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Report to Congressional Committees

September 2009

DEMOCRACY ASSISTANCE

U.S. Agencies Take Steps to Coordinate International Programs but Lack Information on Some U.S.-funded Activities

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Highlights

Highlights of GAO-09-993, a report to congressional committees

DEMOCRACY ASSISTANCE

U.S. Agencies Take Steps to Coordinate International Programs but Lack Information on Some U.S.-funded Activities

Why GAO Did This Study

In fiscal years 2006- 2008, the U.S. Agency for International Development (USAID), which has primary responsibility for promoting democracy abroad, implemented democracy assistance projects in about 90 countries. The Department of State's Bureau of Democracy, Human Rights and Labor (State DRL) and the private, nonprofit National Endowment for Democracy (NED) also fund democracy programs in many of these countries.
Partly to lessen the risk of duplicative programs, State recently initiated efforts to reform and consolidate State and USAID foreign assistance processes. GAO reviewed (1) democracy assistance funding provided by USAID, State DRL, and NED in fiscal year 2008; (2) USAID, State DRL, and NED efforts to coordinate their democracy assistance; and (3) USAID efforts to assess results and evaluate the impact of its democracy assistance. GAO analyzed U.S. funding and evaluation documents, interviewed USAID, State, and NED officials in the United States and abroad, and reviewed specific democracy projects in 10 countries.

What GAO Recommends

GAO recommends that, to enhance coordination of U.S.-funded democracy assistance, the Secretary of State and the USAID Administrator work jointly with NED to establish a mechanism to routinely collect information about NED's current projects in countries where NED and State or USAID provide democracy assistance. These entities concurred with our recommendation.

View GAO-09-993 or key components.
For more information, contact David Gootnick at (202) 512-3149 or goodnickd@gao.gov.

What GAO Found

Data available from State show total democracy assistance allocations of about $2.25 billion for fiscal year 2008. More than $1.95 billion, or about 85 percent of the total allocation, was provided to field-based operating units, primarily country missions. Although complete data on USAID funding per country were not available, USAID mission data, compiled by State and USAID at GAO's request, show that in a sample of 10 countries, most democracy funds are programmed by USAID. In the 10 countries, annual funding per project averaged more than $2 million for USAID, $350,000 for State DRL, and $100,000 for NED. In fiscal year 2008, more than half of State funding for democracy assistance went to Iraq, followed by China, Cuba, Iran, and North Korea, and NED funding for democracy programs was highest for China, Iraq, Russia, Burma, and Pakistan.

USAID and State DRL coordinate to help ensure complementary assistance but are often not aware of NED grants. To prevent duplicative programs, State DRL obtains feedback from USAID missions and embassies on project proposals before awarding democracy assistance grants. State DRL officials generally do not participate in USAID missions' planning efforts; some State and USAID officials told GAO that geographic distances between State DRL's centrally managed program and USAID's country mission-based programs would make such participation difficult. Several USAID and State DRL officials responsible for planning and managing democracy assistance told GAO that they lacked information on NED's current projects, which they believed would help inform their own programming decisions. Although NED is not required to report on all of its democracy assistance efforts to State and there currently is no mechanism for regular information sharing, NED told GAO that it has shared information with State and USAID and would routinely provide them with information on current projects if asked.

USAID uses standard and custom indicators to assess and report on immediate program results; USAID also conducts some, but relatively infrequent, independent evaluations of longer-term programs. The standard indicators, developed by State, generally focus on numbers of activities or immediate results of a program, while custom indicators measure additional program results. USAID commissions a limited number of independent evaluations of program impact. USAID mission officials told GAO that they did not conduct many independent evaluations of democracy assistance because of the resources involved in the undertaking and the difficulty of measuring impact in the area of democracy assistance. In response to a 2008 National Research Council report on USAID's democracy evaluation capacity, USAID has reported initiating several steps—for example, designing impact evaluations for six missions as part of a pilot program.

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Abbreviations

CAS	country assistance strategies
EUR/ACE	Office of the Coordinator of U.S. Assistance to Europe and Eurasia
FACTS	Foreign Assistance Coordination and Tracking System
GJD	Governing Justly and Democratically
MCC	Millennium Challenge Corporation
MEPI	Middle East Partnership Initiative
NED	National Endowment for Democracy
State	Department of State
State DRL	Bureau of Democracy, Human Rights and Labor
State/F	Office of the Director of Foreign Assistance
State INL	Bureau of International Narcotics and Law Enforcement Affairs
USAID	U.S. Agency for International Development

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United States Government Accountability Office
Washington, DC 20548

September 28, 2009

The Honorable Patrick J. Leahy
Chairman
The Honorable Judd Gregg
Ranking Member
Subcommittee on State, Foreign Operations,
and Related Programs
Committee on Appropriations
United States Senate

The Honorable Nita M. Lowey
Chairwoman
The Honorable Kay Granger
Ranking Member
Subcommittee on State, Foreign Operations,
and Related Programs
Committee on Appropriations
House of Representatives

The U.S. government supports democracy promotion activities in every geographic region of the world, including many countries where political and civil rights are limited. In fiscal years 2006 through 2008, the U.S. Agency for International Development (USAID), the agency primarily responsible for providing democracy assistance abroad, implemented democracy activities in about 90 countries. The Department of State's Bureau of Democracy, Human Rights and Labor (State DRL) and the National Endowment for Democracy (NED), a nongovernmental, nonprofit organization funded through a congressional appropriation, also supported U.S.-funded democracy assistance programs in many of these countries.[1]

[1]USAID, State DRL, and NED—referred to in this report as implementing entities—provide U.S. funding for democracy assistance programs implemented by partners such as nongovernmental organizations. Other implementing entities, including the Millennium Challenge Corporation (MCC) as well as State's Middle East Peace Initiative (MEPI) and Bureau of International Narcotics and Law Enforcement Affairs (State INL), also provide U.S.-funded democracy assistance in some of these countries (see app. III for more information about these other implementing entities' democracy assistance efforts in fiscal years 2006-2008). Various other State offices, such as regional bureaus and the Bureau of International Organization Affairs, also receive small amounts of funding for democracy assistance efforts.

In 2006, citing the risk of conflicting or redundant efforts and wasted resources among U.S. foreign assistance programs,[2] State initiated efforts to reform and consolidate State and USAID foreign assistance processes.[3] These efforts included establishing the Office of the Director of Foreign Assistance (State/F) to, among other duties, coordinate State's, USAID's, and other U.S. foreign assistance efforts. To help target U.S. government resources more efficiently and effectively, State/F developed the Foreign Assistance Framework with five strategic objectives, one of which—"Governing Justly and Democratically" (GJD)—encompasses democracy assistance.[4] In 2008, acknowledging a need to improve the effectiveness of its democracy assistance programs, USAID's Office of Democracy and Governance commissioned a study by the National Research Council to improve methods for evaluating the effectiveness and impact of these programs.[5] In July 2009, the Secretary of State announced plans for a Quadrennial Diplomacy and Development Review—a comprehensive assessment of current approaches to diplomacy and development intended to, among other things, strengthen coordination between State and USAID and provide recommendations on better evaluating impacts of U.S. foreign assistance.

As directed by the House and Senate Appropriations Committees, this report provides an overview of U.S.-funded international democracy

[2]Foreign policy observers have written of the potential for fragmented and duplicative U.S. democracy promotion activities, which are often provided by multiple entities. For example, see Thomas O. Melia, "The Democracy Bureaucracy: The Infrastructure of American Democracy Promotion" (discussion paper prepared for the Princeton Project on National Security, September 2005); and Susan B. Epstein, Nina M. Serafino, and Francis T. Miko, *Democracy Promotion: Cornerstone of U.S. Foreign Policy?*, RL34296 (Washington, D.C.: Congressional Research Service, 2008).

[3]We previously reported on State's foreign aid reform efforts. See GAO, *Foreign Aid Reform: Comprehensive Strategy, Interagency Coordination, and Operational Improvements Would Bolster Current Efforts*, GAO-09-192 (Washington, D.C.: Apr.17, 2009).

[4]State and USAID define GJD as encompassing activities aiming to promote and strengthen effective democracies in recipient states and move them along a continuum toward democratic consolidation. GJD and the other four strategic objectives—Peace and Security, Investing in People, Economic Growth, and Humanitarian Assistance—are part of the Foreign Assistance Framework.

[5]The Office of Democracy and Governance, within the Bureau for Democracy, Conflict, and Humanitarian Assistance, is responsible for supporting and advancing USAID's democracy and governance programming worldwide. Its primary objective is to work with USAID missions, regional and pillar bureaus, and other U.S. government partners to incorporate democracy and governance as a key element in foreign assistance programming.

assistance efforts. Specifically, this report (1) describes democracy assistance funding provided by USAID, State DRL, and NED in fiscal year 2008; (2) examines USAID, State DRL, and NED efforts to coordinate their democracy assistance activities to ensure complementary programming; and (3) describes USAID efforts to assess results and evaluate the impact of its democracy assistance activities.[6]

In conducting our work, we analyzed funding, planning, and programmatic documents and data describing U.S. democracy assistance activities provided by USAID, State DRL, and NED in fiscal years 2006 through 2008.[7] We conducted audit work in Washington, D.C., and in three countries—Indonesia, Jordan, and Russia—with large democracy funding levels and assistance from several U.S. entities; in these three countries, we met with USAID and State officials responsible for democracy assistance programs, officials from nongovernmental organizations that implement these programs, and country government officials in two of the three countries we visited. We also collected information on democracy programs in seven additional countries—China, Democratic Republic of Congo, Haiti, Kosovo, Lebanon, Nicaragua, and Pakistan; as a result, we collected detailed information on U.S. democracy programs in a total of 10 geographically diverse countries with large GJD funding levels and where multiple U.S. agencies or organizations provide democracy assistance.[8] We excluded Iraq and Afghanistan from our sample, despite the large democracy assistance funding levels there, because of the unique circumstances in those countries. To obtain the views of USAID mission officials in our 10 sample countries regarding interagency coordination

[6]We did not review State DRL and NED practices for assessing results and evaluating impact, because their programs are small and short term relative to USAID's. According to State DRL officials, State DRL recommends that grantees conduct independent external evaluations as part of individual grant awards but has not undertaken standard independent evaluations of democracy assistance at the country or thematic level. NED commissions periodic independent evaluations of clusters of programs but does not evaluate every grant. See appendix I for more information about our scope and methodology.

[7]We focused our work on these three entities because each conducts democracy assistance projects in most recipient countries around the world. In contrast, other entities providing U.S.-funded democracy assistance, such as MEPI and State INL, conduct projects in a much smaller number of countries.

[8]In 9 of the 10 countries, USAID manages its democracy assistance projects from country-based missions. The one exception is in China, where USAID does not have a mission. Instead, USAID's Regional Development Mission for Asia, which is based in Bangkok, Thailand, manages USAID's Democracy and Governance projects in China.

and project monitoring and evaluation, we conducted an e-mail survey of all 35 USAID technical officers with responsibility for managing active democracy and governance grants in these countries, receiving 31 responses, from April to June 2009 (a response rate of 89 percent). We also interviewed State DRL policy and program officers responsible for managing the bureau's democracy grants in the 10 countries. In describing USAID efforts to assess results and evaluate the impact of its democracy assistance activities, we focused our analysis on USAID's projects because they typically represented the majority of U.S.-funded assistance and because State DRL and NED generally do not conduct impact evaluations. We reviewed USAID performance reports for active projects, USAID missions' strategic assessments of democracy and governance, and project evaluations in the 10 countries. We also reviewed findings from the 2008 National Research Council study of USAID democracy assistance evaluation; however, we did not assess the study or USAID actions in response to the study.[9] (See app. I for a detailed discussion of our objectives, scope, and methodology.)

We conducted this performance audit from September 2008 to September 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

Data available from State/F show total democracy assistance allocations of about $2.25 billion for fiscal year 2008. Approximately $306 million, or almost 15 percent of the total allocation, was allocated to operating units in Washington, D.C., including USAID and State regional and functional bureaus, and to offices such as State DRL; more than $1.95 billion, or about 85 percent of the total allocation, went to field-based operating

[9]National Research Council, *Improving Democracy Assistance: Building Knowledge through Evaluations and Research* (Washington, D.C.: National Academies Press, 2008). The report can be accessed at http://www.nap.edu/catalog.php?record_id=12164.

units, primarily country missions.[10] The State/F data systems do not include funding information by implementing entity for the years we reviewed, and complete data on USAID funding per country were not available;[11] however, USAID mission data that State/F and USAID provided at our request show that in our 10 sample countries, most democracy funds are programmed by USAID. The estimated average annual funding for democracy assistance projects active in our 10 sample countries as of January 2009 was about $18 million for USAID, $3 million for State DRL, and $2 million for NED; annual funding per project averaged more than $2 million for USAID, $350,000 for State DRL, and $100,000 for NED. In fiscal year 2008, more than half of State DRL funding for democracy assistance went to Iraq, followed by China, Cuba, Iran, and North Korea, and NED funding for democracy programs was highest for China, Iraq, Russia, Burma, and Pakistan.

USAID and State DRL coordinate to help ensure complementary democracy assistance programs but often are not aware of NED projects. In our 10 sample countries, a key mechanism for preventing duplicative programming involved State DRL's efforts to obtain feedback from USAID missions and embassies on project solicitations and proposals before awarding democracy assistance grants. USAID officials at the 10 missions we contacted generally agreed that this mechanism helps to ensure complementary programming. Conversely, while each mission's planning efforts may involve other U.S. stakeholders in the country, such as staff from the embassy's political and public affairs sections, these efforts generally do not involve State DRL officials managing democracy projects from Washington, D.C. State DRL officials responsible for managing democracy projects in our 10 sample countries generally indicated that their participation in USAID missions' planning processes would improve coordination. However, State and USAID officials noted that geographic distances between State DRL's centrally managed program and USAID's

[10]State/F defines an operating unit as the organizational unit responsible for implementing a foreign assistance program for one or more elements of the foreign assistance framework. For example, all country missions; all regional offices, such as USAID West Africa Regional office; and all Washington-based bureaus, such as USAID Democracy Conflict and Humanitarian Assistance, are separate operating units. In fiscal year 2008, State/F listed 166 operating units based in the field, including 155 country missions and 11 USAID regional offices, as well as 24 State and USAID regional and functional bureaus based in Washington, D.C.

[11]We requested USAID funding data for all country missions; however, with our concurrence, State/F excluded USAID funding data for Iraq, Afghanistan, and Pakistan owing to the unique and complex circumstances in those countries.

country mission-based programs would make such coordination difficult. Although NED is not required to report all of its democracy assistance efforts to State, several USAID and State DRL officials said that they lacked information about NED's current projects, which they believed would help inform their own programming decisions. No mechanism currently exists for the routine sharing of information on NED's projects. NED officials told us that NED has shared information on its activities in the past and would be willing to provide project information routinely if State or USAID deemed it useful.

USAID uses standard and custom indicators to assess and report on immediate program outputs and outcomes; USAID also conducts some, but relatively infrequent, independent evaluations of longer-term program impacts and reports taking steps to improve its evaluation capacity.[12] The standard indicators, developed by State/F with input from subject matter experts in State DRL and USAID's Office of Democracy and Governance, generally focus on numbers of activities or immediate results of a program, such as the number of justice sector personnel trained by the U.S. government. USAID typically develops additional custom indicators to better assess particular projects, measuring program results not captured by the standard indicators. For example, in Jordan a custom indicator for a democracy assistance project measured improvement in the capacity of the legislative branch and elected local bodies to undertake their stated functions. USAID commissions a limited number of independent evaluations of democracy assistance program impact. USAID mission officials we met with noted they did not conduct many independent evaluations because of the resources involved and the difficulty of measuring the impact of democracy assistance. USAID reports initiating several steps in response to findings and recommendations in the National Research Council's 2008 report on USAID's democracy evaluation capacity. For example, USAID is designing impact evaluations for six missions as part of a pilot program with the goal of better identifying the effects of the missions' democracy assistance programs.

