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United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Report of Inspection

The Bureau of
Near Eastern Affairs
Office of Middle East
Partnership Initiative

Report Number ISP-I-10-76, August 2010

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PURPOSE, SCOPE AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspections, as issued by the President's Council on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General (OIG) for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE

The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



**United States Department of State
and the Broadcasting Board of Governors**

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel
Deputy Inspector General

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KEY JUDGMENTS

- The Bureau of Near Eastern Affairs, Office of Middle East Partnership Initiative (NEA/PI), has faced a series of major challenges in the past 2 years — strengthening the office structure institutionally, establishing continuity in senior leadership positions, and creating standardized grant administration procedures. While problems remain, NEA/PI leadership has made impressive progress, putting in place a new flexible organizational structure and a coherent grants management regime.
- NEA/PI now needs to eliminate the nonfunctional Coordination and Evaluation Division, transferring responsibility for the evaluation function to the Strategic Planning and Resources Division. NEA/PI should also develop a coherent alumni outreach strategy and integrate its public affairs and alumni outreach operations in a single unit.
- The NEA/PI leadership has taken steps to improve two-way communications between the office working levels and the NEA front office. It needs to address strengthening communication and dialogue with its Middle East Partnership Initiative (MEPI) coordinators in missions overseas.
- NEA/PI should establish more effective internal controls to assure that program expenditures by grantees are spent appropriately. Over \$640 million has been awarded to grantees with limited Departmental review of actual supporting documentation for funds expended. NEA/PI is now establishing its capacity to evaluate and monitor in the field, Washington managed grant programs that make up approximately 90 percent of the MEPI funds expended. In addition to the one position that NEA/PI will get in FY2010, it will need a second one to create a viable capacity to carry out this function.
- The Tunis and Abu Dhabi regional offices are performing well, playing an essential role in assisting posts with local grants and in regularizing and standardizing grants management procedures. Embassy project officers need training in their roles and responsibilities.

The inspection took place in Washington, DC, between April 26 and June 9, 2010.

CONTEXT

In 2002, the Middle East Partnership Initiative (MEPI) was established by the Bush Administration to advance democratic, economic, and educational reform and women's empowerment in the Middle East and North Africa. The program was fixed in the Bureau of Near Eastern Affairs (NEA) and its office formally designated the Office of Middle East Partnership Initiative (NEA/PI). MEPI programs are directed to 16 countries plus the Palestinian Territories. Since its inception, MEPI has received about \$640 million. NEA/PI is also responsible for the bureau's participation in the G-8 Broader Middle East and North Africa Initiative (BMENA).¹ MEPI has invested \$44.7 million since BMENA inception with \$1.5 million allocated in FY 2009.

In its first years, MEPI was at the center of controversy—encompassing partisan political sniping, policy tensions over its purposes, and questions as to how MEPI and its programs differed from already established U.S. Government assistance entities such as the U.S. Agency for International Development (USAID) and the Bureau of Democracy, Human Rights and Labor. In addition, the MEPI program suffered near constant leadership turnover: in 4 years, there were four different NEA deputy assistant secretaries overseeing NEA/PI, four office directors, and five deputy office directors. In the past 2 years, much of the controversy swirling around MEPI has been muted. The program weathered the change of administrations when there was widespread speculation that the new administration would abolish the high profile initiative taken by its predecessor. Instead MEPI has survived; the new administration is now embracing the program preserving the resources and the program flexibility that MEPI gives policymakers.

For its part, MEPI over the years has successfully created its niche in the policy/resource spectrum available to U.S. Government Middle East policymakers. The NEA leadership recognizes and emphasizes the important role MEPI plays in advancing U.S. Government priorities in the NEA region. In a first person message to all NEA posts, the Assistant Secretary stressed MEPI's leading role in the administration's efforts to follow up on the President's 2009 Cairo speech. The Special Envoy for the Middle East and National Security Council officers have confirmed the importance they give to MEPI as an important resource in support of U.S. Government policy interests.

¹ MEPI areas of operation are: Algeria, Bahrain, Egypt, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian territories, Qatar, Saudi Arabia, Tunisia, UAE, and Yemen. In addition to MEPI recipients, the G-8 BMENA grouping includes Iraq, Afghanistan, Pakistan, Mauritania and Sudan.

NEA/PI, the MEPI action office, currently has four divisions, 26 Foreign Service and Civil Service personnel, and 11 contractor employees. It has two regional field offices, Abu Dhabi and Tunis, to oversee the program's local grant activities in 16 Middle East and North African countries plus the Palestinian territories, with part-time coordinators/administrators in the missions. Program funding for FY 2010 is \$65 million of economic support funds (ESF) and \$1.4 million provided from diplomatic and consular programs (D&CP).

EXECUTIVE DIRECTION

The NEA/PI leadership has faced a series of major challenges in the past 2 years. With the new administration now embracing MEPI, its near-term survival has been assured, and the office leadership has moved to address the major issues facing it—strengthening the office institutionally, establishing continuity in senior management positions, and regularizing procedures for administering the MEPI program. In the course of the inspection, the OIG team found impressive progress had been made in all three areas. While problems remain, they do not overshadow the current office leadership’s management achievements. The office director and the deputy, who will succeed him in June, have worked closely together on a wide range of operational and organizational issues including a completed restructuring of the NEA/PI organizational framework; moved to curb the managerial merry-go-round that characterized the MEPI program for many years; and started to put in place procedural processes to systematize the handling of grant awards.

