



July 2014

DEMOCRACY ASSISTANCE

Lessons Learned from Egypt Should Inform Future U.S. Plans

GAO Highlights

Highlights of [GAO-14-799](#), a report to congressional requesters

Why GAO Did This Study

For over 30 years, Egypt has been a key strategic partner of the United States and the recipient of billions of dollars of U.S. assistance. Starting with its revolution in January 2011, Egypt has undergone a series of political transitions. Shortly after the revolution, the U.S. government allocated \$65 million in assistance for a range of activities to support Egypt's progress toward democracy. However, the Egyptian government objected to the U.S. government providing this assistance directly to NGOs, including to some that it viewed not to be registered under Egyptian law. In June 2013, the Egyptian government convicted employees of four U.S. NGOs.

This report examines (1) the extent to which the U.S. government identified and managed potential risks of providing U.S. democracy and governance assistance in Egypt; (2) what support, if any, the U.S. government provided to the NGOs prosecuted by the Egyptian government; and (3) the extent to which U.S. democracy and governance assistance in Egypt has been affected, if at all, by the prosecution of NGO workers. GAO analyzed U.S. government and NGO documents and interviewed U.S., Egyptian, and NGO officials in Washington, D.C., and Egypt.

What GAO Recommends

GAO recommends that State and USAID incorporate lessons learned from their experience in Egypt into risk management plans for future democracy and governance assistance efforts. State and USAID concurred with the recommendation.

View [GAO-14-799](#). For more information, contact Charles Michael Johnson at (202) 512-7331 or johnsoncm@gao.gov.

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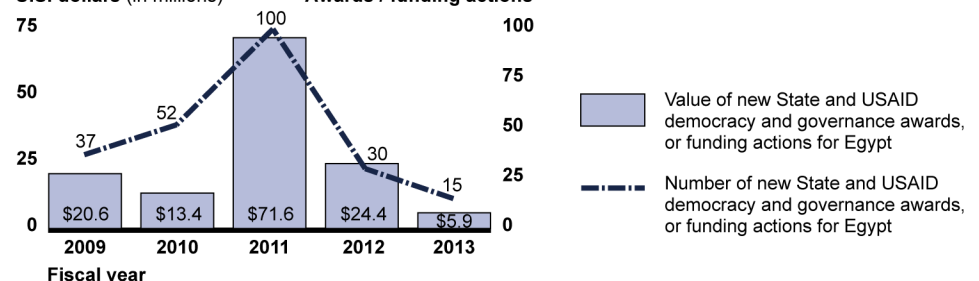
What GAO Found

The U.S. government identified potential risks in providing democracy and governance assistance in Egypt, including the Egyptian government's likely objection to the U.S. plan to use \$65 million to directly fund nongovernmental organizations (NGO) in 2011. The Egyptian government had repeatedly raised objections to such direct funding since the U.S. Agency for International Development (USAID) began it in 2005. USAID and Department of State (State) guidance calls for the development of risk management plans for their programs. State and USAID have taken some steps to manage the risks of providing democracy and governance assistance in Egypt, including the issuance of an April 2013 cable that provided guidance on how to counter increasing risks to NGOs globally. However, State and USAID have not documented lessons learned from the U.S. experience in Egypt or used these lessons to inform their risk management plans for future democracy and governance assistance.

The U.S. government provided the four prosecuted U.S. NGOs with diplomatic, legal, financial, and grant flexibility support. The U.S. government's diplomatic efforts included holding multiple meetings with Egyptian officials to try to defend the NGO employees. U.S. legal support to the NGOs included working with the NGOs' lawyers to develop legal strategies for the case. U.S. financial support allowed the four U.S. NGOs to use a total of \$4.9 million in funding from their grants to pay for various legal costs related to the trial. Finally, the U.S. government allowed the four NGOs to modify their grants to adjust their planned activities and time frames as a result of the trial.

The Egyptian government's trial of the four U.S. NGOs significantly affected U.S. democracy and governance assistance in Egypt. The four prosecuted U.S. NGOs are no longer conducting activities inside Egypt and modified or stopped a number of their programs. Other NGOs implementing U.S. democracy and governance programs reported experiencing delays in obtaining Egyptian government approval to receive U.S. funds. Since the start of the trial, in 2012, the amount of funding and number of grants awarded for democracy and governance projects in Egypt decreased (see fig.) and some activities are now more challenging for the U.S. government to implement.

