



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S OFFICE OF MIDDLE EAST PROGRAMS

AUDIT REPORT NO. 6-263-09-004-P
MARCH 30, 2009

CAIRO, EGYPT



Office of Inspector General

March 30, 2009

MEMORANDUM

TO: USAID/Egypt Mission Director, Hilda Arellano

FROM: Regional Inspector General, Cairo, Lloyd Miller /s/

SUBJECT: Audit of USAID's Office of Middle East Programs
(Report No. 6-263-09-004-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report and have included your responses in appendix II.

The report contains two recommendations intended to improve the implementation of USAID's Office of Middle East Programs. In response to the draft report, the mission agreed with both recommendations. A management decision for recommendation no. 1 will be considered to have been made when the Office of Middle East Programs can more precisely determine its target date for completion of all actions. We consider that a management decision has been made and final action has been taken for recommendation no. 2.

Thank you for the cooperation and courtesy extended to the audit team during this audit.

CONTENTS

Summary of Results	1
Background	3
Audit Objective	4
Audit Findings	5
A Performance Management Plan Needs to Be Developed	8
Operational Plan Performance Indicators Need to Be Revised	9
Evaluation of Management Comments	12
Appendix I – Scope and Methodology	13
Appendix II – Management Comments	15
Appendix III – Performance Indicators Reviewed	18

SUMMARY OF RESULTS

The Middle East and North Africa region is diverse in geography, ethnicity, and history, yet the countries in this region face many common challenges. The region's economic gains are not widely distributed across society. In addition, the region has experienced a dramatic rise in population. Limited public transparency results in a lack of data on government or public policy. To illustrate, the countries with USAID missions that are served by USAID's Office of Middle East Programs rank low in indices of economic freedom, corruption, and democracy.

- The Heritage Foundation's Index of Economic Freedom ranks these countries from 58 to 125 out of 157 countries ranked. Their average ranking was 108.
- Transparency International's Corruptions Perceptions Index ranks these countries from 53 to 178 out of 180 countries ranked. Their average ranking was 110.
- *The Economist's* Democracy Index ranks these countries from 85 to 142 out of 167 countries ranked. Their average ranking was 113.

In June 2005, USAID approved the establishment of a new regional program, USAID's Office of Middle East Programs (OMEP). OMEP, headquartered at USAID/Egypt, works in seven missions (Egypt, Iraq, Jordan, Lebanon, Morocco, West Bank and Gaza, and Yemen) (page 3). OMEP has focused on two areas: (1) the provision of technical services to other missions, particularly smaller missions such as Lebanon and Yemen, as needed, and (2) the oversight of multicountry programming in the Middle East and North Africa region (page 4). OMEP's director reports to the USAID/Egypt mission director, and also works with USAID/Washington on its strategic planning process and staffing levels (page 3).

The Office of Inspector General conducted this audit as part its fiscal year 2008 audit plan to determine whether USAID's Office of Middle East Programs achieved its intended results, and what the impact of the programs has been (page 4). In regard to technical assistance support, OMEP achieved its intended results to provide support to seven missions in the Middle East and North Africa. According to mission directors and deputy directors in the Middle East, OMEP's technical assistance was viewed as responsive, timely, adding value, and technically strong (page 5).

In regard to implementing program activities, although OMEP has not achieved its 2008 intended results, it has made some progress implementing nine regional activities. The impact of programs funded by OMEP has been limited for several reasons, including modest funding levels and programming stretched through seven countries and across three program areas—counterextremism, anticorruption, and water supply and sanitation (page 5).

Nevertheless, two factors could improve OMEP's monitoring of regional programs and more effectively measure progress of its programs.

- First, OMEP has been operating without a performance management plan. A coherent group of performance management plan indicators, both strategically defined and approved by management, would help OMEP to measure and monitor program achievements and resulting impacts (page 8).

- Second, OMEP's performance indicators in the fiscal year 2008 operational plan did not effectively measure performance. The audit identified that 15 of 19 performance indicators did not closely track the results they are intended to measure (page 9).

This report makes two recommendations to improve OMEP's regional activities (pages 9 and 11). The mission agreed with the audit report's recommendations, and management decision for recommendation no. 1 will be considered to have been made when OMEP can more precisely determine its target date for completion of all actions. The Office of Inspector General considers that a management decision has been made and final action has been taken for recommendation no. 2. An evaluation of management comments is provided in the Evaluation of Management Comments section of this report (page 12), and management comments are included in appendix II.