POLICY IMPLEMENTATION

NEA leadership is strongly supportive of MEPI. It views MEPI and its resources as an important instrument in furthering U.S. Government policy and strategic goals in the area. The Assistant Secretary has stressed the key role that MEPI plays in building partnerships throughout its region and in strategically positioning the United States to contain Iranian influence and bring about Middle East peace. MEPI works with the bureau’s regional and geographic offices with whom they hold periodic brainstorming sessions and coordinate as needed. The MEPI stress on partnerships with nongovernmental entities, and its focus on expanded political participation, strengthening civil society and the rule of law, empowering women and youth, and educational opportunity and economic reform all underpin the policy of engagement outlined in the President’s June 2009 Cairo address.

NEA/PI is an active participant in the development of the NEA Bureau Strategic Resource Plan (BSRP). In preparing the bureau’s FY 2012 BSRP submission, NEA/PI contributed to the drafting of the Assistant Secretary’s covering statement and its programs are integrated into two of the bureau’s major goals (education and economic reform and promoting citizen empowerment). NEA missions have been instructed to use their MSRP process to identify possible MEPI projects and

to incorporate any MEPI related personnel/resource requirements into their FY 2012 submission. NEA/PI reviewed each MSRP from MEPI posts, extracted and prioritized the mission proposals, and submitted its final internal budget request for approval at the deputy assistant secretary (DAS) level.

ROLE AND RELATIONSHIP OF THE DEPUTY ASSISTANT SECRETARY FOR THE OFFICE OF MIDDLE EAST PARTNERSHIP INITIATIVE

NEA/PI comes under the policy direction and operational oversight of a single DAS who plays the central role in assuring MEPI integration into ongoing bureau activities. The DAS gives continuing policy direction, oversees NEA/PI operations, and approves all action memoranda relating to MEPI grants. She serves as the essential ongoing link between the NEA policy levels and the highly operational MEPI office. The DAS deals actively with the Department and other agency stakeholders in Middle East assistance programs, as well as being the bureau's lead on democracy, good governance, and human rights issues. In addition, she is the bureau's principal interlocutor on MEPI issues with congressional committees and senior staffers. The current DAS has a particularly strong background, having written at length on MEPI as a policy researcher before coming into government under the current administration.

The DAS is strongly supportive of the NEA/PI leadership efforts to restructure MEPI institutionally and to bring leadership stability to the office. Overall, the OIG team found the DAS-NEA/PI relationship constructive and mutually reinforcing. In the course of the inspection, the OIG team did find at the working level, particularly among project officers, a sense of uncertainty and unease about their relationship with the DAS. That perception was based on the sense that there was inadequate downward flow of information about the DAS' conceptual approaches to program priorities and insufficient face time with her. During the inspection period, the DAS and the NEA/PI front office developed a new process assuring active individual project officer interactive participation in the DAS review of requests for applications (RFA) and action memoranda. NEA/PI believes that the new procedure will do much to ease any working-level concerns.

In addition to the NEA/PI initiative described above, the OIG team has made two informal recommendations. NEA/PI has three management-level meetings a week involving the director, deputy director and the division chiefs. The OIG team proposed that one of those weekly meetings be expanded to include the DAS to provide an ongoing framework for the DAS and NEA/PI senior officers to address

broader policy and operational matters in a collegial manner. The OIG team also suggested the DAS daily activities schedule be distributed within NEA/PI. Both informal recommendations were readily accepted by the DAS and NEA/PI leadership.

LEADERSHIP CONTINUITY

NEA/PI is moving to deal with the major problem of rapid rotation in and out of senior management positions. In the 4-year period from 2006 to 2010, there had been four supervisory deputy assistant secretaries, four office directors, and five deputy directors. These changes reflect a combination of events: rapid turnover of political appointees, interrupted tours as Foreign Service officers moved on, and subsequent reliance on short-term “when actually employed” employees. The summer of 2008 saw the turnover of the NEA/PI director and deputy director as well as the directors and deputy directors of both regional offices. NEA/PI potentially faces another period of management instability with the director leaving in June 2010 and the deputy moving up for only 1 year. In Tunis, however, the director and deputy director are off-cycle with each other, providing continuity after the 2011 transfer season.

In these circumstances, NEA/PI leadership has recognized the immediate need to fill the deputy director position with a Civil Service officer to provide longer-term continuity. It has been filled over the past 4 years with a succession of short-term Foreign Service and when actually employed incumbents. The OIG team endorses NEA/PI determination to fill the position promptly.

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OFFICE OF MIDDLE EAST PARTNERSHIP INITIATIVE RESTRUCTURING

In February 2009, NEA/PI dismantled its former four pillar organization “stove-piped” on the four major threads in the MEPI program: political, economic, education, and women. Instead, the office established a more traditional functional organization based on four divisions—Assistance Management, Policy and Programming, Strategic Planning and Resources, and Coordination and Evaluation. Three divisions are up and running and are dealt with separately in this report. However, the three-person Coordination and Evaluation division has not worked and is not functional. There are several problems impeding its performance:

- Issues that have led to leaving the division chief position unfilled for 2 months;
- Uncertainty throughout NEA/PI as to what the role of the division is;
- Overlapping individual responsibilities. Both action officers in the division essentially kept significant portions of their previous portfolios and reporting lines when they nominally moved into the Coordination and Evaluation division;
- Unclear lines of authority. While charged with coordination with the two MEPI regional offices, the division had no clear role as the regional offices formal line of authority ran directly to the office director; and
- The questionable need for NEA/PI to have a separate coordination division, divorced from either supervisory or program responsibilities.

In view of these considerations, the OIG team concluded the NEA/PI Coordination and Evaluation division should be eliminated and any residual functions be absorbed by other divisions.