[12]According to joint State/F-USAID guidance, evaluation is a systematic and objective assessment, designed to determine the relevance, effectiveness, efficiency, sustainability, or impacts, of an ongoing or completed project, program, strategy, or policy. The purpose of an evaluation is to generate credible and useful information that contributes to improved performance, accountability, or learning from the experience, to assess the program's effects or impacts, and to inform decisions about future programming. Planning and Performance Management Unit, *Evaluation Guidelines for Foreign Assistance*, Final Version (Washington, D.C.: Office of the Director of U.S. Foreign Assistance, 2009).

To enhance coordination of U.S.-funded democracy assistance efforts, and in support of the Department of State's first Quadrennial Diplomacy and Development Review, we recommend that the Secretary of State and the USAID Administrator, while recognizing NED's status as a private, nonprofit organization, work jointly with NED to establish a mechanism to routinely collect information about NED's current projects in countries where NED and State or USAID provide democracy assistance.

We provided a draft of this report to State, USAID, and NED for review and comment. All three entities concurred with our recommendation.

Background

Foreign Assistance Reform

In January 2006, to better align foreign assistance programs with U.S. foreign policy goals, the Secretary of State appointed a Director of Foreign Assistance with authority over all State and USAID foreign assistance funding and programs.[13] In working to reform foreign assistance, the Director's office, State/F, has taken a number of steps to integrate State and USAID foreign assistance processes. These steps have included, among others, integrating State and USAID foreign assistance budget formulation, planning and reporting processes. As part of the reform, State/F, with input from State and USAID subject matter experts, developed the Foreign Assistance Framework, with its five strategic objectives, as a tool for targeting U.S. foreign assistance resources; instituted common program definitions to collect, track, and report on data related to foreign assistance program funding and results; and created a set of standard output-oriented indicators for assessing foreign assistance programs. State/F also instituted annual operational planning and reporting processes for all State and USAID operating units. Moreover, State/F initiated a pilot program for developing 5-year country assistance strategies intended to ensure that foreign assistance provided by all U.S. agencies is aligned with top foreign policy objectives in a given country. These integrated processes are supported by two data

[13]See GAO-09-192.

information systems, known as the Foreign Assistance Coordination and Tracking System (FACTS) and FACTS Info.[14]

In July 2009, the Secretary of State announced plans to conduct a Quadrennial Diplomacy and Development Review, intended in part to maximize collaboration between State and USAID. According to State, this review will identify overarching foreign policy and development objectives, specific policy priorities, and expected results. In addition, the review will make recommendations on strategy, organizational and management reforms, tools and resources, and performance measures to assess outcomes and—where feasible—impacts of U.S. foreign assistance. The review will be managed by a senior leadership team under the direction of the Secretary of State and led by the Deputy Secretary for Management and Resources, with the Administrator of USAID and the Director of the Policy Planning serving as co-chairs and with senior representation from State and USAID.[15] Although State has not announced a formal time frame for producing a final report of the review's results, a senior State official indicated that the process would likely produce initial results in early 2010.

Democracy Assistance and the Foreign Assistance Framework

Under the Foreign Assistance Framework developed by State/F in 2006, the strategic objective GJD has four program areas—"Rule of Law and Human Rights," "Good Governance," "Political Competition and Consensus-Building," and "Civil Society"—each with a number of program elements and subelements. State/F's information systems, FACTS and FACTS Info, track funding allocated for assistance in support of GJD and these four program areas. Table 1 shows the four program areas and associated program elements.

[14]FACTS was designed to collect foreign assistance planning, reporting, and funding data; FACTS Info was designed to aggregate, analyze, and report data on U.S. foreign assistance programs. For more information about these databases, see GAO, *Foreign Assistance: State Department Foreign Aid Information Systems Have Improved Change Management Practices but Do Not Follow Risk Management Best Practices*, GAO-09-52R (Washington, D.C.: Nov. 21, 2008).

[15]According to State, the Quadrennial Diplomacy and Development Review leadership team will also include senior representation from the Millennium Challenge Corporation.

Table 1: GJD Program Areas and Program Elements

Program area	Program elements
Rule of Law and Human Rights To advance and protect human and individual rights, and to promote societies in which the state and its citizens are accountable to laws that are publicly promulgated, equally enforced, and independently adjudicated, and which are consistent with international norms and standards	• Constitutions, laws and human rights • Judicial independence • Justice system • Human rights
Good Governance To promote democratic institutions that are effective, responsive, sustainable, and accountable to the people	• Legislative function and processes • Public sector executive function • Local government and decentralization • Anticorruption reforms • Governance and security sector
Political Competition and Consensus Building To encourage the development of transparent and inclusive electoral and political processes, and democratic, responsive, and effective political parties	• Consensus-building processes • Election and political processes • Political parties
Civil Society To empower individuals to exercise peacefully their rights of expression, association, and assembly, including through their establishing and participating in NGOs, unions, and other civil society organizations	• Civic participation • Media freedom and freedom of information

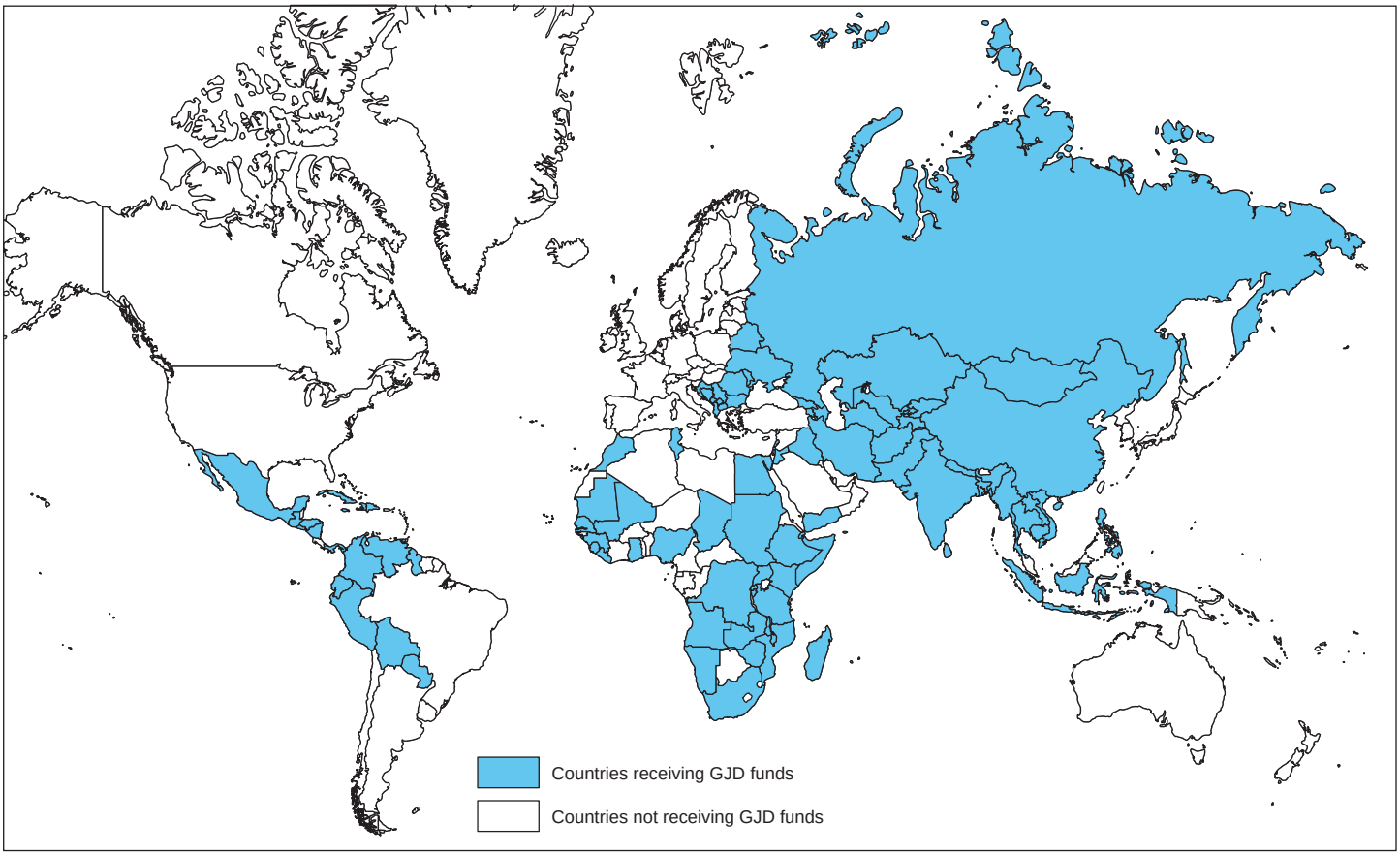
Source: State/USAID Strategic Plan, Fiscal Years 2007–2012 and State's Handbook of GJD Indicators and Definitions.

Funding Allocations for Democracy Assistance

In fiscal years 2006 through 2008, funds allocated for the GJD strategic objective were provided for democracy assistance programs in 90 countries around the world. Almost half of all democracy funding over this period was spent in Iraq and Afghanistan; the next highest funded countries, Sudan, Egypt, Mexico, Colombia, and Russia, accounted for more than 25 percent of the remaining GJD funding allocated to individual countries other than Iraq and Afghanistan. Of the 20 countries with the largest GJD allocations, 8 have been rated by Freedom House, an independent nongovernmental organization, as not free; 8 have been rated

as partly free; and 4 have been rated as free.[16] Figure 1 illustrates the worldwide distribution of GJD funding, and table 2 shows funding levels and Freedom House ratings for the 20 countries with the largest allocations.

Figure 1: Distribution of GJD Funding, Fiscal Years 2006-2008



Sources: GAO analysis of State/F data; Map Resources, CIA, and UN (map).

[16]Freedom House conducts an annual survey of the state of global freedom as experienced by individuals. The survey is intended to measure freedom—defined as the opportunity to act spontaneously in a variety of fields outside the control of the government and other centers of potential domination—according to two broad categories: political rights and civil liberties.

Table 2: Total GJD Funding and Freedom House Rating for Top 20 Countries, Fiscal Years 2006-2008

Dollars in thousands

Country	GJD FY 2006-2008 funding	Freedom House rating
Iraq	$1,752,588	Not free
Afghanistan	935,307	Not free
Sudan	208,373	Not free
Egypt	154,800	Not free
Mexico	119,680	Free
Colombia	118,928	Partly free
Russia	117,734	Not free
Kosovo	92,747	Not free
Pakistan	91,873	Partly free
Liberia	81,150	Partly free
Indonesia	79,663	Free
West Bank and Gaza	74,493	Not free
Ukraine	71,567	Free
Cuba	68,914	Not free
Haiti	65,880	Partly free
Georgia	63,464	Partly free
Serbia	60,754	Free
Armenia	56,887	Partly free
Bosnia and Herzegovina	53,466	Partly free
Jordan	53,206	Partly free

Source: GAO analysis of State/F data and Freedom House's an annual survey of the state of global freedom for 2009.

Note: The GJD funding shown for each country does not include amounts that Washington, D.C.-based operating units, such as State DRL, and regional operating units, such as USAID regional offices, may have programmed in the country. The data available from State/F shows allocations to country based operating units and do not include amounts of the allocated funds that these regional and cross-cutting operating units program in individual countries.

Key Entities Involved in Providing U.S.-funded Democracy Assistance

USAID, State DRL, and NED fund democracy assistance programs in countries throughout the world. USAID's and State DRL's foreign assistance programs are funded under the Foreign Operations appropriation and tracked by State as part of GJD funding, while NED's core budget is funded under the State Operations appropriation and is not tracked as part of GJD foreign assistance funding.

- **U.S. Agency for International Development**. In fiscal years 2006 through 2008, USAID democracy programs operated in 88 countries worldwide. USAID's Office of Democracy and Governance, based in Washington, D.C., supports USAID's democracy programs worldwide, but these programs are primarily designed and managed by USAID missions in the field. USAID democracy programs cover a large variety of issues including media, labor, judicial reforms, local governance, legislative strengthening, and elections. USAID programs are managed by technical officers, typically based in missions in the field, who develop strategies and assessments, design programs, and monitor the performance of projects by collecting and reviewing performance reports from implementing partners and conducting site visits, typically at least monthly.

- **Bureau of Democracy, Human Rights and Labor.** State DRL implements the Human Rights Democracy Fund, established in fiscal year 1998, providing grants primarily to U.S. nonprofit organizations to strengthen democratic institutions, promote human rights, and build civil society mainly in fragile democracies and authoritarian states. In 2006 through 2008, State DRL's programs operated in 66 countries worldwide. According to State, State DRL strives to fund innovative programs focused on providing immediate short term assistance in response to emerging events. In addition, State DRL can also fill gaps in USAID democracy funding (see app. II). Unlike USAID, State DRL manages its democracy grant program centrally. State DRL's Washington-based staff monitor these grants by collecting and reviewing quarterly reports from grantees and conducting site visits, typically through annual visits to participating countries.[17]

- **National Endowment for Democracy.** In 1983, Congress authorized initial funding for NED, a private, nonprofit, nongovernmental

[17]State DRL typically does not have dedicated staff in U.S. embassies to manage its democracy grants; instead, the bureau works with foreign service officers covering the human rights and labor portfolios in the embassy, according to State DRL officials. State DRL has one full-time contractor at the U.S. embassy in China and two full-time foreign service officers at the U.S. embassy in Iraq; in both countries, State DRL is operating significantly larger democracy programs than it does elsewhere.

organization.[18] NED's core budget is funded primarily through an annual congressional appropriation and NED receives additional funding from State to support congressionally directed or discretionary programs.[19] The legislation recognizing the creation of NED and authorizing its funding, known as the NED Act, requires NED to report annually to Congress on its operations, activities, and accomplishments as well as on the results of an independent financial audit.[20] The act does not require NED to report to State on the use of its core appropriation; however, State requires NED to provide quarterly financial reporting and annual programmatic reporting on the use of the congressionally directed and discretionary grants it receives from State.[21] NED funds indigenous partners with grants that typically last for about a year. NED monitors program activities through quarterly program and financial reports from grantees and site visits, performed on average about once per year, to verify program and budgetary information. About half of NED's total annual core grant funding is awarded to four affiliated organizations, known as core institutes.[22] The remaining funds are used to provide hundreds of grants to

[18]The legislation authorizing funding for NED, National Endowment for Democracy Act, spells out six purposes for the endowment: encouraging democratic institutions through private sector initiatives; facilitating exchanges between U.S. private sector groups and democratic groups abroad; promoting U.S. nongovernmental participation in democratic training programs; strengthening democratic electoral processes abroad in cooperation with indigenous democratic forces; supporting the participation of U.S. private sector groups in fostering cooperation with those abroad "dedicated to the cultural values, institutions, and organizations of democratic pluralism;" and encouraging democratic development consistent with the interests of both the United States and the democratic groups in other countries receiving assistance from programs funded by the Endowment. *See* Pub. L. No. 98-164, Title V, 97 Stat. 1017 (1983).

[19]Although NED's programs support democracy promotion, State does not include NED's core appropriation in its calculation of foreign assistance because NED's annual core appropriation is usually requested and appropriated in the Diplomatic and Consular account, not in the Foreign Operations appropriation. In fiscal year 2008 only, NED's core budget was appropriated under Foreign Operations and, therefore, part of total funding for GJD foreign assistance funds.

[20]See Pub. L. No. 98-164. Section 504 requires NED to provide an annual report to Congress of its activities and accomplishments and makes NED subject to audits by GAO.

[21]Unlike NED's core appropriation, these directed or discretionary grants are counted as GJD funding.

[22]NED's core institutes—the American Center for International Labor Solidarity (also known as the Solidarity Center), the Center for International Private Enterprise, the International Republican Institute, and the National Democratic Institute—represent, respectively, organized labor, business, and the two major U.S. political parties. Projects implemented by the core institutes are subject to approval by the NED Board of Directors and oversight by NED staff. The institutes also participate in NED's planning process.

NGOs in more than 90 countries to promote human rights, independent media, rule of law, civic education, and the development of civil society in general.