BACKGROUND

The Middle East and North Africa region is diverse in geography, ethnicity, and history, yet the countries in this region face many common challenges in social and economic development. The region is home to natural wealth, but the economic gains from this wealth are not widely distributed across society. The Middle East and North Africa region has experienced a dramatic rise in population that may carry implications for unemployment and instability. More than half the region's population is under the age of 24, and more than one in four are unemployed. Limited public transparency in the region results in a lack of data on government or public policy. To illustrate, the countries with USAID missions that are serviced by the USAID's Office of Middle East Programs rank low in indices¹ of economic freedom, corruption, and democracy.

- The Heritage Foundation's Index of Economic Freedom ranks these countries² from 58 to 125 out of the 157 countries ranked (Hong Kong was number 1, and North Korea was 157). Their average ranking was 88.
- Transparency International's Corruptions Perceptions Index ranks these countries³ from 53 to 178 out of the 180 countries ranked (Denmark was number 1, and Somalia was 180). Their average ranking was 108.
- *The Economist's* Democracy Index ranks these countries from 85 to 142 out of the 167 countries ranked (Sweden was number 1, and North Korea was 167). Their average ranking was 113.

Establishing a regional presence in the Middle East and North Africa, a region that is at the core of U.S. strategic interest, was to support the goals of the Department of State-USAID joint strategy for the Middle East (i.e., to promote peace in the region and to diminish the underlying causes of terrorism). In June 2005, USAID approved the establishment of a new regional program, USAID's Office of Middle East Programs (OMEP). OMEP, headquartered at USAID/Egypt, works in seven missions (Egypt, Iraq, Jordan, Lebanon, Morocco, West Bank and Gaza, and Yemen). OMEP's director reports to the USAID/Egypt mission director, and also works with USAID/Washington on its strategic planning process and staffing levels.

In May 2006, OMEP drafted a concept paper in collaboration with the Africa and Near East (ANE) Bureau on the direction that should appear in OMEP's first strategic statement. This strategic statement allowed OMEP to continue its strategic development process without a strategy or approved strategic objectives—a condition that still exists. Without USAID's senior bureau management approval of the strategy document, OMEP lacked an Agency-wide commitment in accomplishing its objectives and intermediate results. By August 2006, OMEP had assembled staff, developed regional technical service assistance capabilities, and launched three activities with \$2 million allocated from the ANE Bureau budget. In August 2007, OMEP also received its first program funding of \$5 million for fiscal year (FY) 2007.

¹ Indices were dated as of 2008.

² Index excluded West Bank and Gaza and Iraq because information was not available.

³ Index excluded West Bank and Gaza because information was not available.

In March 2008, USAID's ANE Bureau was divided into two separate regional bureaus, the Asia Bureau and Middle East Bureau. USAID aligned OMEP with the Middle East Bureau, along with the Egypt, Iraq, Jordan, Lebanon, Morocco, West Bank and Gaza, and Yemen missions. In August 2008, OMEP received its second program funding of \$11.8 million for FY 2008.

Notwithstanding the lack of an approved strategy, OMEP has focused on two areas: (1) the provision of technical services to other missions, particularly smaller missions such as Lebanon and Yemen, as needed, and (2) the oversight of multicountry programming in the Middle East and North Africa region. In regard to technical assistance services, OMEP does not track resources devoted to each area. However, the OMEP director estimated that the technical staff devoted approximately 75 percent of their time to providing technical services. An August 2007 review by USAID's ANE Bureau also concluded that the staff spends most of their time providing technical and program support to other missions in the region. In regard to multicountry programming, OMEP has focused on three areas: counterextremism, anticorruption, and water supply and sanitation.

For counterextremism efforts, OMEP's activities focused on youth by implementing programs that include good education, positive role models, practical job skills, and opportunities for jobs and leadership roles. For anticorruption efforts, OMEP's activities focused on transnational issues such as money laundering, as well as multilateral programs to support transparency in civic society. For water supply and sanitation efforts, OMEP's activities focused on water scarcity and security in the region. Water is a source of conflict owing to declining supply and increasing consumption, and water sharing is a transnational issue on which few regional institutions are working.

