supported	1,215 awards started from FY08 to FY12 in GLAAS database
		10.C	The amount of TEC that is never obligated to an award is higher for DC-Assistance awards started at the end of the fiscal year	Supported	1,900 expired awards in GLAAS database

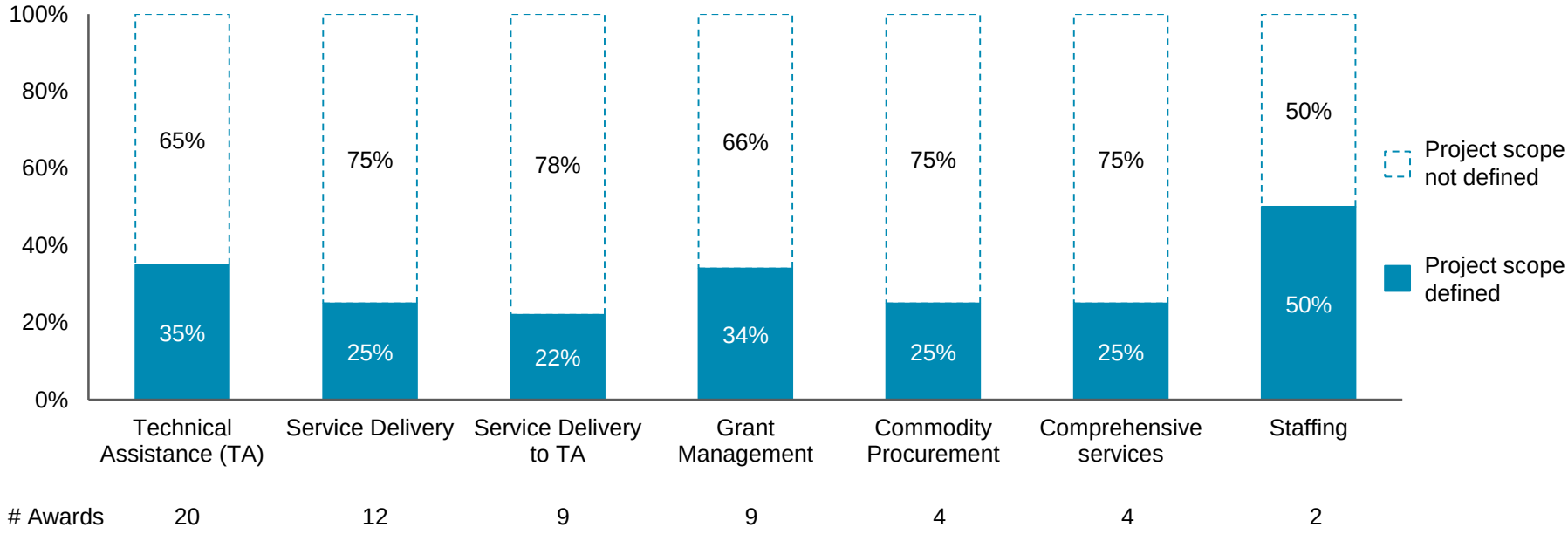
Other study focus areas

Focus Area	Hypothesis		Finding	Data set
Savings levers	SL.A	Value levers are more applicable to award categories with more amorphous programmatic objectives (i.e. technical assistance / service delivery / comprehensive services)	Inconclusive	60 awards reviewed
	SL.B	Value levers apply more frequently in Assistance awards	Refuted	60 awards reviewed
	SL.C	Value levers apply more frequently in larger awards based on TEC	Supported	60 awards reviewed
Funds obligated at expiration	FO.A	A significant amount of funds remain unobligated at expiration, relative to TEC	Refuted	1,900 expired awards in GLAAS database
	FO.B	Larger awards have more funds unobligated at expiration, relative to TEC	Supported	1,900 expired awards in GLAAS database
	FO.C	Awards are under-obligated in the earlier portions of the period-of-performance, leading to over-obligations in the latter portions of POP to utilize the available TEC	Refuted	1,900 expired awards in GLAAS database and USASpending

Hypothesis: Technical assistance, service delivery, and comprehensive services awards are most in need of more clearly defined project scopes

Frequency of awards with defined project scopes[1] by award category[2]

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Hypothesis refuted

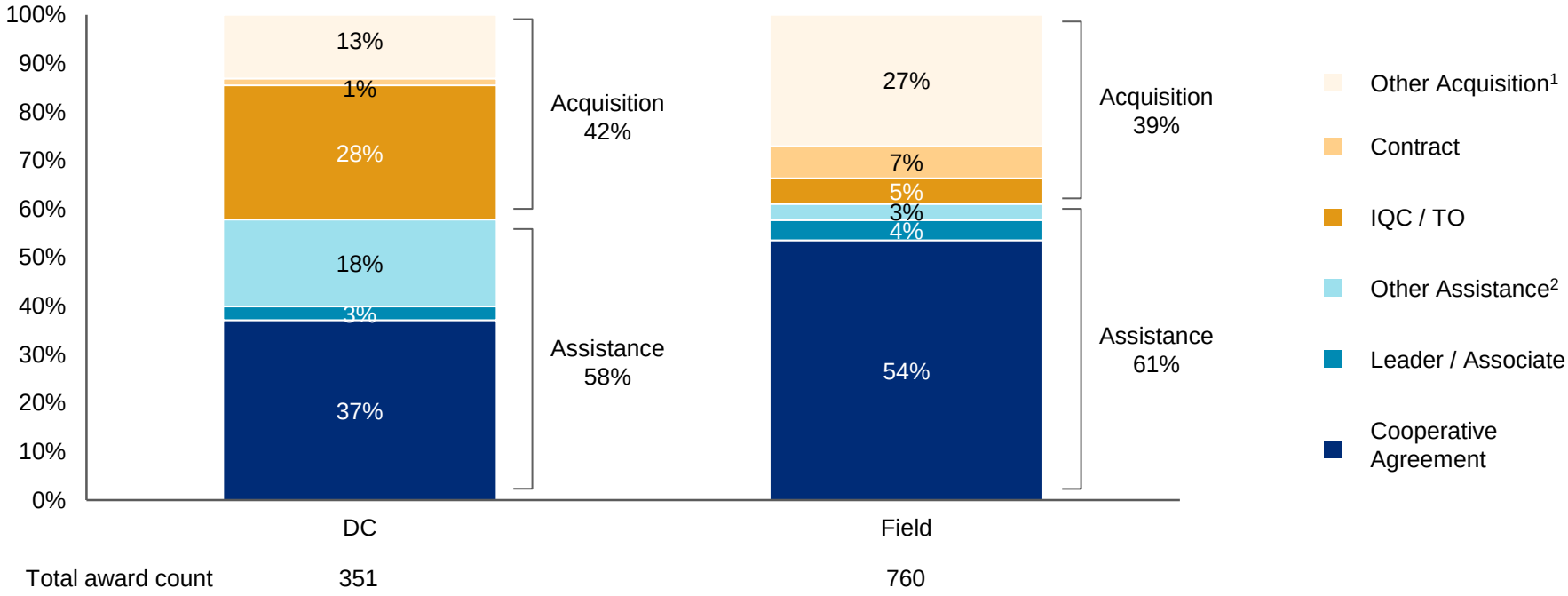
Opportunity to define what success looks like during award design is prevalent across all award categories

1. Based on application of Detailed Definition (lever 1) in 60 awards reviewed
2. See appendix for detail on award category segmentation

Hypothesis: Acquisition is used more frequently in field vs. DC awards due to the smaller average size of field awards, but more dollars flow through DC acquisition due to large commodity procurements (1 of 2)

Share of instrument type by award count at DC vs. Field for active awards (1,111)

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Hypothesis inconclusive

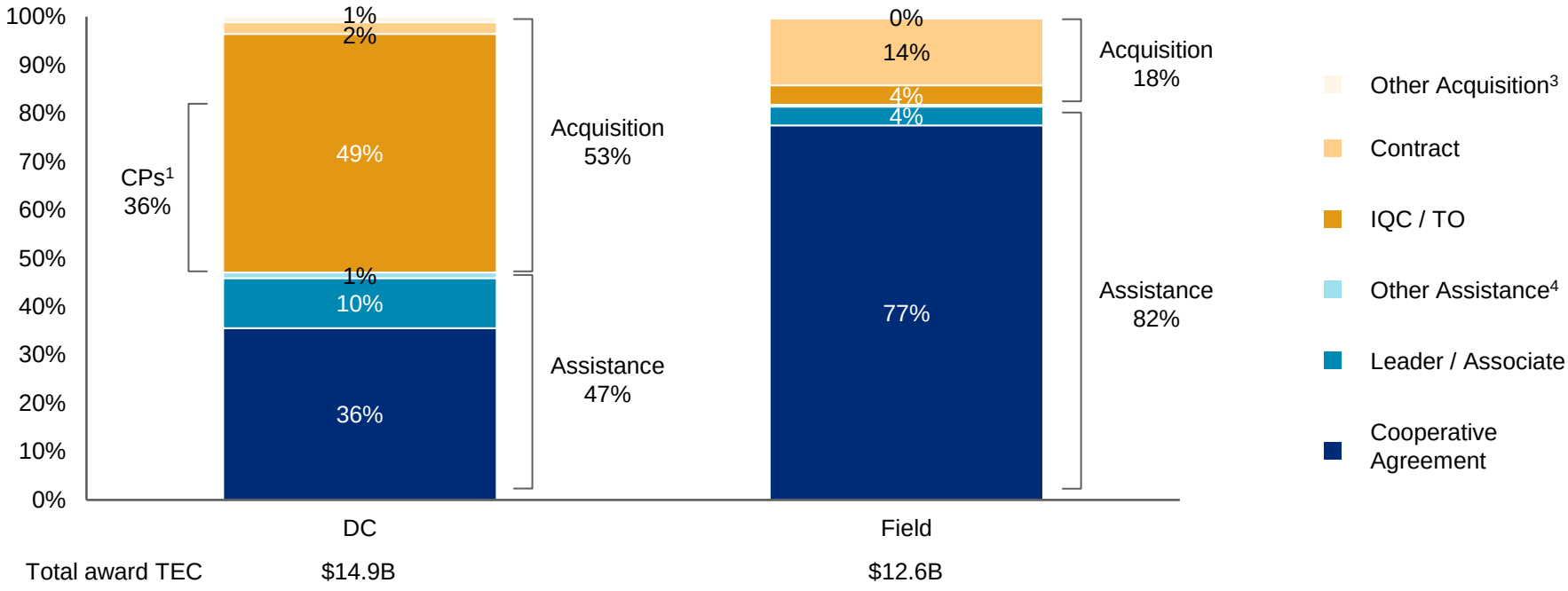
Acquisition instruments comprise a roughly even mix of awards (by count) amongst both DC and Field awards

1. Includes GSA schedule orders, BPAs, PSCs, POs, and PCOs
2. Includes grants and fixed obligation grants

Hypothesis: Acquisition is used more frequently in field vs. DC awards due to the smaller average size of field awards, but more dollars flow through DC acquisition due to large commodity procurements (2 of 2)

Share of instrument type by TEC at DC vs. Field for active awards (1,111)

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Hypothesis inconclusive

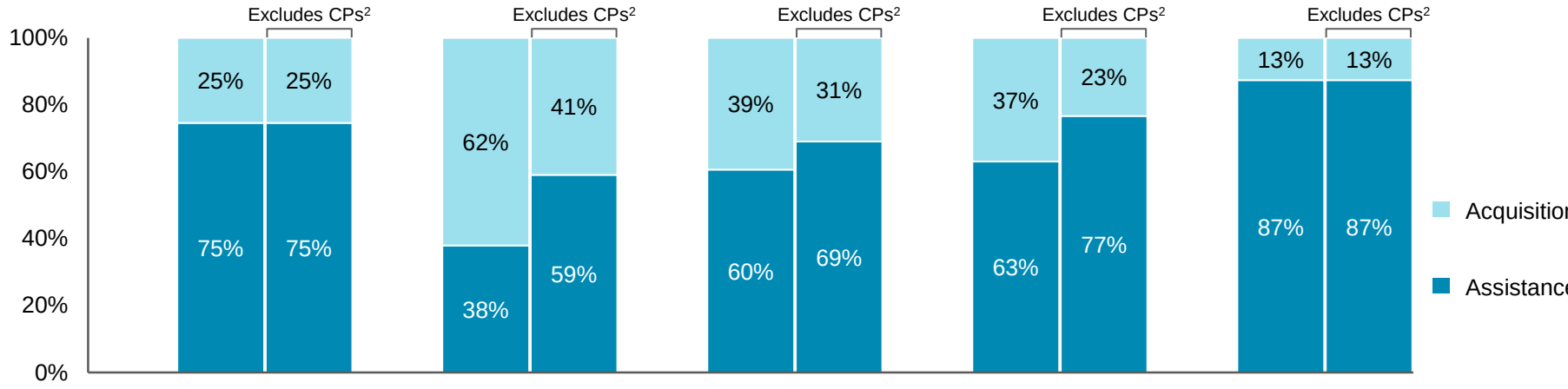
Acquisition awards comprise a greater share of DC awards relative to Field awards, primarily due to concentration of large commodity procurements amongst DC awards

1. Commodity procurements comprise 36% of DC-based awards by TEC
2. Task Orders under active IQCs removed to avoid double-counting; total ceiling of task orders considered the single TEC of the IQC and all corresponding task orders
3. Includes GSA schedule orders, BPAs, PSCs, POs, and PCOs
4. Includes grants and fixed obligation grants

Hypothesis: Use of assistance has been increasing relative to acquisition (by TEC, obligated funds, and number of awards) (1 of 3)

Share of TEC $ started by year based on FY2008 to FY2012 data[1]

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



	FY2008	FY2009	FY2010	FY2011	FY2012
Total awards	205	255	265	235	255
Acquisition	$1.3B	$4.7B	$2.1B	$2.1B	$0.5B
Assistance	$3.7B	$2.9B	$3.3B	$3.5B	$3.5B
CPs removed		1 ($2.7B)	2 ($0.7B)	2 ($1.0B)	

Hypothesis supported

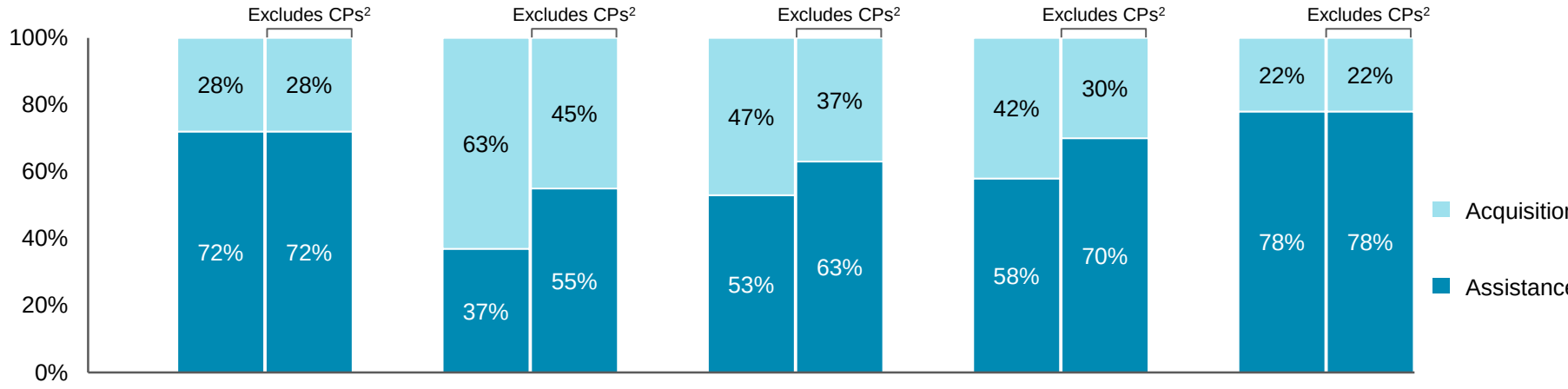
Based on TEC, the share of assistance relative to acquisition has increased annually since FY2009

1. Excludes purchase orders and grants
2. Excluded SCMS and DELIVER task orders

Hypothesis: Use of assistance has been increasing relative to acquisition (by TEC, obligated funds, and number of awards) (2 of 3)

Share of obligated funds based on award start date for awards started from FY2008 to FY2012 data[1]

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



	FY2008	FY2009	FY2010	FY2011	FY2012
Total awards	205	255	265	235	255
Acquisition	$1.1B	$3.3B	$1.7B	$1.3B	$0.3B
Assistance	$2.8B	$1.9B	$2.0B	$1.8B	$1.0B
CPs removed		1 ($1.7B)	2 ($0.6B)	2 ($0.5B)	

Hypothesis supported

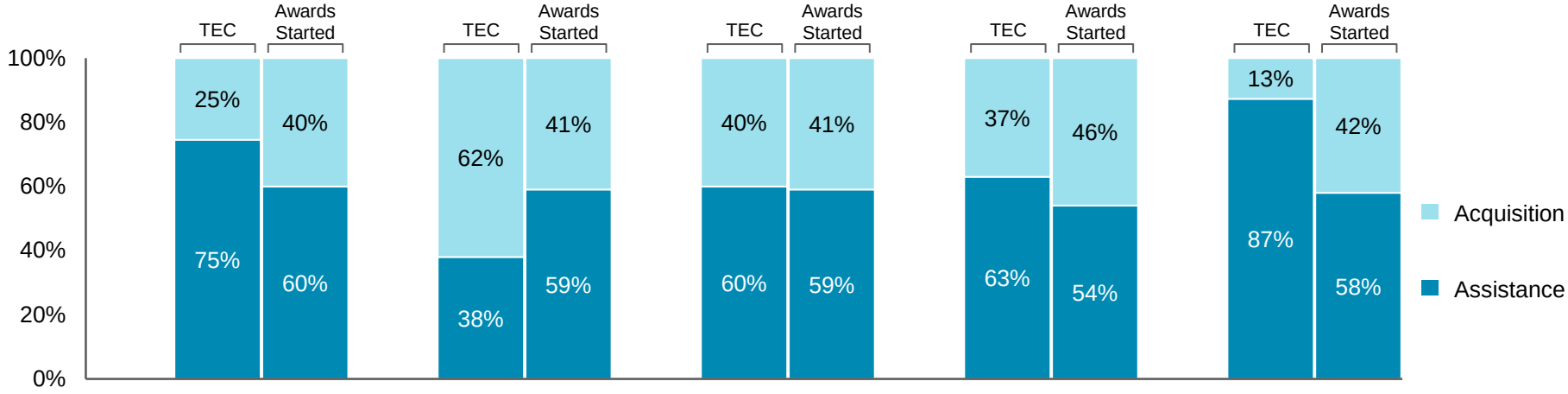
Based on obligated funds, the share of assistance relative to acquisition has increased annually since FY2009

1. Excludes purchase orders and grants
2. Excluded SCMS and DELIVER task orders

Hypothesis: Use of assistance has been increasing relative to acquisition (by TEC, obligated funds, and number of awards) (3 of 3)

Share of TEC[1] and awards started based on award start dates from FY2008 to FY2012

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



	FY2008	FY2009	FY2010	FY2011	FY2012
Acquisition	83	104	108	109	106
Assistance	122	151	157	126	149

Hypothesis supported

Based on number of awards, the share of assistance relative to acquisition has remained steady since FY2008; there may be other potential causes for the relative increase in TEC for assistance awards, such as average award size

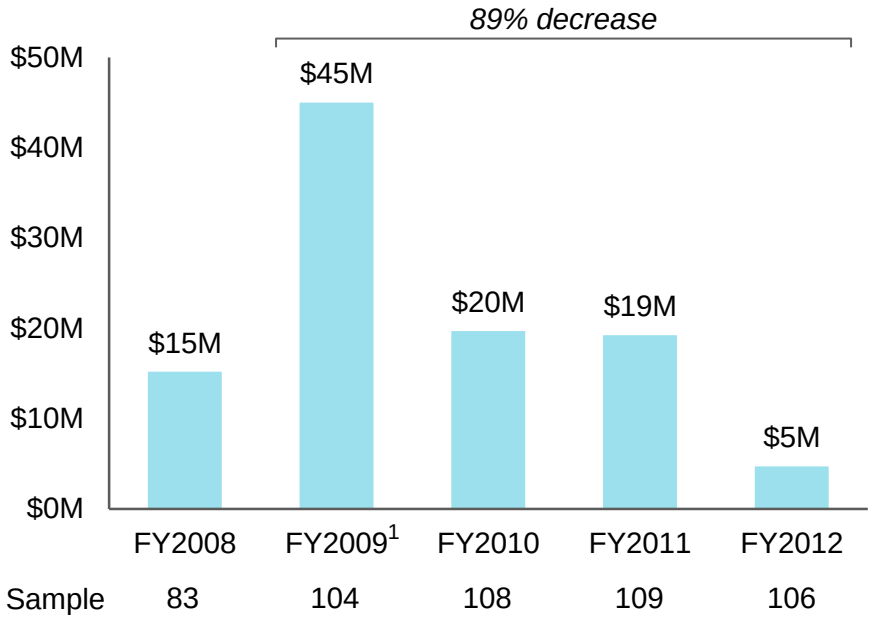
Note: Excludes purchase orders and grants; potential causes for increase by TEC but not awards started is that the President announced significant GH funding several years ago that did not materialize

1. Includes commodity procurement awards

Hypothesis: Average award size has been increasing for assistance awards relative to acquisition awards (by TEC)

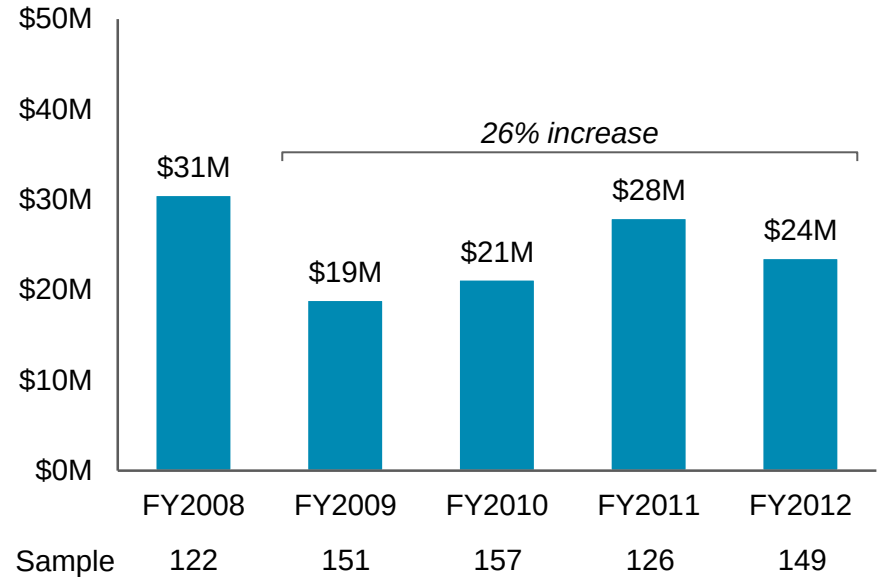
Average award size ($TEC) - Acquisition

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Average award size ($TEC) - Assistance

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Hypothesis supported

Assistance awards have increased in average size by 26% overall since FY2009, while acquisition awards have decreased in average size by 89%

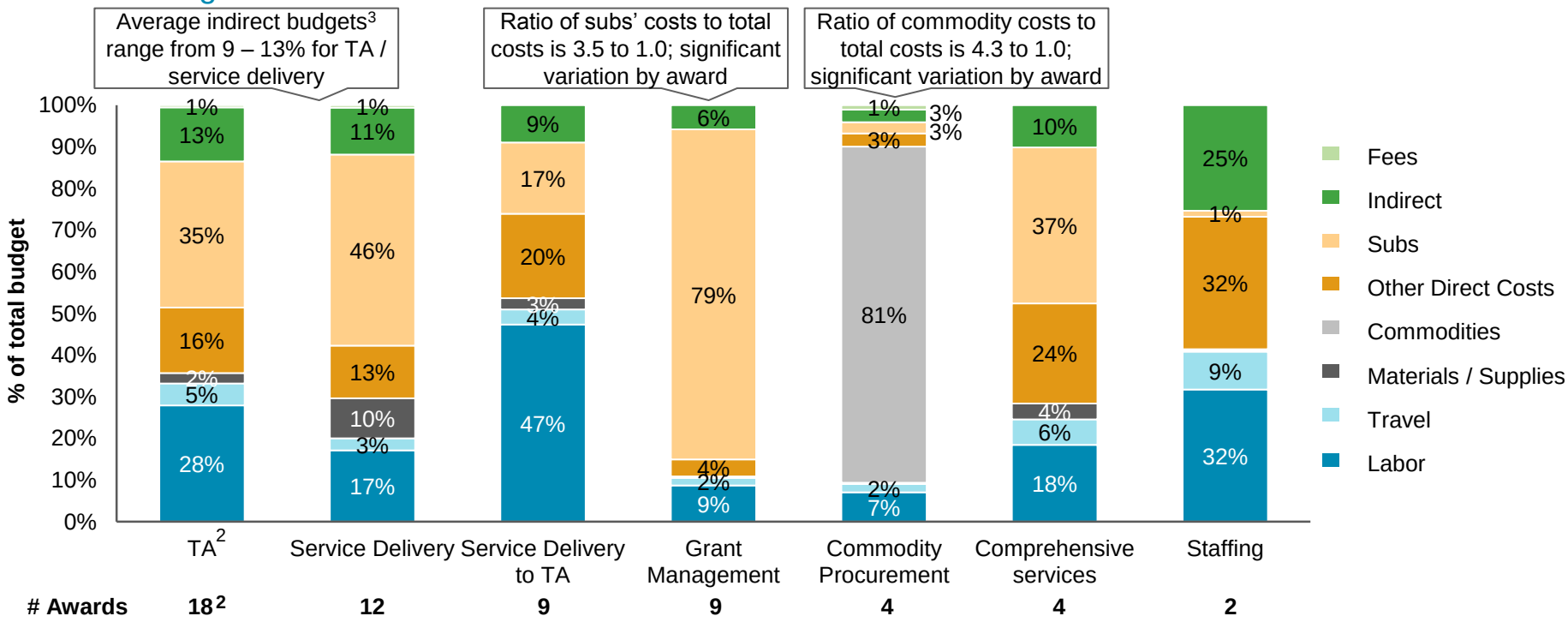
Note: Analysis excludes grants and purchase orders

1. Spike in FY2009 may be caused by start of two large commodity awards

Hypothesis: It is difficult to discern trends in programmatic spend by award type due to non-standardized cost bucket definitions and cost reporting practices across awards (1 of 2)

Budget breakdown by award category[1]

Based on budget data for 60 awards reviewed



Hypothesis supported

Some trends exist in cost bucketing but there is significant variation in budgets within award categories, making it difficult to draw meaningful insights

1. See appendix for detail on award category segmentation
2. Two technical assistance (TA) awards had no budget breakdown and were removed from budgetary analysis
3. Indirect costs defined as NICRA-allowable costs; does not include direct cost line items that may be indirect in nature

Hypothesis: It is difficult to discern trends in programmatic spend by award type due to non-standardized cost bucket definitions and cost reporting practices across awards (2 of 2)

Min-max range for budget categories by award category[1]

Based on budget data for 60 awards reviewed

Min-max range 15% - 30% | Min-max range greater than 30%

	TA		Service Delivery		Service Delivery To TA		Grant Management		Commodity Procurement[2]		Comprehensive services		Staffing	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Fees	0%	5%	0%	7%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%
Indirect[3]	3%	20%	4%	25%	0%	16%	0%	18%	1%	7%	6%	20%	14%	37%
Subs	0%	73%	4%	83%	0%	70%	52%	97%	0%	5%	2%	71%	0%	3%
Other Direct Costs	4%	31%	0%	38%	0%	79%	0%	12%	1%	7%	9%	37%	6%	57%
Commodities	0%	0%	0%	0%	0%	0%	0%	0%	62%	94%	0%	0%	0%	1%
Materials / Supplies	0%	15%	0%	50%	0%	7%	0%	1%	0%	1%	1%	10%	0%	1%
Travel	1%	11%	0%	8%	0%	10%	0%	4%	0%	5%	2%	13%	1%	17%
Labor	14%	60%	4%	30%	7%	87%	1%	18%	2%	13%	9%	32%	4%	59%
Awards w/ detailed budget	10		3		6		4		2		0		1	
Total awards	20		12		9		9		4		4		2	

Hypothesis inconclusive

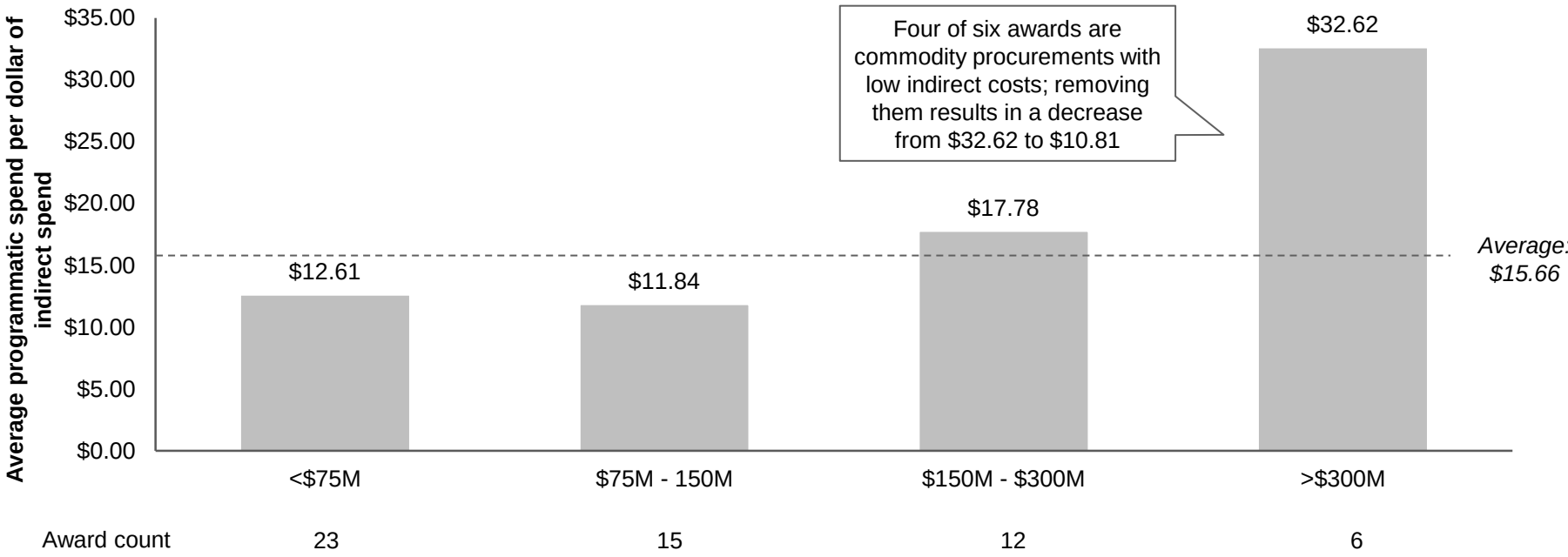
Major budget variations exist within categories across individual awards, making it difficult to draw meaningful insights

1. See appendix for detail on award category segmentation
2. For commodity procurements, commodity costs are often passed through subs, obscuring the true breakdown between budget buckets
3. Indirect costs defined as NICRA-allowable costs; does not include direct cost line items that may be indirect in nature; does not include costs that are indirect in nature for several smaller organizations that do not have NICRA agreements

Hypothesis: Indirect costs tend to be lower for larger awards

Average programmatic spend per dollar of indirect[1] spend by award size

Based on budget data for 60 awards reviewed



Hypothesis inconclusive

Removing commodity procurement awards reveals that larger awards have similar indirect costs as smaller awards, despite their ability to share more indirect costs across their activities and programs

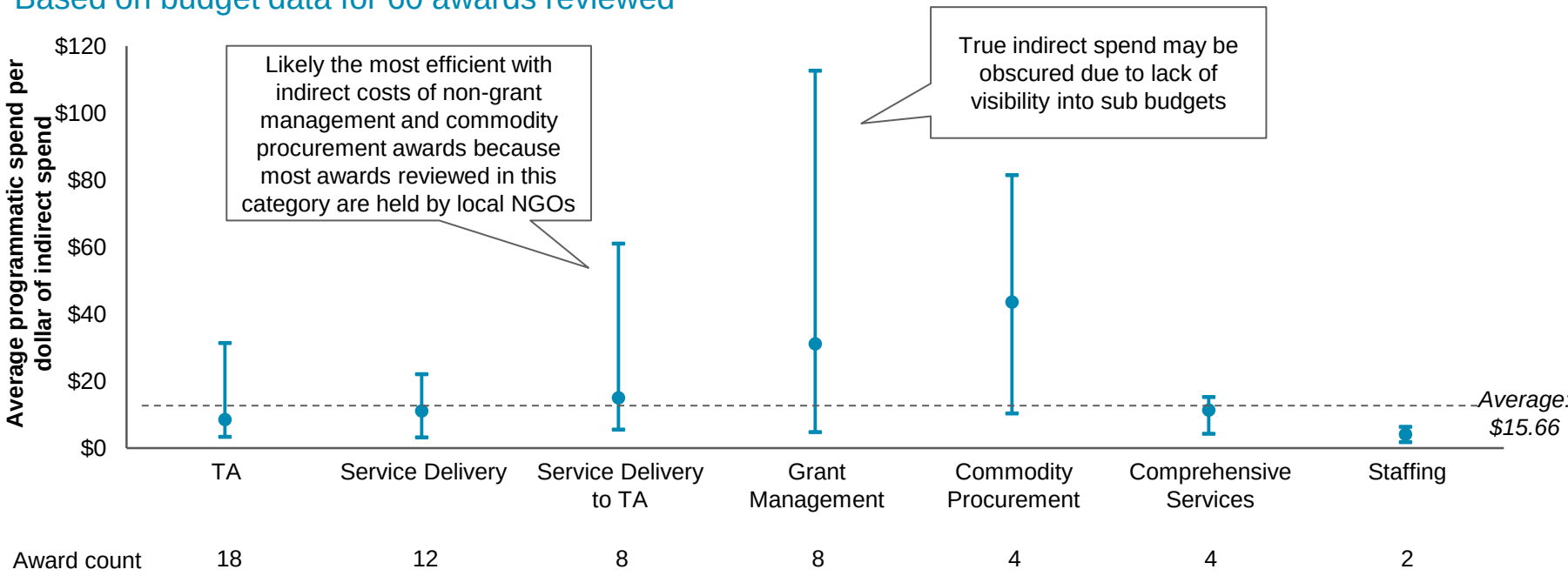
Note: Excludes two awards with no budget data and two awards with incomplete indirect cost data

1. Indirect includes NICRA-allowable indirect costs and fees; award budgets lacked the detail to categorize line-item costs as programmatic vs. administrative

Hypothesis: Indirect cost efficiency is greater for awards with more narrowly defined programmatic objectives (i.e., commodity procurement, grant management, etc.)

