

IV. Potential Follow-on Activities

EF has considerable experience and knowledge in launching new offices and spinning off operating programs into sustainable, free-standing, independent institutions. EF has found that in-depth, ongoing support in capacity building is critical for laying the foundation for the long term success of a new institution. Failure to do so jeopardizes the entire investment. Thus, EF strongly recommends that the new foundation receive sufficient assistance in its formative stage through ongoing training, mentoring, and monitoring. Upon completion of the current assignment, EF is available to support the new foundation through the early application of policies and procedures that will result in the successful implementation of program objectives and ensure the longevity of the organization.

Most importantly, a mission-oriented, transparent and ethical institution with international funding support will itself become a model and a beacon of inspiration for the democratic development of the societies in which it operates. Absent intensive mentoring and monitoring, the new foundation's grant-making process runs the risk of being perceived as political and lacking transparency. Allegations or suspicion of irregular financial disbursements or favoritism could distract the new foundation from achieving its goals and intended impact. EF has considerable experience in identifying and preempting such pitfalls, and is ready to offer its experience directly to the new foundation.

Financial Oversight

EF has found through its experience of devolving authority to the field that the role of continuous financial oversight is crucial. This is particularly important in an environment where corruption, nepotism, and other unethical activities are present. EF could assist as the new foundation prepares for internal and external audits, and could provide training to local staff in these functions.

The culmination of the financial mentoring process would be for the new organization to successfully pass an A-133 audit. EF could provide support and assistance in setting and maintaining proper accounting and financial procedures and compliance with local tax and payroll laws, and can coach financial officers through the process of preparing for the A-133 audit. EF could also prepare an RFP for the appropriate accounting software that meets the foundation's needs. Additionally, EF could develop an RFP to identify an external audit firm that is qualified to perform an audit that meets the requirements of OMB circular A-133. A key factor in EF's ability to operate in difficult environments has been its ability to maintain financial records that pass rigorous internal and external audit procedures. EF works in compliance with all local laws, and makes grants only to legally registered organizations; EF would recommend that the new foundation also operate in this fashion. This approach will enable local operations to withstand scrutiny from government officials looking for reasons to close down foreign assistance efforts.

Ongoing Consultation and Support

EF offers its services as a cadre of trainers, technical advisors, peer support network, and mentor to all levels of the staff of the new foundation as they navigate the bumps and turns of the first cycle of program activity. Obstacles may arise in areas related to changing or murky legal

requirements, tax inspection, labor codes, logistics, programmatic and political sensitivity, and donor expectations and requirements. All of these require careful navigation and practical solutions. EF is prepared to draw on its 12 years of experience to work through these issues with the new foundation.

Mentoring in Evaluation and Knowledge Management

In addition to training and mentoring the new foundation's staff on reviewing grantee narrative and financial reports, EF can train and mentor the staff on best practices in program evaluation and knowledge management. The new foundation will require systems to evaluate the qualitative and quantitative results and impacts of each grant and project. Comparative cluster evaluations of multiple grants in a specific program field will also provide insights for future program design that should be transferred between foundation offices. EF can mentor new foundation staff on conducting site visits and overseeing events sponsored by grantees. Where possible, EF can guide foundation staff to work cooperatively with grantees to resolve problems with grant implementation and improve program management. If the new foundation so chooses, EF is prepared to develop an RFP for the appropriate program management software that meets the new foundation's needs.

V. EF Experience and Institutional Capacity

In 1992, James A. Baker III instructed staff at the State Department to set up the Eurasia Foundation in order to promote democratic change at the grass-roots level in the former Soviet Union. At the time, the privately managed foundation was experimental, and delivery of U.S. government resources to local NGOs in the region was considered risky. EF, however, has proven to be a successful development instrument and since its inception has made more than 7,500 grants, disbursed more than 450 loans and dedicated nearly \$275 million to support programs in the countries in which it works. Today EF is recognized as a leader in the labor-intensive field of grant and program administration, facilitating cross-border cooperation and strengthening nascent civil societies through work at the grass roots.

