



United States Department of Agriculture  
Office of Inspector General





# Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals

Audit Report 50601-0001-22

## What Were OIG's Objectives

To determine if FAS has developed and implemented measurable strategies and actions that are effectively aligned with the Department's strategic goals related to trade promotion and trade policy.

## What OIG Reviewed

We examined FAS' strategic and tactical plans for market access and trade promotion activities for fiscal years 2010 through 2016. Specifically, we reviewed how effectively FAS' strategic goals and objectives align with USDA's goals for international trade, and how FAS measures its progress.

## What OIG Recommends

FAS should refine its performance measures to contextualize changes in U.S. agricultural exports as part of U.S. market share in the global market place. FAS should also incorporate clear, outcome-based performance measures into the 2013 CSSs, work with the Department to update the GMS to align with FAS and USDA strategic goals, and update the performance measures related to trade policy and trade promotion in Departmental planning and reporting documents.

## OIG evaluated FAS efforts to develop and implement measurable strategies and actions that are effectively aligned with the USDA's overall goals for trade policy and promotion.

### What OIG Found

The Government Performance and Results Act requires each executive agency to create a strategic plan with outcome-related goals and objectives, and the Government Accountability Office recommends that agencies establish quantifiable performance measures in order to gauge progress. Although the Foreign Agricultural Service (FAS) recently updated its Strategic Plan to include measurable goals and objectives, these goals and objectives (which measure the dollar value of exports) do not present the whole picture of how FAS' actions are affecting the global market for American agricultural goods. FAS' measures are not outcome-based and do not show how the United States is performing in a given market compared to its competitors. OIG acknowledges that developing outcome-based performance measures for FAS' trade efforts is difficult, but we maintain that a change in U.S. market share is an outcome-based measure that would be of great use to policymakers.

Additionally, FAS has not updated its Country Strategy Statements (CSS), USDA's Global Market Strategy (GMS), or its corresponding performance measures in the Department's Performance and Accountability Report (PAR) to align with the goals and objectives contained in the new Strategic Plan. By working with the Department to improve measures that are reported in the PAR, FAS can increase transparency in USDA reporting and show how FAS, in reaching its goals, is contributing to USDA's overarching goal of increasing prosperity in rural communities. FAS agreed with all recommendations. We accepted management decision on four of the five recommendations.





United States Department of Agriculture  
Office of Inspector General  
Washington, D.C. 20250



DATE: March 28, 2013

AUDIT  
NUMBER: 50601-0001-22

TO: Suzanne Heinen  
Administrator  
Foreign Agricultural Service

ATTN: Kim Reid  
Director  
Compliance, Security and Emergency Planning Division

FROM: Gil H. Harden  
Assistant Inspector General for Audit

SUBJECT: Effectiveness of the Foreign Agricultural Service's Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals

This report presents the results of the subject audit. Your written response to the official draft, dated March 22, 2013, is included in its entirety at the end of this report. Excerpts from your response and the Office of Inspector General's (OIG) position are incorporated into the relevant Finding and Recommendation sections of the report. Based on your written response, we are able to accept management decision on Recommendations 1, 3, 4, and 5. However, we are unable to accept management decision on Recommendation 2. Documentation or action needed to reach management decision for this recommendation is described under the relevant OIG Position section.

Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer. In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendation for which management decision has not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions.



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## Background and Objectives

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### Background

The Foreign Agricultural Service's (FAS) mission is to enhance export opportunities and to serve as the principal coordinator for international activities within the Department of Agriculture (USDA).<sup>1</sup> The value of U.S. agricultural exports has grown from \$96.3 billion in fiscal year (FY) 2009 to more than \$135.7 billion in FY 2012. In addition to its Washington, D.C. staff, FAS maintains a network of 98 offices covering 163 countries around the world. FAS works with other USDA agencies, the Office of the U.S. Trade Representative, and other entities to negotiate and monitor new trade agreements and enforce existing trade agreements.

FAS helps U.S. food and agricultural exporters take full advantage of market opportunities through trade promotion and trade policy. Trade promotion refers to activities that provide exporters with intelligence, credit financing, and assistance in their efforts to raise awareness and approval of their products overseas. FAS' promotion activities include a partnership with approximately 75 agricultural industry groups to develop and maintain markets and export credit guarantee programs, which encourage foreign buyers to purchase U.S. agricultural goods. FAS' largest trade promotion program is the Market Access Program. The purpose of the program is to create economic growth in rural America and the overall U.S. economy by funding consumer promotions, market research, and technical assistance. FAS received \$58.5 million in appropriated funds to administer trade promotion activities in FY 2012.