Average programmatic spend per dollar of indirect[1] spend by award category[2]

Based on budget data for 60 awards reviewed



Hypothesis supported

Indirect cost efficiency is greatest for grant management and commodity procurement awards with more narrowly defined programmatic objectives; however, significant variation does exist within award categories

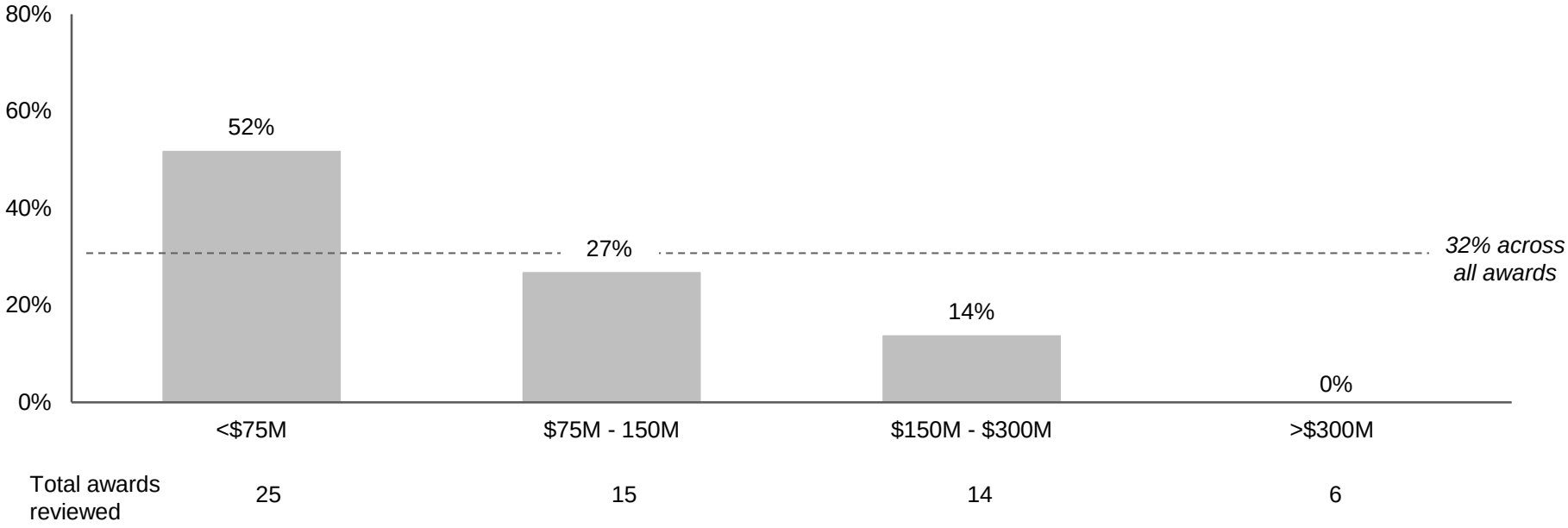
Note: Excludes two awards with no budget data and two awards with incomplete indirect cost data

1. Indirect includes NICRA-allowable indirect costs and fees; award budgets lacked the detail to categorize line-item costs as programmatic vs. administrative
2. See appendix for detail on award category segmentation

Hypothesis: Cost evaluation is prioritized more heavily in larger awards (by TEC)

Frequency of cost being prioritized as an evaluation criterion by award size

Based on Oliver Wyman analysis of 60 awards reviewed



Hypothesis refuted

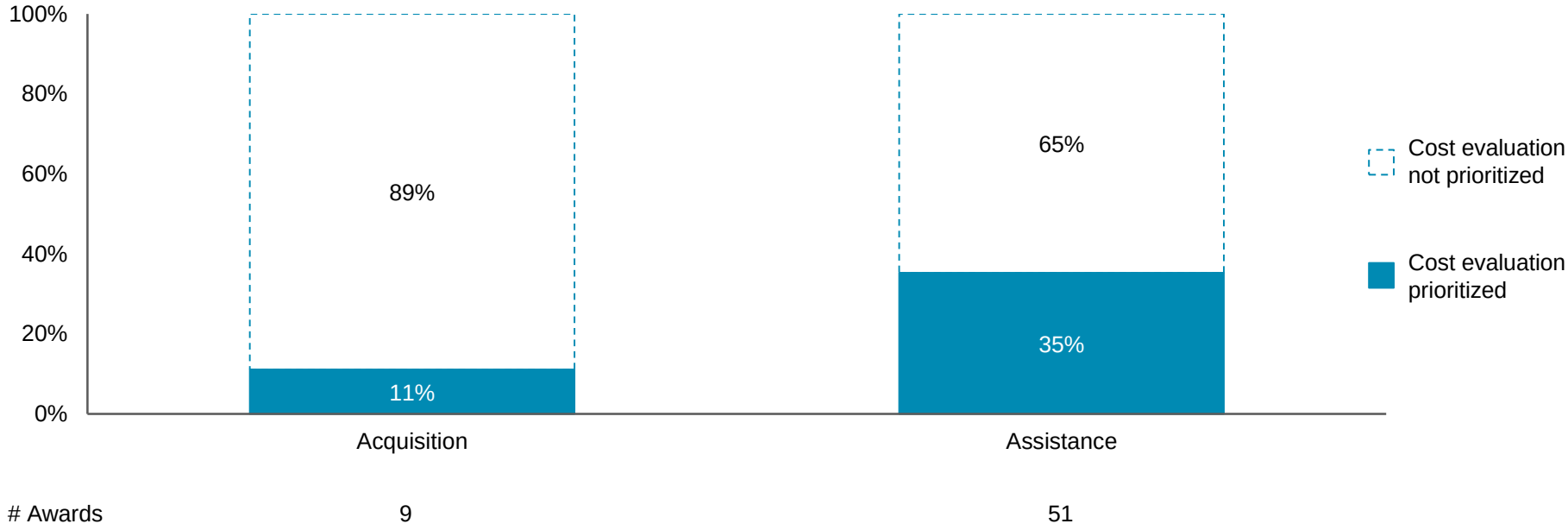
As award size increases, cost evaluation being prioritized as an evaluation criterion decreases; 10% of awards reviewed with TEC over $150M prioritized cost as an evaluation criterion, compared with 52% of awards reviewed with TEC <$75M

Note: Based on application of Cost Evaluation Prioritization (lever 5) in 60 awards reviewed

Hypothesis: Cost evaluation is prioritized more frequently for acquisition awards than assistance awards

Frequency of cost being prioritized as an evaluation criterion by instrument type

Based on Oliver Wyman analysis of 60 awards reviewed



Hypothesis refuted

Cost evaluation is prioritized more frequently for assistance awards, although there is opportunity to increase cost evaluation prioritization across both instrument types

Note: Based on application of Cost Evaluation Prioritization (lever 5) in 60 awards reviewed

Hypothesis: Opportunities to promote competition exist across award categories

Frequency of application of Increased Competition (lever 4) sub-levers by award category[1]

Based on Oliver Wyman analysis of 60 awards reviewed

Key: 25 - 50% | 50 - 75% | 75 - 100%

	① Technical Assistance (TA)	Service Delivery	② Service Delivery to TA	① Grant Management	③ Commodity Procurement	Comprehensive services	Staffing
Limited competition[2]	**35%**	**17%**	**0%**	**44%**	**25%**	**75%**	**50%**
No competition [3]	**5%**	**8%**	**0%**	**11%**	**75%**	**0%**	**0%**
Total awards reviewed	**20**	**12**	**9**	**9**	**4**	**4**	**2**

① Technical assistance and grant management awards had the greatest incidence of limited to no competition for award categories with notable sample size (n>8)

② High levels of competition were observed in awards that transition from service delivery to technical assistance; this is primarily due to many of those awards splitting from one larger award into several smaller ones, promoting increased competition

③ Limited to no competition was observed on all commodity procurement awards reviewed; each award was relatively large, and each was a task order under an IQC

Hypothesis supported

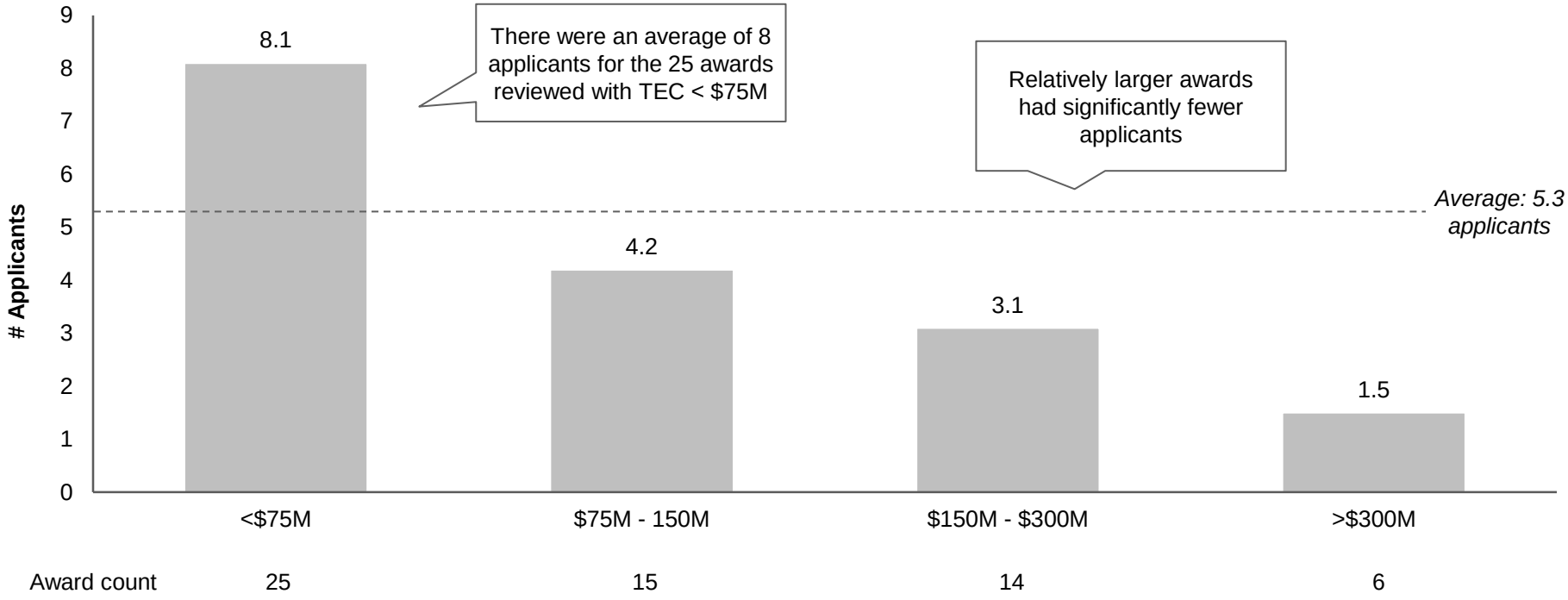
Limited to no competition was observed in 40% of awards reviewed, with a relatively wide distribution across award categories

1. See appendix for detail on award category segmentation
2. Few technically acceptable applicants, despite availability of other applicants
3. Sole source environment with opportunity to compete award or portions of award

Hypothesis: Larger awards (by TEC) generally have fewer applicants

Award size vs. number of applicants

Based on Oliver Wyman analysis of 60 awards reviewed



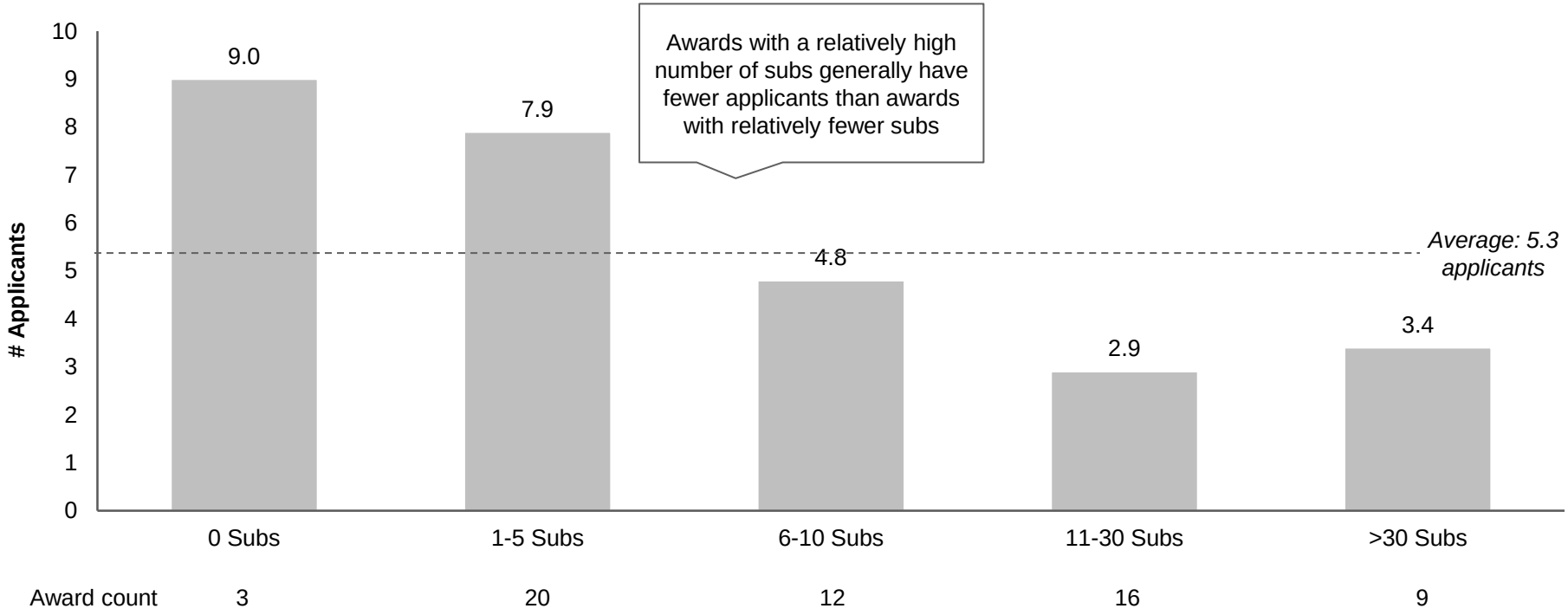
Hypothesis supported

Relatively large awards feature less competition, removing incentive for applicants to promote value for money

Hypothesis: Awards featuring the use of subs generally have fewer applicants

Number of subs[1] vs. number of applicants

Based on Oliver Wyman analysis of 60 awards reviewed



Hypothesis supported

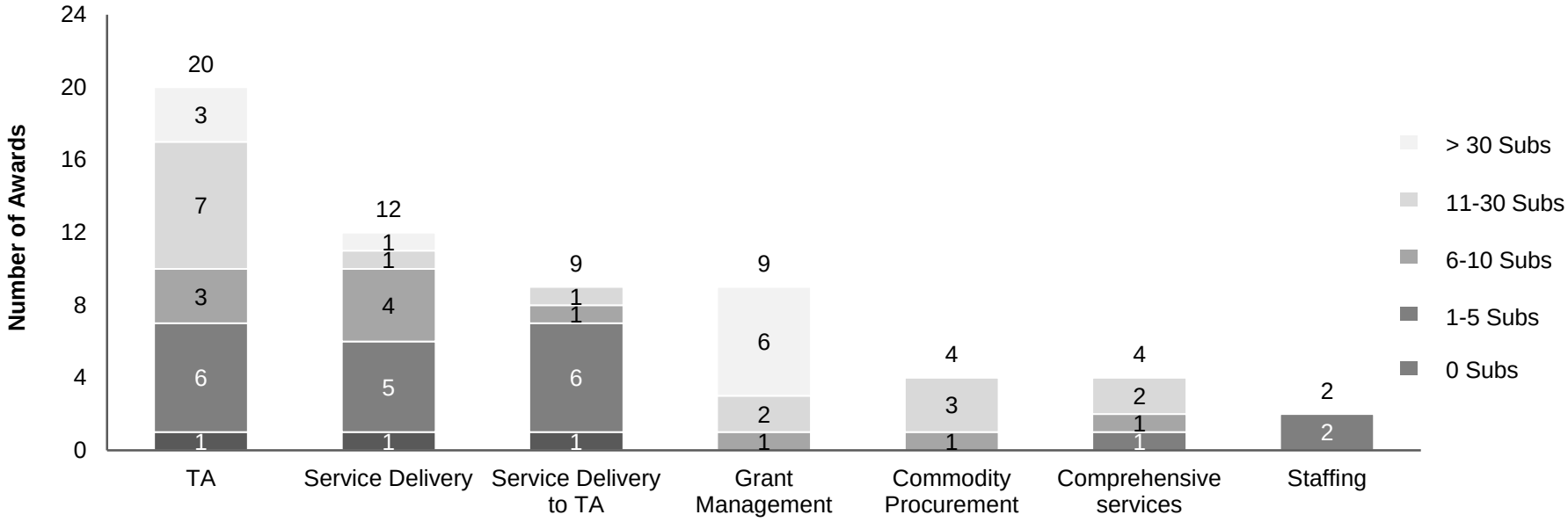
While competition decreases as the number of subs increases, the net effect on value for money should be considered in light of other Agency objectives such as building local capacity

1. "Number of subs" refers to sub-recipients, sub-grantees, and sub-contractors, and is only the number of subs for the prime recipient who ultimately won the award

Hypothesis: Awards with more amorphous programmatic objectives generally rely more on subs

Number of subs[1] by award category[2]

Based on Oliver Wyman analysis of 60 awards reviewed



	TA	Service Delivery	Service Delivery to TA	Grant Management	Commodity Procurement	Comprehensive services	Staffing
Total TEC	$2.4B	$1.4B	$0.6B	$0.8B	$4.6B	$1.1B	$0.3B

Hypothesis inconclusive

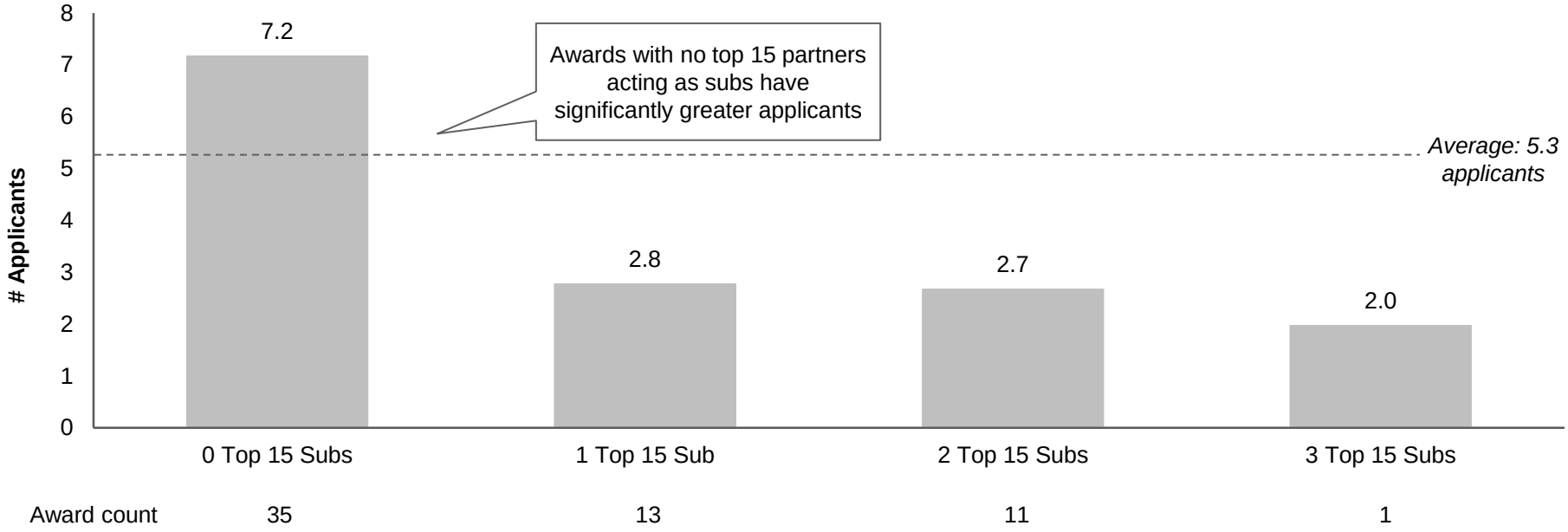
The variation in sub usage within award categories obscures insights connecting sub usage to specific award categories, regardless of programmatic objectives

1. Includes sub-recipients, sub-contractors, sub-grantees, and sub-consultants, and is only the number of subs for the prime recipient who ultimately won the award
2. See appendix for detail on award category segmentation

Hypothesis: Awards that promote consortia of major partners have fewer viable applicants

Number of "Top 15 Partners"[1] acting as subs[2] vs. number of applicants

Based on Oliver Wyman analysis of 60 awards reviewed



Hypothesis supported

As the number of "Top 15 partners"[1] acting as subs increases, the number of applicants / offerors decreases

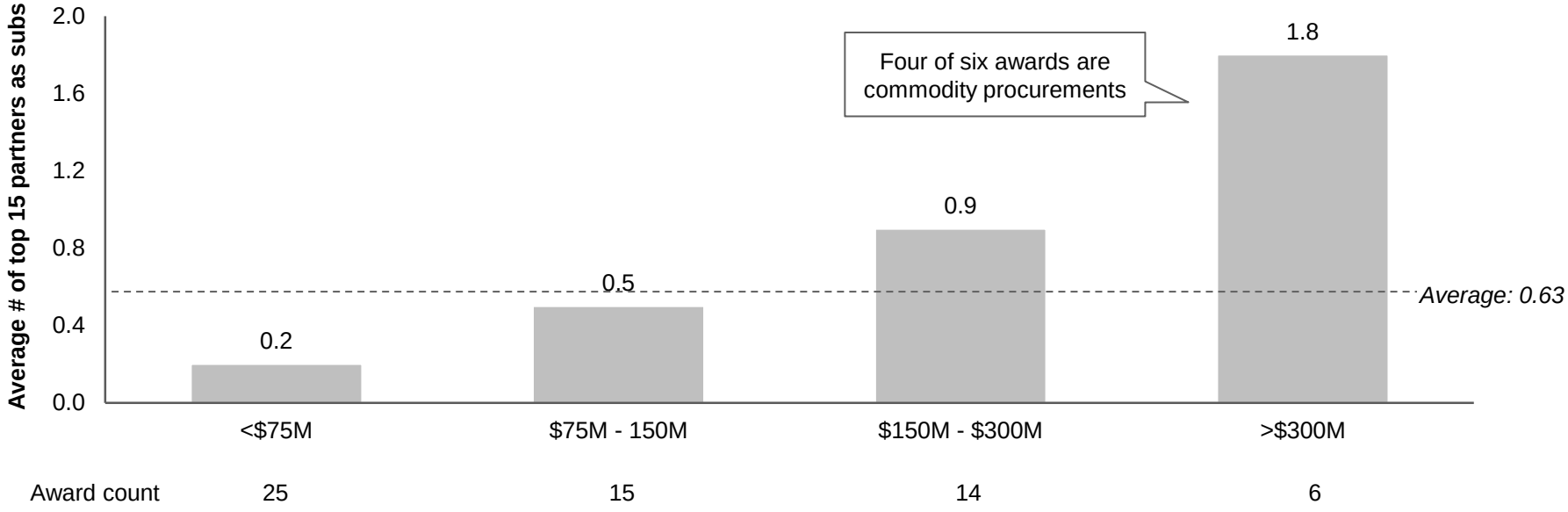
Note: Identification of top 15 partners only for the winning applicant – no visibility into the frequency of major partners acting as subs on the non-winning application

1. Based on TEC for active awards from GLAAS extract of Global Health Awards as of July 16, 2013, start dates from 1996 – 2013; note that this includes Water Supply and Sanitation Awards
2. Includes sub-recipients, sub-contractors, sub-grantees, and sub-consultants, and is only the number of subs for the prime recipient who ultimately won the award

Hypothesis: Larger awards promote consortia between major partners more often than smaller awards

Number of "Top 15 Partners"[1] acting as subs[2] by award size

Based on Oliver Wyman analysis of 60 awards reviewed



Hypothesis supported

As award size increases, the inclusion of "Top 15 partners"[1] as subs increases, likely due to the complexity of such awards; higher levels of collaboration correlate with decreased competition

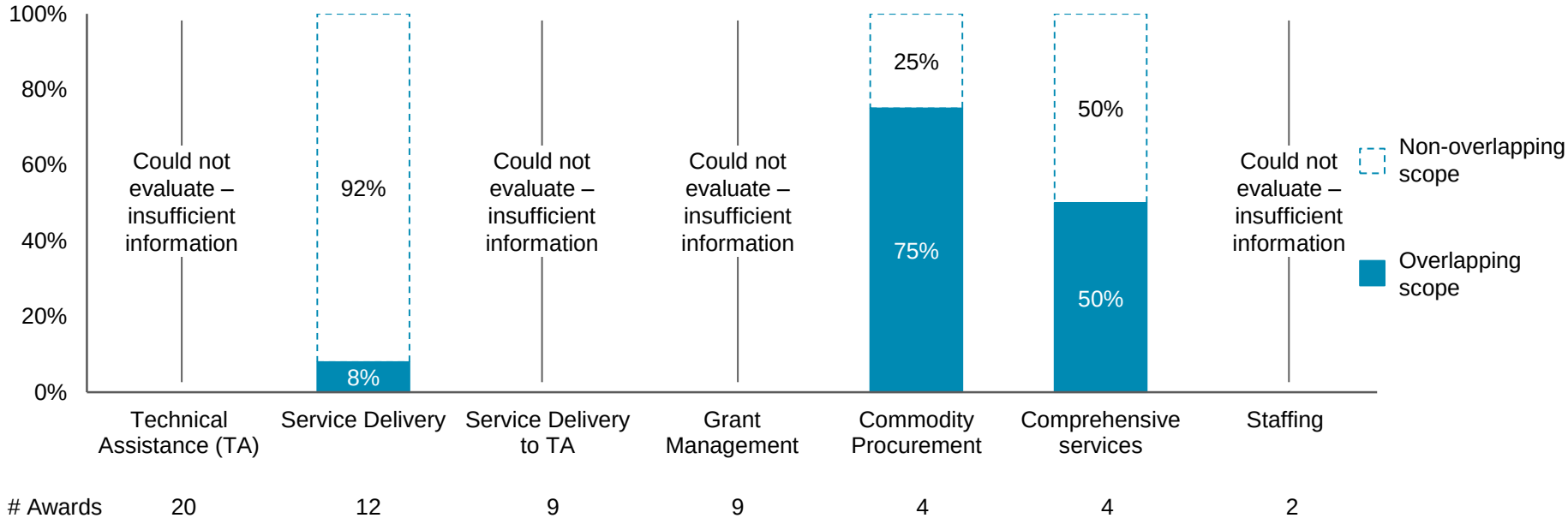
Note: Identification of top 15 partners only for the winning applicant – no visibility into the frequency of major partners acting as subs on the non-winning application

1. Based on TEC for active awards from GLAAS extract of Global Health Awards as of July 16, 2013, start dates from 1996 – 2013; note that this includes Water Supply and Sanitation Awards
2. Includes sub-recipients, sub-contractors, sub-grantees, and sub-consultants, and is only the number of subs for the prime recipient who ultimately won the award

Hypothesis: Awards in all categories show scope overlap

Frequency of awards with overlapping scopes[1] by award category[2]

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Hypothesis inconclusive

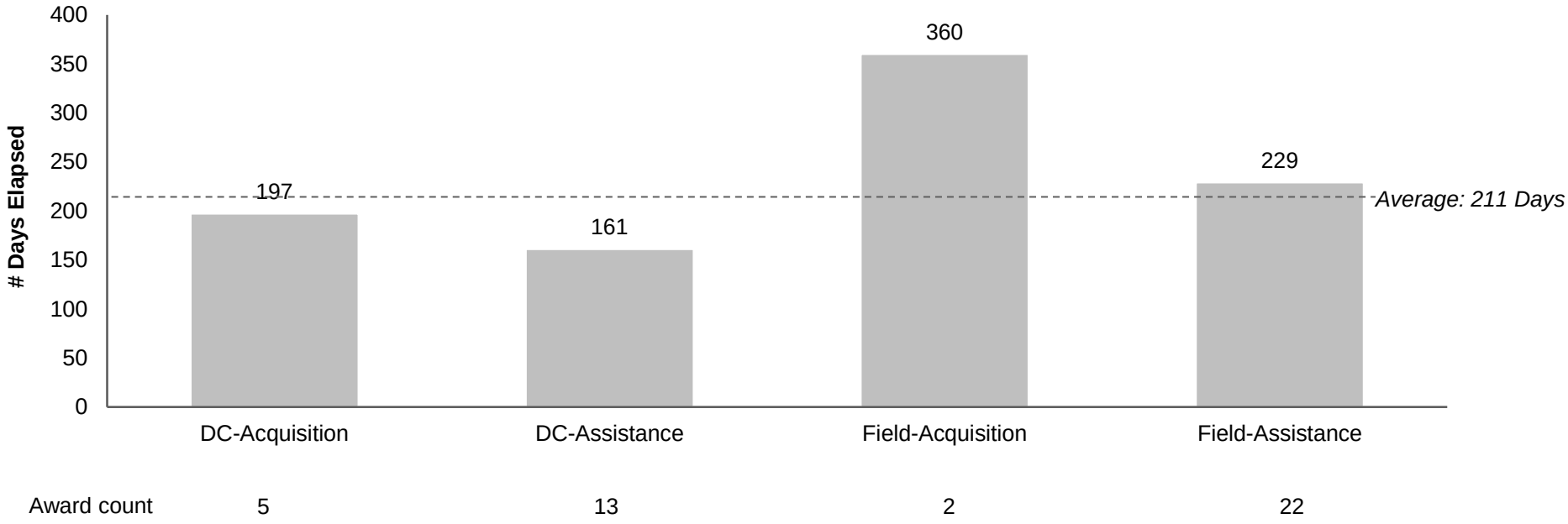
Could not evaluate universally due to lack of comparable award scope information; in limited sample of commodity procurement and comprehensive services awards, we found significant overlap

1. Based on application of Detailed Definition (lever 1) sub-lever "Overlapping Scope" in 60 awards reviewed
2. See appendix for detail on award category segmentation

Hypothesis: The length of the pre-award process from RFA issuance to period-of-performance (POP) start date varies by type of award

Days Elapsed from RFA Issuance to POP Start

Based on Oliver Wyman analysis of 60 awards reviewed and available award documents



Hypothesis supported

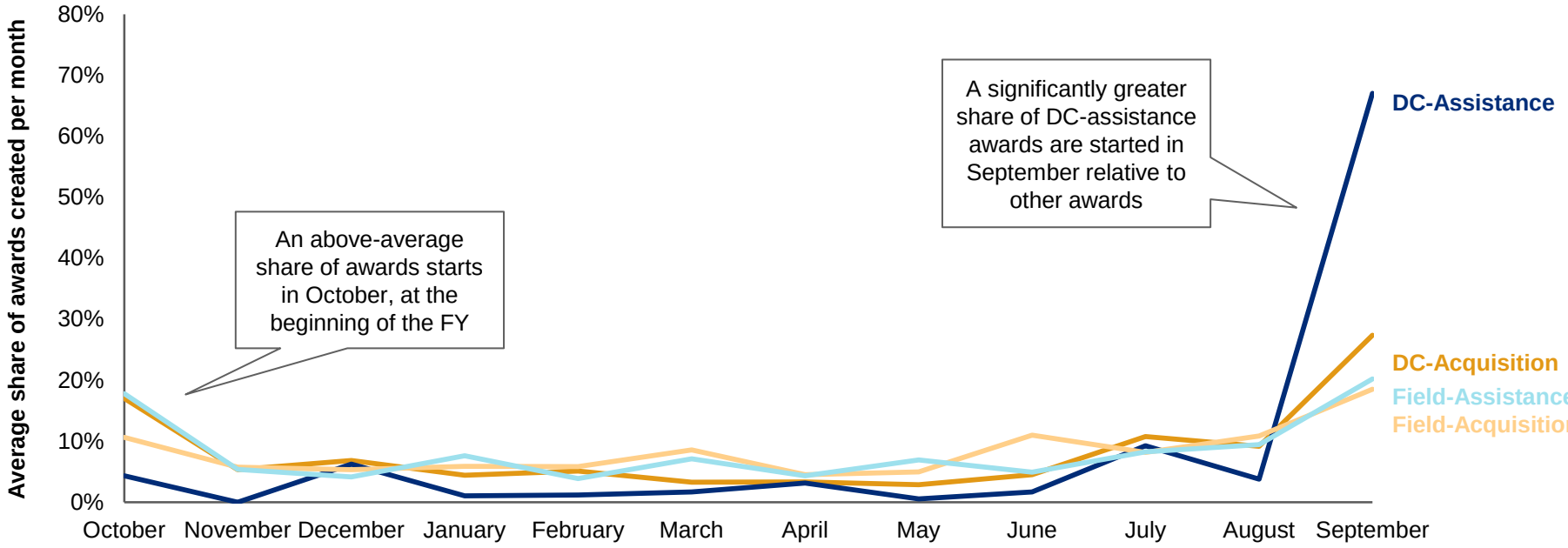
Acquisition generally takes longer from the RFP issuance to POP start than assistance, which may contribute to institutional bias toward assistance, particularly in the field

