G A O
Accountability * Integrity * Reliability

Highlights

Highlights of GAO-12-920, a report to the Ranking Member, Committee on Foreign Relations, U.S. Senate

September 2012

PUBLIC FINANCIAL MANAGEMENT

Improvements Needed in USAID's and Treasury's Monitoring and Evaluation Efforts

Why GAO Did This Study

Effective management of public resources can play an important role in a country's development. In recent years, developing countries committed to strengthen their PFM systems and donors committed to use those systems as much as possible. The United States provides assistance to strengthen PFM systems primarily through USAID and Treasury. USAID conducts capacity building activities to strengthen PFM systems as part of its development programs and has also set a target to obligate 30 percent of its annual assistance through local systems by 2015. Treasury provides technical assistance through advisors who work in country, typically with the finance ministry.

GAO was asked to examine the processes U.S. agencies use to (1) develop programs to strengthen PFM systems and (2) monitor and evaluate those programs. GAO reviewed agency guidance and program documents, interviewed U.S. agency officials, and selected case studies to serve as illustrative examples of PFM-related programs.

What GAO Recommends

USAID should improve its capacity to measure its use of local systems and ensure adequate monitoring of its PFM programs. Treasury should implement additional controls to improve the process for computing program-wide annual performance measures and fully implement its requirement to evaluate the impact of its completed assistance. USAID and Treasury both concurred with GAO's recommendations.

View GAO-12-920. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov.

What GAO Found

To develop programs to strengthen developing countries' Public Financial Management (PFM) systems, the U.S. Agency for International Development (USAID) and the U.S. Department of the Treasury (Treasury) rely on assessments of the host country government's systems. In 2011, USAID implemented new processes that place a greater emphasis on PFM in its development efforts as the agency aims to increase its use of country systems to deliver assistance. The agency traditionally included PFM capacity-building efforts only as components of broader programs, as it identified relevant weaknesses during the country assessment or program design process. USAID's new strategy and program development processes include a mandatory assessment of a country's institutional capacity, including its financial systems, and a requirement to consider the use of country systems to deliver assistance. Most USAID country offices are required to develop a strategy using the new guidance by the end of fiscal year 2013. Treasury's process for developing programs begins with an initial assessment of the host country's capabilities. Treasury staff then draft objectives for the program. For example, a Treasury program in Honduras set four objectives, including improving operational efficiency and enhancing accountability by strengthening the organization of the ministry of finance. Once in country, the advisor develops an annual workplan, outlining more specific goals aimed at meeting the overall objectives.

USAID and Treasury use several processes to monitor and evaluate their PFM assistance, but weaknesses exist. USAID uses its regular procedures, which may include performance management plans, periodic progress reporting, site visits, and evaluations, to monitor and evaluate its PFM-related programs. Prior reports by USAID's Inspector General and GAO have found weaknesses in USAID's implementation of its monitoring procedures in other programs, including programs from the USAID offices that provide PFM assistance. In addition, USAID is currently unable to monitor overall progress toward its target to obligate 30 percent of its program funds through local systems by 2015. USAID, and GAO in prior reports, have identified a number of weaknesses in evaluation practice. To address weaknesses the agency had identified, USAID adopted a new evaluation policy in January 2011 that states that all large projects are required to have an external evaluation, 3 percent of program budgets should be devoted to external evaluation, and evaluations must use methods that generate the highest quality evidence. Treasury's processes for monitoring and evaluating its programs include monthly reports, annual quantitative performance measures, voluntary customer feedback surveys, and on-site management reviews, but Treasury does not fully evaluate the performance of its completed technical assistance programs. In addition, Treasury's quantitative performance measures have been a useful project-level indicator of performance but have not been a useful indicator of overall performance due in part to inherent challenges associated with summarizing program performance and errors introduced when aggregating the performance data. Furthermore, a senior Treasury official reported that Treasury had not yet fully implemented a requirement to conduct independent postproject evaluations of its technical assistance programs.