



OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

USAID Updated Guidance To Address Inconsistent Use of Journey to Self-Reliance Metrics and Misalignment of Missions' Budgets

AUDIT REPORT 9-000-21-002-P
DECEMBER 23, 2020

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MEMORANDUM

DATE: December 23, 2020

TO: USAID/Bureau for Policy, Planning and Learning, Assistant to the Administrator, Christopher Maloney
USAID/Office of Budget and Resource Management, Director, Tricia Schmitt

FROM: Global and Strategic Audits Division Director, Emily Gardiner /s/

SUBJECT: USAID Updated Guidance To Address Inconsistent Use of Journey to Self-Reliance Metrics and Misalignment of Missions' Budgets (9-000-21-002-P)

This memorandum transmits the final report on our audit of USAID's Journey to Self-Reliance approach metrics and budget efforts. Our audit objectives were to determine the extent to which (1) USAID's self-reliance metrics were incorporated into its development programming strategies at selected missions and (2) USAID developed budgets that aligned with Journey to Self-Reliance strategies. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in appendix D. We are not making any recommendations.

We appreciate the assistance you and your staff provided to us during this audit.

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INTRODUCTION

Throughout its history, USAID has been faced with challenges to reducing host governments' reliance on foreign aid in the developing countries where it operates. To address this, USAID has made efforts to emphasize sustainability in planning and implementing its development programs. In recent years, the Agency has undertaken a number of internal efforts to emphasize the importance of country ownership and increased sustainability in its development programs.

Continuing on these efforts, in the Agency's 2019 Policy Framework, former Administrator Mark Green noted that "the purpose of foreign assistance must be ending its need to exist," emphasizing that USAID's success is measured by the extent to which its partner countries get closer to that goal.¹ USAID formalized and incorporated this vision into its operations as the Journey to Self-Reliance approach (Journey to Self-Reliance). One of the main components established as a part of this approach are 17 self-reliance metrics used both to capture countries' capacity and commitment to solve development challenges and to influence USAID's approach in each country. For example, the Government Effectiveness metric measures the "quality of public services, the quality of the civil service and its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies." Additionally, USAID has begun related budgeting initiatives that aim to better align budgets with priorities identified under Journey to Self-Reliance.

OIG conducted this audit to gain an understanding of the Agency's initial progress in implementing Journey to Self-Reliance. Specifically, we determined the extent to which (1) USAID's self-reliance metrics were incorporated into its development programming strategies at selected missions, and (2) USAID developed budgets that aligned with Journey to Self-Reliance strategies.

To address these objectives, we reviewed USAID's Journey to Self-Reliance documents, including USAID's Policy Framework, an overview of the Journey to Self-Reliance metrics and related methodology guide, and training materials—webinars and presentations—that provided initial guidance to missions. In Washington, DC, we interviewed senior officials from USAID's Bureau for Policy, Planning and Learning (PPL) and Office of Budget and Resource Management (BRM), as well as staff from the Department of State's Office of Foreign Assistance Resources. Further, using factors such as the dollar size of the mission's portfolio and the diversity of activities implemented, we judgmentally selected USAID/Ethiopia, USAID/Ukraine, and USAID/Zambia for mission-level review. We interviewed mission officials responsible for implementing metrics as well as producing related budget requests and reviewed relevant documents, including fiscal year (FY) 2021 Mission Resource Requests (MRRs) for these locations. We conducted our work in accordance with generally accepted

¹ USAID, "USAID Policy Framework: Ending the Need for Foreign Assistance," April 10, 2019.

government auditing standards. Appendix A provides additional details about the audit's scope and methodology.

SUMMARY

Under the Journey to Self-Reliance approach, USAID compiled a set of metrics that were intended to quantitatively provide an annual snapshot, or Country Roadmap, of each partner country's capacity and commitment to solving its own development challenges. The three missions we reviewed—Ethiopia, Ukraine, and Zambia—were part of the initial pilot countries that used the Journey to Self-Reliance approach. We found that these missions applied the metrics inconsistently to their Country Development Cooperation Strategies (Country Strategies), which articulate how the Agency will design and implement its projects in each country. USAID mission personnel reported they experienced difficulties applying the broad self-reliance metrics to their country-specific activities. Additionally, staff were unclear whether their mission would be held accountable for improving the scores on these metrics over the Country Strategies' typically 5-year period given the challenges attributing national-level results to USAID's efforts in environments with multiple donors and factors. Based on the feedback provided by pilot missions, the Agency issued updated formal guidance on using the metrics for the remaining, nonpilot missions through a December 2019 update to USAID's internal policy reference manual, Automated Directives System (ADS) chapter 201.

The Journey to Self-Reliance approach also required missions to submit two proposed budgets, one of which would be free from the earmarks in annual appropriations, which specify how different funds allocated for a given location can be used, and other constraints. This optimal budget would include the same overall funding level but was intended to show levels of variance within different program areas between what was historically available and what was realistically needed in order to better align funds with priorities identified under Journey to Self-Reliance. However, the missions we reviewed had difficulties producing the optimal budget scenario in a manner consistent with applicable guidance. A contributing factor to this issue was a lack of sufficiently defined roles and responsibilities for the production and review of these budgets in applicable guidance. As a result, the submissions from missions we reviewed did not reflect changes that addressed Journey to Self-Reliance-related needs identified in Country Strategies. Similarly, missions were directed to use zero-based budgeting in developing their FY 2021 MRR as a part of USAID's consolidated budget request.² However, USAID's internal guidance conflicted with joint interagency guidance, which prevented missions from submitting budget requests in accordance with the concepts of zero-based budgeting. To address these issues, the Agency issued a mandatory reference to

² The MRR is an interagency, country-specific annual resource request submitted by USAID and the Department of State for a fiscal year at an embassy. This request is generally done 2 fiscal years in advance, and USAID's foreign assistance funds are included in a section of the MRR. In the MRR development process, each mission identifies its strategic goals and related funding amounts.

the updated ADS 201 chapter that clarified roles and responsibilities for producing budget scenarios and updated MRR guidance to help deconflict differing instructions.

