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U.S. Agency for International Development

USAID's Climate Strategy: Limitations in Information Quality and Agency Processes Compromise Implementation

Final Audit Report 5-000-24-002-P
July 17, 2024

Audit

Office of Audits, Inspections, and Evaluations

DATE: July 17, 2024

TO: Dina Esposito, Assistant to the Administrator, USAID/Bureau for Resilience, Environment, and Food Security

FROM: Christine Byrne, Deputy Assistant Inspector General for Audit /s/

SUBJECT: USAID's Climate Strategy: Limitations in Information Quality and Agency Processes Compromise Implementation

This memorandum transmits our final audit report. Our audit objective was to assess whether USAID has quality information to support implementation of its 2022–2030 climate strategy. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix B.

The report contains our audit findings and five recommendations to improve information quality and Agency processes. After reviewing information you provided in response to the draft report, we acknowledge management decisions on all recommendations and consider two resolved but open pending completion of planned activities (Recommendations 2 and 3), and three open and unresolved (Recommendations 1, 4, and 5).

For Recommendations 2 and 3, please provide evidence of final action to the Audit Performance and Compliance Division.

For Recommendations 1, 4, and 5, please provide additional documentation and a revised management decision, if necessary, within 30 days of issuance of this report.

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

Contents

Report in Brief

Why We Did This Audit

- USAID announced in April 2022 a new globally focused climate strategy with the 2030 goal of mitigating greenhouse gas (GHG) emissions by 6 billion metric tons; conserving, restoring, or managing 100 million hectares of natural ecosystems; and mobilizing $150 billion of public and private finance to address climate change.

- According to USAID's climate strategy, as temperatures and sea levels rise, increasingly heat waves, droughts, floods, cyclones, and wildfires are upending lives. Moreover, climate change is considered a global crisis that disproportionately impacts the poorest and most marginalized communities.

- We initiated this audit to examine the Agency's preparedness to implement the new strategy and meet its mitigation-related targets. Specifically, our audit objective was to assess whether USAID has quality information to support implementation of its 2022–2030 climate strategy.

What We Recommend

We are making five recommendations to improve the information and processes necessary to support the successful implementation of USAID's climate strategy. The Agency agreed with all five recommendations.

What We Found

- **USAID did not have quality data to support its efforts to implement a comprehensive climate strategy.** Specifically, the data was not complete, accurate, accessible, or current due to the design of USAID's information system and the related processes the Agency used to collect and report data on its climate change mitigation activities. Consequently, USAID did not have the information to assess the success of its mitigation efforts.

- **Weaknesses in the Agency's processes for awarding funds, managing performance, and communicating climate change information could impede successful implementation of its strategy.** While USAID reported $2.6 billion in funding for climate change mitigation from fiscal year 2011 to 2021, the Agency lacked complete information to effectively identify and support decisions regarding its resource needs.

- We also found that USAID's performance management process did not produce useful information for assessing its mitigation results.

- Finally, the Agency lacked efficient processes for communicating comprehensive, consolidated information on its mitigation efforts to stakeholders. Failure to successfully address these issues will inhibit USAID's efforts to implement its ambitious global climate strategy.

Introduction

USAID announced in April 2022 a new climate strategy to guide climate change mitigation and adaptation activities through 2030—the Agency's fourth strategic effort on climate change since the 1990s. The strategy aims to advance equitable and ambitious actions to confront the climate crisis under two main strategic objectives: (1) accelerate and scale targeted direct climate actions the Agency will take and (2) catalyze transformative shifts to net-zero and climate-resilient pathways through systems change. By 2030, the strategy targets mitigating greenhouse gas (GHG) emissions by 6 billion metric tons; conserving, restoring, or managing 100 million hectares of natural ecosystems; and mobilizing $150 billion of public and private finance.

Our audit focused on USAID's climate change mitigation efforts because, according to the Agency's climate strategy, as temperatures and sea levels rise, people are increasingly seeing extreme weather events, such as heat waves, droughts, wildfires, floods, and cyclones upend their lives. As climate change is considered a global crisis that disproportionally impacts the poorest and most marginalized communities, we initiated this audit to examine the Agency's preparedness to implement the new strategy and meet its mitigation-related targets. This includes examining the Agency's efforts to ensure it has quality information. USAID OIG has previously identified and reported challenges with USAID's communication of quality information and data in its Top Management Challenges reports to the Agency going back as far as fiscal year (FY) 2011 and as recently as FY 2023.[1]

Our objective was to assess whether USAID has quality information to support implementation of its 2022-2030 climate strategy.

To answer the objective, we analyzed the quality of information and data primarily from the Agency's official data collection system, the Foreign Assistance Coordination and Tracking System Info (FACTS Info), with funding data from FY 2011 through FY 2021 and results data from FY 2011 through FY 2020.[2] To corroborate our analysis of the data, we sent questionnaires and requests for supporting evidence to 9 of 54 USAID operating units,[3] selected based on (1) high proportions of funding, (2) priority areas, and (3) regional diversity: Brazil, Central Africa (regional), India, Indonesia, Mexico, Power Africa (regional), South Africa, Southern Africa (regional), and Vietnam. Further, to better understand USAID's efforts to ensure it has quality information and its actions address identified challenges, we interviewed USAID officials in Washington, DC, responsible for developing the climate strategy and implementing guidance. We also met with USAID officials and implementing partners of climate change activities in New Delhi, India.[4] We conducted our work in accordance with generally

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[1] USAID OIG, *Top Management Challenges*.

[2] FACTS Info is an official data collection system for Agency-wide results data; however, the Department of State owns the system. During this audit, USAID officials provided us with Agency financial and results data from that system because we do not have independent access.

[3] Operating units are typically known as "missions" within USAID but also include regional field offices (such as Central Africa, Southern Africa, and Power Africa).

[4] Implementing partners are contractors and grantees that receive USAID funding and implement projects and activities through legally binding awards.

accepted government auditing standards. Appendix A provides more detail on our scope and methodology.

Background

The Climate Change Development Problem: Greenhouse Gas Emissions

The rise in global temperature is a result of increasing levels of carbon dioxide (CO_2) that trap heat in the earth's atmosphere.[5] Other heat-trapping GHGs include methane, nitrous oxides, and water vapor. Nearly half of global emissions come from two sectors: (1) electricity and heat production and (2) agriculture, forestry, and other land use.[6]

President Biden's 2021 Executive Order on Tackling the Climate Crisis at Home and Abroad commits the United States to exercise its leadership to meet the climate challenge outlined in the Paris Agreement.[7] The Intergovernmental Panel on Climate Change generally found that global CO_2 emissions would need to be reduced by about 45 percent from 2010 levels by 2030 and reach net-zero by 2050.[8]

While the impact of climate change is global, approximately 75 percent of annual global GHG emissions come from 20 countries. As Table 1 shows, USAID has GHG mitigation activities in 9 of those 20 countries—India, Indonesia, Brazil, Democratic Republic of Congo, Mexico, South Africa, Pakistan, Vietnam, and Thailand. In total, the world collectively emitted approximately 48 billion metric tons of GHGs in 2019.

Table 1. USAID's Climate Change Mitigation Efforts in Higher Greenhouse Gas Emission Countries

Emissions	Number of Countries	Countries
25%	Top Emitter	China
30%	5	U.S., India,* Indonesia,* Russia, Brazil*
19%	14	Japan, Iran, Canada, Saudi Arabia, Germany, Democratic Republic of Congo (DRC),* Mexico,* South Korea, Australia, South Africa,* Turkey, Pakistan,* Vietnam,* Thailand*

*Countries under the purview of USAID operating units receiving clean energy, sustainable landscapes, or biodiversity funding in FY 2021 and/or FY 2022.
Source: OIG analysis of ClimateWatchData.org 2019 GHG emissions data, accessed January 31, 2023, and USAID's Office of Budget and Resource Management (USAID/BRM) funding data.[9]

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[5] The National Aeronautics and Space Administration, *What is the greenhouse effect?,* December 2022.
[6] U.S. Environmental Protection Agency, *Global Greenhouse Gas Emissions Data*, February 2022.
[7] The Paris Agreement, a United Nations agreement from 2015, outlined that each country would develop a plan for lowering emissions known as a "nationally determined contribution."
[8] Intergovernmental Panel on Climate Change (IPCC), *Headline Statements from the Summary for Policymakers*, which is based on IPCC's *Special Report: Global Warming of 1.5°C*, October 2018.
[9] As of October 2023, the responsibilities of this office would be covered by the Bureau for Planning, Learning, and Resource Management.