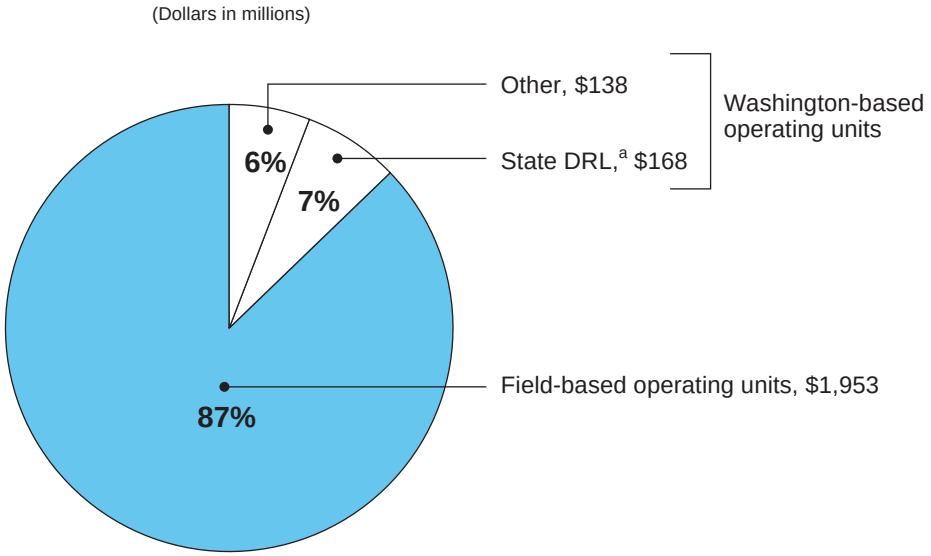
Data Show Largest Allocations for USAID Democracy Assistance

State/F information systems show allocations of approximately $2.25 billion in GJD funding to operating units in fiscal year 2008, with about 85 percent of this amount allocated for State and USAID field-based operating units, primarily country missions. The estimated average annualized funding for democracy assistance projects active in our 10 sample countries as of January 2009 was $18 million for USAID, $3 million for State DRL, and $2 million for NED. In fiscal year 2008, more than half of State DRL funding for democracy assistance went to Iraq, followed by China, Cuba, Iran, and North Korea, and most NED funding for democracy programs went to China, Iraq, Russia, Burma, and Pakistan.

Most Democracy Funding Allocated to Field-Based Operating Units

Data from State/ F information systems, which report GJD allocations by operating unit, indicate that most GJD funding allocated in fiscal year 2008 went to country programs. The State/F systems show that, of more than $2.25 billion allocated for GJD in fiscal year 2008, approximately $306 million, or almost 15 percent, went to operating units in Washington, D.C., including USAID and State regional and functional bureaus and offices such as State DRL. More than $1.95 billion, or about 85 percent of the total allocation, was allocated to field-based operating units, primarily country missions. (See fig. 2 for the allocation of GJD funding by type of operating unit, for fiscal year 2008. See app. IV for a list of Washington, D.C.-based and field-based operating units that received GJD funds in fiscal years 2006-2008.)

Figure 2: GJD Funding by Operating Unit, Fiscal Year 2008



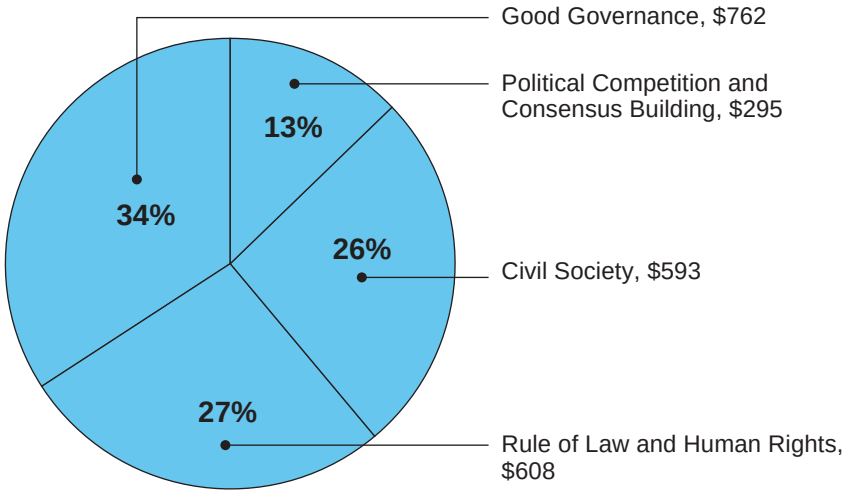
Source: GAO analysis of State/F data.

[a]The amount shown for the State DRL allocation for fiscal year 2008 reflects State DRL-managed funding for that year for all countries except Iraq and also reflects NED's core appropriation. State/F categorizes State DRL-managed funds for Iraq as part of the Iraq operating unit; therefore, our analysis includes State DRL-managed funds for Iraq as part of the field-based operating units rather than the State DRL operating unit. In addition, because NED core funding was appropriated through the Foreign Operations account in fiscal year 2008, NED core funding for that year is included in the amount allocated for the State DRL operating unit. (In previous years other than fiscal year 2008, NED's core appropriation was not appropriated under the Foreign Operations account and therefore is not included in the GJD foreign assistance totals for all other years.)

Figure 3 shows the distribution of democracy assistance funding for the four GJD program areas.

Figure 3: GJD Funding by Program Area, Fiscal Year 2008

(Dollars in millions)



Source: GAO analysis of State/F data.

Although State/F information systems enable reporting of democracy assistance allocations to operating units and by program area, these systems do not include funding information by implementing entity for the years we reviewed—fiscal years 2006 through 2008.[23] Consequently, State/F data on GJD funding allocations to implementing entities—including the portion of allocations to field-based operating units that is programmed by each implementing entity—are not centrally located.[24] However, in response to our request for information on USAID democracy

[23]Each operating unit enters information into the databases from its annual operational plan, showing how it intends to use the current year's funding allocation, including the amounts to be programmed by implementing entities. After funding is allocated to a field-based operating unit, such as a country mission, that operating unit determines the amount of funding to be implemented by USAID and other entities that implement funds at the mission. State officials noted that because these databases and reporting tools were developed in 2006 and refined in 2008, the databases were not completely populated with information for every operating unit by fiscal year 2008. However, State officials noted that aggregated funding information broken out by implementing entity may become available in the future as the databases become more complete. For more information about the development of State/F's databases, see GAO-09-192.

[24]Although State DRL is an implementing entity, the State/F information systems show GJD funds allocated to State DRL because it is also considered to be a Washington, D.C.-based operating unit.

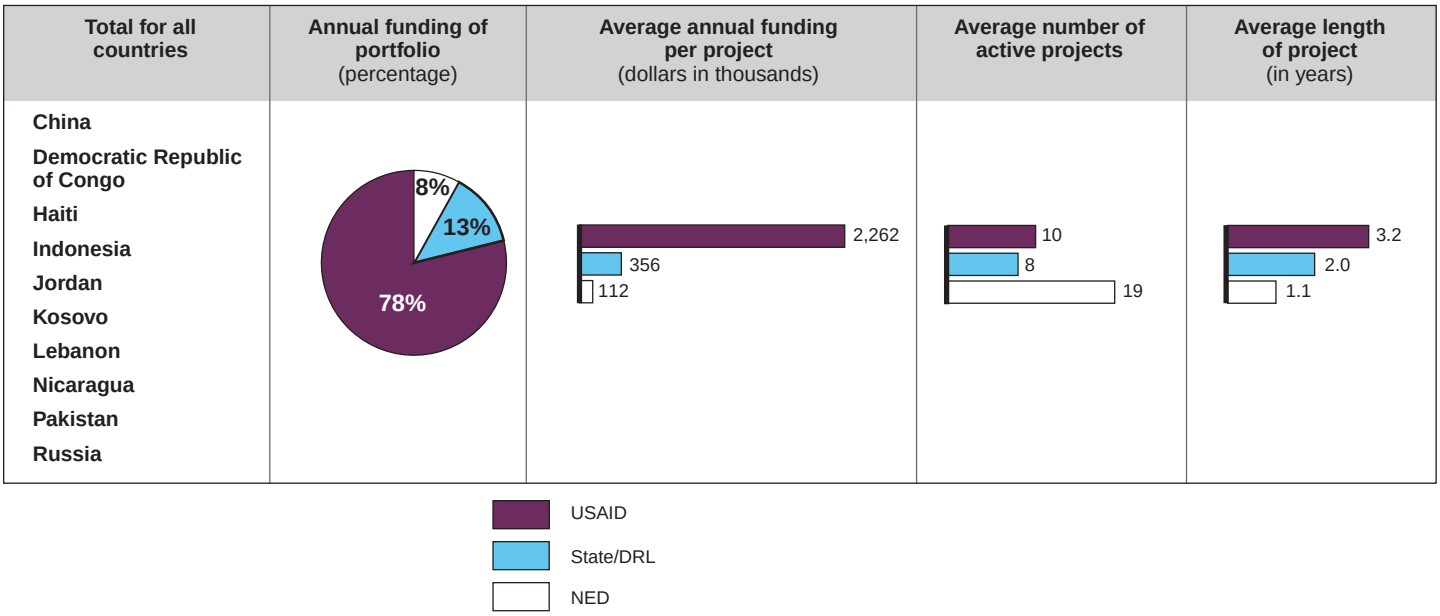
assistance funding, State/F and USAID compiled data provided by USAID missions on GJD funding allocated to USAID for most country-based operating units for fiscal years 2006 through 2008.[25] According to these data, USAID implements the majority of the democracy funding provided in most countries. In addition, State/F data show that the largest portion of GJD funding in fiscal year 2008 was allocated for the Good Governance program area (see fig. 3). (App. II shows amounts of USAID, State DRL, and NED funding distributed to all countries in fiscal years 2006-2008 as well as each country's Freedom House rating.)

USAID Funded Most Democracy Assistance in 10 Sample Countries

Estimated average annualized funding for all active democracy assistance projects in the 10 sample countries was about $18 million per year for USAID (78 percent of the total estimated average annual funding for all three entities), $3 million for State DRL, and $2 million for NED. Annualized funding per project averaged more than $2 million for USAID; more than $350,000 for State DRL; and more than $100,000 for NED. Project length averaged 3 years for USAID, 2 years for State DRL, and 1 year for NED (see fig. 4).

[25]We requested USAID funding data for all country missions; however, with our concurrence, State/F excluded USAID funding data for Iraq, Afghanistan, and Pakistan owing to the unique and complex circumstances in those countries.

Figure 4: Average Annual Funding, Number and Duration of USAID, State DRL, and NED Democracy Projects in 10 Sample Countries



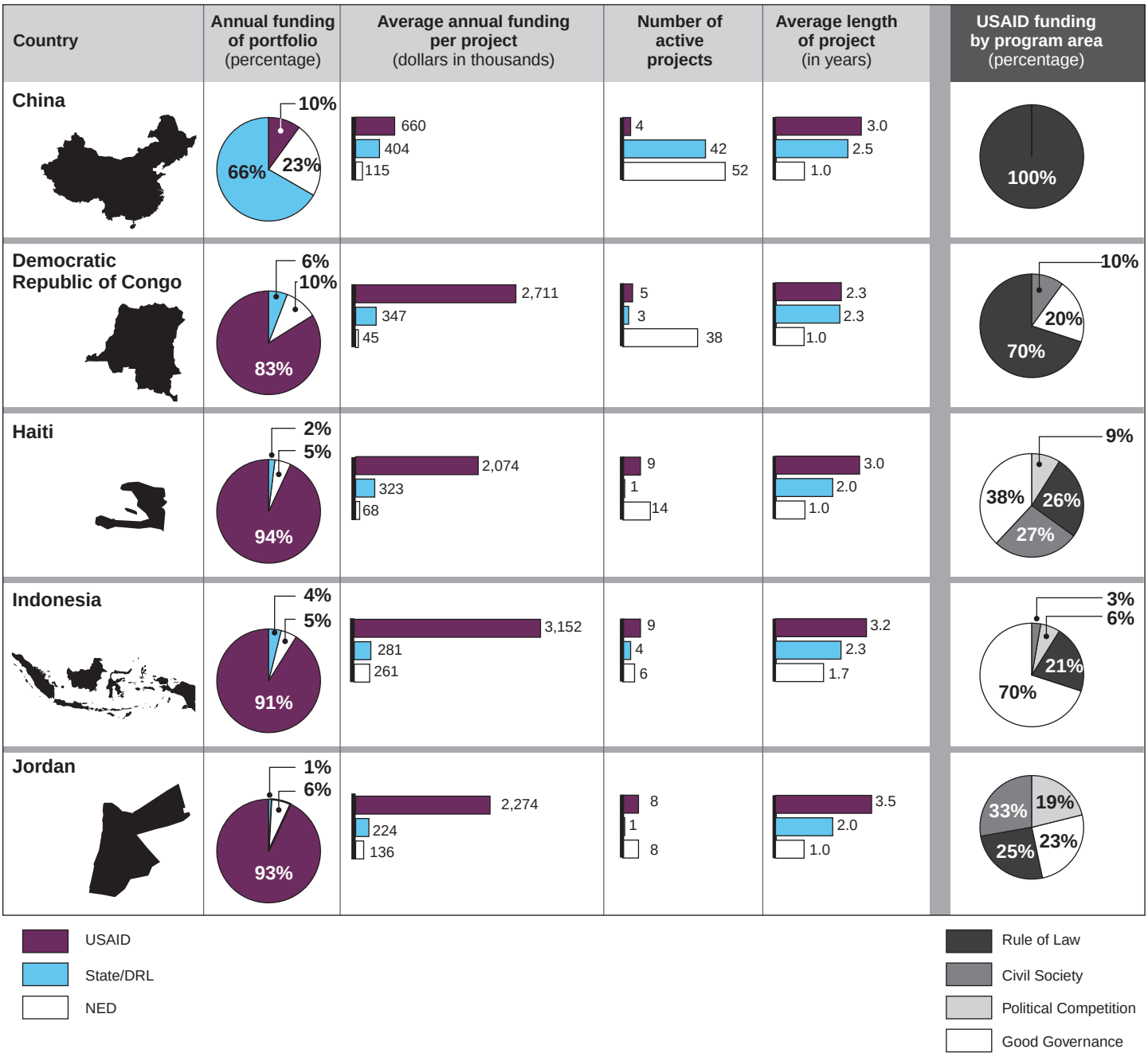
Sources: GAO analysis of USAID, State/DRL, and NED data.

Note: This analysis is based on the set of USAID, State DRL, and NED democracy projects that were active in each of the 10 countries during January 2009. To compare the projects with varying duration and funding levels, we (1) annualized funding of active projects by averaging the monthly cost of each project (total project funding divided by the length of the project in months) and multiplying by 12; (2) annualized the funding for each portfolio by summing the annualized funding for each project in the portfolio; and (3) determined the average length of projects in years by multiplying by 12 the planned length of active projects in months.