We make no recommendations, because USAID issued updated guidance to address the inconsistent use of metrics in Country Strategies as well as to address issues identified in the production of Country Strategy budget scenarios and MRRs.

BACKGROUND

USAID has a history of emphasizing sustainability in its development programs and working to foster a sense of country ownership with its partner countries. Notably, in 2010, USAID launched USAID Forward, which sought to reform procurement and increase awards to locally based partners. Through USAID Forward's Local Solutions Initiative, the Agency sought to assist missions' abilities to leverage local capacity and resources and promote country ownership of development activities. While USAID Forward was retired in 2017, the Agency continued its efforts to emphasize sustainability in its programming. As a part of these efforts, in 2018, USAID introduced its first set of Journey to Self-Reliance metrics. The Agency then published the related Policy Framework in 2019.

According to USAID, Journey to Self-Reliance is composed of six projects combined into one strategic approach that is designed to aid missions in strategizing their development challenges. In addition to the Country Roadmap metrics, the six projects include themes such as emphasizing private-sector engagement and evolving relationships with partner country governments to promote self-reliance in activities. For details regarding these projects, see appendix B.

USAID states that Journey to Self-Reliance serves as a strategic pillar designed to help the Agency respect U.S. taxpayer investments and align national security interests. At the mission level, Journey to Self-Reliance provides direction intended to help USAID strengthen core capabilities in providing development assistance at the country level. The implementation of this comprehensive approach across all of USAID involved multiple bureaus and offices, with each playing a distinct role. For example:

- PPL provided strategic guidance to the Agency in defining, creating, and socializing Journey to Self-Reliance. In addition, PPL led the development of research materials and other tools, such as Journey to Self-Reliance's metrics, and assisted missions in developing their Country Strategy using the Journey to Self-Reliance approach.
- BRM provided oversight of the Agency's budgetary activities and reviewed missions' proposed budgets, developed as part of their Country Strategy planning.
- USAID's regional bureaus provided guidance on developmental issues and coordinated development strategy and budget allocations for missions within a specific geographic region.
- USAID's functional "pillar" bureaus (the Bureaus for Economic Growth, Education and Environment, Food Security, Global Health, etc.) provided subject matter

expertise in developing program strategies and executing programs supporting Journey to Self-Reliance within specific development and technical areas.

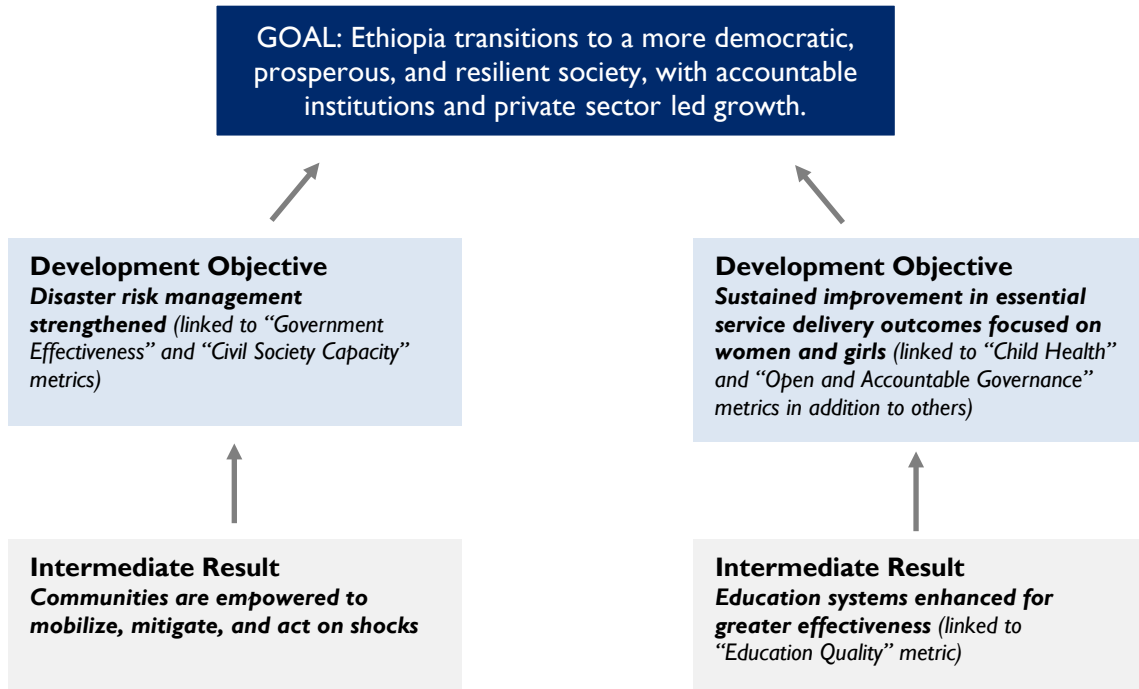
This audit focused on the mission level, where several of the key Journey to Self-Reliance efforts were implemented. One of these efforts was the Agency's Country Roadmap metrics—17 numerical indicators designed to highlight a country's strengths and challenges in progressing toward self-reliance (see appendix C). Of these 17 metrics, 7 focused on country commitment, a category that includes measures of liberal democracy, open governance, economic gender gap, and trade freedom. The other 10 focused on country capacity, including gross domestic product per capita, poverty rates, and safety and security metrics. These metrics were all developed by outside organizations and compiled and published by PPL for FY 2019 as an entry point for analysis when identifying development issues facing a partner country.³