While trade promotion is targeted at non-government entities, trade policy seeks to expand exports by removing trade barriers imposed by other governments and international organizations. In addition to removing barriers, the goal of FAS' trade policy activities is to enforce U.S. Government and exporters' rights under existing trade agreements. FAS negotiates and enforces market-expanding trade agreements, prevents and resolves foreign technical barriers to trade and sanitary/phyto-sanitary measures, and pursues the development of international systems that facilitate global trade. FAS received \$77.5 million in appropriated funds to administer trade policy activities in FY 2012.

### USDA's and FAS' Strategic Framework

Concerned that the Federal Government was more focused on program activities and processes than results, Congress passed the Government Performance and Results Act of 1993 (GPRA or the Act).<sup>2</sup> The Act required agencies to develop strategic plans with long-term, outcome-oriented goals and objectives, annual goals linked to achieving the long-term goals, and annual reports on the results achieved. In January 2011, Congress updated and refined the GPRA framework to take advantage of the latest technologies and to produce more frequent, relevant data for use by decision-makers.

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<sup>1</sup> Although not discussed in this report, FAS also supports international economic development and capacity-building and promotes sustainable development practices.

<sup>2</sup> Public Law 103-62.

The GPRA Modernization Act<sup>3</sup> requires the Department to establish new kinds of goals and to report details of results more frequently. Strategic goals are what an organization aims to achieve during the period covered by its Strategic Plan. For example, one of the strategic goals in USDA's Strategic Plan for FYs 2010-2015 is to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.<sup>4</sup> Priority goals, on the other hand, are outcome-oriented and limited in number to ensure that there is ample Departmental focus on achieving them within a 2-year timeframe. In accordance with the GPRA Modernization Act, USDA published an addendum to its current strategic plan adding three priority goals. An example of a priority goal for USDA is to expand exports to at least \$150 billion to assist rural communities to build and maintain prosperity through increased agricultural exports.<sup>5</sup> The USDA goals should then inform agency-specific goals and objectives, such as FAS' objective to increase the effectiveness of FAS Market Development Programs and Outreach Activities.<sup>6</sup>

At the outset of our review, we evaluated FAS' Strategic Plan in place at that time, which covered FYs 2010 through 2015. We found this plan did not contain any performance measures or benchmarks by which FAS could assess its progress towards reaching its program goals. In March 2012, FAS replaced that plan with its strategic plan for FYs 2012-2016. This new plan contains one strategic goal: to increase U.S. food and agricultural exports to \$175 billion by end-year 2016, resulting in \$89 billion of additional economic activity,<sup>7</sup> through market development programs, trade shows, prevention/resolution of market access issues, trade capacity building, and market-expanding trade agreements. This new goal aligns directly with USDA's Priority Goal 3<sup>8</sup> to expand agricultural exports to at least \$150 billion by September 30, 2013.

FAS' goal to increase agricultural exports from \$108.7 billion in FY 2010 to \$175 billion by end-year 2016 is based on a projected increase through agricultural export growth and international cooperation. FAS expects to achieve this goal through eight objectives aligned under three core activity pillars: trade promotion, trade policy, and trade capacity building and food security. Each pillar contains objectives that include performance measures to track progress towards attaining each objective and the overarching goal. Each pillar outlined in the Strategic Plan also contains a discussion on strategies and means, which describes how FAS will operate in the international trade and food security arenas and defines the tools that its staff will employ to achieve the agency's objectives. For example, the Strategies and Means section of Objective 1.1: *Increase the effectiveness of FAS market development programs and outreach*

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<sup>3</sup> Public Law 111-352.

<sup>4</sup> USDA Strategic Goal 1.

<sup>5</sup> USDA Priority Goal 3.

<sup>6</sup> FAS *Strategic Plan FY 2012-2016*, Pillar I: Trade Promotion; Objective 1.1: Increase the effectiveness of FAS Market Development Programs and Outreach Activities.

<sup>7</sup> Research performed by the USDA's Economic Research Service indicates that each \$1 billion of food and agricultural exports results in an additional \$1.34 billion in economic activity. The target \$89 billion in additional economic activity is calculated based on a \$66.3 billion increase of agricultural exports from FY 2010 through 2016.

<sup>8</sup> The USDA Update Addendum contains three priority goals, only one of which, number 3, is related to trade. The other two are (1) further improve the high payment accuracy of the Supplemental Nutrition Assistance Program, and (2) further accelerate the protection of clean, abundant water resources by implementing high impact targeted practices through Farm Services Agency, Forest Service, and Natural Resources Conservation Service programs on 4-million acres within critical and/or impaired watersheds.