Recommendation 1: The Bureau of Near Eastern Affairs, in coordination with the Bureau of Human Resources, should eliminate the Office of Middle East Partnership Initiative Coordination and Evaluation division. (Action: NEA, in coordination with HR)

NEA/PI agreed with the OIG recommendation and will proceed to restructure the office to eliminate the Coordination and Evaluation division, reassign the action officers, and assign responsibility for evaluation to the Strategic Planning and Resources division. The OIG team and NEA/PI have discussed the possibility of the Coordination and Evaluation division chief position, a Foreign Service position, being designated to a public affairs slot in an expanded public affairs and diplomacy unit.

Recommendation 2: The Bureau of the Near Eastern Affairs, in coordination with the Bureau of Human Resources, should abolish position number S889330 “coordinator” and reprogram the position as a public affairs officer. (Action: NEA, in coordination with HR)

PUBLIC AFFAIRS

Overall, MEPI's public affairs function has been performed successfully. The public affairs function for MEPI is placed in the Strategic Planning and Resources division. With the guidance of the division chief, a single public affairs specialist has done well building up the program. The NEA DAS strongly supports an increase in public affairs. The strategy is to be proactive with informing Congress and the public about MEPI. A newly prepared strategic communication review indicates goals, objectives, tools, and the use of new social media.

The NEA/PI public affairs specialist works closely with the Policy and Programming division (NEA/PPD) and the Bureau of Public Affairs; however, she is solely responsible for developing MEPI's public affairs materials. Current MEPI public affairs products include two-page country overviews, one-page program area fact sheets, and a biweekly highlights email updating recipients on MEPI's recent activities. In addition, the public affairs specialist works with NEA/PPD to prepare senior officials for speeches, testimony, and other public engagements. The two offices prepare murder boards together, and discuss opportunities for senior officials to speak publicly about MEPI and other issues related to MEPI's work (i.e. empowering women, and supporting democratic reform). The lines of communication between the two offices are open, and both offices benefit from this relationship.

The public affairs specialist also works closely with the Bureau of Public Affairs. All public documents, including those that are posted to the MEPI Web site are cleared through the Bureau of Public Affairs' Strategic Communications and Planning office (PA/SCP). PA/SCP works with MEPI on a weekly basis to clear all country pages, program area fact sheets, and biweekly highlight emails. In addition, the NEA/PI clears all speaking engagements with the Bureau of Public Affairs. The public affairs specialist also works closely with the Bureau of Public Affairs' Office of Electronic Information (PA/EI).

The content on the MEPI Web site is managed and monitored by the NEA/PI public affairs specialist; however, PA/EI staff serves as the webmaster and are the only ones able to update it. All edits must be passed to PA/EI before they are posted on the MEPI Web site, which has caused delays in posting content. As a consequence, NEA/PI is planning to move its Web site to www.America.gov. The

public affairs specialist along with the alumni outreach specialist will produce the content and update the new Web site daily. In addition, the new Web site will allow for Arabic and French translations, thus reaching MEPI's overseas audiences. The Web site will be launched on the CMS 2.0 platform, allowing for slideshows of pictures and videos.

ALUMNI OUTREACH

In contrast to the public affairs achievements, the alumni outreach program has languished due in part to funding issues and program implementation problems. There were originally seven countries in a pilot outreach project. At present, there are only three countries with a significant alumni structure. A significant outcome of the alumni outreach program is an alumni database that is maintained by a contractor. There are 3,500 individual contacts in the database, and MEPI management estimates that the universe of alumni exceeds 11,000. MEPI management wants to ensure that the quality and quantity of the information is accurate. The OIG team believes that it is essential for NEA/PI to establish a strategic plan for energizing its alumni in a constructive relationship with MEPI. The OIG team understands that NEA/PI will embark on such an effort in the fall of 2010, with \$4 million to create follow-up programs with alumni.

MEPI and the Bureau of Educational and Cultural Affairs (ECA) have been working together over the past year to connect their two alumni networks. In Jordan (and several other posts), MEPI alumni have been included in events hosted by the embassy and ECA. MEPI explored the possibility with ECA of adding MEPI alumni to the latter's alumni network; however, ECA was only willing to include MEPI exchange alumni. MEPI decided not to pursue these efforts because it did not want to create two classes of alumni. MEPI exchange alumni are eligible to join the ECA alumni network as individuals.

Given the increased attention to public affairs already underway and the need for an effective structure for alumni outreach, the OIG team believes that NEA/PI should establish an expanded public affairs and diplomacy unit to include responsibility for the alumni outreach program. As part of that expansion, the OIG team and NEA/PI agree that the Foreign Service position freed up by the elimination of Coordination and Evaluation division should be used to strengthen the public affairs and alumni outreach unit.

Recommendation 3: The Bureau of Near Eastern Affairs should integrate the alumni outreach program within the public affairs unit. (Action: NEA)

With the likely expansion of the public affairs operation to three people and the significant projected commitment of funding to public affairs and alumni outreach, the OIG team also believes that the expanded unit should report directly to the NEA/PI front office. In the view of the OIG team, the public affairs function in the Strategic Policy and Resource division is an anomaly justified by the strong support that the division chief gave to a newly arrived public affairs specialist. Looking to the future, the public affairs unit will simply be too large for the Strategic Resources and Policy division. Further, the Strategic Resources and Policy division will have to give increased attention to creating an expanded evaluation capacity as recommended by the OIG team.

Recommendation 4: The Bureau of Near Eastern Affairs should have an expanded public affairs and alumni outreach unit report directly to the Office of the Middle East Partnership Initiative. (Action: NEA)

CONGRESSIONAL OUTREACH

Congressional outreach and liaison is a central responsibility in securing support for the MEPI annual funding levels. Led by the supervisory DAS, most senior NEA/PI officers are involved in fielding specific legislative requests, briefing congressional figures or Hill aides, or defending MEPI programs. NEA/PI has one full-time congressional liaison officer, a mid-grade schedule C appointee who is assigned in the Strategic Policy and Resources Division. He has an active portfolio: dealing with working-level congressional aides; shepherding MEPI-sponsored exchange visitors observing Congress; and coordinating with the Department's legislative affairs bureaus and other executive branch congressional liaisons.