Note: 18 awards reviewed did not contain explicit information on RFA issuance dates

Hypothesis: Period-of-performance start dates are concentrated around the end (September) and beginning (October) of the fiscal year

Average share of awards started by month based on FY2008 to FY2012 data[1]

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Hypothesis supported

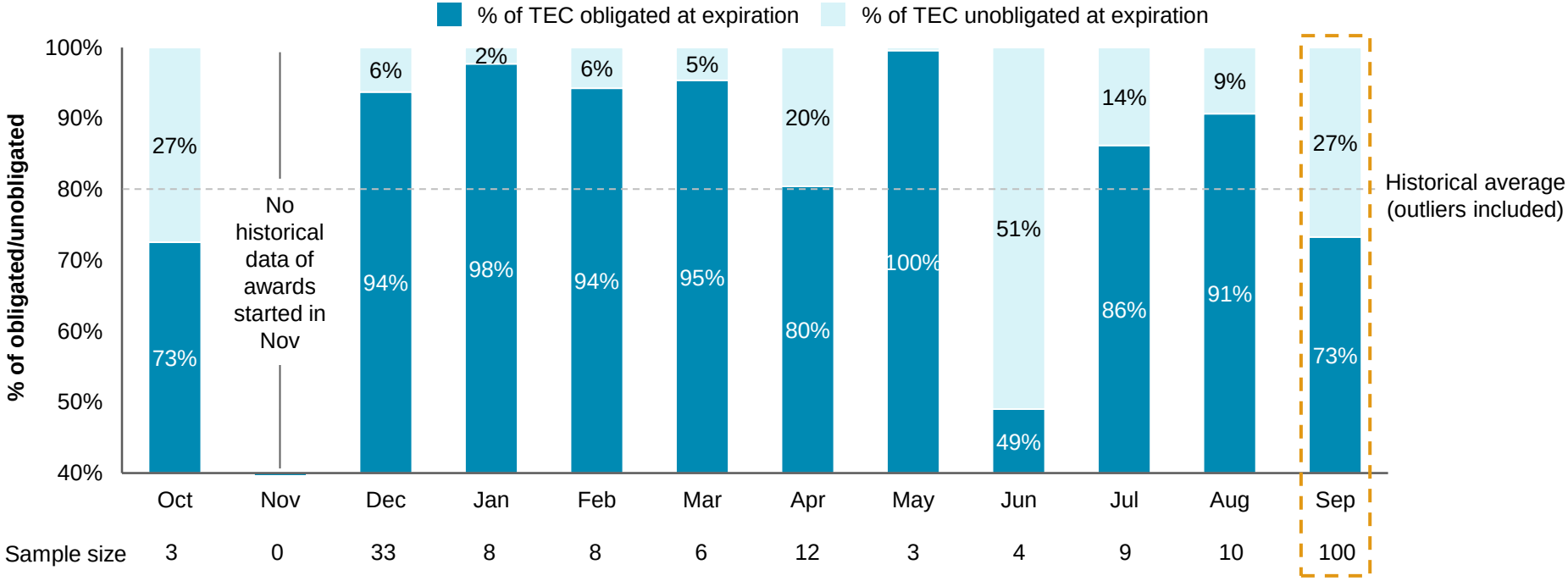
Award start dates are clustered in September and October around the start of new fiscal years; the large September spike in DC-Assistance may represent increased burden, overloaded processes / systems, and rushed evaluation / negotiation periods

1) Excludes purchase orders and grants

Hypothesis: The amount of TEC that is never obligated to an award is higher for DC-Assistance awards started at the end of the fiscal year

Funds obligated at expiration as a percentage of total TEC by award start month

Based on GLAAS extract of expired DC-Assistance GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Hypothesis supported – understanding root causes requires further investigation

The relatively low level of obligations for DC-Assistance awards started in September may relate to timing of process – a need to allocate funds at end of fiscal year may drive use of assistance (shorter PALT) and overbudgeting of TEC

Note: Excludes grants; Represents only expired DC-Assistance awards; Start dates extend back to 1999; Obligations capped at TEC; Outliers included

Hypothesis: Value levers are more applicable to award categories with more amorphous programmatic objectives (i.e. technical assistance / service delivery / comprehensive services)

Frequency of lever application by award category[1]

Based on Oliver Wyman analysis of 60 awards reviewed

Key: 25 - 50% | 50 - 75% | 75 - 100%

Lever (Times Applied)	Technical Assistance (TA)	Service Delivery	Service Delivery to TA	Grant Management	Commodity Procurement	Comprehensive Services	Staffing
1 Detailed Definition (42)	65%	75%	78%	67%	75%	75%	50%
2 Approach Optimization (28)	45%	33%	56%	56%	50%	50%	50%
3 Shared Services (29)	60%	33%	89%	22%	0%	75%	0%
4 Increased Competition (24)	40%	25%	0%	56%	100%	75%	50%
5 Cost Evaluation Prioritization (41)	95%	83%	11%	22%	100%	100%	50%
6 Optimal Cost Benchmarks (40)	60%	75%	67%	67%	100%	50%	50%
7 Local Labor and Services (9)	20%	17%	22%	11%	0%	0%	0%
8 Subcontractor Management (20)	35%	50%	11%	11%	50%	50%	50%
9 Economies of Scale (0)	0%	0%	0%	0%	0%	0%	0%
10 Process Optimization (10)	15%	17%	0%	33%	50%	0%	0%
Total	20	12	9	9	4	4	2

Hypothesis inconclusive

Value levers apply across categories; awards that involve a transition from Service Delivery to Technical Assistance showed the greatest concentration of “definitional” levers being applied

Note: Does not account for application of empirical analyses (performance-based competition and continuous improvement)
1. See appendix for detail on award category segmentation

Hypothesis: Value levers apply more frequently in Assistance awards

Frequency of lever application by award type

Based on Oliver Wyman analysis of 60 awards reviewed

Key: 25 - 50% | 50 - 75% | 75 - 100%

Lever (Times Applied)	DC-Acquisition	DC-Assistance	Field-Acquisition	Field-Assistance
1 Detailed Definition (42)	71%	77%	0%	68%
2 Approach Optimization (28)	43%	38%	100%	52%
3 Shared Services (29)	0%	50%	100%	56%
4 Increased Competition (24)	86%	38%	0%	32%
5 Cost Evaluation Prioritization (41)	100%	77%	50%	52%
6 Optimal Cost Benchmarks (40)	71%	58%	50%	76%
7 Local Labor and Services (9)	0%	15%	0%	20%
8 Subcontractor Management (20)	57%	35%	50%	24%
9 Economies of Scale (0)	0%	0%	0%	0%
10 Process Optimization (10)	43%	12%	100%	8%
Total	7	26	2	25

Hypothesis refuted

Value levers applied evenly across award types; Levers #1-6 applied more frequently in Assistance while #8 and 10 (Subcontractor Mgmt and Process Optimization) applied most frequently in Acquisition

Note: Does not account for application of empirical analyses (performance-based competition and continuous improvement)

Hypothesis: Value levers apply more frequently in larger awards based on TEC

Frequency of lever application by award size

Based on Oliver Wyman analysis of 60 awards reviewed

Key: 25 - 50% | 50 - 75% | 75 - 100%

Lever (Times Applied)	TEC < $75M	TEC $75M - $150M	TEC $150M - $300M	TEC > $300M
1 Detailed Definition (42)	68%	67%	79%	67%
2 Approach Optimization (28)	48%	53%	29%	67%
3 Shared Services (29)	52%	33%	71%	17%
4 Increased Competition (24)	32%	20%	50%	100%
5 Cost Evaluation Prioritization (41)	48%	73%	86%	100%
6 Optimal Cost Benchmarks (40)	68%	73%	43%	100%
7 Local Labor and Services (9)	8%	33%	7%	17%
8 Subcontractor Management (20)	28%	40%	29%	50%
9 Economies of Scale (0)	0%	0%	0%	0%
10 Process Optimization (10)	20%	13%	7%	33%
Total	25	15	14	6

Hypothesis supported

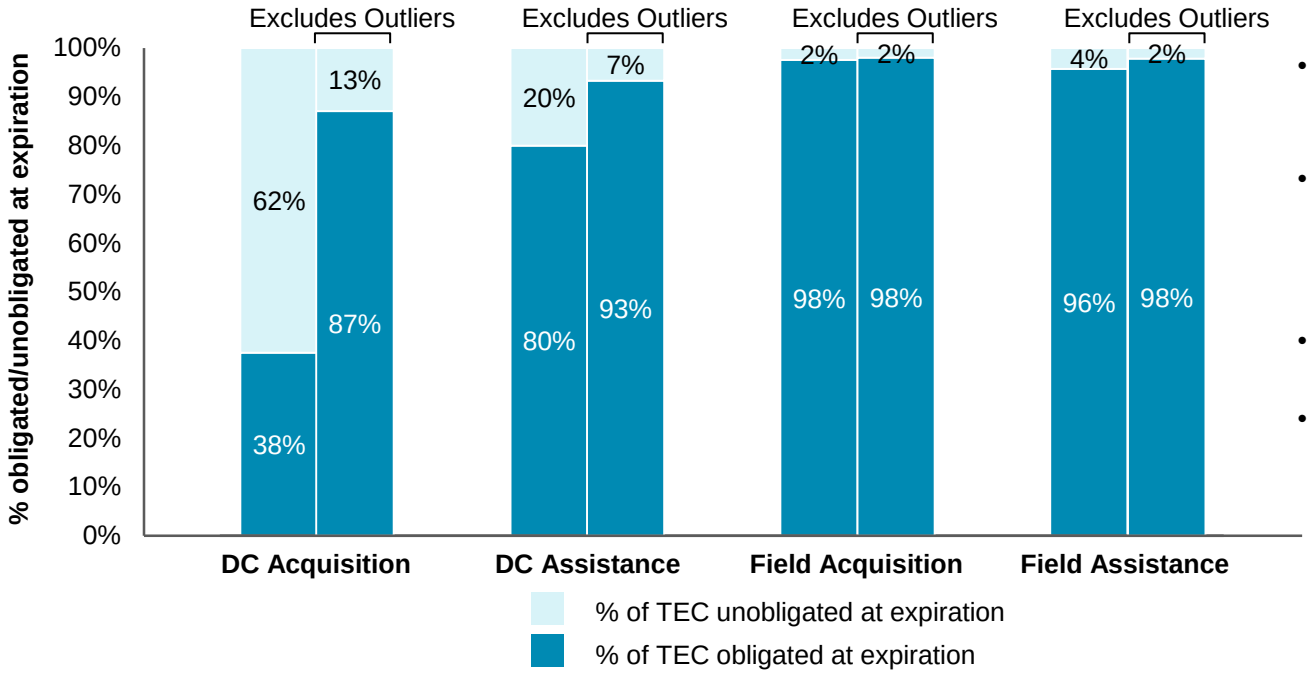
Larger awards generally show greater applicability of levers: all awards with TEC > $300M showed opportunity to increase competition, prioritize cost in evaluation process, and benchmark costs across awards

Note: Does not account for application of empirical analyses (performance-based competition and continuous improvement)

Hypothesis: A significant amount of funds remains unobligated at expiration, relative to TEC

Unobligated vs. obligated as a percentage of total TEC by award type and origination

Based on GLAAS extract of expired GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



- Several extreme outliers[1], particularly in DC-based Acquisition awards, skew the % of TEC obligated at expiration
- Awards representing the top 5 percentile of the share of unobligated funds at expiration were removed to normalize
- Historically, field-based awards use nearly all of their TEC at expiration
- DC-based awards exhibited lower rates of obligated funds at expiration relative to field-based awards, particularly for acquisition awards

Hypothesis refuted

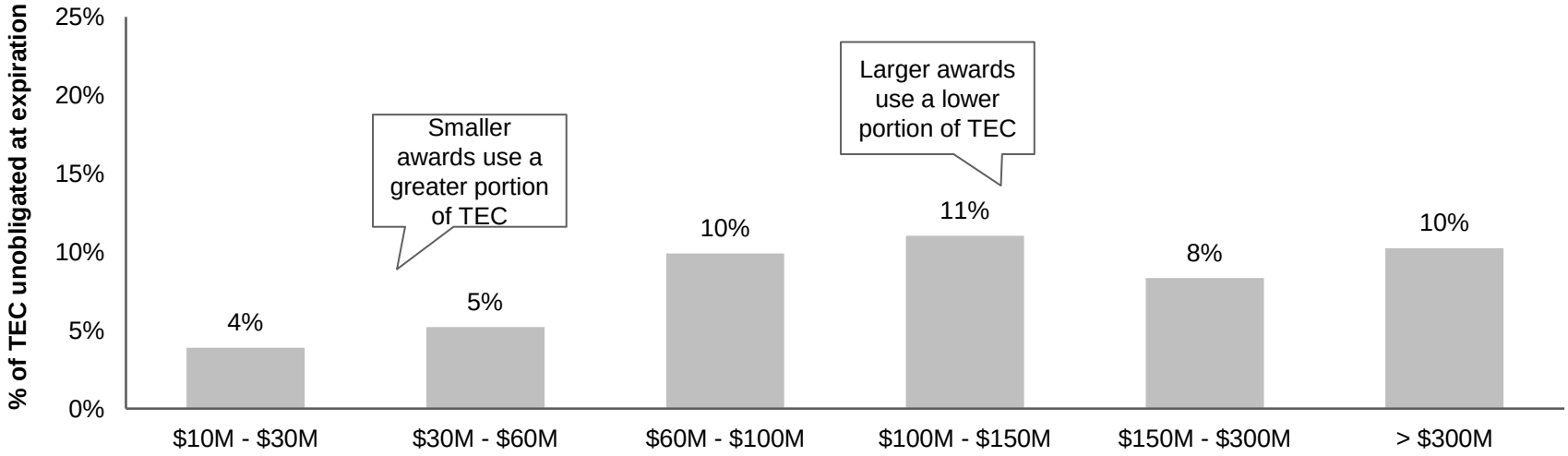
With outliers excluded, the share of obligated funds at expiration as a percent of TEC is relatively high, particularly for field-based awards

Source: GLAAS extract of Global Health Awards as of July 16, 2013, start dates from 1996 – 2013; note that this includes Water Supply and Sanitation Awards, as well as expired awards
Note: No awards are within our review scope since all are expired
Note: All grants removed to ensure exclusion of PIOs
1. Outliers were primarily DC-based IQCs/TOs with TEC of $250M to $750M with no recorded obligations; removing top 5 percentile excluded these outliers

Hypothesis: Larger awards have more funds unobligated at expiration, relative to TEC

TEC Unobligated at Expiration

Based on GLAAS extract of expired GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



	$10M - $30M	$30M - $60M	$60M - $100M	$100M - $150M	$150M - $300M	> $300M
Count	176	64	18	14	4	5
TEC	$3.1 B	$2.7 B	$1.4 B	$1.6 B	$0.8 B	$2.1 B

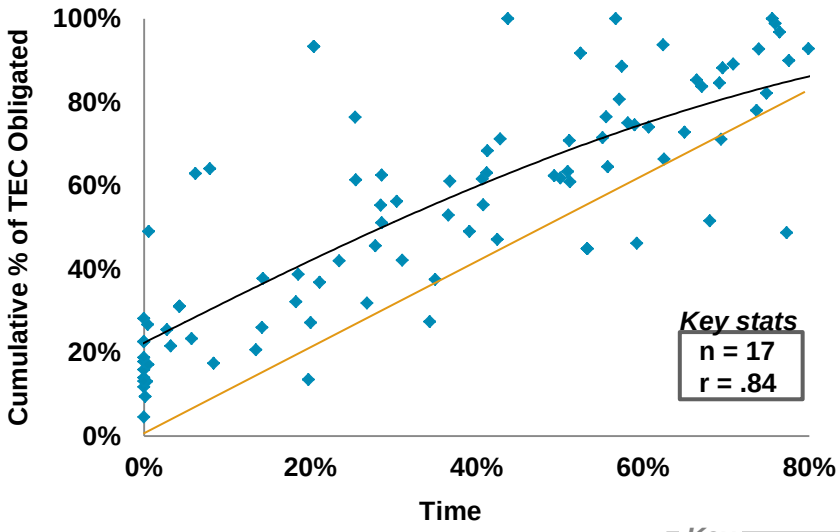
Hypothesis supported

As award size increases, the percentage of unobligated TEC at expiration also increases; seems to imply the usage or rate of subscription of larger awards may be less predictable

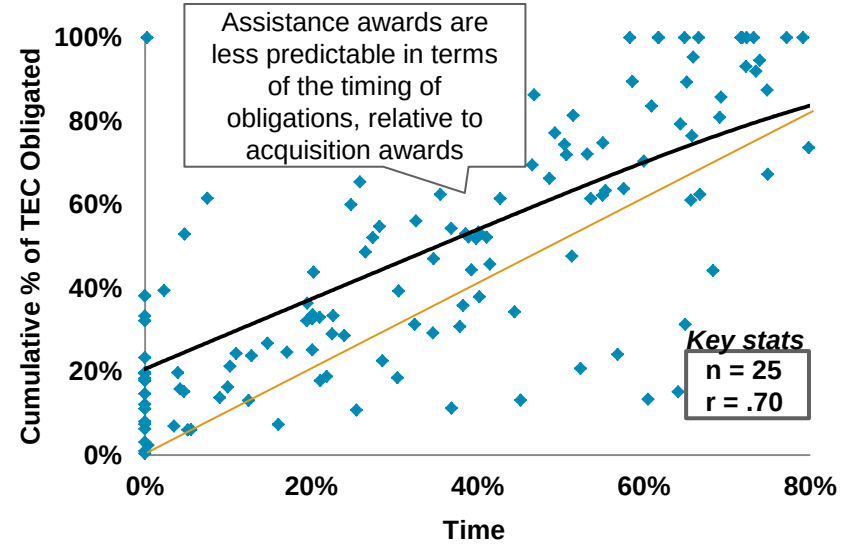
Note: Based on GLAAS extract of Global Health Awards as of July 16, 2013, start dates from 1996 – 2013; This analysis only includes expired awards with TEC > $10M
Note: Removed 13 DC-based acquisition awards with no usage

Hypothesis: Awards are under-obligated in the earlier portions of the period-of-performance (POP), leading to over-obligations in the latter portions of POP to use up the available TEC

Acquisition Awards
Based on USASpending and Global A&A system



Assistance Awards
Based on USASpending and Global A&A system



Key
Trendline
Baseline, representing 1:1 ratio of time to obligations

Hypothesis refuted

Rate of obligations is actually higher just after start date (start-up costs); returns to the mean over time; no "catch up" obligation observed

Note: Based on GLAAS extract of Global Health Awards as of July 16, 2013, start dates from 1996 – 2013; This analysis only includes expired awards with TEC > $10M with matching information in USASpending and GLAAS

Note: Removed mods that did not obligate funds; Time scaled as 80% of period of performance, as there were few obligations after the 80% mark due to forward-funding guidelines

Appendix

Appendix contents

- Award segmentation
- Definition of cost buckets (relates to ACES Recommendation #3)
- Relationship between indirect costs and other cost buckets (relates to ACES Recommendation #3)
- List of major partners acting as subs in 60 awards analyzed (relates to ACES Recommendation #5)

Award segmentation: Methodology

To enable grouping for purposes of portfolio analysis, the 60 awards analyzed were segmented by programmatic objectives and key activities

Award Type	# Awards Reviewed / TEC	Description	Example
Technical Assistance	20 awards $2.4B TEC	• Build capacity through training, tools, and facilitation of service delivery	• US-based NGO conducts training in Kenya to improve awareness of HIV/AIDS and gender-based violence
Service Delivery	12 awards $1.4B TEC	• Conduct field-based work to provide direct services (e.g. medical care, vaccinations) to target populations	• US-based for-profit conducts insecticide activities to prevent against malaria in Uganda
Service Delivery to Technical Assistance	9 awards $0.6B TEC	• Transitions from service delivery to technical assistance over the life of the award (usually required by RFA)	• South African NGO provides clinical care and then transitions capacity to government and serves as advisors in last two years
Grant Management	9 awards $0.8B TEC	• Administer sub-grants, usually to smaller field-based partners, and conduct project management	• US-based foundation administers global health research grants to foreign-based researchers working in concert with US-based scientists
Commodity Procurement	4 awards $4.6B TEC	• Purchase commodities (e.g. medicines, contraceptives) in bulk, leveraging economies of scale	• US-based partnership conducts bulk purchases to fulfill materials needs across Global Health programs
Comprehensive Services	4 awards $1.1B TEC	• Manage integrated program involving direct service delivery, technical support, and project management	• US-based NGO conducts high-impact MCH interventions and improves approaches to MCH issues
Staffing	2 awards $0.3B TEC	• Identifies qualified global health professionals to fill staffing needs of USAID	• US-based NGO identifies students and professionals with experience / interest in global health to fill USAID's staffing needs

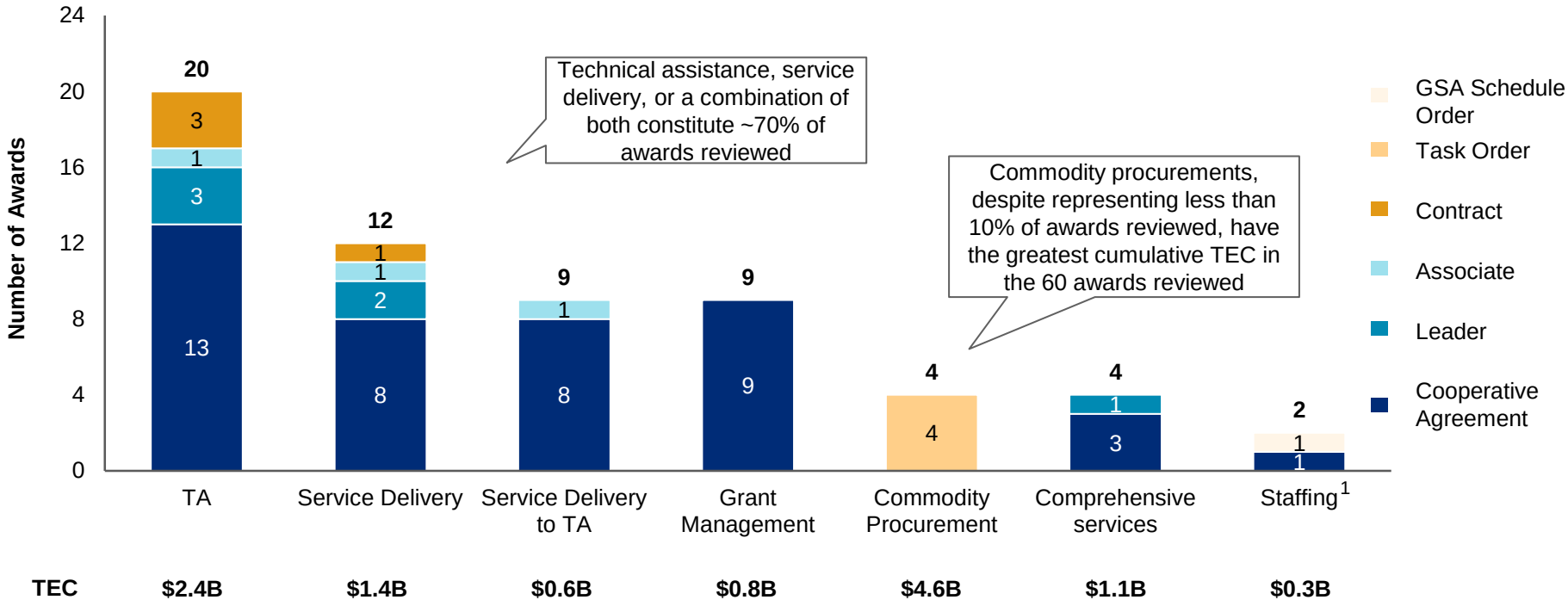
Note: Each category is mutually exclusive and collectively exhaustive; Could not extrapolate award category segmentation to ACES Scope 226 or 1,111 Active awards due to lack of information on programmatic activities in individual awards

Award segmentation: Instrument type

The majority of awards we analyzed were for technical assistance, service delivery, or a combination of both

Award category by instrument (Count)

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



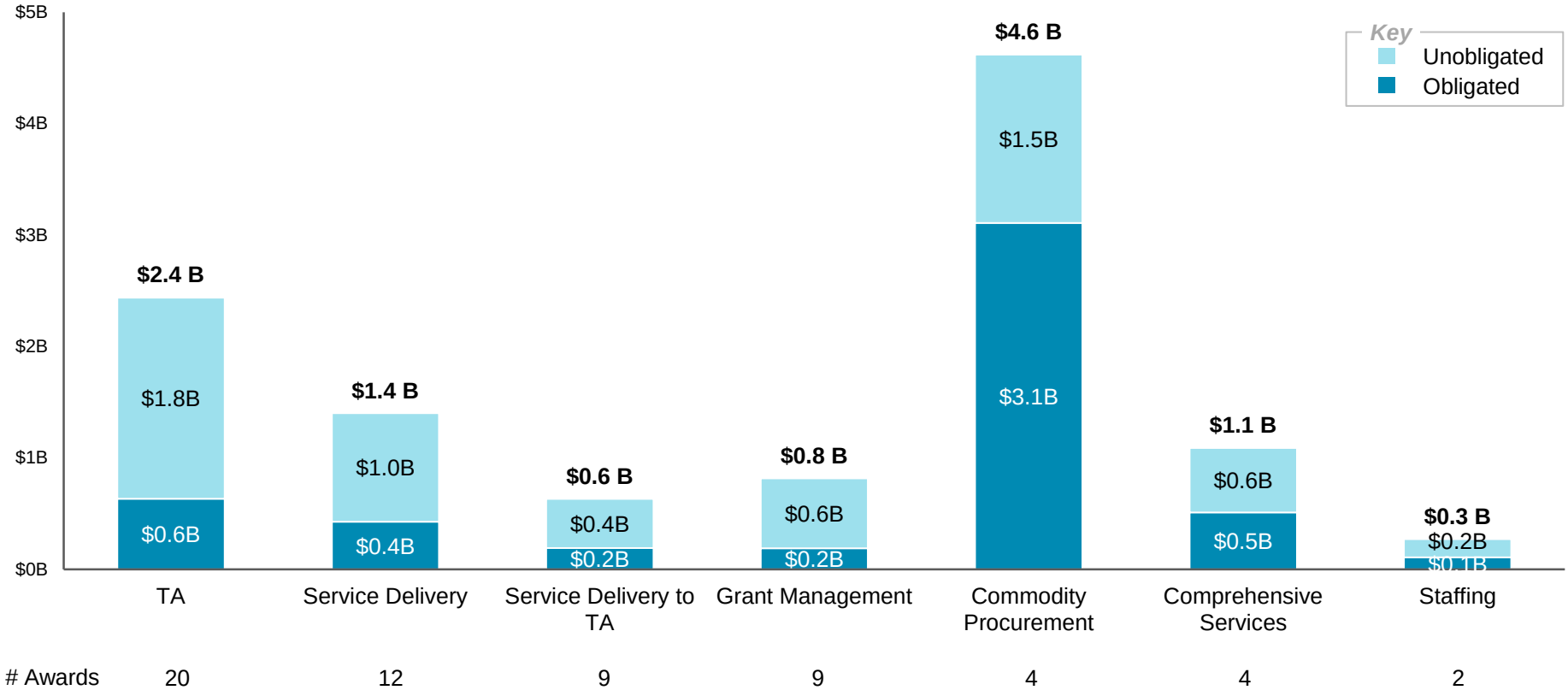
While some award types are aligned to specific instruments, others awards are a mix of acquisition and assistance

Award segmentation: Award size by TEC

Commodity procurement comprised the greatest TEC of the awards analyzed, followed by technical assistance

Award category size (TEC)

Based on GLAAS extract of GH awards provided by M Bureau as of 07/2013 and Oliver Wyman analysis



Definition of award cost buckets

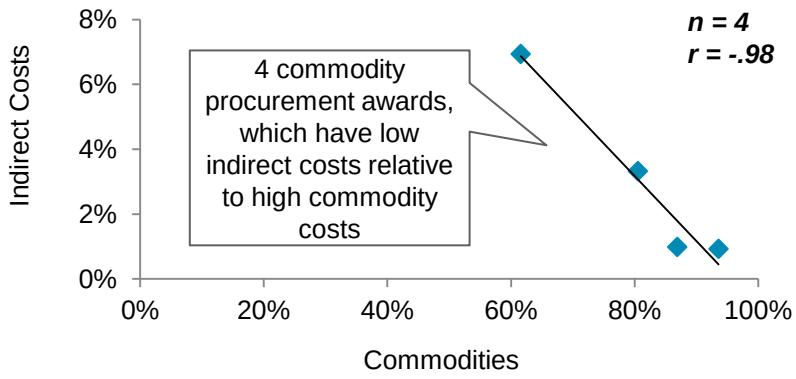
Cost buckets represent the budget segmentation most frequently observed in the 60 awards reviewed

Cost bucket	Description	Example
Fees	• Fees only paid in acquisition awards as potential profit for the prime • Fees are usually fixed; one example in 60 awards reviewed of incentive-based fee	• A US-based for-profit receives a fee equal to 5% of total incurred costs in exchange for distributing malaria medicine
Indirect	• NICRA-allowable costs not directly related to programmatic activities • For awards with no NICRA, indirect costs allocated accordingly when possible based on data availability	• A US-based non-profit agrees to a NICRA rate with the USG, and then applies that rate as a ceiling on indirect costs in the budget proposal
Subs	• Costs allocated to sub-recipients, sub-grantees, sub-contractors, and sub-consultants • Generally low data availability on sub costs	• A US-based non-profit administers 82% of its award as grants to sub-grantees conducting scientific research related to global health
Other Direct Costs	• Wide-ranging programmatic costs ; generally includes rent and communication, but varies significantly across awards	• A South African non-profit considers rent and conference costs as its greatest source of “Other Direct Costs”
Commodities	• Cost of contraceptives, drugs, and other goods readily available on world markets	• A US-based for-profit purchases contraceptives at the global level for USAID global health projects, leveraging economies of scale
Materials / Supplies	• Includes office supplies, medical equipment, vehicles	• An Angolan non-profit purchases office supplies and stationery for its field office
Travel	• Costs for both domestic and international travel • Includes allowances and per diems	• A US non-profit’s travel costs can be highly programmatic (visiting health care centers), but can also be applied towards conference travel
Labor	• Salary and fringe for field office personnel, technical assistance experts, and occasionally home-office support staff	• A South African non-profit uses only local labor, and budgets varying levels of efforts across employees

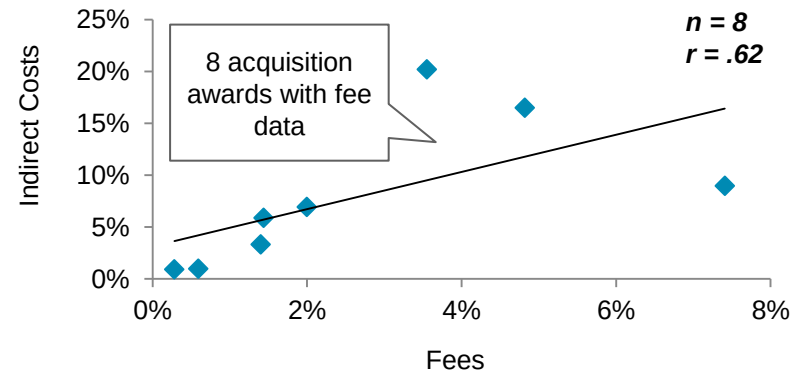
Relationship between indirect costs and other costs (1 of 2)

Indirect costs do not correlate with other cost buckets across the 60 awards analyzed; they likely have more to do with partner business specifics

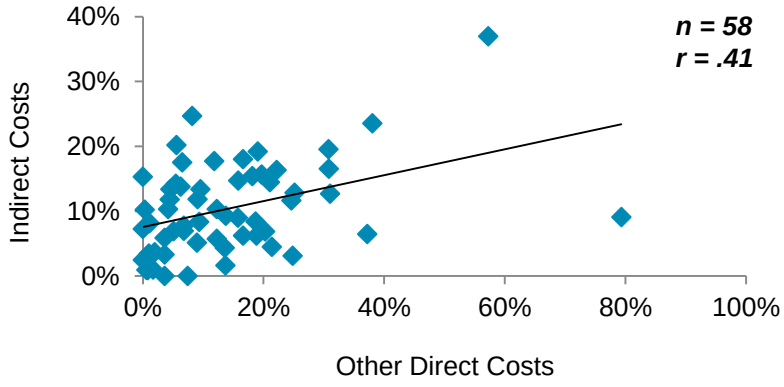
Relationship of Commodities to Indirect Costs



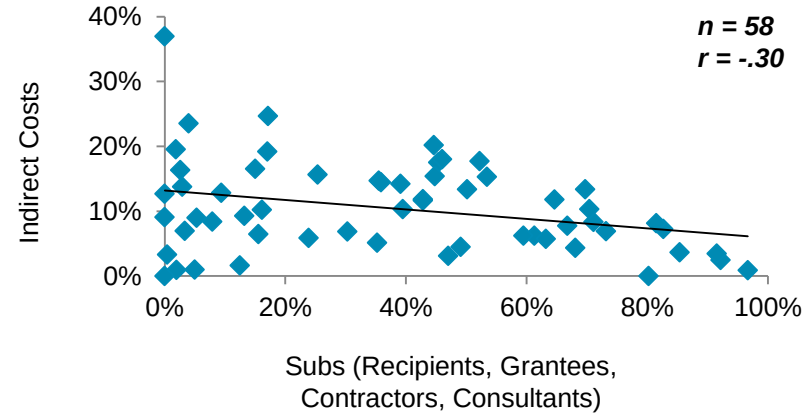
Relationship of Fees to Indirect Costs



Relationship of Other Direct Costs to Indirect Costs



Relationship of Subs to Indirect Costs

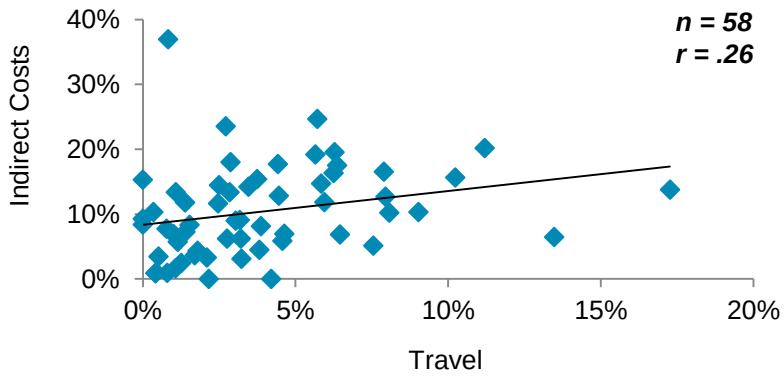


Note: Excludes two awards with no budget data

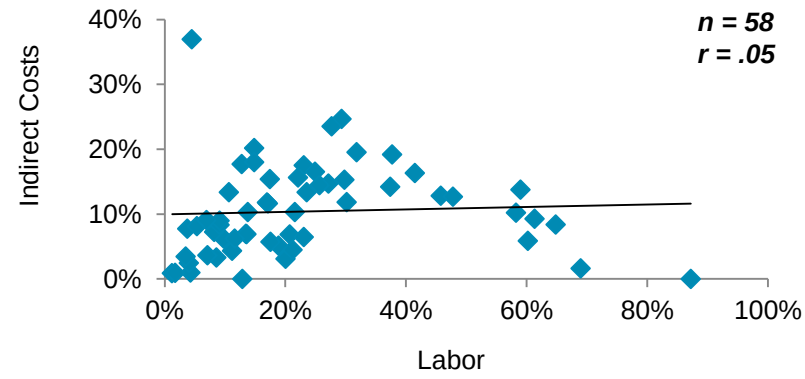
1) Indirect includes NICRA-allowable indirect costs; award budgets lacked the detail to categorize line-item costs as programmatic vs. administrative

Relationship between indirect costs and other costs (2 of 2)
Indirect costs do not correlate with other cost buckets…(cont'd)

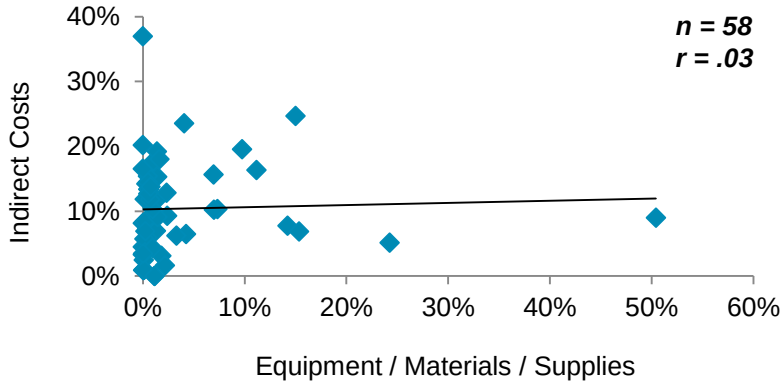
Relationship of Travel to Indirect Costs



Relationship of Labor to Indirect Costs



Relationship of Equipment / Materials / Supplies to Indirect Costs



Notes / Insights

- Based on budget data for 60 awards reviewed
- There is a positive correlation between indirect costs and fees, other direct costs, travel, labor, and equipment
  - However, there is a negative correlation between indirect costs and commodities and subs
- The strong correlation between indirect costs and commodities is due to low NICRA rates on commodities, all of which are acquisition awards
- All awards reviewed with budget information included when possible to increase sample size

Note: Excludes two awards with no budget data
1) Indirect includes NICRA-allowable indirect costs; award budgets lacked the detail to categorize line-item costs as programmatic vs. administrative

Confidential Information Redacted.