New U.S. Agency for International Development (USAID) and Department of State (State) Democracy and Governance Awards or Funding Actions for Egypt, Fiscal Years 2009-2013
U.S. dollars (in millions) Awards / funding actions



Source: GAO analysis of State and USAID data. | GAO-14-799

Contents

Letter		1
	Background	4
	The U.S. Government Identified Risks but Has Not incorporated Lessons Learned from Experience in Egypt	10
	The U.S. Government Provided the NGOs Prosecuted in Egypt with Diplomatic, Legal, Financial, and Grant Flexibility Support	16
	The Prosecution of NGO Workers Affected U.S. Democracy and Governance Assistance in Egypt	19
	Conclusions	25
	Recommendation for Executive Action	26
	Agency Comments	26
Appendix I	Scope and Methodology	28
Appendix II	Comments from the Department of State	31
Appendix III	Comments from the U.S. Agency for International Development	34
Appendix IV	GAO Contact and Staff Acknowledgments	37
Tables		
	Table 1: Grants Awarded to the Four Prosecuted U.S. Nongovernmental Organizations after the January 2011 Revolution	9
	Table 2: Amounts of U.S. Grant Funding Used by the Four U.S. Nongovernmental Organizations for Legal Costs Associated with Their Prosecution in Egypt, as of June 2014	17
Figures		
	Figure 1: Timeline of Key Events in Egypt's Political Transition and the Prosecution of U.S.-Funded Nongovernmental Organizations	10

Figure 2: New U.S. Agency for International Development (USAID) Democracy and Governance Awards or Funding Actions for Egypt, Fiscal Years 2009-2013	23
Figure 3: New Department of State (State) Democracy and Governance Awards or Funding Actions for Egypt, Fiscal Years 2009-2013	24

Abbreviations

DRL	Bureau of Democracy, Human Rights, and Labor
ESF	Economic Support Fund
ICFJ	International Center for Journalists
IRI	International Republican Institute
MEPI	Middle East Partnership Initiative
NDI	National Democratic Institute
NGO	nongovernmental organization
State	Department of State
USAID	U.S. Agency for International Development

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July 24, 2014

The Honorable Ileana Ros-Lehtinen
Chairman
Subcommittee on the Middle East and North Africa
Committee on Foreign Affairs
House of Representatives

The Honorable Gerald E. Connolly
House of Representatives

For over 30 years, Egypt has been a key military and political ally of the United States and the recipient of billions of dollars in U.S. military and economic assistance. Since 2011, Egypt has undergone a series of political transitions, beginning with the January 2011 revolution that ended the nearly 30-year presidency of Hosni Mubarak. While the U.S. government has funded democracy and governance activities in Egypt for more than 10 years, it increased its funding for such activities after the 2011 revolution. The U.S. government increased the amount of funding it awarded in Egypt for democracy and governance assistance from approximately \$13 million in fiscal year 2010 to approximately \$72 million in fiscal year 2011. In total, the U.S. government has awarded approximately \$140 million for democracy and governance assistance in Egypt from fiscal year 2009 to March 31, 2014. The Department of State (State) and the U.S. Agency for International Development (USAID) used this money to fund a variety of activities—including political party strengthening, election monitoring, and independent media development—to be implemented by a range of U.S. and Egyptian organizations. In December 2011, the Egyptian government raided the offices of four U.S.-based nongovernmental organizations (NGO) that were implementing U.S.-funded democracy and governance activities. In February 2012, the Egyptian government charged employees of these four organizations—Freedom House, the International Center for Journalists (ICFJ), the International Republican Institute (IRI), and the National Democratic Institute (NDI)—and a German organization, the Konrad Adenauer Foundation, with establishing and operating unauthorized international organizations, according to U.S. agency

documents.¹ In June 2013, an Egyptian court convicted a total of 43 employees from the four U.S. organizations and the Konrad Adenauer Foundation, and the NGOs had to close their operations in Egypt.²

You asked us to examine the ability of the U.S. government and its implementing partners to operate in Egypt after the convictions and the effect the trial had on U.S. efforts to promote democracy and governance in Egypt.³ This report examines (1) the extent to which the U.S. government identified and managed potential risks of providing U.S. democracy and governance assistance in Egypt, including assistance to unregistered NGOs; (2) what support, if any, the U.S. government provided to the NGOs prosecuted by the Egyptian government; and (3) the extent to which U.S. democracy and governance assistance in Egypt has been affected, if at all, by the prosecution of NGO workers. We conducted work on this report as part of a broader review of U.S. economic and security assistance to Egypt. We plan to complete work on the broader review later in 2014.