The OIG team raised with NEA/PI the desirability of assigning the congressional liaison officer directly to its front office given the importance of congressional relationships. NEA/PI resisted, indicating that so much of his work involves concrete budget issues and that it made more sense to keep him where he is. The OIG team accepted the NEA/PI view while noting that, as the office settles down after its extended absorption with internal reorganization matters, NEA/PI might revisit the question.

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POLICY AND PROGRAMMING DIVISION

The Policy and Programming division has central responsibility for developing, managing, and evaluating the projects implemented under MEPI auspices. The acting division chief is highly knowledgeable and is well-regarded by the staff. In addition to her duties as acting chief, she oversees 12 projects of her own. She supervises 11 project officers and manages the fluctuations of a staff that includes short-term Foreign Service officers and a Presidential Management Fellow. Overall, the project officers are committed to their work and show a high degree of professionalism. In several survey interviews, nongovernmental organization implementers spoke highly of their availability and helpfulness as well as their constructive and positive approach. According to Policy and Programming division members and management, the office's reorganization has improved operations, and the division intends to further refine its internal organization to strengthen its management structure.

The division manages projects implemented by the U.S. Government as well as nongovernmental and other organizations located in the United States. Approximately 90 percent of the MEPI funding is for these projects, in comparison with smaller local awards managed overseas. Project officers are in constant contact with the implementers. They identify projects, help with the design, budget, and program negotiations; and monitor progress quarterly, sometimes discussing projects with embassies, consulates, or Congress. Officers are assigned roughly between 8 and 12 projects, depending on the size of the award and the amount of attention it requires. In addition, the report appendix lists a sampling of MEPI-supported projects.

The division currently manages four exchange projects. Student Leaders, Leaders for Democracy Fellowship, Civil Education Leadership Fellowship, and Middle East Entrepreneurship Training recruit participants to come to the United States for professional training lasting anywhere from 4 weeks to 2 months. About \$41 million has been allocated for such programs between FY 2005 and FY 2009. In addition, there are two scholarship projects—MEPI Scholarship Program (\$6.4 million) and Tomorrow's Leaders (\$12.2 million). Tomorrow's Leaders provides scholarships for students in the Middle East to attend American University, Cairo; American University, Beirut; and the Lebanese American University.

Project officers also serve as the grants officer representatives (GOR). As GORs, they are responsible for prudent management and oversight of the award through monitoring and evaluating the recipient's performance. The need to strengthen the project officers' ability to deal with grants management is discussed in the section on grant management below.

Key concerns for the division are communication issues involving the DAS, discussed earlier in this report. Another concern is the shortage of grants officers in the Assistance Management Division, which slows down the progress of project officers. There are continuing comments from embassies about the need for more communications on regional projects. This issue is covered in the section on Regional Operations. The Policy and Programming division is aware of these concerns and is reviewing its own procedures to provide better project information flow.

In reviewing the division's travel for 21 months, between October 2008 and June 2010, the OIG team found that project officers had made a total of 30 trips. In view of the need for more visible and persistent MEPI oversight of the regional projects, the OIG team questioned whether this level of travel was sufficient. In any event, the OIG team believes that the division needs a structured approach to field travel and made an informal recommendation on the subject.

ASSISTANCE MANAGEMENT DIVISION

OVERVIEW

At the time of the inspection, the Assistance Management division was staffed by two grants officers (staffing patterns show that three are authorized) and supported by seven contractor employees. The vacant position was expected to be filled in summer 2010. Starting in 2009, considerable emphasis has been given to closing completed grants and recovering unliquidated obligations. In addition, MEPI has developed a thorough Grants Management Policies and Procedures manual. These procedures should preclude problems tracing to past practices that existed in earlier years, which were identified by this OIG team and other independent reviews.

MEPI's current grants management is based on Office of Management and Budget circulars and Office of Procurement Executive (A/OPE) grant policy directives. These directives as interpreted by the grants officers who are warranted by A/OPE have been made operational by MEPI's Grants Management Policies and Procedures manual that is updated annually.

GRANT PROCESSING/MONITORING

The monitoring and evaluation of grantee implementer performance and financial operations, particularly of U.S.-based grant implementers, needs strengthening. Since MEPI's inception in 2002, about \$640 million has been awarded to grantee implementers. Approximately 90 percent of the value of these awards went to U.S.-based organizations for regional grants administered for NEA/PI. There is limited assurance that funds provided to implementers were actually expended for the purposes intended. There is little, if any, documentation provided to show that supporting data for amounts reported as spent has been required and examined by responsible personnel (grants officers, grants officers' representatives and grant administrators).

Lack of monitoring and evaluation has been highlighted in the past by the U.S. Government Accountability Office (GAO) and A/OPE in coordination with the

Bureau of Resource Management.² GAO pointed out that "...MEPI's ability to monitor performance was limited by ... (3) unverified project information ... (5) incomplete project records, and (6) lack of access to project information." The report prepared by the Office of the Procurement Executive and the Bureau of Resource Management reiterated that evaluations of programs both domestically and overseas were needed.

Significant vulnerabilities exist because of the lack of adequate grant management internal controls and capacity to review and evaluate documentation that supports claimed expenditures. At the time of the inspection, delegations of authority to the project officers designated them as "Project Officer (PO) formally known as Grant Officer Representatives (GOR)". The project officers are stationed in the Department. On their field trips and at headquarters their emphasis is on the program even though delegations of authority state that they should receive, review, and approve required recipient reports (progress, financial, or other). These officers are not audit qualified nor have most received any training that would prepare them to make the necessary reviews. Audit reports prepared by public accountants for grantees have stated that the accountants could not express an opinion on the effectiveness of grantee internal controls over financial reporting.