The audit covered nine OMEP activities active as of August 24, 2008, and covered the 2-year period from October 1, 2006, through September 30, 2008. As of September 30, 2008, total estimated costs for OMEP activities were \$25.1 million. Of the \$25.1 million, OMEP had obligated \$15.1 million.

AUDIT OBJECTIVE

As part of the Office of Inspector General's FY 2008 audit plan, the Regional Inspector General/Cairo performed this audit to answer the following question:

- Has USAID's Office of Middle East Programs achieved its intended results and what has been the impact of the programs?

Appendix I contains a discussion of the audit's scope and methodology.

AUDIT FINDINGS

USAID's Office of Middle East Programs (OMEP) achieved its intended results to provide technical assistance support to seven missions in the Middle East and North Africa. In regard to implementing nine regional program activities, OMEP has not achieved its 2008 intended results, but it has made some progress implementing nine regional activities. The impact of programs funded by OMEP has been limited for several reasons.

- The funding levels of OMEP's programs are modest in comparison to the scale of the region covered, such as fiscal year (FY) 2008 U.S. economic assistance to Egypt of approximately \$400 million. As of September 30, 2008, total lifetime estimated costs for OMEP regional activities were \$25.1 million.
- OMEP has programmed this funding for activities in seven countries.
- OMEP programs cut across three areas: counterextremism, anticorruption, and water supply and sanitation.
- OMEP's programs are relatively new, as it has completed only its second year of development assistance.
- OMEP's mandate included the pioneering of new nontraditional programs.

OMEP has achieved success in providing technical support to small missions in the Middle East. According to mission directors and deputy directors in the Middle East, OMEP's technical assistance was viewed as responsive, timely, adding value, and technically strong. OMEP staff were providing either technical assistance support or surge capacity to smaller missions when the missions experienced staff shortages. From FYs 2007 through 2008, OMEP made 41 site visits to six missions (Iraq, Jordan, Lebanon, Morocco, West Bank/Gaza, and Yemen) providing technical assistance and surge capacity. OMEP technical assistance provided major contributions to missions, such as designing and managing USAID/West Bank/Gaza's public and private partnerships with Palestinians, and helped USAID/Yemen draft its strategic strategy. In addition, an OMEP staff member has served extended periods as acting mission director in both Morocco and Lebanon.

Other reviewers have reached similar assessments. For example, an August 2007 review by USAID's Asia and Near East (ANE) Bureau⁴ determined that "OMEP's staff has provided extensive technical and program support to the smaller missions in the Middle East. This support has been invaluable to these missions." In addition, the review report stated "the client missions underscored the importance of this relationship with OMEP for technical and program support and are impressed with OMEP staff's quality and the overall level of responsiveness." One of the report's recommendations was that OMEP should continue to provide program and technical support. In October 2007, the director of the ANE Bureau affirmed this position by providing guidance that OMEP continue to increase its technical officer capacity.

In regard to implementing nine regional program activities, OMEP has not achieved its intended results. For 16 indicators tested from the agreements of nine activities, 7

⁴ In March 2008, USAID divided the ANE Bureau into two separate bureaus: the Middle East Bureau and the Asia Bureau.

indicators (44 percent) achieved intended results, as seen in table 1. For the remaining nine indicators, intended results were not achieved, partly because OMEP did not develop a performance management plan to measure progress toward meeting intended objectives with indicators that closely track the performance and results they are intended to measure. In addition, for five of these nine indicators, OMEP did not have direct oversight because other USAID missions and bureaus held the position of cognizant technical officer. Furthermore, the activities under one indicator were hindered by restrictions on anticorruption assistance to certain countries that prevented regional training.

Table 1. OMEP Achievement of Results for Performance in Fiscal Years 2007 and 2008

Selected Indicators by Program Areas	Target Achieved	Target Not Achieved
Counterextremism	5	3
Anticorruption	0	2
Water Security and Sanitation	2	4
Total	7	9

Under the counterextremism program area, OMEP achieved or exceeded targets for five indicators and did not achieve targets for three indicators. (See appendix III.) For example, OMEP’s implementor for the youth development activity “Siraj” provided opportunities for 3,554 young people to put leadership into practice, exceeding the target of 3,100.



Youth leaders at Save the Children’s Siraj activity discussing youth community development. Photo taken by OIG auditor in October 2008.