The self-reliance metrics formed part of some missions' processes for preparing their Country Strategies, typically 5-year strategies that provide a blueprint for how USAID will design and implement projects and activities in a country during that timeframe. Preliminary USAID guidance, issued by PPL in late 2018, directed missions to consider the self-reliance metrics as an entry point to assess a country's level of self-reliance when developing their Country Strategies. While missions were not expected to include all 17 self-reliance metrics in the strategies, and the number of metrics in the strategies was not directly related to strategy quality, missions were instructed to choose the most relevant metrics to frame their analysis.

Each mission's Country Strategy contains a Results Framework, which is a visual portrayal of the development results a mission intends to achieve. The top level of a Results Framework is the Country Strategy Goal Statement, which represents the highest level result within the Country Strategy timeframe that the mission, partner country government, and other development partners can advance. One level below that are the Development Objectives, which are the most ambitious results that a mission, in cooperation with its partners, can reasonably expect to influence. Below that are Intermediate Results, which are the results that support, and are necessary for, the achievement of the related Development Objective (see figure 1).

³ Outside organizations publishing metrics included the World Bank, Varieties of Democracy Institute, World Justice Project, World Economic Forum, Legatum Institute, Heritage Foundation, and others.

Figure 1. Illustrative Examples of Results Framework Components With Journey to Self-Reliance Metrics Included for USAID/Ethiopia



Source: OIG analysis of USAID/Ethiopia’s publicly available Country Strategy.

As shown above, some Journey to Self-Reliance Roadmap metrics may be linked to a specific Development Objective or Intermediate Result, while other metrics are referenced more generally in the Country Strategy narrative without specific links to individual elements in the Results Framework.

Another requirement of the Country Strategy submission package is the development of two 5-year budget scenarios. The first is based on historical funding levels and assumes continued directives specifying the use of funds (i.e., earmarks). The second scenario uses the same total overall budget amount as the first but shows an optimal distribution of funding to target Country Strategy priorities consistent with the goals of Journey to Self-Reliance. USAID guidance stated that the intent of developing two budget scenarios was to allow the Agency to compile data on variances between key activities identified in Country Strategies and what funding actually allowed, and to use that information to advocate for better alignment between strategies and budgets for USAID programming.

USAID aims to then use variances identified between the budget scenarios to inform the preparation of the annual MRR. Each USAID mission contributes to the funding request for its budget as a part of each embassy’s overall request. By documenting USAID’s foreign assistance needs, this budget request is the first step in the budget formulation process. It is submitted to USAID headquarters, which reviews and combines all of USAID’s amounts in each country MRR to draft USAID’s portion of the President’s annual budget request for foreign assistance.

The Journey to Self-Reliance approach was implemented at headquarters and at missions in a phased approach, with a selection of pilot missions grouped into “waves.” This process took place after an Agency-wide pause in the development of Country Strategies. The pause allowed the Agency to test initial guidance prior to a wider rollout.⁴ PPL piloted the Country Strategy development effort across selected missions in two main waves. USAID announced 6 missions in the first wave and 19 in the second. Countries were selected for the pilot process based on several factors, such as including a variety of mission sizes and activities implemented, as well as including a range of countries on the self-reliance spectrum. PPL sought feedback from each mission with the goal of learning and improving its guidance between each wave. Based on this feedback, in December 2019, USAID published updated guidance on using the metrics in its ADS chapter 201. Following the completion of Country Strategies under the initial waves, USAID reported that its goal was to have most of its remaining missions worldwide complete their updated Country Strategy documents by December 2020 using the updated guidance. Figure 2 shows key points in the rollout of Journey to Self-Reliance.

Figure 2. Journey to Self-Reliance Rollout



Source: OIG analysis of USAID source documents.

⁴ PPL implemented this pause in June of 2017 to give the Agency time to better align with the new policy priorities defined within the President’s 2018 Budget Request. The following notices broadcasted to all USAID staff provided Agency-wide guidance to establish the timeline for the pause of Country Strategy development and start dates of subsequent development in waves: (1) 2017 USAID Agency Notice 0628 on Country Strategy pause – “Interim Guidance for Country Development Cooperation Strategy Extensions,” June 6, 2017; (2) 2018 USAID Agency Notice 0437 on Wave 1 missions – “Update on Washington Review and Approval of Country Development Cooperation Strategies,” April 5, 2018; and (3) 2019 USAID Agency Notice 0149 on Wave 2 missions – “Announcing Wave-2 Country Development Cooperation Strategy Missions,” January 31, 2019.