Mitigation of GHG emissions is an intervention to reduce the sources of GHGs or enhance the sinks of GHGs—anything that removes GHGs from the atmosphere, such as forests that absorb the CO_2 already in the atmosphere. Forests are key to climate change mitigation efforts as they absorb CO_2 when standing or regrowing, but also release CO_2 during deforestation when cleared or degraded through forest fires.[10]

Tropical rainforests, in particular, have a high potential for reducing GHG levels, the degree to which varies by region. Three critical tropical rainforests in the Amazon region, the Congo River basin, and in areas across Southeast Asia have a high potential for absorbing GHGs. USAID has bilateral or regional missions that implement conservation or sustainable land use activities in all three of these critical landscapes.

USAID's Climate Change Efforts Since the 1990s

Previous climate-related initiatives in 1990–1994, 1998–2002, and 2010–2018 outlined objectives to promote renewable energy, decrease the rate of growth of GHGs, and invest in clean energy and sustainable landscapes. The USAID Climate Strategy 2022–2030 continues these efforts and states that the Agency:

> recognizes the need to prioritize and confront the most urgent demands of the climate crisis … [and] will carefully target climate change mitigation and adaptation efforts to the highest-priority communities and locations – those with the most urgent needs or most immediate opportunities – to maximize our impact.[11]

Generally, three types of USAID efforts have directly or indirectly led to climate change mitigation results:

- **Clean energy**, which at USAID is often measured in megawatts and involves adding renewable energy to an electrical grid, improving energy efficiency, supporting renewable energy integration into electricity grids, or helping private or government sectors invest in renewable energy.

- **Sustainable Landscapes**,[12] which at USAID is often measured in hectares of forest and non-forest lands and may involve implementation of management plans and policies, new technology, or support that encourages the protection, restoration, or management of natural landscapes.

- **Biodiversity**, which focuses on the conservation of certain sites, species, and genetic diversity, such as by addressing wildlife trafficking and illegal timber trade. Some biodiversity efforts have indirect climate change mitigation results due to the conservation efforts of

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[10] Nancy Harris and David Gibbs, "Forests Absorb Twice As Much Carbon As They Emit Each Year," *World Resources Institute*, January 2021.
[11] This is the definition of "targeted direct action" as described in *USAID's Climate Strategy 2022–2030*.
[12] Another commonly referred to name for sustainable landscapes is "natural climate solutions." We use sustainable landscapes in this report.

critical landscapes; however, USAID's biodiversity strategy does not have a goal focused on climate change mitigation.[13]

When this audit began, USAID's Bureau for Development, Democracy, and Innovation (USAID/DDI) led the Agency's climate strategy's mitigation efforts, but as of October 2023, all climate change activities were moved under the Bureau for Resilience, Environment, and Food Security (REFS). The Agency's Chief Climate Officer is positioned in REFS and serves as a deputy assistant administrator. According to the Agency's climate strategy, every USAID bureau and mission is expected to help meet the climate strategy objectives directly or indirectly.

Quality Information as a Longstanding Challenge

USAID OIG identified and reported challenges with USAID's communication of quality information and data in its Top Management Challenges reports to the Agency going back as far as FY 2011 and as recently as FY 2023. Further, data findings were made in a 2013 audit that related specifically to climate change.[14]

Federal standards for internal control state that quality information or data should be reliable and relevant, current, complete, accurate, accessible, and well communicated both internally and externally.[15] Moreover, agencies are required to maintain effective internal controls over their information systems to ensure accountability in achieving its objectives.[16]

USAID maintains an "information system" that is comprised of the people, processes, data, and technology and used by Agency management to obtain, communicate, or dispose of various types of information. In this system environment, USAID uses specific information technology or data collection and reporting systems to collect and report on funding and results data. One of those systems is FACTS Info, which includes data for both USAID and the Department of State (State). According to USAID officials, FACTS Info is not a climate-specific system but is a centrally required Agency-wide performance reporting system. It is also not a performance management tool. In addition, USAID requires operating units to report on performance results in annual Performance Plan and Report (PPR) narratives. Operating units should also collect and analyze activity performance data and other information to track progress toward results.[17]

USAID requires that all Agency programmatic efforts be supported by a Monitoring, Evaluation, and Learning (MEL) plan. This plan provides a framework for achieving the Agency's climate strategy goals and targets by describing how missions will oversee and monitor the performance of their activities. The MEL plan describes specific methodologies, assumptions,

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[13] According to USAID officials, the biodiversity earmark and programming are not considered to be directly contributing to climate change mitigation. Any non-climate development activity may indirectly contribute to climate change objectives as a co-benefit, including biodiversity.

[14] USAID OIG, *Audit of USAID/Mexico's Global Climate Change Program* (1-523-13-006-P), June 20, 2013.

[15] U.S. Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (GAO-14-704G), Principle 13, "Use Quality Information," Principle 14, "Communicate Internally," and Principle 15, "Communicate Externally," September 2014.

[16] GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), Principle 10, "Design Control Activities," and Principle 11, "Design Activities for the Information System," September 2014.

[17] USAID, Administrative Directives System, Chapter 201, *Program Cycle Operational Policy*, March 2024.

and risks affecting the Agency's plans to measure and communicate results information throughout the lifecycle of its climate strategy.

Limitations of USAID's Data and Processes Compromise the Quality of Climate Strategy Information and Implementation

USAID primarily collects and reports results data through FACTS Info, which did not deliver quality results data to support the Agency's climate strategy implementation. Furthermore, weaknesses in the Agency's processes for funding, performance management, and communicating climate change information to stakeholders will likely impede the implementation of the strategy.

USAID Lacks Quality Results Data to Support the Implementation of the Climate Strategy

Data on the results of climate change mitigation is critical for understanding progress made toward achieving the Agency's climate change objectives. USAID captures standard data on climate change, which includes results measured in megawatts saved from the use of renewable energy, hectares of forests under improved management, and metric tons of GHG emissions not released into the atmosphere because of mitigation efforts.

We found that climate change mitigation data provided by USAID did not meet internal control standards for quality information because data was not complete, accurate, accessible, or current. This was due to the design of various components of its information system and related processes the Agency used to collect and report data on its mitigation activities. Consequently, USAID will face challenges with assessing the extent of its results in meeting objectives in its climate strategy because its processes did not consistently produce quality data on climate change mitigation results. As described below, the results were incomplete, inaccurate, inaccessible, and out of date.

Incomplete results. Complete results of the Agency's climate change mitigation efforts were not available because there were multiple reporting mechanisms and not a single, consolidated location for program results data. For example, when a USAID activity introduced energy efficiency building codes, a mission described qualitative results in an annual PPR narrative. However, it did not identify quantitative data, such as the megawatts saved from the decreased energy usage following the introduction of new building codes or the GHG emissions reductions, in FACTS Info. Accordingly, the full results of the mission's work were not quantified and captured in a single, consolidated location or reporting mechanism.

We also found incomplete data during our testing of awards related to 39 climate-related activities. We examined 103 total result indicators associated with mitigating GHG emissions, improving hectares of land, adding megawatts of clean energy, or mobilizing climate funds. However, data on results and targets were often incomplete and missing in activity progress or final reports. Specifically, 21 of the 103 indicators lacked enough data to assess performance because they did not have a target, result, or both even though the activity identified an

indicator that was significant to implementation. Moreover, 17 of the 39 activities did not report on the amount of GHGs mitigated, which is now a key Agency strategic target.

Inaccurate results. Tracked results, specifically GHG emission results, were highly susceptible to inaccuracies because of the design of USAID's data collection processes. First, the data collection for GHG results relied on estimates and projections of results.[18] In this effort, USAID used different methods for calculating GHG reduction estimates, and mission officials and implementing partners expressed concerns to the auditors about estimated and projected data. For example, activities could report results data in a single fiscal year with projections from up to 15 years of results with no firm requirement to update these figures in successive years.[19] Consequently, even though future GHGs have not been reduced, USAID activities may record reductions that did not occur yet. USAID's results on mitigating GHGs also skewed toward future projections, revealing the emphasis that USAID's results rely on future events. One USAID activity report acknowledged "known data limitations" because "carbon accounting in forest types is clearly an imprecise science."