OMEP's youth development and leadership activity "Siraj" exceeded performance expectations. Impacts included workshops initiated and organized independently by trained young leaders to work with their peers to implement small-scale community initiatives. In addition, OMEP's Peace Scholarship activity achieved its target by sending participants to seven out of eight countries for continuing education. In September 2008, this activity sent its first group of 22 participants to complete 1 year of undergraduate study at U.S. institutions. However, OMEP did not achieve the target of sending 30 participants.

In another example, for a youth media television drama currently under production, OMEP invested in the research focused on youth issues, attitudes, and sources of information. The television drama explored topics and issues important to the region's youth as well as local, regional, and international issues. OMEP's implementing partner surveyed 3,497 Arab youth, aged 15 to 25, in seven Middle East and North African countries. It generally reached the target of 3,850 youth surveyed. On the other hand, for the second phase of the activity, the implementer did not achieve the target of producing 20 television drama shows teaching youth tolerance and values. The activity did not begin filming in FY 2008, but plans to complete filming and production of all 20 shows in FY 2009.

Under the anticorruption program area, OMEP did not achieve its target to complete assessments of the National Integrity System in four Middle East countries.⁵ Nonetheless, the implementer (Transparency International) had substantially completed research for the National Integrity System in Lebanon and West Bank/Gaza, and research was under way in Egypt and Morocco. Furthermore, the activity achieved progress in addressing cross-border money laundering when 33 government officials from 12 countries learned techniques to combat bulk cash smuggling. However, OMEP did not achieve its target of 105 government officials trained.

Nonetheless, OMEP has achieved some impact in this program area. OMEP is helping government officials throughout the Middle East region to detect and prevent corruption by providing technical training to increase their knowledge and skills concerning money laundering. This interagency effort involves the U.S. Departments of Treasury and Homeland Security. In addition, to strengthen civil society in combating corruption, OMEP's activity combined research, advocacy, and tools for monitoring and reporting on anticorruption in the region. The activity included implementer staff in Egypt, Lebanon, Morocco, and West Bank/Gaza. Although not measured as a performance indicator, Transparency International trained its staff in the four participating countries to use the National Integrity System.

Under the water security and sanitation program area, OMEP achieved targets for two indicators and did not achieve targets for four indicators. For the indicator to promote future water leaders, including training and networking activities, OMEP exceeded its target of 25 midlevel water professionals by 1. On the other hand, OMEP fell short of its target of three working groups engaged in improving operational and financial performance of water and sanitation utilities in the Middle East. The implementing

⁵ Transparency International's National Integrity System country studies are qualitative reports that provide a detailed and nuanced assessment of anticorruption systems at country level. Such studies provide benchmarks for measuring developments in the country and serve as a basis for comparison among countries.

partner instead reported one. The water activities under these six indicators were monitored by a cognizant technical officer from the Middle East Bureau.

Two factors could improve OMEP's monitoring of regional activities and more effectively measure progress of its programs.

- First, OMEP has been operating without a performance management plan. A coherent group of performance management plan indicators, both strategically defined and approved by management, would help OMEP to measure and monitor program achievements and resulting impacts.
- Second, OMEP's performance indicators in FY 2008 operational plan did not effectively measure performance. The audit identified that 15 of 19 performance indicators did not meet USAID's criteria to closely track the results they are intended to measure.

A Performance Management Plan Needs to Be Developed

Summary: Automated Directives System regulation requires the operating unit, when presenting a planned new strategic objective, to include a preliminary performance management plan that proposes performance indicators for the strategic objective result. However, OMEP has been operating regional activities without a performance management plan. OMEP recognized this significant deficiency by reporting in its FYs 2007 and 2008 Federal Managers' Financial Integrity Act submissions that it lacked approved strategic objectives and a performance management plan. According to the OMEP director, OMEP did not develop a preliminary performance management plan because the performance management plan process and developing performance indicators were overshadowed by implementing a new strategic statement while carrying out regional development activities. Without a performance management plan in place, results may not be efficiently tracked, assessed, and reported to USAID. Furthermore, OMEP may be unable to monitor the quality and timeliness of key results to ensure that intended targets were achieved.

USAID's Automated Directives System (ADS) 201.3.7.6⁶ states that in presenting a planned new strategic objective, the operating unit must include a preliminary performance management plan that proposes performance indicators for the strategic objective result, with baseline data and targets. If possible, performance indicators for the intermediate results should also be included. However, OMEP has been operating regional activities without a performance management plan.