*activities* includes increasing public awareness of export opportunities through education and outreach efforts, including encouraging active participation of new exporters in foreign trade shows.

To meet the GPRA requirements, an agency should cascade its goals and objectives throughout the organization and should align performance measures to objectives. To support its strategic planning process, FAS uses a hierarchical framework for international trade that is based on multiple strategies and plans. A fundamental piece of FAS' framework is its Country Strategy Statements (CSS), developed annually by Headquarters and overseas Offices of Agricultural Affairs for approximately 60 countries. These CSSs provide information that is used to develop the Trade Priority Action Plan (TAP), which identifies the highest priority countries with the largest potential for increasing trade, as well as specific barriers that interfere with trade for each country. The goals and objectives within the TAP and the CSS should outline what FAS plans to do within a given fiscal year that would contribute to reaching those goals outlined in the FAS Strategic Plan. As the Strategic Plan is updated every 5 years, measurable goals and milestones within the TAP and the CSS would show the agency where it is meeting its objectives and where efforts should be focused in the upcoming years to reach the agency goals over that 5-year period.

The FAS Strategic Plan should integrate with the plans of other agencies with interests in international trade, such as the Animal and Plant Health Inspection Service, the Agriculture Research Service, and the Food Safety and Inspection Service, and inform USDA's Global Market Strategy (GMS). Outside of FAS' agency-specific strategies, the USDA GMS provides a roadmap for expanding U.S. agricultural exports to promote improved collaboration among USDA agencies and help those agencies make important decisions.<sup>9</sup> FAS' overall progress in meeting performance measures and annual milestones is reported in the Department's Annual Performance Plan, and also in its Performance and Accountability Report (PAR).

## **Objectives**

This report focuses on whether FAS has developed and implemented measurable strategies and actions that are effectively aligned with the Department's strategic goals relating to trade promotion and trade policy.

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<sup>9</sup> The Global Market Strategy also promotes goals for improving global food security not discussed in this report.

## Section 1: Goals and Performance Measures

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### Finding 1: FAS Can Better Align Goals and Performance Measures Within Its Strategic Framework

Although FAS recently updated its Strategic Plan to include measurable goals and objectives, these goals and objectives (which measure the dollar value of exports) do not present the whole picture of how FAS' actions are affecting the global market for American agricultural goods. While FAS has measurable performance measures in place, those measures are based on raw dollar values, and are therefore not outcome-based and do not show how the United States is performing in a given market compared to its competitors. FAS officials have argued against including measures that depict U.S. market share versus its competitors because there are too many variables beyond their control that affect U.S. market share. They have also stated that by linking a measure like increases in the dollar values of exports to the number of jobs created domestically, they are in effect reporting an outcome-based performance measure. Although OIG acknowledges that developing outcome-based performance measures for FAS' trade efforts is difficult, we maintain that a change in U.S. market share is an outcome-based measure that would be of great use to policymakers. By updating all of the relevant strategic statements—FAS' Country Strategy Statements (CSS), the Trade Priority Action Plan (TAP), the Department's Global Market Strategy (GMS), and the corresponding performance measures that are reported in the Department's Performance Accountability Report (PAR)—with such outcome-based performance measures, FAS can better measure the effectiveness of its strategies and activities. This, in turn, can help the agency to better focus its strategies during future planning cycles to mitigate some of the macroeconomic factors influencing international trade, and thereby provide the opportunity for the agency to obtain the best return on investment.

GPRA requires each executive agency to have a strategic plan with outcome-related goals and objectives for major functions and operations. Agencies must describe how the goals and objectives will be achieved, and describe how performance measures relate to the strategic plan. In addition, the GPRA Modernization Act requires USDA to establish priority goals for all its functions and report its results more frequently.

The Government Accountability Office (GAO) has reported that as leading organizations strive to align their activities and resources to achieve mission-related goals, they also establish clear hierarchies of performance goals and measures.<sup>10</sup> Through these hierarchies, organizations link the goals and performance measures for each organizational level to successive levels and, ultimately, to the organization's strategic goals. Clear, hierarchically-linked performance measures create a straightforward roadmap illustrating how an employee's daily activities contribute to attaining strategic goals.

In March 2012, FAS published a new Strategic Plan with a single strategic goal: increase exports to \$175 billion by end-year 2016, resulting in \$89 billion of additional economic activity. The new plan includes objectives, as well as baseline and target data for use in assessing progress.

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<sup>10</sup> GAO/GGD-96-118; "Executive Guide – Effectively Implementing the Government Performance and Results Act," June 1996.