This report is a public version of the sensitive but unclassified report that we are providing to you concurrently. State and USAID deemed some of the information in the corresponding report as sensitive but unclassified information, which must be protected from public disclosure. Therefore, this report omits certain sensitive information, but it addresses the same questions as the sensitive report, and the overall methodology used for both reports is the same.

To address these objectives, we reviewed U.S. laws related to democracy and governance assistance; examined documents from State, USAID, their implementing partners, and the Egyptian government; interviewed

¹According to State officials, had the four organizations been charged with operating an “unregistered” NGO in violation of Egyptian law, the offense would have been a misdemeanor. Instead, the organizations were charged with more serious felony offenses under Egyptian law relating to operating or joining an “unauthorized” international organization.

²After a series of negotiations between the U.S. and Egyptian governments, all the American staff from the NGOs were allowed to leave Egypt before the convictions.

³Implementing partners include NGOs and other types of organizations such as law firms, universities, and development contractors with legal status in Egypt that differs from that of NGOs, according to State and USAID officials. The U.S. government considers these organizations to be NGOs under its own definition of the term.

officials from State, USAID, their implementing partners, and the Egyptian government; and analyzed State and USAID data on their democracy and governance activities in Egypt from fiscal years 2009 through 2013. We interviewed State and USAID officials who oversee democracy and governance assistance to Egypt in Washington, D.C., and we reviewed documents related to this assistance, including memos approving democracy and governance assistance; cables discussing the NGO trials and support provided by the U.S. government to the prosecuted NGOs; and other planning, strategy, and performance monitoring documents for democracy and governance assistance. We also examined bilateral agreements and other communications between the United States and Egypt regarding this assistance. In addition, we interviewed the four U.S. organizations—Freedom House, ICFJ, IRI, and NDI—that were prosecuted by the Egyptian government; examined progress reports, grant agreements, and other documentation; and obtained written responses from them about their democracy and governance activities in Egypt and the types of support provided to them by the U.S. government in conjunction with their prosecutions.

We conducted audit work in Cairo, Egypt, during which we interviewed State and USAID officials who manage democracy and governance assistance, and Egyptian government officials from the Ministries of Foreign Affairs, International Cooperation, and Social Solidarity—the three ministries that coordinate bilateral assistance with the United States or approve the registration of organizations that implement U.S.-funded democracy and governance assistance. In Cairo, we also held roundtable discussions with 17 organizations that have received U.S. government funding to implement democracy and governance activities in Egypt from fiscal years 2009 through 2013. We also collected progress reports that these organizations completed for their U.S.-funded projects. We selected this nongeneralizable sample of organizations to ensure representation among USAID's four democracy and governance programs areas (civil society, governance, rule of law and human rights, and political competition and consensus building); U.S., Egyptian, and international organizations; organizations that received small and large amounts of U.S. funding; organizations whose U.S.-funded projects had varying start and end dates; and organizations funded by State and USAID. Appendix I provides a detailed description of our scope and methodology.

We conducted this performance audit from November 2013 to July 2014 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.

Background

Overview of U.S. Assistance to Egypt

Since 1979, when the Israel-Egypt peace treaty was signed, Egypt has been among the top recipients of U.S. bilateral assistance in the world.⁴ In the more than 30 years since the signing of the treaty, Egypt has been a key strategic partner of the United States in the Middle East.

In fiscal years 2009 through 2014, the U.S. government allocated an average of approximately \$1.5 billion annually in assistance for Egypt. The U.S. government provided the majority of this assistance to the Egyptian military through the Foreign Military Financing program, with annual allocations of approximately \$1.3 billion during this period. The U.S. government also provided economic assistance to Egypt in fiscal years 2009 through 2014 that funded a range of economic development, health, education, and democracy and governance projects. The U.S. government funded the majority of its economic assistance to Egypt through the Economic Support Fund (ESF) account, with \$200 million to \$250 million allocated annually to Egypt during this period.

U.S. Direct Funding of Democracy and Governance Assistance in Egypt

Egypt's progress toward greater democratization has been a longstanding objective of the U.S. government, but it became a greater priority after the January 2011 revolution. While the U.S. government has funded democracy and governance activities in Egypt for more than 10 years, some of which was through agreements with the Egyptian government, the United States increased its direct funding to NGOs for such activities after the 2011 revolution.