In spite of the absence of a performance management plan, OMEP officials said that performance monitoring was ongoing. For example, the OMEP director said that various monitoring methods and tools were employed, such as regular portfolio implementation reviews between USAID/Egypt and OMEP, weekly and monthly implementing partners meetings with the OMEP cognizant technical officers, quarterly performance reports submitted to OMEP by the implementing partners, monthly invoice examinations, and daily phone conversations and e-mails.

⁶ ADS 201.3.7.6 citation has been changed in the revised ADS to 201.3.8.6.

OMEP recognized this significant deficiency by reporting in OMEP's FYs 2007 and 2008 Federal Managers' Financial Integrity Act⁷ submissions that they lacked approved strategic objectives and a performance management plan. According to the OMEP director, OMEP did not develop a preliminary performance management plan because the performance management plan process and developing performance indicators were overshadowed by implementing a new strategic statement while carrying out regional development activities.

USAID's TIPS No. 7, "Preparing a Performance Management Plan," states that a performance management plan is a critical tool for planning, managing, and documenting data collection. It contributes to the effectiveness of the monitoring system by assuring that comparable data will be collected on a regular and timely basis. These are essential to the operation of a credible and useful performance-based management approach. Without a performance management plan in place, results may not be efficiently tracked, assessed, and reported to USAID. Furthermore, OMEP may be unable to monitor the quality and timeliness of key results to ensure intended targets were achieved. Consequently, the audit team makes the following recommendation.

Recommendation No. 1: We recommend that USAID/Egypt, in collaboration with the Office of Middle East Programs, develop a performance management plan as required by USAID Automated Directives System 201.

Operational Plan Performance Indicators Need to Be Revised

Summary: Automated Directives System regulation requires that operating units establish systems to measure progress including baselines and targets that can optimistically but realistically be achieved. Furthermore, performance indicators should be direct and closely track the results they are intended to measure. However, 15 of 19 performance indicators in the FY 2008 operational report did not meet these criteria and were not effective measures of performance. These shortcomings occurred because OMEP did not design performance indicators in its FY 2008 operational plan that closely tracked results. As a result of using performance indicators that were ineffective measures of performance, OMEP has not been able to measure program progress and achievements.

USAID's Automated Directives System (ADS) 203.3.2⁸ states that operating units are responsible for establishing systems to measure progress toward meeting intended objectives. Operating units should include baselines and set performance targets that can optimistically but realistically be achieved within the stated timeframe and with the

⁷ To support the Federal Managers' Financial Integrity Act annual certification, each operating unit must provide an annual certification on the overall adequacy and effectiveness of internal controls to the next management level. The certification includes a description of control deficiencies that could adversely affect the unit's ability to meet its internal control objectives. These are categorized as significant deficiencies and must be internally tracked and monitored by activity managers.

⁸ ADS 203.3.2 citation has been changed in the revised ADS to 203.3.3 and 203.3.4.5.

available resources. Furthermore, ADS 203.3.4.2⁹ states that performance indicators should be direct and closely track the results they are intended to measure.

OMEP reported results for 19 performance indicators¹⁰ to USAID in the FY 2008 operational plan. However, 15 of 19 performance indicators did not meet the ADS criteria and, consequently, were not effective measures of performance.¹¹

- (1) Three performance indicators did not have targets or expected results. For example, one indicator was the percentage of the target population who watch OMEP-funded television drama shows regularly. However, the target was zero, since the television programs were not being shown until FY 2009. In this case, OMEP could have established an alternate indicator with performance targets such as number of television programs written and edited rather than an indicator without targets or expected results.
- (2) Seven performance indicators were outside the manageable interests of OMEP activities. For example, within the activity for producing television drama shows, one indicator was the number of public information campaigns completed by U.S. Government programs. However, the implementing partner was neither measuring this information nor participating in this activity.
- (3) Five performance indicators did not sufficiently measure the results of the program. Specifically, OMEP reported that the quantitative indicators¹² under the water supply and sanitation program area did not capture the complexity of the activity.

Further, none of the operational plan's performance indicators measured leveraging from private partners. For the nine activities reviewed, four included a component of leveraging other resources from private investments. However, none of the 19 performance indicators in the FY 2008 operational plan attempted to measure this aspect of program implementation.