USAID ADDRESSED PILOT MISSIONS’ INCONSISTENT USE OF SELF-RELIANCE METRICS BY ISSUING REVISED GUIDANCE

USAID’s 2018 guidance directed pilot missions to include relevant Journey to Self-Reliance metrics in their Country Strategies, including in the Results Framework, when those metrics were useful to help clarify how activities would contribute to a country’s self-reliance. However, each of the pilot missions we reviewed (Ethiopia, Ukraine, and Zambia) interpreted initial guidance on how to incorporate the metrics differently. This resulted in inconsistent consideration and application of the metrics. Additionally, these missions expressed uncertainty as to whether they would be held accountable for the improvement of metrics applicable to their Country Strategy over a 5-year period with challenges in attributing national-level results to USAID’s efforts, as well as working in environments with multiple donors and factors. As the Agency continued to roll out the metrics to additional missions, it used feedback from the pilot missions to update and clarify its guidance.

The Manner in Which Self-Reliance Metrics Were Included in Select Missions’ Country Strategies Was Inconsistent During Pilot Rounds

USAID officials involved in producing the Country Strategy from the three pilot missions reviewed—Ethiopia, Ukraine, and Zambia—noted that the broad nature of the metrics created confusion that sometimes resulted in different interpretations and assumptions. This confusion occurred despite the initial guidance provided by PPL, which had made clear that the metrics were only intended to be used as an entry point to inform discussions with partner government officials and were not meant to dictate development strategy nor to gauge a mission’s performance.

USAID personnel from the three missions reviewed stated that they experienced difficulties in deciding whether to apply the broad self-reliance metrics to a relatively specific set of development objectives. For example, officials from one mission expressed concern that a national-level metric related to child health was not reflective of their activities as it was a composite indicator that would capture numerous aspects of a child’s health, including areas beyond USAID’s efforts. Additionally, they noted that USAID was only one of a number of donors in that country working in the area, making attribution of results to USAID’s efforts difficult. In another example, mission officials stated they received guidance to include a metric on education quality in their Results Framework despite the absence of country data on that metric for the year in which they were finalizing their strategy.

The Country Strategies for Ethiopia, Ukraine, and Zambia were some of the earliest to be finalized under Journey to Self-Reliance; however, the development of these strategies had already begun before Journey to Self-Reliance was rolled out, impacting the missions’ ability to consistently incorporate the Journey to Self-Reliance metrics. While the metrics were used in different ways to develop strategies, missions lacked a

clear understanding of how to consider and include them when developing their strategy and whether a mission would be held accountable if self-reliance metrics measuring a country's overall progress did not improve over time. USAID/Ukraine and USAID/Ethiopia had made significant progress in developing their Country Strategies before the June 2017 Agency-wide pause on Country Strategy development. Work on these missions' Country Strategies formally resumed in April 2018 as part of the Journey to Self-Reliance first wave. The second wave of Country Strategy development under Journey to Self-Reliance was initiated in January 2019 and included USAID/Zambia.

USAID/Ukraine considered the Journey to Self-Reliance metrics as a starting point when developing the components of its Country Strategy but did not list or include any specific metrics in the final Results Framework narrative of the Strategy. Mission officials stated that some of their activities were based on country-specific issues and goals for which there was no associated or appropriate self-reliance metric. However, the lack of inclusion of any of the self-reliance metrics in the Results Framework narrative was contrary to the intent of Journey to Self-Reliance efforts and applicable guidance. USAID/Ethiopia and USAID/Zambia ultimately included multiple metrics in their Results Framework, including those related to open government, economic gender gaps, biodiversity and habitat protections, poverty rate, education quality, and child health.

Despite initial guidance, officials at missions that included metrics in their Results Frameworks were uncertain about how the self-reliance metrics would be tracked over time to evaluate program performance and expressed concern that they would be held accountable for progress made on the Country Roadmap. Further, mission officials stated that it was not clear if their programming budget would be affected if the indicator score for a metric did not improve over the Country Strategy's 5-year period.

USAID Used Feedback From Pilot Rounds To Formalize Guidance for Inclusion of Self-Reliance Metrics as More Missions Develop Their Country Strategies

As the Agency piloted the Country Strategy development effort, it took steps to obtain feedback from participating missions during the process. The lessons learned from this piloting exercise culminated in updates to ADS chapter 201, "Program Cycle Operational Policy," issued in December 2019. These updates included additional guidance to reflect the incorporation of the Journey to Self-Reliance approach in USAID's Program Cycle Policy.

Based on feedback from pilot missions, the updated guidance supporting ADS 201 encouraged better consistency across missions by emphasizing that relevant self-reliance metrics should be included in each Country Strategy. Additionally, the guidance stipulated that the metrics were to be used as a starting point for program strategies rather than as a basis for program decisions, and stated that the Agency would not use metrics to evaluate mission performance over what is typically a 5-year Country Strategy period. PPL also customized country-specific analysis to help mission staff interpret and apply self-reliance metrics for their Country Strategy. This effort included additional data that represented a country's relevant position at a regional level and

provided greater insight into the composition of the metric scores on the Country Roadmap.

USAID is currently in the process of developing Country Strategies for all other remaining missions around the world. The Agency's stated goal is to finalize the majority of these documents by December 2020 using updated guidance, including the revised ADS 201. Based on these actions, no recommendations are being made in relation to this finding.