For example, one objective is to increase the effectiveness of FAS market development programs and outreach activities. The new strategic plan includes the means by which FAS expects to achieve this objective, along with four measures (with baselines and targets) as well as a return on investment calculation that will enable it to gauge its success in this area. For example, one of the measurements FAS will use to gauge success in this area is the increase in the value of agricultural exports resulting from participation in foreign food and agricultural trade shows from a baseline of \$1.1 billion to \$1.35 billion over 5 years. Using that and two other measures listed for that objective,<sup>11</sup> FAS calculates that it currently has a baseline rate of return of \$35/\$1 invested and the target is to raise the return on investment to \$40/\$1 invested over the 5-year period.

OIG acknowledges that this new plan is a positive step towards meeting the intent of GPRA and the GPRA Modernization Act, but we maintain that FAS must further refine its performance measures so that (1) they report outcomes beyond total dollars exported and (2) they do not neglect to describe the United States' agricultural market share compared to its competitors. As with most statistics, the raw numbers (billions of dollars in trade) are helpful, but FAS can do a better job of providing policymakers with a clearer understanding of the global market by contextualizing these raw numbers within the overall market.

OIG and FAS have not agreed on this issue in the past. Previously, OIG reported that although the dollar value of U.S. exports rose by 39 percent between 1990 and 2005, larger export gains by foreign competitors had eroded the U.S.' market share of global agricultural exports by 32 percent over the same period.<sup>12</sup> OIG questioned whether FAS' strategic trade approach would be effective in addressing the Department's legislative requirements. We made recommendations based on the 1996 and 2002 Farm Bills, which required, in part, that FAS prepare a long-range agricultural trade strategy including such goals as: identifying opportunities for the growth of agricultural exports to overseas markets, increasing the value of U.S. agricultural exports each year, and increasing the value of U.S. agricultural exports each year at a faster rate than the rate of increase in the value of overall world export trade in agricultural products (market share).

In its response to that report, FAS asserted that OIG had used questionable market share data and had overstated a far more modest decline in U.S. market share. In subsequent correspondence, FAS asserted that a decline in market share does not by itself imply any loss of U.S. competitiveness and stated that the "experts in FAS recognized some time ago the inherent contradiction between any pursuit of global free trade on the one side, and a maintenance of the dominating world market share of agricultural exports that the United States enjoyed throughout the Cold War era on the other." FAS reasoned that rather than taking a bigger slice of the pie, it is more beneficial for the nation to hold a slightly smaller piece of a much larger pie. OIG's position is that so long as the goal of increasing market share is a legislative requirement for the Department, FAS should include it as one of the agency's goals. In response to the recommendations made in the prior report, FAS developed the draft FY 2010 GMS, which

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<sup>11</sup> FAS also hopes to increase the number of companies participating in these activities from 2,009 to 2,140 over the period, as well as to increase the percentage of cooperators rated at least moderately effective from 65 to 75 percent.

<sup>12</sup> *Foreign Agricultural Service—Implementation of the Trade Title of the 2002 Farm Bill and the 2002 President's Management Agenda*, (50601-0012-At, March 2007).

includes performance measures related to overall market share. (See below for more discussion on our review of the GMS.)

Recently, FAS officials have stated that using market share as a performance measure is not feasible because market share is affected by too many variables beyond the agency's control. Much the same might be said of the dollar value of goods exported, as of course any currency is subject to a wide range of macro-economic factors, such as inflation. We maintain that an effective outcome-based performance measure might include the total dollar of goods exported along with the U.S. share in that market. By pairing these two measures together, FAS might provide policymakers with a more accurate illustration of how FAS' efforts are affecting global markets.

FAS officials have also stated that they consider their measurement of the total dollar of U.S. agricultural goods exported to be an outcome-based performance measure because they have linked each \$1 billion of food and agricultural exports with an estimated 7,800 jobs and an additional \$1.34 billion in economic activity. FAS arrived at this linkage based on research performed by the USDA's Economic Research Service (ERS).<sup>13</sup> OIG agrees that this linkage does have the potential to become an excellent outcome-based performance measure, but FAS would need to perform some validation to confirm that, in fact, the predicted number of jobs was being created.

Once FAS has refined its performance measures to address these issues, the agency should then align its CSSs, the TAP, and its related portions of Departmentwide planning documents to the new Strategic Plan objectives.

Each year FAS staff assigned to foreign posts submit CSSs for countries in their areas of responsibility.<sup>14</sup> These connect long-term strategic issues, such as barriers to trade or promotion goals, with current activities and goals. Each CSS contains information on the country's agricultural economy and policy, long-term strategic goals (5- to 10-year horizons), and short-term objectives that feed into the long-term goals. We reviewed a sample of 3 CSSs for both 2010 and 2011, and then a larger sample of 16 CSSs for 2012. We concluded that, since 2010, FAS has made improvements to the design and information in the statements. However, further enhancements are needed for the statements to align effectively with FAS agency objectives.