OLIVER WYMAN

USAID AWARD COST EFFICIENCY STUDY
PROCESS EVALUATION FINDINGS

DECEMBER 6, 2013

MARSH & McLENNAN COMPANIES

Executive summary

- Based on a thorough review of relevant A&A policies and processes, Oliver Wyman identified the following eight key cost efficiency opportunities:

Cost efficiency opportunities identified in A&A processes			
1.	Portfolio management, performed on an ad hoc basis, is not standardized to produce value for money synergies across DC and field-based awards	5.	Process does not require complete or sufficient partner transparency regarding how funds are being used
2.	Awards commonly have insufficiently defined scopes and/or are inappropriately sized (e.g., TEC level not justified)	6.	Budgets evaluated separately from technical approach/criteria, then reviewed for cost realism, makes it a challenge to assess and manage value for money
3.	Award objectives do not consistently embody SMART principles	7.	Non-value added financial controls and management of assistance awards
4.	Optimal instrument not always selected during design to enable better value for money and management	8.	A&A processes are not standardized and consistently applied at the individual award level (both in design and in practice)

- These issues have multiple root causes: addressing them all will require changes in processes and policy guidance, staff skills, how expertise is configured in and between the relevant Bureaus (in this case, Global Health and Management), and information systems or other automated support (e.g., e-Procurement)
- Not all cost efficiency opportunities require changes to policy; in many cases, alternative policy interpretations or increasing policy compliance or standard operating procedures can improve value for money in the A&A process

Contents

- Process evaluation work stream approach and objectives

- Cost efficiency opportunities identified in the award life cycle

Section 1 | Approach and objectives

Process evaluation work stream: Approach and objectives

Supporting research
- Oliver Wyman and external best in class supply chain/ sourcing practices
- Fact-based analysis of USAID award universe to elucidate and support findings

Partner outreach (lateral)
- Conduct 25 partner interviews
- Finalize approach
- Develop learnings capture template
- Synthesize findings

Stakeholder management
- Weekly reviews with USAID working team
- Senior Leadership check-ins
- Administrator updates
- ACES Panel presentations

Process evaluation (top down)
- Develop process maps from:
  - Review relevant policies and procedures
  - USAID interviews
  - Processes include: Funding, pre-solicitation, solicitation of an award, award management

360° evaluation of award-level savings and future cost avoidance

Award analysis (bottom up)
- Refine efficiency levers
- Finalize award scope and actual sample; extrapolation methodology
- Analyze 50 awards (80 total across Ph1-2)
- Validate with USAID (Phase One and Two)
- Capture and distill findings by lever

Objectives

- Create detailed 'as is' process maps and summary of applicable policies – at level required to pinpoint award efficiency issue and be able to develop recommended responses
- Identify cost efficiency opportunities with award process – provide detailed cost implications and associated root causes as they relate to process, capabilities, and technology
- Assess impact on cost for efficiency opportunities identified

Process evaluation work stream: Methodology

Oliver Wyman mapped the process governing an award life cycle and identified aspects of that process that are driving cost within awards

Approach	Objectives	Activities
Reviewed A&A policies and processes	• Review Federal and Agency policies to understand intended award process • Gather input from GH and M on actual award process	• Read **50+ Federal and Agency policies*** to understand all factors that impact award life cycle • Conducted **interviews with 20 A&A subject matter experts*** (SMEs) in M, GH, and external • Codified process findings from **60+ awards** to inform baseline and investigation of award life cycle
Identified A&A cost efficiency opportunities	• Clearly pinpoint process steps in the award life cycle that drive cost within awards	• Analyzed award life cycle to determine how **decisions and activities influence award efficiency** • **Identified cost drivers** via discussions with SMEs and review of 60+ awards
Determined root causes of cost inefficiencies	• Understand key drivers of increased cost to inform recommendations to improve value for money	• Assessed **Agency capabilities, processes, and technologies** to determine root causes for decreased efficiency in award life cycle

*See appendix for detailed lists

Process evaluation work stream: Root cause categorization

Identified capability and configuration, process and policy, and technology root causes of cost inefficiency in the A&A process

Capabilities and Configuration

- **Skills** – Do staff have appropriate skills to accomplish what is expected of them?
- **Training** – Is adequate training provided to enable personnel to perform their jobs most effectively?
- **Organizational Structure** – Are staff organized in a way that allows for appropriate communication and ownership to accomplish goals?

Processes and Policies

- **Processes** – Is the A&A process clearly defined? Does variation exist?
- **Policies** – Are policies appropriate for achieving goals of value for money in procurement? Are policies interpreted and enforced uniformly?

Technology

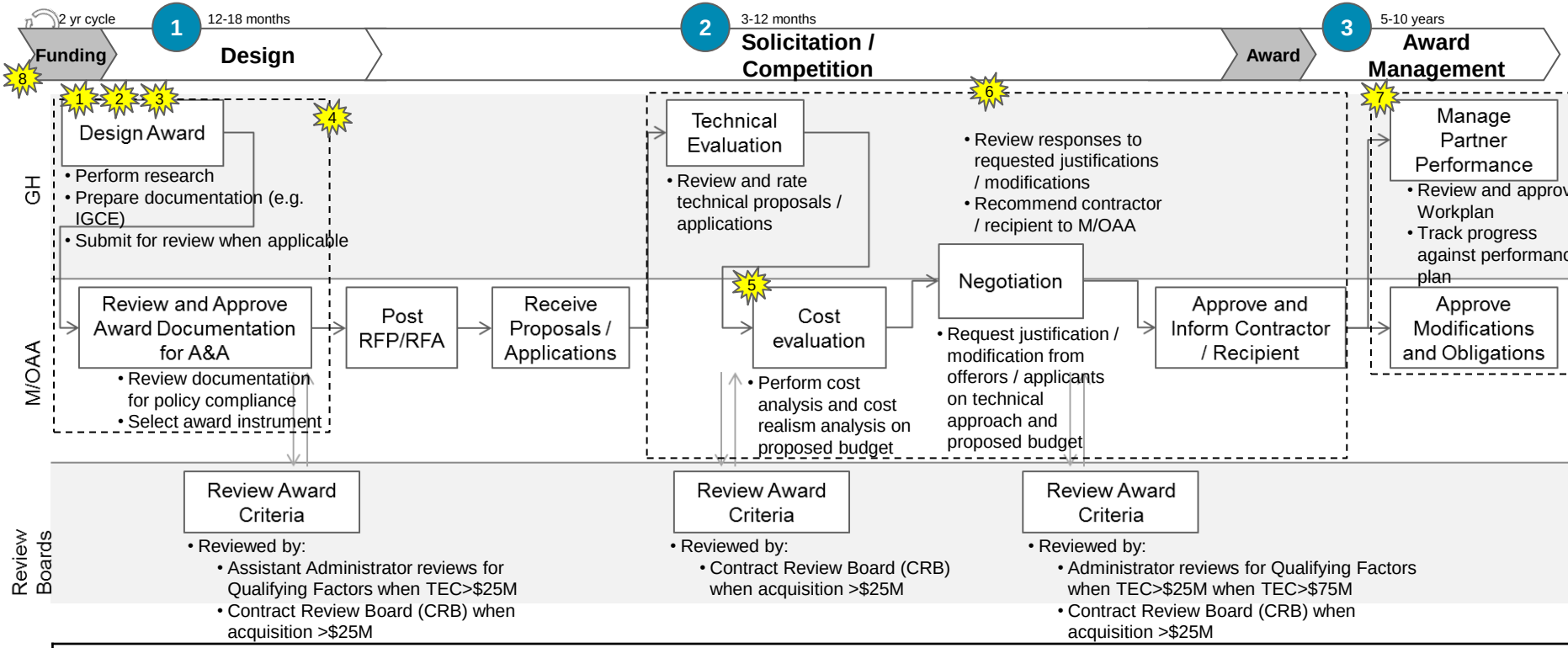
- **Information** – Is the right information being captured at the right level of granularity, and what is the quality?
- **Tools** – Are the right templates / forms available to capture useful, necessary data?
- **Systems** – Are the right systems in place and connected appropriately to enable efficient and effective award process management?

Source: USAID interviews, USAID award review and Oliver Wyman analysis

Section 2 | Cost efficiency opportunities

Award life cycle[1] findings

Identified eight opportunities within the award life cycle to improve cost efficiency



Cost efficiency opportunities identified in award process	
1 Portfolio management[2], while performed in general, is not being performed in a standardized way across DC and field	5 Process does not require complete partner transparency regarding how funds are being used
2 Certain awards have insufficiently defined scopes and inappropriately calibrated sizes (TEC)	6 Technical approach and budget initially evaluated separately, later reviewed for cost realism, difficult to assess/manage value for money
3 Award objectives do not consistently embody SMART[3] principles	7 Non-value added financial monitoring of assistance awards
4 Optimal instrument not always selected during design to enable better value for money	8 A&A process on an individual award level is non-standardized (either by design or in practice)

1. More detailed view in Appendix, including funding and Field Support process; 2. Project prioritization based on expected benefits, costs, and other potential projects given total available resources and priorities; 3. SMART metrics are Specific, Measurable, Actionable, Relevant and Time-bound, aligns with Government Performance and Results Acts 1 & 2

1

Opportunity Definition: Non-standardized portfolio management

Inconsistent portfolio management leads to design of awards with duplicative objectives or missed opportunities for award synergy (i.e., shared services)

Current Situation

- Currently, A&A process incorporates some measures to coordinate award design across the GH portfolio in DC and missions
- Every award required to have a Project Activity Document (PAD) that captures award parameters; PAD is not stored in searchable, easy access database, per ADS 300
- A&A planning tool consolidates planned award activity and is shared within both M and GH
  - Extent to which planning tool shared with and used by staff not clear
- Individual GH offices (HIDN, OHA, PRH) in regular contact to plan and design potential future awards (i.e., identify synergy opportunities, reduce duplication) during technical meetings/conferences
  - Country teams communicate what is going on across field offices
- Some DC staff reach out to Missions to assess needs / interests on ad hoc basis, use survey results to inform award design
  - Targeted toward missions with adequate funding and associated needs
- Missions consult relevant DC office and GH Users' Guide (which contains only global awards) during award design process and work with country teams to determine whether they should create own award or buy into an existing award – this process is not standardized

Cost Implications

Program	• Duplicative programmatic activities – Similar work unknowingly duplicated between awards (e.g. between mission and field, two awards operating on same location, etc.) • Reduced ability to share services – Difficult identify common needs / activities and share services opportunities, inhibiting ability to benefit from economies of scale
USAID Admin	• Potential increased administrative burden – Time spent designing duplicative awards
Partner Admin	• Uncertain effect

1

Root Cause Analysis: Non-standardized portfolio management

Systems to track award attributes during award design and management not comprehensive or universally used

1

Process & Policy

- **Planning delays and 1 year award design period lead to tight design timelines which discourage additional work**
  - E.g., checking for overlaps with planned / active awards
- **Formalized process / incentives not in place** for field to provide input to DC award designers
- **Award duplication allowed**
  - At DC / field and office / bureau levels
  - Limited authority over missions regarding which awards are created
- **Formalized process / incentives not in place to identify award duplication / shared service opportunities in DC or field**
  - E.g., regularly scheduled check-in among award managers to provide award status updates
- **FIFO accounting penalizes some missions buying into awards** which discourages the practice

2

Capabilities & Configuration

- **Staff have limited visibility into active & historical award universe**
  - Award designers / managers cannot see active / expired awards, other than in GH User's Guide and via personal relationships
- **Lack of portfolio management training for GH and M staff** to identify shared services opportunities
- **CO/AO have limited program knowledge** necessary to identify shared service opportunities, even though approving award designs, making awards, and approving award activity / budgets
- **Limited connectivity between GH & M staff** to brainstorm shared services together, ensure awards are appropriately scopes, and sized
- **Standardized mechanism not in place for DC / field staff to interact around award design**

3

Technology Enablement

- **Multiple, non-linked tools used over award lifecycle**
  - A&A Planning Tool contains useful information for award design
  - GLAAS tracks data when PALT begins
  - Field tools (if exist) do not interface with DC tools
  - PHOENIX tracks financial data
- **Available tools do not track all necessary or useful information**
  - E.g., award type, programmatic objectives, regions / countries of operation, etc.
- **Tools not optimized for end users**
  - E.g., improving search and reporting functions in A&A Planning Tool could drive increased uptake
- **Duplicative ad hoc tracking tools in GH and M**

2

Opportunity Definition: Insufficiently defined award size and scope

Large and broad awards limit competition, encourage sub-contractor usage, and engender mindset of "funding abundance"

Current Situation

- **Offices reach out to missions to understand** need and try to determine the amount of field support they will use
  - Field support funding is much harder to forecast than core funds for particular awards
  - Award designers want to ensure the TEC is high enough for any countries to buy in that need to since increasing the TEC is a labor intensive process – high uncertainty leads to higher TEC
- Award **Total Estimated Cost (TEC) driven by a hybrid of factors:**
  - **Size of bureau / office funding obligations in relation to number of programmatic objectives** (i.e., large funding obligation but fewer needs leads to awards with larger TEC)
  - **Contracting office capacity** (i.e., lower capacity drives larger awards)
  - **Independent government cost estimate (IGCE)** calculated based on need, at an individual activity level, then summed to hit total TEC

"The limiting factor to getting awards is capacity of M/OAA. Sometimes it makes more sense to design bigger awards than smaller, more specific awards."
– *Technical Office*

Cost Implications

Program	• Decreased competition discourages value for money – offerors / applicants may not have core competencies to apply for large, multi objective awards • Broad scope reduces ability to precisely compare offerors / applicants • Large overall cost ceiling engenders mindset of "funding abundance" and limits budget efficiency
USAID Admin	• Uncertain effect
Partner Admin	• Larger awards typically funded with money from more program elements, increasing reporting requirements for partners (i.e., different M & E metrics, budget formats, etc.) • Drives subcontractor usage and therefore increased overhead (in form of sub-contractor handling fee)

2

Root Cause Analysis: Insufficiently defined award size and scope

Planners, review boards, and missions do not have tools / guidance / incentives to design appropriately sized awards

1

Process & Policy

- **Policy guidance regarding how to set award size** and scope to achieve best value for money is not in place
- **IGCE usually developed after TEC** established
- **Process step to assess award scope / mission interest** in relation to overall TEC occurs in form of administrative and board reviews (e.g. BAAR, AARAD), per ADS 300
  - Review is based on size of award which does not provide initial guidance on how to set size and scope when first designing award
- Once design is complete, **equivalent award process length for large and small awards**
  - Large awards therefore reduce M/OAA time and effort (e.g., to issue RFPs, negotiate awards, etc.)

2

Capabilities & Configuration

- **Formalized DC / Field interaction around award needs not in place**
  - Limited visibility into Mission drives AORs / CORs to design “catch all” awards for the missions to buy into
- **AORs/CORs not armed with clear benchmarks** / guidance on proper award size / scope
- **AORs/CORs not held accountable for award buy-in / TEC obligation**
- **Missions not held accountable** for expressions of interest / stated award needs
  - E.g., if Missions express interest in buying into an award, there is no consequence if they fail to do so
- FIFO **accounting for Mission obligations discourages buy-in to DC-based awards**
- **Staff not well trained to develop informed IGCE**

3

Technology Enablement

- **Disparate systemic tracking of helpful attributes of TEC obligation over life of award** to inform TEC of future awards
  - Tracking needed by award purpose / objectives, region, etc.; not simply acquisition / assistance or DC / field
- **Disparate systemic tracking of objectives / scope of active awards**, so new awards are made with broad scopes which inflates TEC

3

Opportunity Definition: SMART[1] objectives

Non-standardized use of SMART objectives across awards limits ability to track award progress and manage value for money

Current Situation

- **Program office designs awards to achieve "intermediate results"** that directly support development objectives of a mission/bureau's Country Development Cooperative Strategy (CDCS)[2]
- **Acquisition awards should describe clear and measurable results, per FAR 7.105, and USAID defines project specifications, per ADS 304**
  - In practice, extent to which objectives are measurable varies among acquisition awards
- Government Performance and Results Acts 1 & 2 stipulate that **individual performance, program performance and agency goals should be aligned**[3]
- ADS 201 stipulates that **intermediate results, project purposes, should be supported by measurable indicators**
  - Does not go so far as to explain they should be SMART
- **As a result, only some portion of A&A contain SMART objectives**
  - Of the 60 awards reviewed, one third contained SMART objectives

1. SMART stands for Specific, Measurable, Actionable, Relevant and Time-bound, 2. Per ADS 200, 201, and 300-304, 3. OMB Circulars

Cost Implications

Program	• Reduced ability to evaluate offerors / applicants against one another and on a value-for-money basis • Decreased ability to measure progress toward objectives and overall programmatic impact – Limits course correcting performance over life of award – Limits use of performance incentives – Limited track record of partner effectiveness
USAID Admin	• Because outcomes-based monitoring not possible, instead monitor cost inputs (e.g. airfare, number of trips, personnel on trips) • Increases time for AOs / COs to get up to speed when awards are handed off (due to high staff turnover)
Partner Admin	• Frequent, excessive reporting on cost inputs • Receive redundant AO /CO requests (due to difficulty getting up to speed after handoff)

3

Root Cause Analysis: SMART[1] objectives

Policies, A&A design principles, staff training, and supporting tools partially endorse use of SMART objectives

1

Process & Policy

- Existing **monitoring and evaluation plans (M&E)**, **performance management plans (PMP) and subsequent performance indicators[2] are not always utilized, nor always SMART**
- **Existing award design templates are not used uniformly by AO / CO and AOR / COR** teams in designing awards
- **Policy guidance in FAR 7, 22 CFR 226 and ADS 300, 302, 303 does not explicitly** require use of SMART metrics or, for acquisition awards, clearly defines what is meant by "measurable"
- **Policy requirements may not specifically require award funding be tied to achieving SMART objectives**

2

Capabilities & Configuration

- **Review boards* review award to ensure competition is enabled, ample opportunity for small businesses, creativity is promoted, and policy is adhered to, but do not fully, clearly stipulate that all objectives must be SMART**
- **AO / CO and AOR / COR staff receive limited, non-standardized, non-uniform training** in development of SMART objectives
- While they work together to design awards, AORs / CORs typically define programmatic components, and pass off to **AOs / COs who review planning documents to ensure compliance with statutory and federal regulation**
  - Both sets of knowledge / expertise required to create SMART objectives
- **Limited motivation / incentives for AO / CO and AOR / COR staff** to design awards with SMART objectives

3

Technology Enablement

- **Non-uniform, non-systemic tracking of SMART objectives**
  - List of the objectives that are included in different award types
  - Tracking of which objectives are met and required timelines / resources

*See Review board criteria in appendix

1. SMART stands for Specific, Measurable, Actionable, Relevant and Time-bound, 2. Per ADS 200 and 201

4

Opportunity Definition: Optimal instrument selection

Use of assistance when acquisition could be used leads to larger, less competitive awards and reduces ability to manage value for money

Current Situation

- Award designers create planning documents which should include a suggested instrument type, per ADS 300
  - Guidance regarding instrument selection provided in The Federal Grant and Cooperative Agreement Act of 1977
- Acquisition awards must describe results that are straight-forward and measurable, requiring more thought and time
- Assistance awards have less specific, less measurable objectives
  - If an award has a hybrid of measurable and non-measurable objectives, it is deemed assistance
- Award designers submit planning documents to contracting office who selects instrument type based on their best judgment
  - Based on The Federal Grant and Cooperative Agreement Act of 1977, CFR, FAR, and ADS 304
- Additional effort required to define acquisition award is perceived as less valuable than getting the award to the next phase (solicitation/comp)
  - Assistance awards have shorter listed PALT times, cannot be protested, and do not require the planner to objectively define all desired results[1]
  - Cooperative Agreements, in particular, are governed by the CFR (not the FAR) which are much less specific than what is in the FAR governing contracts

Cost Implications

Program	• Limits ability to evaluate applicants on value for money basis • Reduces USAID authority to hold award recipients accountable for achieving defined objectives • Limits competition (i.e., preponderance of assistance discourages / limits for-profit applicants)
USAID Admin	• Uncertain effect
Partner Admin	• Cooperative agreements require more reporting than fixed-price contracts

1. Detailed design and solicitation requirements listed in Appendix

4

Root Cause Analysis: Optimal instrument selection

Assistance is selected over acquisition due to time pressure, need to make large obligations, and lack of training to define clear, measurable objectives

1

Process & Policy

- **Assistance awards cannot be protested**, therefore reduces likelihood M/OAA will need to divert time and resources toward managing protests
- Policy dictates that **assistance awards should have realistic and measurable goals (ADS 303) but does not require objectively defined results**
- **Awards that are re-procured as new instruments are not specifically checked by a review board** (unless for other reasons)

2

Capabilities & Configuration

- **Focus on PALT as an efficiency metric for staff**
  - PALT for Cooperative Agreement (assistance) of 150 days vs. 268 days for Definitive Contract (acquisition)[1]
- Typically, award design begins with sufficient time for assistance or acquisition, **but back-and-forth reduces time which drives use of assistance** (e.g., ASSIST and HPP)
  - By and large, GH and M/OAA utilize a "back-and-forth" vs. simultaneous award design model
  - Limited clear guidance for AORs / CORs on whether awards of a certain programmatic type (i.e., commodity procurement, grants management, etc.) should be acquisition or assistance

3

Technology Enablement

- Award design is owned and managed by AORs / CORs and AOs / COs who determine what documents to create, what templates to use, and when to move to the next step
  - Not a "workflow driven system" (e.g., TurboTax) which guides them through the process and ensures compliance by not allowing them to move to the next step until a task is completed
- **Instrument selection not automated** based on key criteria (i.e., award type / objectives, inclusion of SMART metrics)
- Common tools used by both contract and program offices do not meet all needs of each office, leading to use of additional, non-

1. A&A PALT times listed in Appendix

5

Opportunity Definition: Limited transparency

Limited transparency in budgets and NICRA reduces ability for USAID to understand how funds are being spent and manage value for money

Current Situation

- While RFA / RFP process is standardized at a high level, offerors / applicants complete multiple forms and respond to specific AO / CO questions that are not entirely standardized or uniformly applied
- Budgets are submitted in different templates with varying levels of transparency
  - High-level cost line items are standardized, but detailed definition of what is included in each line item is not
  - Some budgets either missing information (e.g. hidden cells / worksheets) or contain hard coded cells (or are entirely in PDF) making it difficult to identify and trace errors
  - Similar lack of standardization applies for annual budgets submitted as part of award management
- AOs / COs review budgets and accept NICRA as given; do not evaluate program administrative costs to assess duplication with NICRA

Cost Implications

Program	• Lack of transparency and standardization in budget makes difficult to evaluate costs in proposal and on ongoing basis when managing award • TEC not adjusted down when errors arise, extra funds simply reallocated to unspecified “programmatic uses” and value not clear
USAID Admin	• Increased time for contracting / program officers to review budgets submitted in new formats or with hidden / hard coded cells or PDFs • Increased effort from AO / CO and AOR / COR staff to develop templates that meet their needs
Partner Admin	• Increased time to adjust to process / template variability across awards and varying levels of USAID staff oversight

5

Root Cause Analysis: Limited transparency

Limited transparency driven by budget errors, limited use of standardized tools and templates, and NICRA reporting requirements

1

Process & Policy

- **Existing policies not enforced regarding proper submission of forms**[1]
  - E.g., Accepting Excel-based, non-standard format budgets that contain errors
- **Limited formal cost guidelines** to reduce the number of variables AO / CO staff need to consider
  - E.g.,standard salary inflation rate, provision to fly coach vs. business, etc.
- **Standard, uniform penalty for partners to submit error-free budgets not in place** (e.g., reject proposal if errors are present)
- **NICRA reporting does not require partners to indicate what is standard to be covered by NICRA** vs. what is program admin cost

2

Capabilities & Configuration

- **High work load** limits time available for AO / CO to review budgets and locate errors
- **AOs / COs not provided with tools** (i.e., traceable budgets) to identify errors
- **AOs / COs not provided with complete NICRA accounting** to ensure no overlap between NICRA costs and program administrative costs

3

Technology Enablement

- **Standardized A&A tools and policy interpretations do not always meet USAID staff needs**
  - Leads to development of multiple templates and policy interpretations
- **Standardized templates and processes not consistently** used with offerors / applicants

1. Per ADS 300 mandatory references for Cost Realism and Cost Analysis templates

6

Opportunity Definition: Value for money evaluation criteria

Value for money evaluation not currently prioritized for Acquisition & Assistance which limits ability to achieve in awards

Current Situation

- Cost is not a routine proposal evaluation criteria
  - In analysis of 60 selected awards, cost was an evaluation criteria in 33% of cases (typically no more than 10% of total evaluation criteria)
- Total Estimated Cost (TEC) of an award is published in the RFA/RFP which causes offerors / applicants to "backfill" their proposed budget with items adding up to TEC
- Budgets are presented in various formats, non-transparent ways (i.e., PDF, hidden cells), and not at a line item level in relation to program activities
- Applicant / offeror proposed budget evaluated for "cost realism"
  - Not always compared to original IGCE
  - Not assessed for "best value"
  - Not assessed in relation to programmatic objectives
- Costs assessed on an ongoing (at least annually, in some cases quarterly or monthly) basis by AOR who is managing the award
  - Receive factor cost budgets and overall amounts to accomplish a given task / activity but very few budgets that tie activities to resources / factor costs

Cost Implications

Program	• Impossible to evaluate proposals on value for money and choose the most cost-effective partner • Difficult to track partner progress and efficiency once award begins
USAID G&A	• Significant USAID staff time to prepare IGCE which is not actually used to evaluate value of offeror / applicant proposed budget
Partner G&A	• Invest time to create proposal budget which is not used once award is made – USAID often requires partners submit new budget for the year

6

Root Cause Analysis: Value for money evaluation criteria

Costs not reported or assessed directly in relation to programmatic outcomes, nor is cost a prioritized evaluation criteria

1

Process & Policy

- **Value for money not an explicit USAID priority**
  - **Assessed for "cost realism" not "best value"**
- **Offerors / applicants not required to submit budgets that enable value for money evaluation**
  - Not in standardized, traceable format
  - Costs not always framed in relation to activities and resources
- **Technical and cost evaluations performed at separate times** by separate parts of the organization (GH vs. M)
- **Risk management not a guiding principle of award evaluation** (i.e., trading superfluous technical merit for improved economics)
- **Savings found during negotiation or management re-allocated to unspecified "programmatic uses"**, total TEC not reduced

2

Capabilities & Configuration

- Cost evaluation and approval during award Period of Performance (POP) performed by **AO / CO staff who do not have detailed programmatic knowledge**
- **COR / AOR staff not provided with proposed budget**
  - Therefore no way to track actual cost against what was proposed / approved
- **AO / CO staff not incentivized** or rewarded for improving value for money within awards

3

Technology Enablement

- **Standardized, detailed budget template (proposed and annual) not in place at an Agency level** (i.e., standardized format, detailed descriptions of what types of costs fall into already standardized cost buckets, and definitions, etc.)
  - Challenging to compare offerors / applicants on a value for money basis
  - Challenging to evaluate ongoing award costs against other awards with similar activities, making it difficult to establish ideal cost benchmarks
- **Current system to capture outlays (PHOENIX) does so at an aggregated level**, not in relation to activities completed, resources required, location, etc.
- **System to capture and compare budget data and spend data not in place**

7

Opportunity Definition: Non value-added financial management of Assistance

Over-management of assistance awards, particularly on a cost input basis, drives increased USAID and partner administrative costs

Current Situation

- **AORs / CORs responsible for monitoring and evaluating progress** within an award
- **However, AORs / CORs are not systemically provided with award proposal** or proposed budget
  - Prevents program officers from understanding original project approach and estimated resources / costs
- During award management phase, **AORs / CORs can request annual / quarterly reports from partner**
  - Some AORs / CORs request monthly reports
- In order to limit risk when facilitating obligations to either acquisition or assistance, AORs / CORs request prior approval for cost items in addition to what is directed by policy (e.g. 22 CFR 226.25 (d) has list of what should require approval), examples include:
  - Interviewing new personnel when changes in staff occur
  - Additional reporting requirements beyond policy

Cost Implications

Program	• Higher portion of TEC going to administrative costs rather than programmatic costs
USAID G&A	• COs / AOs and CORs / AORs investigating significant time to evaluate cost line items rather than evaluating total costs against outcomes
Partner G&A	• Increased administrative costs to request approvals – I.e., increases NICRA • Decreased program effectiveness – I.e., because formerly programmatic funds are used to cover unanticipated administrative costs that often increase over life of the award)

7

Root Cause Analysis: Non value-added financial management of Assistance

Limited evaluation of costs in relation to outcomes, especially for Assistance, drives focus on cost inputs to assess "value for money"

1

Process & Policy

- **Limited guidance provided to AO / CO and AOR / COR staff on interpretation of 22 CFR 226** in terms of exactly what type of financial oversight is value added (i.e., travel approvals, etc.)
- **AO / CO and AOR / COR staff not incentivized to interpret 22 CFR 226 in a specific manner**
- **AOs / COs performing cost evaluation do not have sufficient programmatic knowledge**

2

Capabilities & Configuration

- **Cost realism and cost analysis not conducted in relation to programmatic outcomes**
  - Costs evaluated for reasonableness, allocability, and allowability at a line item level
- **Limited training or tools to enable outcomes-based cost management**
- **Regulation 22 CFR 226.25(d) not enforced**, resulting in more frequent use of prior approvals than required by policy
  - Examples include prior approvals for new staff (including interviews by USAID), increasing frequency of workplans / budgets (e.g. monthly or quarterly instead of annual), international travel, etc.

