



OFFICE OF INSPECTOR GENERAL
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Written Statement for

U.S. Senate Committee on Appropriations
Subcommittee on State, Foreign Operations, and Related Programs

Strengthening American Competitiveness:
Examining the Roles of the U.S. International Development Finance Corporation,
Export-Import Bank of the United States, and Millennium Challenge Corporation

May 15, 2024

Chairman Coons, Ranking Member Graham, and Members of the Subcommittee:

Thank you for the opportunity to provide a written statement for the subcommittee's hearing on *Strengthening American Competitiveness: Examining the Roles of the U.S. International Development Finance Corporation, Export-Import Bank of the United States, and Millennium Challenge Corporation*.

The mission of the USAID Office of Inspector General (OIG) is to safeguard and strengthen U.S. foreign assistance through timely, relevant, and impactful oversight. We conduct independent audits and investigations that (1) promote economy, efficiency, and effectiveness; and (2) prevent and detect fraud, waste, and abuse in programs and operations of the Millennium Challenge Corporation (MCC) and the other agencies we oversee.

MCC is an independent U.S. foreign aid agency created in 2004 to promote economic growth, open markets, and increased living standards in select countries. The Millennium Challenge Act of 2003 designated USAID OIG as the agency responsible for independent oversight of MCC's worldwide programs and operations.

In fulfilling its mission, MCC relies on indicators of a country's commitment to good governance, economic freedom, and investing in its citizens before it forms a partnership with that country. Once a partnership is made, MCC makes investments in the country's roads and transportation infrastructure, energy, agriculture, health, education, water and sanitation, and land and property rights by providing grants designed to complement other U.S. and international development programs. These grants fall into three primary types:

- **Compacts.** Large, 5-year grants for countries that meet specific eligibility criteria.
- **Concurrent Compacts for Regional Investments.** Grants that promote cross-border economic integration and increase regional trade and collaboration.

- **Threshold Programs.** Smaller grants focused on policy and institutional reform in countries that come close to passing eligibility criteria and show a firm commitment to improving their policy performance.

Completed Audits of MCC Programs

We routinely conduct discretionary and mandated audit work related to oversight of MCC. Our November 2021 audit titled [*MCC Economic Rate of Return: More Guidance Would Mitigate Risks That Could Lead to Uninformed Investment Decisions*](#) found that MCC did not develop cost-benefit analysis guidance for three sectors (agriculture, health, and education) and did not finalize guidance for one sector (energy). Additionally, although MCC created a peer review repository to capture institutional knowledge from reviews of economic rates of return (ERR), the Agency did not have guidance for using the repository. Finally, none of the four selected compacts had documentary evidence to show that peer reviewers had been assigned to or reviewed all ERR models before investment decision meetings.

In this review, we made six recommendations to help MCC address identified risks to developing and reviewing ERRs and improve its implementation of the peer review process. MCC agreed with and implemented all six recommendations.

Our September 2021 audit titled [*MCC Should Do More to Assess the Threshold Program's Progress in Achieving Its Overall Objectives*](#) found that MCC's Threshold Program—established to help countries undertaking difficult policy reforms become eligible for the 5-year compact grants—collected data from individual partner countries to ensure the completion of projects. However, MCC did not use that data to assess its progress in achieving program objectives to (1) boost the “MCC Effect,” which refers to the positive impacts of MCC's commitment to sound policies; (2) invest in policy and institutional reforms critical to growth and good governance; and (3) assess a country's capacity to develop a potential compact in the future.

We made three recommendations to improve the Threshold Program's measurement of performance, communications, and use of performance results. To date, one recommendation—which advised MCC to develop (1) a process to clearly define performance indicators with targets for the overall threshold project objectives; and (2) a method for tracking and assessing those performance indicators—remains open. The target closure date is June 2024.

OIG contracted the audit work for the most recent annual congressionally mandated audits of MCC to an independent certified public accounting firm. We reviewed the firm's reports and related review documentation and found that MCC had complied with applicable financial and IT requirements as reflected in the reports below:

- [*Audit of Millennium Challenge Corporation's \(MCC's\) Financial Statements for Fiscal Years 2023 and 2022*](#) (0-MCC-24-002-C) November 14, 2023.
- [*MCC Generally Implemented an Effective Information Security Program for Fiscal Year 2023 in Support of FISMA*](#) (A-MCC-23-002-C) September 5, 2023.
- [*Assessment of MCC's Charge Card Programs Showed Low Risk of Improper Purchases and Payments in FY 2022*](#) (0-MCC-23-007-C) June 9, 2023.

- [MCC Complied in Fiscal Year 2022 with the Payment Integrity Information Act of 2019 \(0-MCC-23-005-C\)](#) May 19, 2023.

Investigative Work Related to MCC

OIG has statutory authority to conduct investigations into criminal and other misconduct implicating MCC's programs and operations. We receive an average of 20 MCC-related complaints per year, generally related to issues with solicitation, proposal, award, and termination processes; contract disputes, prepayments, or allegations of bribery and nepotism in hiring/issuing of awards. We have also provided support to MCC's efforts to establish a suspension and debarment office to prevent bad actors from recirculating within the aid sector.

Ongoing Audits of MCC Programs

We are in the process of completing two discretionary performance audits assessing MCC's (1) use of data quality reviews as part of its monitoring and evaluation of compacts and threshold programs and (2) oversight of partner countries' procurement processes. We look forward to sharing our findings and recommendations with this subcommittee.

Concluding Observations

As the subcommittee examines the role of the MCC in strengthening American competitiveness, OIG will continue to conduct oversight that (1) is helpful to MCC management and contains practical recommendations for improvement; (2) provides substantive, timely, and relevant information to Congress and the public; and (3) ensures transparency and accountability about how MCC, USAID and the agencies under OIG's oversight purview spend taxpayer dollars.

Thank you for the opportunity to provide this written statement.