The shortcomings in the performance indicators for the operational plan occurred because OMEP did not design performance indicators in its FY 2008 operational plan that closely tracked results. In addition, OMEP did not employ a monitoring and evaluation specialist. The director said that the nature, type, and number of indicators OMEP previously reported did not justify a full-time monitoring and evaluation specialist. However, owing to increases in program activities and funding levels, the office hired a monitoring and evaluation specialist in March 2009. As a consequence, the audit team is not making a recommendation to employ a monitoring specialist.

⁹ ADS 203.4.2 citation has been changed in the revised ADS to 203.3.4.2d.

¹⁰ Three indicators in the FY 2008 operational plan were also included in the 16 indicators from the nine agreements, monitoring plans, and work plans.

¹¹ As a consequence, the audit did not test these 15 indicators.

¹² The five performance indicators under the water supply and sanitation program were (1) number of local organizations provided with technical assistance for strategic information activities, (2) number of baseline or feasibility studies, (3) number of monitoring plans, (4) number of sector assessments, and (5) number of special studies.

As a result of using performance indicators that were ineffective measures of performance, OMEP has not been fully able to measure program progress and achievements.

During the audit, OMEP officials acknowledged that some of the FY 2008 operational plan's indicators were not effective measures of performance. They took action and revised some performance indicators in its FY 2008 performance summary submitted in November 2008 to the Middle East Bureau for approval. OMEP officials noted that, in addition to developing a performance management plan and employing a monitoring and evaluation specialist, they plan additional improvements to the performance indicators such as setting performance targets and developing indicators that can be directly attributed to OMEP activities in its FY 2009 operational plan. Consequently, the audit team makes the following recommendation.

Recommendation No. 2: We recommend that USAID/Egypt, in collaboration with the Office of Middle East Programs, develop and/or revise performance indicators to ensure that they effectively measure the performance of the Office of Middle East Programs' activities as required by USAID Automated Directives System 203.

EVALUATION OF MANAGEMENT COMMENTS

In response to the draft report, USAID/Egypt, in collaboration with USAID's Office of Middle East Programs, agreed with the two recommendations. An evaluation of the management comments for each recommendation is shown below.

With regard to recommendation no. 1, Automated Directives System 595.3.1.2c requires a target date for completion of all actions. The Office of Middle East Programs agreed with the recommendation and said that it would establish a performance management plan within 90 days of when a strategy was approved by the Middle East Bureau. Accordingly, after the Office of Middle East Programs can determine more precisely its target date for completion of all actions, the office can request our acknowledgement of a management decision.

With regard to recommendation no. 2, the Office of Middle East Programs revised performance indicators for its FY 2008 performance report in November 2008. Since the revised performance indicators cover the program through FY 2010, the corrective action addresses the recommendation. Based on action taken, the audit team considers that both a management decision and final action have been taken for the recommendation.

Management comments in their entirety are included in appendix II.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Cairo conducted this performance audit in accordance with generally accepted Government auditing standards to determine whether USAID's Office of Middle East Programs (OMEP) achieved its intended results and what the impact of the programs have been. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Audit work was conducted at USAID/Egypt from August 24 through December 22, 2008. The audit covered the 2-year period from October 1, 2006, through September 30, 2008.

In planning and performing the audit, we assessed management controls related to management review, and tested the accuracy and reliability of the selected performance indicators. Specifically, we obtained an understanding of and evaluated (1) the fiscal years (FYs) 2007 and 2008 operational plans; (2) the Federal Managers' Financial Integrity Act of 1982; (2) implementing partner agreements, monitoring plans, and work plans; (3) performance indicators; (4) actual results; and (5) financial reports. We also interviewed key USAID/Egypt and OMEP personnel and implementing partners.

As of September 30, 2008, OMEP's regional program had 13 agreements with total estimated costs of \$25.1 million, against which \$15.1 million had been obligated. OMEP added 4 of the 13 agreements after August 24, 2008, when audit work started. We focused on the nine agreements active as of August 24, 2008, with \$21.7 million, or 86 percent of total estimated costs. For one agreement with the Department of Treasury related to anti-money-laundering activities, we did not test the accuracy and reliability of the one performance indicator. The implementing partners for the nine agreements were Save the Children Federation, Inc.; The Synergos Institute, Inc.; World Learning; Alkarma Edutainment; Transparency International; Endeavor Films; Bibliotheca Alexandria; Development Alternatives, Inc.; and the U.S. Department of Treasury. There were no prior audits relevant to this review.