Operating a small grants program and exercising requisite financial control in potentially hostile environments requires considerable institutional investment. EF established a network of offices throughout the former Soviet Union; trained a staff of approximately 250, almost all local citizens with expertise in a variety of disciplines; developed rigorous financial controls to deliver safely millions of dollars per year to regions with rudimentary banking systems; and created evaluation and reporting mechanisms. These assets—including a partnering mechanism that has enabled EF to leverage more than \$60 million in non-U.S. government funds—have developed and matured in EF over more than a decade and represent a ready resource for the U.S. government.

EF is distinguished by its combination of grant making and technical assistance. Its grant-making procedures serve to deliver much more than financial assistance. EF provides help to grantees in designing a project proposal that achieves specific objectives and in applying a mandatory logic model that clarifies goals. These tools improve grantee efficiency and effectiveness. EF's insistence that all grantees receive accounting and financial management training enables them to

become more transparent and fiscally responsible. Mandatory site visits to monitor incremental progress strengthen the ability of grantees to overcome internal and external challenges. The design and implementation of cutting edge evaluation mechanisms enable grantees to understand how to quantify and otherwise measure their efforts and ultimately their success. This information in turn helps them to attract new donors and to strive for financial sustainability.

EF has been among the pioneers in encouraging local support for projects established with Western aid money, thereby leveraging core funding. In Russia, Ukraine, and Kazakhstan it has succeeded in encouraging local philanthropy from public and private enterprises such as Sual and Yukos (Russia), Interpipe Group and the National Bank of Ukraine (Ukraine), and PetroKazakhstan and Karachaganak Petroleum Operating (Kazakhstan) to support worthy projects.

Additional affirmation of EF's organizational capacity lies in its ability to create successful and stable independent organizations. For several years, EF's goal has been to build the capacity of its local offices to the point that they might operate independently as local organizations. So far, three new organizations have been launched: the New Eurasia Foundation in Russia, the Izmirlian-Eurasia Universal Credit Company in Armenia, and the Economics Education and Research Consortium in Russia and Ukraine. In addition to these organizations, described below, EF is currently laying the groundwork for independent foundations in Central Asia, the South Caucasus, and Ukraine.

New Eurasia Foundation

The New Eurasia Foundation was registered in Moscow in June 2004 and began operations in October 2004. The institution is the culmination of two years of work and collaboration by three founders: the Madariaga European Foundation in Belgium, the Dynasty Foundation in Russia, and the Eurasia Foundation in Washington, D.C. Instrumental to the success of this effort was the decision of the U.S. government to commit \$25 million over three years to launch this initiative. As a private, non-commercial Russian organization, the New Eurasia Foundation seeks to promote civil society, private enterprise development, public administration and policy reform, effective education systems and viable independent media.

Izmirlian-Eurasia Universal Credit Company

In July 2004, the Izmirlian-Eurasia Small Business Loan Program (SBLP) in Armenia took the final step toward independence by becoming the Izmirlian-Eurasia Universal Credit Company LLC, a permanent, locally registered and operated credit company that provides medium-term financing directly to small businesses. Since 1995, SBLP has worked to provide loan capital and training to Armenian banks to improve their capacity to serve the small- and medium-sized business community. Over time, SBLP has become recognized as the premier lending program in Armenia for small- and medium-sized businesses and as such has significantly contributed to the development of the local economy.

Economics Education and Research Consortium

Started as a project of EF in 1995, the Economics Education and Research Consortium (EERC) completed its first year of independent operations in September 2004. Funded by a consortium of European, American, Russian, and Ukrainian donors, EERC offers a master of arts (MA) in

economics in partnership with Kyiv-Mohyla Academy in Kyiv, and operates a research and training center for economists in Moscow. To date, the MA program in Kyiv has graduated 262 students from Ukraine, Belarus, and Moldova. The EERC Research Network, based in Moscow, offers services for institutions in the region seeking to establish similar networks in other countries. In Central Asia, EERC has partnered with EF and others to create an Applied Research Network, and in the South Caucasus, EERC is working with EF's Caucasus Research Resource Centers to share best practices.

Eurasia Foundation Senior Management

Charles William Maynes, President since 1997, has held senior positions in the U.S. Department of State, U.S. Congress, the publishing world and the foundation community. Mr. Maynes served as editor of *Foreign Policy* for 17 years, and has written extensively on international affairs, including the Middle East. As assistant secretary of state for international organization affairs from 1977 to 1980, Mr. Maynes supervised all U.S. policy toward the United Nations and its specialized agencies. In addition, Mr. Maynes was a foreign service officer for nine years, serving in the Bureau of International Organizations in Washington and the USAID mission in Laos.