Second, results differed between operating unit records and official databases, as demonstrated by our testing of mobilized finance results.[20] For example, we compared data from FACTS Info to information we received directly from the missions as an accuracy check. Table 2 illustrates the significant divergence between the two data sources in this sample of operating units.[21]

Table 2. Differences Between Mobilized Finance Results Reported in FACTS Info and Results Confirmed by Nine Operating Units

Type of Result	USAID's Consolidated Data	Confirmed Results	Percentage Difference
Mobilized Finance	$25,256,028,911	$17,139,825,979	**-32%**

Source: OIG analysis of sampled USAID/DDI's FY 2011-2020 performance data from FACTS Info that was confirmed by nine selected USAID operating units.

Third, we found that Agency hectare-based results for multiple years were not accurate when we examined data from FACTS Info. USAID may work in the same hectare forest areas year after year, and those results could be reported in subsequent years, leading to duplication and inaccuracies if the same areas were added together multiple times. In addition, the data from FACTS Info lacked granularity and geospatial coordinates to understand the precise locations where USAID worked. For example, in USAID's first climate strategy review,[22] it did not

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[18] Agency officials stated that "USAID follows international GHG accounting best practices and methodologies which allow for estimates, particularly when exact measurements are not possible or cost-prohibitive." Further, "[a]ll global greenhouse gas accounting methodologies for land are based on estimates—landscape level emissions cannot be directly measured. Some energy emissions, however, can be directly measured."

[19] USAID's MEL plan did include some guidance on projected greenhouse gas emissions, which states "[projected] greenhouse gas emission reductions that are reported toward the target may be reviewed periodically to identify significant deviations from the expected outcomes. Deviations may include differences in actual emission reductions, or negative social impacts. These reviews are dependent on data availability, budget, and other limitations."

[20] USAID refers to "mobilized finance" as funds obtained from private sector investors and partner country governments, in this case, to support the Agency's climate targets.

[21] USAID OIG also reported data issues related to private sector funding in *Improved Guidance, Data, and Metrics Would Help Optimize USAID's Private Sector Engagement* (5-000-21-001-P), December 9, 2020.

[22] USAID, *Climate Strategy: Year 1 Review*, June 2023.

accurately show the locations of rainforests where it claimed positive results, such as in Brazil's Amazon rainforest, while other Agency data showed high deforestation in the same rainforest.[23] To ensure accurate data, USAID officials stated that they will start collecting geospatial location data to better communicate results.

Lastly, results data was not accurately disaggregated by activity or locations. FACTS Info compiled results by operating unit but did not disaggregate the data to examine which activities produced results or where these activities were located. To accurately understand the extent of USAID's work, more inquiry with missions was required to assess results. For example, USAID/Indonesia summarized its results in the PPR over a 4-year period by comparing hectare land-size results to the size of U.S. states or parks rather than the actual locations where results were reportedly achieved.[24] Further, when a regional operating unit like Power Africa or Central Africa Regional reported results, the data did not pinpoint the activity, country, or location where the result occurred.

Inaccessible consolidated results. Results were not accessible because data was fragmented across individual sources and systems and not merged or fully accessible for analytical purposes. Information on USAID's efforts was distributed over 10 source categories, including award and financial information systems, performance reporting systems, external and internal collections of information, the USAID climate team's first-hand knowledge, and other document repositories.

Outdated results. Results may not be current when they are recorded annually into FACTS Info and reported through the PPR process. While the Agency's implementing partners working on climate activities can report results quarterly, the PPR process was not meant for performance management or for collecting and reporting results more often than annually. Such limitations in FACTS Info may lead to untimely results data. USAID climate change officials at headquarters commented that the "climate office only seeks agency-wide climate indicator data on an annual basis for budgeting and external reporting purposes. Missions may require quarterly information for performance management, but this is outside the scope of USAID [headquarters'] role."

USAID is undertaking an Agency-wide initiative to implement a new system called the Development Information Solution (DIS) that seeks to address many data quality weaknesses.[25] For example, DIS is designed to focus on key processes, such as performance management, activity result reporting, and consistent data tracking.

Although USAID is taking steps to address data quality through DIS, without complete, accurate, and accessible data on its climate change mitigation results, the Agency risks making ill-informed decisions and cannot effectively evaluate progress on strategic targets. Moreover, USAID and its stakeholders cannot be assured that they have a complete and accurate picture

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[23] For example, USAID referenced www.GlobalForestWatch.org, an external resource that describes tree cover loss in Brazil between 2001 and 2021 totaling nearly 63 million hectares. It also shows that in six countries where USAID works on forest issues, a total of 118 million hectares of tree cover may have been lost between 2001 and 2021.

[24] The mission said the land sizes were roughly equivalent to Delaware, Maryland, Massachusetts, Rhode Island, West Virginia, and Yellowstone.

[25] The DIS is a web-based, Agency-wide portfolio management system designed to capture information from strategy to results.

of the Agency's efforts to mitigate climate change and the impact made after spending billions of dollars toward mitigating climate change.

Weaknesses in USAID's Processes for Funding, Performance Management, and Communicating Information Could Impede Successful Implementation of Its Climate Strategy

From FY 2011 to FY 2021, USAID reported $2.6 billion in funding for climate change mitigation. However, the Agency's climate funding process lacked complete information to effectively support decisions regarding its mitigation resource needs and allocations. Moreover, USAID's performance management process did not produce useful information for assessing program results. Finally, USAID processes for communicating information to stakeholders was not consolidated and was decentralized and fragmented—hindering effective and transparent communication.

USAID's Funding Process Lacked Complete Information to Support Resource Needs and Allocations

USAID did not have a full inventory of activity funding that directly or indirectly contributed towards climate change mitigation efforts. For example, in December 2021, USAID provided us with two climate change mitigation reports showing different amounts of funding. One report showed funding of approximately $2.6 billion between FY 2011 and FY 2021, while a second activity report showed a total of $1.5 billion between FY 2013 and FY 2020.

The lack of full funding information on the Agency's climate change mitigation activities reflects changes in how FACTS Info has historically been used and the nature of how USAID implements its climate change mitigation efforts. For activities that contribute indirect benefits, such as biodiversity, the Agency said it is more challenging to track funds spent achieving climate results due to how FACTS Info is designed and used by missions.

Understanding the full amount of funding available that directly or indirectly contributes to climate change mitigation results is essential to supporting resource needs and budget allocations. Federal standards for internal control require agencies to design control activities and use quality information to achieve objectives.[26] One type of control activity is the establishment of performance measures and indicators, which may include assessments comparing different sets of data such as comparing climate change activity datasets to analyze relationships between results and funding.

USAID's climate strategy recognizes the importance of quality information in budgeting and prioritization, stating that the budget process "will be informed by high-quality quantitative and qualitative data to harness potential … mitigation benefits." However, because FACTS Info records funding and results data separately, the Agency did not have complete and comparable

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[26] GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), Principle 10, "Design Control Activities," September 2014. Control activities are defined as "actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system."

data about which activities received climate funding and what those activities achieved either directly or indirectly.

USAID's Chief Climate Officer stated that the lack of financial resources complicates the achievement of the Agency's climate change mitigation targets. Despite fluctuations in financial resources, in recent fiscal years, the Agency allocated more funds to missions in countries with lower potential for achieving results than missions with higher potential even though global emission rates were higher in some mission countries as compared to others or some countries did not have critical forests. For example:

- Based on our analysis of FY 2022 clean energy funding, 43 percent of all funding went to the USAID/DDI bureau;[27] the Africa Regional mission; and the West Bank Gaza, Iraq, and Colombia missions—none of which were listed as the top 20 GHG emitters. Overall, 68 of the 75 operating units that received funding in FY 2021 and FY 2022 were in countries that were not among the top 20 global GHG emitters.
- Additionally, missions in Ecuador received $4.2 million in clean energy funding; Jordan received $5 million and India $8.8 million.[28] However, data also shows that Ecuador and Jordan combined had about 1 percent of 2019 global emissions, while India contributed around 23 percent.[29]
- USAID's allocation of sustainable landscape funding also reveals similar challenges related to prioritizing critical forests. For example, in FY 2021 and FY 2022 the Agency continued to fund climate change efforts in Haiti, Mexico, and southern Africa even though those areas were outside the critical landscapes in the Amazon, Congo Basin, and Southeast Asia forests.

