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FOREIGN ASSISTANCE

Middle East Partnership Initiative Offers Tools for Supporting Reform, but Project Monitoring Needs Improvement

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Highlights

Highlights of GAO-05-711, a report to congressional requesters

FOREIGN ASSISTANCE

Middle East Partnership Initiative Offers Tool for Supporting Reform, but Project Monitoring Needs Improvement

Why GAO Did This Study

In December 2002, the U.S. Department of State (State) established the Middle East Partnership Initiative (MEPI) to promote democracy in the Middle East and North Africa. MEPI provides assistance for political, economic, and educational reform and women's empowerment. In fiscal years 2002-2004, State and the U.S. Agency for International Development (USAID) reviewed U.S. bilateral economic assistance programs in the region to ensure they were aligned with the new U.S. policy focus on promoting democracy and reform. In this report, GAO (1) describes MEPI's structure for managing projects and allocating funding, (2) examines MEPI's uses of the reviews, and (3) evaluates MEPI's project monitoring.

What GAO Recommends

GAO recommends that, to improve project monitoring, the Secretary of State ensure that MEPI managers (1) clearly delineate, document, and communicate monitoring roles and responsibilities; (2) systematically obtain, maintain, and communicate complete information on all MEPI projects; and (3) regularly assess progress in these areas. State and USAID agreed with GAO's recommendations. State disagreed with the extent of our finding that it could not with certainty evaluate its projects' performance. However, State said that it intends to improve its monitoring of MEPI projects.

www.gao.gov/cgi-bin/getrpt?GAO-05-711.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Gootnick at (202) 512-3149 or dgootnick@gao.gov.
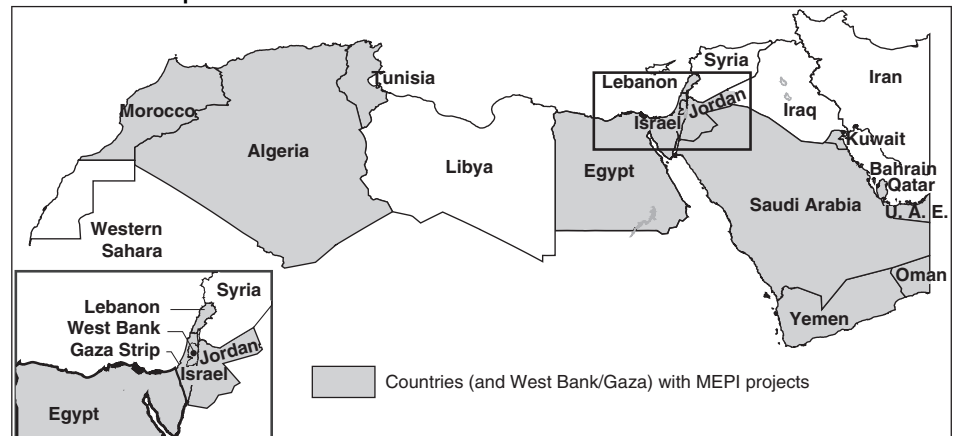
What GAO Found

MEPI has worked with U.S. embassies, USAID headquarters in Washington, D.C., and USAID missions overseas to manage projects and obligate funding. In turn, MEPI and its partners have negotiated agreements with nongovernmental organizations, the private sector, and other U.S. agencies to implement the projects. MEPI has obligated about 45 percent of the $129 million that it received for fiscal years 2002-2003, and its partners have obligated the remainder.

MEPI used the State and USAID reviews of existing U.S. bilateral economic assistance programs in the Middle East and North Africa in two ways. First, in response to the reviews, MEPI targeted reform activities in the Middle East and North Africa that were not being addressed by other U.S. agencies. For example, responding to the reviews' finding that little progress had been made in supporting women's political involvement, MEPI provided funds to assist women candidates. Second, MEPI shaped its strategy in response to the reviews, particularly regarding the need to monitor projects' short-term results and hold project implementers accountable for project performance.

Despite its strategic emphasis on monitoring projects' performance, MEPI's monitoring has been limited by unclear communication of roles and responsibilities and a lack of complete project information. MEPI has acknowledged these deficiencies and begun to address them; in July 2005, State and USAID agreed on a framework for project monitoring roles and responsibilities. Without the ability to evaluate its projects' performance with certainty and access to complete information, MEPI's capacity to meet its strategic goals of producing tangible results and making results-based decisions is limited.

MEPI's Area of Operations

Source: MapArt (image).

United States Government Accountability Office

Contents

Abbreviations

MEPI   Middle East Partnership Initiative
MOA   memorandum of agreement
NEA   Department of State's Bureau of Near Eastern Affairs
NGO   nongovernmental organization
OIG   Office of Inspector General
USAID   U.S. Agency for International Development

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

August 8, 2005

The Honorable Tom Davis
Chairman
Committee on Government Reform
House of Representatives

The Honorable Christopher Shays
Chairman
Subcommittee on National Security, Emerging Threats,
 and International Relations
Committee on Government Reform
House of Representatives

According to the United Nations, many Middle Eastern and North African countries face enormous deficits of human development, including limited political and personal freedoms and low economic growth. Because of concern that these issues could sharpen extremism and increase the risk of terrorist activities originating from an already unstable region, the U.S. government has shown a growing interest in improving socioeconomic and political conditions in the region. In December 2002, the U.S. Department of State (State) announced the establishment of the Middle East Partnership Initiative (MEPI) as a presidential initiative to support the administration's new policy of promoting democracy and reform in the Middle East and North Africa. MEPI, which has received about $293 million for fiscal years 2002-2005,[1] provides assistance in four reform areas, or pillars—political, economic, and educational reform and women's empowerment.[2]

In 2002, at the request of the Deputy Secretary of State, State and the U.S. Agency for International Development (USAID) undertook reviews of existing U.S. bilateral economic assistance programs in the Middle East

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[1]MEPI's budget is authorized for a period of 2 consecutive fiscal years. The funds must be obligated within this period and spent within 5 years after the end of the second fiscal year.

[2]MEPI operates in Algeria, Bahrain, Egypt, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, the United Arab Emirates, the West Bank and Gaza, and Yemen.

GAO-05-711 Foreign Assistance

and North Africa[3] to ensure that they reflected the U.S. government's new policy emphasis on promoting democracy and reform. These reviews were conducted for Egypt, Jordan, Morocco, the West Bank and Gaza, and Yemen. According to State officials, State initiated an interagency process to develop MEPI's strategy, objectives, and goals, including the objective of providing close monitoring of projects[4] to achieve tangible results and to facilitate results-based management decisions. In this report, we (1) describe MEPI's structure for overseeing projects and obligating funds,[5] (2) examine MEPI's uses of the reviews of U.S. bilateral economic assistance in the region, and (3) evaluate MEPI's monitoring of its projects.

We examined reviews and supporting documentation provided by the State Department and USAID and reviewed documents describing MEPI and USAID activities and funding mechanisms. We also analyzed project agreement documentation and project performance reports for 25 MEPI- and USAID-administered projects, representing MEPI's four reform pillars, that we selected on the basis of their funding amount and their country-specific or regionwide status.[6] Although our audit generally covered MEPI activities from December 2002 through May 2005, in reviewing MEPI's budget information and project monitoring, we focused on data for fiscal years 2002-2003 because the data for those years were most complete.[7] In addition, we conducted structured interviews with representatives of some of MEPI's implementing organizations. We also conducted interviews with officials at State and USAID headquarters in Washington,

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[3]These programs included those operated by USAID in Egypt, Jordan, Lebanon, Morocco, the West Bank and Gaza, and Yemen.

[4]Performance monitoring is the periodic tracking of selected measures of project performance and the regular reporting of these measures to managers and other specified audiences. Objective information is thus provided to managers and policymakers to improve decision making and strengthen performance and accountability. [See J. S. Wholey, H. P. Hatry, and K. E. Newcomer, *Handbook of Practical Program Evaluation*, 2nd ed. (San Francisco: Jossey-Bass, 2004), p. 99.]

[5]In this report, "obligating funds" refers to the awarding of MEPI funds by MEPI and its administrative partners (i.e., embassies; USAID headquarters in Washington, D.C.; and USAID missions overseas).

[6]Although our selection of MEPI projects covered 63 percent of total project funding for fiscal year 2003, these results cannot be projected to all MEPI projects. For more information, see appendix I.

[7]We determined that the budget data were sufficiently reliable for the purposes of this audit.

D.C.; officials representing embassies and USAID missions in 9 of the 14 MEPI countries; and officials administering MEPI programs in the territories of West Bank and Gaza.[8] To assess MEPI's mechanisms for monitoring its activities, we focused on relevant areas of MEPI's management control system, including (1) roles and responsibilities of MEPI staff and administrative partners[9] in Washington, D.C., and overseas and (2) information flow. We performed our work in the United States, Bahrain, Egypt, Germany, and Morocco from July 2004 through May 2005 in accordance with generally accepted government auditing standards. Appendix I provides a more detailed description of our scope and methodology.