NEA/PI has recognized the problem and plans to increase the evaluation and review of overseas grantee operations. Two evaluator positions are to be established in Washington, DC—with a requirement for extensive travel—one in June 2010 and another in 2012. The requirements of the position will be delineated when the position is officially added to MEPI staffing. The OIG team believes that both positions are necessary. Staffing of the second position should not be deferred until 2012. The potential vulnerabilities (some of which were recently identified), and the size and scope of MEPI's programs, require increased oversight now. As discussed later in the Regional Operations section of this report, NEA/PI plans to hire qualified locally employed (LE) staff as program analyst/program monitoring specialists to provide closer more continual monitoring.

Recommendation 5: The Bureau of Near Eastern Affairs, in coordination with the Bureau of Human Resources, should establish and fill two evaluator positions in 2010. (Action: NEA, in coordination with HR)

² GAO-05-0711, August 2005, "Middle East Partnership Initiative Offers Tools for supporting Reform, but Project Monitoring Needs Improvement" and the Office of the Procurement Executive's "Review of Assistance Operations, Bureau of Near Eastern Affairs, Middle East Partnership Initiative" dated April 29, 2010

FISCAL MANAGEMENT

The Strategic Planning and Resource division of NEA/PI is responsible for managing the resources allocated to the office for its programs and operations. As discussed earlier, it also has responsibility for public affairs and congressional outreach. In April 2010, MEPI also began transitioning management of alumni outreach efforts to the division. Management of MEPI'S Alumni Network projects resides with project officers in the Policy and Programming Division.

A staff of three (a budget officer, financial management specialist, and a payment management specialist) led by the division chief oversees MEPI's foreign assistance resource processes, including those related to budget formulation and obligation. Apart from budget formulation, the division's duties include coordinating grants payments made through the payment management system (PMS), reconciling transactions made via PMS and the Department's global financial management system transactions, and grants closeout. The division also develops and prepares standard operating procedures to effectively manage the funds allocated to the office. The staff is experienced and knowledgeable in the financial systems and processes it uses and coordinates well with the grants and project officers. Each staff member understands his/her role within the office. Their overall performance is excellent. The division and its chief are given high marks within NEA/PI for their overall support.

Current staffing covering the fiscal management in the division is adequate. In previous years, this function was short staffed. It has improved with restructuring of the office and the addition of the two budget and financial staff in 2009. While the Bureau of Near Eastern Affairs, Executive Office (NEA/EX) provides financial oversight for the office, NEA/PI makes budget decisions and determines how the money will be allotted for its programs. The staff coordinates closely with NEA/EX on budget execution matters.

Funding for MEPI consists of economic support funds (ESF), which have an obligation life of 2-years. These funds must be obligated by the end of the second fiscal year after Congress appropriates them. The ESF remains available for expenditure for up to 5 years from their availability for obligation date. MEPI's FY 2010 ESF allocation is \$65 million, a slight increase in funding that has remained around \$50 million annually since FY 2007. Between FY 2002 and FY 2006, MEPI's annual

allotment ranged from \$29 million in FY 2002 to \$142.4 million in FY 2006. The office also receives D&CP funds for its internal operations. The allotment for FY 2010 is \$1.4 million, its base for the past several years. These funds are used primarily to support the operations of the two regional field offices and MEPI travel costs.

Over the past year, NEA/PI has worked to improve its fiscal operations and processes. The division has focused on grants closeout and review of unliquidated obligations with much progress. As of May 2010, it had closed out 58 awards and 124 obligations. Focus on grants closeout has saved the office a \$7 per month payment per obligation to PMS, an annual savings of approximately \$10,500.

NEA/PI has also worked to obligate funds well before the end of the fiscal year. From FY 2007 to FY 2008, MEPI went from reporting a zero percent obligation rate at the end of the first year that funds were available for obligation to a 54 percent obligation rate in the first year. In FY 2009, NEA/PI fell behind its previous year's progress because of the change of administrations and with the omnibus appropriation bill pending until March 2009 6 months into the fiscal year. Progress has been made this fiscal year but the obligating process is still slowed by factors that include the congressional notification process, delayed approval of the MEPI operational plan by the Director of Foreign Assistance, and the turnover in MEPI leadership that affected program planning, obligation, and implementation.

In FY 2009, A/OPE and RM performed a grants management review of MEPI. The report was finalized during the inspection. The review included an assessment of MEPI's core financial management functions in the grants process. The OIG team's findings were consistent with the findings of the review and confirmed MEPI's implementation of the recommendations pertaining to the payments and awards closeout processes. Since the A/OPE report was not finalized until after completion of the inspection fieldwork, the OIG team did not address the status of the recommended actions.

INFORMATION MANAGEMENT

NEA/PI uses an information management system, varying referred to as the MEPI database, the Planning and Reporting System, and MEPI/MEPINet, as a project monitoring and program management tool. It is a database into which project information such as awards and amendment data, project points of contact, work plans, and project reports can be entered. The system also includes a results monitoring feature that enables grantee/partner organization staff to enter and update data on performance measures or indicators. The system was not in compliance with Department regulations related to the development and management of information technology systems. It had not been evaluated through the Electronic Capital Planning and Investment Control Process (e-CPIC), as required in 5 FAH-5 H-111.4, which mandates evaluation of major and non-major projects through the e-CPIC tool. In addition, the system had not been entered into the Information Technology Asset Baseline as required in 5 FAM 611 and 5 FAM 864. System authorization had not been performed, as required in 5 FAM 619, and steps had not been taken to meet the assessment, certification, and documentation requirements specified in 5 FAM 1060. Title III of the Federal Information Security Management Act (FISMA), requires each federal agency to develop, document, and implement an agency-wide information security program to provide security for its information and information systems.