A senior USAID official acknowledged concerns about funding prioritization, noting that during preliminary budget allocations USAID's operating unit for West Bank and Gaza received more climate funding than the operating unit for India, a major source of GHG emissions. This same official explained that USAID and State must consider multiple factors when making these resource decisions besides those that impact USAID's climate change mitigation activities.[30] Some of the considerations include funding objectives that address energy security, energy access, or energy poverty issues, and the U.S. government's priorities for each of these competing objectives in an individual country. According to USAID officials, the Agency does not have a global target to measure performance or a single strategy, which would guide how energy-related objectives intersect with the climate strategy's priorities and objectives. State's Office of Foreign Assistance ultimately influences how much funding USAID missions receive.[31]

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[27] USAID officials clarified that the funding that USAID's DDI bureau receives may "impact activities globally," for example, through centrally funded global support mechanisms or interagency mechanisms.

[28] FY 2022 clean energy funding totaled approximately $243 million. Ecuador and Jordan received approximately 3.8 percent of the funding total. India received approximately 3.6 percent of the funding total.

[29] The 2019 global emissions data is from ClimateWatchData.org. Accessed January 31, 2023.

[30] USAID officials elaborated, stating: "Congressional directives require us to allocate funds to specific countries, including those that may have a lower development need but that are priorities for Congress. This can create a mismatch that USAID can't realistically affect absent a change in legislation in future years."

[31] The Office of Foreign Assistance, Department of State leads the coordination of U.S. foreign assistance. It advances U.S. national security and development objectives by coordinating policy, planning, and performance management efforts; promoting evidence-informed decision-making; and providing strategic direction for State and USAID foreign assistance resources.

Due to State's control of the budget process, we are not making recommendations to USAID in this area.

USAID climate officials stated one of the main challenges is securing enough funding to implement the climate strategy's objectives. Yet USAID does not fully control how the funds it receives are prioritized for climate activities. This is due to a variety of reasons, such as congressional directives and mission decisions on which implementing mechanisms to use.[32] Coupled with the many other priorities and considerations the Agency undertakes as well as State's role in the budget process, USAID is hindered in making effective and efficient funding decisions, a risk to the climate strategy's success.

USAID's Performance Management Process Did Not Produce Useful Information for Assessing Results

USAID's performance management process did not allow the Agency to capture standardized performance targets and results for its climate activities across the Agency for a variety of reasons. The MEL plan recognizes that "business as usual" performance is not sufficient to effectively address climate change and reach desired GHG mitigation targets.[33] The Agency allows operating units to consider on their own whether to contribute to the climate strategy's objectives and targets. Yet it does not require actions or set parameters to show what performance should look like. In addition, the MEL plan, climate strategy, and the strategy's roadmap to implementation lack specificity on individual mission targets given the funding they receive.

Federal standards for internal control outline two requirements for management related to performance objectives. First, the objectives should clearly define (1) what is to be achieved, (2) who is to achieve it, (3) how it will be achieved, (4) when it will be achieved (timelines are established), and (5) how achievements will be measured (measurable terms allow for the assessment of performance toward achieving objectives).[34] Second, management should design control activities in response to the agency's objectives and risks, such as top-level reviews of actual performance, functions, or activities.

Table 3 shows our analysis of the first climate strategy objective, to accelerate and scale targeted direct climate actions USAID will take, against the five internal control requirements for clearly defined objectives. Our review found that the climate strategy objective met the requirement to define what is to be achieved as well as the requirement to define the timeframes for achievement. It did not meet the other three requirements.

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[32] After the Agency was presented with the audit's findings, USAID officials commented that the Agency sends an annual 653(a) report that provides information on the allocation of the entire foreign assistance budget for State and USAID. However, it is unclear whether the FY 2023 report contained sufficient information to identify priorities for allocating funds effectively and efficiently for optimal climate change mitigation.

[33] The MEL plan was in draft form when the Agency provided it to OIG during audit fieldwork in December 2022; we received a finalized version in November 2023.

[34] GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), Principle 6, "Define Objectives and Risk Tolerances," September 2014.

Table 3. Internal Control Analysis of USAID's 2022-2030 Climate Strategy Objective on Targeted Direct Action

Internal Control Requirement	How Requirement Was Met
What is to be achieved?	- 6 billion metric tons of CO_2 equivalent reduced. - 100 million hectares conserved, restored, or managed. - $150 billion public and private funds mobilized.
Who is to achieve it?[35]	Information not yet available on who is to achieve it. Operating units consider who will contribute to the strategy's objectives.
How it will be achieved?	Information not yet available on how it will be achieved. Operating units consider how they will contribute to the strategy's objectives.
What are the timeframes for achievement?	By 2030, no interim targets.
What are the measurable terms for assessing performance?	Information not yet available on the measurable terms for assessing performance.

Source: OIG analysis of USAID's first climate strategy objective against internal control requirements.

The Agency's second climate strategy objective is to transform key country systems that may lead to longer-term benefits referred to as systems change. However, we found that USAID had not established targets or developed methods to measure results, such as how it will capture the outcome of its efforts to "address major underlying capacity and institutional constraints to systems change." USAID may address some data quality limitations for systems change as identified in a MEL plan. However, USAID had not yet completed and implemented the plan during the audit, so it did not have complete data on what it was achieving under this climate strategy objective.[36] As a result, the system change objective only met the requirement to define the timeframes for achievement. It did not meet the other four requirements.

Furthermore, USAID historically has not always established targets for achieving objectives on climate change mitigation or measured performance results, such as GHGs mitigated or efforts on critical forests. Even without established targets, USAID recorded climate change mitigation results prior to the development of the 2022–2030 climate strategy. The cumulative results and funding across the nine operating units we reviewed show that, on average, about 2.8 metric tons of GHGs may have been mitigated per dollar spent.[37] Still, actual performance may have

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[35] The climate strategy left the responsibility for implementing and tracking results toward strategic targets up to individual operating units. By April 2023, those operating units were supposed to update regional and country development cooperation strategies with the planned contributions they would make. Nonetheless, USAID's strategic approach for who and how results would be achieved was voluntary and delegated to operating units to determine. Thus, it was unclear if operating units had adequate implementation plans to achieve the strategy's objectives.

[36] After we presented the Agency with the audit's findings, USAID officials informed OIG that the systems change reporting guidance had been completed.

[37] This average represents the available and consolidated data from FACTS Info. USAID's Office of Budget and Resource Management provided the funding data, and USAID/DDI/EEI provided the results data. Multiple USAID officials either cleared or were notified about each set of data. Both datasets were then confirmed by each mission

been higher or lower based on individual activity; for example, one USAID/India activity reported reducing 49.2 metric tons of GHG emissions per dollar spent while a different USAID/India initiative reported no GHG emissions reduced for every dollar spent.

Some of the reasons for variances in performance are due to poor quality financial and results data, the previous lack of a climate strategy to define Agency objectives, and the lack of Agency-wide measurable terms for assessing performance. Without quality information and adherence to internal controls, USAID cannot accurately assess performance across its whole climate portfolio.

Additionally, USAID lacked control activities to monitor performance, such as a process to consolidate useful performance information across climate change mitigation efforts, an efficiency rate for assessing performance, or high-level reviews that regularly compared results to spending. Several USAID officials in the bureau formerly responsible for climate change mitigation, USAID/DDI's Center for Environmental, Energy and Infrastructure (EEI), stated that they believe assessing performance by comparing dollars spent to mitigation results achieved is an incorrect assessment of performance. Yet the officials did not provide a comparable alternative performance measure.

Ultimately, the absence of a comprehensive performance assessment may result in the Agency spending funds on activities that do not meet climate change mitigation objectives, require more funding to achieve strategic targets, or fail to mitigate the climate crisis.

USAID Lacked Efficient Processes for Communicating Consolidated Information to Its Stakeholders

USAID coordinates with U.S. and worldwide stakeholders to address climate change at the international level because it is a global issue. One challenge in addressing such a global issue is the need to communicate accurate and complete information to ensure optimal coordination with internal and external stakeholders.