Results in Brief

MEPI has worked with U.S. embassies, USAID headquarters in Washington, D.C. (USAID/Washington), and USAID missions overseas to oversee projects and obligate funds for fiscal years 2002-2003. In turn, MEPI and these U.S. government entities have negotiated agreements with nongovernmental organizations (NGOs), the private sector, and other U.S. agencies to implement the projects. MEPI funds have been obligated as follows:

- MEPI has directly obligated about 45 percent of the approximately $129 million that it received for fiscal years 2002-2003, with 33 percent going to NGOs and the private sector and 12 percent to U.S. government implementers.

- The embassies have obligated about 1 percent of the 2002-2003 funds through MEPI's small-grants program, awarding short-term grants of up to $25,000 to local organizations to build their capacity.

- USAID/Washington has obligated about 40 percent of the 2002-2003 funds, including funding for many of MEPI's largest projects, primarily through preexisting agreements between the U.S. government and implementing

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[8]We conducted interviews with U.S. officials who administer programs in Algeria, Bahrain, Egypt, Israel, Jordan, Kuwait, Morocco, the United Arab Emirates, the West Bank and Gaza, and Yemen. (MEPI assistance to Gaza and to Arab-Israelis in Israel is supported by the U.S. Embassy in Israel; projects in the West Bank are supported by the U.S. Consulate in Jerusalem.)

[9]In this report, "administrative partners" refers to U.S. government entities—embassies, USAID headquarters, and USAID missions—to which MEPI has delegated project administration responsibilities.

organizations.

- USAID missions have obligated about 15 percent of MEPI's 2002-2003 funds.

  According to the State Department, the reviews of bilateral assistance programs in the Middle East and North Africa were used to identify new reform opportunities for MEPI to target and to shape MEPI's strategy.

- In response to the reviews as well as other U.S. entities' input, MEPI targeted reform activities in the Middle East and North Africa that were not being addressed by other U.S. agencies. For example, responding to the reviews' observation that little progress had been made in political reform, especially regarding women's political participation, MEPI provided funds to assist with elections and help women candidates.

- In response to the reviews—in particular, a review of the USAID/Egypt mission in fiscal years 2002-2003—MEPI officials included the close monitoring of projects as a primary objective of MEPI's strategy. According to State officials, the 2002-2003 review noted that USAID/Egypt did not monitor its projects closely or frequently enough to obtain the performance information needed for short-term results-based funding decisions. In response, MEPI specified in its September 2004 project monitoring and management plan that all project agreements should include benchmarks and performance goals based on pillar-specific objectives and that MEPI staff should monitor project development and implementation.

  Unclear communication of monitoring roles and responsibilities and a lack of complete project information have limited MEPI's ability to provide the project monitoring needed to measure results. MEPI has not clearly communicated the roles and responsibilities of its administrative partners for project monitoring, and many MEPI projects have not received the intended level of monitoring. Officials from 9 of the 14 U.S. embassies supporting MEPI projects stated that they were uncertain of their roles and responsibilities for monitoring MEPI projects and that MEPI had not yet specified their monitoring duties. Further, USAID mission officials in one country that we visited stated that they were not monitoring some USAID-administered MEPI projects because they had not been instructed to do so. On July 14, 2005, MEPI signed an agreement with USAID that established a framework for the roles and responsibilities, including monitoring, of MEPI and USAID officials in Washington and in the region. In addition, although MEPI was seeking to acquire software that would facilitate the tracking of project performance, MEPI's ability to monitor

performance was limited by (1) a lack of baseline information, (2) inconsistency among projects' performance reporting requirements, (3) unverified project information, (4) inconsistent communication of project information, (5) incomplete project records, and (6) lack of access to project information.

To bolster MEPI's ability to monitor and evaluate project performance, and to help ensure that it achieves its goals of producing tangible results and making results-based decisions, we are recommending that the Secretary of State ensure that MEPI managers clearly delineate, document, and communicate roles and responsibilities for monitoring; that they systematically obtain, maintain, and communicate complete information about all MEPI projects; and that they monitor progress in this regard.

State and USAID agreed with our recommendations. State disagreed with the extent of our finding that it could not with certainty evaluate its projects' performance, but it did not point out specific aspects of that finding with which it disagreed. State's comments acknowledged our recommendations regarding bolstering its ability to monitor and evaluate project performance. State's comments laid out general steps that, if taken, would help ensure more comprehensive project monitoring, including steps to guarantee complete and accurate project information. State and USAID also provided technical comments that we incorporated as appropriate.

Background

From the 1950s through 2001, U.S. bilateral economic assistance to the Middle East and North Africa focused primarily on promoting regional stability by providing funding for large bilateral military and economic programs, chiefly in Egypt, Israel, and Jordan, and by fostering development. In December 2002, the State Department announced the creation of MEPI, which has expanded U.S. assistance to other countries in the region and includes programs focused on democracy and reform. Figure 1 shows MEPI's area of operation.[10]

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[10]Although Iraq is not included in MEPI's area of operation and MEPI currently has no plans to implement projects in Iraq, MEPI has provided funding for Iraqi citizens to attend several regional training programs.

Figure 1: MEPI's Area of Operations
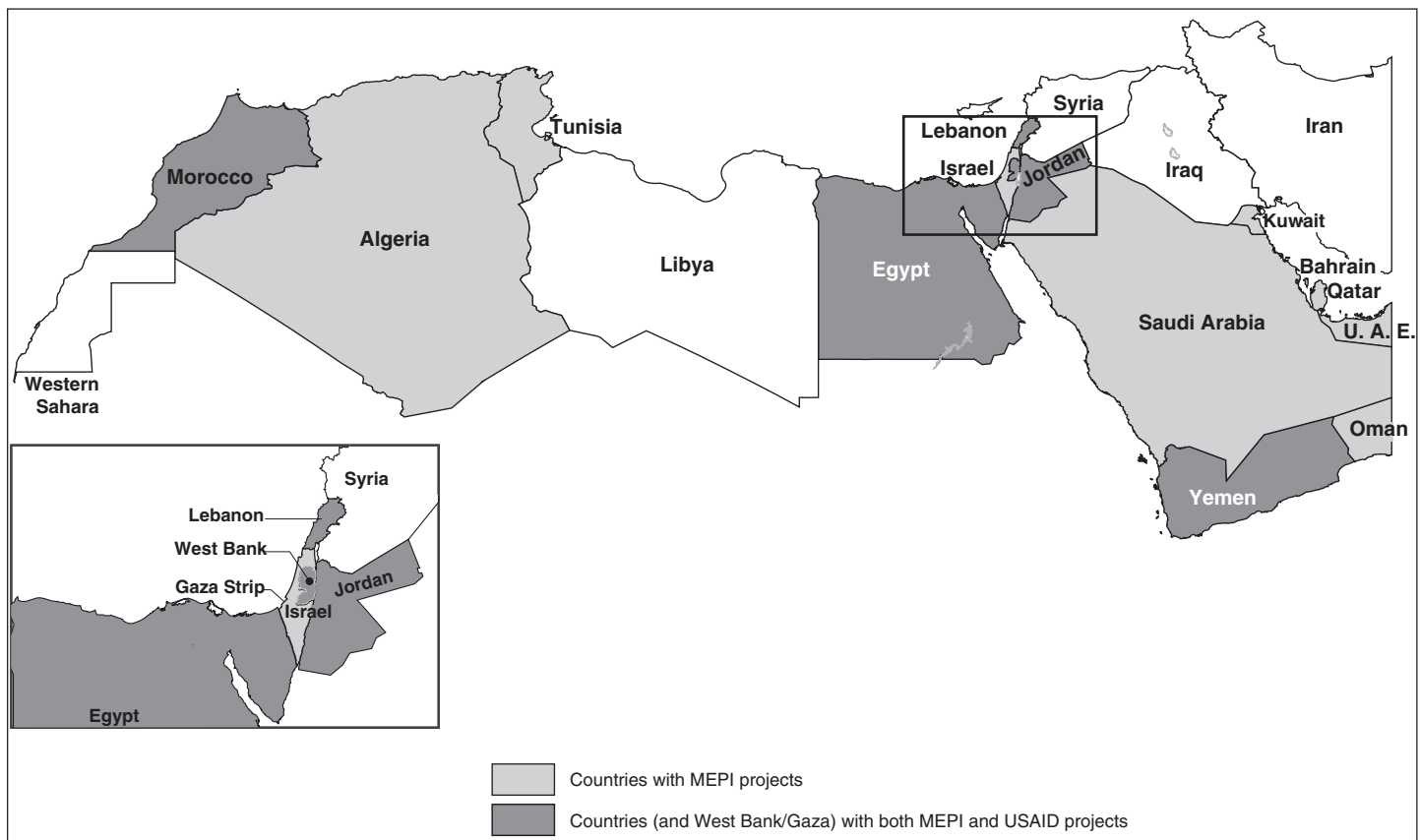
Source: MapArt (image).

According to the administration, MEPI comprises a new approach to foreign assistance for the region, aimed at linking Arab, U.S., and global private-sector businesses, NGOs, civil society elements, and governments to develop innovative policies and programs that support reform in the region. MEPI is also an important element of the administration's counterterrorism and public diplomacy strategies. MEPI projects are organized under its four reform pillars (see fig. 2).