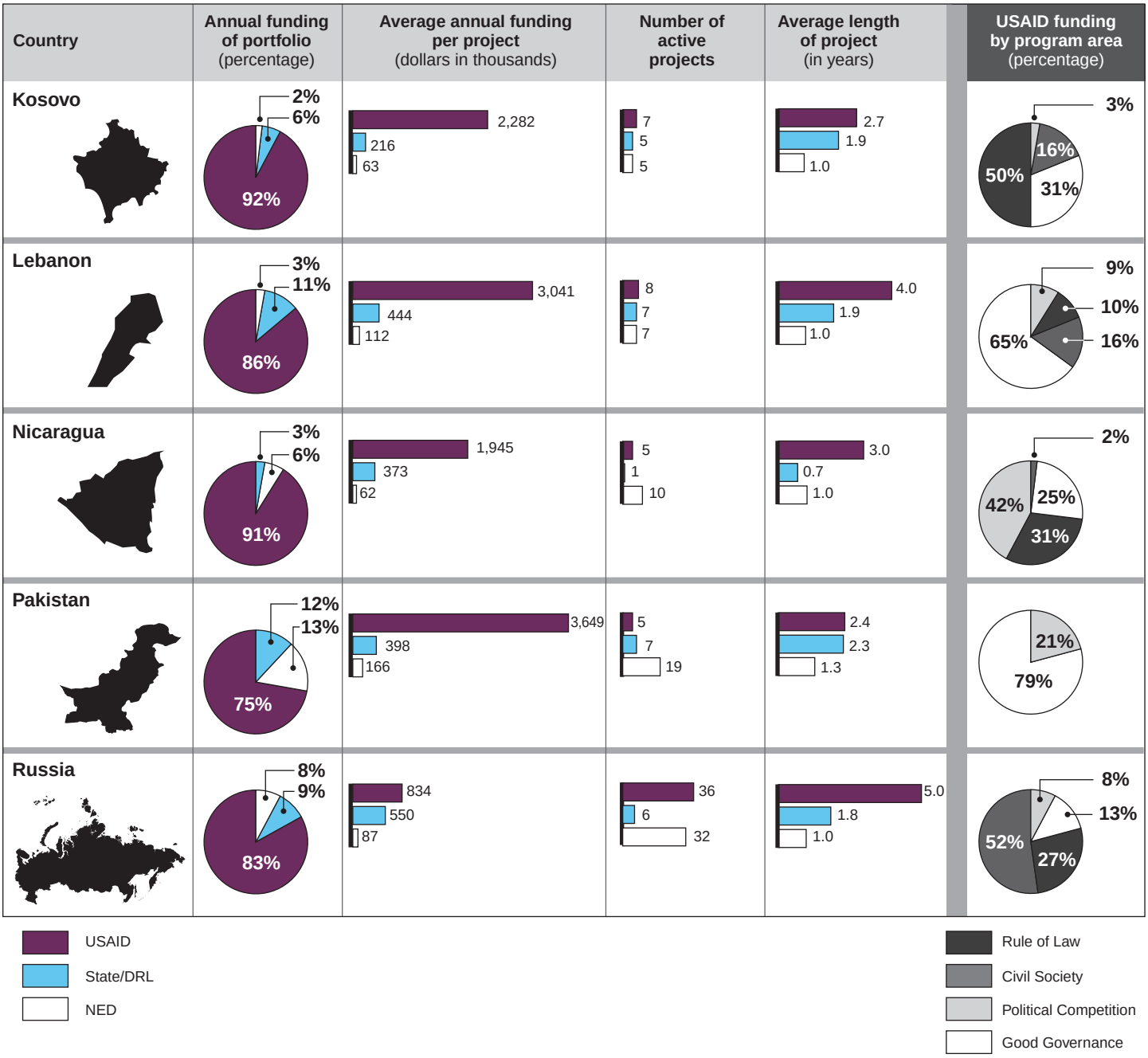
According to award data for USAID, State DRL, and NED, USAID provided the majority of funding for democracy assistance projects that were active as of January 2009 in 9 of the 10 sample countries (see fig. 5).[26] USAID funding ranged from 10 to 94 percent, with a median of 89 percent, of the three entities' total democracy assistance funding in each country.

[26]The 10 countries in our sample are China, the Democratic Republic of the Congo, Haiti, Indonesia, Jordan, Kosovo, Lebanon, Nicaragua, Pakistan, and Russia.

Figure 5: Annualized Funding, Number and Duration of USAID, State DRL, and NED Democracy Projects in 10 Sample Countries



Sources: GAO analysis of USAID, State/DRL, and NED data; Map Resources (maps).


Country
Annual funding of portfolio (percentage)
Average annual funding per project (dollars in thousands)
Number of active projects
Average length of project (in years)
USAID funding by program area (percentage)
Kosovo
2%
6%
92%
2,282
216
63
7
5
5
2.7
1.9
1.0
3%
16%
50%
31%
Lebanon
3%
11%
86%
3,041
444
112
8
7
7
4.0
1.9
1.0
9%
10%
65%
16%
Nicaragua
3%
6%
91%
1,945
373
62
5
1
10
3.0
0.7
1.0
2%
42%
25%
31%
Pakistan
12%
13%
75%
3,649
398
166
5
7
19
2.4
2.3
1.3
21%
79%
Russia
8%
9%
83%
834
550
87
36
6
32
5.0
1.8
1.0
8%
13%
52%
27%
USAID
State/DRL
NED
Rule of Law
Civil Society
Political Competition
Good Governance

Note: This analysis is based on the set of USAID, State DRL, and NED democracy projects that were active in each of the 10 countries during January 2009. To compare the projects with varying duration and funding levels, we (1) annualized funding of active projects by averaging the monthly cost of each project (total project funding divided by the length of the project in months) and multiplying by 12; (2) annualized the funding for each portfolio by summing the annualized funding for each project in the portfolio; and (3) determined the average length of projects in years by multiplying by 12 the planned length of active projects in months.

These charts do not include funding implemented by State INL, MEPI, or MCC at the country level. For information on the funding for these agencies, see appendix III.

USAID's country-based missions are typically responsible for developing democracy assistance activities based on country-specific multiyear democracy assistance strategies, which they develop in the field with input from embassy officials as well as USAID and State offices in Washington, D.C. Once the strategic plan is approved, individual programs are designed to fit into the overall priorities and objectives laid out in the strategic plan. This program design includes the procedures to select the implementer and to monitor and evaluate program performance. USAID missions typically collaborate with the USAID Office of Democracy and Governance to develop and carry out in-depth democracy and governance assessments to help define these strategies.[27] These assessments are intended to identify core democracy and governance problems and the primary actors and institutions in a country. For example, the USAID mission in Indonesia conducted a democracy and governance assessment in June 2008, which formed the basis for a new 5-year democracy and governance strategy for 2009 to 2014. The assessment, which was commissioned by the USAID Office of Democracy and Governance and conducted by an outside contractor, involved consultation with more than 100 Indonesian government officials, civil society representatives, local academics, and other international donors involved in democracy and governance in Indonesia.

USAID democracy activities vary in each country, according to the operating environment, needs and opportunities. For example, as of January 2009, USAID's democracy assistance portfolio in Lebanon amounted to $24.3 million on an annual basis. The majority of this funding—65 percent—was awarded for Good Governance activities such

[27]Internal program assessments are commissioned at the mission level. Sectorwide program assessments follow a specific framework, *USAID: Conducting A DG Assessment: A Framework for Strategy Development*, *November 2000*. This framework recommends that these assessments can be accomplished with three-person teams, one of whom should know the country very well, conducting 3 weeks of field work, plus some preparation and follow-up time.

as assistance to the Lebanese Parliament, and programs to improve service delivery through municipal capacity building. In Indonesia, about 70 percent of USAID funding for projects active in January 2009 was for Good Governance–related assistance to help the Indonesian government with a major effort to decentralize its government. Conversely, in Russia, where USAID does not work closely with the Russian government, over 50 percent of USAID funding supported Civil Society programs and only about 13 percent of funding supported active projects in the area of Good Governance.

USAID implements approximately half of the value of its democracy programs using grants and implements the remaining half using contracts. Worldwide, USAID democracy contract funding tends to be much higher than USAID grant funding; in fiscal year 2008, democracy contract funding averaged about $2 million per project and democracy grant funding averaged almost $850,000 per project. However, USAID implements more than twice as many projects with grants than with contracts; thus, although USAID contracts are higher in funding, USAID democracy funding is fairly evenly split between contracts and grants. In fiscal year 2008, about 53 percent of USAID democracy funding was implemented through contracts and 47 percent was implemented through grants. Table 3 shows USAID's average global funding for democracy contracts and grants in fiscal year 2008.

Table 3: Global USAID Democracy Funding and Projects by Implementing Mechanism, Fiscal Year 2008

	Grants	Contracts
Average funding per project	$846,526	$2,012,114
Percentage of total funding	47 percent	53 percent
Total number of projects	692	326

Source: GAO analysis of USAID data.

Note: This analysis is based on USAID data for democracy assistance in all countries, including Iraq and Afghanistan, for fiscal year 2008; if funding for democracy projects in Iraq and Afghanistan is excluded, the distribution of USAID democracy funds by funding mechanism changes to 52 percent of funds distributed for grants and 47 percent for contracts. In 2006 and 2007, USAID democracy funding, excluding projects in Iraq and Afghanistan, was likewise more heavily concentrated toward grants, with 62 percent of funds distributed for grants and 38 percent for contracts in 2006 and 65 percent distributed for grants and 35 percent for contracts in 2007. USAID officials noted that democracy projects in Iraq and Afghanistan are more reliant on contracts because of the nature of the projects involved. This analysis does not cover all USAID democracy projects over this period, as it excludes some cross-cutting projects relating to more than one objective.

State DRL and NED Funded Democracy Assistance Activities in Select Countries

State DRL funded democracy programs in more than 30 countries in a variety of program areas in fiscal year 2008,[28] spending 57 percent of its funds in Iraq and 28 percent in China, Cuba, Iran, and North Korea. Funds managed by State DRL totaled $157 million in fiscal year 2008, $75 million of which was allocated through a supplemental appropriation for democracy programs in Iraq. Only a small portion of State DRL-managed funding in that year—$13 million of $157 million—was discretionary; most of the funding was congressionally directed for specific countries or issues.[29] In planning resource allocations as well as solicitations for statements of interest and requests for proposals from NGOs, State DRL staff members consult with USAID and State regional bureaus, and review country mission strategic plans and operational plans, according to a State DRL official. Proposals are reviewed by a 7-person panel, which includes representatives from State DRL, USAID, and State regional bureaus.[30] According to a State DRL official, the bureau does not prepare country strategies for its democracy grant program because funding levels are relatively small for most countries and fluctuate from year to year.

NED funded democracy programs in more than 90 countries in fiscal year 2008, spending 28 percent of its funds on programs in China, Iraq, Russia, Burma, and Pakistan. Unlike USAID and State DRL, NED allocates democracy funds relatively evenly across many countries, with average per-country funding of almost $1 million in fiscal year 2008.[31] In fiscal year 2008, NED's funding allocation for democracy programs totaled $118 million. NED makes programming decisions on specific projects in the context of its current 5-year strategic plan, published in 2007, and an internal annual planning document. For each region of the world, the annual planning document identifies regional priorities and critical sectors—such as human rights and freedom of information—in which to target assistance. According to a NED official, NED solicits proposals from NGOs every quarter. After grant proposals are received, NED conducts an

[28]State DRL funded democracy programs in 66 countries in fiscal years 2006 through 2008.

[29]In fiscal year 2008, State DRL-managed funding for democracy grants included specific congressionally directed funding levels for several countries, including Iraq, China, Hong Kong, Tibet, Syria, Iran, and North Korea, among others, as well as for internet freedom and religious freedom programs.

[30]State regional bureaus and USAID each have one of seven votes on these review panels.

[31]NED per-country funding ranged from $25,000 to more than $6,000,000 across 94 countries in fiscal year 2008.

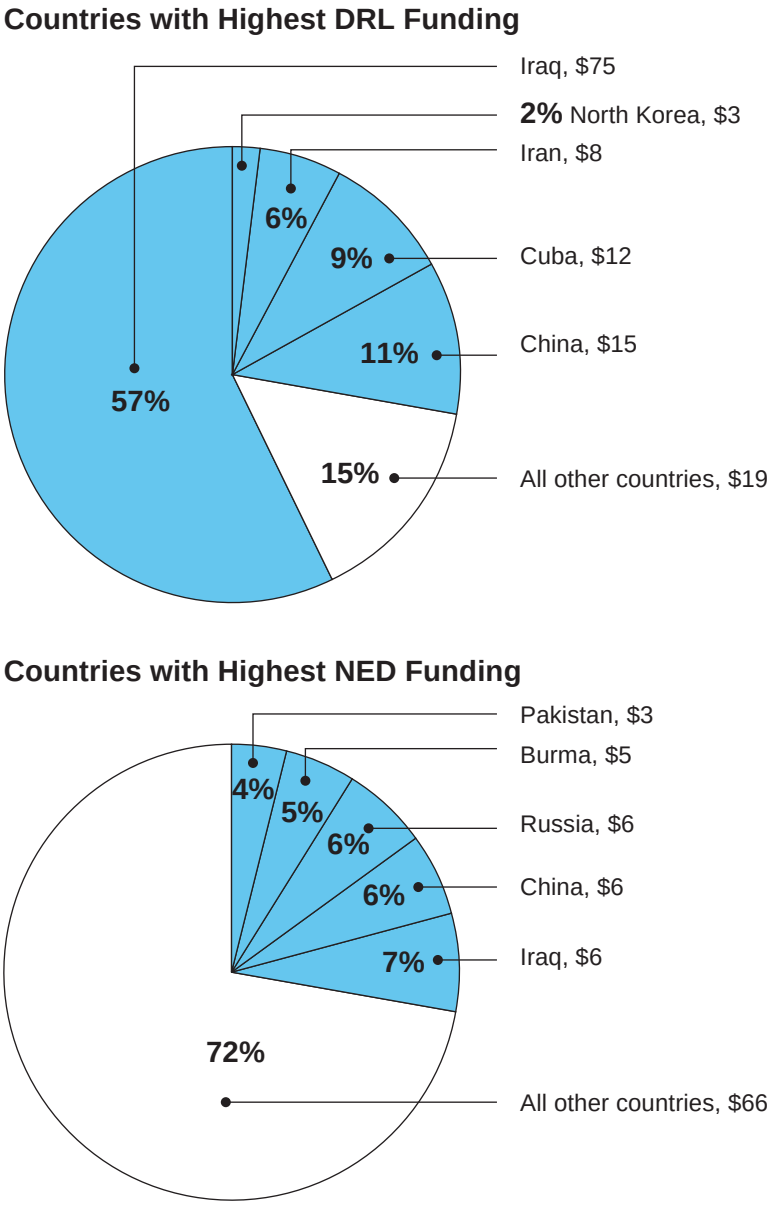
internal review and the proposals that are selected are presented to the NED board of directors for approval.[32]

Figure 6 shows the countries where State DRL and NED, respectively, allocated the largest amounts for democracy programs in fiscal year 2008.

[32]NED has a board of 28 officers and directors, including foreign policy experts and current and former members of Congress.

Figure 6: Countries with the Largest Percentage of Funding from State DRL and NED, Fiscal Year 2008

(Dollars in millions)



Source: GAO analysis of State/DRL, and NED data.

Note: This analysis includes all funding directly allocated to programs in individual countries and excludes funding allocated to regional or cross-cutting programs that operate in more than one country.

USAID and State DRL Coordinate to Help Ensure Complementary Programs but Often Are Not Aware of NED Projects

To help ensure complementary programming and avoid duplication in their respective democracy assistance programs, State DRL invites USAID missions to review State DRL proposals for democracy assistance projects. In addition, State DRL officials sometimes participate in USAID missions' planning for democracy assistance projects. However, USAID and State DRL officials are often not aware of NED democracy assistance projects, and although NED is not required to report on all of its democracy assistance projects, State DRL officials and USAID mission officials said that information on all NED's active projects would be useful in ensuring coordinated assistance.[33] USAID officials participate in embassy working groups or committees that review democracy assistance projects, among others, to ensure that projects are complementary.

USAID Missions and State DRL Take Steps to Coordinate Democracy Assistance Programming

State DRL—which manages its democracy grant program centrally, without embassy-based staff—solicits feedback from USAID missions in both the development of State DRL's solicitations for democracy programs and the resulting project proposals from NGOs. As part of State DRL's formal process for evaluating democracy assistance project proposals, USAID and State regional bureau representatives participate in State DRL's project review panels and vote on proposals, conveying feedback from USAID country missions and embassies as to whether project proposals complement or duplicate ongoing democracy assistance efforts of USAID and other State entities. USAID officials at the 10 missions we contacted generally agreed that this process helps to ensure complementary programming between State DRL and USAID. In just one instance, a USAID mission official remarked that a review panel had approved a State DRL proposal for civil society training that could duplicate an existing USAID project. According to a State DRL official, the review panels take into account the missions' and embassies' feedback but may vote to approve a project on the basis of other factors.