3

Technology Enablement

- **Existing budget templates do not always connect activities with budget line items**
- **Systemic or standardized tracking or system to store costs associated with different activities / tasks not in place** to provide cost benchmarks to enable outcomes-based cost management
- **Informal guidance (not comprehensive, standardized) on cost benchmarks available** to guide AOs / COs or AORs / CORs to evaluate activity resources and costs

8

Opportunity Definition: Non-standardized award management

Non-standardized award management in terms of tracking and storing award data reduces ability to manage value for money and increases partner G&A

Current Situation

- There seems to be a semi-standardized document library to support award design
  - E.g., template RFAs / RFPs, previous RFAs / RFPs on similar topics, questions from applicants about those RFAs / RFPs, etc.
  - While use of these templates is required, per ADS 300, the library is not universally used by all AORs / CORs or AOs / COs if, e.g., not relevant for that type of award
- Multiple methods for storing and tracking information about an award
  - When CO / AO or COR / AOR staff depart, there does not seem to be a standard “close out” or “hand-off” process to gather key pieces of data about awards
- Informal instead of standardized processes for handing off awards to from departed CO / AO and COR / AOR staff to new owners

Cost Implications

Program	• Without a historical view, decreased ability to manage a specific award for programmatic effectiveness or value for money • Limited institutional knowledge of what awards were successful and why limits efficiency and effectiveness of new awards
USAID G&A	• CO / AO and COR / AOR time to design awards and prepare required documentation from scratch • CO / AO and COR / AOR time to design documents, templates, and document storage systems that work for them • CO / AO and COR / AOR time to get up to speed on new awards (i.e, those that are passed to them from departing staff)
Partner G&A	• Time to educate new USAID staff about award (purpose, structure, activities, etc.)

8

Root Cause Analysis: Non-standardized award management

USAID staff turnover at the DC and field level, as well as current process reduces continuity in award management

1

Process & Policy

- **Multiple different internal processes regarding award information management and knowledge transfer**

2

Capabilities & Configuration

- **High USAID staff turnover**
  - Short tours of duty (e.g., 1 – 2 year rotations for field-based staff)
  - High workload in M/OAA leads to burnout
- **Limited connectivity between GH / M staff**
  - Makes it challenging for a new AO / CO or AOR / COR to get updates from existing award managers

3

Technology Enablement

- **Multiple systems exist to track award files and relevant details**
  - M/OAA award file library for DC-based awards
  - Separate systems for DC and Missions
  - Non-standardized process for storing award information electronically (e.g., seems to be on P drive but not in any standard folder architecture, structure)
  - Mix of paper and electronic systems
  - Separate filing systems for M / GH
- **Systems not always linked or utilized uniformly**

Policies relevant for cost efficiency opportunities[1]

Addressing cost efficiency opportunities will require either a different interpretation of an existing policy or increased compliance to current policy

	1 Portfolio Management	2 Award Size, Scope	3 SMART Principles	4 Optimal Instrument
Acq.	ADS 200 and 201 and 300-304 address the Results Framework and specify that awards must support this framework (via development objectives and intermediate results) however they do not provide guidance on how to reduce overlap or leverage shared services within awards; ADS 203 addresses "Portfolio Reviews" for missions, but well known tools or standard processes are not in place	ADS 300 reference IGCE Guide and Template specifies the contents and purpose of the IGCE but process of how TEC is determined seems to be determined by funding available and bandwidth of M/OAA, then IGCE is created to fit within TEC	ADS 201 and 203 address the Results Framework and indicators that should be used to monitor and report on performance; however, guidance, tools, and approval mechanisms are not available to support and ensure awards are designed with SMART metrics in mind	ADS 304, written specifically for Instrument Selection, does not provide a straight forward process to guide A/CO's decision making process
Assist.				

	5 Financial Transparency	6 Cost Evaluation	7 Assistance Oversight	8 Standardized Process
Acq.	ADS 300, 302 and 303 reference standardized documentation for solicitation materials; however, specific tools are not available for C/AOs to share with applicants to ensure full transparency regarding cost/budget proposal; ADS 302 and 303 also mention working with OCC to determine if indirect costs are being applied correctly	ADS 302 (3.6.2) states the A/CO can and should provide cost information during the technical evaluation under certain circumstances	ADS 300 address Individual Acquisition Plan template which specifies that the monitoring plan should be determined prior to solicitation but does not provide guidance for designing plan	ADS 300 series address A&A process steps in fragmented fashion which does not provide a clear step-by-step process to ensure best practices are being used throughout the award life cycle
Assist.		ADS 303 (3.12a) addresses how to perform cost analysis but does not specify when it should be performed or how it should be incorporated into technical evaluation	ADS 303 (3.9.2) addresses risk by instructing A/COs to give an award with "special conditions" which supports more frequent reporting requests but does not recommend or require limiting reporting for organizations without special conditions	

1. Policy Map available in Appendix

Requires specific interpretation of policy to achieve savings

Requires increased compliance to policy to achieve savings

Requires both interpretation and increased compliance to policy to achieve savings

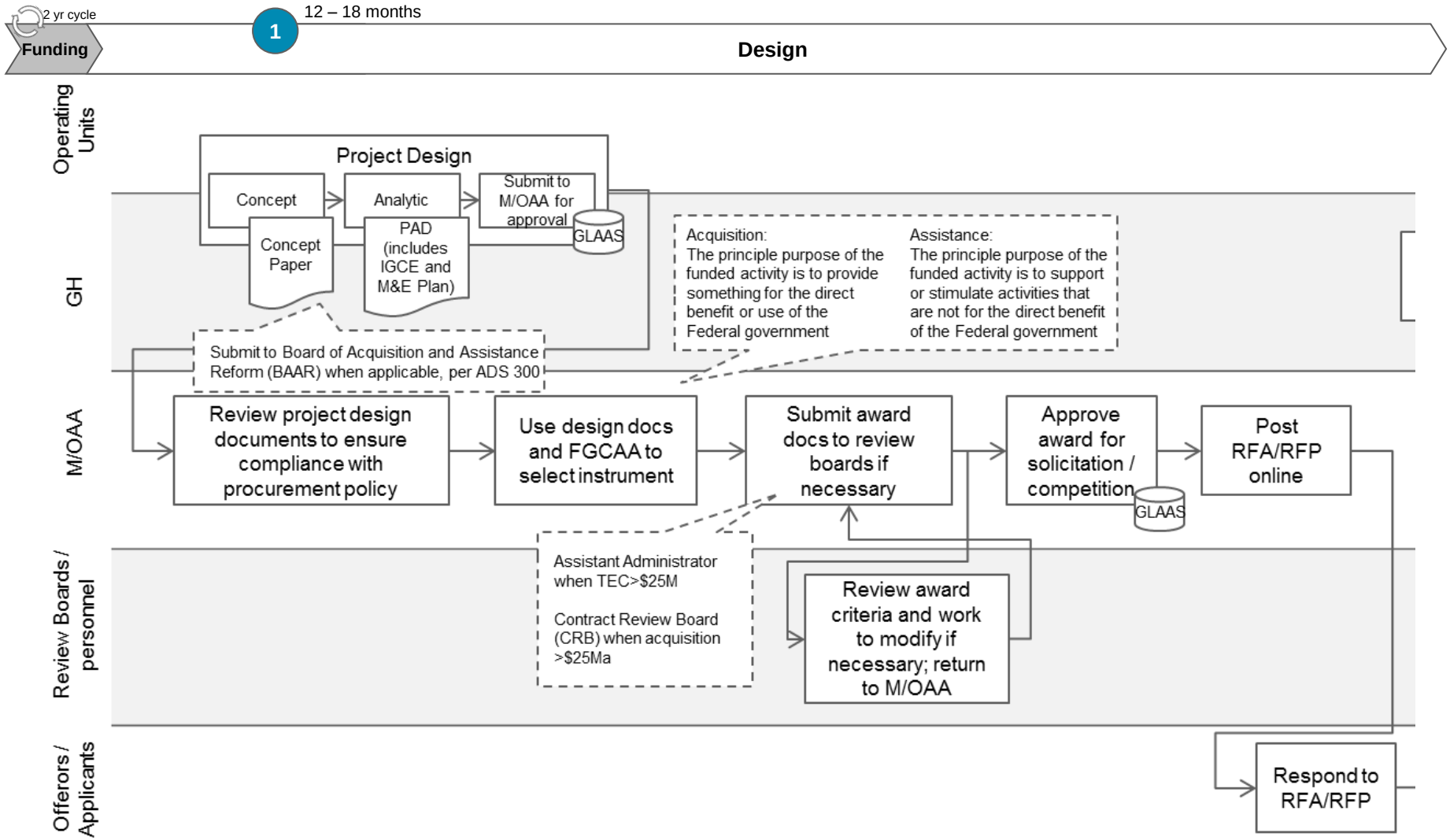
Appendix Material

Policies read for process evaluation as they apply to award cycle processes

	Design	Solicit / Compete	Manage
CFR	22 CFR 226: Administration of Assistance Awards to US NGOs	22 CFR 226.44 Procurement procedure	22 CFR 226.14 Special Award Considerations
	22 CFR 226.44 Procurement procedure	22 CFR 226.45 Cost and Price Analysis	22 CFR 226.25 Revision of Budget and Program plans
		22 CFR 228: Rules for Procurement of Commodities and Services Financed by USAID	22 CFR 228: Rules for Procurement of Commodities and Services Financed by USAID
FAR	FAR 7: Acquisition Planning	FAR 15.404: Contract Pricing	
		FAR 15.605: Evaluation Factors	
		FAR 37: Service Contracting	FAR 37: Service Contracting
ADS	ADS 201: Planning	ADS 201: Planning	ADS 203: Assessing and Learning
	ADS 300: A&A Planning	ADS 300: A&A Planning	ADS 300: A&A Planning
	ADS 302: Acquisition	ADS 302: Acquisition	ADS 302: Acquisition
	ADS 303: Assistance	ADS 303: Assistance	ADS 303: Assistance
	ADS 304: Instrument Selection		
Add'l	Competition in Contracting Act (CICA)	Office of Federal Financial Management Policy Directive on Financial Assistance Program Announcement (OFFM)	OMB Circular A122 Cost Principles for Non-Profit Organizations
	Federal Grant and Cooperative Agreement Act of 1977 (FGCAA)		SF-425 Financial Report
	Office of Federal Financial Management Policy Directive on Financial Assistance Program Announcement (OFFM)		
	USAID Policy Framework 2011-2015		

Confidential Information Redacted.

Award Life Cycle – Detailed view: Design Process



Design requirements for Acquisition and Assistance

This is some difference between A&A internal requirements to prepare award for solicitation/competition

	Acquisition	Both	Assistance
Requisition		• GLAAS Requisition • Project Appraisal Document (PAD)	
Planning	• Individual Acquisition Plan (IAP)	• AARAD (TEC >$25M goes to AA)	• Similar plan documentation

Documentation	• Branding and Marketing Plan	• Choice of Instrument Justification
		• Statement of Work
		• Success Indicators to be collected and reported by Implementing Partner
		• IGCE
		• Award Requirements:
		  ◦ Description
		  ◦ Instructions to offers/applicants
		  ◦ Evaluation Criteria
		  ◦ Period of Performance
		  ◦ Geographic Code
		  ◦ Eligibility Criteria
		• Market Research Documentation
		• Gender Considerations
		• Environmental Compliance
		• Score sheet for evaluations
			• Branding and Marketing Requirements
			• Required information for RFA (e.g. est # awards, financial range)
			• Cost Share Determination
			• Substantial Involvement

Source: ADS, M/OAA/GH interviews

Design: Instrument selection details and findings

The government-wide policy that defines criteria for selecting award type is founded on the relationship between USAID and implementing partner

2 Design: Instrument Selection

Criteria for selecting award type *

Acquisition	Assistance
The principle purpose of the funded activity is to provide something for the direct benefit or use of the Federal government	The principle purpose of the funded activity is to support or stimulate activities that are not for the direct benefit of the Federal government
Benefit or Use Test: • Is USAID the direct beneficiary or use of the activity? • Is USAID providing the specifications for the project? • Is USAID having the project completed based on its own identified needs?	Benefit or Use Test: • Is the applicant performing the project for its own purpose? • Is USAID merely supporting the project with financial or other assistance? • Is the benefit to USAID incidental (ie, do funded activities compliment USAID's mission)?

*Source: adapted from EPA website describing The Federal Grant and Cooperative Agreement Act of 1977 (www.epa.gov/ogd/recipient/fgcaa.htm)

Instrument characteristics

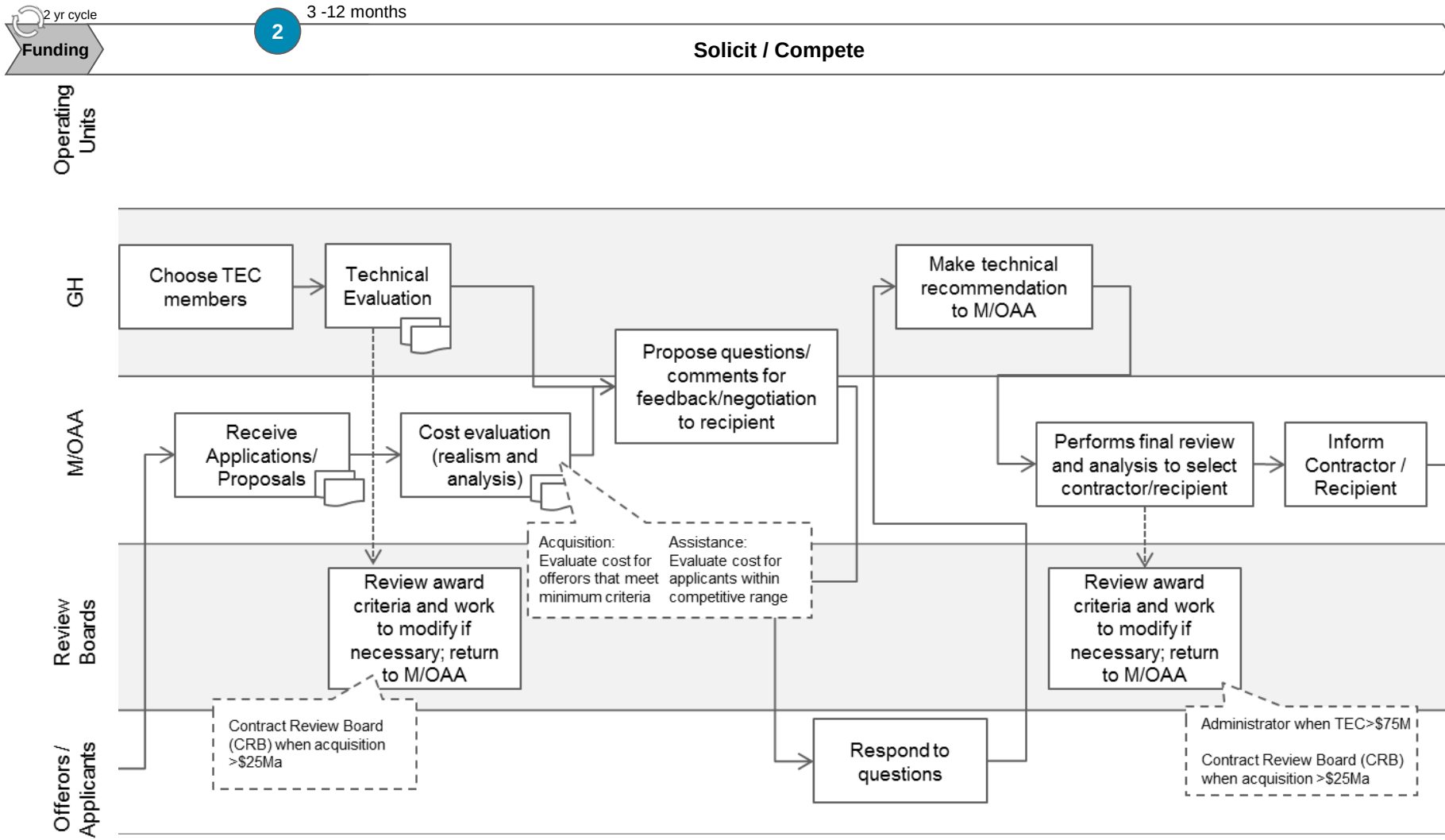
	Instrument	Description	Cost Eval	TEC
Acquisition	Contract	Obligating seller to furnish goods or services and buyer to pay for them	Evaluate cost proposals of all offerors that meet minimum criteria	Required to pay cost overrun
Assistance	Grant	For public purpose of support where USAID involvement is not anticipated	Evaluate cost proposals of all applicants in competitive range	Max amount, despite partner costs
	Cooperative Award	For public purpose of support where USAID involvement is anticipated		

Findings

- Assistance awards can be created by adding less measurable objectives to acquisition awards
- Cost is evaluated and reimbursed dependent upon the type of instrument selected

Awards can be designed to fit criteria of either type which impacts the way in which cost is evaluated and reimbursed throughout the period of performance

Award Life Cycle – Detailed view: Solicit / Compete Process



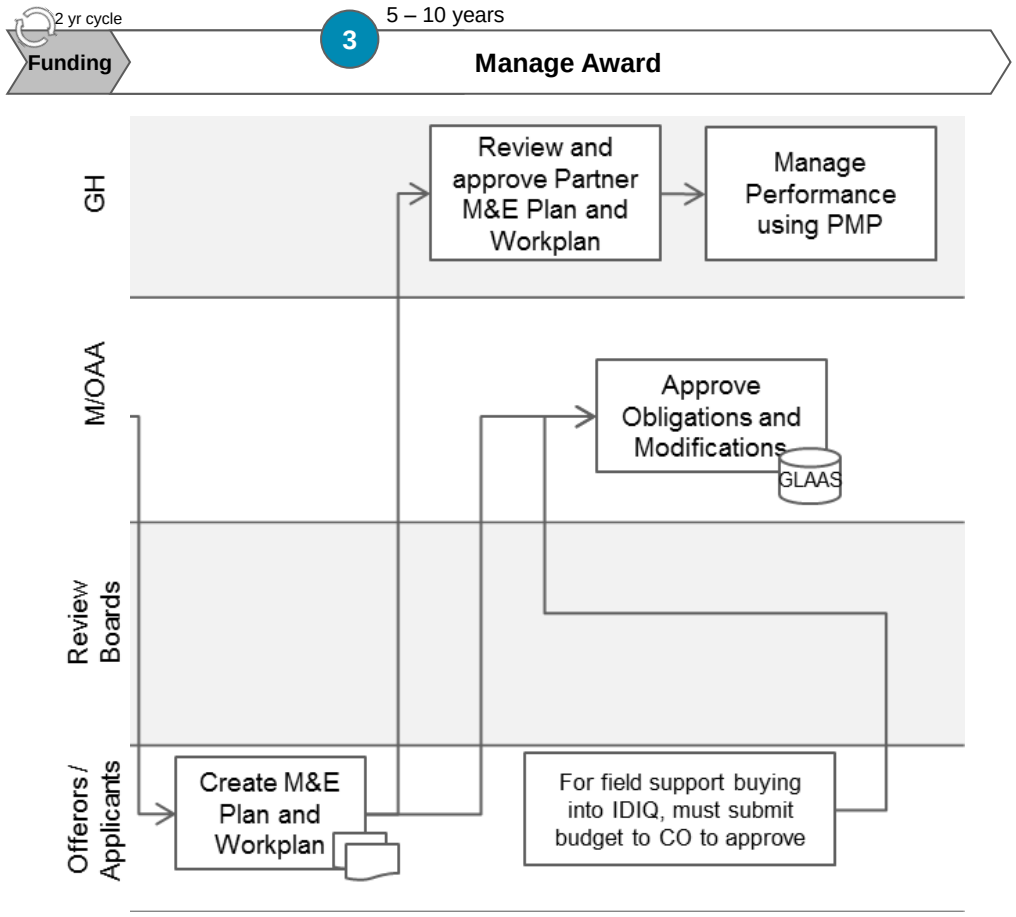
Solicitation requirements for Acquisition and Assistance

Acquisition requires additional involvement to complete solicitation as compared to Assistance competition

	Acquisition	Both	Assistance
Solicitation	• Source Selection Plan (haven't seen examples) • Concur with OSDBU must weigh in	• Competitive Range Determination • Cost Realism Checklist • Cost Analysis Checklist • Inherently Governmental and Critical Functions Consideration • AARAD completed by TEC Chair for awards with TEC >$75M, goes to Administrator • Technical Evaluation Committee (TEC) Memo • Negotiation Memo	

Source: ADS, M/OAA/GH interviews

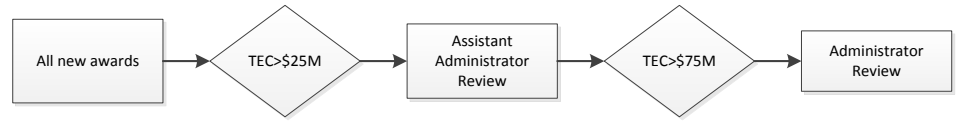
Award Life Cycle – Detailed view: Manage Award Process



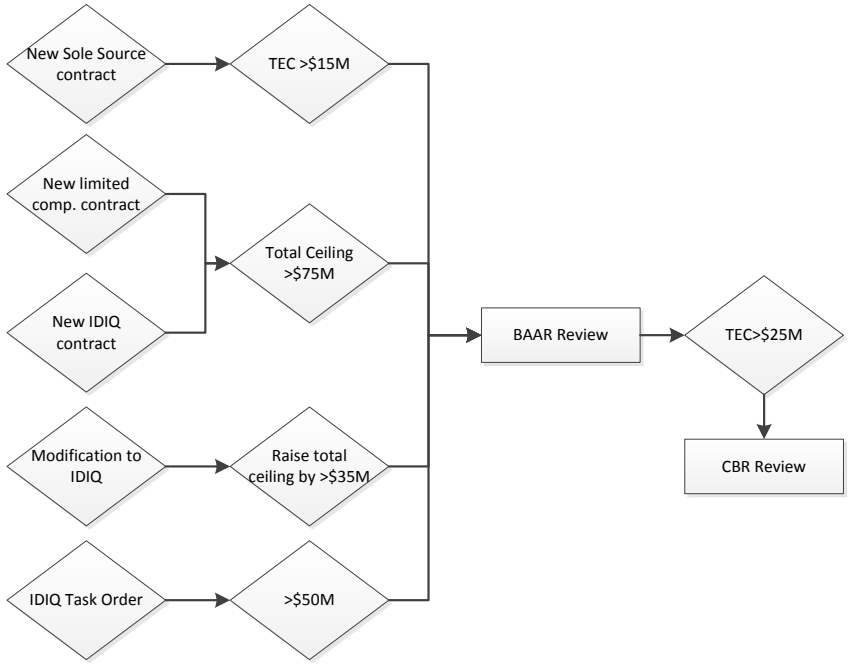
Criteria for Review

Prior to being competed, awards must be reviewed by up to 3 boards / personnel, depending on certain criteria, increases time to make an award

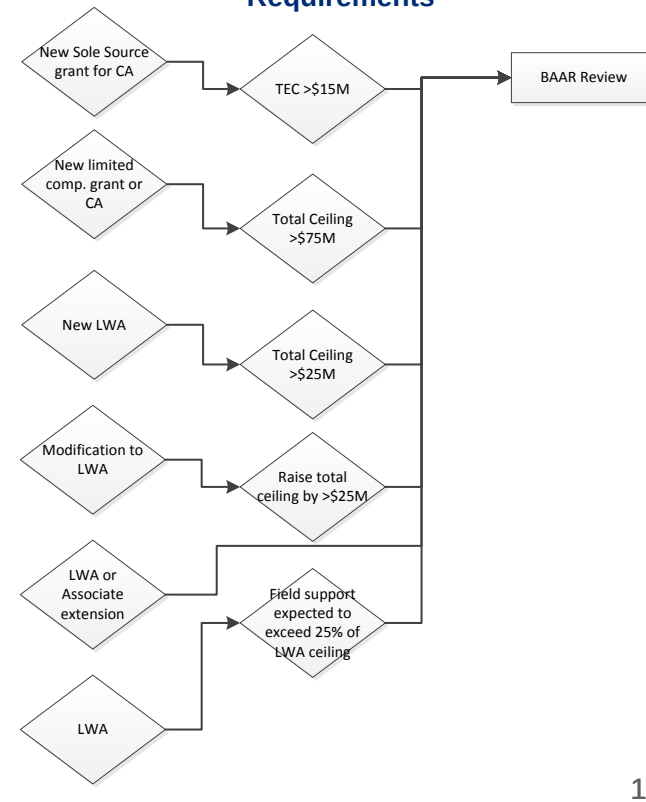
Acquisition and Assistance Review Requirements



Acquisition Review Requirements



Assistance Review Requirements



Relationship between funding and award processes

The funding process intersects with the project design process when funds are "marked" to a PAD

Congressional funding process 》 **USAID systemic "tagging" of funds** 》 **Project design**

Formulation
2 FY budgets in advance

Justification
Next FY budget

Appropriation
Executing current FY budget

Gov't Involved	Funding Action
Congress	Appropriates
OMB	Apportions
State/F and USAID	Allots
USAID: Bureaus	Allow
USAID: Operating Units	Obligate

USAID Funds

Pillar Bureaus (GH)

Regional Bureaus (AFR)

Op. Units: Offices (HIDN), Missions

Phoenix "marking"
Assigning funds to elements

Distribution (PAD #)	*Example: 963.xxx*
Area	*Example: A11 / 3.1*
Element	*Example: A047 / 3.1.1 (HIV/AIDS)*

Commitment
Funds "set aside" for Obligation

Obligate
Promise to Pay

Disburse/Accrued
Invoiced/outstanding

Concept Stage

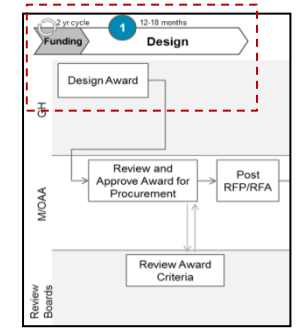
Concept Paper

Analytical Stage

PAD (includes IGCE and M&E Plan)

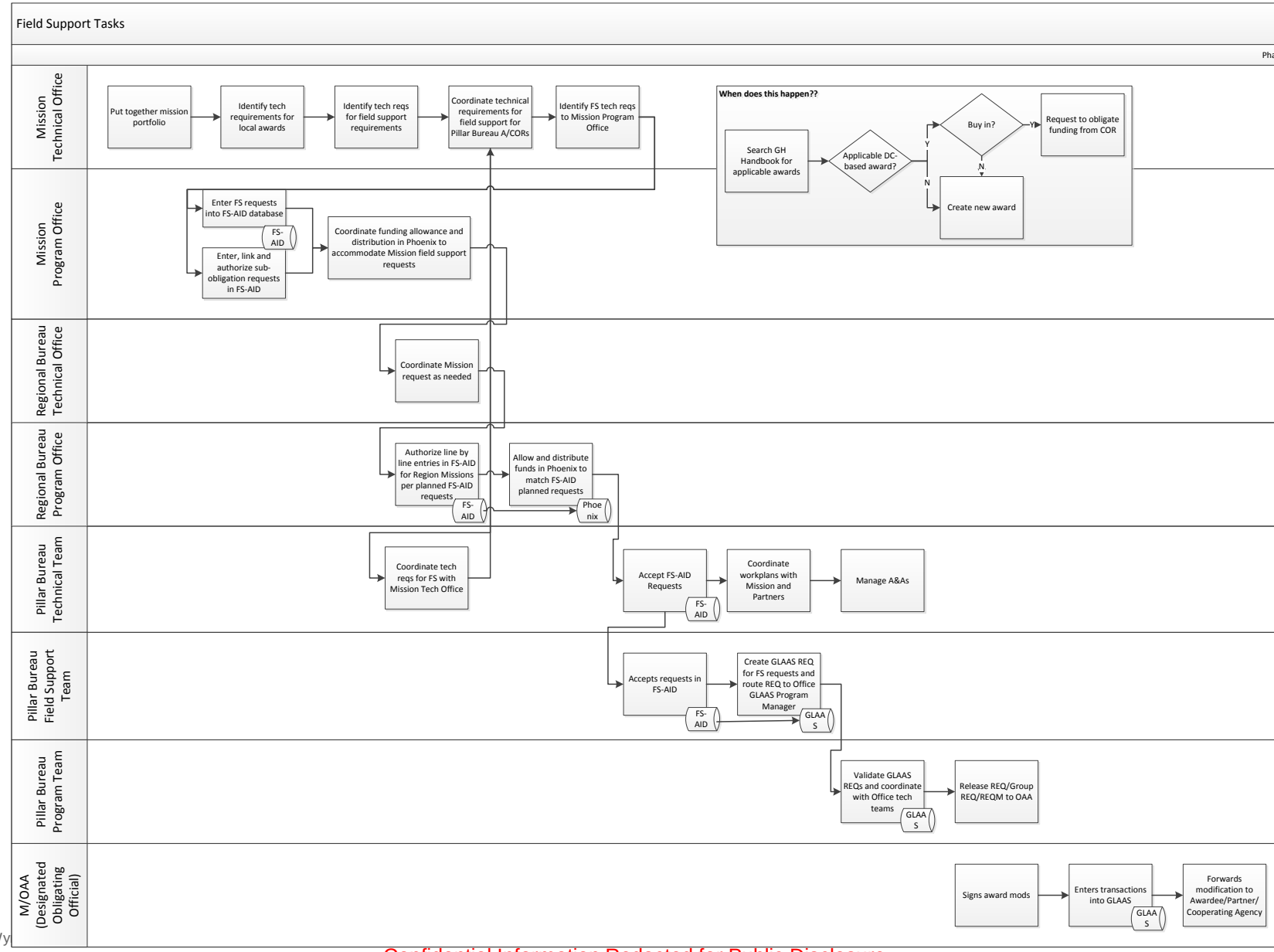
Project Authorization

GLAAS



Source: Mario Rocha, Senior Financial Manager (GH/PPP/PIBM), ADS 201

Field Support process



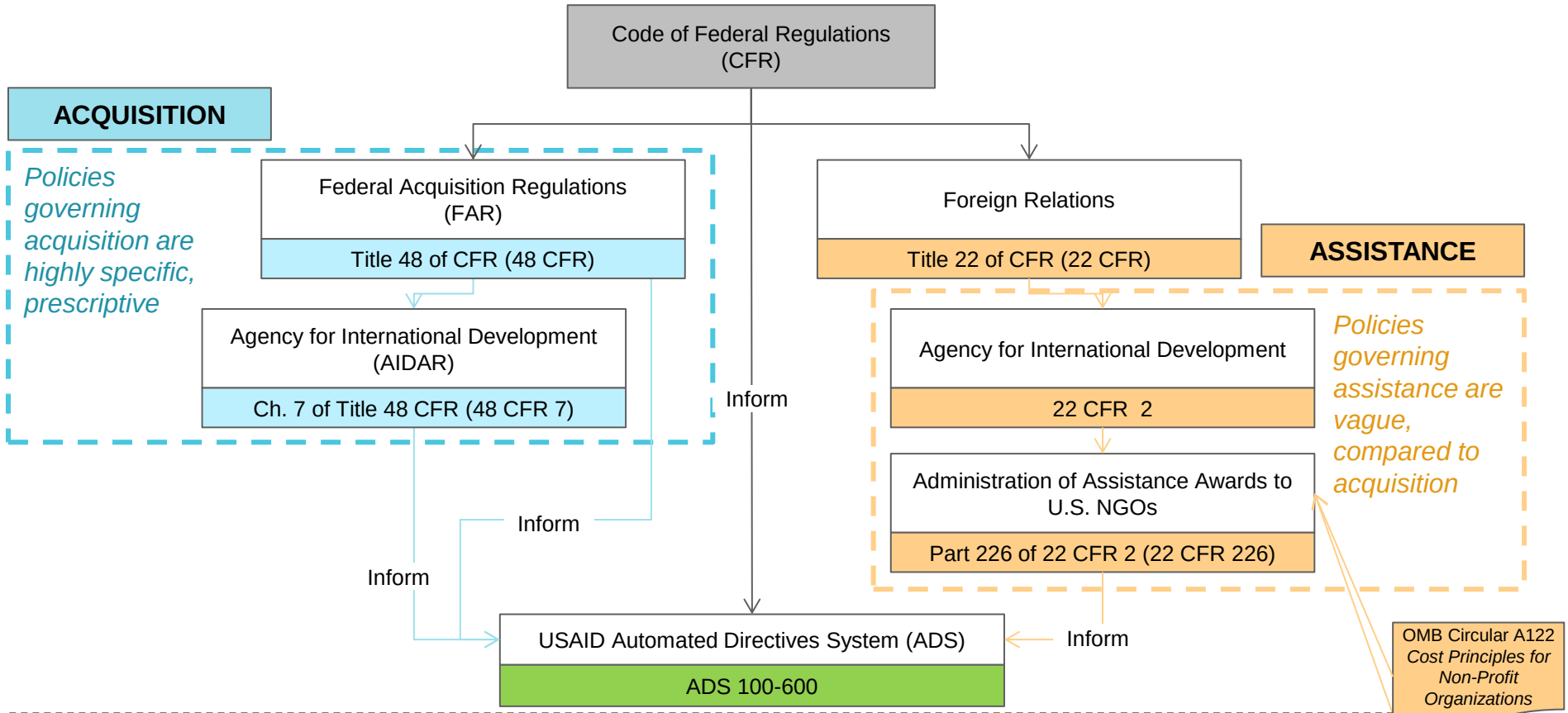
Procurement Action Lead Times (per ADS 300)

Award type	Action Type	Action	Timeframe (Calendar Days)
contract	award	IDIQ	327
contract	award	Definitive Contract (limited sources)	311
contract	award	Definitive Contract (compete)	268
contract	award	Definitive Contract (sole source)	151
contract	award	Definitization of Letter Contract	151
contract	award	Priced Order (task order under IQC)	75
contract	mod	Bilateral contract modification	91
contract	mod	Administrative contract modification	31
contract	mod	Unilateral Contract Modification	15
cooperative agreement	award	Cooperative Agreement (compete)	150
cooperative agreement	award	Cooperative Agreement (Non-compete)	90
cooperative agreement	award	Cooperative Agreement (technical office comp)	90
cooperative agreement	mod	Cooperative Agreement Modification	71
grant	award	Grant (compete)	150
grant	award	Grant (non-compete)	90
grant	award	Grant (technical office comp)	90
grant	mod	Grant amendment	71

PALT Start	Action is entered into A&A Plan and Review System and a full GLAAS
PALT End	Award is given to contractor / reciptient (not necessarily when POP starts)

Policies governing A&A process

The main federal policies governing A&A include the 48 CFR, 22 CFR 2 & 226, FAR 7, and FAR 15, as well as ADS



OLIVER WYMAN

USAID AWARD COST EFFICIENCY STUDY
PARTNER OUTREACH FINDINGS

DECEMBER 6, 2013

MARSH & McLENNAN COMPANIES

Confidential Information Redacted.