Figure 2: MEPI Reform Pillars and Reform Goals

| Pillars			
▼ **Economic** ▼	▼ **Political** ▼	▼ **Education** ▼	▼ **Women** ▼
• **TRADE:** Enhance MEPI partner countries' global competitiveness. • **INVESTMENT:** Encourage mobilization of foreign direct and domestic investment. • **BUSINESS DEVELOPMENT:** Facilitate revenue and growth of microenterprises and small and medium enterprises.	• **DEMOCRACY:** Strengthen democratic practices and civil society • **GOOD GOVERNANCE:** Promote the rule of law and accountable, effective government institutions. • **MEDIA:** Strengthen the role of free and independent media in society.	• **ACCESS:** Expand access to basic and secondary education for all people, especially girls and women. • **QUALITY:** Improve the quality of basic and secondary education including teacher training, curriculum content, community involvement, and digital readiness. • **SKILLS DEVELOPMENT:** Promote skills development, especially literacy.	• **OPPORTUNITY:** Reduce barriers–cultural, legal, regulatory, economic, and political–to women's full participation in society.

Source: Department of State.

MEPI's budget of $293 million for fiscal years 2002-2005 was derived from supplemental appropriations and annual foreign operations legislation. [11] Figure 3 shows MEPI's budget for fiscal years 2002-2005.

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[11]In fiscal year 2002, MEPI received an initial $29 million of fiscal year 2002 funding, of which $20 million came from an emergency supplemental appropriation, $5 million from the U.S.-Middle East Democracy Fund, and $4 million from the U.S.-North African Economic Partnership. In fiscal year 2003, MEPI received a total of $100 million, $90 million of which came from an emergency supplemental appropriation, $4 million from the U.S.-Middle East Democracy Fund, $3 million from the U.S.-North African Economic Partnership, and $3 million reprogrammed within Economic Support Fund. In fiscal year 2004, MEPI received a $90 million appropriation, which was reduced to $89.4 million after the rescission (P.L. 108-199). In fiscal year 2005, MEPI received $75 million, which was reduced to $74.4 million after the rescission (P.L. 108-447).

Figure 3: MEPI Budget, Fiscal Years 2002-2005

Budget (in $ millions)

Fiscal year	Budget
2002	29
2003	100
2004	89
2005	74
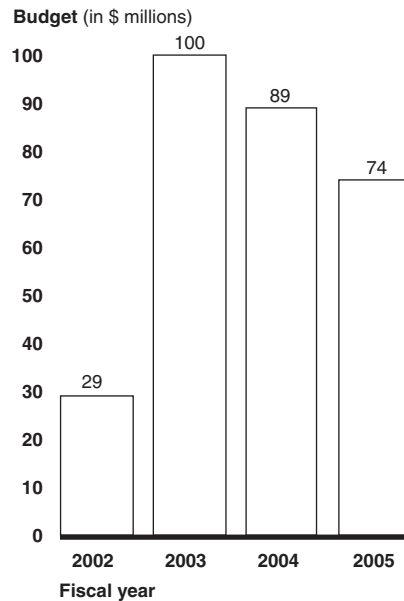
Source: GAO analysis of Department of State data.

Note: Numbers do not sum to $293 million because of rounding.

The Office of Regional Affairs within State's Bureau of Near Eastern Affairs (NEA) in Washington, D.C., administered MEPI activities during MEPI's first 6 months. The office worked with USAID, which managed the long-standing bilateral economic assistance programs in the Middle East and North Africa, to implement most of its initial projects. The office also worked with the embassies in the region to implement projects funded through small grants. In June 2003, State established the Office of the Middle East Partnership Initiative within NEA to manage MEPI policy and projects and work closely with agencies across the U.S. government. The Deputy Secretary of State serves as Coordinator for MEPI. In August 2004, MEPI set up two regional offices in Tunisia and the United Arab Emirates. (See app. II for more details of MEPI's organizational structure as of May 2005.)

In fiscal years 2002-2004, State and USAID formally reviewed existing bilateral economic assistance programs in the Middle East and North Africa.[12]

- From June 2002 to May 2003, State and USAID jointly conducted an in-depth review of U.S. bilateral assistance to Egypt, one of USAID's largest programs, including assessing the programmatic and financial data for the seven strategic objectives in USAID/Egypt's program.

- From September to December 2003, State and USAID conducted an abbreviated review of USAID's program in West Bank and Gaza.

- In 2003, State participated in USAID's periodic strategy reviews of its programs in Jordan, Morocco, and Yemen.

In 2003 and 2004, State also considered information from U.S. embassies and from other U.S. government agencies with programs in the region to identify areas where MEPI could provide assistance.[13] During this period, MEPI staff responsible for each of MEPI's four reform pillars organized meetings with the other U.S. government agencies. In addition, State relied on several secondary sources to supplement the information received from formal reviews of USAID programs and input from embassies and other U.S. government agencies. Finally, State officials met with donors such as the World Bank and the European Union to learn about their activities in the region.

State and USAID have used the reviews of existing U.S. bilateral economic assistance programs, as well as information obtained from other U.S. entities providing assistance in the region, to realign many existing programs, strategic plans, and coordination mechanisms to conform to the new U.S. policy of promoting democracy and reform in the Middle East and North Africa.

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[12]In support of this effort, from June 2003 to February 2004, USAID conducted reviews of democracy and governance in Algeria, Bahrain, Jordan, Morocco, Tunisia, and Yemen. In addition, USAID organized technical workshops on rule of law, parliamentary strengthening, and political parties and elections and commissioned a report on Morocco's technical assistance needs for the negotiation and implementation of its Free Trade Agreement with the United States.

[13]These agencies included, among others, USAID and the Departments of Agriculture, Commerce, Education, and the Treasury.

MEPI and Administrative Partners Have Overseen Activities and Obligated Funding
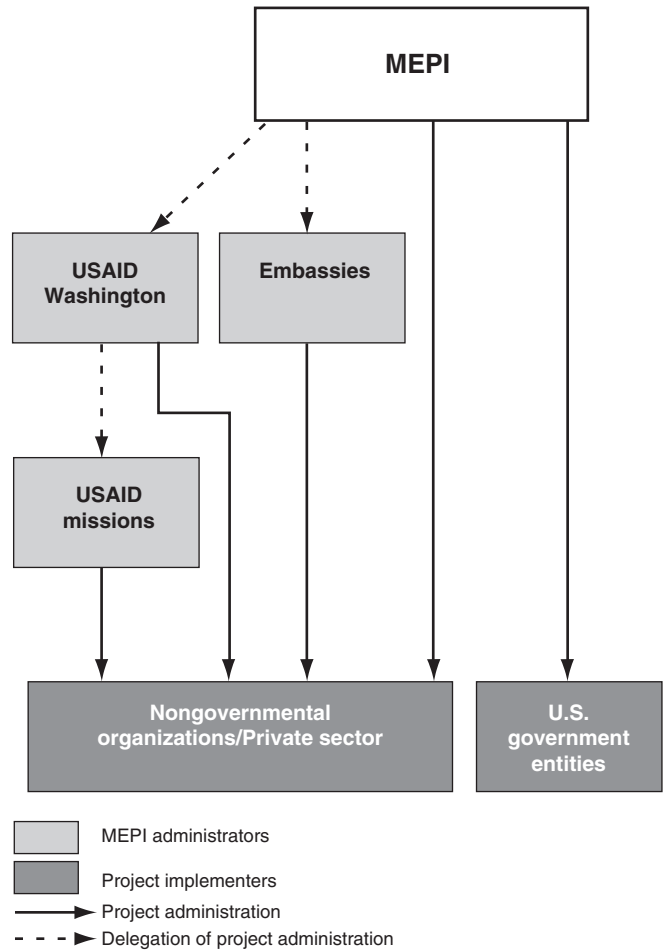
In fiscal years 2002-2003, MEPI and its administrative partners—U.S. embassies, USAID/Washington, and USAID missions—oversaw MEPI projects. MEPI and its administrative partners also obligated MEPI funds, with MEPI obligating about 45 percent of its fiscal years 2002-2003 funding and its administrative partners obligating the remainder.

MEPI Directly Oversaw Some Projects and Used Administrative Partners to Oversee Others

MEPI oversaw some of its projects directly in fiscal years 2002-2003 and partnered with U.S. embassies, USAID/Washington, and USAID missions to oversee other projects. (See fig. 4.) MEPI and its administrative partners negotiated agreements with NGOs, the private sector, and other U.S. government entities to implement more than 100 projects.[14]

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[14]The U.S. government entities that implement MEPI projects include the Departments of Agriculture, Commerce, Education, Labor, and the Treasury; Customs and Border Protection; the Environmental Protection Agency; the Food and Drug Administration; and the Patent and Trademark Office.