USAID PROVIDED UPDATED GUIDANCE TO ADDRESS INCONSISTENT MISSION BUDGETING PROCESSES THAT DID NOT FULLY ALIGN WITH THE JOURNEY TO SELF-RELIANCE APPROACH

USAID officials in Washington and at selected missions stated that the prevalence of earmarks in appropriated funds directs how they budget for programs and contributes to a lack of alignment between program needs identified under Journey to Self-Reliance and related budgets. To address this, USAID implemented two new budgeting processes—implementation of the Country Strategy historical and optimal budget scenarios and the use of zero-based budgeting to develop annual MRRs—designed to improve alignment between Journey to Self-Reliance Country Strategies and budgets. The use of multiple budget scenarios was intended to identify the ideal alignment of program funds under the Journey to Self-Reliance approach and illustrate discrepancies that needed to be addressed to better align funding. The use of zero-based budgeting—disregarding prior year amounts and starting each program funding account request from zero—was intended to reflect each mission's funding needs as identified under Journey to Self-Reliance in the MRR. The MRR submissions are the first step in what becomes USAID's joint budget request with the Department of State. However, because of challenges in implementing these processes, the budgets at the missions in Ethiopia, Ukraine, and Zambia did not fully align to the Journey to Self-Reliance approach. To address these issues, the Agency issued a mandatory reference to the updated ADS 201 chapter that clarified roles and responsibilities for producing budget scenarios and updated the MRR guidance.

Select Missions' Optimal Country Strategy Budget Scenarios Did Not Reflect the Journey to Self-Reliance Approach

At each of the three reviewed missions, the historical budget scenario submissions were informed by past budgets, as outlined in the Journey to Self-Reliance approach; however, the optimal distribution scenarios reflected different interpretations of the Agency's budgeting guidance. While initial guidance was provided on how to produce the optimal scenario, the missions reviewed were either not fully aware of that guidance or did not carry it out in sufficient detail. For instance, staff at two missions we reviewed stated that the realities in the field made it difficult to envision and develop an optimal distribution budget scenario free of earmarks. They noted that to ensure that the

Country Strategy Results Framework realistically captured anticipated activities in a country, it should account for some level of earmarked funding received in the past. According to staff at another mission, the proposed changes in their optimal budget scenario included arbitrary amounts that were not based on an analysis of the country's needs but rather served as placeholders designed to spur future discussion on budget requests.

Additionally, staff from missions we reviewed noted that the funding they historically received was often higher than the amounts they requested. These differences influenced the budget development process, as missions listed amounts in the optimal budget scenarios that included minimal variance in amounts from historical levels and did not represent a true assessment of their needs. These factors contributed to the three reviewed missions not preparing optimal budget scenarios that reflected their greatest needs, but rather scenarios that reflected minimal changes to the historical budget scenarios. For example, for the three budgets we reviewed, proposed changes in the optimal distribution scenarios represented only 0.2 percent, on average, of the total overall budget amounts. Similarly, of the 56 total account entries across all 3 budget scenarios in optimal distribution budgets, 37 were unchanged as compared to the amounts included as part of the historical budget scenarios.

The minor differences we noted between the historical and optimal budget scenarios reflected a disconnect between the guidance provided by Agency officials in Washington and how that guidance was interpreted by missions. Further, as missions did not take advantage of the opportunity to prepare the optimal budget scenarios, the Agency's ability to argue that earmarked funds restricted program spending and prevented them from designing budgets in line with Journey to Self-Reliance strategies was undermined. For example, missions in Ethiopia, Ukraine, and Zambia reported that 99, 68, and 93 percent, respectively, of obligations made in FY 2019 were done in line with various earmarks. Given that the optimal budget scenarios were designed, in part, to highlight the impact of earmarks and to allow for a better alignment of Journey to Self-Reliance budgets with related strategies, a larger variance than 0.2 percent between the historical and optimal budget would be expected.

The missions' production of budget scenarios that were inconsistent with initial guidance also stemmed from unclear roles and responsibilities in the budget process, including limited feedback from USAID headquarters officials. USAID headquarters staff described shared—but unclear—responsibilities between BRM and PPL to provide feedback and clearance on budget scenarios to the missions. USAID headquarters staff expressed confusion regarding what precise roles the different offices played in this process. Officials from all three missions reported that USAID headquarters provided limited feedback on the budget scenarios they submitted as a part of their Country Strategy package and did not have a formal process to approve them. While PPL initially communicated the intent of the scenarios, the process was not followed or sufficiently overseen to ensure that results met the intent of the guidance. In the absence of meaningful data produced under the mission budget scenarios, USAID would not be able to compare information between the budget scenarios to identify gaps and changes

that should be addressed to achieve the stated goal of aligning budgets with program needs identified under Journey to Self-Reliance.

After the finalization of the Country Strategies covered in this audit, USAID published a mandatory reference as a part of its December 2019 ADS 201 update. This reference included information on the roles and responsibilities of the missions and bureaus in Washington, DC, including BRM, for producing, reviewing, and providing feedback on Country Strategy budget scenarios throughout the approval of the overall Country Strategy package. Due to these actions taken, no recommendation is made for this finding.

Missions Received Conflicting Guidance From Headquarters When First Asked To Incorporate Zero-Based Budgeting in Their Resource Requests

According to USAID senior leadership, all missions were to use a budgeting technique known as zero-based budgeting while preparing the FY 2021 MRRs. This technique required missions to prepare their FY 2021 MRR based on the applicable Country Strategy while disregarding prior year MRR funding amounts—that is, to start from zero—to better align the funding request to the actual priorities and strategies of the mission.

However, missions were not able to prepare the FY 2021 MRR using zero-based budgeting, because USAID’s internal guidance conflicted with joint interagency guidance developed with the Department of State. The FY 2021 MRR guidance and submission template, jointly prepared by USAID and the Office of Foreign Assistance Resources, mandated that all foreign assistance requests use the historical FY 2020 Congressional Budget Justification amounts when preparing FY 2021 requests and justify any differences in request amounts.⁵ The guidance made no mention of zero-based budgeting. As such, USAID missions in Ethiopia, Ukraine, and Zambia prepared the FY 2021 MRR based on prior year amounts rather than using zero-based budgeting. To illustrate, of USAID’s numerous account requests included in the MRRs we reviewed, changes from the prior year’s funding request amount were made in less than half of the requests, with the other amounts remaining unchanged from the prior year’s request.⁶ Mission staff described competing priorities at their locations that did not always align with Journey to Self-Reliance, as well as USAID’s limited autonomy in a process that is controlled by a number of stakeholders outside of the Agency.