While USAID works with multiple stakeholders to implement its climate change mitigation objectives, the Agency has not produced comprehensive, consolidated information on its efforts in a centralized and consolidated manner for internal and external use. While working with other organizations, countries, and Federal agencies on climate change presents a challenge to obtaining and sharing quality information, failure to do so hampers USAID's ability to transparently demonstrate its climate change mitigation work.

USAID's coordination with internal and external stakeholders on the climate change issue is extensive:

- USAID coordinates with internal stakeholders across multiple Agency initiatives, operating units, and locations, including USAID's operating unit managing Power Africa, a U.S. Government effort that USAID coordinates to promote clean energy.[38] Other internal

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we sampled before we arrived at the average. Results are from FY 2011–2021. Funding is from FY 2011–2020, and this represented the most complete information that USAID provided to us.

[38] Power Africa technically works in both traditional energy and clean energy areas; its major focus is to expand energy access across sub-Saharan Africa.

efforts focus on natural landscapes like the Amazon and Congo River Basin, which require bilateral and regional mission coordination as well as the involvement of separate technical teams and alignment with funding earmarks, such as biodiversity and sustainable landscapes.

- USAID coordinates with other U.S. government stakeholders external to USAID, including State, U.S. International Development Finance Corporation (DFC), and the Office of the Special Presidential Envoy for Climate.

- USAID coordinates with other contributing partners on worldwide climate initiatives, including the Trillion Trees Initiative, which aims to conserve and restore 1 trillion trees by 2030, and the Global Methane Pledge, which aims to cut 2020 methane emission levels by 30 percent by 2030. Other external efforts include the Plan to Conserve Global Forests, Scaling Solar, and the Indo-Pacific Strategy's Clean EDGE Asia initiative.[39] In addition, USAID aligns activities with bilateral partners' Nationally Determined Contribution goals, such as India's goal to sequester carbon by increasing its forest and tree coverage by 2030.

However, while the Agency coordinates across the globe on climate change mitigation issues, it has yet to utilize a central platform or process for communicating its consolidated and comprehensive climate strategy efforts internally and externally. Instead, information on climate change activities and results are maintained across various sources and systems—including award and financial information systems, performance reporting systems, external data on GHG emissions and deforestation, external and internal collections of information, the USAID climate team's first-hand knowledge, and other document repositories—which hinders effective and transparent communication. For example, official climate reporting can be limited to the PPR process, but these reports do not present a comprehensive picture for understanding USAID's consolidated activities. Instead, the PPRs describe many types of development activities by individual operating units that may or may not contain any climate information.

USAID has ongoing Agency-wide efforts that could shape communications on mitigating GHG emissions. As of May 2023, the following initiatives were still in development:

- USAID officials stated that its Agency Learning Agenda for 2022–2026 aims to engage key internal and external stakeholders in the generation, synthesis, sharing, and use of evidence to inform Agency decision making, including on climate change, and engagement with global actors, partner countries, and local leaders.

- The DIS is designed to capture "one cohesive development story—from strategy to results" and will be used to meet the need for "high quality" and real time data. The full rollout of the system is not yet complete, and climate reporting still relies heavily on other systems, like FACTS Info.

Given the global nature of the climate change mitigation challenge and the need to coordinate with numerous parties internally and externally across the globe on mitigation issues, we believe that a central platform or communication process will enhance USAID's ability to effectively and transparently communicate its climate change mitigation efforts.

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[39] The Indo-Pacific Strategy is a 2022 U.S. government and Indo-Pacific partner strategy to realize mutual climate goals through the Clean Enhancing Development and Growth through Energy Asia Initiative (also known as Clean EDGE Asia).

Conclusion

USAID's 2022–2030 climate strategy seeks to mitigate the drivers of climate change across the globe. However, the Agency lacks quality data, a meaningful performance management process, and comprehensive reporting to communicate climate change information needed for making effective and efficient decisions. Weaknesses in quality information and internal controls impede the Agency's ability to successfully implement the strategy and to meet or exceed its goals to reduce greenhouse gas emissions; conserve, restore, or manage natural ecosystems; and mobilize billions in public and private finance. Until it addresses these issues, USAID may not achieve the impact that is needed to tackle this global challenge.

Recommendations

To improve information quality, we recommend USAID's Assistant to the Administrator in the Bureau for Resilience, Environment, and Food Security:

1. Develop and implement a process to ensure that all climate change mitigation activities report complete results on applicable climate change mitigation indicators.

2. Develop and implement a process to ensure greenhouse gas reduction results are calculated and measured accurately.

3. Develop and implement a process to report consolidated results on climate change mitigation indicators that can be identified with location data and disaggregated by country, activity, and/or type of effort.

To improve strategic performance management, we recommend USAID's Assistant to the Administrator in the Bureau for Resilience, Environment, and Food Security:

4. Develop and implement a process for assessing and monitoring performance across climate change mitigation efforts.

To improve strategic communication of climate results and efforts information, we recommend USAID's Assistant to the Administrator in the Bureau for Resilience, Environment, and Food Security:

5. Develop and implement a method to communicate consolidated and comprehensive climate change mitigation efforts to internal and external stakeholders.

OIG Response to Agency Comments

We provided our draft report to USAID on April 24, 2024. On June 17, 2024, we received the Agency's response, which is included as Appendix B of this report.

The report included five recommendations. We acknowledge management decisions on all five recommendations. We consider two recommendations resolved but open pending completion of planned activities (Recommendations 2 and 3), and three open and unresolved (Recommendations 1, 4, and 5) pending more information and revised management decisions, if applicable, as described below.

In response to Recommendation 1, USAID stated that "achieving 100% complete reporting is a laudable but elusive goal in any large organization." Accordingly, USAID reported that REFS had established a robust plan of action to promote complete results reporting on priority mitigation indicators in the PPR. However, USAID did not provide sufficient documentation for us to verify final action.

Similarly for Recommendation 4, USAID did not provide sufficient documentation of final action. For example, USAID stated that "REFS presented new and improved ways of consolidating data and capturing programming and performance trends." However, the presentation provided to us does not show detailed information for how the Chief Climate Officer and other stakeholders assessed and monitored climate change mitigation performance.

For Recommendation 5, while USAID identified a method, USAID has not yet fully communicated consolidated and comprehensive climate change mitigation efforts because efforts to do so would require Recommendations 1, 2, and 3 to be completed, which they are not.

Appendix A. Scope and Methodology

We conducted our work from October 2021 through April 2024 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 objective was to assess whether USAID has quality information to support the implementation of its 2022–2030 climate strategy.

In planning and performing the audit, we gained an understanding of and assessed internal controls that were significant to the audit objective. Specifically, we designed and conducted procedures related to three of the five components of internal control: Risk Assessment (Principles 6 and 7), Control Activities (Principles 10 and 12), and Information and Communication (Principles 13, 14, and 15).[40]

In planning and performing the audit, we relied on computer-processed data on climate funding and results from FACTS Info, a State-owned information system. We obtained FACTS Info funding data from the Office of Budget and Resource Management and results data from USAID/DDI/EEI as we did not have access to the State system.

In answering our objective, we found that results and funding data were insufficiently reliable as shown in the audit findings. However, we conducted analytical procedures to confirm the results and funding data at sampled missions or from activity documentation. We believe our analytical procedures were sufficient to support our findings and conclusions with compelling evidence for the sampled missions, and we reported the data limitations.

Our audit focused on USAID's climate change mitigation efforts and the quality information supporting USAID's climate strategy implementation. Specific efforts included USAID's activities implementing clean energy, sustainable landscapes, and biodiversity. Our audit period ranged from examining strategies between 1990 and April 2022, when the latest 2022–2030 climate strategy was released. However, we reviewed funding data from FY 2011 to FY 2021 and results data from FY 2011 to FY 2020 because this was the data available related to USAID's climate change activities. We did not include any climate adaptation activities in the scope of this audit.

To answer the objective, the team selected a nonstatistical sample of operating units. Using FACTS Info, we selected 9 of the 54 operating units that received climate change mitigation funding from FY 2013 to FY 2020: Brazil, Central Africa (regional), India, Indonesia, Mexico, Power Africa (regional), South Africa, Southern Africa (regional), and Vietnam. We chose these operating units based on multiple factors, including: (1) high proportions of funding, (2) priority areas, and (3) to provide regional diversity. Although our sample is not generalizable and despite the data limitations we identified, we believe our sample and methodology provides

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[40] GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.

compelling, valid, and reliable evidence to support our conclusions, based on our analytical procedures and corroboration of information.