Methodology

To assess the achievement of intended results, we selected all 10 performance indicators¹³ for eight agreements¹⁴ and selected 6 of 18 performance indicators that were significant from one agreement's performance management plan.

For the 16 performance indicators selected, we validated performance data as of September 30, 2008, by comparing reported results¹⁵ to supporting documentation.

¹³ Three of the 10 indicators were also in the FY 2008 operational plan.

¹⁴ The results for two agreements' performance indicators were not due until FY 2009. Therefore, we did not test these indicators.

¹⁵ The audit reviewed the achievement of cumulative results for 2 years if the performance period included both FYs 2007 and 2008.

Based on discussions with OMEP staff and our judgment, we did not consider any individual performance indicator to be more important than others. If the mission met 80 percent of the target for an indicator, we concluded that the mission achieved the target for that indicator. We planned to review the 19 indicators and targets OMEP reported to USAID in its FY 2008 operational report. However, 15 of the 19 indicators from the operational report could not be used, as discussed in the second finding area beginning on page 9.

Furthermore, we reviewed applicable laws and regulations, as well as USAID policies and procedures pertaining to OMEP's regional programs, including the Federal Managers Financial Integrity Act of 1982 and Automated Directives System chapters 200, 201, 202, and 203. Also, we analyzed relevant documents at USAID/Egypt and OMEP. These documents included OMEP's draft strategic objective, the nine agreements, work and operational plans, progress reports, other monitoring reports, and financial records. We conducted site visits of OMEP's regional activities at Save the Children Federation, Inc.'s regional office in Amman, Jordan; Alkarma Edutainment in Cairo, Egypt; Development Alternatives, Inc.'s regional office in Cairo, Egypt; World Learning in Maadi, Egypt; and Bibliotheca Alexandria in Alexandria, Egypt.

MANAGEMENT COMMENTS



USAID | **MIDDLE EAST**
FROM THE AMERICAN PEOPLE

March 23, 2009

MEMORANDUM

TO: Regional Inspector General, Cairo, Lloyd J. Miller

THRU: USAID/Egypt Mission Director, Hilda Arellano /s/

FROM: Office of Middle East Programs Director, David Barth /s/

SUBJECT: Audit of USAID's Office of Middle East Programs (OMEP)

We appreciate the opportunity to respond to your audit report No. 6-263-09-00X-P issued February 22, 2009. As a new operating unit, established in June 2005, OMEP is grateful to have benefitted from an objective evaluation of what it has accomplished during its initial years of operation.

As was stated in the audit report, OMEP has two primary functions: 1) providing technical services to the seven USAID Missions in the Middle East and North Africa; and 2) managing regional activities funded from the OMEP program budget. We are extremely pleased to learn that the audit concluded that OMEP was highly successful in carrying out its support role and that "OMEP achieved its intended results to provide support to seven missions in the Middle East and North Africa".

The audit found that OMEP had not done as well in carrying out its second function, implementing regional programs, failing to meet some of its targets for FY 2008. We believe that this finding is misleading without greater context. The finding is not surprising given that all of the activities are relatively new. None of the activities audited were more than two years old, and four of them had been in existence for less than one year. Seldom would such activities show substantial development results. This is particularly true of OMEP's multilateral activities, which are highly-complex and do not follow standard models. That said, OMEP has addressed the challenges highlighted in the audit that occurred during the start-up phase and all of the activities referred to in the audit are now on track to meet their performance targets.

OMEP takes performance management extremely seriously as demonstrated by its creation of a FSN-11 Monitoring and Evaluation Specialist position. An individual with

extensive experience in monitoring and evaluation of USAID activities was selected for the position in October 2008 he began working from OMEP March 1, 2009. The M&E Specialist is responsible for establishing and maintaining the Mission's performance management plan (PMP) in accordance with agency requirements and best practices. He will also provide technical assistance to OMEP partners so that they can accurately measure and report on their performance.

***Recommendation No. 1:** We recommend that USAID/Egypt, in collaboration with the Office of Middle East Programs, develop a performance management plan as required by USAID Automated Directives System 201.*

OMEP agrees with the recommendation that it should establish a performance management plan once an approved strategy is in place. In the absence of a formal PMP, OMEP currently relies on several of the main elements of a PMP, such as performance indicators and annual targets for each of the program elements in which we are working. Performance targets and results are entered in the State Departments Foreign Assistance and Coordination Tracking System, and are updated each year when preparing the annual performance report. In addition, each of OMEP's activities has its own PMP. The absence of a complete PMP with indicators and targets for assistance objectives and intermediate results is due to the fact that OMEP does not currently have an approved strategy. In response to feedback from Washington, OMEP recently revised its strategy document, which now includes results frameworks and illustrative indicators. A full PMP will be completed with ninety days of the approval of the strategy by the Middle East Bureau.