In addition, State DRL officials are involved in some aspects of USAID missions' democracy assistance planning. State DRL officials who manage the bureau's democracy grants participate with USAID's Office of Democracy and Governance in providing input on democracy funding

[33]The NED Act requires NED to report annually to Congress on its operations, activities, and accomplishments as well as on the results of an independent financial audit. The act does not require NED to report to State on the use of its core appropriation; however, State requires NED to provide quarterly financial reporting and annual programmatic reporting on the use of the congressionally directed and discretionary grants it receives from State.

levels as a part of the budget formulation process and have the opportunity to review and comment on all country operational plans, according to State officials. State officials also noted that State DRL as a bureau is involved in many strategic discussions about democracy assistance that is provided through bilateral programs; however, State DRL officers generally are not involved in USAID missions' planning for democracy assistance projects. According to State DRL officials responsible for grants in our 10 sample countries, increased integration into USAID's planning process would better inform State DRL programming decisions and ensure better coordination between State and USAID. State DRL officials noted that this would also increase the opportunity for State DRL to share its expertise as the bureau responsible for U.S. human rights and democracy policy. However, State DRL and USAID officials commented that increasing the level of coordination between State DRL's staff and USAID missions in USAID's planning process could be challenging, because State DRL staff typically have resources to travel to countries only once per year as part of their grant oversight duties. According to USAID officials, USAID selects its projects based on multiyear democracy assistance strategies developed at country-based missions; the development of individual USAID democracy assistance projects and selection of implementing partners also generally takes place at the missions. USAID mission officials also noted that their review process for selecting implementing partners, which takes place in the field, generally lasts 10 to 15 days. In addition, a State/F official observed that for most countries, State DRL's level of funding for its grant program would likely be too small to justify the additional staff time necessary for increasing their involvement in USAID's mission-based planning processes.[34]

Despite the challenges related to State DRL involvement in USAID planning, we found that USAID missions included State DRL staff in joint planning activities for 2 of our 10 sample countries. For example, the USAID mission in Russia invited a State DRL official to participate in an interagency visit to the country in 2008 to review current U.S. democracy assistance efforts and consider areas for future programming. The State DRL official involved in the visit noted that this effort helped her identify potential areas where State DRL could target its assistance to complement USAID's larger, longer-term democracy program. In China—the only country in our sample where State DRL funds a larger portfolio of

[34]See appendix II, table 6, for information on State DRL's democracy assistance funding.

democracy projects than does USAID—a State DRL official participated in vetting proposals for a USAID Rule of Law project in China that began in 2006. State DRL official did not participate in planning the solicitation for the proposals,[35] and USAID did not invite State DRL to participate in its planning or proposal vetting for subsequent Rule of Law projects in China. More recently, State DRL and USAID staff met with embassy staff in Beijing to collaborate on their respective democracy assistance programs. However, according to a State DRL official, it is not clear what role State DRL will have in USAID's future strategic planning process for assistance in China or in reviewing USAID's future democracy project proposals there.

The development of joint State-USAID country assistance strategies (CAS), which State/F is piloting as part of its foreign aid reform efforts, is expected to improve coordination of State and USAID foreign assistance, according to State/F officials. However, as we reported in April 2009, the CAS, unlike USAID's country strategies, contains only high-level information, which could limit its impact on interagency collaboration.[36] State piloted this new strategic planning process in 10 countries in fiscal year 2008 and was reviewing the results of the pilot as of August 2009.[37] Consequently, according to State and USAID officials, it is not yet clear what form the new process will take; it also is not clear whether or how the process may affect interagency coordination of democracy assistance efforts.[38]

USAID and State DRL Are Often Not Aware of NED Projects

USAID and State DRL officials responsible for managing democracy assistance in our 10 sample countries have often lacked basic information about NED's democracy projects, which they believe would be useful in ensuring coordinated assistance. No mechanism currently exists for the routine sharing of information on NED's core-funded projects outside the

[35]A USAID representative is part of State DRL's panels to review State DRL project proposals.

[36]See GAO-09-192.

[37]The countries are Armenia, Bosnia and Herzegovina, Democratic Republic of the Congo, Honduras, Jamaica, Morocco, Mozambique, Nepal, the Philippines, and Tanzania.

[38]USAID issued guidance in September 2009 that in countries where a joint country assistance strategy is not in place or not under development, USAID Missions may develop an interim long-term (3 to 5 years), USAID-only country strategic plan. If a joint country assistance strategy is subsequently approved, it will supersede USAID's strategic plan.

Europe and Eurasia region. In 4 of our 10 sample countries, USAID mission officials told us that they were not aware of NED-supported activities in the country, despite the presence of several active NED projects. Several USAID mission officials stated that more knowledge of NED's projects would be useful for ensuring that U.S.-supported assistance is well coordinated. State DRL officials responsible for planning and managing democracy grants in 7 of the 10 sample countries also told us that they were not aware of NED's current projects, and State DRL officials responsible for managing projects in 5 of these 7 countries said that receiving timely information on NED's projects would improve coordination and help reduce the possibility of duplicative programming. In particular, State DRL officials stated that knowledge of NED's activities in a given country would help inform their own planning decisions regarding which projects to support.

State has access to NED's annual report to Congress on its core grant activities. However, State DRL officials noted that they cannot rely on this report for complete information about NED's activities, because the report may exclude many projects that go into effect after the report is published. Although NED is under no obligation to report to State on the projects it funds with its core U.S. appropriation, NED also regularly provides information on its core-funded and non-core-funded projects to State in some instances. For example, in addition to annually reporting, NED provides quarterly updates on both proposed and active projects in former Soviet Union and Eastern Europe countries to State's Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE).[39] EUR/ACE officials stated that they circulate information on NED's proposed and active projects to the relevant USAID missions and U.S. embassies, as well as to Washington counterparts in DRL and regional State and USAID bureaus, to keep them informed and that they also solicit any feedback that might be useful to NED on an advisory basis only. EUR/ACE officials noted that because EUR/ACE exists expressly to coordinate all foreign assistance in its geographic regions, staff resources are available to collect and disseminate this information; according to

[39]State's EUR/ACE oversees the bilateral economic, security, democracy, and humanitarian assistance of all U.S. government agencies providing assistance to 18 states of the former Soviet Union and Eastern Europe. The office is part of State's Bureau of European and Eurasian Affairs and was established by the Support for East European Democracy Act of 1989 (Public Law 101-179), as amended, and the FREEDOM Support Act of 1992 (Public Law 102-511), as amended.

these officials, other geographic State bureaus may not have access to such resources.

NED officials told us that, although there is no mechanism for routine information sharing on NED projects, NED provides information to State and USAID when asked. NED officials also said that the organization does not oppose sharing with State or USAID information on projects that the NED board has approved.[40] The officials stated that NED would be willing to provide project information routinely if State or USAID deemed it useful. However, NED and State officials also indicated that any attempt to increase NED's sharing of information with State DRL should be designed to minimize additional administrative burden and avoid straining State DRL's available staff resources.

USAID and Embassy Officials Collaborate Regularly

USAID mission and embassy officials involved in democracy assistance in our 10 sample countries collaborate regularly, typically through working groups or committees at posts. For example, in Indonesia, an anticorruption working group that includes USAID, Department of Justice, and State officials from the embassy's political and economic sections meets monthly at the embassy. According to USAID officials, this group has discussed various anticorruption-related programs to ensure that their efforts are complementary. The embassy in Indonesia also convenes a parliamentary working group, a counterterrorism and law enforcement working group, and an ad hoc working group on elections involving many of the same representatives. In addition, during our review of 10 sample countries, USAID officials in Russia told us of a working group that meets at the embassy to coordinate all U.S. foreign assistance, including democracy assistance. Also, according to State officials, the embassies in Lebanon and Kosovo have each established a staff position devoted to coordinating U.S. assistance.[41] The State officials noted that these staff have facilitated interagency coordination among the various U.S. programs involved in democracy assistance in these countries.

[40]NED officials also indicated that having more access to information on State DRL and USAID projects could help inform NED's programming decisions.

[41]According to State officials, U.S. embassies in former Soviet Republics and Eastern European countries, including Russia and Kosovo, have a designated coordinator of all U.S. assistance programs, usually the Deputy Chief of Mission or a dedicated staff person.

In addition to participating in embassy-based interagency working groups and committees, mission officials also reported regularly collaborating, both informally and formally, with State officials at posts such as political and public affairs officers. In particular, in our survey of 31 USAID mission officials responsible for managing democracy assistance projects, 25 officials identified collaboration with the embassy political section, 21 officials identified collaboration with the embassy public affairs section, and 10 officials identified collaboration with the embassy law enforcement section as being at least somewhat important to their current projects. Our survey respondents also showed that State officials often reviewed USAID democracy project proposals. Specifically, 13 respondents identified the embassy political section as being somewhat, moderately, or very involved in reviewing USAID's democracy project proposals. Six respondents identified the embassy public affairs section, and two respondents identified the embassy law enforcement section, as being at least somewhat involved in reviewing the proposals.

USAID Uses Standard and Custom Indicators to Assess and Report Democracy Assistance Results and Provides Some Independent Evaluations of Impacts

USAID uses standard indicators to report quantitative information on immediate results of its democracy assistance programs and develops additional custom indicators to assess specific projects. In addition, USAID sometimes commissions longer-term independent evaluations of program impact. USAID reported taking several actions to improve its evaluation capacity in response to the 2008 National Research Council study that the agency commissioned.

USAID Uses Standard and Custom Indicators to Assess Immediate Results of Democracy Assistance

USAID uses standard indicators to assess and report the outputs—that is, numbers of activities and immediate results—of its democracy assistance programs.[42] State/F developed the standard indicators with input from subject matter experts in DRL and USAID's Office of Democracy and Governance. The indicators, which are linked to State/F's program objectives, areas, and elements, are intended to facilitate the aggregating and reporting of quantitative information common to foreign assistance programs across countries.[43] For the GJD program areas, there are 96 element-level standard indicators (see table 4 for examples). USAID uses the standard indicators in performance reports that summarize project activities, achievements, and difficulties encountered.[44]

Table 4: Example of GJD Element-Level Standard Indicators

Program area	Program element	Indicator
Rule of Law and Human Rights	• Constitutions, Laws and Human Rights	• Number of U.S. government-supported public sessions held regarding proposed changes to the country's legal framework
	• Judicial Independence	• Number of judges trained with U.S. government assistance
Good Governance	• Legislative Function and Process	• Number of public forums resulting from U.S. government assistance in which national legislators and members of the public interact
	• Anti-corruption Reforms	• Number of government officials receiving U.S. government-supported anti-corruption training
Political Competition and Consensus Building	• Consensus Building Processes	• Number of groups trained in conflict mediation/resolution skills with U.S. government assistance

[42]The standard indicators we describe are those that State/F refers to as element-level indicators. State/F has defined three types of standard indicators: (1) strategic-level indicators, intended to capture the impact of foreign and host-government efforts at the objective level; (2) program area–level indicators, intended to measure country performance within subsectors of the five foreign assistance program objectives and to measure results beyond what could be achieved solely by U.S. government-funded interventions; and (3) element-level indicators, intended primarily to measure outputs that are directly attributable to U.S. government programs, projects, and activities.

[43]The standard indicators are tied to State/F's standardized program structure, which provides uniform program categories and associated definitions to describe and account for foreign assistance programs. The standardized program structure serves as the foundation of the integrated State and USAID foreign assistance budget requests, annual operational plans and performance reporting.

[44]Beginning in fiscal year 2008, State/F requires USAID and DRL to assess and report the results of their democracy assistance activities, providing standard indicators for monitoring reports.

Program area	Program element	Indicator
	• Elections and Political Processes	• Number of election officials trained with U.S. government assistance
Civil Society	• Strengthen Democratic Civic Participation	• Number of people who have completed U.S. government-assisted civic education programs
	• Media Freedom and Freedom of Information	• Number of journalists trained with U.S. government assistance

Source: Department of State, Office of the U.S. Director of Foreign Assistance.

According to USAID officials, in addition to using these standard indicators to measure program outputs, USAID uses custom indicators for virtually every project to measure program outputs, outcomes, and impacts[45] that are not captured by the standard indicators.[46] Some USAID officials we spoke with informed us that they use project-specific custom indicators that are more outcome focused than the standard indicators. For example, USAID's Jordan mission uses customized project indicators associated with each GJD program area; for the program area Good Governance, one such indicator is "improved capacity of the legislative branch and elected local bodies to undertake their stated functions." Of the USAID technical officers we surveyed, more than two-thirds (22 of 31) said that custom indicators were very useful for monitoring and evaluating projects and assessing impact. USAID management officials also noted the importance of custom indicators in assessing the impact of democracy assistance projects.

[45]Outcome and impact indicators measure policy-relevant effects of a program.

[46]In its operational plan guidance for fiscal year 2007, State/F acknowledges that the standard indicators may not capture all ongoing programs or their outcomes and encourages the limited use of additional output, outcome, or impact indicators, called custom indicators, to establish targets and monitor the progress and impacts of interventions at the implementing mechanism level [Office of the Director of Foreign Assistance, *U.S. Foreign Assistance Performance Indicators for Use in Developing FY2007 Operational Plans* (Washington, D.C.: U.S. Department of State, 2006).] In addition, USAID guidance on performance monitoring and evaluation mandates that each mission collect performance indicators on every assistance objective (project). The guidance defines performance indicators as both quantitative and qualitative indicators that include custom project indicators and State/F standard indicators. (USAID, Automated Directives System, chap. 203.3.4.)

USAID Conducts Some Independent Evaluations of Longer-Term Democracy Assistance Impact

To complement the data collected with the standard and custom indicators, USAID also commissions some independent evaluations of the longer-term impact of its democracy assistance, although such evaluations are relatively infrequent.[47] State/F's and USAID's March 2009 joint guidelines for evaluating foreign assistance state that mission staff may decide whether and when to commission evaluations, based on management needs among other considerations.

Evaluations of USAID assistance efforts have decreased in frequency since the mid-1990s. In 1995, USAID eliminated a requirement that every major foreign assistance project undergo midterm and final evaluations; according to USAID officials, the requirement was eliminated because the evaluation requirement of every project was seen as too resource intensive relative to the value added. As a result of this change in policy, the number of evaluations across all areas of development assistance dropped from approximately 340 in 1995 to about 130 in 1999, according to a 2001 review.[48]

Our analysis of documentation from the 10 sample countries shows 7 independent evaluations commissioned in fiscal years 2006 through 2008.[49] Some USAID mission officials we met with noted that they conducted few independent evaluations of democracy assistance because of the resources involved in the undertaking and the difficulty of measuring

[47]In this report, "independent evaluations" refers to evaluations conducted by third parties, versus end-of-project reports completed by implementing entities or implementing partners. In joint guidance issued in March 2009, State/F and USAID define evaluation as a systematic and objective assessment of an ongoing or completed project, program, strategy or policy, designed to determine the relevance, effectiveness, efficiency, sustainability, or impacts of an intervention, strategy, or policy. The guidance characterizes evaluations as episodic or ad hoc and notes that they are often performed by independent contractors. Office of the Director of U.S. Foreign Assistance, *Evaluation Guidelines for Foreign Assistance* (Washington, D.C.: U.S. Department of State, 2009).

[48]The review projects the number of evaluations for 1999; in 2001, when the review was published, there were 68 evaluations. Cynthia Clapp-Wincek and Richard Blue, *Evaluations of USAID's Recent Evaluation Experience*, USAID Working Paper No. 320 (Washington, D.C.: USAID, 2001).

[49]USAID had 96 active projects in January 2009. In the 10 sample countries, the seven evaluations were for projects completed in fiscal years 2006 through 2008: three in Indonesia, two in Jordan, and two in Kosovo. USAID recommends, but does not require, that missions allocate 7 to 10 percent of their budget for evaluations.

impact in the area of democracy assistance.[50] For example, one technical officer responded on our survey that "behavior change is difficult to measure and change in democracy is not seen overnight. It is a long process difficult to measure." In addition, senior USAID officials we spoke to in the three countries we visited stated that it is difficult to demonstrate causality between projects and improvements in a country's democratic status. On the other hand, USAID mission officials in all of our 10 sample countries stated that evaluations are useful to monitoring, evaluating, and identifying lessons learned. In addition, in our survey six of eight technical officers who responded on the usefulness of independent evaluations responded that they are either very or moderately useful to monitoring and evaluation.