Figure 4: MEPI's Relationships with Administrative Partners and Project Implementers


MEPI administrators

Project implementers

→ Project administration

- - → Delegation of project administration

Source: GAO analysis of Department of State and USAID data.

| MEPI and Administrative Partners Have Obligated 2002-2003 Funds | MEPI and its administrative partners have obligated the $129 million that MEPI received for fiscal years 2002 and 2003. MEPI has directly obligated about 45 percent of the funds; MEPI's administrative partners have obligated the remainder (see fig. 5). |

Figure 5: Obligation of Fiscal Years 2002-2003 Funds by MEPI and Administrative Partners

$129 m (fiscal years 2002-2003**)**
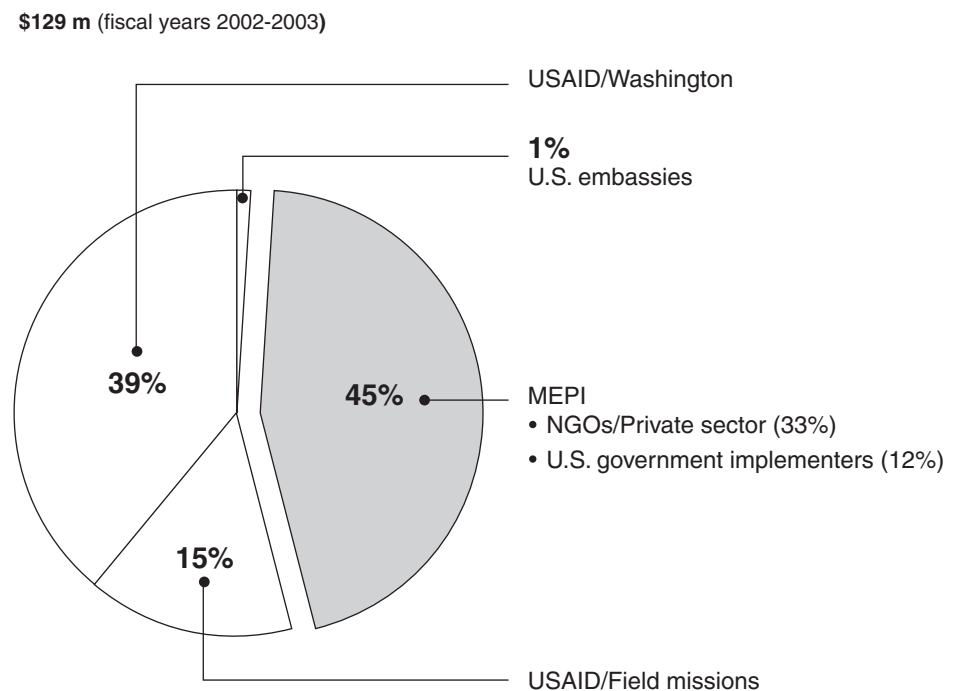
Source: GAO analysis of Department of State data.

Note: According to State and USAID officials, USAID obligations in fiscal year 2004 decreased to approximately 15 percent of total MEPI funds.

- *MEPI:* MEPI has obligated about 45 percent ($58 million) of its 2002-2003 funds directly to NGOs, the private sector,[15] and U.S. government entities.

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[15]MEPI has distributed funding to NGOs and the private sector through cooperative agreements and various grants. Applications for continuation grants funded under these awards beyond the initial budget period are considered on a noncompetitive basis for an additional year, subject to availability of funds, satisfactory progress of the grantee, and a determination that continued funding would be in the best interest of the U.S. government.

- *NGOs and the private sector:* MEPI has obligated 33 percent ($42.8 million) of the funds in various grants directly to American or locally based NGOs or private companies. According to MEPI, these grants are intended to support innovative ideas that can be implemented quickly to produce concrete results, such as increasing women's political participation. MEPI officials say that they would like to obligate more MEPI resources directly, but they acknowledge that such a shift would require MEPI staff to shoulder a significant administrative burden in monitoring these projects.

- *U.S. government implementers*: Through interagency acquisition agreements, MEPI has obligated about 12 percent ($15.2 million) of its 2002-2003 funds to U.S. government entities with specific expertise in the areas of reform that MEPI supports. These entities implement projects, such as the Department of the Treasury's technical assistance project to develop expertise in surplus and debt management in Algeria.

- *U.S. embassies*: Embassies have obligated about 1 percent ($1.4 million, or $100,000 per country) of MEPI's 2002-2003 funds through its small-grants program. A central objective of the program is to build the capacity of local organizations, such as the Ibn Khaldun Center, which, among other things, introduces concepts of economic opportunity to young women in two of Egypt's rural and urban areas to enable them to improve their living conditions. The embassies use the funds to award local organizations small, short-term grants of up to approximately $25,000. The MEPI office approves all small-grant decisions, and embassy staff perform grant administration.

- *USAID/Washington*: USAID/Washington has obligated about 40 percent ($50.8 million) of MEPI's fiscal years 2002-2003 funds, including funding for many of MEPI's largest projects. According to USAID and MEPI officials, many of these projects have been implemented through preexisting cooperative or contractual agreements between the U.S. government and U.S. NGOs or contractors.

- *USAID missions*: USAID missions have obligated about 15 percent ($18.7 million) of MEPI's 2002-2003 funds, according to budget data provided by USAID and MEPI. These funds have been used to complement USAID's existing efforts, such as civil society capacity building and local political party training.

Figure 6 shows the obligation of MEPI funds to Middle Eastern and North African countries and West Bank and Gaza in fiscal years 2002-2003.

Figure 6: Funding Obligations within MEPI's Area of Operations, Fiscal Years 2002-2003

Country	Dollars in millions
Morocco	16.1
Yemen	7.8
Jordan	7.8
Algeria	3.0
Bahrain	2.4
Tunisia	2.3
Egypt	0.8
Qatar	0.8
Saudi Arabia	0.6
West Bank/Gaza	0.5
Lebanon	0.3
Oman	0.3
Kuwait	0.2
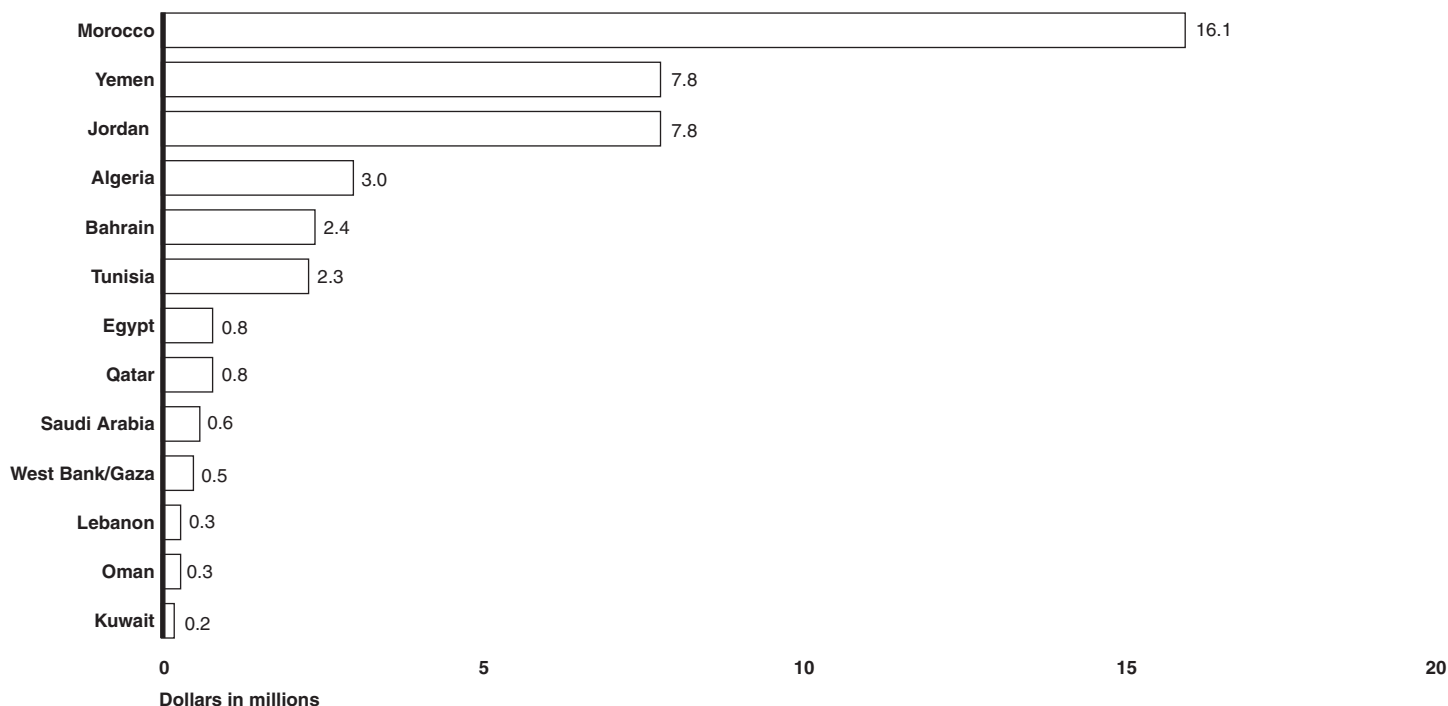
Source: GAO analysis of Department of State data.