As with other guidance regarding Journey to Self-Reliance implementation, the Agency reviewed these challenges and updated guidance to help address these issues. As of

⁵ The Office of Foreign Assistance Resources is tasked with leading the coordination of U.S. foreign assistance by providing strategic direction to the Department of State and USAID. This office is staffed by personnel from both the Department of State and USAID and reports directly to the Secretary of State.

⁶ In each MRR, amounts for USAID activities were requested through the following accounts: (1) Economic Support and Development Fund, (2) Global Health Programs – USAID, and (3) Global Health Programs – State Department. USAID receives a portion of the Global Health Programs – State Department funds for its President’s Emergency Plan for AIDS Relief activities.

January 2020, USAID began producing its FY 2022 MRRs with the Office of Foreign Assistance Resources using updated guidance. In this updated guidance, missions were asked to use the optimal distribution budget scenarios within the Country Strategy as a factor for their funding requests in keeping with USAID’s strategy outlined under Journey to Self-Reliance. The FY 2022 MRRs were due for submission in March 2020 in order to begin the formulation of the Agency’s FY 2022 budget request. Due to actions taken by USAID since the finalization of the Country Strategies, related budget scenarios, and MRRs reviewed, we are making no recommendation to the Agency.

CONCLUSION

Since the inception of the Journey to Self-Reliance in 2017, the approach has continued to evolve, and USAID has taken actions to better ensure its principles are incorporated into the Agency’s metrics and budgets. USAID has also updated guidance in an effort to address the issues related to inconsistencies in applying metrics and aligning budgets with Journey to Self-Reliance priorities—issues we identified at the USAID missions in Ethiopia, Ukraine, and Zambia. However, the extent to which this guidance is adhered to by the missions as they continue to develop their Country Strategies and budgets has yet to be determined. While USAID has included components of the Journey to Self-Reliance in Agency and country-specific strategies, ensuring that funding aligns with the Agency’s Journey to Self-Reliance priorities is key to maximizing partner countries’ progress related to capacity and commitment. As a part of this challenge, USAID is faced with the task of using budget scenario data produced as a part of Country Strategies to better advocate with external stakeholders for alignment of funding amounts with program needs identified under the Journey to Self-Reliance approach.

We acknowledge USAID’s commitment to continuous improvement of the Journey to Self-Reliance approach. Accordingly, we make no recommendations at this time. Going forward, USAID’s challenge will be to ensure that missions effectively use the updated guidance and resources.

OIG RESPONSE TO AGENCY COMMENTS

We provided our draft report to USAID on October 22, 2020, and on November 25, 2020, received its response, which is included, excluding attachments, as appendix D. USAID also included technical comments with its response which we considered and incorporated into the final report as appropriate.

APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work from June 2019 through October 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to determine the extent to which (1) USAID's self-reliance metrics were incorporated into its development programming strategies at selected missions, and (2) USAID developed budgets that aligned with Journey to Self-Reliance strategies.

To answer the first objective, we reviewed USAID documents related to Journey to Self-Reliance, including USAID's Policy Framework, an overview of the Journey to Self-Reliance metrics, a related methodology guide, and training materials—webinars and presentations—that provided initial guidance to missions. In Washington, DC, we interviewed senior officials from USAID PPL and BRM responsible for developing and issuing guidance, as well as staff from the Department of State Office of Foreign Assistance Resources who work closely with USAID to produce its annual foreign assistance budget request. We also conducted detailed testing on a judgmental sample of three USAID missions responsible for incorporating Journey to Self-Reliance metrics in Country Strategies and developing associated budget requests. Our consideration for the selection of missions for detailed testing included the following:

- The dollar amount of U.S. foreign assistance funding received by those missions in FY 2017, with emphasis placed on higher amounts.
- The nature of development programs implemented in different sectors like democracy and governance, economic growth, health, and others, with emphasis placed on missions with varied programming areas.
- The geographic location of the missions.
- The inclusion of both first- and second-wave countries for Journey to Self-Reliance implementation.

Based on the above considerations, we selected USAID/Ethiopia, USAID/Ukraine, and USAID/Zambia for review. We conducted audit work with a site visit to the USAID/Ethiopia offices and interviewed officials from the mission's technical and program offices who were closely involved with production of the Country Strategy and FY 2021 MRR. We asked them how they incorporated Journey to Self-Reliance into these deliverables and how they used relevant guidance from USAID headquarters in Washington. We also interviewed the mission director, deputy mission director, and partner government officials from Ethiopia's Ministries of Finance and Agriculture to obtain different stakeholder perspectives on USAID's role in Ethiopia and the rollout of the Journey to Self-Reliance approach. We conducted similar procedures, limited to

USAID staff, at missions in Ukraine and Zambia through document review and remote video conferences.