The NEA/PI information management system was developed and is maintained as part of the contract with Management Systems International (MSI). MEPI is enhancing the system to include more information on payments and congressional notifications. Overall, the system is providing a useful tool for accessing program information and developing program reports. MEPI staff use the system regularly to access information on their programs. The MSI contractor was unaware of the specific Department regulations noted above. The information management staff in the Office of the Director for the Near Eastern Affairs and the South and Central Asian Affairs indicated that it has played no role in the management or oversight of the MEPI system.

In response to OIG team inquiries, systems administrators compiled contingency and system security information and put it into standard Department templates. However, additional steps need to be taken to comply with Department regulations and to ensure that a risk-based approach is used to provide adequate protection of system confidentiality, integrity, and availability.

Recommendation 6: The Bureau of Near Eastern Affairs should register the Office of the Middle East Partnership Initiative's planning and reporting system in the Information Technology Asset Baseline. (Action: NEA)

Recommendation 7: The Bureau of Near Eastern Affairs, in coordination with the Bureau of Information Resource Management, should determine system authorization and capital planning and investment control requirements and procedures for the Office of the Middle East Partnership Initiative management information systems. (Action: NEA, in coordination with IRM)

REGIONAL OPERATIONS

In 2004, NEA/PI opened regional offices (RO) in Tunis and Abu Dhabi. The ROs serve as a link between MEPI's central office in Washington, DC, and the U.S. embassies in the region. The Abu Dhabi RO administers MEPI local grants in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen. The Tunis RO administers MEPI local grants in Algeria, Egypt, Israel, Lebanon, Libya, Morocco, Tunisia, West Bank/Gaza, and has recently taken over responsibility for programs in Jordan. Although the combined dollar amount of local grants makes up just 10 percent of total MEPI funding, the number of individual grants handled by each RO on an annual basis exceeds the number of grants awarded and administered by NEA/PI in Washington. Grants administration, management, and oversight take up most of the time of the RO staff.

STAFFING AND RESPONSIBILITIES

Abu Dhabi

The Abu Dhabi RO is staffed by two Foreign Service officers—a director and a deputy, who also serves as the RO's grants officer with a grants warrant of \$200,000. The office also has a Foreign Service office management specialist and at the time of the inspection, just two LE staff—one program specialist (a second program specialist position has been vacant) and one information specialist. The sole grants specialist (a second grants specialist position was vacant) had recently resigned and the position is expected to be filled by the senior grants specialist from Tunis.

Tunis

The Tunis RO is staffed by two Foreign Service officers—a director and a deputy, who also serves as the RO's grants officer with a grants warrant of \$200,000. There are eight LE staff. A third Foreign Service officer position at the FS-03 level had recently been added as a result of the Department's Diplomacy 3.0 initiative. This position will be filled with an entry-level political-cone officer. There are plans to add five LE staff before the end of the year including a program analyst/program monitoring specialist. A second program analyst/program monitoring specialist will

be established in FY 2011. These program monitoring specialists will travel frequently and help to monitor local grant and Washington grant projects. In order to fully evaluate grantee performance, including the validity of expenditures, the specialists should be audit qualified.

Recommendation 8: The Bureau of Near Eastern Affairs, in coordination with the Bureau of Human Resources, should define the duties of newly created Tunis regional office specialist positions to include a requirement for audit capability. (Action: NEA, in coordination with HR)

The RO's responsibilities lie in three major areas:

- **Local Grants:** The ROs spend 65-70 percent of their time approving and managing local grants; approximately 40 per year. For each grant, a project officer is assigned from the mission where the project will take place. As part of MEPI's efforts to regularize and standardize grants management, proposal opportunities have been included in an annual program statement and posted on www.grants.gov.
- **MEPI Exchange Programs:** The ROs spend approximately 10 percent of their time on activities related to MEPI's exchange programs. Although these are Washington-managed programs, the ROs are involved in advertising the programs, sometimes receiving and reviewing applications and making selections through the MEPI coordinators and committees at the posts in their region.
- **Supporting NEA/PI Regional Grants:** The ROs spend 20-25 percent of their time supporting activities related to Washington-administered grants, usually to large U.S.-based NGOs. These activities can range from meeting with U.S. implementers of Washington-funded programs in country; helping them to identify local partners; or attending programmatic activities and events when possible. This also includes work on Civil Society grants related to the G-8's Broader Middle East North Africa Initiative (BMENA) and supporting the annual Forum for the Future.

With the increase in funding for local grants (from approximately \$5 million per year to an expected \$7.5 million in FY 2010), NEA/PI had considered establishing a third RO, proposing Amman, Jordan, as the location. However, security concerns and severe constraints on space have led the embassy to defer approving requests from NEA/PI and other agencies. Instead, staffing at the RO in Tunis will be increased to take on this additional workload.

Communication and coordination between the ROs and NEA/PI is critical to MEPI's success. Both ROs report frequent and good communication between their directors and the NEA/PI director who visits each RO on a quarterly basis. The ROs also said that they enjoyed good cooperation with the Washington grants officers with whom they work on approvals for local grants over \$10,000. In contrast, communication between the ROs and individual NEA/PI project officers was less consistent with some Washington-based project officers being more proactive than others.

MIDDLE EAST PARTNERSHIP INITIATIVE AT MISSIONS

In the survey phase of the inspection, a questionnaire was sent to the MEPI coordinator at each embassy and consulate general having MEPI programs. All 17 reported regular and generally positive contact with their RO.