Note: This graph represents funding for projects in individual countries as well as the West Bank and Gaza, but it does not show funding for small grants or for regionwide and multicountry projects. MEPI funding to Israel is not shown, because MEPI funds only small grants to Arab-Israelis in that country. Regionwide and multicountry funding accounted for a majority of total MEPI funding obligated in fiscal years 2002-2003. Amounts shown are State Department estimates.

Reviews Identified New Reform Opportunities and Helped Shape MEPI's Strategy

According to State, the reviews of U.S. bilateral economic assistance have been used to (1) identify new reform areas that were not previously addressed and (2) develop a results-based strategy for implementing and evaluating the performance of MEPI activities.

| Reviews and Other Information Have Led MEPI to Target New Reform Opportunities | Responding to the reviews of U.S. bilateral economic assistance in the region, as well as information provided by other U.S. entities, MEPI has initiated reform activities that were not being addressed by U.S. agencies in the region, including countries where USAID does not operate. For example: |

- *Political reform:* The reviews found that in many countries where MEPI operates, little progress had been made in political reform, including women's political involvement. In response, MEPI has provided funds to help increase the number of women candidates and assist them through activities such as improving their media presentation techniques.

- *Economic reform:* The reviews revealed that although limited assistance was being provided to increase trade capacity within the region, U.S. agencies were not addressing the need to increase the access and capacity of small and medium-sized enterprises in countries such as Morocco. Regionally, MEPI has supported a program that aims to, among other things, increase managerial and entrepreneurial skills in several countries. MEPI also funds efforts to teach business people and managers of small and medium-sized enterprises how to take immediate advantage of U.S. bilateral free trade agreements by initiating export sales, acquiring new technology, and developing joint ventures and other strategic alliances with U.S. firms (see fig. 7).

**Figure 7: Moroccan Products for Export**

Source: GAO.

- *Educational reform:* U.S. agencies operating in the region identified gaps in education for the impoverished and for students in primary and secondary grade levels. MEPI funds implementers that provide Arabic books for elementary school children in Jordan, Lebanon, and Bahrain and

teach Bahraini mothers and preschool-age children living in poverty. (See fig. 8.)

Figure 8: MEPI Mother-Child Home Education Program Participants in Bahrain
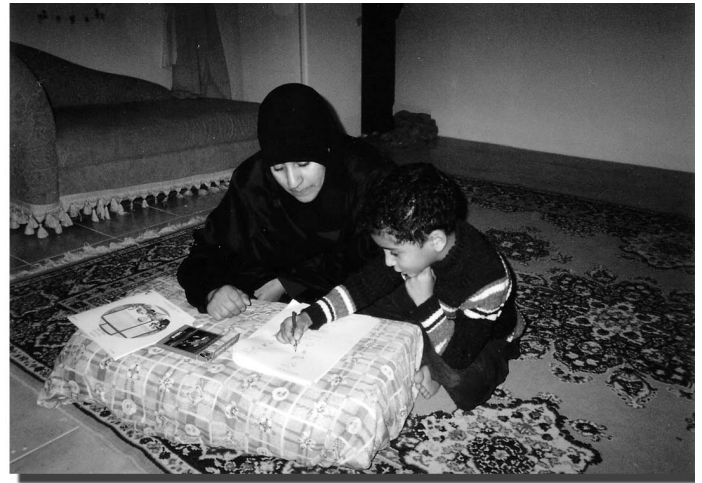
Source: Mother Child Education Program.

- *Women's empowerment:* U.S. agencies identified the lack of gender equity as an impediment to reform in the region. To create more opportunities for women, MEPI funds projects that provide young women from the Middle East and North Africa unique opportunities to learn management and business skills in the classroom and while working for U.S. companies. (See fig. 9.)

Figure 9: Bahraini Participants in U.S. Business Internships for Young Arab Women

Source: GAO.

Reviews Have Helped Shape MEPI's Results-Based Strategy

The 2002 and 2003 reviews of U.S. bilateral economic assistance in the Middle East and North Africa have significantly influenced MEPI officials' development of MEPI's results-based strategy, including the objective of providing close monitoring of MEPI projects. In particular, according to State, the comprehensive USAID/Egypt review cited weaknesses in USAID/Egypt's mission performance monitoring system that limited the mission's ability to strategically reallocate resources away from programs that were not achieving their objectives.[16] According to one of the review's principal authors, USAID/Egypt did not monitor its projects closely or

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[16]State reported the results of the State-USAID review of USAID/Egypt's assistance program to Congress in May 2004, in accordance with the directive issued by the House Committee on Appropriations report accompanying the 2003 Foreign Operations, Export Financing, and Related Programs Appropriations Bill. H.R. Rep. No. 107-663, at 43 (2002).

frequently enough to obtain the performance information needed. State recommended that USAID make changes to the performance monitoring system, including engaging consultants and producing more rigorous, succinct, and integrated qualitative and quantitative measurements of performance at all levels of activity.

MEPI officials told us that these observations made MEPI management aware of the need to monitor projects' short-term performance and hold project implementers accountable for results. MEPI's September 2004 project monitoring and management plan indicates that all project agreements should include benchmarks and performance goals that reflect the results MEPI hopes to attain, based on pillar-specific objectives. The plan also states that, to prevent negative impacts on project outcomes, staff should ensure that project implementers are on the right track at all stages of project development and implementation. However, neither MEPI's general strategy nor its monitoring and management plan provides specific guidance regarding project monitoring.

Unclear Roles and Responsibilities and Incomplete Information Have Inhibited MEPI's Project Monitoring

MEPI's ability to monitor the performance of its projects and measure results has been limited by (1) unclear communication of monitoring roles and responsibilities and (2) a lack of complete project information.

Unclear Communication of Roles and Responsibilities Has Limited Project Monitoring

MEPI has not clearly communicated roles and responsibilities for project monitoring in accordance with federal standards for management control,[17] and as a result, not all projects have received the level of monitoring needed to measure results. According to MEPI officials, MEPI project monitoring responsibilities generally would include participation in project activities, regular review and assessment of implementer

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[17]According to federal management control standards, organizations should clearly communicate key areas of authority and responsibility. See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1, 1999) and *Internal Control Management and Evaluation Tool*, GAO-01-1008G (Washington, D.C.: Aug. 1, 2001).

performance reports, and regular feedback to implementers on project performance. However, we found that some MEPI administrative partners, particularly those overseas, have been confused about their roles and responsibilities for project monitoring and that some MEPI activities have been monitored sporadically or not at all. Officials from 9 of the 14 U.S. embassies supporting MEPI projects stated that they were uncertain of their roles and responsibilities for monitoring MEPI projects and that MEPI had not yet specified their monitoring duties. USAID/Washington officials told us that USAID mission staff were expected to assist USAID/Washington in monitoring MEPI projects that it administers. However, USAID mission officials in Rabat, Morocco, told us that MEPI projects administered by USAID/Washington were not being monitored and that they had not received instructions for monitoring these projects. Officials at USAID/Washington acknowledged that it had not performed many of its monitoring duties in the field and stated that USAID/Washington is currently working to ensure better communication and provide instructions to the missions regarding their support of project monitoring. In addition, MEPI and USAID officials in Washington, D.C., as well as MEPI regional office, embassy, and USAID mission office staff, said that they were uncertain of the role that the MEPI regional offices would play in monitoring MEPI projects. Although MEPI officials generally expect that regional office staff will lead the monitoring of projects that MEPI directly administers, currently only one of MEPI's two regional offices has a monitoring specialist on staff.

In April 2004, the Department of State's Office of Inspector General (OIG) expressed concern that MEPI was communicating inconsistent priorities and causing confusion among a number of embassies. MEPI and USAID officials in Washington, D.C., acknowledged that confusion exists regarding roles and responsibilities for project monitoring. MEPI officials stated that they were still defining, and working toward agreement with USAID and other parties regarding, MEPI and its administrative partners' respective roles and responsibilities. MEPI officials also stated that on July 14, 2005, they signed an addendum to an October 2004 memorandum of agreement (MOA), establishing a framework for project management roles and responsibilities—including monitoring—of MEPI and USAID officials in Washington and in the Middle East and North Africa.

Incomplete Information Has Limited Project Monitoring

MEPI's monitoring of project performance, in accordance with federal standards for management control,[18] has been limited by (1) a lack of baseline information, (2) inconsistency among projects' performance reporting requirements, (3) unverified project information, (4) inconsistent communication of project information, (5) incomplete project records, and (6) lack of access to project information.

- *Lack of baseline information:* Our examination of a selected sample of MEPI project documents showed that for most of these projects, MEPI lacked baseline information against which to measure their performance. According to MEPI's strategy, baseline data are necessary for measuring future progress on its projects, and MEPI officials told us that it was important to establish these measurements at the beginning of each project as the basis for determining project performance. However, of the project agreements we received from MEPI and USAID for the 25 projects in our selected sample, only three project agreements contained a requirement to establish a baseline, and none of the projects reported baseline measurements. MEPI officials told us that they were aware that they had not required baseline measurement in all of their project agreements but said that they planned to do so in future agreements.