The audit team visited Washington, DC, in July 2022 to meet with (1) USAID climate change officials, including the Chief Climate Officer, (2) other government officials, including DFC's Chief Climate Officer and officials from State's Office of Foreign Assistance; and (3) nongovernment experts to discuss potential risks and challenges to USAID's efforts to address GHG emissions. We visited New Delhi, India, in September 2022 to meet with USAID officials and clean energy and sustainable landscapes implementing partners.

In answering the audit objective, we assessed the risks and challenges in implementing the climate strategy as follows:

- Distributed questionnaires to the nine selected operating units to assess climate change efforts and challenges and analyzed their responses.

- Conducted 40 interviews with USAID officials, relevant Federal officials (non-USAID), implementing partners, and nongovernment subject matter experts to discuss potential risks and challenges to USAID's efforts to address GHG emissions.

- Reviewed 94 pieces of documentary (e.g., past evaluations, activity reports) and testimonial evidence to identify challenges the Agency faces when implementing climate change mitigation efforts. We corroborated that evidence with our analysis of risks and challenges and the Agency's implementation plans.

- Assessed how USAID will implement the climate strategy by inquiring with DDI/EEI about the challenges and plans to implement the strategy.

- Reviewed implementation documentation, such as the draft and final MEL plan.

We also performed analytical procedures, including:

- Reviewed FACTS Info results data from USAID/DDI/EEI from FY 2011 to FY 2020 and selected data elements for confirmation at our sample of nine operating units.

- Reviewed PPRs from USAID/India and USAID Indonesia from FY 2016 to FY 2021 and USAID/Vietnam from FY 2016 to FY 2020 to examine qualitative performance reporting.

- Selected 39 of 46 activities from the 9 operating units from FY 2011 to FY 2020 and reviewed the reported targets and results of each one.

- Reviewed FACTS Info funding data from USAID/BRM to verify how much money was directed to clean energy and sustainable landscapes efforts from FY 2011 to FY 2021 and assessed the design of controls to capture and reconcile the funding data.

- Analyzed final budget allocations for clean energy, sustainable landscapes, and biodiversity funding for FY 2021 and FY 2022 and compared funding allocations to stated priority areas and country-specific emission levels from 2019.

- Analyzed funding and results data from the nine operating units to calculate performance rates (e.g., GHG emissions reduced per dollar spent).

Appendix B. Agency Comments

MEMORANDUM

TO: Deputy Assistant Inspector General for Audit, Christine M. Byrne

FROM: USAID/Bureau for Resilience, Environment, and Food Security, Assistant to the Administrator, Dina Esposito /s/

DATE: May 30, 2024

SUBJECT: Management Response to the Office of Inspector General (OIG)'s Draft Audit Report titled, 'Climate Strategy: Limitations in Information Quality and Agency Processes Compromise Implementation' (Audit Report No. 5-000-24-00X-P Task No. 55100221)

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The U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report. The Agency agrees in principle with the five recommendations, and herein provides plans and progress for implementing them. In the case of three of the five recommendations, the Agency has already taken the required corrective actions to address it, and requests closure upon final report issuance.

We developed the **_Climate Strategy 2022 - 2030_** (*Strategy*) to guide our work through 2030 with a vision of a resilient, prosperous, and equitable world with net-zero greenhouse gas emissions. This *Strategy* is built on several foundational principles and guided by a single, overarching goal: to advance equitable and ambitious actions to confront the climate crisis. Our efforts to achieve this goal are organized around two main Strategic Objectives supported by a Special Objective to Do Our Part and six ambitious high-level Targets for achievement by 2030.

USAID recognized the importance of strong performance management systems when it set those targets and realized that it would need to build out and improve performance reporting systems and compliance. The Agency also explicitly recognized the challenge of collecting and tracking high quality data as one of three assumptions underlying achievement of its targets in Annex II of the Strategy (p. 42) and has been working to address it. The other assumptions are related to program effectiveness and the need for periodic reviews.

We understand OIG's audit objective was to assess whether USAID had quality information from the FY 2011 to FY2020 reporting periods to support implementation of its 2022-2030 Climate Strategy.

Generally, we agree with OIG's conclusions on many of the shortcomings that it found when it reviewed the extent, accessibility, and quality of climate mitigation reporting from FY 2011 to FY2020. USAID acknowledges that gaps existed in reporting progress towards mitigation and finance goals in the FY 2011 - FY 2020 time period, although we note that maximizing short-term mitigation results prior to FY 2021 was a subsidiary goal to putting the conditions in place for future, large-scale mitigation.

The *Bureau for Resilience, Environment, and Food Security* (REFS) appreciates the opportunity to present improvements made in all the areas identified in the draft OIG report and will continue to assess and make needed adjustments and improvements in the future. For instance, the Agency has implemented systems to track the extent of its mitigation efforts and more elaborate systems are underway. By Spring 2025, all the data, tools and management processes should be in place to assess the results of mitigation programming. Existing tools are being updated and new tools and approaches are being vetted to both capture and communicate results with internal and external stakeholders. Additionally, efforts are underway to more effectively convey performance trends and consult with Agency leadership on any performance management issues. See **Tab 1**

In summary, USAID/REFS would like to thank OIG for assessing whether quality information exists to support implementation of the 2022-2030 Climate Strategy. We appreciate the recommendations to improve the information and processes designed to achieve the goals and objectives of the *Strategy.*

We believe our response evidences the strengths of our current systems, significant progress made, and efforts underway and planned to 1) increase (and improve) reporting on climate change mitigation results; 2) validate, update and expand USAID's methodologies for GHG emissions calculations; 3) expand usage of tools that consolidate and track mitigation results linked to activities and location data by country; 4) augment performance management processes utilized by missions and technical leads with greater consultation with Agency leadership; and 5) present the communication tools developed for sharing information with internal and external stakeholders. See **Tab 2**

Tab 1 Overarching Comments
Tab 2 Management Comments on OIG Recommendations

TAB 1
<u>**Additional Comments from the U.S. Agency for International Development on**</u>
<u>**Draft Report 5-000-24-00X-P**</u>

USAID/REFS would like to provide the following overarching comments to offer more context to the readers of the draft OIG audit report as well as to identify content and conclusions which are not relevant or fully substantiated, and therefore could cause confusion to an external audience.

<u>**Context**</u>

Many of the findings included in the draft report reflect challenges related to USAID and Department of State corporate systems and complexities in accessing specific data or reports and are not specific to climate mitigation budgeting and reporting systems.

The budget and performance monitoring processes and data scrutinized in the report rely on and are subject to USAID and Department of State systems and processes, including the Department of State-led Performance Plan and Report (PPR) process, the PPR and Operational Plan (OP) modules of the Foreign Assistance Coordination and Tracking System (FACTS Info) that is also led by the Department of State, the USAID Development Information Solution (DIS), and the USAID Automated Directives System (ADS). In implementing and reporting on the Climate Strategy, REFS has made a conscious effort to work within Agency systems to control costs, maximize consistency, and minimize the burden on staff and partners. As the Department of State and USAID improve their budget, planning and performance monitoring systems, and system users are better trained to utilize and navigate the systems, climate reporting benefits. In particular, as USAID's Agency-wide portfolio management system DIS expands to include additional missions and functions, USAID's climate programming and results tracking will improve. Care must also be taken, however, in the interpretation of data that emerges from these systems. Given that USAID is required to share some systems (i.e. FACTS Info NextGen is shared with the Department of State), it is critical that data from these systems are assessed within their specific context and purpose. For instance, more granular information is available in DIS, at the activity level, than in FACTs Info NextGen, which is at the OU level. Moreover, FACTs Info is intended for point-in-time performance reporting while DIS allows for more frequent data collection periods to enable an operating unit's adaptive management of its portfolios. This means that there should be caution in trying to compare data across systems and purposes.

<u>**Content**</u>

The Agency budgeting and performance monitoring processes are multi-level and multi-faceted, broader, and more comprehensive than the OIG audit report's focus on PPR data and REFS-led processes.