One of FAS' objectives is to increase the effectiveness of market development programs and outreach activities. FAS measures this, in part, through the value of agricultural exports resulting from participation in foreign trade shows, with the target of increasing agricultural exports by \$250 million (about 23 percent) between FYs 2011 and 2016. In light of this overall target, we asked FAS how it evaluates performance at the country and market levels. FAS officials stated that they measure progress based on achievement of the "measurable, country-specific" goals and objectives in the CSSs.

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<sup>13</sup> ERS annually estimates agricultural trade multipliers. These estimates are derived from tables published by the U.S. Department of Commerce, Bureau of Economic Analysis, and are adjusted annually to account for changes in prices and labor productivity.

<sup>14</sup> For 2012, FAS required Country Strategy Statements from 50 countries/markets.

While we agree that the achievements should be measurable and country specific, our analysis of 2012 CSSs revealed few quantifiable objectives. Of the 78 long-term goals and 376 associated short-term objectives contained in our sample of 2012 CSSs, we found that less than 5 percent of the short-term objectives contained a quantifiable element that could be measured and tracked. The majority of the 376 objectives involved qualitative statements, which results in a shortage of actual measures to track and monitor progress. In addition, short-term objectives placed emphasis on what FAS would like the target country to do, rather than what FAS itself can do. Some examples include:

- [Country] imports a more diverse range of U.S. agricultural products.
- [Country's] perception of U.S. food and agricultural products becomes more positive.
- [Country's] importers become aware of available USDA credit programs.

While each of these appears to result in a desirable outcome, they do not provide any indication of how FAS will achieve these outcomes. According to the Act, a performance goal should be a target level of performance expressed as a tangible, measurable objective against which actual achievement can be compared. A more effective approach would be for FAS to assess the actions it needs to take to achieve the results described in the measures and express the goal in a way that reflects the actual achievement at the country level. For example, rather than stating that the country's perception of U.S. food and agriculture becomes more positive, the objective could discuss how FAS will measure the country's perception of U.S. food and agricultural products and what FAS will compare the results of that measurement to in order to rate success. We note that one CSS we reviewed did contain good examples of measurable goals and objectives at the country level such as, "FAS-assisted United States participation in [country's] trade shows increases by 10 percent and expands to two new shows as compared to 2011."

OIG recognizes that it may be difficult to establish performance measures for every goal and objective within these CSSs. GAO states that performance measures should tell each organizational level how well it is achieving its goals and the number of measures for each goal should be limited to a vital few.<sup>15</sup> Limiting measures to core program activities frees managers from having excess data that could obscure, rather than clarify, performance issues. Additionally, this focus helps to ensure that costs for data collection and analysis do not become prohibitive. Accordingly, FAS could benefit from identifying a few key performance measures in each country or market that are most significant to the overall agency goals, and then actively tracking its success with these on a yearly basis.

We reached a similar conclusion during our review of the Department's GMS. Although this strategy is more general in nature than the CSSs, FAS can improve it by incorporating outcome-based goals and related measures that link directly to those in its own, and the Department's, strategic plan. Currently, the GMS includes goals and subordinate objectives, but its performance measures (including those related to overall U.S. market share) do not contain any outcome measures, milestones, or targets that FAS could use to monitor progress. GAO has issued guidance stating that successful performance measures should have a numerical goal; otherwise, it may be impossible to determine whether performance is meeting expectations. Since the GMS groups countries into categories, it is logical that the new goals and measures

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<sup>15</sup> GAO/GGD/AIMD-10.1.18, p. 11

incorporated into the CSSs could be used to develop broader, yet related, goals and measures for the GMS.

Ideally, outcomes contained in the CSSs would link to those in the FAS Strategic Plan, and from there to the GMS, and then be reported in USDA's PAR. However, since these planning documents lack clearly linked outcome measures, the targets contained in the PAR and the annual milestones contained in the Department's Annual Performance Plan do not reflect the breadth of FAS' work. Specifically, the FY 2011 PAR contained two measures related to international trade, both of which capture the value of trade preserved through trade policy efforts. Neither captures FAS' efforts in the area of trade promotion. FAS told us that these two measures have essentially remained unchanged since they were developed in the late 1990s when GPRA was implemented. FAS agreed that it could improve measures to evaluate overall agency effectiveness and achievements. Officials said they are working to adopt two new measures that will focus on the outcomes of all FAS activities: (1) jobs supported and (2) economic activity generated through agricultural exports.