- *Inconsistent reporting requirements:* MEPI project agreements do not consistently require that implementers report on quantitative, measurable performance indicators. As a result, some implementing organizations report general project information instead of the measurable indicators of performance that MEPI has stated are needed to manage a results-based program. According to one MEPI official, some of the reports are therefore too vague to be useful in monitoring project performance. In our selected sample of 25 projects, a substantial majority of the performance indicators required in project agreements were qualitative in nature rather than the quantitative indicators of project performance that MEPI has stated are necessary for managing MEPI as a results-based program. Further, a February 2005 report by USAID's OIG reported that 6 of 17 USAID/Morocco MEPI projects did not have indicators to measure project performance.[19] One MEPI official told us that they sometimes negotiate requirements for additional indicators informally over the telephone and in

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[18]Federal management control standards require the maintenance and communication of relevant, reliable, and timely project performance and financial data[0]. See GAO/AIMD-00-21.3.1 and GAO-01-1008G.

[19]USAID Office of Inspector General, *Audit of USAID/Morocco's Management of Activities Under the Middle East Partnership Initiative*, 6-608-05-001-P (Cairo, Egypt: 2005).

e-mail after signing a project agreement. However, these informally negotiated requirements are not formally documented, readily available, or tracked by MEPI or the implementers. MEPI officials said that they are seeking to acquire grant-tracking software that would facilitate the documenting of agreed-on indicators and closer monitoring of implementers' reporting on these indicators.

- *Unverified project information:* MEPI's ability to verify the information reported in implementers' quarterly reports and to provide detailed performance feedback to implementers has been limited, because MEPI and its administrative partners have not consistently observed project activities. In the sample we analyzed, only 8 of the 19 implementers we interviewed said that MEPI and its administrative partners had made on-site visits to discuss and observe project activities. According to embassy, MEPI, and USAID mission staff, they often do not have time to monitor MEPI projects, including visiting or observing project activities, because of conflicting demands on staff time. USAID OIG's February 2005 report stated that, primarily because of limited resources, the USAID/Morocco mission had not validated the performance data reported by implementers.

- *Inconsistent communication of project information:* MEPI has inconsistently communicated project information, particularly to embassies and USAID missions overseas. Overseas embassy and USAID officials stated that MEPI had not always informed them of important project information, including when new projects were to begin in their country of operation. USAID'S OIG February 2005 report noted that MEPI and USAID/Washington had not always notified USAID/Morocco when they awarded regional activities taking place within the country. As a result, in some cases, embassy officials have had little or no knowledge of some of the implementer's activities. Officials from two embassies and one USAID mission told us that MEPI project implementers had arrived in country expecting embassy and USAID assistance, although the embassies and USAID missions had received little or no prior notice of the projects' start or the implementers' needs. In another example, in one country we visited, we arrived expecting to meet with a particular project implementer but found that embassy officials there were unaware of the project or the implementer's operations in country. Further, when embassies have communicated with MEPI, MEPI has not always been responsive. Three embassies stated that, since MEPI's inception, MEPI had provided no response or guidance in response to their regular reports on MEPI activities. However, according to MEPI officials, embassies have not always responded to MEPI's communications. For example, according to one senior MEPI official, after the summer 2003 awarding of small grants through the embassies, the majority of embassies administering MEPI

projects did not respond to December 2003 requests from MEPI for basic evaluative descriptions of the projects the embassies were administering. According to this senior official, the embassies' failure to respond to MEPI resulted, in some cases, in MEPI's lacking records of actual activities conducted and descriptions of successes and lessons learned.

- *Incomplete project records:* MEPI and USAID have not maintained complete records for all of the projects that they administer, which has limited their ability to monitor project performance. We found gaps in records that the MEPI office in Washington, D.C., maintained for the projects that it administered. For example, in our selected sample of 25 projects, MEPI's files for fiscal year 2003 projects that it administered directly contained 44 percent of quarterly reports that project implementers were to have submitted. MEPI officials said that the grant-tracking software they sought to acquire would enable them to track the submission of implementers' quarterly reports. Without such software, the MEPI office has managed project data on Excel spreadsheets and office calendars, using the incomplete copies of quarterly reports that it has maintained since the program's inception. MEPI officials in the past have asked implementers to provide copies of records missing from their files. In addition, we found that USAID had incomplete records for the projects that it administers for MEPI. For example, in our selected sample, USAID's files for the fiscal year 2003 projects that it administered contained 63 percent of MEPI project agreements with implementers and 62 percent of the quarterly reports that project implementers were to have submitted. USAID officials stated that their records were scattered in many locations—in the various bureaus in Washington, D.C., that administer MEPI projects[20] and at USAID missions in the Middle East and North Africa. In other cases, USAID has had to obtain copies of the records from the implementing organizations themselves.

- *Lack of access to project information:* MEPI has lacked ready access to information on USAID-administered MEPI projects, which has limited its ability to monitor those projects' performance. According to MEPI's strategy and officials, MEPI is responsible for ensuring the performance of all projects that it funds, including those administered by USAID. However, MEPI and USAID have maintained separate performance and financial records, and MEPI and USAID officials stated that prior to the July 2005 signing of the MOA addendum regarding monitoring roles and

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[20]USAID's Bureau for Asia and the Near East; Bureau for Democracy, Conflict, and Humanitarian Assistance; and the Bureau for Economic Growth, Agriculture, and Trade administer MEPI projects at USAID.

responsibilities, they had not reached agreement on the sharing of these records. Further, USAID officials stated that USAID has not maintained records for MEPI projects separately from its records for non-MEPI-funded projects. Some USAID implementers responsible for implementing MEPI projects have included MEPI performance reporting in their general reporting on the region, making USAID's extraction of information on MEPI projects more difficult and time consuming. MEPI and USAID officials said that they expected the recently signed addendum to the 2004 MOA to facilitate the sharing of performance and financial information.

Conclusion

In accordance with the U.S. foreign policy of promoting democracy and reform in the Middle East and North Africa , State established MEPI to design and fund projects supporting political, economic, and educational reform and the empowerment of women. However, despite MEPI's strategic emphasis on monitoring projects' performance, a failure to clearly communicate roles and responsibilities and a lack of complete project information have hampered MEPI's monitoring of its projects. In July 2005, subsequent to receiving our preliminary findings regarding the need to communicate project monitoring roles and responsibilities to its administrative partners, State finalized an agreement with USAID that establishes a framework for roles and responsibilities and coordination between the agencies. Although these guidelines represent progress in clarifying roles and responsibilities, it remains essential that specific monitoring duties be established for, and communicated to, all parties involved in each MEPI project. Without the ability to evaluate its projects' performance with certainty, and lacking access to complete information, MEPI's capacity to meet its strategic goals of producing tangible results and making results-based decisions is limited.

Recommendations for Executive Action

To bolster MEPI's ability to monitor and evaluate project performance, and to help ensure that MEPI achieves its goals of producing tangible results and making results-based decisions, we are making three recommendations to the Secretary of State. We recommend that the Secretary of State ensure that MEPI managers

- clearly delineate, document, and communicate roles and responsibilities for project monitoring;

- systematically obtain, maintain, and communicate complete information regarding all MEPI projects, including performance and financial data; and

- regularly assess MEPI's progress in communicating roles and responsibilities and obtaining, maintaining, and communicating key information.

Agency Comments and Our Evaluation

We provided a draft of this report to the Secretary of State and the Administrator of USAID for their review and comment. Both officials provided written responses, which we have printed in appendixes III and IV. State and USAID also provided technical comments that we incorporated as appropriate.

Although State and USAID agreed with our recommendations, State disagreed with the extent of our finding that it could not with certainty evaluate its projects' performance; however, it did not point out specific aspects of that finding with which it disagreed. State's comments acknowledged our recommendations regarding bolstering its ability to monitor and evaluate project performance. In its comments, State said that its July 2005 agreement with USAID regarding project management should improve the management, information flow, documentation, and monitoring of USAID-administered MEPI projects. In addition, State said that it would implement a monitoring and evaluation timetable for every project, identify projects that require on-site monitoring in the next year and assign responsibility to the appropriate MEPI action offices.

State's comments also laid out other general steps that, if taken, would help ensure more comprehensive project monitoring, including two steps to guarantee complete and accurate project information: (1) ensuring that files on every project are complete and (2) implementing an integrated grants and project management database system. In addition, State said that it would provide ongoing training in grants and project management for staff both in MEPI Washington and at MEPI regional offices and engage outside consultants to provide project monitoring support where necessary.

State did not comment on our recommendation that it monitor progress on clearly delineating, documenting, and communicating roles and responsibilities for monitoring and systematically obtaining, maintaining, and communicating complete information about all MEPI projects.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies of this report to

interested congressional committees and to the Secretary of the State and the Administrator of USAID. We also will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at 202-512-4128 or gootnickd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

David Gootnick
Director
International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

In this report, we (1) describe MEPI's structure for administering projects and obligating funds, (2) examine MEPI's uses of the reviews of U.S. bilateral economic assistance in the region, and (3) evaluate MEPI's monitoring of its projects.