Contents

Session 1 | Workstream approach

Partner Outreach workstream: Approach overview and objectives

Supporting research
- Oliver Wyman and external best in class supply chain/ sourcing practices
- Fact-based analysis of USAID award universe to elucidate and support findings

Process evaluation (top down)
- Develop process maps from:
- Review of relevant policies and procedures
- USAID interviews
- Processes include: Funding, pre-solicitation, solicitation of an award, award management

Partner outreach (lateral)
- Conduct 25 partner interviews
- Finalize approach
- Develop learnings capture template
- Synthesize findings

360° evaluation of award-level savings and future cost avoidance

Stakeholder management
- Weekly reviews with USAID working team
- Senior Leadership check-ins
- Administrator updates
- ACES Panel presentations

Award analysis (bottom up)
- Refine efficiency levers
- Finalize award scope and actual sample; extrapolation methodology
- Analyze 50 awards (80 total across Ph1-2)
- Validate with USAID (Phase One and Two)
- Capture and distill findings by lever

Objectives
- Understand partners' experience with USAID A&A processes
- Determine key process-related drivers of partner overhead cost and/or cost of complexity
- Provide a forum for partners' input into the ACES study
- Incorporate results from outreach into systemic findings, conclusions and recommendations to enhance cost-effectiveness of USAID A&A process

Partner Outreach workstream: Scope
Focus on USAID acquisition and assistance experience, not on specific awards

Context and use of information

- Partners engaged with Oliver Wyman in the spirit of highlighting opportunities for efficiencies in the USAID A&A process – there was no discussion of identifying savings potential from the existing universe of awards, our bottom-up awards review, nor their individual awards under contract or agreement
- Partners were informed that any comments would not be attributed and only shared with USAID in aggregated or non-identifiable form
- On this basis, partners were free and forthcoming with their thoughts and suggestions for the A&A process and its mechanisms
- The results presented in this summary are intended solely to inform A&A process and policy improvement recommendations; they would not be appropriate to be used for individual partner award discussions

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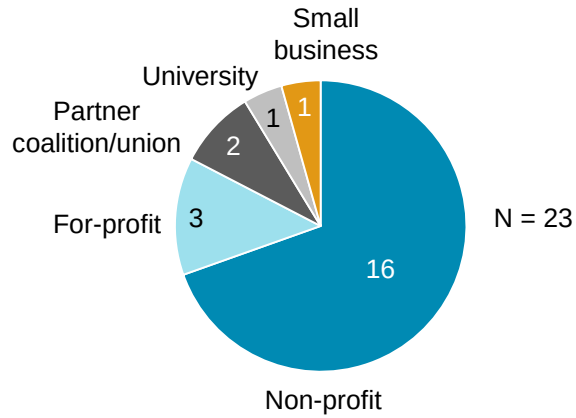
Discussion topics

- Partner experiences with USAID solicitation and award management, including:
  - Cost and overhead drivers
  - Inefficiencies or bottlenecks
  - Best practices
  - Selection and management of subcontractors
- Learnings from other donor organizations
- Suggestions for improvement
- Reactions to hypotheses for improved efficiency
- Also incorporated into analysis: documentation partner organizations had sent to USAID in previous interactions

Partner organization types



Not discussed

- Named awards or details of specific awards (unless brought up by partner)
- Individual budgets or line-items from specific awards
- Renegotiation (either as a focus of USAID or any comments about the potential processes)

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Confidential Information Redacted.

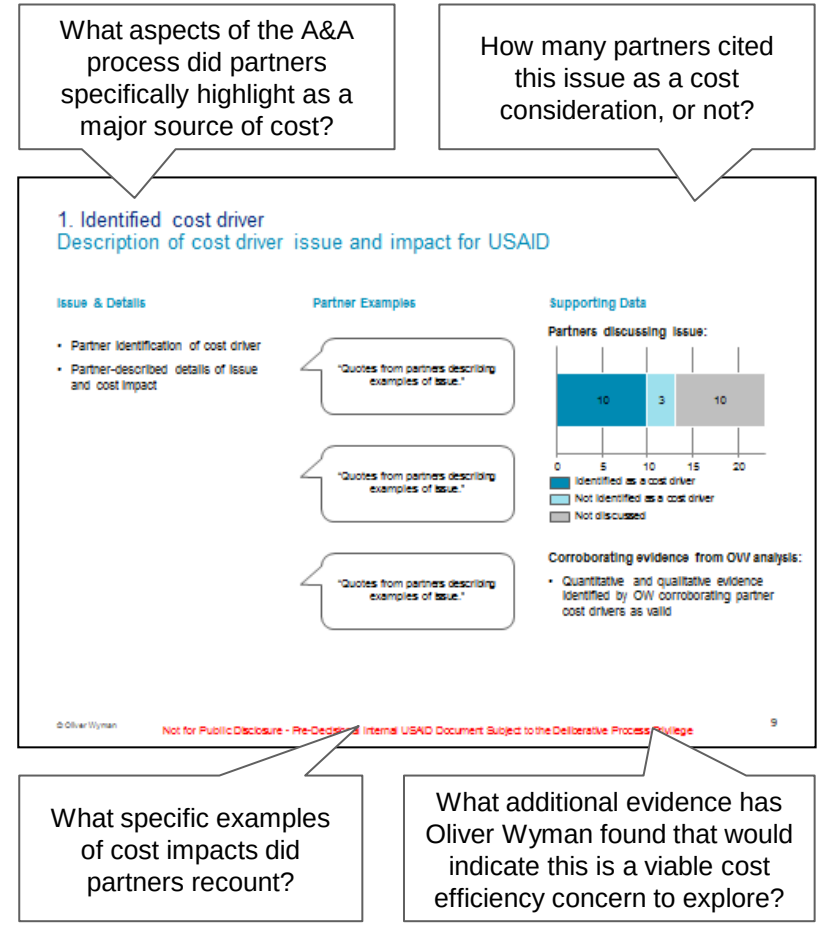
Partner cost drivers are identified with reference to the A&A process stage in which they arise and reviewed based on frequency of mention and impact to USAID

Methodology and results overview

Partner Outreach results presentation

- Highlighted partner cost efficiency opportunities were mapped according to stage of the USAID A&A process in which they arise (e.g. award design, solicitation/competition, and awards management)
- The most frequently cited cost efficiency opportunities are explored more deeply in a set of 'dashboard' slides which:
  - Detail the issues
  - Provide examples and/or direct quotes
  - Count the frequency with which the issue was raised (partner-initiated)
  - Provide corroborating evidence from Oliver Wyman award and fact base analyses
- "Other material drivers" are also featured and mapped to A&A process, but not expanded upon in individual dashboard slides because they were less frequently mentioned
  - Given variations in discussions and qualitative sample, cost drivers that were less frequently cited may still represent relevant cost opportunities for USAD…
- Finally, partner-highlighted cost drivers have been mapped according to frequency and perceived impact to USAID (Oliver Wyman assessment) to aid prioritization

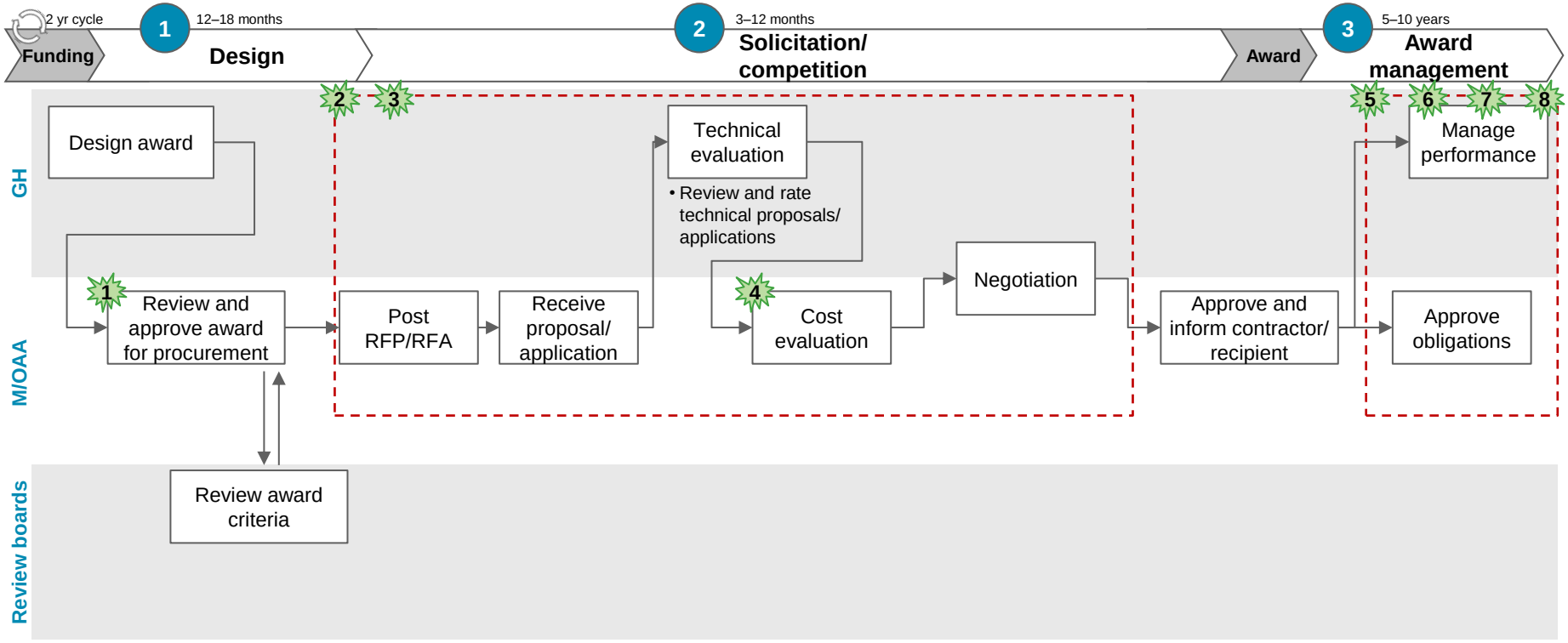
Sample output per major opportunity area



Session 2

Cost efficiency/effectiveness opportunities highlighted by Partners

The partner outreach converged on 8 opportunities for improved cost efficiency across USAID A&A process stages



Findings: Partner-identified cost drivers

1 Instrument selection biases	5 Over-management of cost inputs rather than outcomes
2 Combination of tight RFP/RFA timetables and long USAID feedback delays	6 Mid-award project scope and changes in direction
3 USAID practices favor the use of subcontracting arrangements	7 Structural and financial hurdles to cross-award efficiencies
4 No incentives to compete on direct or indirect cost	8 Lack of consistency in AO/CO and AOR/COR policy interpretation

1. Instrument selection biases

Pervasive use of cooperative agreements has the effect of limiting competition and may disincentivize development of local capacity

Issue detail

- Partners report a perceived preference from USAID for issuing cooperative agreements instead of contracts driven by ease and speed of design process
- Impacts both solicitation process and ability to use local organizations
  - Can inhibit competition as for-profit organizations may be hesitant to bid on agreements due to lack of fee
  - Lack of fee incentive can inhibit ability of local organizations to build internal capacity

Partner quotes

"Without question, we walk away from things we would have liked to bid on because they are offered as cooperative agreements instead of contracts."

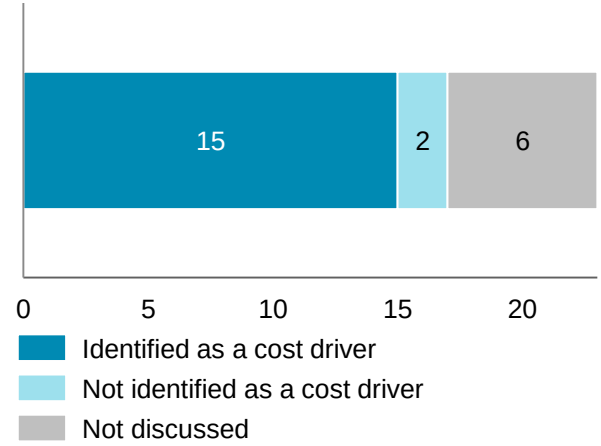
"As a for-profit organization, we have to get permission from our board if we want to bid on a cooperative agreement."

"Small businesses develop by getting a little bit of profit, and they can't do that with a cooperative agreement. At the end of the project, many just collapse."

"We should be encouraging development of local for-profit organizations as well as non-profits."

Supporting data

# of Partners highlighting issue:



Corroborating evidence:

- TEC issued per year by contracts to cooperative agreements has shifted from approximately a 40:60 ratio (2006) to 30:70 (2013) and as low as 20:80 in 2012
  - However, number of awards has maintained at an approximate 40:60 ratio of contracts to cooperative agreements

2. Combination of tight RFP/RFA response times and long USAID feedback delays

Drives up partner spend on proposal preparation and initial implementation

Issue detail

- Partners perceive solicitation process as filled with long stretches awaiting USAID feedback, followed by a very short period in which to respond
  - Drives up cost due to last-minute planning, e.g. hiring consultants, spending on airfare for consultations
  - Some partners suggest increased publication of draft RFAs as a way to mitigate this challenge
- Multiple rounds of negotiation drive up cost and process length
  - Delays in solicitation process lead to inefficiency
  - Delays in solicitation process cause need for new staffing approvals (because previously approved staff no longer available) or new scopes to reflect evolving country situation

Partner quotes

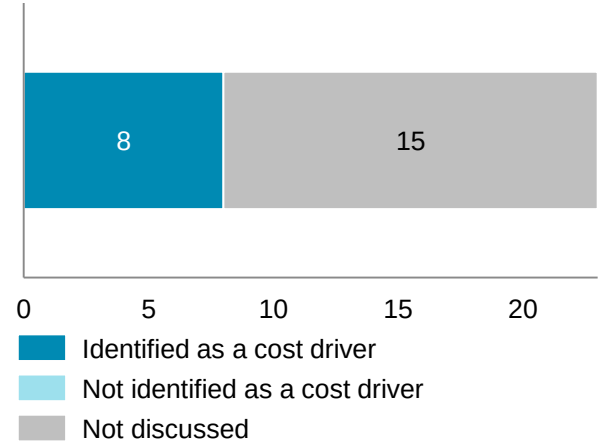
"One solution would be to release drafts – this is done periodically, but would help drive down costs and improve the quality of the proposals."

"The shorter period of time we have to actually prepare for something, the more resources we have to spend. Hire consultants, spend on airfare for consultations, can't get advance tickets, etc."

"You can have to recruit a whole new team by the time the project starts. The time doing this manifests itself in the NICRA rate."

Supporting data

# of Partners highlighting issue:



Corroborating evidence:

- Within Select 60, average time between RFP issue and award start was **159** days for DC asst., **172** days for DC acq., **229** for field asst. and **360** days for field acq.
  - ADS 300.3.5. states that PALT (which should begin prior to RFP issue date) should be **150** days for cooperative agreements and **268** days for definitive contracts

3. USAID practices favor the use of subcontracting arrangements
Becomes the default for partners; increases overhead costs and decreases competition

Issue detail

- Broad scopes of work, large project sizes, and perception of preference for certain individuals incentivize sub-contracting
  - No organizations could explain the steps involved in deciding whether to sub-contract
  - Frequently need to be pushed by AORs to use subs mentioned in application, implying unnecessary addition of subs solely to win award
- Can layer additional costs and decrease competition
  - Subcontractor handling fees do not consider sub risk profile or previous USAID experience
  - Subcontractors capable of applying as a prime do not, lowering total applications received and decreasing competitive forces

Partner quotes

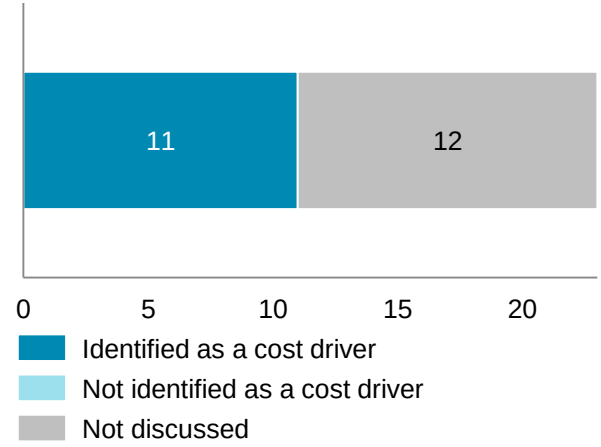
"For every proposal, bidding teams start forming concurrently – it's supposed to be a competitive process, but it's not competition."

"It's really hard to manage when you have 6–12 subgroups. They all have to charge their own G&A and OH rates, process their own payrolls, separate audits, it just quadruples the cost associated with overhead."

"How the heck do you compete against a conglomerate that's been created by USAID? They have all the employees, all the money, and can attract everyone in that field."

Supporting data

# of Partners highlighting issue:



Corroborating evidence:

- Analysis shows that awards featuring subs who are Top 15 partners of USAID are less competitive
  - Awards with no Top 15 subs average 7.2 applicants
  - Awards with 1-2 Top 15 subs average 2.7-2.8 applicants
  - Awards with 3 Top 15 subs average 2.0 applicants

4. No incentives to compete on direct or indirect cost
Does not reward value for money

Issue detail

- Partners typically budget to match TEC and not rewarded for controlling costs
  - There is no official incentive to manage overhead costs or maintain/decrease NICRA
- Most partners are open to including value for money or cost effectiveness in evaluations as long as criteria are clearly explained and do not overly weigh cost at the expense of quality
- Partners responded very positively to idea of performance-based payments and some had experience with these kinds of awards, though none had extensive experience

Partner quotes

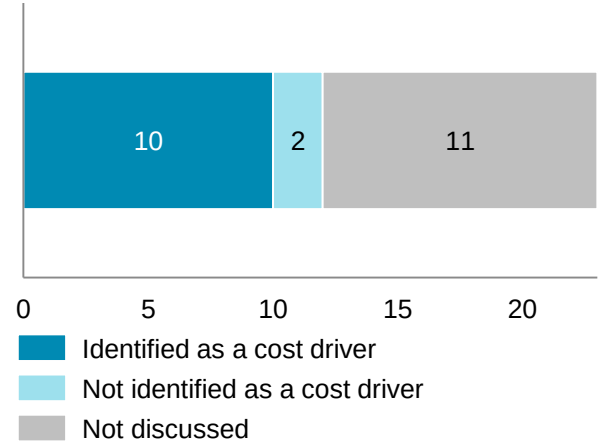
"It's challenging to evaluate across organizations since they handle cost in different ways. I like bidding for organizations that are explicit about how they evaluate value-for-money."

"It's frustrating to see NICRA and G&A for other organizations shoot up when we've introduced measures to keep those costs low, but we aren't rewarded for it because value-for-money isn't evaluated."

"Right now cost isn't considered until the very end of the evaluation process. It should be tied to output requirements – for example, how much is spent in the field for a certain number of outputs or gains."

Supporting data

# of Partners highlighting issue:



Corroborating evidence:

- Technical evaluations do not include value-for-money criteria; only the winning applicant is required to undergo a cost reasonableness assessment

5. Over-management of cost inputs rather than outcomes

Focusing on line-item approvals vs. programmatic outputs creates cost for USAID and its partners

Issue detail

- Partners cite increasing reporting and administrative burden as driving significant cost and time
  - Some partners confirmed that up to 50% of OH costs are driven by meeting USAID management requirements
- Leads to increases in both partner administrative staff and programmatic staff time spent on admin, ultimately diverting money from programmatic efforts
- Most approval areas are already covered in cost principles and often approved during initial budgeting process, leading to duplication of effort for USAID
- Examples include submissions of multiple workplans (e.g. different workplans for different funding sources), bio-data sheets, salary approvals, travel approvals, and subcontractor approvals; frequently submissions are duplicative

Partner quotes

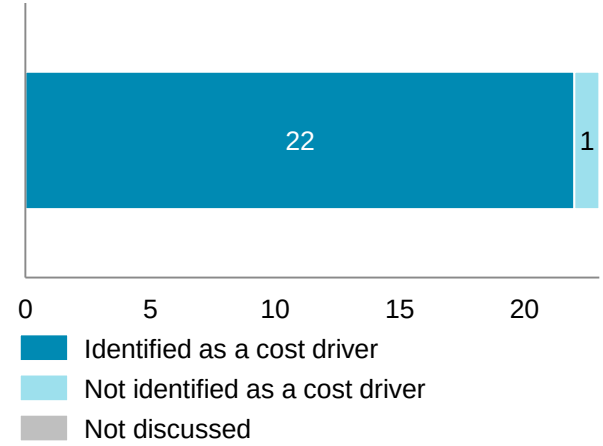
"The prior approval requirements for USAID are by far more burdensome than for other USG agencies or other aid organizations."

"This adds very little value. You wind up in arguments about someone who has an established daily rate, and then there's a negotiation that goes on and on, and in the end sometimes it's upheld or cut by $5 K per year – some amount that's vastly less than the amount of time that USAID and contractors have put into discussing it."

"We'll have to get subs approved when the organization was just approved on another project a few months ago, or submit bio-data and negotiate salaries at the start of an award that were already negotiated during solicitation."

Supporting data

# of Partners highlighting issue:



Corroborating evidence:

- While some AORs believe prior approvals save money, others feel they are a waste of time and create bureaucracy, e.g. causing partners to spend time on paperwork that would otherwise be spent on implementation

6. Mid-award changes to project scope or redirection
Inhibits programmatic effectiveness and leads to wasted spend

Issue detail

- Partners report that shifting programmatic focus can bring delays and add cost
  - Leads to wasted work conducted on activities no longer needed and changed monitoring requirements
- Though some changes occur for necessary reasons (e.g. shift in host gov't priorities or changing needs on the ground), many are perceived as unnecessary
- Two drivers causing unnecessary scope change:
  - Changing funding source bring new standardized performance indicators to be tracked that do not align with current activities
  - AOR involvement in directing programmatic activities; can be exacerbated by changing staff and thus changing priorities

Partner quotes

"The mission will say "work with kids under 5 instead of pregnant women." Then we need to realign budgets and change workplans. That's where we lose time, increase cost."

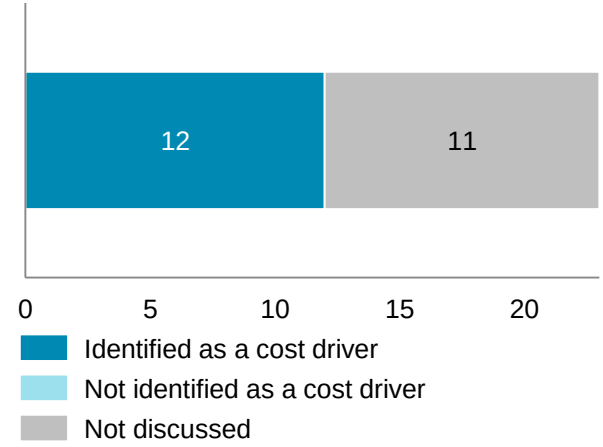
"There's lots of reworking of award direction and scope; the reworking feels endless. It ends up feeling like we spend more time dealing with budgets and workplans than with implementation."

"There are huge cost implications if you're shifting program focus. When USAID shifts ground from under implementer's feet, they interfere with achievement of objectives but generate vast cost associated with adjustments."

"Below the mods are gigantic universes of workplans and implementation plans that are being continually altered. The AOR will say "I know you planned for a training but now I want to do a seminar series" so now the implementer needs to re-tool and the work they did on the previous plan goes to waste."

Supporting data

# of Partners highlighting issue:



Corroborating evidence:

- UMSL's Project Scope Management guide estimates that scope changes occurring after the first 3 months of a project cost orders of magnitude more than changes in the initial phase
- Microsoft's overview of project management lists 5 main activities and 16 sub-activities that must occur to adjust for even one change in scope

7. Structural and financial hurdles to cross-award efficiencies
Prevents sharing of services or bulk procurement across awards

Issue detail

- Most partners report not sharing items or services across awards or engaging in bulk procurement either within or across organizations
- No incentive from USAID to push shared services and purchasing
- Perceived implementation hurdles:
  - Financial reporting difficulties (accounting on award-by-award basis)
  - Shared costs are not directly allocated to projects (e.g. allocated to service centers) and thus can be perceived by USAID staff as additional indirect costs
- Partners open to sharing services, though some hesitation on collaboration with competitors

Partner quotes

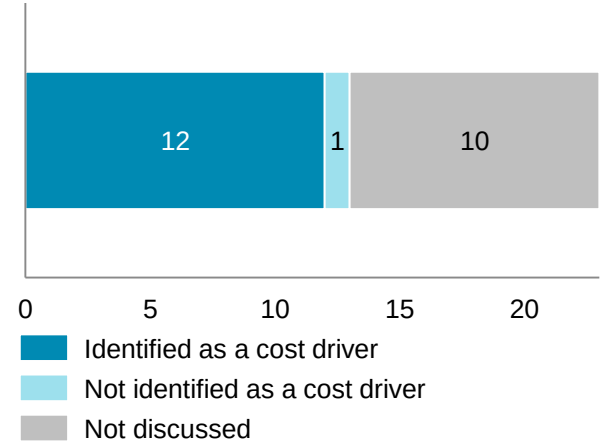
"We procure items award-by-award because we have to keep the money distinguished. The business practices associated with good buying don't align well with the reporting requirements."

"There are times when we have multiple grants in a country and we want to share to be more efficient, but it gets very difficult because USAID looks very closely at allocated direct costs."

"We pool accountants, drivers, and office space. We believe it lowers total costs, but the challenge is that it can look like a third indirect rate and we're constantly having to explain the charges to the COs."

Supporting data

# of Partners highlighting issue:



Corroborating evidence:

- GAO reports estimate that the USG is leaving $5 BN on the table every year due to lack of strategic sourcing; numerous case studies and industry practices estimate savings of 15%+ can be achieved

8. Inconsistency in AO/CO and AOR/COR policy interpretations
Creates delays and challenges in efficient award planning and management

Issue detail

- Partners report significant differences across missions and awards in terms of reporting requirements, level of paperwork to be submitted, and interpretation of policy
- No single point of reference across awards for partners to approach with questions or issues
- Given the high turnover and frequent rotations within USAID, many awards have officer changes mid-stream
  - The variability in policy interpretation results in changing practices mid-award, leading to unplanned delays

Partner quotes

"We've lost qualified personnel whose daily rates, which were below the CST, weren't approved, and then they just went to a different award being managed by a different AO, so the government still paid the same rate in the end!"

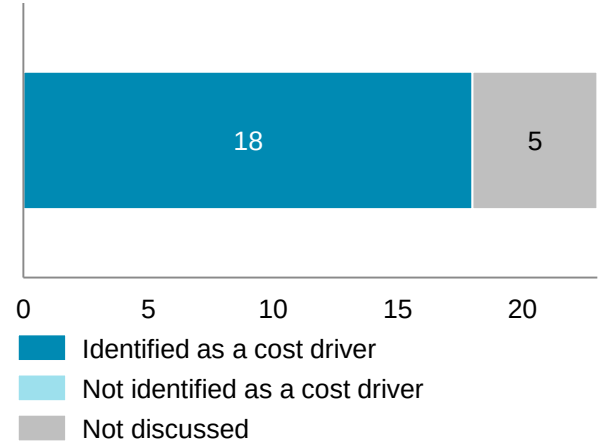
"Different AORs and CORs are totally variable. It's as if they've gone through completely different training."

"Mission orders and AAPDs are the camel's nose under the tent in terms of this inconsistent lack of uniform approach. The fact that it occurs so often in particular missions leads to a real area of burden and back and forth between agency and organization."

"One mission implemented its own salary caps below the USG rates, and to get the individuals we need, we have to pay more. If other countries start implementing this rule, we just won't work in them."

Supporting data

# of Partners highlighting issue:



Corroborating evidence:

- USAID foreign service assignments frequently last for only 1 or 2 years
- GAO reports cite high staff turnover at USAID, resulting in challenges to maintaining institutional knowledge

Other material cost drivers

Include observations on specific instrument choices and the potential for streamlining paperwork/reporting requirements

Additional issues	Partner quotes	Stage of A&A process
• Use of IQCs and Task Orders (perceived as costly, inefficient)	"IQCs are unbelievably expensive! You spend a ton on the proposal, and all you get is a license to bid on everything with a 2–3 week notice. Does the government really think they're getting value out of that?"	• Design award
• Few fixed-price contracts (instead of cost-reimbursable)	"Cost reimbursement is slow, lots of back and forth and rework. Fixed price is more risk for us but I would still go after it if there were opportunities."	• Design award
• Paper submission requirements (in addition to digital) drive up cost	"No reason we should fly to Benin to deliver a proposal. That drives up NICRA."	• Receive proposal/ application
• Excessive auditing (over and above A133 guidance) with no risk adjustment	"Our non-USAID business is two and a half times as much revenue as our USAID business, but we're documenting 40+ audits per year for USAID, and less than 5 for our other business."	• Manage performance
• Pressure from missions for partners to cover funding gaps	"The cost of loaning money to the USG is millions of dollars per year, but if we say no we're marked as an unreliable partner. When the funding doesn't come through, missions won't admit they asked you to cover in the first place. Cost of business no one will discuss."	• Approve obligations
• Delays in NICRA finalization prevent award close-out	"We'll have to wait 2–4 years to close out grants that are no longer generating NICRA, putting an OH burden on current awards, and both sides lose institutional memory to answer questions in the mean time. It's incredibly inefficient. "	• Approve obligations

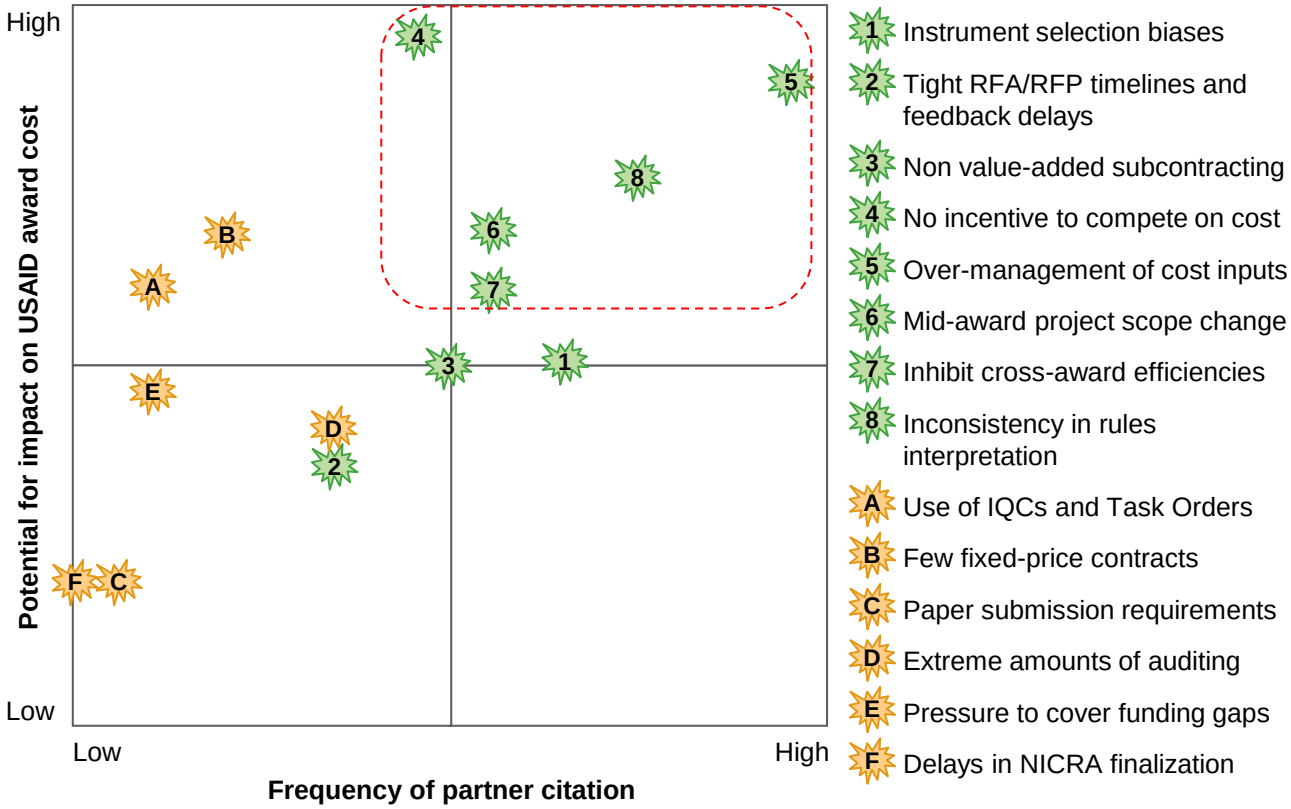
Session 3

Prevalence of highlighted opportunities vs. their impact for the Agency

Prioritization matrix

Award over-management, policy/scope changes, and cost-competitive hurdles appear to be the greatest opportunities for USAID based on partner input

Categorization of opportunities



Cost impact

- Over-management of award cost inputs vs. outcomes adds significant burden to USAID staff and drives up partner NICRAs – lowers award cost efficiency
- Inconsistent policy implementation and frequent changes of project direction impede project progress and add cost
- Partners confirmed they do not compete on the basis of cost today; significant savings to be achieved from increased competition and prioritizing cost evaluation in bid/offer reviews
  - Competition and attendant savings further constrained by pervasive subcontracting practices

Appendix

Confidential Information Redacted.