Overall, we believe that if FAS establishes meaningful performance measures within the CSSs, the TAP, and the GMS, these will lead to improved measures at the PAR level. Improved measures would also help FAS to more effectively focus resources to help the Department succeed in reaching its goal of increasing prosperity in rural communities.

## **Recommendation 1**

Refine FAS' strategic goal to contextualize changes in billions of dollars of U.S. agricultural exports as part of U.S. market share in the global market place.

## **Agency Response**

In its March 22, 2013 response, FAS agreed with OIG that there could be additional means to more clearly depict the whole picture of how FAS actions are affecting the global market for American agricultural goods, and that changes in US market share are an outcome-based measure that could be of great use. FAS agreed to consult with the appropriate congressional committees to determine a collection of measures that together provide a more accurate illustration of how FAS efforts are affecting global markets. It agreed to incorporate the new measures into agency planning sessions by October 1, 2013.

## **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 2**

Improve the linkage of billions of dollars of U.S. agricultural exports with jobs created by validating the number of rural jobs created due to these exports.

## **Agency Response**

In its March 22, 2013 response, FAS agreed with OIG that an annual rural impact analysis would be beneficial for use in FAS strategic planning and USDA outreach activities. FAS stated that the jobs and revenue generated from exports data currently reported is calculated by USDA's ERS. It agreed that upon report issuance, it will request that ERS supplement the generated revenue and jobs data with an ongoing study to confirm the impact of agricultural income and jobs broke down by rural versus urban economies.

## **OIG Position**

We are pleased that FAS agrees with the need to improve the linkage between agricultural exports with jobs created; however, we are unable to accept FAS's management decision for this recommendation. We are concerned that FAS' singular reliance on ERS to conduct more studies will not be effective. Additionally, we believe that it is unlikely that ERS in the near future will have the needed resources to conduct additional studies on how to validate performance measures. Therefore, we believe FAS should seek other alternatives to independently and periodically validate their performance measures—so that the needed adjustments can be timely made to its trade strategy. One approach offered would involve that FAS approach the Office of the Chief Economist to seek its assistance in developing the data needed to independently measure the economic benefits that the increased export trade has to the rural sector. This approach would allow for dynamic data—data that can be periodically collected and used to validate whether the agency is meeting its intended outcomes—that, in turn, would allow more effective and timely strategic planning. Therefore, to reach management decision the agency needs to go beyond just a request for an ERS impact study to include the pursuit of alternative approaches to conducting periodic validation of performance measures.

## **Recommendation 3**

Incorporate clear, outcome-based performance measures into the 2013 Country Strategy Statements that align with the FAS agencywide goals and objectives.

## **Agency Response**

FAS agreed with the recommendation and has indicated that its staff is currently reviewing the draft 2013 CSS against a new set of guidelines which organizes and aligns all CSS objectives with those in the FAS Strategic Plan. The agency believes it can incorporate clear, outcome-based performance measures into the majority of the CSS objectives by June 30, 2013. Written guidance that includes the recommended measures for the remaining CSS objectives will be issued by March 30, 2014.

## **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 4**

Update the Global Market Strategy to include clear, outcome-based goals and measures that align with the FAS and USDA strategic goals.

### **Agency Response**

FAS agreed with this recommendation. It stated that the completion of the newly aligned 2013 CSS objectives will support an update of the Global Market Strategy. FAS says it will introduce the revised GMS into the Intra-Departmental Coordination Committee on International Affairs process with a targeted completion date of September 30, 2013.

### **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 5**

Coordinate with the Department to update the performance measures related to trade policy and trade promotion in the PAR and Annual Performance Plan to better capture overall agency effectiveness and achievements and include goals related to U.S. market share.

### **Agency Response**

FAS agreed to coordinate with the Department to update the performance measures, including through final action on Recommendations 1, 2, and 4. FAS agreed to aim for complete action no later than September 30, 2013.

### **OIG Position**

We accept management decision for this recommendation.