To describe the administration of MEPI projects and obligation of MEPI funding, we examined budget and programmatic documentation provided by State and USAID. This documentation included information on funding levels and project administration for fiscal year 2002 and 2003 projects. We also interviewed State and USAID officials familiar with MEPI budget and project administration, in particular for fiscal years 2002 and 2003. Although our audit generally covered MEPI activities from December 2002 through May 2005, in reviewing MEPI's budget information and project monitoring, we focused on data for fiscal years 2002-2003, because they were the most complete data that MEPI could provide.

To describe MEPI's uses of the 2002-2004 reviews of U.S. bilateral economic assistance to the region, we examined (1) State's and USAID's joint reviews of programs in Egypt and West Bank and Gaza; (2) USAID's reviews of democracy and governance for Algeria, Bahrain, Jordan, Morocco, Tunisia, and Yemen; and (3) other supplemental information provided by U.S. embassies and USAID missions in the region, including mission performance plans and USAID country strategies. We also conducted interviews with officials at State and USAID headquarters in Washington, D.C.; officials representing embassies and USAID missions in 9 of the 14 MEPI countries; and officials administering MEPI programs in the territories of West Bank and Gaza.

To assess MEPI's mechanisms for monitoring its activities, we obtained information from MEPI on all of its fiscal year 2003 projects, including information on each project's pillar, MEPI partner, implementing organization, funding level, project location, and project type (country-specific or regionwide). From this information, we selected a nonprobability sample[1] of 25, or approximately 34 percent, of the 73 MEPI projects funded in fiscal year 2003. This sample also represented about 63 percent of MEPI's $100 million in fiscal year 2003 project funding. We used the sample to examine project monitoring performed by MEPI and its
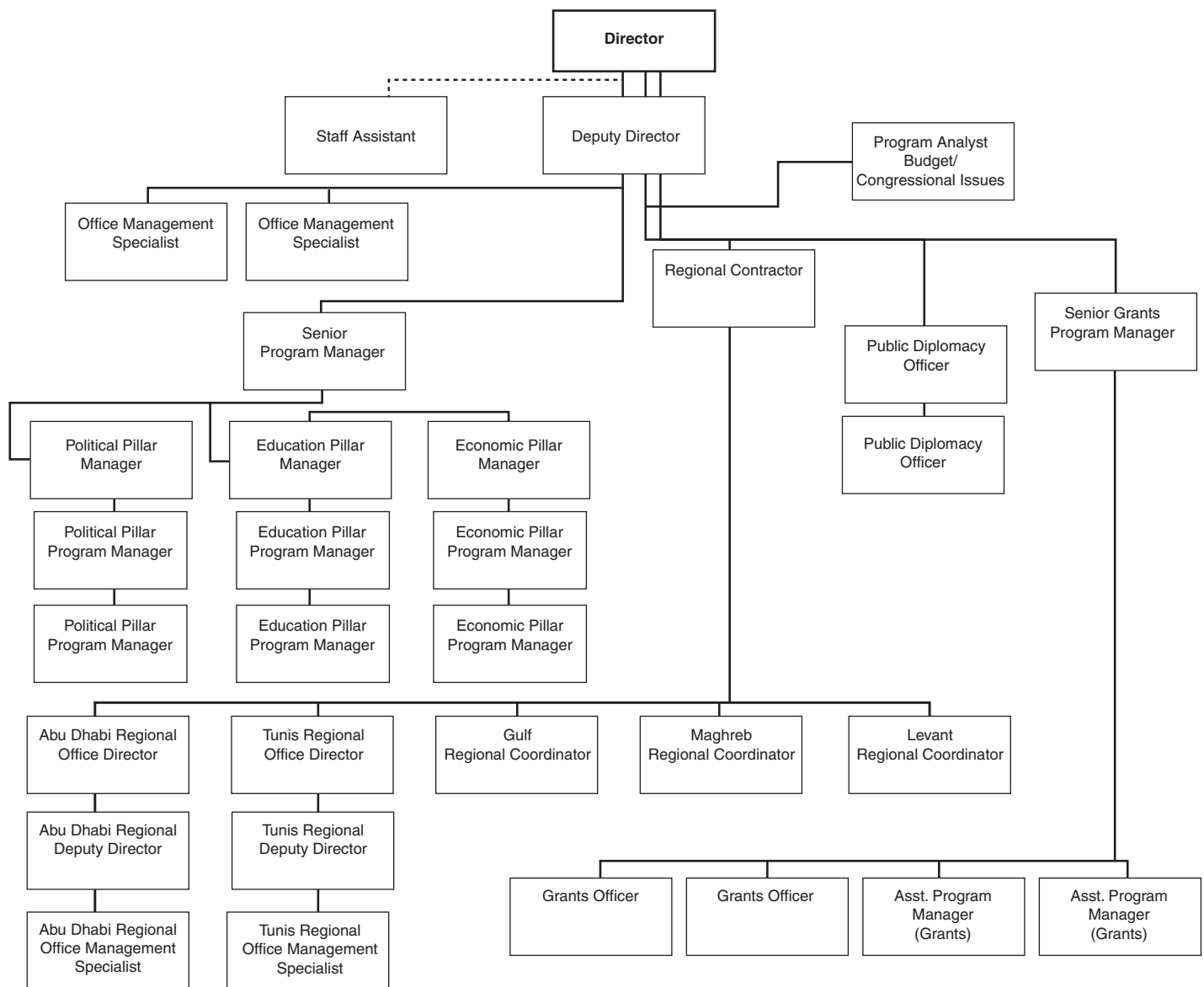
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[1]The limitations of a nonprobability sample are that results cannot be used to generalize to a population, because some elements of the population being studied have no chance or an unknown chance of being selected as part of the sample.

administrative partners and reports provided by project implementers. Our
sample included regionwide projects and projects from the countries we
would be visiting, projects with the highest funding levels for fiscal year
2003, projects administered both by MEPI and USAID, and projects from
each of the four MEPI pillars.

The documentation that we reviewed included project proposals, project
agreements, scopes of work and work plans, and quarterly reports for the
25 projects. Our analysis of these documents clarified the nature of MEPI's
monitoring and reporting requirements and supplemented and validated
information that we obtained through interviews. We developed a
structured interview instrument to systematically collect data on the 25
projects, which included questions on implementer reporting
requirements, the use of performance baselines and indicators, and
feedback and verification by MEPI and its administrative partners. We
analyzed the interview data by developing categories for each relevant
response, using the categories to code the data, and tallying the codes to
obtain the number of projects to which each response was applicable. We
also interviewed officials from MEPI, USAID, U.S. embassies, and
implementing organizations in the United States, Bahrain, Egypt, and
Morocco regarding MEPI project monitoring. We selected these MEPI-
participating countries because (1) Bahrain is a high-income country and
does not have a traditional U.S. bilateral assistance program; (2) Egypt, a
lower-middle-income country, is one of the largest recipients of U.S.
bilateral development funding; and (3) Morocco, a lower-middle-income
country, was the largest recipient of fiscal year 2003 MEPI funding. We
also traveled to Germany during a MEPI regional conference, where we
met with embassy and USAID officials responsible for project monitoring
in 8 of the 14 MEPI countries and in the West Bank and Gaza. In addition,
we used U.S. government internal control standards to assess relevant
areas of MEPI's management control system that affected project
monitoring, including (1) roles and responsibilities of MEPI staff and
administrative partners in Washington, D.C., and overseas and (2)
information flow.

We conducted our fieldwork in Washington, D.C., and in Bahrain, Egypt,
Germany, and Morocco from July 2004 to May 2005 in accordance with
generally accepted government auditing standards.

Appendix II: The Office of Middle East Partnership Initiative's Organizational Structure

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| Abu Dhabi Regional Office Director | Tunis Regional Office Director | Gulf Regional Coordinator | Maghreb Regional Coordinator | Levant Regional Coordinator |

| Abu Dhabi Regional Deputy Director | Tunis Regional Deputy Director |

| Abu Dhabi Regional Office Management Specialist | Tunis Regional Office Management Specialist |

| Grants Officer | Grants Officer | Asst. Program Manager (Grants) | Asst. Program Manager (Grants) |

Source: Department of State.

Appendix III: Comments from the Department of State

United States Department of State

Assistant Secretary and Chief Financial Officer

Washington, D.C. 20520

JUL 2 2 2005

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "FOREIGN ASSISTANCE: Middle East Partnership Initiative Offers Tool for Supporting Reform, but Project Monitoring Needs Improvement," GAO Job Code 320287.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Alina Romanowski, Director, Office of the Middle East Partnership Initiative, Bureau of Near Eastern Affairs, at (202) 776-8570.