***Recommendation No. 2:** We recommend that USAID/Egypt, in collaboration with the Office of Middle East Programs, develop and/or revise performance indicators to ensure that they effectively measure the performance of the Office of Middle East Programs' activities as required by USAID Automated Directives System 203.*

OMEP agrees with the recommendation that performance indicators should be developed or revised to more effectively measure performance. In fact, this action was completed in November 2008, in conjunction with the submission of the FY 2008 annual performance report (attached as annex 1).

The audit was conducted between August and December 2008, covering the period ending September 30, 2008. The audit noted that some of the performance indicators in the fiscal year 2008 operational plan did not closely track results. That is because OMEP primarily utilized standard indicators issued by the Office of Foreign Assistance for each program element. Many of these indicators did not effectively measure the results that the activities were intended to achieve. When preparing the FY 2008 performance report, OMEP took the opportunity to discontinue the use of those standard indicators that were not relevant, and adopted more appropriate customized indicators. Specifically the OMEP program element indicators were adjusted in the FY 2008 performance report, eliminating eleven, adding eight and maintaining six. Targets for FY 2009 and FY 2010 were established for each of the indicators that were added or maintained. OMEP

believes that it is now able to accurately report on the results it is accomplishing under each program element.

In closing, I would like to thank the RIG office for the extremely professional and collegial manner in which this audit was conducted. The nature of the OMEP program did not easily lend itself to following the standard protocol for a performance audit, due to its regional coverage, the newness of the activities, and the multiple functions of the operating unit. The RIG was extremely flexible and willing to listen to our concerns, adjusting its methodology and analysis to reflect OMEP's unique circumstances. The ultimate result is a useful report that will allow us to improve our performance.

Performance Indicators Reviewed

Planned and Actual Results for OMEP Activities as of September 30, 2008				
Indicator Reviewed	Planned Target	Actual	Achieved	Planned Target Data Source
Counterextremism				
1. Measuring reform policies and activities	1	0	No	Agreement
2. Number of TV shows teaching youth tolerance and values produced	20	0	No	Agreement
3. Number of youth surveyed to assess main concerns and global issues	3,850	3,497	Yes	Agreement
4. Number of youth actively involved in Siraj	3,100	3,554	Yes	Agreement
5. Number of youth workers actively involved in Siraj	450	781	Yes	Agreement and Operational Report
6. Number of institutions working with youth.	100	146	Yes	Agreement
7. Number of students posted in Peace Scholarships program	30	22	No	Agreement and Operational Report
8. Number of countries reached for recruitment of Peace Scholarships	8	7	Yes	Agreement
Anticorruption				
9. Number of completed assessments on Transparency International's National Integrity System measuring anticorruption	4	0	No	Agreement
10. Number of staff government officials receiving U.S. Government-supported anticorruption training	105	33	No	Agreement And Operational Report
Water Supply and Sanitation				
11. Number of working groups in operation testing collaborative practices to transboundary river basin management	2	1	No	Contractor Performance Management Plan
12. Cumulative number of countries analyzing and implementing approaches for managing the sector at a high level of operation and/or conceptualization	10	0	No	Contractor Performance Management Plan
13. Number of institutions and organizations participating in management of irrigation waters	5	4	Yes	Contractor Performance Management Plan
14. Number of working groups engaged in identification and assessment of options to improve operational and financial performance and service delivery based on information shared at workshops and technical assistance	3	1	No	Contractor Performance Management Plan

APPENDIX III

Planned and Actual Results for OMEP Activities as of September 30, 2008				
Indicator Reviewed	Planned Target	Actual	Achieved	Planned Target Data Source
15. Number of future leaders identified and their technical and management capacities strengthened through training and networking	25	26	Yes	Contractor Performance Management Plan
16. Level of co-investment (actual or in kind) mobilized	\$50,000	\$0	No	Contractor Performance Management Plan
Total Indicators Achieved			Yes: 7 No: 9	

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