## Scope and Methodology

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Our review covered FAS' strategic and tactical plans for market access and trade promotion activities in FYs 2010 through 2016. Specifically, we reviewed how effectively FAS' strategic goals and objectives align with the Department's goals for international trade, and how FAS measures progress toward accomplishing its goals. Our fieldwork took place from November 2011 through September 2012 at FAS' Headquarters in Washington, DC.<sup>16</sup>

In order to achieve our objective, we reviewed and evaluated USDA's and FAS' strategic planning documents that relate to international trade, including Strategic Plans, subordinate plans, and selected Country Strategy Statements.<sup>17</sup>

We interviewed agency officials and reviewed GAO's desirable elements of an effective strategy in order to compare them to USDA and FAS strategies. To evaluate FAS' plans and actions in a Departmental context, we discussed FAS roles and actions with officials from other USDA agencies that play a role in international trade, including: Animal and Plant Health Inspection Service, Food Safety and Inspection Service, Agricultural Research Service, and Forest Service. To accomplish our objectives, we:

- Reviewed laws and FAS and Departmental regulations and procedures governing efforts to increase international trade.
- Reviewed FAS' Strategic Plans<sup>18</sup> and the Department's FY 2010-2015 Strategic Plan and Update Addendum. We also reviewed the USDA 2010 and 2011 Performance and Accountability Reports, the FY 2012 and FY 2013 Budget Summary and Annual Performance Plan, the current Global Market Strategy, and Trade Priority Action Plans for 2010-2011 and 2012-2013.
- Interviewed FAS officials within the Office of Trade Programs, the Office of Agreements and Scientific Affairs, the Office of Global Analysis, the Office of Chief Operating Officer, and the Office of Country and Regional Affairs, including staff from the Europe, Asia, and Western Hemisphere divisions.
- Interviewed representatives of the Intra-Departmental Coordination Committee for International Affairs.
- Reviewed prior OIG and GAO documents that reported on efforts to increase U.S. exports.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

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<sup>16</sup> Originally, this audit was evaluating FAS and USDA plans for and effectiveness in implementing the President's National Export Initiative, with fieldwork beginning in March 2011. However, in October 2011, our objective changed to an examination of how FAS' strategic plan for trade policy and promotion integrated with USDA's goals for international trade.

<sup>17</sup> We judgmentally selected three Country Strategy Statements for years 2010 and 2011. We selected our sample to ensure coverage of all three branches within FAS' Office of Country and Regional Affairs. We randomly selected a sample of 16 Country Strategy Statements for 2012 using a random number generator to select numbered Country Strategy Statements from the universe of 50 that FAS required for 2012.

<sup>18</sup> For FAS, we reviewed the prior (FY 2010-2015) and current (FY 2012-2016) Strategic Plans.

sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

During the course of our audit we did not verify information in any FAS or USDA electronic information system, and make no representation regarding the adequacy of any agency computer systems or the information generated from them.

## Abbreviations

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CSS .....	Country Strategy Statements
ERS .....	Economic Research Service
FAS .....	Foreign Agricultural Service
FY .....	Fiscal Year
GAO .....	Government Accountability Office
GMS .....	Global Market Strategy
GPRA .....	Government Performance and Results Act of 1993
OIG .....	Office of Inspector General
PAR .....	Performance and Accountability Report
TAP .....	Trade Priority Action Plan
USDA .....	Department of Agriculture



**USDA'S  
FOREIGN AGRICULTURAL SERVICE'S  
RESPONSE TO AUDIT REPORT**



USDA  
Logo

March 22, 2013

United States  
Department of  
Agriculture

Farm and Foreign  
Agricultural  
Services

Foreign  
Agricultural  
Service

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TO: Gil Harden  
Assistant Inspector General for Audit  
Office of Inspector General

FROM: Suzanne Heinen /s/  
Administrator

SUBJECT: Response to OIG Draft Report -- "Effectiveness of Foreign Agricultural Service's Recent Efforts to Implement Measurable Strategies Aligned to Department's Trade Promotion and Policy Goals to Enhance Agricultural Trade" (50601-0001-22)

Thank you for providing the Foreign Agricultural Service (FAS) with the Office of Inspector General (OIG) draft "Effectiveness of Foreign Agricultural Service's Recent Efforts to Implement Measurable Strategies Aligned to Department's Trade Promotion and Policy Goals to Enhance Agricultural Trade." The five OIG recommendations, and FAS's responses to them, are provided as follows:

**Recommendation 1:**

Refine FAS' strategic goal to contextualize changes in billions of dollars of U.S. agricultural exports as part of U.S. market share in the global market place.

**FAS Response:**

FAS agrees with OIG that there could be additional means to more clearly depict the whole picture of how FAS actions are affecting the global market for American agricultural goods, and that changes in U.S. market share are an outcome-based measure that could be of great use. FAS also recognizes OIG's acknowledgment that market share has limitations, and appreciates OIG's suggestion that an effective outcome-based performance measure might pair the total dollar of goods exported along with the U.S. share in any given market. Therefore, FAS will consult with the appropriate congressional committees to determine a collection of measures that together provide a more accurate illustration of how FAS efforts are affecting global markets. By October 1, 2013, FAS will incorporate the new measures into agency planning sessions as a means to better assess the effectiveness of FAS strategies and activities.