Sincerely,

Sid Kaplan (Acting)

cc: GAO – Addison Ricks
       NEA – Barbara Simpson
       State/OIG – Mark Duda

Department of State Comments on GAO Draft Report
Foreign Assistance: Middle East Partnership Initiative Offers for
Supporting Reform, but Project Monitoring Needs Improvement
(GAO-05-711, GAO Code 320287)

Thank you for the opportunity to comment on your draft report entitled
Foreign Assistance: Middle East Partnership Initiative Offers for Supporting
Reform, but Project Monitoring Needs Improvement. Immediately after
September 11, 2001 the President recognized that success in the global war on
terrorism would require addressing the root causes of terrorism, particularly non-
democratic governance, corruption, poor education systems, lack of economic
opportunities, lack of political freedom, and discrimination against women in all
fields. To address these root causes, and to advance democracy in the Middle East
and North Africa, the Secretary of State created the Middle East Partnership
Initiative (MEPI) in December 2002. MEPI advances the dialogue between the
United States and the governments and peoples of the Middle East and North
Africa by charting new policies and supporting programs that work towards
political, economic, and education reform, and women's empowerment. Since
2002, MEPI has funded, in 15 countries of the Middle East and North Africa, 225
programs that support the goals of full political participation, basic freedoms, good
governance, the creation of economic opportunities and open economic systems,
education systems that teach critical thinking skills and that are open to all, and the
full empowerment of women. These programs support both systemic and
institutional change and the community of reformers within and outside of
government. MEPI has supported more than 70 civil society organizations in
opening and extending the political space in their home countries.

The Department of State welcomes the GAO report on the Middle East
Partnership Initiative (MEPI) and endorses its main findings. Over the past nine
months, the staff of the MEPI office in the Department's Bureau of Near Eastern
Affairs (NEA/PI) worked closely with the GAO team to assist in the latter's efforts
to evaluate our progress in developing this critical Presidential initiative. We are
grateful for the cooperative relationship that resulted between the GAO team and
NEA/PI, as well as the candid exchange of information between the GAO team
and MEPI action officers in the field, both at the MEPI regional offices in Tunis
and Abu Dhabi and at the U.S. embassies visited by GAO inspectors.

See comment 1.

We concur with the GAO's conclusion that the Department of State has
effectively launched MEPI reform programs throughout the Middle East in all four
of the substantive areas identified by the President's Freedom Agenda. While

many of these programs are country-specific, many others are regional,
incorporating participants from several different countries. Some are multi-million
dollar flagship programs, many others are smaller programs established under
MEPI's rapid response grants, and numerous others are local reform projects
undertaken through MEPI's small grants program, which is administered directly
by U.S. embassies and consulates in the region. All of these programs are results-
oriented and focused on promoting dynamic and structural reform. As the GAO
report correctly concludes, we have undertaken thorough reviews of existing
bilateral economic assistance programs in the NEA region and used the results to
tailor MEPI programs to the reform needs in each country and to target areas and
countries not being addressed by other U.S. agencies. For this reason, many MEPI
programs are taking place in countries in which there is no the U.S. Agency for
International Development (USAID) mission or programs.

See comment 2.

The report accurately recognizes that NEA/PI has established effective
partnerships with other bureaus at State, with other U.S. government agencies, and
with a wide range of non-governmental organizations (NGO's), including the
private sector, to carry forward the work of this initiative.

See comment 3.

The Department of State disagrees with the extent of GAO's finding that
MEPI cannot with certainty evaluate its projects' performance. As referenced in
the report, NEA/PI has developed an official five-phase project monitoring and
management plan that is integrated into all projects directly managed by NEA/PI.
This process includes: projects designed with performance indicators,
benchmarks, and monitoring and evaluation plans; desk monitoring; on-site
monitoring; and quarterly performance evaluations. NEA/PI's commitment to this
hands-on management and monitoring has, for example, resulted in a shift in the
way we do business with USAID. In too many cases, after our first year of
operations, it became clear that utilizing USAID mechanisms complicated our
ability to monitor results directly. We have, therefore, significantly reduced the
percentage of MEPI funds programmed through USAID. From a high of 55
percent of funds obligated through USAID in FY 2002-FY 2003, we are now only
obligating 13 percent of FY 2004-FY 2005 funds through USAID. This approach
gives MEPI greater flexibility, oversight, and accountability and allows for a more
dynamic response to reform developments in the region.

NEA/PI acknowledges the GAO recommendations that we find ways to
continue improving the monitoring and evaluation of project performance,
particularly for those projects directly managed by other agencies, both by more
clearly delineating roles and responsibilities for monitoring and maintaining more

complete information on performance and financial data for each MEPI-sponsored
program. Toward that goal, as a complement to the MOA signed between
NEA/PI and USAID in October 2004, we concluded an addendum in July 2005
establishing Administrative Service Requirements and Coordination Guidelines to
provide a specific framework for the roles and responsibilities of NEA/PI and
USAID for MEPI programs administered through USAID mechanisms. This
agreement should improve the management, information flow, documentation and
monitoring of USAID-implemented MEPI programs.

NEA/PI is also taking the following steps to ensure continued
comprehensive program monitoring and evaluation:

- ensuring that files on every project are complete to allow for the most
  effective periodic reviews of the status of activities and the
  success/shortcomings of each project;

- implementing a monitoring/evaluation timetable for every project that
  identifies which projects require on-site monitoring in the next year and
  assigns responsibility to the appropriate MEPI action office;

- providing ongoing training in grants and project management for staff both
  in NEA/PI and at MEPI regional offices;

- engaging outside consultants to provide project monitoring/evaluation
  support, where necessary; and

- implementing an integrated grants and program management database
  system.

As the GAO report illustrates, MEPI, in just two years of existence, has
become an important and high-profile U.S. foreign policy effort for promoting
reform and democracy in this critical region of the world. We have also
undertaken to redirect existing U.S. government assistance programs to ensure our
resources are effectively promoting freedom and reform. We look forward to
continuing to develop innovative, effective and meaningful assistance programs in
this regard.

The following are our comments on the Department of State's letter dated
July 22, 2005.

GAO Comments

1. State commented that it agreed with GAO's conclusion that the
Department of State has effectively launched MEPI reform programs.
However, GAO did not audit the effectiveness of MEPI projects and
did not present such a conclusion in this report.

2. State commented that our report recognized that MEPI had established
effective partnerships with other bureaus at State, with other U.S.
government agencies, and with a wide range of nongovernmental
organizations (NGOs), including the private sector. However, our
report did not present such a conclusion. Our report describes rather
than assesses the relationships between MEPI and other U.S.
government and nongovernment entities.

3. State said that it disagreed with the extent of our finding that MEPI
cannot with certainty evaluate its projects' performance, but it did not
specify aspects of that finding with which it disagreed. State's
comments acknowledged our recommendations regarding bolstering
its ability to monitor and evaluate project performance and laid out
general steps that, if taken, would help ensure more comprehensive
project monitoring. For example, State said that it would ensure the
completion of every project's files, to allow for periodic reviews of
activity status and project outcomes and shortcomings; engage outside
consultants to provide project monitoring and evaluation support,
where necessary; and implement an integrated grants and program
management database system. In addition, State pointed out that,
subsequent to receiving our preliminary findings in May, it finalized, on
July 14, 2005, an addendum to an October 2004 memorandum of
agreement (MOA) with USAID on USAID's administration of MEPI
projects. This MOA addendum establishes a framework for roles and
responsibilities and coordination between State and USAID. In its
comments, State said that this agreement should improve the
management, information flow, documentation, and monitoring of
USAID-administered MEPI projects.

Appendix IV: Comments from the U.S. Agency for International Development

July 21, 2005

Mr. David Gootnick
Director
International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Gootnick:

 I am pleased to provide the U.S. Agency for International Development's (USAID) response to the GAO report entitled Middle East Partnership Initiative Offers Tool For Supporting Reform, but Project Monitoring Needs Improvement (GAO-05-711). Since the inception of the Middle East Partnership Initiative (MEPI) in 2002, USAID has worked closely and will continue to work closely with the State Department's Near East Asia Bureau as a partner in advancing reform efforts and promoting freedom and democracy in the Middle East region. And, as noted in the report, we have carefully evaluated our country programs and realigned resources to address the most pressing reform issues.

 USAID agrees with the report's primary recommendations that a clearer delineation of roles and responsibilities is needed between MEPI and its partners as well as improved collection and maintenance of performance and financial information. It is important to note that we have recently finalized guidelines that outline roles and responsibilities to ensure improved coordination and communication between the Department of State and USAID in the implementation of MEPI activities. We are working with our missions in the Middle East to ensure the effective implementation, monitoring and evaluation of MEPI activities. To this end, USAID is using resources recently received from the Department of State to support the administration of MEPI activities. These resources are essential for USAID to effectively and responsibly manage and oversee MEPI-funded activities.

 USAID believes that many of the management challenges raised in the
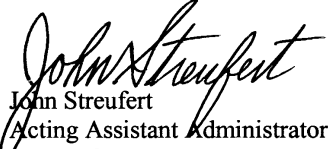
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report highlights the difficulties for the U.S. government in carrying out similar but separate foreign assistance programs. This requires substantial coordination among U.S. government agencies as we move forward with the collective objective of promoting reform in the Middle East region.

Thank you for the opportunity to respond to the GAO report and for the courtesies extended by your staff in the conduct of this review.

Sincerely,

John Streufert
Acting Assistant Administrator
Bureau for Management

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

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