USAID officials at headquarters as well as at several missions we contacted told us that because of the infrequency of independent evaluations, USAID missions use, as a proxy for such evaluations, internal program assessments of a country's need for democracy programming (called sector and subsector assessments). More than half of the USAID technical officers we surveyed said that they found these assessments moderately or very useful in monitoring and evaluating their current projects.[51] The three overall sectorwide assessments that we reviewed—for Kosovo, Indonesia, and the Democratic Republic of the Congo—follow the assessment structure recommended in USAID guidance, which emphasizes strategic recommendations rather than program performance results. In line with that guidance, these assessments provide general,

[50]Recent studies have highlighted the difficulties of measuring the impact of democracy assistance. For example, in 2006, NED reported that demonstrating causality between a democracy project and a country's progress toward democracy is difficult because many other variables come into play. See National Endowment for Democracy, *Evaluating Democracy Promotion Programs: A Report to Congress from the National Endowment for Democracy*, submitted to the House and Senate Appropriation Committees in response to a request for a report contained in the conference report (H. Rept. 109-272 at 195 (2005)) accompanying the Science, State, Justice, Commerce Appropriations Act for FY2006 (H.R. 2862). However, a 2006 USAID-funded independent study of the effects of foreign assistance on democracy in 165 countries between 1990 and 2005 found that USAID democracy assistance at the country (versus project) level had a significant and positive, albeit moderate, impact on democracy in the country. (see Steven E. Finkel, Aníbal Pérez-Liñán, Mitchell A. Seligson, C. Neal Tate, *Deepening Our Understanding of the Effects of US Foreign Assistance on Democracy Building*, Final Report (Washington, D.C.: USAID, 2008).

[51]Specifically, 14 survey respondents indicated that the assessments were moderately or very useful, and 4 respondents indicated that the assessments were somewhat useful; the remaining 13 respondents did not respond to our question about the assessments.

high-level comments on program results, rather than evaluative information, and do not include either evidence supporting the results statements or references to evaluation documents.[52] We also examined 10 subsector assessments (not subject to the sector assessment guidance). Three of the 10 included significant information about the results of specific programs, while others included no reference or only a brief reference to the results or outcomes of specific USAID democracy projects.

USAID Reported Preliminary Steps to Improve Evaluation Capacity

Recognizing the need for evaluations of its democracy assistance programs' impacts, in 2008 USAID commissioned a review of its program evaluation practices and problems by the National Research Council. According to the report's findings:[53]

- USAID has lost much capacity to assess the impact and effectiveness of its programs.
- The number of evaluations undertaken by USAID has declined.
- The evaluations undertaken generally focus on implementation and management concerns and have not collected the data needed for sound "impact" evaluations.
- Most current evaluations do not provide compelling evidence of the impacts of the programs. Most evaluations usually do not collect data that are critical to making the most accurate and credible determination of project impacts.
- Most evaluations tend to be informative and serve varied purposes for project managers.

The National Research Council report outlines techniques for improving the monitoring and evaluation of projects, developing methodologies for

[52]According to State DRL officials, State DRL recommends that its grantees conduct independent external evaluations as part of individual grant awards but has not undertaken standard independent evaluations of democracy assistance at the country or thematic level. NED commissions periodic independent evaluations of clusters of programs but does not evaluate every grant.

[53]National Research Council, *Improving Democracy Assistance: Building Knowledge through Evaluations and Research.*

retrospective case studies, and other means of collecting and analyzing data that will allow USAID to more reliably gauge impact and improve strategic planning and programming decisions. Following the release of the report, the USAID Office of Democracy and Governance formed an internal initiative to formulate how to implement the report's recommendations. According to USAID data provided to GAO, as of June 2009, the office reports taking several actions in response to these recommendations.[54] Table 5 shows the National Research Council's recommendations and USAID's reported actions.

Table 5: National Research Council Recommendations and USAID Reported Actions

National Research Council recommendation	USAID reported actions
Undertake a pilot program of impact evaluations designed to demonstrate whether such evaluations can help USAID determine the effects of its Office of Democracy and Governance projects on targeted policy-relevant outcomes.	Initiated a pilot impact evaluation program to conduct a series of multicountry, subsectoral impact evaluations covering the most important kinds of democracy programs. Designed and delivered new training modules on impact evaluations for experienced USAID democracy officers, new Development Leadership Initiative recruits, implementing partners, and USAID staff and partners in the field. By the end of June 2009, over 200 were trained. Also provided in-country assistance to six USAID missions on design of potential impact evaluations to include in scope of work of new projects. In addition, USAID noted that it now routinely trains democracy officers in how to conduct impact evaluations, and has hired experts in evaluation methodologies to improve overall institutional capacity.
Develop more transparent, objective, and widely accepted indicators of changes in democratic behavior and institutions at the sectoral level (i.e., rule of law, civil society, etc.).	Addressed deficiencies in sector-level indicators of democracy. For example, conducted analysis of indicator "gaps" and possible means for filling those gaps. Draft report on this analysis forthcoming.

[54]Because of the preliminary nature of USAID's reported actions in response to the National Research Council report, we did not verify or assess these actions.

National Research Council recommendation	USAID reported actions
Use more diverse and theoretically structured clusters of case studies of democratization and democracy assistance to develop hypothesis to guide democracy assistance planning in a diverse range of settings.	Launched other types of evaluations (besides impact evaluations) and explored ways to better integrate academic research with efforts of Office of Democracy and Governance to guide democracy assistance planning. For example, in May 2009, awarded a grant of $685,000 to the University of Pittsburg to improve the USAID strategic framework for political party assistance and to update assessment and evaluation methodologies for political party assistance.
Rebuild USAID's institutional mechanisms for absorbing and disseminating the results of its work and evaluations, as well as its own research and the research of others, on processes of democratization and democracy assistance.	Took actions to promote institutional and administrative changes for the Office of Democracy and Governance and USAID in terms of monitoring and evaluation. For example, launched a cross-sector office evaluation group to formulate and manage the Enhancing Democracy and Governance Evaluations initiative that coordinates the implementation of the National Research Council's recommendations.

Source: National Research Council and USAID.

Conclusion

Democracy promotion is one of five strategic objectives for U.S. foreign assistance. Given the need to maximize available resources to pursue this important objective, coordination among the entities providing democracy assistance is essential to ensure that these efforts are complementary and not duplicative. USAID and State DRL have processes in place to facilitate coordination of their programs—for example, State and USAID officials in the field review State DRL project proposals to minimize duplication, and USAID officials regularly participate in interagency meetings with embassy officials to help ensure that their agencies' democracy-related projects are complementary. However, lacking access to current information about NED's activities, State and USAID officials are constrained in their efforts to fully coordinate their activities with NED's in the many countries where they and NED each provide democracy assistance. Although NED is not required to report to State on all of its activities, NED regularly shares useful information with State regarding democracy projects in the former Soviet Union and Eastern Europe, and NED indicated its willingness to also routinely provide information on its projects in other countries.

Recommendation for Executive Action

To enhance coordination of U.S.-funded democracy assistance efforts, and in support of the Department of State's first Quadrennial Diplomacy and Development Review, we recommend that the Secretary of State and the USAID Administrator, while recognizing NED's status as a private nonprofit organization, work jointly with NED to establish a mechanism to routinely collect information about NED's current projects in countries where NED and State or USAID provide democracy assistance.

Agency Comments and Our Evaluation

USAID, State, and NED provided written comments regarding a draft of this report, which are reprinted in appendixes V, VI, and VII, respectively. State also provided technical comments separately, which we incorporated as appropriate.

In its written comments, USAID agreed with our recommendation, noting that its country missions and Bureau for Democracy, Conflict, and Humanitarian Assistance would benefit from information on current NED projects. USAID also noted that the current coordination mechanism in State's Europe and Eurasia Bureau appears to be effective and may serve as a model for worldwide efforts. In our report, we highlight the important role of that bureau's Office of the Coordinator of U.S. Assistance to Europe and Eurasia, which exists expressly to coordinate all foreign assistance in its geographic regions, but note that other geographic State bureaus may not have access to the resources available to this office. USAID's written comments suggested several additions to our report's description of the agency's planning and evaluation processes; we incorporated these suggestions as appropriate.

State also concurred with our recommendation. State responded that improved coordination with NED could enhance the effectiveness of U.S. democracy assistance and agreed to work with USAID and NED to assess how to develop a cost-effective and sustainable process for doing so. State also noted that coordination and information sharing have improved in recent years as a result of foreign assistance reform efforts and that State DRL includes relevant U.S. agencies in its planning and program solicitation process.

NED concurred with our recommendation as well, noting that sharing information about its programs with other providers of democracy assistance helps avoid duplication of effort and also helps providers develop their program-related strategies. NED stated that a mechanism for collecting information on its current projects should be designed to minimize additional administrative burden and avoid straining staff resources on all sides. In addition, NED highlighted the monitoring and evaluation efforts it undertakes and referred to its March 2006 report to Congress, *Evaluating Democracy Promotion Programs*, which we also cite in our report's discussion of challenges associated with assessing the impact of democracy assistance.

We are sending copies of this report to interested congressional committees, the Secretary of State, the Acting Administrator of USAID, and other interested parties. In addition, this report is available on GAO's Web site at http://www.gao.gov. If you or your staffs have any questions about this report, please contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Individuals who made key contributions to this report are listed in appendix VIII.

David Gootnick
Director, International Affairs and Trade

Appendix I: Objective, Scope, and Methodology

Our objectives were to (1) describe democracy assistance funding provided by the U.S. Agency for International Development (USAID), and the Department of State's Bureau of Democracy, Labor and Human Rights (State DRL), and the National Endowment for Democracy (NED) in fiscal year 2008; (2) examine USAID, State DRL, and NED efforts to coordinate their democracy assistance activities to ensure complementary programming; and (3) describe USAID efforts to assess results and evaluate the impact of its democracy assistance activities. To accomplish our objectives, we analyzed funding, planning, and programmatic documents describing U.S. democracy assistance activities provided by USAID, State DRL, and NED in fiscal years 2006 through 2008. We conducted audit work in Washington, D.C., and in three countries: Indonesia, Jordan, and Russia. We also collected information on democracy programs in the following seven additional countries: China, Democratic Republic of the Congo, Haiti, Kosovo, Lebanon, Nicaragua, and Pakistan. In total, we collected detailed information on U.S. democracy programs in 10 countries.

We selected these 10 countries to reflect geographic diversity and provide examples of countries with significant levels of U.S. funding for the strategic objective Governing Justly and Democratically (GJD) and that have multiple U.S. or U.S.-funded entities providing democracy assistance, such as USAID, State DRL, and NED. However, this sample of 10 countries is not intended to be representative of all countries receiving U.S. democracy assistance. Moreover, we did not include Iraq and Afghanistan in our sample, despite the very large levels of U.S. democracy assistance funding provided there, because of the unique circumstances in these two countries.

In the three countries we visited, we met with USAID officials responsible for democracy assistance programs, selected non-governmental organizations receiving USAID, State, and NED grants or contracts to provide democracy assistance, and country government officials in Indonesia and Jordan. For all 10 countries in our sample, we interviewed the USAID Democracy and Governance directors at the USAID missions (either in person or by telephone) and administered a survey to 31 USAID technical officers with responsibility for managing active democracy and governance grants in these countries. We also interviewed State DRL policy and program officers responsible for managing the bureau's democracy grants in the 10 countries.

To obtain the views of USAID mission officials in our 10 sample countries regarding interagency coordination and project monitoring and evaluation,

we conducted an e-mail survey of all 35 USAID technical officers with responsibility for managing active democracy and governance grants in these countries, receiving 31 responses, from April to June 2009 (a response rate of 89 percent). Our survey included questions on collaboration with other U.S. government agencies, overlap of USAID programs with those of other agencies, cooperation with implementing partners, site visit activities, and monitoring and evaluation practices. We pretested our survey with seven technical officers in Indonesia, Jordan, and Russia. In collecting and analyzing the survey data, we took steps to minimize errors that might occur during these stages.

To describe the funding levels for U.S. democracy assistance for each entity involved in these activities, we collected funding allocation data. From State/F we collected and analyzed data on GJD funding allocations to each operating unit from fiscal years 2006 through 2008, which was generated using the FACTS Info database. Because State/F data systems do not include GJD funding by implementing agency, State/F and USAID compiled data at our request on GJD funding allocated to USAID for each country operating unit for fiscal years 2006 through 2008.[1] We also obtained funding allocation data by country for fiscal years 2006 through 2008 directly from State DRL and NED. We also collected funding data on all democracy-related Millennium Challenge Corporation (MCC) threshold grants directly from MCC and available funding information on democracy-related assistance provided by State's Middle East Partnership Initiative (MEPI) and the Bureau of International Narcotics and Law Enforcement Affairs (State INL).[2]

To obtain information on active democracy programs in our 10 sample countries, we contacted the USAID mission in each country to obtain a list of all projects active during January 2009 and the corresponding funding obligations for each project. In addition, we contacted State DRL and NED to obtain lists and respective funding levels for all active projects in those 10 countries. To compare these projects with varying duration and funding levels, we annualized the funding of each project and portfolio.

[1]We originally requested USAID funding data for all country missions, however with our concurrence, State/F excluded USAID funding data for Iraq, Afghanistan, and Pakistan due to the unique and complex circumstances in those countries.

[2]MCC has six indicators under the category of Ruling Justly: Civil Liberties, Political Rights, Voice and Accountability, Government Effectiveness, Rule of Law, and Control of Corruption. USAID, which implements MCC threshold programs, categorizes threshold programs related to these six indicators as democracy assistance.

Specifically, we based the annualized funding of active projects on the average monthly cost of each project (total project funding divided by the length of the project in months), multiplied by 12; and we summed the annualized funding for each project to obtain the annual value of the USAID, State DRL, and NED portfolios.

To assess the reliability of the global funding information on U.S. government democracy assistance from the F database, we checked that the congressionally appropriated amount for GJD in fiscal years 2006 through 2008 matched the amounts provided to us by State/F. To assess the reliability of the country-level data provided by State/F on GJD allocations to USAID at country missions in fiscal years 2006-2008, we compared these data to the information USAID missions provided to us directly for our 10 sample countries. We also discussed with State/F how they conducted this data call and data reliability issues. Regarding the State DRL data we use in this report, State DRL officials noted that the data provided on funding levels for each country are based on individual grant awards. Correspondingly, to verify both the country-level and project-level data, we compared State DRL's data to information in copies of grant agreements of all active State DRL projects in the three countries we visited (Jordan, Russia, and Indonesia). To verify the reliability of the USAID data on individual active democracy programs we received from USAID missions for our 10 sample countries, we compared the dollar totals of projects contained in the lists they provided us against data on a set of 47 projects detailed by the 31 technical officers we surveyed. To assess the reliability of the NED project-level data for the 10 sample countries, we compared them to project-level data contained on the NED Web site. We found that all data used in this report are sufficiently reliable to present the general levels of democracy funding globally and in individual countries and to present the relative size of project portfolios between USAID, State DRL, and NED.

To assess coordination between USAID, State DRL, and NED, we interviewed responsible officials from these three entities and selected grantees and contractors during our field work in Indonesia, Jordan, and Russia to obtain their views on the coordination mechanisms to ensure complementary programming and avoid duplication. For the broader sample of 10 countries, including the 3 countries we visited, we reviewed project descriptions for all active democracy grants and contracts funded by USAID, State DRL, and NED. We also included questions on interagency coordination and examples of duplication in our survey of USAID technical officers as well as interviews of USAID mission and State DRL officials.