We reviewed Country Strategy documents for the selected missions. In this review, we included all development activities contained in those documents in the scope of our audit. For Ethiopia, we also included humanitarian assistance activities. For each location, we examined the number of instances where the Country Roadmap metrics were referenced in the latest Country Strategy Results Framework narrative section within a Development Objective in order to consider the connections with the Journey to Self-Reliance approach. We did not include metrics that were only discussed in the Country Strategies' background sections, as we determined that metrics in the Results Framework components were more applicable to the activities missions planned to actively implement.

To answer the second objective, we reviewed the process for drafting MRRs and Agency guidance used to prepare them. At USAID headquarters, we interviewed senior officials from USAID PPL and BRM, as well as staff from the Department of State's Office of Foreign Assistance Resources. We analyzed the Country Strategy budget scenarios produced by the USAID missions in Ethiopia, Ukraine, and Zambia to determine (1) whether multiple scenarios were produced, (2) whether the scenarios included considerations of Journey to Self-Reliance, and (3) the percentage change in funding levels for each account if two scenarios were developed. We then interviewed mission directors, program officers, and technical staff from the selected missions to understand the process they followed to produce the proposed budgets, how they determined the change in funding levels, and the guidance and feedback they received from USAID headquarters.

To better understand the role of budgets in support of activities at selected missions and the level of flexibility that the missions had in allocating resources to mission priorities, we reviewed the obligations made by the selected missions in FY 2019 by foreign assistance accounts. We also analyzed the MRRs from these missions for FY 2021 to determine if the foreign assistance resource sections reflected Journey to Self-Reliance principles and incorporated the Agency's zero-based budgeting guidance. We reviewed the FY 2021 MRRs, because they are prepared 2 years in advance and, as such, were completed in the spring of 2019 during the period of our audit.

In planning and performing the audit, we gained an understanding and assessed internal controls that were significant to the audit objectives. Specifically, we designed and conducted procedures related to internal control principles 2-3, 6-7, 10, 12, and 14-17 under the five components of internal control as defined by the U.S. Government Accountability Office (GAO).⁷

USAID continued to incorporate Journey to Self-Reliance principles into Country Strategy documents that were developed after the team concluded fieldwork in May 2020. However, our review was limited to the initial waves of the Country Strategy documents for Ethiopia, Ukraine, and Zambia, and we did not evaluate the

⁷ GAO, "Standards for Internal Control in the Federal Government," September 2014.

implementation of guidance provided to countries after this period. We did review the updated ADS 201 issued in 2019 as well as reference materials and acknowledged the resulting changes in that updated guidance. The findings of this audit cannot be used to make inferences about Country Strategies prepared by other USAID missions.

Additionally, audit procedures were limited to reviewing only USAID's mission-level budget requests. As a result, we excluded steps of the budget formulation process after the MRR, such as the Bureau Resource Requests and the consolidated USAID and Department of State budget request. The data we used to support audit results primarily came from metrics in the Country Strategy documents and budget figures analyzed in the MRR and Country Strategy appendices. We assessed a low level of risk related to the quality of this data in performing our audit and considered the risks as not significant in the context of using the data in answering our audit objective; as such, we considered the data sufficiently reliable for the purposes of our audit.

APPENDIX B. SIX PROJECTS COMPRISING USAID'S JOURNEY TO SELF-RELIANCE

1. Journey to Self-Reliance Country Roadmap Metrics – assesses a country's level of self-reliance by using 17 metrics related to the country's levels of related commitment and capacity.
2. Financing Self-Reliance – outlines USAID's vision to reorient programming and investments to better support governments, civil society, and the private sector in partner countries by mobilizing partner country resources in order to increase their ability to solve development challenges.
3. Private Sector Engagement – improves the sustainability and effectiveness of USAID's activities through collaboration with the private sector.
4. Redefining Relationships With Government Partners – aims to engage its partner governments to encourage commitment and capacity to reduce the need for U.S. foreign assistance.
5. Strategic Transitions – occurs when a country shows an advanced level of self-reliance, and USAID transitions its relationship to one that moves toward supporting a long-term economic, diplomatic, and security partner.
6. New Partners Initiative and Effective Partnerships and Procurement Reform – ensures a maximal focus on using new, underutilized, and local partners on USAID programs.

APPENDIX C. JOURNEY TO SELF-RELIANCE COUNTRY ROADMAP METRICS

Indicator	Definition and sources	Category
COMMITMENT		
1. Liberal Democracy	Measures freedom of expression, freedom of association, suffrage, elections, rule of law, judicial constraints on the executive branch, and legislative constraints on the executive branch. <i>Source: Varieties of Democracy Institute</i>	Open and accountable governance
2. Open Government	Measures the degree to which a government shares information, empowers people with tools to hold the government accountable, and fosters citizen participation in public policy deliberations. Subfactors include publicized laws and government data, right to information, civic participation, and complaint mechanisms. <i>Source: World Justice Project, Rule of Law Index</i>	
3. Social Group Equality	Measures political equality across social groups as defined by ethnicity, religion, caste, race, language, and region. <i>Source: Varieties of Democracy Institute, Social Group Equality with Respect to Civil Liberties</i>	Inclusive development
4. Economic Gender Gap	Index comprising five components: (1) wage equality between women and men for similar work; (2) the ratio of female estimated earned income to male income; (3) the ratio of female labor force participation to male participation; (4) the ratio of female legislators, senior officials, and managers to male counterparts; and (5) the ratio of female professional and technical workers to male counterparts. <i>Source: World Economic Forum, Global Gender Gap Report, Economic Participation and Opportunity Sub-Index</i>	
5. Business Environment	Assesses a country's entrepreneurial climate by measuring businesses' access to infrastructure (such as the internet and transport) and credit, business flexibility (the costs of starting businesses and of hiring and firing), clear and fair regulations (e.g., intellectual property rights), and perceptions of meritocracy and opportunity. <i>Source: Legatum Institute, Prosperity Index</i>	Economic policy
6. Trade Freedom	Measures a country's openness to international trade based on average tariff rates and nontariff barriers to trade. <i>Source: Heritage Foundation, Index of Economic Freedom</i>	
7. Biodiversity and Habitat Protections	Measures extent of marine protected areas, terrestrial biome protection (weighted for both national and global scarcity), representativeness of protected areas, and whether protected areas cover the ranges and habitats of critical species. <i>Source: Yale University/Columbia University Center for International Earth Science Information Network (CIESIN)</i>	