William Horton Beebe-Center, Executive Vice President, is responsible for managing the day-to-day operations of EF, acting on behalf of the president when he is absent. Mr. Beebe-Center joined EF in 1993 and served as the first field officer, establishing EF's first field offices and running the Moscow regional office for two years. He served as vice president for projects and development in the Washington office until taking on his current position. Prior to joining EF, Mr. Beebe-Center worked several years in U.S.-Soviet projects ranging from intergovernmental technical exchanges to commercial joint ventures.

Regina Yan, Vice President for Finance & Administration, has 18 years experience in working in the international development arena. She has managed international projects with the Middle East, Eurasia, and Asia. Ms. Yan was a program and financial manager for international projects at the National Academy of Sciences. Before joining EF, she held various senior management positions at IREX. In addition to overseeing all finance and administrative functions, Ms. Yan has been responsible for providing senior management oversight to the Economics Education and Research Consortium (EERC) and the Small Business Loan Program (SBLP) and for ensuring their successful launch as independent institutions from EF after the incubation period.

George Zarubin, Vice President, Program Development, has spent 10 years in foundation management. His work has included developing a cross-border, grass-roots initiative in the South Caucasus, working with a start-up foundation in Kazakhstan, and spinning off successful projects as independent organizations. Previously, he practiced transactional law and litigated cases for over nine years both in the U.S. and internationally. He has lived overseas for over 10 years, in Egypt, Israel, Scotland, Russia, the Republic of Georgia, and Kazakhstan.

Barbara DiPietro, Chief Financial Officer, is a certified public accountant with over 20 years professional experience in finance and accounting, including extensive experience monitoring

and coaching field offices. In addition to ensuring EF's compliance with A-133 audit requirements, Ms. DiPietro has played a central role in the creation of independent foundations in Russia and Ukraine. Before joining EF in 2000, Ms. DiPietro spent 10 years at the African Wildlife Foundation where she designed, implemented, and monitored internal finance and accounting procedures and oversaw budget development.

Karin Rutledge, Director of Government Relations, manages EF's outreach to USAID, the State Department and Congress. She has a graduate degree in international management and an undergraduate degree in Russian Studies from Colgate University. Prior to working for EF, she worked as the government relations manager for the Close Up Foundation, for a private lobbying firm, and as an aide to a member of the U.S. House of Representatives and a U.S. Senator.

UNCLASSIFIED

RELEASED IN PART
B5

1115

Portz, AnnaMary

From: Butte-Dahl, Jennifer X
Sent: Monday, August 06, 2007 5:06 PM
To: Carpenter, J. Scott (NEA/FO); Thorkelson, Blake K; Pickering, Margaret S; Holtz, Greta C (NEA/PI); Gross, Kenneth E; Mosley, R Andrew; Schulz, Laura A (NEA/PI); Portz, AnnaMary
Subject: RE: H.R. 1/Foundation for the Future

[Redacted]

B5

From: Carpenter, J. Scott (NEA/FO)
Sent: Monday, August 06, 2007 4:52 PM
To: Thorkelson, Blake K; Pickering, Margaret S; Holtz, Greta C (NEA/PI); Gross, Kenneth E; Mosley, R Andrew; Schulz, Laura A (NEA/PI); Portz, AnnaMary
Cc: Butte-Dahl, Jennifer X
Subject: RE: H.R. 1/Foundation for the Future

Looping in Jen.

From: Thorkelson, Blake K
Sent: Monday, August 06, 2007 4:36 PM
To: Pickering, Margaret S; Carpenter, J. Scott (NEA/FO); Holtz, Greta C (NEA/PI); Gross, Kenneth E; Mosley, R Andrew; Schulz, Laura A (NEA/PI); Portz, AnnaMary
Subject: RE: H.R. 1/Foundation for the Future

I'll raise this with Andrew tomorrow.