USAID; State's Bureau of Democracy, Human Rights, and Labor (DRL); and State's Middle East Partnership Initiative (MEPI) all fund democracy and governance programming in Egypt. Generally, USAID funds its democracy and governance activities in Egypt with ESF funds, DRL uses

⁴Egypt-Israel Peace Treaty 1979, 1136 U.N.T.S. 116.

funding from the Human Rights and Democracy Fund, and MEPI funds its activities with regional ESF funds. In total, USAID has awarded approximately \$108 million between fiscal year 2009 and March 31, 2014, for democracy and governance assistance in Egypt, and State has awarded approximately \$32 million for democracy and governance assistance in fiscal year 2009 through March 31, 2014. In February 2011, shortly after the revolution, USAID and State reprogrammed \$50 million in prior year ESF funds and allocated an additional \$15 million in democracy funding to provide additional democracy and governance assistance to support Egypt's political transition. It awarded all of this funding directly to NGOs and other organizations to fund a variety of activities including political party strengthening, election monitoring, and independent media development.

In 2004, the U.S. government began discussions with the Egyptian government regarding a program to directly fund NGOs and other organizations to implement democracy and governance activities in Egypt outside of the framework of an implementing assistance agreement.⁵ From September to November 2004, the two governments worked to outline a process by which the United States would directly fund such activities. Further information on this process can be found in the sensitive version of our report.

Shortly thereafter, Congress approved an amendment to the Consolidated Appropriations Act of 2005 (the Brownback Amendment), which provided further direction regarding assistance for democracy and governance activities in Egypt.⁶ The Brownback Amendment stated, "That with respect to the provision of assistance for Egypt for democracy and governance activities, the organizations implementing such assistance and the specific nature of that assistance shall not be subject to the prior

⁵Prior to the negotiations, USAID funded democracy and governance activities in coordination with the Egyptian government under an implementing assistance agreement. Under an implementing assistance agreement, the U.S. and Egyptian governments jointly agree to the funding of activities to achieve specified assistance objectives.

⁶Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, 118 Stat. 2976 (2004).

approval by the Government of Egypt.”⁷ In fiscal year 2005, USAID began using some democracy and governance assistance to directly fund NGOs and other types of organizations to implement democracy and governance activities, rather than working with the Egyptian government under the implementing assistance agreement. Soon after USAID started to directly fund NGOs and other types of organizations to implement democracy and governance activities in fiscal year 2005, the Egyptian government raised objections. Among other things, the Egyptian government stated that USAID was violating the terms of the process that the two governments had outlined in a 2004 exchange of letters. However, the U.S. government officials responded that they were interpreting their commitments based upon the conditions applied by the Brownback Amendment and agreement in diplomatic discussions on direct funding to NGOs. According to State officials, DRL and MEPI have never funded any democracy and governance activities in Egypt under an implementing assistance agreement and have always funded their activities directly.

Views on Egyptian Law Governing Activities of NGOs

Egypt’s Law 84, which was passed in 2002, governs the activities of foreign and Egyptian NGOs, according to documents we reviewed. Among other things, the law establishes requirements for NGOs to register with the Egyptian government before beginning operations, according to documents we reviewed. According to Egyptian government officials, Egyptian NGOs are required to obtain their registration from the Ministry of Social Solidarity, while foreign NGOs must first complete a standing agreement with the Ministry of Foreign Affairs and then register

⁷Similar language has been included in subsequent appropriations bills. Starting with the Consolidated Appropriations Act of 2008, the Brownback Amendment requirements have applied globally. The most recent version of the amendment was contained in the Consolidated Appropriations Act of 2014, Pub. L. No. 113-76, 128 Stat. 5 (2014). In its fiscal year 2015 *Department of State and Other International Programs* budget request, the administration has requested that this provision no longer be continued. According to State officials, such requests to strike requirements are common as part of the administration’s budget requests and are designed to increase flexibility for the administration. State officials also noted that administrations have requested the removal of the Brownback Amendment in a number of budget requests dating back to fiscal year 2008.

with the Ministry of Social Solidarity.⁸ Egyptian NGOs must also obtain approval from the Ministry of Social Solidarity to receive funding from foreign sources, according to Egyptian government officials.