Training was held for MEPI coordinators and administrators in October 2009 at both ROs and included sessions on MEPI's mission and strategy; MEPI roles and responsibilities; local grant design; pre-award actions; grants monitoring, including quarterly progress reports and site visits; local grant budget process and risk management; the MEPI database, grant post-award, and closeout actions; and public affairs tools including alumni networks. Responses to the OIG questionnaire indicated unanimous praise for this effort and asked for more. NEA/PI told the OIG team that it plans to conduct training for coordinators and administrators on an annual basis.

The Assistant Secretary's 2010 message linking MEPI to the President's Cairo speech raised MEPI's profile. During one inspector's visit to Amman, Jordan, the Ambassador and deputy chief of mission referred to the cable and noted that as a result, they had decided to hold monthly rather than quarterly meetings of the MEPI committee, which the deputy chief of mission would now chair. Responses to the questionnaire that was sent to all countries in the region as part of the survey phase of the inspection indicated universal support for MEPI and often front office involvement in the mission MEPI committee and some other working group where MEPI programs are reviewed. A review of OIG inspection reports over the past year at embassies with a MEPI program, described the program in generally positive terms.

The issue that emerged from the questionnaire, and which has been a recurring theme in previous reviews of MEPI, is communication between the embassies and NEA/PI. Embassies believe that NEA/PI should do more to seek the embassy's

assessment of local conditions, culture, and needs. They would like to be involved in identifying program priority areas and in the development of new requests for applications (RFA). They would also appreciate advance notice of visits and exchange programs and information on the future of current programs that are nearing their project end date. To address this latter point, NEA/PI, in March 2010, created a shared calendar that has not yet been widely used. However, there is recognition that communication has improved under the current NEA/PI and bureau leadership but that more could be done to involve them earlier and more often in the Washington grants process. The OIG team recommended two steps to strengthen communication between embassies and NEA/PI.

Recommendation 9: The Bureau of Near Eastern Affairs should create a monthly directors' report to be sent to all Middle East Partnership Initiative coordinators and administrators. (Action: NEA)

Recommendation 10: The Bureau of Near Eastern Affairs should coordinate with the regional offices in Abu Dhabi and Tunis to hold an annual conference for Middle East Partnership Initiative coordinators and administrators, which should be done in conjunction with the annual training workshops. (Action: NEA)

MIDDLE EAST PARTNERSHIP INITIATIVE COORDINATORS/ ADMINISTRATORS

The role of MEPI coordinator is to oversee and coordinate MEPI activities in-country. A MEPI coordinator is usually a Foreign Service officer with other duties and responsibilities. The 2006 OIG review (ISP-I-06-18, dated March 2006) discussed the consequent trade-off between an officer's reporting duties and their MEPI oversight. The review also recommended that officers with MEPI responsibilities be identified before going to post so that they could have appropriate briefings and consultations in Washington before taking up their overseas assignments. NEA/PI reports that the posts determine who will serve as MEPI coordinator. When possible, the employee is notified of that responsibility prior to proceeding to the overseas assignment so that NEA/PI can work with the Bureau of Human Resources

and the country desks to schedule briefings on the program. Time permitting, some coordinators take Foreign Service Institute courses, “Introduction to Grants and Cooperative Agreements” and/or “Monitoring Grants and Cooperative Agreements” during their consultations prior to going to post.

The MEPI administrator supports the MEPI coordinator in his/her oversight and coordination of MEPI activities in-country. A MEPI administrator is typically an LE staff employee. Decisions on funding MEPI positions at posts have been made on a demand-driven basis. Posts have sent in requests and NEA/PI has responded with ESF support to fund all but one. There are currently eight such positions, all filled by LE staff serving as MEPI administrators (Algeria, Bahrain, Libya, Cairo, Sana’a, Muscat, Beirut, and Jerusalem) and a request for two more (Abu Dhabi and Tel Aviv). In other posts, an LE staff member from either the political or public affairs section is assigned collateral duties as MEPI administrator.

PROJECT OFFICERS/GRANTS OFFICER REPRESENTATIVES

Embassies report difficulty recruiting officers to serve as project officers for local grants so this responsibility often falls to the MEPI coordinator or the MEPI administrator who consequently ends up serving as project officer for multiple grants.

Recommendation 11: The Bureau of Near Eastern Affairs should establish incentives to encourage officers to serve as project officer for a local grant by including this responsibility in the work requirements. (Action: NEA)

A project officer’s basic function is to serve as GOR. This officer is designated in writing by the grants officer to administer certain aspects of a specific assistance agreement from the award through close out. The GOR is responsible for ensuring that the Department exercises prudent management and oversight of the award through monitoring and evaluating the recipient’s performance. A project officer is not always aware of the extent of their responsibilities or even that they are a GOR. In a recent inspection of Embassy Cairo, the OIG team noted that although some officers who served as project officer/GOR had completed training for grants monitoring, there was no formal requirement for them to do so. The OIG team made an informal recommendation addressing this issue. This issue had also been identified previously in the OIG’s 2006 review of MEPI, which included a recommendation that the Bureau of Administration, NEA, and HR should provide appropriate training for grants officer representatives. NEA/PI reported that they and FSI had

undertaken to develop a training program for officers who will be GORs at U.S. missions abroad and the recommendation was closed. NEA/PI states that this training program has not yet been developed. Therefore, the OIG team is reinstating the recommendation. NEA/PI agrees with the recommendation and believes that an online course would be the best solution. The OIG team concurs.