From: Pickering, Margaret S
Sent: Monday, August 06, 2007 4:36 PM
To: Thorkelson, Blake K; Carpenter, J. Scott (NEA/FO); Holtz, Greta C (NEA/PI); Gross, Kenneth E; Mosley, R Andrew; Schulz, Laura A (NEA/PI); Portz, AnnaMary
Subject: RE: H.R. 1/Foundation for the Future

[Redacted]

Meg

From: Thorkelson, Blake K
Sent: Monday, August 06, 2007 4:20 PM
To: Carpenter, J. Scott (NEA/FO); Holtz, Greta C (NEA/PI); Gross, Kenneth E; Mosley, R Andrew; Schulz, Laura A (NEA/PI); Portz, AnnaMary
Cc: Pickering, Margaret S
Subject: RE: H.R. 1/Foundation for the Future

The language in the FY08 bill is similar to that of FY06. [Redacted]

B5

B5

From: Carpenter, J. Scott (NEA/FO)
Sent: Monday, August 06, 2007 3:55 PM
To: Thorkelson, Blake K; Holtz, Greta C (NEA/PI); Gross, Kenneth E; Mosley, R Andrew; Schulz, Laura A (NEA/PI); Portz, AnnaMary
Cc: Pickering, Margaret S
Subject: RE: H.R. 1/Foundation for the Future

Thanks, Blake.

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: JOHN S BLODGETT
DATE/CASE ID: 02 DEC 2008 200703339

1
UNCLASSIFIED

Does anyone know what language is in FY08 approps bill?

B5

S.

From: Thorkelson, Blake K
Sent: Monday, August 06, 2007 3:18 PM
To: Carpenter, J. Scott (NEA/FO); Holtz, Greta C (NEA/PI); Gross, Kenneth E; Mosley, R Andrew; Pickering, Margaret S; Schulz, Laura A (NEA/PI); Portz, AnnaMary
Cc: Thorkelson, Blake K
Subject: H.R. 1/Foundation for the Future

HR 1 was signed by the President on Friday (PL 110-53). The act repeals the Foundation language in the FY06 FOAA and provides for notwithstanding authority, endowment authority, and retention of interest. It includes Pakistan and Afghanistan in the BMENA region. It does not contain a matching funds requirement or any requirement for the board composition. An annual report on January 31, 2008, is required. The U.S. contribution must be made to a foundation incorporated in the U.S.

The act restricts Foundation grants to persons or entities other than governments or government entities. This would disqualify one of the Foundation's approved grants, to the Palestinian Central Election Commission, from U.S. funding.

B5

I have highlighted the interesting provisions in red. Blake

SEC. 2021. MIDDLE EAST FOUNDATION.

(a) Purposes- The purposes of this section are to support, through the provision of grants, technical assistance, training, and other programs, in the countries of the broader Middle East region, the expansion of--

- (1) civil society;
- (2) opportunities for political participation for all citizens;
- (3) protections for internationally recognized human rights, including the rights of women;
- (4) educational system reforms;
- (5) independent media;
- (6) policies that promote economic opportunities for citizens;
- (7) the rule of law; and
- (8) democratic processes of government.