U.S. government and NGO officials and documents noted that Law 84 establishes registration requirements for NGOs, but also asserted that there are significant ambiguities in the law and that it is sometimes inconsistently applied by Egyptian government officials. U.S. government and NGO officials stated that these issues complicate NGOs' attempts to register and obtain approval to receive foreign funding. For example, although USAID understands that Law 84 contains a provision that allows for automatic registration if an NGO does not hear back from the Egyptian government in 60 days after submitting its application, USAID noted that there is significant ambiguity over how this provision is applied, including whether or not it applies to foreign NGOs. According to a senior official from Egypt's Ministry of Social Solidarity, the 60-day time frame applies only to Egyptian NGOs. In addition, State reported in its Egypt Report on Human Rights Practices for 2011 that the Egyptian government generally allowed unregistered NGOs to operate, but that such NGOs operated in violation of the law and faced the risk of government harassment and interference, or closure.

Prosecution of NGOs in Egypt

The Egyptian government strongly objected to some of the U.S. government's planned assistance for democracy and governance after the January 2011 revolution, including the award of funding to

⁸For the purposes of this report, we are defining unregistered NGOs as those organizations considered by the Egyptian government to be NGOs that have either (1) not attempted to register with the Ministry of Social Solidarity (local NGOs) or to obtain a standing agreement with the Ministry of Foreign Affairs (foreign NGOs), or (2) attempted to register through one of these means, but did not receive an explicit confirmation of their approved registration from the Egyptian government. For the purposes of this report, we are defining registered NGOs as those organizations considered by the Egyptian government to have a standing agreement with the Ministry of Foreign Affairs or that have been registered with the Ministry of Social Solidarity. This definition of unregistered is used solely for the purpose of this report and does not imply or indicate any U.S. government position on the compliance or noncompliance of any organization with Egyptian law.

unregistered NGOs.⁹ These concerns led to the Egyptian Ministry of Justice questioning officials from several NGOs about their activities in late 2011. Subsequently, in December 2011, the Egyptian police raided the offices of four U.S. NGOs that were implementing U.S.-funded democracy and governance activities—Freedom House, ICFJ, IRI, and NDI. In February 2012, the Egyptian government charged employees of these four organizations and a German organization, the Konrad Adenauer Foundation, with establishing and operating unauthorized international organizations, according to government documents.¹⁰ At the time of the charges, all four U.S. organizations reported that they had submitted registration applications to the Egyptian government.¹¹ In June 2013, an Egyptian court convicted a total of 43 employees from the four U.S. NGOs and the Konrad Adenauer Foundation, of these charges and the NGOs had to close their operations in Egypt. Table 1 provides a summary of the grants the U.S. government awarded after the January 2011 revolution to the four U.S. NGOs that were prosecuted. All of the American staff from the NGOs were allowed to leave Egypt before the convictions.

⁹At different points in time, the U.S. government has funded both registered and unregistered NGOs. In addition, in addition funded a variety of other types of entities that are not considered NGOs under Egyptian law, according to State and USAID officials. These entities, which the U.S. government generally also considers NGOs—which include civil companies, law firms, and universities, among others—have different legal requirements under Egyptian law and may not face the same restrictions on foreign funding, according to State and USAID officials.

¹⁰The Konrad Adenauer Foundation did not receive any funding from the U.S. government to implement democracy and governance activities in Egypt.

¹¹For example, IRI and NDI reported that they first applied for registration in 2006 and 2005, respectively.

Table 1: Grants Awarded to the Four Prosecuted U.S. Nongovernmental Organizations after the January 2011 Revolution

Nongovernmental organization	U.S. Agency for International Development	Department of State/Bureau of Democracy, Human Rights, and Labor	Department of State/Middle East Partnership Initiative	Examples of U.S.-funded activities
Freedom House	—	—	\$815,054 ^a	Educated citizens about the electoral process, disseminated information on fair electoral standards, helped strengthen networks of civic leaders and bloggers to report on elections
International Center for Journalists	\$479,726 ^{a,b}	\$990,099	—	Trainings of Egyptian citizen journalists; town-hall meetings with politicians, journalists, and citizens; and digital mentoring for journalists
International Republican Institute	\$10,000,000	\$7,092,772	—	Candidate debates, political party strengthening, election observation, think tank capacity building, and public opinion research
National Democratic Institute	\$10,000,000	\$3,960,396	—	Candidate forums, political party and civil society development, voter education, public opinion polling, election observation
Total	\$20,479,726	\$12,043,267	\$815,054	