Questionnaire

Cost drivers

- What steps in the USAID A&A process are the biggest drivers of internal administrative costs? How can these be modified/streamlined to improve efficiency?
- In what way do USAID technical and/or cost requirements drive your overhead or SG&A assumptions?
- What are the main drivers of significant deviations between projected and actual costs? Are there certain costs that tend to be subject to greater deviation?

Budgeting

- In your view, how accurate are initial resource estimates?
- What types of activities are typically easier to predict/result in more accurate illustrative budgets, vs. more difficult-to-estimate costs? How do you deal with that uncertainty during the budgeting process?
- If USAID were to issue RFPs with defined objectives but no published costs, how would this influence your proposals and budget estimates?

Award management process/ planning

- When and where do you use local versus US-based resources? What drives use of local talent?
- Do you ever research other programs in the field to identify opportunities for resource and cost sharing?
- Would it be possible to reduce costs via bulk procurement for widely used resources?
- How do you select sub-contractors (competitive process, informal, relevant considerations)? What is the process of deciding prime recipient vs. sub-contractors vs. joint coalitions?

Confidential Information Redacted.

OLIVER WYMAN

USAID AWARD COST EFFICIENCY STUDY
PROCESS EVALUATION SUPPORTING MATERIALS

DECEMBER 6, 2013

MARSH & McLENNAN COMPANIES

Contents

Section 1 | List of interviewees

Confidential Information Redacted.

Section 2 | Defining Acquisition and Assistance

ACES and Acquisition & Assistance definitions and terminology

Defining Acquisition & Assistance[1]

Acquisition	Means the acquiring by contract with appropriated funds of supplies or services by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated.
Assistance	Financial support to accomplish a public purpose, including grants, cooperative agreements and other agreements in the form of money, or property in lieu of money, by the Federal Government to an eligible recipient.

	Acquisition terminology	Assistance terminology
Main Instruments	Contracts, IDIQ, TOs	Cooperative Agreement, LWA, Associate, Grants,
GH Personnel	Contract Officer Representative (COR)	Agreement Officer Representative (AOR)
M/OAA Personnel	Contract Officer (CO)	Agreement Officer (AO)
Pre-award	Solicitation via RFP	Competition via RFA
Respondent	Offeror	Applicant
Cost Evaluation	Evaluate cost proposals of all offerors that meet minimum criteria	Evaluate cost proposals of applicants in competitive range
Awardee	Contractor	Recipient
Subs	Sub-contractor	Sub-grantee
Monitoring & Evaluation	Work Plan	Implementation Plan

Criteria for selecting award type [2]

Acquisition	Assistance
The principle purpose of the funded activity is to provide something for the direct benefit or use of the Federal government	The principle purpose of the funded activity is to support or stimulate activities that are not for the direct benefit of the Federal government
Benefit or Use Test: • Is USAID the direct beneficiary or use of the activity? • Is USAID providing the specifications for the project? • Is USAID having the project completed based on its own identified needs?	Benefit or Use Test: • Is the applicant performing the project for its own purpose? • Is USAID merely supporting the project with financial or other assistance? • Is the benefit to USAID incidental (ie, do funded activities compliment USAID's mission)?

Instrument characteristics[3]

	Instr.	Description	Cost Eval	TEC as MAX
Acquisition	Contract	Obligating seller to furnish goods or services and buyer to pay for them	Evaluate cost proposals of all offerors that meet minimum criteria	Required to pay cost overrun
Assistance	Grant	For public purpose of support where USAID involvement is not anticipated	Evaluate cost proposals of all applicants in competitive range	Max amount, despite partner costs
	Coop. Agr.	For public purpose of support where USAID involvement is anticipated		

1. Per USAID ADS Glossary, 2. Adapted from EPA website describing The Federal Grant and Cooperative Agreement Act of 1977 (www.epa.gov/ogd/recipient/fgcaa.htm), 3. Per ADS 304, 302, and 303

Documentation requirements for A&A: Design

Different internal requirements to be fulfilled by type of award in preparation for award solicitation/ competition

	Acquisition	Both A&A	Assistance
Requisition		• GLAAS Requisition • Project Appraisal Document (PAD)	
Planning	• Individual Acquisition Plan (IAP)	• AARAD (TEC >$25M goes to AA)	• Similar plan documentation
	• Branding and Marketing Plan	• Choice of Instrument Justification • Statement of Work • Success Indicators to be collected and reported by Implementing Partner • IGCE • Award Requirements: – Description – Instructions to offers/applicants – Evaluation Criteria – Period of Performance – Geographic Code – Eligibility Criteria • Market Research Documentation • Gender Considerations • Environmental Compliance • Score sheet for evaluations	• Branding and Marketing Requirements • Required information for RFA (e.g. est # awards, financial range) • Cost Share Determination • Substantial Involvement

Source: ADS, M/OAA/GH interviews

Documentation requirements for A&A: Solicitation / Competition

Acquisition requires additional involvement from GH and M to complete solicitation, compared to Assistance

	Acquisition	Both A&A	Assistance
Solicitation	• Source Selection Plan (haven't seen examples) • Concur with Office of Small and Disadvantaged Business Utilization (OSDBU)	• Competitive Range Determination • Cost Realism Checklist • Cost Analysis Checklist • Inherently Governmental and Critical Functions Consideration • AARAD completed by TEC Chair for awards with TEC >$75M, goes to Administrator • Technical Evaluation Committee (TEC) Memo • Negotiation Memo	

Source: ADS, M/OAA/GH interviews

Relationship between funding and award processes

The funding process intersects with the project design process when funds are "marked" to a Project Activity Document (PAD)

Congressional funding process

Formulation
2 FY budgets in advance

Justification
Next FY budget

Appropriation
Executing current FY budget

Gov't Involved	Funding Action
Congress	Appropriates
OMB	Apportions
State/F and USAID	Allots
USAID: Bureaus	Allow
USAID: Operating Units	Obligate

USAID systemic "tagging" of funds

USAID Funds

Pillar Bureaus (GH)

Regional Bureaus (AFR)

Op. Units: Offices (HIDN), Missions

Phoenix "marking"
Assigning funds to elements

Distribution (PAD #)	*Example: 963.xxx*
Area	*Example: A11 / 3.1*
Element	*Example: A047 / 3.1.1 (HIV/AIDS)*

Commitment
Funds "set aside" for Obligation

Obligate
Promise to Pay

Disburse/Accrued
Invoiced/outstanding

Project design

Concept Stage

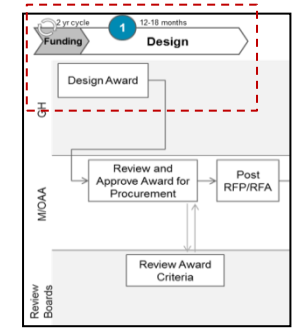
Concept Paper

Analytical Stage

PAD (includes IGCE and M&E Plan)

Project Authorization

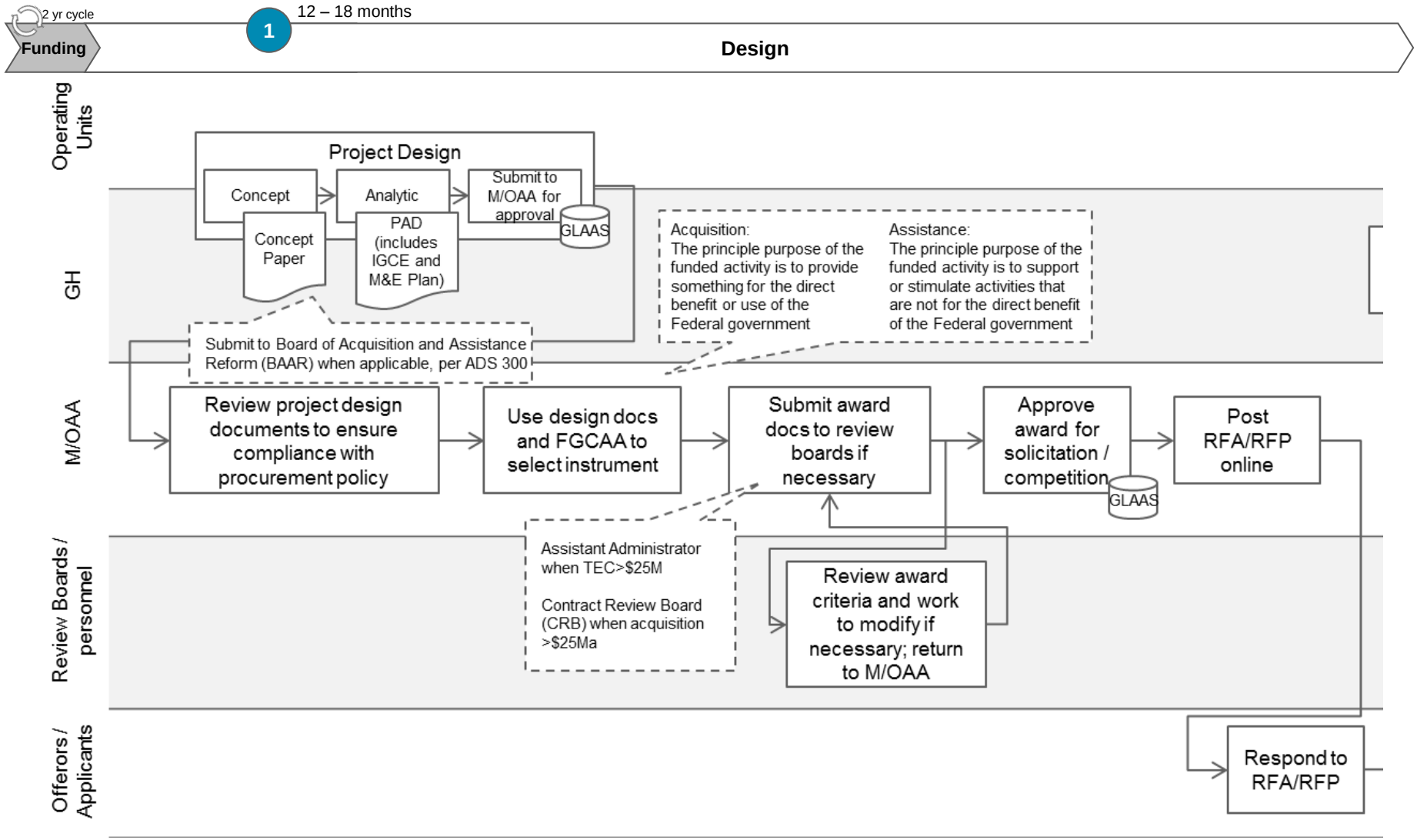
GLAAS



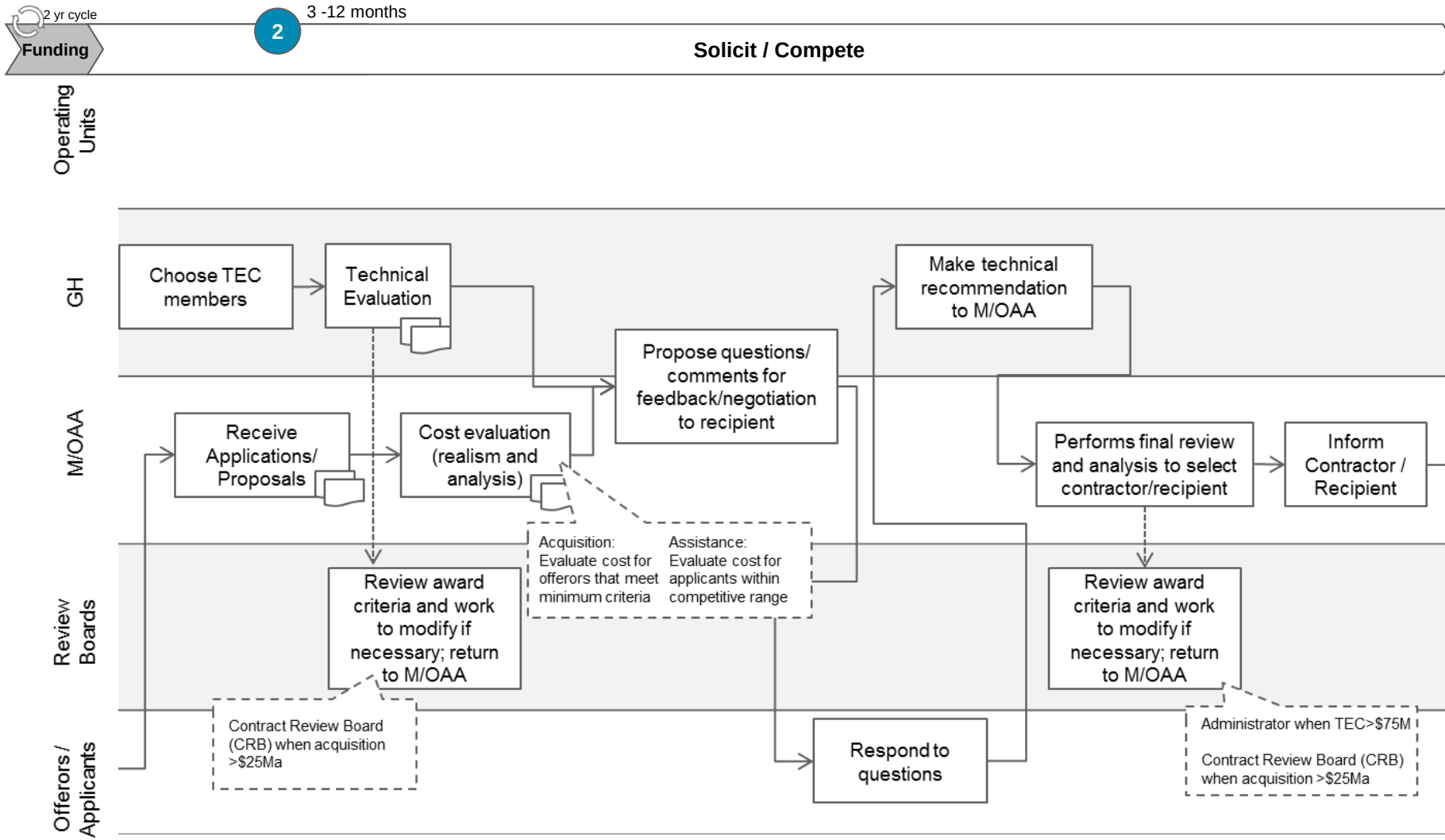
Source: Mario Rocha, Senior Financial Manager (GH/PPP/PIBM), ADS 201

Section 3.A | A&A Award Life Cycle

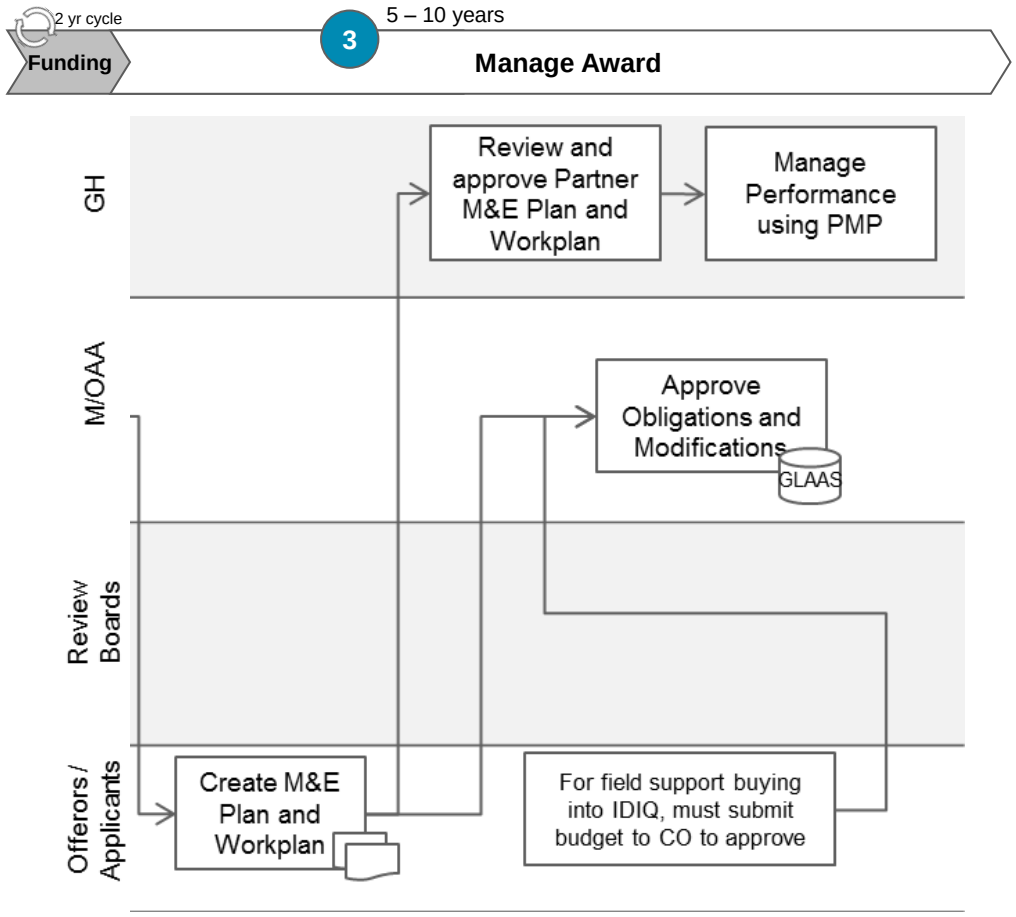
Award Life Cycle – Detailed view: Design Process



Award Life Cycle – Detailed view: Solicit / Compete Process



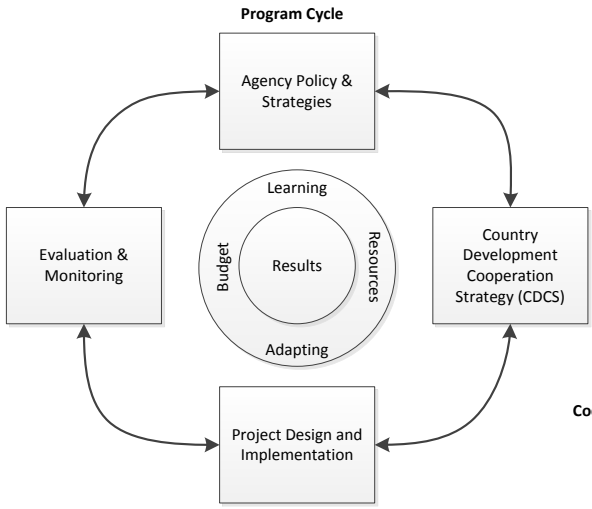
Award Life Cycle – Detailed view: Manage Award Process

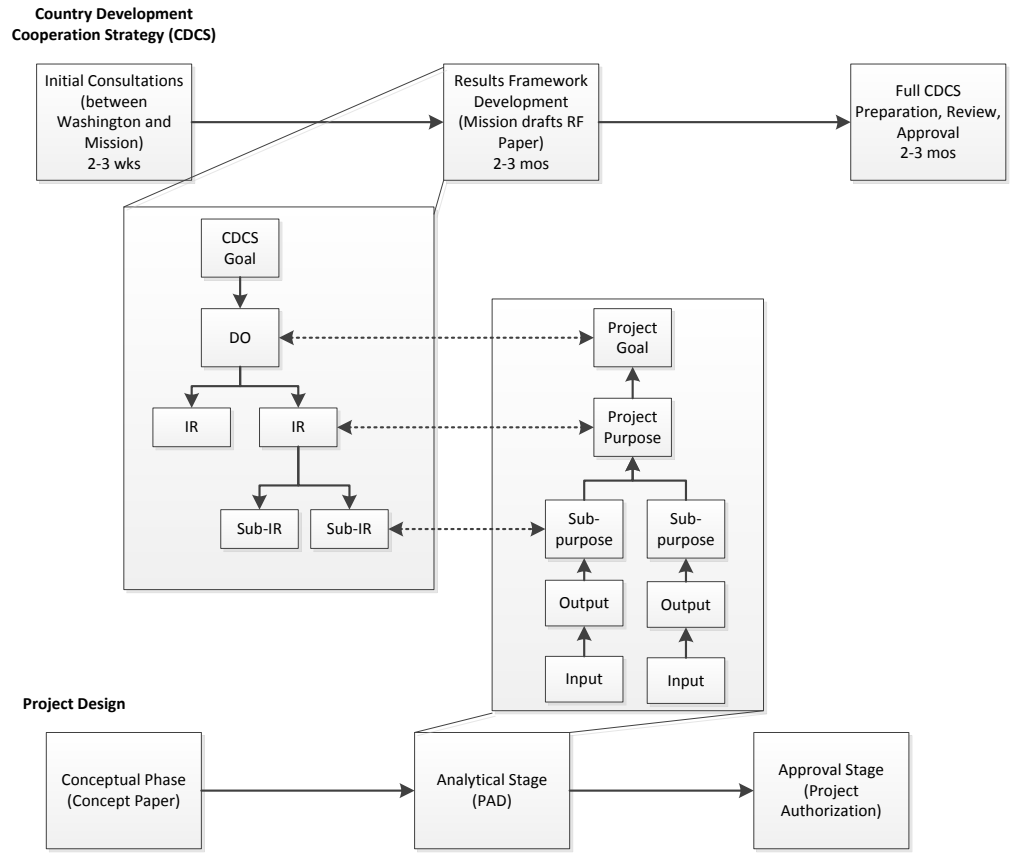


Section 3.B | Detailed A&A Process Maps

Program Cycle, CDCS, and Project Design Frameworks

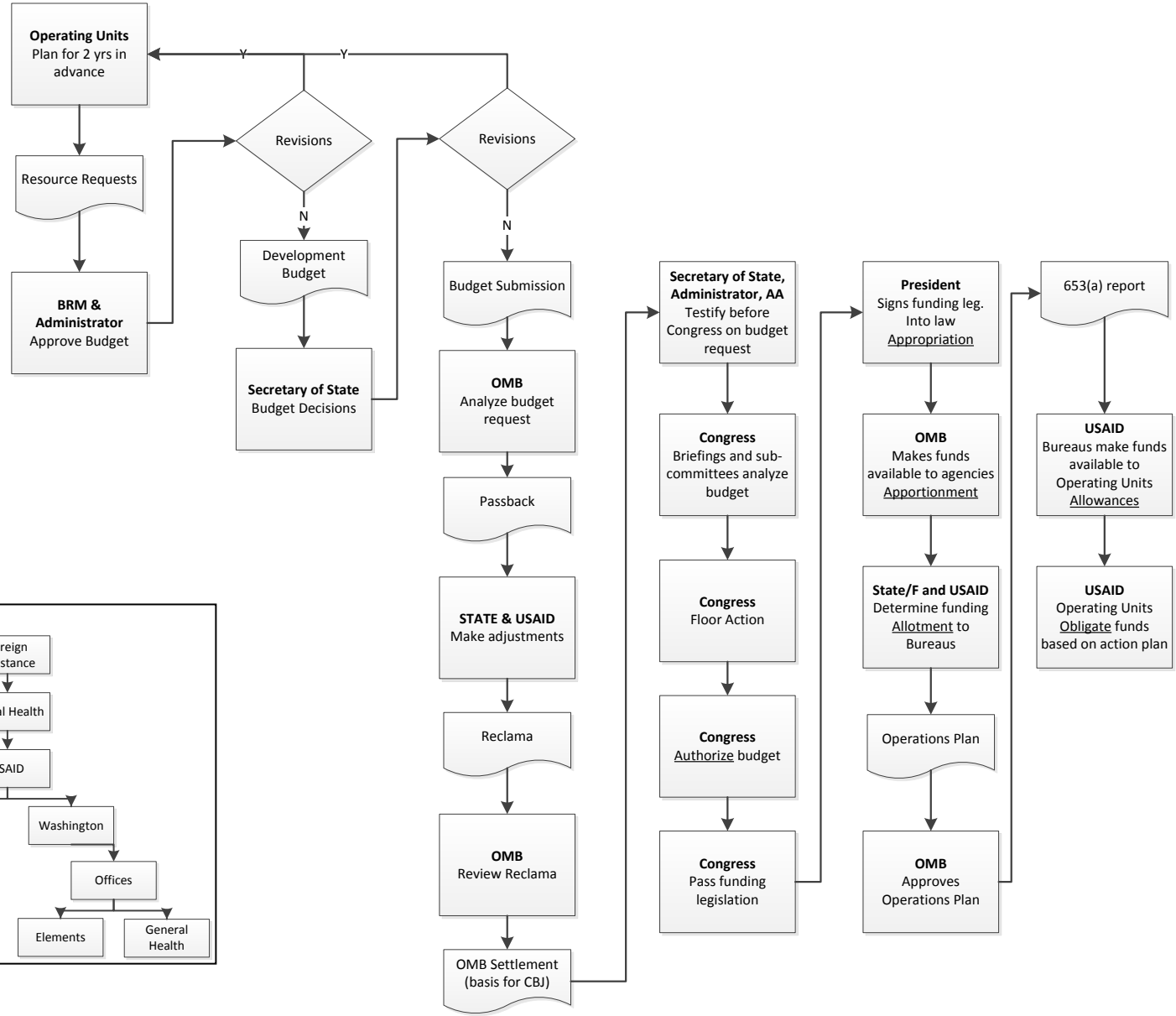
- Derived from ADS 200, 201, 203

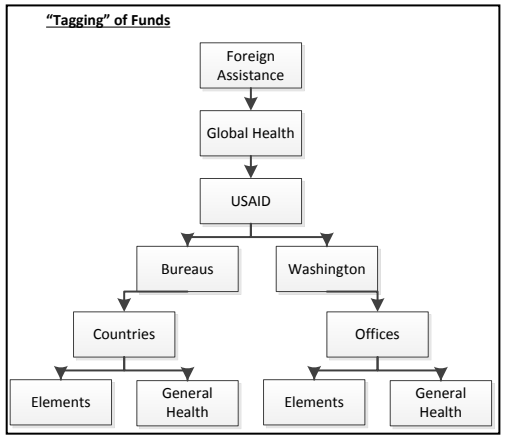




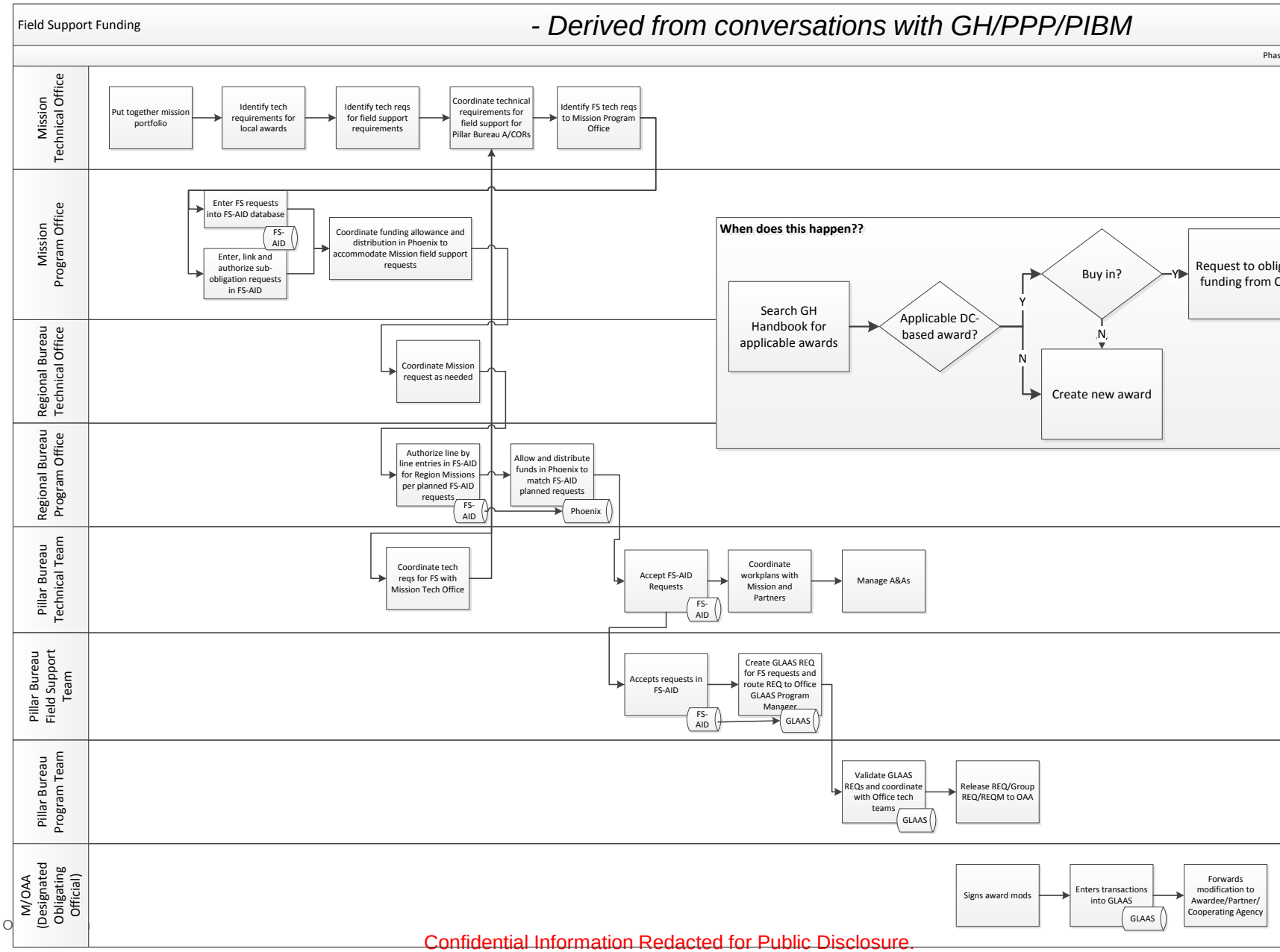
Congressional funding process (linear representation)