(b) Middle East Foundation-

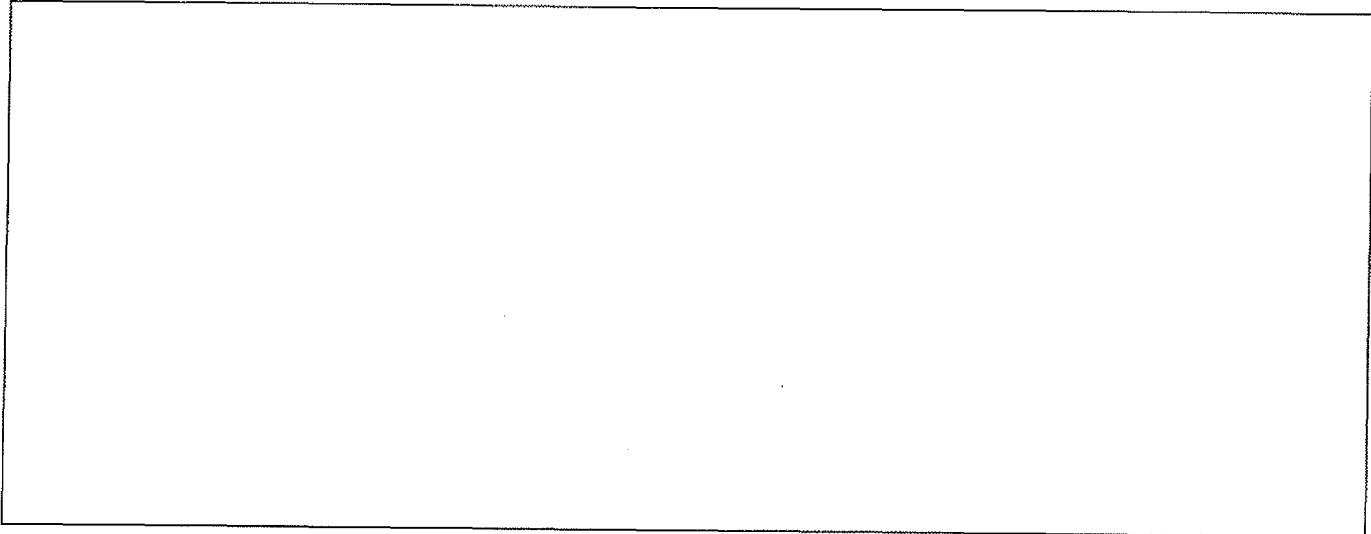
(1) DESIGNATION- The Secretary of State is authorized to designate an appropriate private, nonprofit organization that is organized or incorporated under the laws of the United States or of a State as the Middle East Foundation (referred to in this section as the 'Foundation').

N148

Portz, AnnaMary

From: Thorkelson, Blake K
Sent: Monday, September 25, 2006 10:11 AM
To: Carpenter, J. Scott (NEA/FO); Holtz, Greta C (NEA/PI); Bean, James W (NEA/PI); Franceski, Sonia; Schulz, Laura A (NEA/PI); Portz, AnnaMary; Dicello, Andrew F; Mosley, R Andrew
Cc: 'Shaha Aliriza'
Subject: Foundation Executive Committee Meeting

I just spoke with Shaha and got an update on the ExCom's meeting on Saturday. Overall the meeting went well.



B4

I attended the dinner on Friday with the Swiss ambassador because no one from the FO was able to go. It was social and the group didn't discuss the Foundation's work. I am working on a summary of the CSIS event and will send that around. **This afternoon the ExCom will meet with Senator McConnell and Congresswoman Lowey.**

Blake Thorkelson
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Foundation for the Future

N268A

Summary of Foundation Partners Conference Call
February 1, 2006

State Department Deputy Assistant Secretary Scott Carpenter said it had been difficult to arrive at a short list of nominees for a potential Chair of the Foundation for the Future. Instead, he proposed that three experts with long experience in working with civil society and supporting human rights, democracy, and freedom be asked to serve as a board selection committee to assemble a board for the Foundation. Shaha Ali Riza spoke about the three proposed committee members, Rahma Bourqia of Morocco, Bakhtiar Amin of Iraq, and Anwar Ibrahim of Malaysia. They all have been approached and are willing to serve. The committee will meet over the next month and, using the list of board nominees from governments and civil society, assemble a proposed board slate of about 12-15 people.

The Foundation partners agreed that this was a good approach. It was agreed that partners should submit names of proposed board members by February 15. The entire list will be circulated to all partners at the same time it is presented to the board selection committee. The committee will assemble a proposed board slate by March 3 and partners will consult by conference call before approving the slate by March 17. The new board will elect a chair from among its own membership or the candidates discussed at the Dead Sea meeting on December 14. The three selection committee members will become part of the board.

Deputy Assistant Secretary Carpenter also noted that the board will be able to use the resources of the Eurasia Foundation to support the development of bylaws, a charter, registration, and other technical matters, based on best practices from the experience of other similar foundations. The Eurasia Foundation will not serve as a "secretariat" but can support travel of the committee members. Partners agreed that the committee should be requested to attend the Democracy Assistance Dialogue meeting in Istanbul on February 6-7.

Several governments noted their intention to nominate a board member.

Partners agreed that a media note about the committee should be issued by the governments of the U.S. and Jordan, and by the Democracy Assistant Dialogue partners.