In USAID's experience, directing programming to the most promising geographies for mitigation benefits and adopting the most strategic approaches is the best predictor of high-level impact, and are included as assumptions in the above-referenced Annex II. REFS exercises influence on mitigation programming by developing technical budget recommendations and soft sub-targets for Clean Energy (CE) and Sustainable Landscape (SL), advocating for globally recommended strategic approaches, and assessing mission program alignment with those approaches and partner country priorities. For example, CE's Energy Learning Repository (USAID internal) provides support for missions in thirteen technical areas, such as demand-side energy efficiency, grid modernization, and emissions reduction in transport. Funding decisions are often further influenced by other factors, including constraints created by competing country and sector directives, as well as Congressional directives that influence where and how the Agency programs funding. Similarly, once implementation is underway, analysis of OP, PPR, Phoenix, and DIS data is a critical input, albeit one of several, to a wider performance management process that unfolds within offices, missions, and USAID/W bureaus. These performance management processes consider the broader political and development context as well as implementation and qualitative milestones that indicate the potential for impact, sometimes well before quantitative outcome results are achieved. If performance expectations are not being met, REFS partners with regional bureaus to delve deeper into the cause and engage missions to address performance. A more systematic approach to organizing performance discussions, including with the governance bodies for the implementation of the Climate Strategy, present further opportunities to increase focus on the achievement of the Strategy's mitigation objectives and targets.

<u>**Conclusions**</u>

- **Accuracy of data and the role of estimated data -** USAID notes OIG's concern that "data collection for GHG results relied on estimates and projections of results" and that "activities could report results data in a single fiscal year with projections from up to 15 years of results.". USAID respectfully stands by its use of estimated and projected data. USAID uses internationally accepted methodologies for calculating GHG emissions that are made available to Agency staff and partners through the Clean Energy Emission Reduction (CLEER) and Agriculture, Forest, and Other Land Use (AFOLU) calculation tools. These calculation tools are consistent with industry practice and based on international standards endorsed by the United Nations Framework Convention on Climate Change (UNFCCC) and the Intergovernmental Panel on Climate Change (IPCC). Both comply with internationally accepted best practice. Furthermore, both the CLEER and the AFOLU tool have been assessed by third-party experts contracted by USAID and

found to be within expected values. CLEER and AFOLU are currently being updated by the implementing agencies that maintain them to include the latest reference data, new mitigation approaches and other improvements. REFS is also working to develop and test new approaches to modeling the GHG emissions reductions that were indirectly enabled by ongoing and closed USAID activities with the support of a third-party evaluation specialist. These approaches will be vetted internally and with third-party experts prior to their adoption.

- **Accuracy of data and the role of projected data.** Since USAID's work often builds the policy, institutional, financial, and other prerequisites to achieving emissions reductions at scale, USAID will model the results that are expected to occur because of some of its larger and more common enabling environment programming, including in some cases, projecting impact that will take place after USAID's involvement ends. This approach, which is in alignment with best practice, is particularly relevant for renewable energy programming, where USAID's energy programming often prioritizes assistance, such as procurement support, that concludes before the energy is generated. Reporting, however, happens after there is a reasonable level of certainty that the specified renewable energy systems and related power generation will result in emission reductions. A recent [review](#) (internal only) of reporting on clean energy investments found that a similar ex-ante approach to estimating emission reductions is used by many development banks/donors.

- **Accuracy of data: hectares reporting.** The hectares data reviewed in the report for the FY 2011 to FY2020 period reflected data and processes related to a biodiversity conservation indicator that is not used for climate mitigation reporting. USAID introduced a new hectares indicator (EG 13.8 - Sustainable Landscapes Hectares) and reporting process in FY 2020 that calculates hectares protected, managed, or restored with a mitigation impact. This indicator is the foundation of a new system to track unique hectares and progress toward the Agency's hectares target under its 2022-2030 Climate Strategy. While USAID may work in the same hectare of forest year after year, and those results could be reported in multiple years for the purposes of activity level reporting, the Climate Strategy target uses geospatial location data to ensure that only unique hectares are added and reported on, thus avoiding duplication.

TAB 2
MANAGEMENT COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE RECOMMENDATIONS OF THE USAID OFFICE OF INSPECTOR GENERAL (OIG) IN DRAFT REPORT NO. 5-000-24-00X-P)

REFS agrees in principle with the audit recommendations. We are providing our response below to each of the Recommendations in the draft OIG report along with a request for minor changes in certain recommendation language.

Recommendation 1: Develop and implement a process to ensure that all climate change mitigation activities report complete results on applicable climate change mitigation indicators.

- Management Comments: Agree. Since the launch of the Strategy, REFS has established a robust plan of action to promote complete results reporting on priority mitigation indicators in the PPR, includes documentation that the actions are well underway, and asks that this recommendation be closed out upon issuance of the report.

   USAID shares OIG's goal of complete reporting on mitigation results. Current OP and PPR guidance clearly set out the expectation that OUs receiving CE or SL funding report on climate change indicators. Please see the Clean Energy PPR Review Guidance and the Sustainable Landscapes PPR Review Guidance. It is important to note that activities that improve the enabling environment for mitigation which may ultimately catalyze the most substantial GHG mitigation results may not be able to report on results related to GHG emission reductions, finance, or hectares initially or even over the life of the activity. However, these activities may report on any of the other 16 Clean Energy or Sustainable Landscape standard indicators or use the Clean Energy or Systems Change narratives to report on enabling environment progress. To promote complete and accurate reporting, USAID/Washington has a very robust PPR review process. REFS and other technical reviewers review every OU's PPR and do debriefs annually on Washington DC central bureau progress as well as provide direct feedback to missions. Missions must justify their reasons for not providing targets, results or narrative reports, or remedy this in their final PPR.

   As mentioned above, improved data collection was listed as an assumption for achieving the Strategy's targets in the Strategy itself (p. 42). One obstacle to GHG mitigation reporting is that it can be complex. Building capacity among mission staff to understand when and how to report results accurately and completely is crucial. To support increased and quality results reporting, REFS has hired new expert staff to support our MEL work, conducted MEL training for 300 staff, and published new guidance and resources (e.g. an updated climate indicator handbook) to help staff and implementing partners report on climate indicators since the start of the Strategy. As a result, the number of OUs reporting on CE GHG emission reductions increased from 12 in FY 2021

to 19 in FY 2023 (a 58% increase) and reporting on CE finance mobilization increased from 10 to 23 (a 130% increase). A new SL hectares indicator was introduced in 2020 and the number of OUs reporting on SL hectares indicator increased from 10 in FY 2021 to 21 OUs in FY 2023 (a 110% increase), the number reporting on SL GHG emission reductions increased from 12 in FY 2020 to 18 in FY 2023 (a 50% increase) and reporting on SL finance mobilization doubled, from 10 in FY 2020 to 20 in FY 2023.

Achieving 100% complete reporting is a laudable but elusive goal in any large organization. For that reason, we seek to achieve substantial critical mass. In FY 2023, the majority of missions receiving direct CE or SL funding reported on one or more of the mitigation targets, with all the largest GHG emitting countries receiving CE or SL funding setting targets and/or reporting results against the mitigation indicators. For example, the Missions in countries receiving SL funding with the highest SL mitigation potential–Brazil, Democratic Republic of Congo, and Indonesia, which represent the three globally critical tropical forest carbon sinks–reported on GHG emissions reductions. Similarly, countries with the largest CE potential –India, Indonesia, Vietnam, and South Africa (Power Africa) – reported on their mitigation results.

- **Target Completion Date**: USAID recommends closure of this recommendation upon final report issuance.

Recommendation 2: Develop and implement a process to ensure greenhouse gas reduction results are calculated and measured accurately.

We request that this recommendation be reworded as follows:

Recommendation 2: Develop and implement process(es) to ensure greenhouse gas reduction results are calculated with sufficient rigor.

- **Management Comments**: Agree. USAID/REFS agrees in principle with this audit recommendation, as reworded. REFS outlines a robust plan of action for updating and expanding its tools and approaches to estimate emissions reductions more accurately and completely.