In assessing U.S. reporting and evaluation efforts, we focused our analysis on USAID efforts and projects since they typically represented the majority of U.S.-funded assistance. We interviewed agency and organization officials, as well as selected implementing partners during our field work in Indonesia, Jordan, and Russia to obtain their views on reporting and evaluation efforts. In our survey of technical officers, we included questions on reporting and evaluation practices. We reviewed selected quarterly and final performance reports of USAID-funded democracy projects in the 10 countries, which are required of USAID's implementing partners. We also reviewed democracy and governance assessments for the 10 countries, which are conducted as part of USAID missions' strategy development and project planning efforts. We also discussed the use of performance indicators with USAID, including standard indicators required by State and custom project-specific indicators developed by USAID missions and their implementing partners. In addition, we reviewed USAID assessments to determine the extent to which these assessments provide program results. Moreover, we reviewed independent evaluations from our 10 sample countries completed in fiscal years 2006 through 2008. We did not review State DRL and NED practices for assessing results and evaluating impact, because their programs are small and short term relative to USAID's and because they generally do not conduct independent evaluations of their activities' impact. According to State DRL officials, State DRL recommends that its grantees conduct independent external evaluations as part of individual grant awards but has not undertaken standard independent evaluations of democracy assistance at the country or thematic level. NED commissions periodic independent evaluations of clusters of programs but does not evaluate every grant. In addition, we reviewed recent studies that discuss the challenges associated with measuring impact of democracy assistance. In particular, we complemented our findings from interviews and document reviews with findings from the National Research Council study of USAID evaluation capacity.[3] We did not assess the quality or comprehensiveness of this study; we also did not assess USAID's actions since June 2009 in implementing recommendations from this study, because these actions are preliminary.

We conducted this performance audit from September 2008 to September 2009 in accordance with generally accepted government auditing

[3]National Research Council, *Improving Democracy Assistance: Building Knowledge through Evaluations and Research.*

standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Country Funding Levels and Freedom House Ratings

Table 6 shows the USAID, State DRL, and NED democracy funding allocated to each country from fiscal years 2006 through 2008. This table demonstrates that USAID democracy funding is substantially larger than State DRL and NED funding in most countries. Not including Iraq, Afghanistan, and Pakistan, USAID has the majority of funding in 93 percent of countries where USAID has an active portfolio. However, State DRL or NED provides democracy assistance in over 20 countries where USAID funding is not provided. In addition, State DRL democracy funding tends to be larger in countries with lower USAID funding, such as in China and Iran, or where USAID funding for democracy assistance is not provided, such as North Korea or Syria, consistent with State DRL's focus on filling in the gaps in USAID democracy funding.

Table 6: USAID, State DRL, and NED Funding by Country for Fiscal Years 2006-2008

Dollars in thousands

Country	USAID	State DRL	NED	Total (USAID, State DRL, and NED)	USAID as percent of total	Freedom House rating
Iraq	Not available	$352,353	$13,179	**Not available**	Not available	Not free
Pakistan	Not available	8,011	9,603	**Not available**	Not available	Partly free
Afghanistan	Not available	2,200	5,534	**Not available**	Not available	Not free
Sudan	$165,617	2,563	3,046	**$171,226**	97	Not free
Egypt	152,100	859	3,185	**156,144**	97	Not free
Russia	84,174	2,800	13,005	**99,979**	84	Not free
Indonesia	75,755	2,262	4,456	**82,473**	92	Free
Colombia	72,752	500	3,385	**76,637**	95	Partly free
West Bank and Gaza	68,147	1,063	3,898	**73,108**	93	Not free
Kosovo	67,414	1,351	1,084	**69,848**	97	Not free
Liberia	66,950	908	2,884	**70,742**	95	Partly free
Haiti	61,849	1,146	2,150	**65,145**	95	Partly free
Ukraine	56,633	0	7,684	**64,317**	88	Free
Mexico	52,348	0	2,830	**55,178**	95	Free
Georgia	47,043	650	3,180	**50,873**	92	Partly free
Cambodia	45,836	1,210	244	**47,290**	97	Not free
Jordan	43,700	1,696	3,569	**48,965**	89	Partly free
Democratic Republic of the Congo	42,406	3,480	4,864	**50,750**	84	Not free
Lebanon	39,913	5,300	2,722	**47,935**	83	Partly free
Cuba	37,813	23,667	4,351	**65,831**	57	Not free
Serbia	37,023	981	2,133	**40,137**	92	Free

Dollars in thousands

Country	USAID	State DRL	NED	Total (USAID, State DRL, and NED)	USAID as percent of total	Freedom House rating
Armenia	32,108	0	620	**32,728**	98	Partly free
Bosnia and Herzegovina	31,120	379	1,905	33,404	93	Partly free
Bolivia	30,187	2,200	1,429	**33,816**	89	Partly free
Nigeria	30,050	500	4,539	**35,089**	86	Partly free
Azerbaijan	26,898	2,660	3,247	**32,805**	82	Not free
Macedonia	26,551	0	637	**27,188**	98	Partly free
Nicaragua	24,442	2,073	1,850	**28,365**	86	Partly free
Philippines	24,371	1,818	1,997	**28,186**	86	Partly free
Kyrgyz Republic	22,754	500	2,805	**26,059**	87	Partly free
Guatemala	22,385	1,434	1,924	**25,743**	87	Partly free
Iran	21,623	15,039	1,273	**37,935**	57	Not free
Bangladesh	20,344	1,500	486	**22,330**	91	Partly free
Moldova	20,092	0	1,276	**21,368**	94	Partly free
Zimbabwe	19,650	2,545	3,275	**25,470**	77	Not free
Kenya	18,492	0	2,959	**21,451**	86	Partly free
Nepal	18,429	3,020	1,226	**22,675**	81	Partly free
Belarus	17,979	1,803	7,770	**27,551**	65	Not free
Morocco	17,423	340	3,441	**21,204**	82	Partly free
Angola	17,109	1,194	288	**18,591**	92	Not free
Timor-Leste	17,059	532	1,338	**18,929**	90	Partly free
Kazakhstan	15,396	1,015	1,334	**17,745**	87	Not free
Albania	14,822	0	1,539	**16,361**	91	Partly free
Ethiopia	13,648	2,723	1,655	**18,026**	76	Partly free
Tajikistan	13,607	300	925	**14,832**	92	Not free
Bulgaria	12,516	0	270	**12,786**	98	Free
Uzbekistan	12,254	0	570	**12,824**	96	Not free
Dominican Republic	12,100	0	0	**12,100**	100	Free
South Africa	11,035	0	229	**11,264**	98	Free
Guinea	10,751	1,130	444	**12,325**	87	Not free
El Salvador	10,570	250	781	**11,601**	91	Free
Venezuela	10,420	3,050	2,951	**16,420**	63	Partly free
Somalia	10,399	2,000	1,586	**13,985**	74	Not free
Paraguay	10,132	0	290	**10,422**	97	Partly free
Peru	9,691	637	3,163	**13,491**	72	Free

Dollars in thousands

Country	USAID	State DRL	NED	Total (USAID, State DRL, and NED)	USAID as percent of total	Freedom House rating
Honduras	9,267	0	0	**9,267**	100	Partly free
Sri Lanka	9,043	995	1,956	**11,994**	75	Partly free
Ecuador	8,379	270	2,763	**11,412**	73	Partly free
China	8,068	52,601	16,916	**77,585**	10	Not free
Burundi	7,587	1,178	213	**8,978**	85	Partly free
Sierra Leone	7,388	0	1,099	**8,487**	87	Partly free
Uganda	6,897	0	3,015	**9,912**	70	Partly free
Croatia	6,672	0	350	**7,022**	95	Free
Romania	6,000	0	648	**6,648**	90	Free
Montenegro	5,875	0	1,094	**6,969**	84	Partly free
Guyana	5,662	0	0	**5,662**	100	Free
Turkmenistan	5,192	500	937	**6,629**	78	Not free
Vietnam	4,858	1,800	1,077	**7,735**	63	Not free
Mongolia	4,570	100	244	**4,914**	93	Free
Mali	4,455	178	1,303	**5,936**	75	Free
Jamaica	4,190	0	0	**4,190**	100	Free
Yemen	4,010	1,706	2,608	**8,323**	48	Partly free
Rwanda	3,839	0	94	**3,933**	98	Not Free
Tanzania	3,138	450	465	**4,053**	77	Partly free
Mozambique	2,893	0	0	**2,893**	100	Partly free
Burma	2,544	2,159	11,805	**16,508**	15	Not free
Djibouti	2,200	0	736	**2,936**	75	Partly free
India	2,043	0	30	**2,073**	99	Free
Namibia	2,037	0	0	**2,037**	100	Free
Chad	2,000	2,331	463	**4,794**	42	Not free
Thailand	1,980	4,930	1,493	**8,404**	24	Partly free
Senegal	1,758	600	203	**2,561**	69	Partly free
Ghana	1,629	0	820	**2,449**	67	Free
Madagascar	1,592	0	0	**1,592**	100	Partly free
Panama	1,320	0	0	**1,320**	100	Free
Malawi	1,000	0	0	**1,000**	100	Partly free
Zambia	750	0	246	**996**	75	Partly free
Mauritania	500	0	1,329	**1,829**	27	Not free
Syria	0	6,728	749	**7,477**	0	Not free
North Korea	0	4,169	4,433	**8,601**	0	Not free

Dollars in thousands

Country	USAID	State DRL	NED	Total (USAID, State DRL, and NED)	USAID as percent of total	Freedom House rating
Malaysia	0	1,676	1,997	**3,673**	0	Partly free
Saudi Arabia	0	1,462	820	**2,282**	0	Not free
Argentina	0	1,447	1,450	**2,897**	0	Free
Cote d'Ivoire	0	1,446	2,655	**4,101**	0	Not free
Laos	0	700	0	**700**	0	Not free
Algeria	0	560	1,465	**2,025**	0	Not free
Bahrain	0	385	214	**599**	0	Partly free
Turkey	0	0	5,479	**5,479**	0	Partly free
Tunisia	0	0	1,075	**1,075**	0	Not free
Tibet	0	0	1,033	**1,033**	0	Not free
Belize	0	0	835	**835**	0	Free
Somaliland	0	0	833	**833**	0	Not free
Libya	0	0	561	**561**	0	Not free
Guinea-Bissau	0	0	452	**452**	0	Partly free
Niger	0	0	332	**332**	0	Partly free
Togo	0	0	282	**282**	0	Partly free
Cameroon	0	0	254	**254**	0	Not free
Congo	0	0	228	**228**	0	Not free
Kuwait	0	0	215	**215**	0	Partly free
The Gambia	0	0	84	**84**	0	Partly free
Poland	0	0	38	**38**	0	Free
Equatorial Guinea	0	0	25	**25**	0	Not free

Source: GAO analysis of data obtained by State/F from USAID country missions, State DRL and NED data and Freedom House's annual survey of the state of global freedom for 2009.

Notes: In response to our request for information on USAID's share of GJD funding in each country, State/F and USAID compiled data from USAID missions. We requested USAID funding data for all country missions; however, with our concurrence, State/F excluded USAID funding data for Iraq, Afghanistan, and Pakistan owing to the unique and complex circumstances in those countries.

According to State/F data, GJD funds were allocated to 90 country missions from fiscal year 2006 through 2008. In addition, data compiled by State/F and USAID from USAID missions shows that USAID implements democracy funds in 88 of these 90 countries. However, since State/F data systems include GJD data by operating unit, democracy funding allocated to individual countries by Washington, D.C.-based operating units, such as State DRL, is not tracked by country. In identifying the countries that receive either USAID and/or, State DRL funding, the number of countries increases to 97.

Some other entities such as State INL, MCC, and MEPI also ultimately program funds in a number of countries but these totals are not included in this table.

In fiscal years 2006 through 2008, almost 30 percent of all GJD funds were allocated for democracy activities in Iraq, which is the largest portion of democracy assistance funds allocated to any country over this period. A large and increasing portion of GJD funds are allocated to democracy programs in Afghanistan as well. The percentage of GJD funds allocated to Afghanistan rose from 6 percent in fiscal year 2006, 14 percent in fiscal year 2007, to 24 percent in fiscal year 2008. In fact, in fiscal year 2008, there were more GJD funds allocated to democracy programs in Afghanistan than any other country. Together, GJD funds allocated to Iraq and Afghanistan comprised over 40 percent of all GJD funds in fiscal years 2006 through 2008.

In fiscal years 2006 through 2008, total democracy assistance funding increased by 29 percent. However, when excluding Iraq and Afghanistan, which account for nearly half of all democracy spending, democracy funding only rose 20 percent. In addition, not including funding for Iraq and Afghanistan, the 10 countries with the highest GJD funding from fiscal years 2006 to 2008 comprised almost half of the remainder of GJD funding allocated to individual countries over that time period (see table 7).

Table 7: Ten Highest GJD-funded Countries not including Iraq and Afghanistan, Fiscal Years 2006-2008

Dollars in thousands

Country	GJD FY 06-08 funding	Funding as a percent of total
Sudan	$208,373	7.91
Egypt	154,800	5.87
Mexico	119,680	4.54
Colombia	118,928	4.51
Russia	117,734	4.47
Kosovo	92,747	3.52
Pakistan	91,873	3.49
Liberia	81,150	3.08
Indonesia	79,663	3.02
West Bank and Gaza	74,493	2.83
All other countries	1,495,459	56.76

Source: GAO analysis of State/F data.

Note: The GJD funding to country operating units is not broken out by implementing entity and therefore includes funding implemented by USAID as well as by other implementers programming GJD funds through country operating units, such as State INL. In addition, these calculations do not include GJD funds allocated to regional or functional operating units.

Appendix III: Democracy Assistance Provided by MEPI, State INL, and MCC

The Department of State's Middle East Partnership Initiative (MEPI) and Bureau of International Narcotics and Law Enforcement Affairs (State INL) and the Millennium Challenge Corporation (MCC) provide democracy assistance in a much narrower set of countries than USAID, State DRL or NED programs.

MEPI

MEPI, part of State's Near Eastern Affairs Bureau, was launched in December 2002 as a presidential initiative to promote reform, foster democracy in the Middle East and North Africa, and serve as a tool to address violent extremism. MEPI programs are focused in 17 countries and are managed from MEPI's office in Washington, D.C., as well as from regional offices in Abu Dhabi and Tunis. MEPI programs are organized generally into four areas, two of which—political participation and women's empowerment—are characterized as GJD assistance; MEPI funding for these areas in fiscal years 2006 through 2008 totaled about $110 million. Unlike USAID and State DRL programs, which are generally focused on individual countries, MEPI programs are often cross-cutting regional programs that cover a number of different countries. Consequently, it is not possible to identify MEPI funding by country. In addition to providing larger grants in response to specific solicitations, MEPI provides a number of local grants each year directly to organizations working at the community level. For instance, MEPI's local grants program in Jordan provides funds to less experienced NGOs to increase the NGOs' capacity and help them become eligible for future funding from larger donors such as USAID. Grant officers in the MEPI office in Washington, D.C., monitor projects through reviews of grantee quarterly reports and rely on staff in the regional offices and embassy-based MEPI coordinators to conduct site visits and coordinate with related USAID assistance programs.

State INL

State INL's programs within the GJD framework focus on institution building in the criminal justice sector. State's FACTS database does not break out State INL's funding for GJD programs in every country; however, according to a State INL official, the bureau managed $290 million in GJD funding worldwide in fiscal year 2008, directing the majority of these funds to Afghanistan, Colombia, and Iraq. State INL's programs support reforms such as reform of criminal procedures codes and promotion of adversarial and evidentiary trial principles; training and technical assistance for judges, prosecutors, and defense attorneys; and anticorruption programs. A wide variety of U.S. law enforcement and regulatory agencies, international organizations, NGOs, and international

assistance agencies implement State INL's programs. For example, State INL funds training of prosecutors through the Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training. Embassy Law Enforcement Sections oversee State INL programs implemented in the field and they coordinate democracy assistance with USAID through embassy-based interagency working groups.