Source: GAO analysis of U.S. Agency for International Development, Department of State, and nongovernmental organizations documents. | GAO-14-799

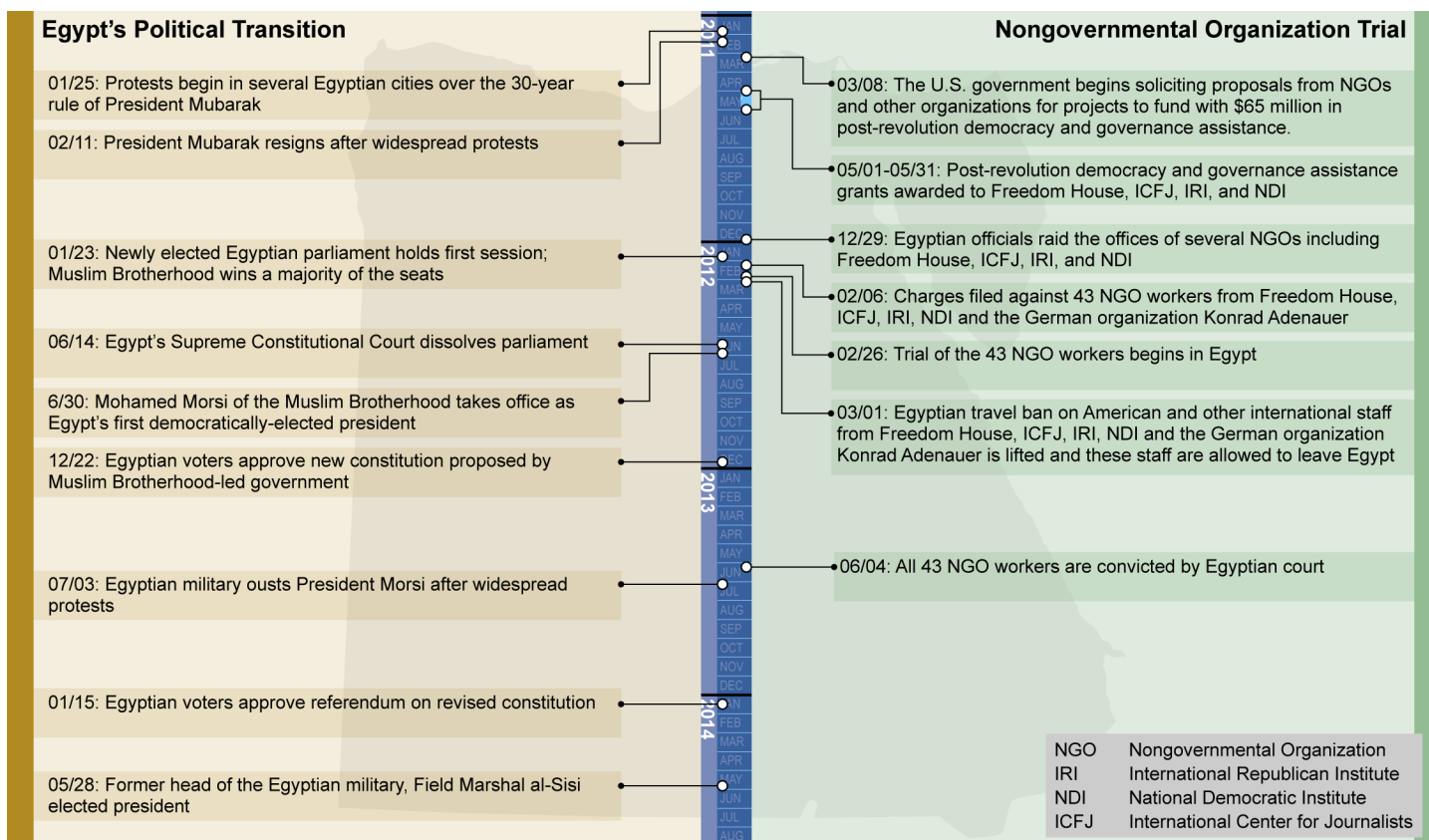
^aFunding from these grants was also used to support activities in other countries in the Middle East region.

^bThe International Center for Journalists received an additional \$479,726 in August 2011 for an existing \$1.6 million grant that was awarded in September 2010.