   As indicated above, the GHG emissions reductions calculation tools used by USAID, which do not measure but estimate emissions and carbon storage, are based on international standards endorsed by the United Nations Framework Convention on Climate Change (UNFCCC) and the Intergovernmental Panel on Climate Change (IPCC). The UNFCCC and IPCC methods calculate emissions reductions and carbon sequestration via approaches that combine direct measurement and mathematical modeling relative to business-as-usual, as it is impossible to directly measure all emissions reductions since avoided emissions are never released. The tools have been assessed by third-party experts and are routinely updated based on evolving technologies and the availability of

improved data. USAID's Agriculture, Forestry and Other Land Use (AFOLU) Carbon Calculator is undergoing an update with an expected completion date of December 2024, and USAID's Clean Energy Emission Reduction (CLEER) Tool is currently undergoing a refresh with an expected completion date of February 2025. New tools and methodologies are also under development to estimate methane emissions reductions. We are also piloting new approaches to modeling the GHG emissions reductions that were indirectly enabled by ongoing and closed USAID activities. Developing sufficiently robust methodologies that stand up to peer review will be critical to reaching the Strategy target.

- **Target Completion Date**: June 30, 2025. USAID expects to have key tools updated and validated by Spring 2025 at which time, we recommend that this audit recommendation be closed.

Recommendation 3: Develop and implement a process to report consolidated results on climate change mitigation indicators that can be identified with location data and disaggregated by country, activity, and/or type of effort.

- **Management Comments**: Agree. USAID/REFS agrees with this audit recommendation. The Agency has made significant progress in collecting and consolidating results data that can be identified by location data and disaggregated by country and activity.

  Several lines of effort regarding location data and other country-specific information were introduced over the last few years and were not captured in the FY 2011 - FY 2020 results data reviewed by the OIG audit. For FY 2022, 14 of 16 operating units reporting on the Sustainable Landscapes hectares indicator submitted geospatial data on unique hectares to the GeoCenter, which provides technical guidance to help ensure USAID is not "double counting" hectares results as noted in the audit.

  In FY 2023, 51 of 79 Operating Units reporting climate results did so using the Development Information Solution (DIS), which collects results data by activity and has the functionality to collect location data. (Note: this is a single geographic reference point, different from mapping an entire area, as is done with the Landscapes hectares indicator). As the DIS is rolled out, the number of OUs using it will grow. In addition, USAID's REFS Bureau and the Bureau for Planning, Learning, and Resource Management (PLR) are working together on an Initiative module to increase the proportion of Missions reporting on climate in the DIS which will enable detailed climate mitigation results that can be broken down by activity or location. (See also information on improving data collection in response to Recommendation 1 and publicizing disaggregated data in response to Recommendation 5.)

- **Target Completion Date**: December 31, 2025. USAID will set up a Climate Initiative in the DIS in FY 2025, which will enable improved data collection, at which time we recommend that this audit recommendation be closed.

Recommendation 4: Develop and implement a process for assessing and monitoring performance across climate change mitigation efforts.

- **Management Comments**: Agree. USAID/REFS agrees with this audit recommendation in that assessing and monitoring performance for the best possible implementation of the Climate Strategy requires an additional layer of performance management and leadership engagement beyond that performed by missions with support from regional and pillar bureau technical officers.

Since the Strategy challenges the Agency to scale and initiate new bodies of work and new ways of working, we recognize that the implementation plan developed at the outset of the Strategy needs to be updated for the next phase of implementation. REFS has taken significant actions, sufficient in scope to request a close out of this recommendation at the issuance of the final report.

On an annual basis REFS works with regional technical staff and the Department of State to develop technical budget recommendations to guide resource allocation and identify the most promising countries and regions for achieving impact. Through the Regional/Country Development Cooperation Strategy (R/CDCS) annex, missions identify and commit to contributions to the Strategy. They subsequently set two-year quantitative targets in their PPR. Through this process, REFS can identify, review, and report planned Operating Unit contributions to climate indicators.

The FY 2024 targets can be seen on the Climate Strategy Data Hub, and are based on targets and narratives that Missions reported in FY2022 and 2023 PPRs, and additional analyses. Furthermore, USAID's Climate Strategy asked all Operating Units to draft action plans identifying how they planned to contribute to Strategy targets, something all bureaus and close to 95% of missions have completed.

In 2025, bureaus will develop new three-year climate action plans. And as missions develop a new R/CDCS, they will have a second opportunity to identify which Strategy targets and systems goals they will contribute to. Under the PLR-led PPR review process, the technical staff reviewing the PPRs assess climate mitigation targets and results data. In addition, technical reviewers review narratives capturing qualitative data – future benchmarks and past results–contributing to the Strategy's two systems change targets.

To track implementation performance in real time and assess the appropriateness of designs and implementation approaches at a more strategic level, REFS and regional technical staff meet quarterly to assess the status of programming. In addition to these regular, recurring opportunities for adaptive management, USAID has published resources such as an Energy Learning Repository (internal USAID guidance) and Sustainable Landscapes Opportunities Analysis Hub and the Sustainable Landscapes

[Resource on Select Strategies to Reduce Land-based Greenhouse Gas Emissions](#) to help missions and bureaus identify the most promising programmatic approaches at the project design stage.

At the Agency level, USAID's Chief Climate Change Officer, currently Gillian Caldwell, Deputy Assistant Administrator in REFS, oversees the implementation of the Strategy with guidance and input from the Climate Change Leadership Council (CCLC) and Climate Change Technical Working Group (CCTWG). The CCLC is briefed on the performance results annually, after PPR results have been finalized (March) and analyzed by the REFS MEL team and pillar leads (May). REFS presented new and improved ways of consolidating data and capturing programming and performance trends which it shared with the Climate Change Leadership Council in May 2024 (see attached materials). Informed by the results and analysis presented, and in line with Recommendation 4, REFS is working with PLR, pillar teams, and the Strategy governance bodies to develop guidance for FY 2025-FY 2027 bureau action plans and R/CDCSs. See [Presentation of FY22-FY23 Results to the CCLC](#)

- **Target Completion Date**: REFS reported on results achieved in FY 2023 publicly and internally, sharing an analysis of programming trends and challenges to inform and further enhance overall strategy implementation. Based on the systems described above, REFS recommends that this recommendation be closed out with issuance of the final report.

Recommendation 5: Develop and implement a method to communicate consolidated and comprehensive climate change mitigation efforts to internal and external stakeholders.

- **Management Comments**: Agree. USAID/REFS agrees with this audit recommendation and has taken significant actions, sufficient in scope to request a close out of this recommendation at the issuance of the final report.

In May 2024 USAID published a [Climate Strategy Data Hub](#) on Climatelinks, which houses regularly updated information including consolidated and comprehensive data on USAID climate funding and results under Climate Strategy targets. This Hub displays and organizes data relevant to the Climate Strategy objectives, programs, and targets drawing on final, publicly available data on official platforms, namely the [USAID Dollars to Results](#) platform. The Hub is user-friendly and highlights the most noteworthy data such as reports on the Top 10 Country Mission GHG Results by year, Top 10 Country Mission Hectares Results by year, and Top 10 Country Mission Finance Mobilized Results by year. USAID has also published consecutive annual progress reviews ([FY2023](#), [FY2022](#)) which include graphics and stories to communicate the scope and nature of USAID's climate investments and results in an easily digestible format. See attachments below.

More broadly, USAID's public-facing knowledge portal, Climatelinks (www.climatelinks.org), is globally known as a key resource for climate and development resources, training, and case studies. Climatelinks includes country pages that include direct climate funding and key performance data, as well as links to USG sources for complete data. Each of the resources mentioned here are regularly shared internally and externally via email newsletters, social media, webinars, and more.

- **Target Completion Date:** USAID recommends closure upon final report issuance due to significant advances made in both external and internal communications as documented above.

Attachments:
FY23 Alignment Target Progress Report
FY23 Climate Finance Target Progress Report
FY23 Climate Strategy Target Progress Report
FY23 Country Support Systems Change Report
FY23 Critical Populations Report
FY23 GHG Target Progress Report

Appendix C. Major Contributors to This Report

Members of the audit team include:

- Esther Park, Audit Assistant Director

- Jacob Rutz, Lead Auditor

- Niña Valencia, Auditor

- Eli Wood, Program Analyst

The audit team would also like to acknowledge contributions from Nofil Ehsan, Wangui Kiundi, and Jane Lusaka.

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