Recommendation 12: The Bureau of Near Eastern Affairs, in coordination with the Foreign Service Institute, should establish appropriate training for grants officer representatives. (Action: NEA, in coordination with FSI)

LIST OF RECOMMENDATIONS

- Recommendation 1:** The Bureau of Near Eastern Affairs, in coordination with the Bureau of Human Resources, should eliminate the Office of Middle East Partnership Initiative Coordination and Evaluation division. (Action: NEA, in coordination with HR)
- Recommendation 2:** The Bureau of the Near Eastern Affairs, in coordination with the Bureau of Human Resources, should abolish position number S889330 “co-ordinator” and reprogram the position as a public affairs officer. (Action: NEA, in coordination with HR)
- Recommendation 3:** The Bureau of Near Eastern Affairs should integrate the alumni outreach program within the public affairs unit. (Action: NEA)
- Recommendation 4:** The Bureau of Near Eastern Affairs should have an expanded public affairs and alumni outreach unit report directly to the Office of the Middle East Partnership Initiative. (Action: NEA)
- Recommendation 5:** The Bureau of Near Eastern Affairs, in coordination with the Bureau of Human Resources, should establish and fill two evaluator positions in 2010. (Action: NEA, in coordination with HR)
- Recommendation 6:** The Bureau of Near Eastern Affairs should register the Office of the Middle East Partnership Initiative’s planning and reporting system in the Information Technology Asset Baseline. (Action: NEA)
- Recommendation 7:** The Bureau of Near Eastern Affairs, in coordination with the Bureau of Information Resource Management, should determine system authorization and capital planning and investment control requirements and procedures for the Office of the Middle East Partnership Initiative management information systems. (Action: NEA, in coordination with IRM)
- Recommendation 8:** The Bureau of Near Eastern Affairs, in coordination with the Bureau of Human Resources, should define the duties of newly created Tunis regional office specialist positions to include a requirement for audit capability. (Action: NEA, in coordination with HR)

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Recommendation 12: The Bureau of Near Eastern Affairs, in coordination with the Foreign Service Institute, should establish appropriate training for grants officer representatives. (Action: NEA, in coordination with FSI)

INFORMAL RECOMMENDATIONS

Informal recommendations cover operational matters not requiring action by organizations outside the inspected unit and/or the parent regional bureau. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

EXECUTIVE DIRECTION

The supervisory DAS and NEA/PI do not have an adequate mechanism to engage the division chiefs in consideration of broader office policy or operational issues.

Informal Recommendation 1: The Bureau of Near Eastern Affairs should require that the deputy assistant secretary participate in one of the Office of Middle Eastern Partnership Initiative's thrice weekly management meetings with the agenda focused on broader policy or operational issues.

NEA/PI working staff would benefit from greater knowledge of the activities of the DAS as they relate to MEPI activities.

Informal Recommendation 2: The Bureau of Near Eastern Affairs should require that the deputy assistant secretary's daily schedules be circulated in a timely fashion within the Office of Middle Eastern Partnership Initiative.

POLICY AND PROGRAMMING DIVISION

As grant officer representatives, the project officers of the policy and programming division have the responsibility to maintain contact, including site visits and liaison with grant recipients, and to ensure compliance with the terms and conditions of the award. There was no structured approach to field travel requirements.

Informal Recommendation 3: The Bureau of Near Eastern Affairs should require that the Office of Middle Eastern Partnership Initiative formulate a structured approach to determine the field travel necessary to cover monitoring and evaluation requirements of project officers.

~~**SENSITIVE BUT UNCLASSIFIED**~~

~~**SENSITIVE BUT UNCLASSIFIED**~~

PRINCIPAL OFFICIALS

	Name	Arrival Date
Deputy Assistant Secretary	Tamara Wittes	November 2009
Director	Timothy Andrews	July 2008
Deputy Director	Karen Volker	July 2009

Regional Offices

Abu Dhabi

Director	Ralph Falzone	August 2008
Deputy Director	Matthew Singer	August 2008

Tunis

Director	Johann Schmonsees	September 2008
Deputy Director	Jed Dornburg	June 2009

~~**SENSITIVE BUT UNCLASSIFIED**~~

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ABBREVIATIONS

A	Bureau of Administration
A/OPE	Bureau of Administration, Office of the Procurement Executive
BMENA	Broader Middle East and North Africa Initiative
BSRP	Bureau Strategic Resource Plan
D&CP	Diplomatic and Consular Programs
DAS	deputy assistant secretary
Department	U.S. Department of State
e-CPIC	Electronic Capital Planning and Investment Control Process
ESF	economic support funds
FSI	Foreign Service Institute
GAO	U.S. Government Accountability Office
GOR	grants officer representatives
HR	Bureau of Human Resources
LE	locally employed
MEPI	Middle East Partnership Initiative
MSI	Management Systems International
NEA	Bureau of Near Eastern Affairs
NEA/PI	Office of Middle East Partnership Initiative
OIG	Office of Inspector General
PA	Bureau of Public affairs
PMS	payment management system
RFA	requests for applications
RM	Bureau of Resource Management
RO	regional office
USAID	U.S. Agency for International Development

APPENDIX: ILLUSTRATIVE MEPI PROGRAMS/PROJECTS
FY 2009

Rule of Law and Human Rights

<u>Program/Project</u>	<u>Funding</u>
Women in Law/Legal Training	\$1,000,000
Saudi Judicial Engagement	600,000

Good Governance

Womens Empowerment and Legislative strengthening	398,108
Yemen Good Governance	300,000

Political Competition & Consensus Building

Democratic Party Support	1,000,000
Civil Advocacy in Lebanon	1,300,000
Political Reform – Yemen	500,000
Womens Development Fund	750,340

Civil Society

Women in Technology	683,580
Support for Independent Palestinian Media	750,000
New Technologies with Strengthening Media in MENA	2,400,000

Education

Yemen Student Councils	850,000
Tomorrow's Leaders	7,250,000

Private Sector Competitiveness

Youth Entrepreneurship	2,250,000
Commercial Law Reform	750,000

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