MCC

MCC is a U.S. government corporation that provides assistance through multiyear compact agreements with countries that demonstrate commitment to reducing poverty and stimulating economic growth, in part by strengthening their democratic institutions and processes.[1] MCC also funds "threshold programs," intended to help countries that do not qualify for compact assistance to achieve eligibility. During 2008, MCC had programs providing democracy-related assistance, such as support for anti-corruption and local governance, in 16 countries. Although these threshold grants fit within State's definition of GJD, State does not track these activities or funding. USAID has primary responsibility for overseeing the implementation of MCC's threshold programs. USAID monitors MCC threshold programs similarly to its own democracy and governance programs, through quarterly and end-of-project reporting by implementing partners and site visits by technical officers based in USAID missions in the field. In addition, USAID submits quarterly reports on threshold projects to MCC. According to USAID officials we met with in Indonesia and Jordan, management of the MCC threshold projects by USAID mission-based staff—former or current USAID democracy and governance technical officers—facilitated effective coordination with USAID's democracy and governance programs.

MCC has threshold projects related to democracy in select countries that are high in funding (see table 8). For example, in Indonesia, MCC funded a 2-year, $35 million threshold project, which represents a large amount of funding when compared to annual funding of $28 million for the USAID democracy and governance portfolio in Indonesia, $1.1 million for State

[1]The Millennium Challenge Act of 2003 (Public Law 108-199, Division D, Title VI) authorizes MCC to provide assistance to eligible countries that enter into public compacts with the United States. Countries' eligibility is determined in part by their scores against indicators divided into three categories: Ruling Justly, Economic Freedom, and Investing in People. According to USAID officials, the six Ruling Justly indicators—(1) political rights, (2) civil liberties, (3) voice and accountability, (4) government effectiveness, (5) rule of law, and (6) control of corruption—relate to democracy assistance.

DRL's grant program, and $1.6 million for the National Endowment for Democracy.

Table 8: MCC Democracy-Related Threshold Grants to Date

Dollars in thousands

Country	MCC threshold funding (total ruling justly)	Signing date	Completion date
Ukraine	$44,970	12/4/2006	12/31/2009
Indonesia	35,000	11/17/2006	5/31/2010
Paraguay	28,353	5/8/2006	8/31/2009
Albania	25,176	4/3/2006	2/28/2011
Rwanda	24,730	9/24/2008	12/31/2011
Moldova	24,700	12/14/2006	9/30/2009
Peru	24,120	6/9/2008	1/31/2011
Zambia	22,735	5/22/2006	2/28/2009
Malawi	18,920	9/23/2005	9/30/2008
Jordan	16,500	10/17/2006	8/29/2009
Kyrgyz Republic	15,494	3/14/2008	6/30/2010
Philippines	13,455	7/26/2006	5/29/2009
Kenya	12,723	3/23/2007	6/30/2010
Tanzania	11,150	5/3/2006	12/30/2008
Uganda	10,446	3/29/2007	12/31/2009
Niger	4,190	3/17/2008	9/30/2011

Source: GAO analysis of MCC data.

Note: The signing date is not necessarily the same as the project start date. There have been two threshold agreements in Albania; the first was signed on 4/3/2006 and ended 11/15/2008, and a second stage threshold agreement was signed on 9/29/2008 and has an expected completion date of 2/28/2011. The funding and corresponding dates for Albania reflect all ruling justly activities in both of these threshold agreements.

Appendix IV: Listing of Field-Based and Washington, D.C.-Based Operating Units

Table 9: Operating Units Receiving GJD Funds between FY 2006 and FY 2008, and Status as Field-Based or Washington, D.C.-Based Operating Unit

Field-Based Operating Units	Washington, D.C.-Based Operating Units
Afghanistan	Democracy, Conflict, and Humanitarian Assistance
Albania	Democracy, Human Rights and Labor (State DRL)
Angola	Economic Growth Agriculture and Trade
Armenia	State Eurasia Regional
Azerbaijan	State Europe Regional
Bangladesh	International Narcotics and Law Enforcement Affairs (State INL)
Belarus	International Organizations
Bolivia	Middle East Partnership Initiative (MEPI)
Bosnia and Herzegovina	ODP - Office of Development Partners
Bulgaria	Policy and Program Coordination
Burma	State Africa Regional
Burundi	State East Asia and Pacific Regional
Cambodia	State South and Central Asia Regional
Chad	State Western Hemisphere Regional
China	USAID Africa Regional
Colombia	USAID Asia Middle East Regional
Croatia	
Cuba	
Democratic Republic of the Congo	
Djibouti	
Dominican Republic	
Ecuador	
Egypt	
El Salvador	
Ethiopia	
Georgia	
Ghana	
Guatemala	
Guinea	
Guyana	
Haiti	
Honduras	
India	
Indonesia	
Iran	
Iraq	

Field-Based Operating Units	Washington, D.C.-Based Operating Units
Jamaica	
Jordan	
Kazakhstan	
Kenya	
Kosovo	
Kyrgyz Republic	
Laos	
Lebanon	
Liberia	
Macedonia	
Madagascar	
Malawi	
Mali	
Mauritania	
Mexico	
Moldova	
Mongolia	
Montenegro	
Morocco	
Mozambique	
Namibia	
Nepal	
Nicaragua	
Nigeria	
Pakistan	
Panama	
Paraguay	
Peru	
Philippines	
Romania	
Russia	
Rwanda	
Senegal	
Serbia	
Sierra Leone	
Somalia	
South Africa	
Sri Lanka	

Field-Based Operating Units	Washington, D.C.-Based Operating Units
Sudan	
Tajikistan	
Tanzania	
Thailand	
Timor-Leste	
Tunisia	
Turkmenistan	
Uganda	
Ukraine	
Uzbekistan	
Venezuela	
Vietnam	
West Bank and Gaza	
Yemen	
Zambia	
Zimbabwe	
Central Asia Regional	
USAID Central America Regional	
USAID East Africa Regional	
USAID Middle East Regional	
USAID Southern Africa Regional	
USAID West Africa Regional	

Source: GAO analysis of State data.

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

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

USAID
FROM THE AMERICAN PEOPLE

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

SEP 17 2009

Dear Mr. Gootnick:

I am pleased to provide the U.S. Agency for International Development's (USAID) formal response to the draft GAO report entitled "Democracy Assistance: U.S. Agencies Take Steps to Coordinate International Programs but Lack Information on Some U.S.-Funded Activities" (GAO-09-993).

USAID would like to provide additional comments pertaining to one of the four main questions identified in the engagement memo dated August 14, 2008: ***"How do State and USAID plan and evaluate Democracy and Governance programs?"*** The enclosed statement clarifies and adds to the report's analysis of USAID planning and evaluation processes. In addition, the draft report contains a single recommendation related to improved coordination with the National Endowment for Democracy (NED). USAID broadly concurs with this recommendation, but we provide some specific comments in the enclosure.

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

Sincerely,

Drew W. Luten
Acting Assistant Administrator
Bureau for Management

Encl: Management's Comments on Draft Report

- 2 -

Comments Related to Strategic and Program Planning

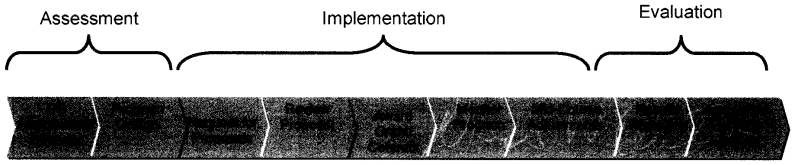
GAO's examination of USAID's policies and procedures related to Democracy and Governance (DG) programming was primarily focused on two aspects of our "business model" – the interagency budget process and the process for selecting and awarding implementing mechanisms. While these two aspects are important, and are covered quite effectively in this report, to a large extent, it is strategic planning that drives the budget and program selection process. In other words, the outcome of our planning process is a major determinant of country DG budgets and the implementing mechanisms that are ultimately selected. The report would be strengthened by further discussion of this relationship.

See comment 1.

USAID's strategic approach is to develop a 3-5 year DG country strategy, generally as part of a larger mission strategy, that is targeted toward the key constraints to democratic reform and good governance in that country. This process typically starts with a DG assessment that is specifically designed to help define a country-appropriate strategy and programs. As briefly noted in the report, the strategic planning process is formalized by Agency directives. Once the strategic plan is approved, individual programs are designed to fit into the overall priorities and objectives laid out in the strategic plan. This program design includes the procedures to select the implementer and to monitor and evaluate program performance.

Therefore, how individual grants or contracts are awarded is just one step of a larger program cycle that is driven by planning.

USAID's DG Program Cycle



Comments Related to Monitoring and Evaluation

USAID greatly appreciated GAO's comprehensive study of our ongoing efforts to improve the quality and quantity of our program evaluations generally,

- 3 -

See comment 2.

and in the democracy and governance sector, specifically. However, USAID believes our understanding of what works and what doesn't in the field of DG assistance would be enriched by further examination and discussion in the report of State Department and NED policies and procedures for evaluating DG programs.

See comment 3.

We have identified a few areas that should be clarified related to USAID's evaluation efforts. The draft report notes in several places that USAID has undertaken six pilot impact evaluations as part of our efforts to implement the recommendations of the National Academies of Science. In addition, USAID now routinely trains DG officers in how to conduct impact evaluations, and has hired experts in evaluation methodologies to improve our overall institutional capacity. The report also states in several places that USAID often develops custom indicators to assess individual projects in addition to reporting on standard indicators. In fact, these custom indicators exist for virtually every program as part of mandatory performance management plans (PMPs) that are used internally to conduct an ongoing assessment of program impact. PMPs are a very important tool that USAID uses for program evaluation.

Comments Related to Audit Recommendation

Draft Recommendation: To enhance coordination of U.S.-funded democracy assistance efforts, and in support of the Department of State's first Quadrennial Diplomacy and Development Review, we recommend that the Secretary of State and the USAID Administrator, while recognizing NED's status as a private non-profit organization, work jointly with NED to establish a mechanism to regularly collect information about NED's current projects in countries where NED and State or USAID provide democracy assistance.

USAID Response: USAID concurs that in countries where we provide democracy assistance, USAID missions and the Democracy, Conflict, and Humanitarian Assistance (DCHA) Bureau would benefit from information on current NED projects. It is also worth noting that current coordination mechanisms between NED and the Europe Bureau at State appear to be effective and may serve as a model for world-wide efforts.

The following are GAO's comments on USAID's letter dated September 17, 2009.

GAO Comments

1. We have incorporated information provided in USAID's letter regarding its democracy strategic planning efforts into our report as appropriate.

2. As we state in our discussion of scope and methodology, we did not review State DRL's and NED's evaluation efforts because their programs are small and short-term relative to USAID's and because they generally do not conduct independent evaluations of their activities' impact.

3. We have incorporated evaluation information provided in USAID's letter into our report as appropriate.

Appendix VI: Comments from the Department of State

United States Department of State

Assistant Secretary and Chief Financial Officer

Washington, D.C. 20520

SEP 17 2009

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

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "DEMOCRACY ASSISTANCE: U.S. Agencies Take Steps to Coordinate International Programs but Lack Information on Some U.S. –funded Activities," GAO Job Code 320619.

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

If you have any questions concerning this response, please contact Rozina Damanwala, Program Analyst, Bureau of Democracy, Human Rights and Labor at (202) 663-2689.

Sincerely,

James L. Millette

cc: GAO – Leslie Holen
DRL – Karen B. Stewart
State/OIG – Mark Duda

Department of State Comments on GAO Draft Report

DEMOCRACY ASSISTANCE: U.S. Agencies Take Steps to Coordinate International Programs but lack Information on Some U.S.-funded Activities (GAO-09-993, GAO Code 320619)

The Department of State appreciates the opportunity to comment on GAO's draft *report entitled "Democracy Assistance: U.S. Agencies Take Steps to Coordinate International Programs but lack Information on Some U.S.-funded Activities."*

The GAO report recommends the following to the Secretary of State:

Recommendation: To enhance coordination of U.S.-funded democracy assistance, the Secretary of State and the USAID Administrator work jointly with NED to establish a mechanism to collect information about NED's current projects in countries where NED and State or USAID provide democracy assistance.

Response: The Department concurs with the GAO's assessment that improved coordination with the NED could enhance the effectiveness of U.S. democracy assistance efforts and agrees, to work with USAID and the NED to assess how to develop a cost-effective and sustainable process to meet this objective.

The Department notes that coordination and information sharing have improved in recent years in part as a result of foreign assistance reform efforts to integrate and make more transparent State and USAID budget formulation, planning and performance monitoring. These efforts include the development of a standard set of foreign assistance definitions used by all Department and USAID implementing offices, bureaus and overseas missions to describe the budget as well as a budget data system that captures Department and USAID foreign assistance budget information for both agencies in a common format.

The Department also notes that in order to ensure effective use of funding, DRL has made it a priority proactively to include relevant USG actors, such as USAID, Department of Labor, and the Broadcasting Board of Governors, in its planning and program solicitation process. This collaborative approach allows DRL to fund innovative programs that focus on responding swiftly to emerging events of importance.

Appendix VII: Comments from the National Endowment for Democracy

National Endowment for Democracy
Supporting freedom around the world

1025 F Street, NW | Suite 800 | Washington, DC 20004-1409
(202) 378-9700 | (202) 378-9407 fax | E-mail: info@ned.org | www.ned.org

September 14, 2009

Mr. David B. Gootnick
Director, International Affairs and Trade
Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Gootnick:

Thank you for sharing with us a draft copy of the forthcoming report requested by Congress on U.S.-funded efforts to assist democracy abroad. (GAO-09-993)

We believe the report offers an accurate description of the work of the National Endowment for Democracy. We also endorse the report's emphasis on the importance of sharing information about our programs with the other providers of assistance, since we agree that such sharing not only helps avoid duplication of effort but also is useful for helping funders develop their program-related strategies more broadly.

The report indicates that in some of the countries in which research was carried out, USAID and State DRL officials said that they lacked information about NED's current projects. This has occurred even though we provide Congress annually with a report describing each of the grants we award, share these reports with officials at the State Department and AID, and readily offer information to anyone at State and AID about any program when asked. We do recognize that the most recent annual report will obviously not capture new programs that have commenced since the report was issued, a matter that we will be addressing through reporting them on our website after grant agreements have been signed.

The report also points out that the problem of a lack of information does not exist for projects in former Soviet Union and Eastern European countries, for which there is a coordinator's office that collects the information quarterly and circulates it to the relevant AID missions and U.S. embassies.

We believe that this matter can and should be addressed. We endorse the recommendation that the State Department and USAID work jointly with NED to establish a

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Carl Gershman, *President*

David B. Gootnick
Page two

mechanism to collect information about NED's current projects, one that is designed in such a way as to minimize additional administrative burden and avoid straining staff resources on all sides. For example, we are willing to send to DRL brief descriptions of programs following their approval at quarterly Board meetings, provided the Bureau is willing to offer a point of contact who would be prepared on a consistent basis to collect this information and share it with the relevant officials both in Washington and in the field.

We would also like to take this opportunity to say a word about NED's evaluation of programs, a subject that the report does not address due to our not conducting "impact" evaluations. This may be true in a literal sense, given all the methodological difficulties of doing so, as explained in our March 2006 report to the Congress entitled "Evaluating Democracy Promotion Programs." Nevertheless, it is worth noting that NED's multi-sectoral approach to grant making entails a unique system of evaluation. At the micro level, Endowment staff members conduct continual monitoring of progress toward specific grantee project objectives. Independent evaluations are conducted at the mid-level by external consultants hired by the Endowment. Such evaluations cover a span of at least five years and might examine a subset of projects within one country or explore a theme across countries.

We are taking this opportunity to share with you a copy of our 2006 report, whose appendix, written by Professor Michael McFaul (who was then Director of the Center on Democracy, Development and the Rule of Law at Stanford University), proposes a research design for assessing the nature and extent of the influence of international democracy assistance on domestic democratic change in different types of regimes.

Sincerely,

Richard Gephardt
Chairman

Carl Gershman
President

Enclosure

Cc: Leslie Holen

Appendix VIII: GAO Contact and Staff Acknowledgments

GAO Contact

David B. Gootnick (202) 512-3149 or gootnickd@gao.gov

Staff Acknowledgments

In addition to the contact named above, Leslie Holen, Assistant Director; Diana Blumenfeld; Howard Cott; David Dornisch; Reid Lowe; Grace Lui; and Marisela Perez made key contributions to this report. Etana Finkler provided technical support.

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