- Derived from conversations with GH/PPP/PIBM

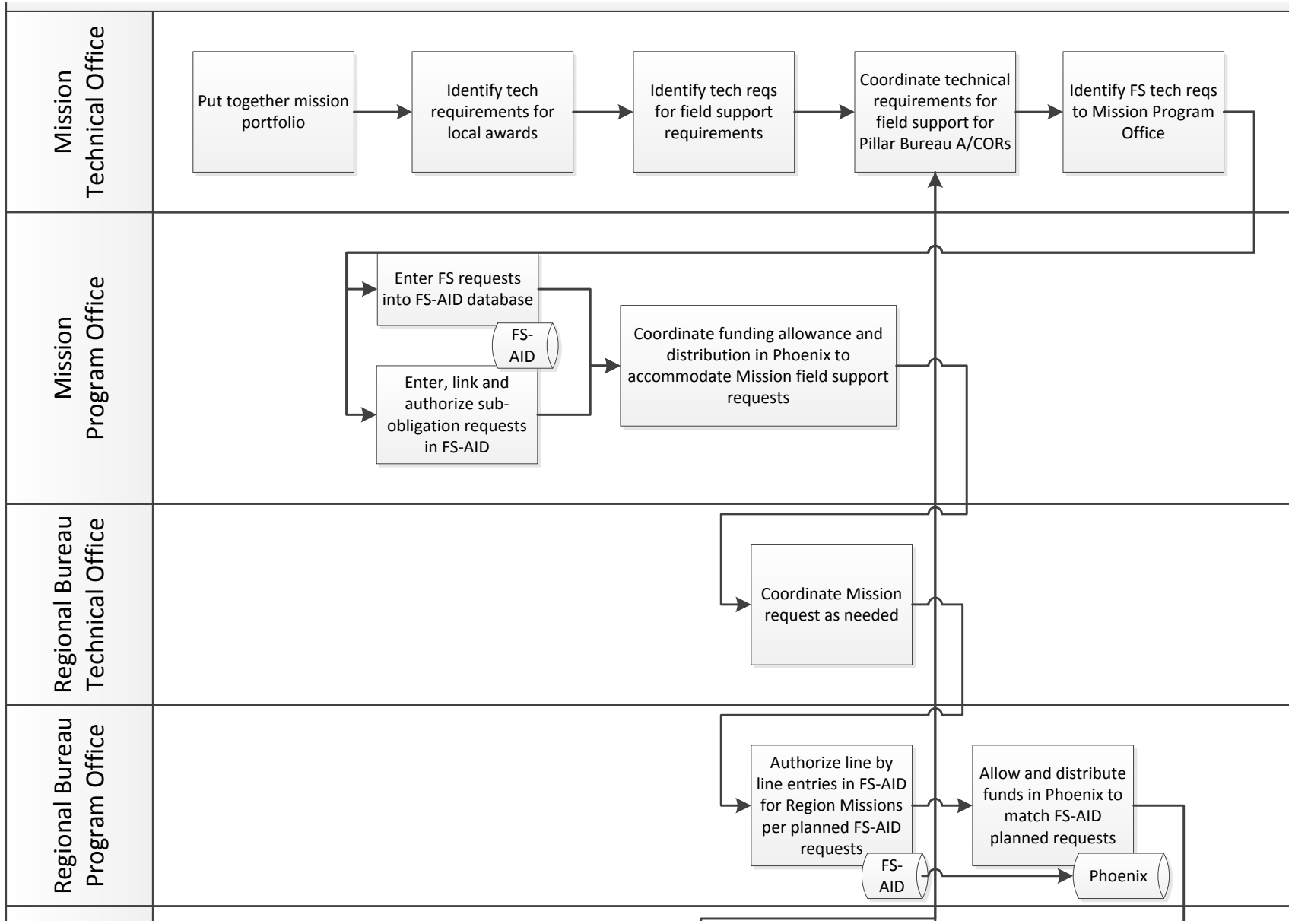




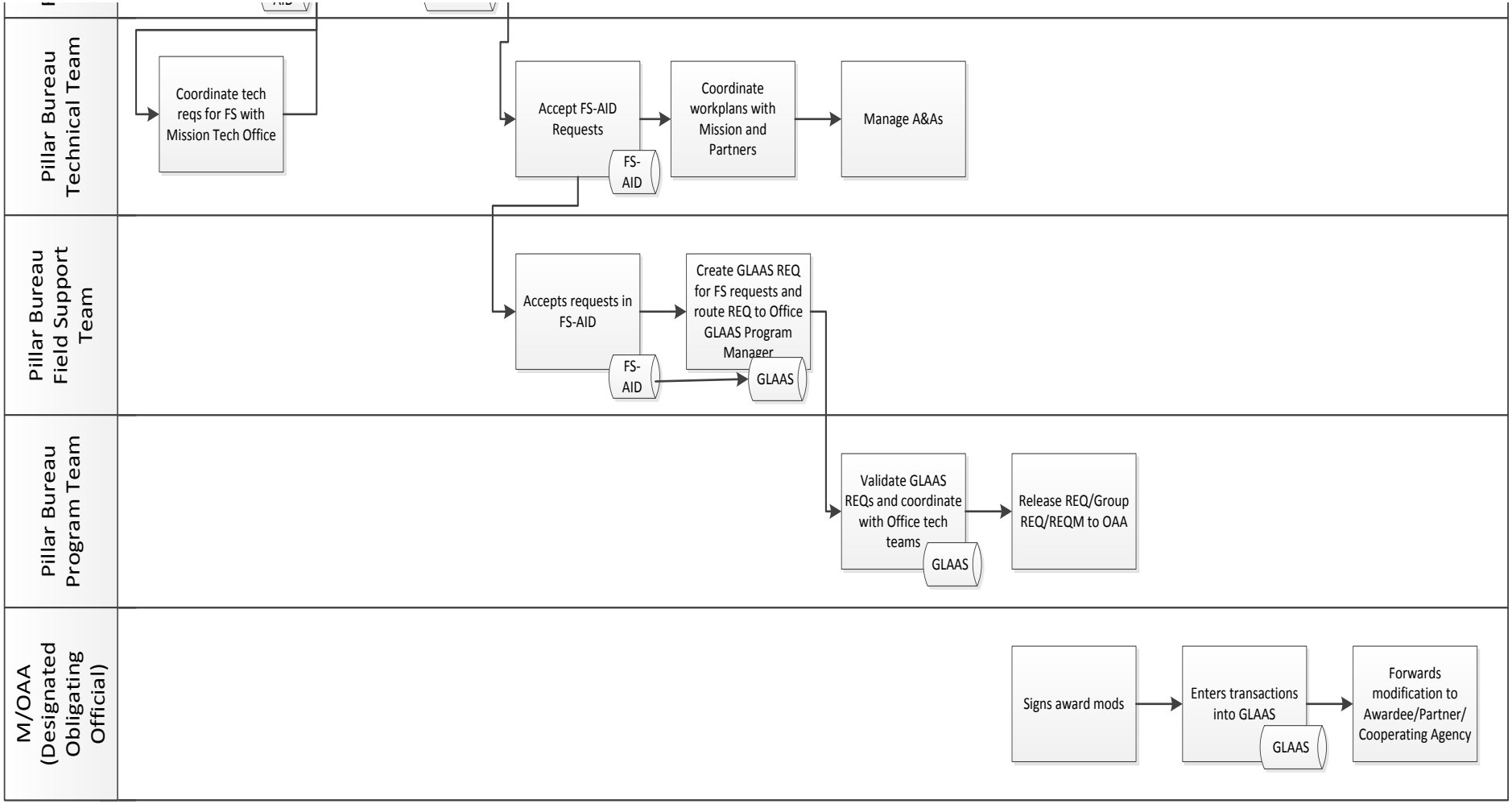
Field Support funding process (1/3): Snapshot of full process view



Field Support funding process (2/3): First half of process

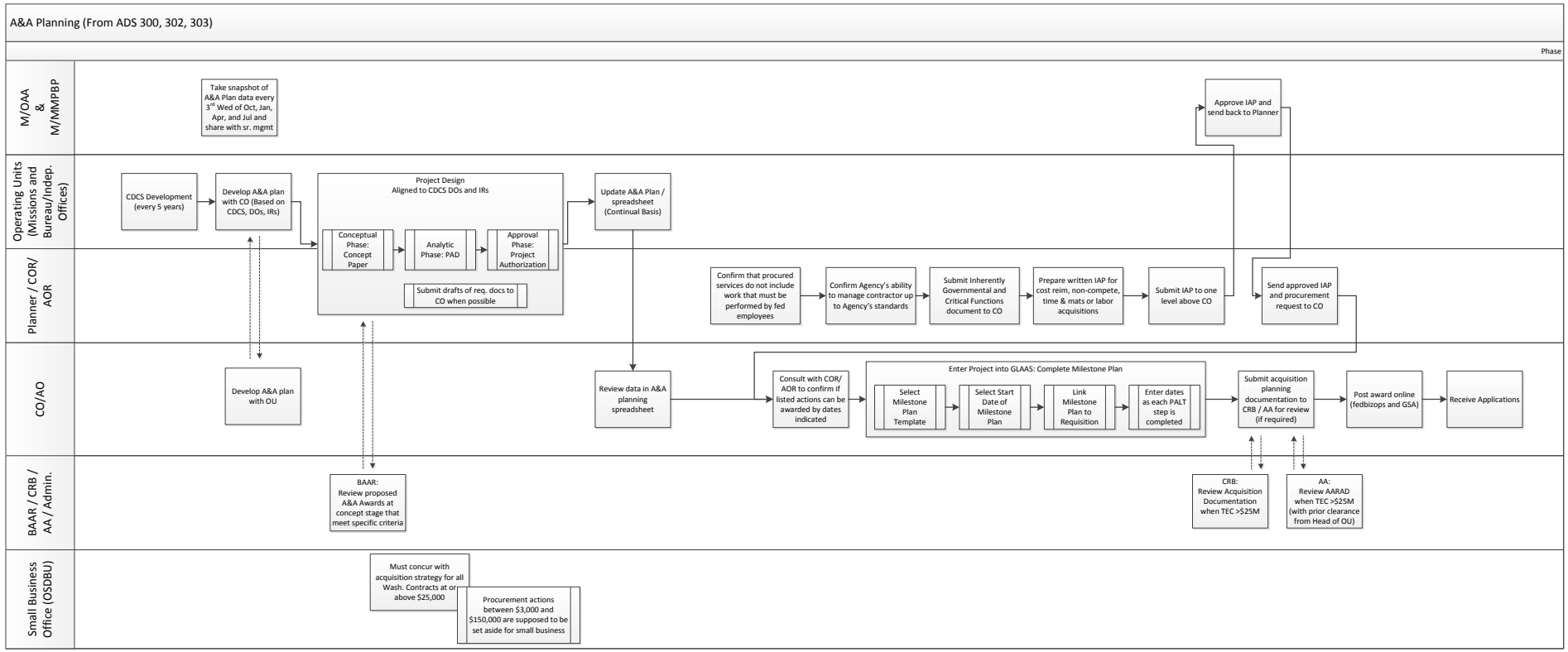


Field Support funding process (3/3): Second half of process

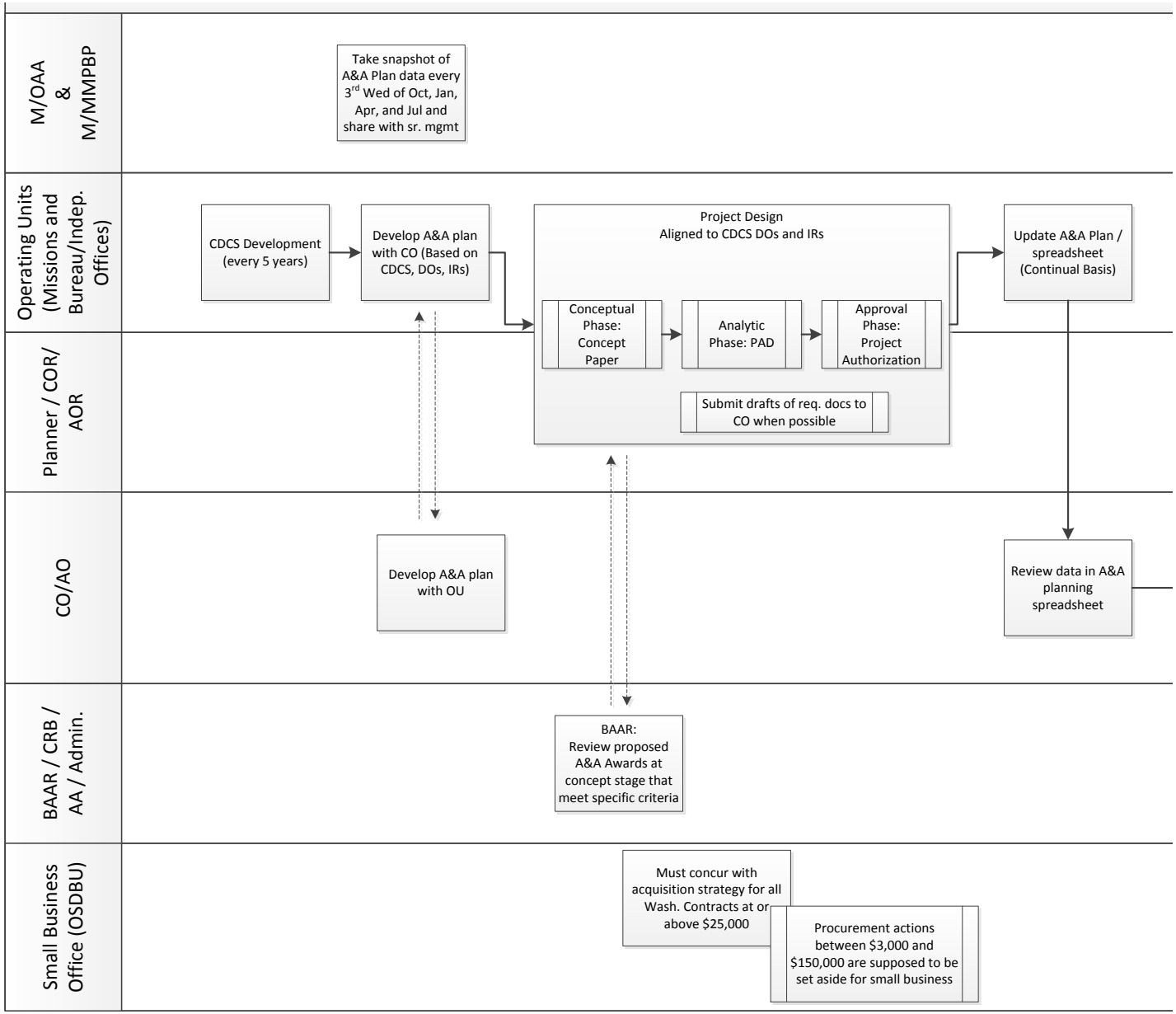


A&A Planning process (1/3): Snapshot of full process view

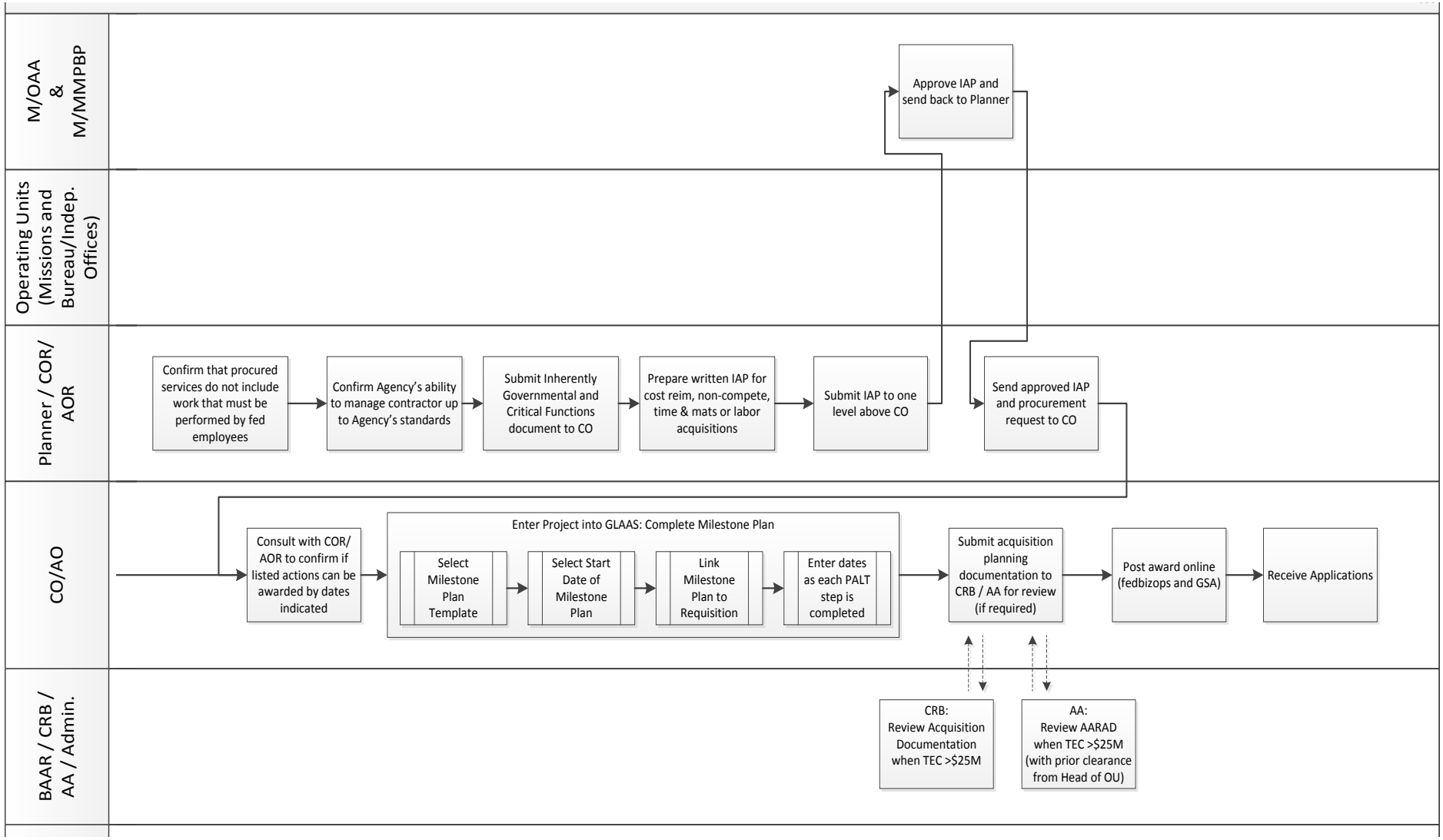
- Derived from ADS 300, 302, 303 and conversations with M/OAA and GH



A&A Planning process (2/3): First half of process



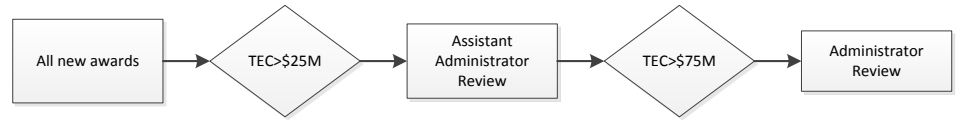
A&A Planning process (3/3): Second half of process



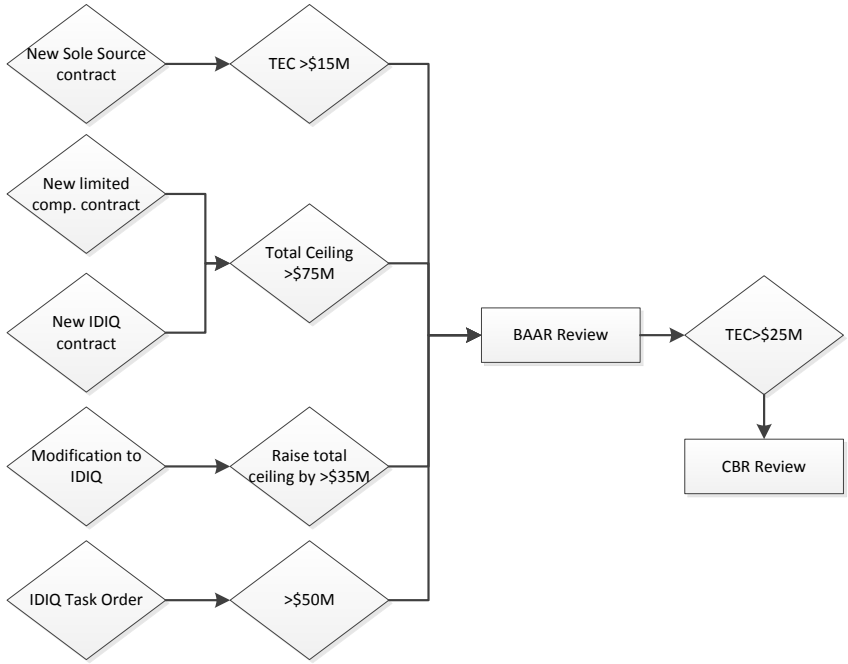
Criteria for Review

Prior to being competed, awards must be reviewed by up to 3 boards / personnel, depending on certain criteria, increases time to make an award

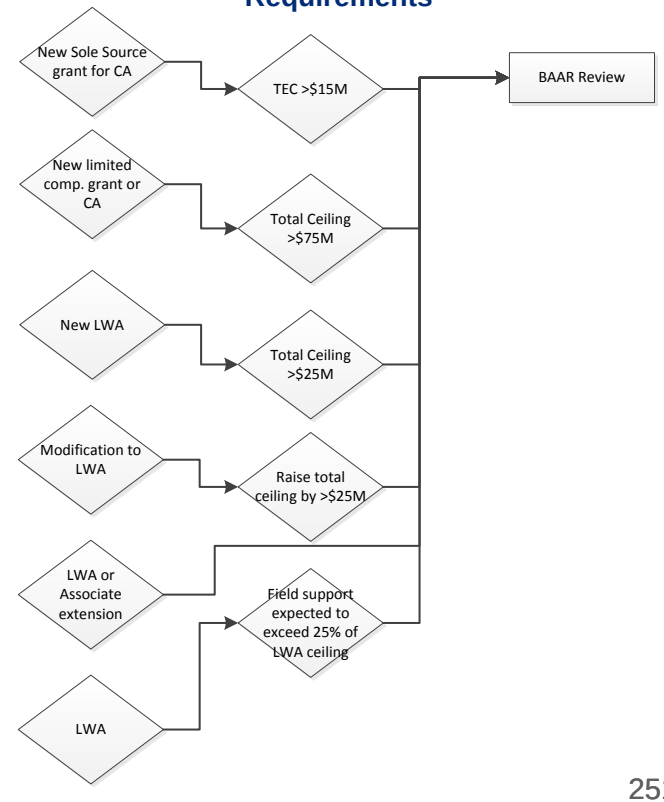
Acquisition and Assistance Review Requirements



Acquisition Review Requirements

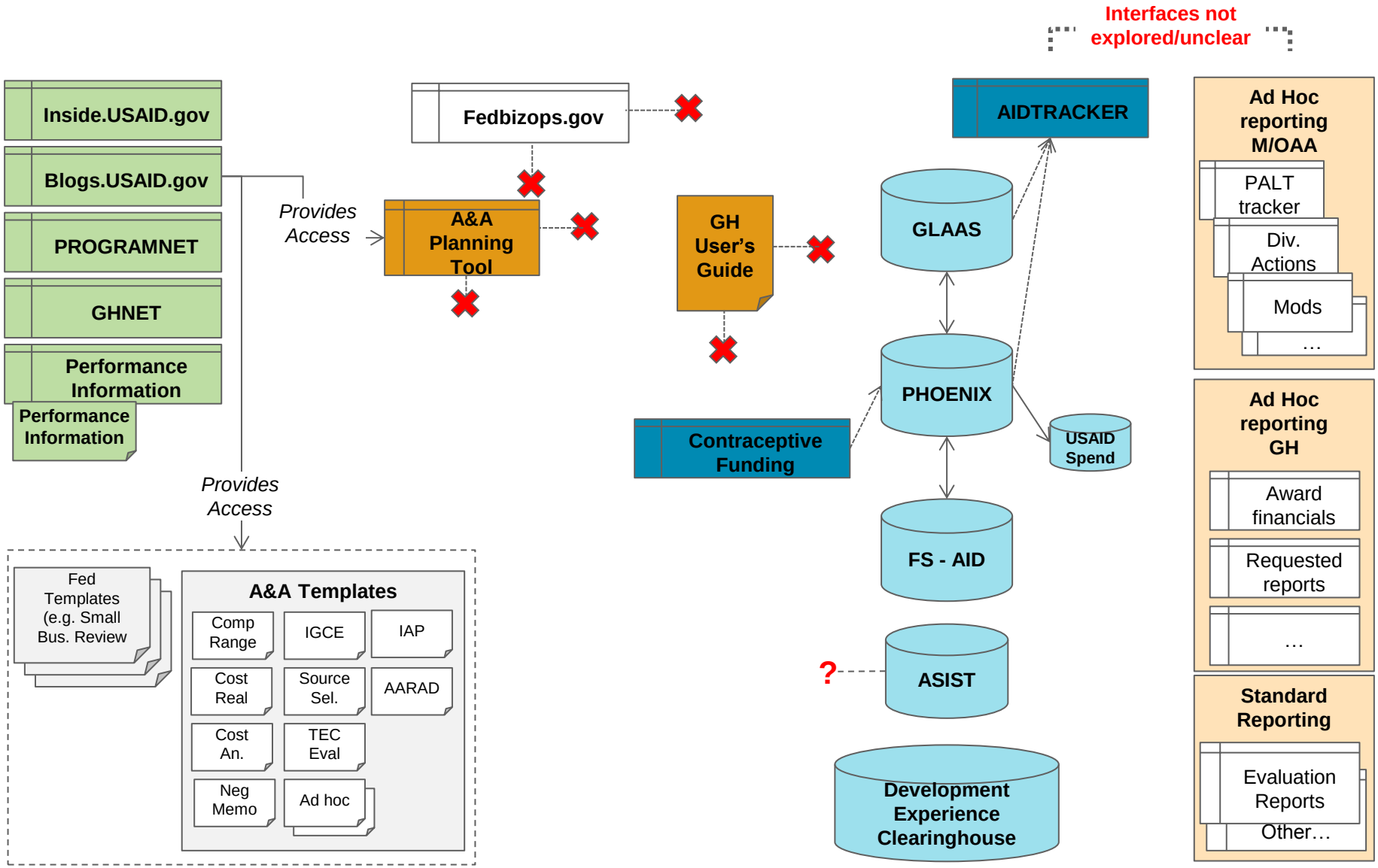


Assistance Review Requirements

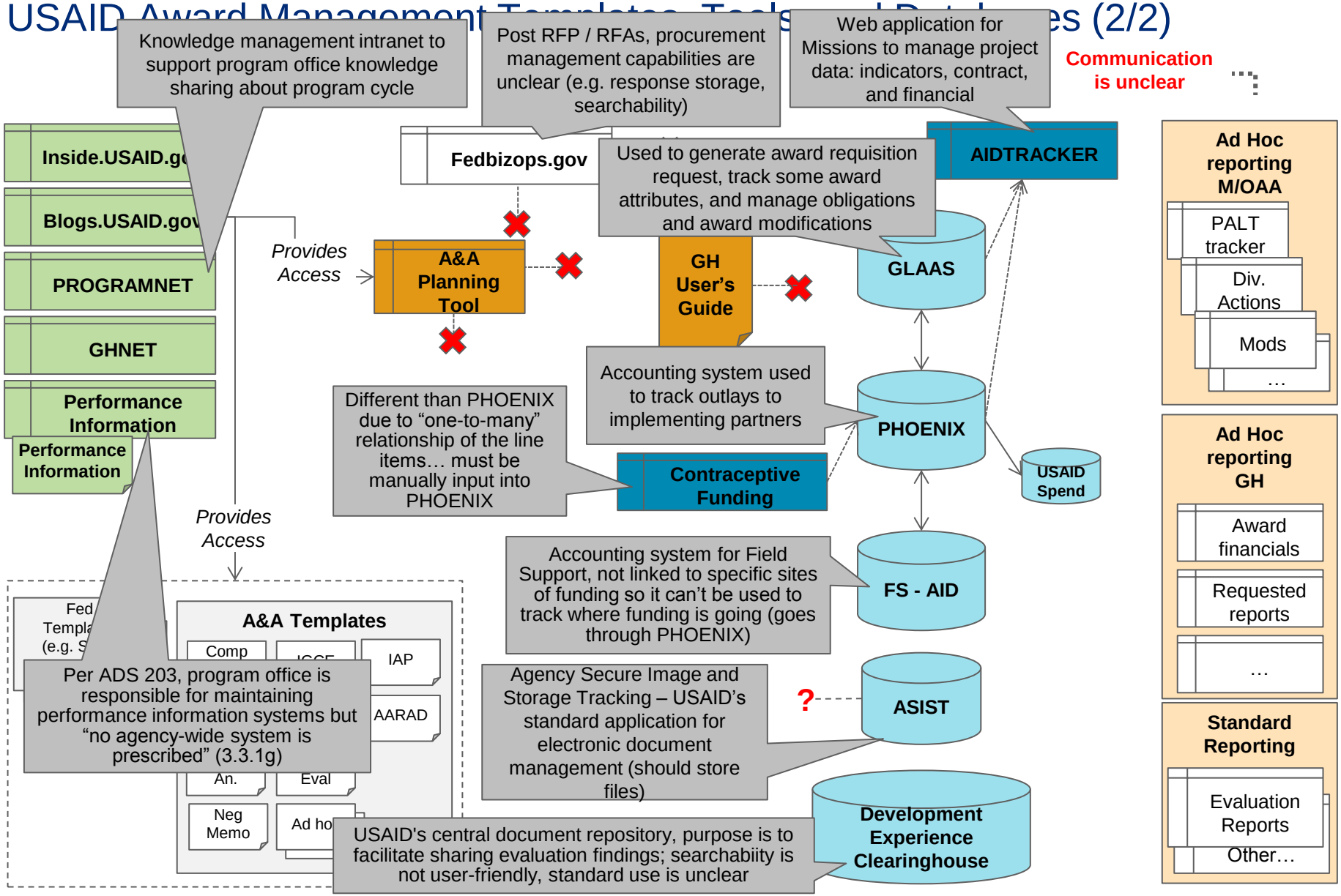


Section 3.C | Mapping of A&A systems and tools

USAID Award Management Templates, Tools, and Databases (1/2)



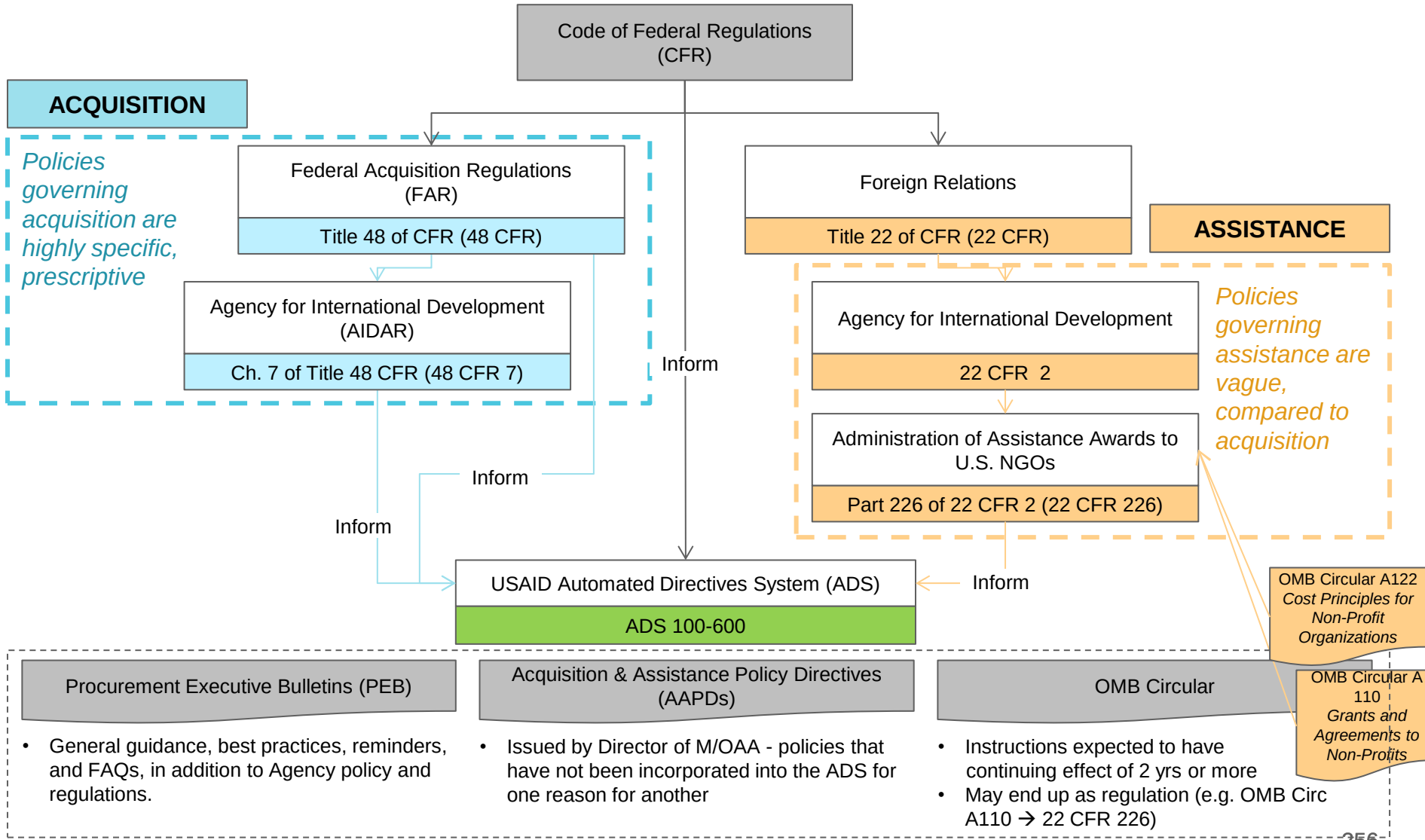
USAID Award Management Templates, Tools and Databases (2/2)



Section 4 | Relevant policies reviewed

Policies governing A&A process

The main federal policies governing A&A include the 48 CFR, 22 CFR 2 & 226, FAR 7, and FAR 15, as well as ADS



Policies with relevance to A&A award cycle processes that were reviewed in detail for the ACES Process Evaluation workstream include:

Award Lifecycle Stage

	Design	Solicit / Compete	Manage
CFR	22 CFR 226: Administration of Assistance Awards to US NGOs	22 CFR 226.44 Procurement procedure	22 CFR 226.14 Special Award Considerations
	22 CFR 226.44 Procurement procedure	22 CFR 226.45 Cost and Price Analysis	22 CFR 226.25 Revision of Budget and Program plans
		22 CFR 228: Rules for Procurement of Commodities and Services Financed by USAID	22 CFR 228: Rules for Procurement of Commodities and Services Financed by USAID
FAR	FAR 7: Acquisition Planning	FAR 15.404: Contract Pricing	
		FAR 15.605: Evaluation Factors	
		FAR 37: Service Contracting	FAR 37: Service Contracting
ADS	ADS 201: Planning	ADS 201: Planning	ADS 203: Assessing and Learning
	ADS 300: A&A Planning	ADS 300: A&A Planning	ADS 300: A&A Planning
	ADS 302: Acquisition	ADS 302: Acquisition	ADS 302: Acquisition
	ADS 303: Assistance	ADS 303: Assistance	ADS 303: Assistance
	ADS 304: Instrument Selection		
Add'l	Competition in Contracting Act (CICA)	Office of Federal Financial Management Policy Directive on Financial Assistance Program Announcement (OFFM)	OMB Circular A122 Cost Principles for Non-Profit Organizations
	Federal Grant and Cooperative Agreement Act of 1977 (FGCAA)		SF-425 Financial Report
	Office of Federal Financial Management Policy Directive on Financial Assistance Program Announcement (OFFM)		
	USAID Policy Framework 2011-2015		

Section 5 | Procurement Action Lead Times

Procurement Action Lead Times (per ADS 300)[1]

Award type	Action Type	Action	Timeframe (Calendar Days)
contract	award	IDIQ	327
contract	award	Definitive Contract (limited sources)	311
contract	award	Definitive Contract (compete)	268
contract	award	Definitive Contract (sole source)	151
contract	award	Definitization of Letter Contract	151
contract	award	Priced Order (task order under IQC)	75
contract	mod	Bilateral contract modification	91
contract	mod	Administrative contract modification	31
contract	mod	Unilateral Contract Modification	15
cooperative agreement	award	Cooperative Agreement (compete)	150
cooperative agreement	award	Cooperative Agreement (Non-compete)	90
cooperative agreement	award	Cooperative Agreement (technical office comp)	90
cooperative agreement	mod	Cooperative Agreement Modification	71
grant	award	Grant (compete)	150
grant	award	Grant (non-compete)	90
grant	award	Grant (technical office comp)	90
grant	mod	Grant amendment	71

2. Taken from ADS 300 in November 2013

PALT Start	Action is entered into A&A Plan and Review System and a full GLAAS request is made (all planning documentation is completed)
PALT End	Award is given to contractor / recipient (not necessarily when POP starts)

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