Indicator	Definition and sources	Category
CAPACITY		
8. Government Effectiveness	Measures the quality of public services, the quality of the civil service and its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies. <i>Source: World Bank, Worldwide Governance Indicators</i>	Government capacity
9. Efficiency of Tax Administration	Examines management of domestic resources, including tax leakages. <i>Source: Institutional Profiles Database</i>	
10. Safety and Security	A combination of objective measures of security and subjective measures of personal safety, personal freedom, and social tolerance. <i>Source: Legatum Institute, Prosperity Index</i>	
11. Civil Society and Media Effectiveness	Measures the range of actions and mechanisms that citizens, civil society organizations, and an independent media can use to hold a government accountable. The mechanisms include using informal tools, such as social mobilization and investigative journalism. <i>Source: Varieties of Democracy Institute, Diagonal Accountability Index</i>	Civil society capacity
12. Poverty Rate (\$5/Day)	Measures the percentage of the population living under \$5/day in purchasing power parity (PPP) terms. <i>Source: World Bank, PovCalNet</i>	Citizen capacity
13. Education Quality	Indicator is based on five cross-country international tests on educational achievement, allowing for a comparative evaluation of the relative performance of schooling systems around the world. <i>Source: World Bank</i>	
14. Child Health	A composite measure that aggregates under-5 child mortality, access to improved water sources, and access to improved sanitation facilities. <i>Source: Columbia University Center for International Earth Science Information Network (CIESIN)</i>	
15. GDP Per Capita	Measures the flow of resources available to households, firms, and the government to finance development as the country's total gross domestic product (PPP) divided by the country's population. <i>Source: World Bank, World Development Indicators</i>	Capacity of the economy
16. Export Diversification	Measures the diversification of a country's export products, one marker that can help gauge economic sophistication and resilience. <i>Source: UNCTAD, Export Concentration Index</i>	
17. Information and Communication Technology Use	Index comprising: (1) internet users as a percentage of the population; (2) fixed-broadband internet subscriptions per 100 population; (3) internet bandwidth kb/s/user; (4) mobile broadband subscriptions per 100 population; (5) mobile telephone subscriptions per 100 population; and (6) fixed telephone lines per 100 population. <i>Source: World Economic Forum, Global Competitiveness Index</i>	

APPENDIX D. AGENCY COMMENTS



MEMORANDUM

TO: Global and Strategic Audits Division Director, Emily Gardiner

FROM: Bureau for Policy, Planning and Learning (PPL)/AA, Christopher Maloney
 11/25/20

DATE: November 25, 2020

SUBJECT: Management Comment(s) to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, *USAID Updated Guidance To Address Inconsistent Use of Journey to Self-Reliance Metrics and Misalignment of Missions' Budgets* (9-000-21- 00X-P)

The U.S. Agency for International Development (USAID) would like to thank the Office of the Inspector General (OIG) for the opportunity to provide comments on the subject draft report. The Agency agrees with and welcomes the OIG's conclusion that no recommendations are required as a result of this audit.

The OIG had two findings for USAID: (1) USAID's self-reliance metrics were incorporated into its development programming strategies at selected missions and (2) USAID developed budgets that aligned with Journey to Self-Reliance country strategies. Because USAID issued updated guidance based on the experiences of the pilots to address the inconsistent use of metrics in Country Strategies as well as to address issues identified in the production of Country Strategy budget scenarios and Mission Resource Requests (MRRs), the OIG makes no recommendations.

Further, as the report acknowledges, the Journey to Self-Reliance approach was implemented in a phased approach, with a selection of pilot missions grouped into "waves." PPL sought feedback from each mission with the goal of learning and improving its guidance between each wave. Based on this feedback, USAID published a mandatory reference as a part of its December 2019 ADS Chapter 201 update. This reference also included information on the roles and responsibilities of the missions and

bureaus in Washington, DC, including the Office of Budget and Resource Management, for producing, reviewing, and providing feedback on Country Strategy budget scenarios throughout the approval of the Country Strategy package. In addition, working with the Office for Foreign Assistance, MRR guidance was updated to ask missions to use the optimal distribution budget scenarios within the Country Strategy as a factor for their funding requests in keeping with the Journey to Self-Reliance approach.

Thank you for the courtesy shown by your staff while conducting this engagement. We reiterate our appreciation for the valuable opportunity provided by OIG's audits to assess and improve upon USAID's policies, procedures, and programs.

Attachment: **Technical Comments to OIG's draft report**

APPENDIX E. MAJOR CONTRIBUTORS TO THIS REPORT

The following people were major contributors to this report: Emily Gardiner, audit director; Ryan McGonagle, assistant director; John Slattery, auditor; Shaun Ali, auditor; Saifuddin Kalolwala, attorney; Tovah Rom, writer-editor; and Varun Srirangarajan, auditor.