Egypt's Political Transitions

Since the January 2011 revolution that ended the almost 30-year rule of Hosni Mubarak, Egypt has continued to undergo a series of political transitions. After a transitional period of military rule following President Mubarak's resignation, Mohamed Morsi of the Muslim Brotherhood became Egypt's first democratically elected president in June 2012. However, in July 2013, the Egyptian military removed Morsi from power after widespread protests against his rule. After Morsi's removal, the military appointed the Chief Justice of Egypt's Supreme Constitutional Court, Adli Mansour, to serve as interim president. Former Field Marshal Abdelfattah al-Sisi was subsequently elected as president in May 2014. Figure 1 provides a timeline of key events in Egypt's political transition and the NGO trial.

Figure 1: Timeline of Key Events in Egypt's Political Transition and the Prosecution of U.S.-Funded Nongovernmental Organizations



Source: GAO analysis of Department of State, U.S. Agency for International Development, nongovernmental organization, and Congressional Research Service documentation. | GAO-14-799

The U.S. Government Identified Risks but Has Not incorporated Lessons Learned from Experience in Egypt

Consistent with their agencies' policies and internal control standards, State and USAID identified potential risks as far back as 2005 with directly funding democracy and governance assistance in Egypt, but noted that it was difficult to assess the extent and specific nature of these risks in the aftermath of the revolution, given the significant political changes that had just taken place. Also consistent with their agencies' policies and internal control standards, State and USAID have taken some steps as far back as 2005 to plan for managing the risks of providing democratic and governance assistance, but they have not taken steps to incorporate lessons learned from the events leading up to and including the prosecution of U.S.-funded NGOs in Egypt into their risk

management plans. We have previously reported on the importance of lessons learned in planning agencies' activities.

The U.S. Government Identified Potential Risks with Directly Funding Democracy and Governance Assistance in Egypt

Consistent with its policies, as well as internal control standards, the U.S. government identified potential risks in providing democracy and governance assistance in Egypt. Both State's *Foreign Affairs Manual* and USAID's *Automated Directives System* emphasize the need for program managers to identify and assess potential risks to their programs.¹² State and USAID's requirements reflect and incorporate the *Standards for Internal Control in the Federal Government*, which states that internal control should provide for an assessment of the risks the agency faces from both external and internal sources.¹³ These internal control standards note that agency managers need to comprehensively identify risks and should consider all significant interactions between the agency and other parties.

The U.S. government has identified potential risks in implementing its democracy and governance assistance in Egypt since it began directly funding organizations, including unregistered NGOs, in 2005. U.S. officials and documentation noted that such assistance has been an ongoing source of tension with the Egyptian government since then. For example, beginning in 2005, the Egyptian government made repeated requests for USAID to stop funding Egyptian organizations that were not registered with the Ministry of Social Solidarity as NGOs or U.S. organizations that did not have a standing agreement with the Ministry of Foreign Affairs. The Egyptian government claimed that such direct assistance was a violation of the agreement reached between the two countries prior to the passage of the Brownback Amendment. However, the U.S. government disagrees with this interpretation of the agreements between the two countries. For example, U.S. government officials repeatedly noted that the Egyptian Foreign Minister had acknowledged that the Egyptian government did not have veto power over U.S.-funded democracy and governance activities. However, according to documents we reviewed, the Foreign Minister had also stated that Egypt did not favor

¹²State, *Foreign Affairs Manual*, 2 FAM 020 and USAID, *Automated Directives System*, ADS Chapter 201.

¹³GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

direct funding for democracy and governance activities and retained the right to be kept fully informed of these activities and that the entire process should be undertaken in full respect of the relevant Egyptian laws. The Egyptian Minister of International Cooperation said that direct funding of NGOs that had not completed the required registration procedures is a violation of Egyptian law.

The U.S. government further identified the risks of directly funding democracy and governance assistance in 2009, when the Egyptian government threatened to not allow all USAID assistance in Egypt for fiscal year 2009 if USAID did not stop directly funding unregistered organizations.

In planning for the implementation of the \$65 million in funding for democracy and governance assistance after the January 2011 revolution, the U.S. government identified the potential risk that the Egyptian government would object to the planned assistance. According to State and USAID officials, after the revolution, U.S. government officials determined that USAID would once again directly fund organizations, including unregistered NGOs, as part of an expansion of its democracy and governance programming in Egypt. The U.S. government acknowledged potential risks with this approach. For example, in a March 14, 2011, memo approving the planned use of the \$65 million in democracy and governance assistance funds, USAID noted that the Egyptian government would potentially object to USAID's intention to fund organizations that had not been registered to operate in the country and specifically noted the possible risks of funding IRI and NDI.