**Recommendation 2:**

Improve the linkage of billions of dollars of U.S. agricultural exports with jobs created by validating the number of rural jobs created due to these exports.

**FAS Response:**

The linkage between revenue generated from agricultural exports and nationwide jobs is calculated by USDA's Economic Research Service (ERS) using procedures established and approved by the inter-agency Trade Promotion Coordinating Committee for publication in the annual National Export Strategy. FAS concurs with OIG on the desirability of a credible annual rural impact analysis that can be incorporated into FAS strategic planning and USDA outreach efforts. Upon issuance of the OIG final report, FAS will request that ERS supplement the linkage data they provide with an ongoing study to confirm the impact of agricultural income and jobs broken down by rural versus urban economies.

**Recommendation 3:**

Incorporate clear, outcome-based performance measures into the 2013 Country Strategy Statements that align with the FAS agency-wide goals and objectives.

**FAS Response:**

FAS agrees with this recommendation. Headquarters staff currently is reviewing draft 2013 Country Strategy Statements (CSS) against a new set of guidelines which organizes and aligns all CSS objectives with those in the FAS Strategic Plan. A limited set of objectives will be identified as "Global" and either applicable for all FAS overseas offices (for example, trade leads) or for categories of countries (for example, countries where free trade agreements are being implemented). Other objectives will remain unique to the particular country. In adopting OIG's suggestion to focus on fewer, more measurable objectives, FAS believes that it can incorporate clear, outcome-based performance measures into the majority of CSS objectives as soon as June 30, 2013. The remaining outcomes, those at the individual country level that must be addressed one at a time, will be incorporated prior to the 2014 CSS's. Written guidance that includes the recommended measures in every CSS for 2014 will be issued by March 30, 2014.

**Recommendation 4:**

Update the Global Market Strategy to include clear, outcome-based goals and measures that align with the FAS and USDA strategic goals.

**FAS Response:**

FAS agrees with this recommendation. Completion of 2013 CSS's that are more clearly aligned with the FAS Strategic Plan will support an update of the current Global Market Strategy (GMS). As previously discussed with OIG, the GMS will be modified primarily to reflect the two FAS strategic pillars relating to marketing and trade, and to provide limited discussion of the third pillar regarding capacity building. FAS will introduce the revised GMS into the Intra-Departmental Coordination Committee on International Affairs process for targeted completion by September 30, 2013.

**Recommendation 5:**

Coordinate with the Department to update the performance measures related to trade policy and trade promotion in the PAR and Annual Performance Plan to better capture overall agency effectiveness and achievements and include goals related to U.S. market share.

**FAS Response:**

FAS agrees with this recommendation. FAS will coordinate with the Department in the manner of this recommendation, including through the final action on Recommendations 1, 2, and 4. While this will be an ongoing effort, we will aim to complete actions specific to this report no later than the September 30, 2013, target identified in our response to Recommendation 4.

If you have any questions or concerns regarding this memorandum, or if you need additional information, please contact James Gartner, FAS's Audit Liaison, on (202) 720-0517.

Informational copies of this report have been distributed to:

Administrator, Foreign Agricultural Service

Attn: Agency Liaison Officer

Government Accountability Office

Office of Management and Budget

Office of the Chief Financial Officer

Attn: Director, Planning and Accountability Division

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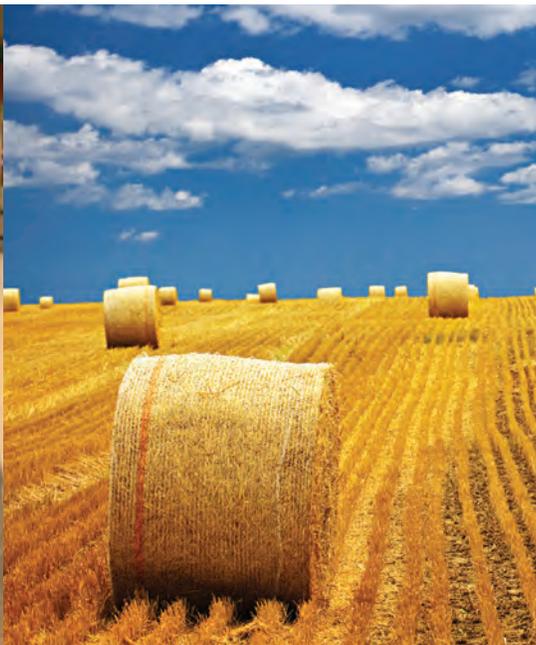
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