While the U.S. government acknowledged potential risks, State and USAID officials also noted that it was difficult to assess the extent and specific nature of these risks in the aftermath of the revolution, given the significant political changes that had just taken place. For example, USAID officials stated that given the nature of the revolution, some U.S. government officials believed that the Egyptian government would embrace democratic change and that it would be more inclusive in regulating NGOs and other civil society organizations. Additionally, State and USAID stated that ambiguities in Egyptian law and its inconsistent application also complicated assessments of risk. According to U.S. government and NGO officials, the Egyptian government provided conflicting information regarding the legal status of some NGOs receiving U.S. funds. For example, officials from two of the prosecuted NGOs stated that they had received assurances from the Egyptian Ministry of Foreign Affairs that their registration paperwork was in order and that their

registration applications would be approved shortly, before the raids on their offices took place in December 2011. In addition, the Egyptian government accredited IRI and NDI to serve as monitors during the parliamentary elections in November and December 2011 and January 2012, which U.S. and NGO officials noted led many to interpret that the Egyptian government was supportive of the two organizations' activities.

The U.S. Government Has Taken Some Steps to Manage Risks, but Has Not Taken Steps to Incorporate Lessons Learned from Egypt

State and USAID have taken some steps to plan for managing the risks of providing democratic and governance assistance, but have not taken steps to incorporate lessons learned from their experience in Egypt. Both State's *Foreign Affairs Manual* and USAID's *Automated Directives System* emphasize the need for agencies to not only assess risk, but also plan ways to manage those risks that are identified.¹⁴ In addition, *Standards for Internal Control in the Federal Government* states that once risks have been identified, they should be analyzed for their possible effect.¹⁵ The standards note that such risk analysis generally includes estimating the risk's significance, assessing the likelihood of its occurrence, and deciding how to manage the risk and what actions should be taken. USAID's *Automated Directives System* also notes that lessons learned should be incorporated in USAID's planning efforts.¹⁶ State's *Foreign Affairs Manual* does not address lessons learned specifically; however, we have previously reported on the importance of lessons learned in planning agencies' activities. We have reported that the use of lessons learned is a principal component of an organizational culture committed to continuous improvement, which serves to communicate acquired knowledge more effectively and to ensure that beneficial information is factored into planning, work processes, and

¹⁴State, *Foreign Affairs Manual*, 2 FAM 020 and USAID, *Automated Directives System*, ADS Chapter 201.

¹⁵[GAO/AIMD-00-21.3.1](#).

¹⁶USAID, *Automated Directives System*, ADS Chapter 201.

activities. Lessons learned provide a powerful method of sharing good ideas for improving work processes, quality, and cost-effectiveness.¹⁷

State and USAID have taken some steps to plan for managing the risks of providing democracy and governance assistance in Egypt. USAID officials stated that their actions to regularly notify the Egyptian government of activities that they were directly funding, as the two governments had agreed to, was a means of seeking to manage risks related to their democracy and governance assistance.

In an effort to manage risks globally, State has worked with other international partners to create an assistance fund to support NGOs operating in high-risk environments around the world. State and its partners launched the fund in July 2011 with initial funding of \$4 million donated by 13 countries, including the United States. The fund is designed to provide emergency financial assistance to NGOs, including for legal costs, and to support advocacy initiatives on behalf of NGOs operating in hostile environments.¹⁸

In addition, USAID, in conjunction with State, issued a global cable in April 2013 that identified increasing risks to NGOs and other civil society organizations around the world and provided missions operating in such environments with guidance on how they could work to counter such threats. The cable suggests that missions focus on three key areas: prevention, adaptation, and the development of innovative approaches. The cable recommends that USAID missions:

- make prevention a focus by monitoring legal restrictions on civil society, and by developing real-time responses to threats to civil society through diplomatic pressure and support for local civil society organization advocacy efforts;

¹⁷See GAO, *Telecommunications: GSA Needs to Share and Prioritize Lessons Learned to Avoid Future Transition Delays*, [GAO-14-63](#) (Washington, D.C., Dec. 5, 2013). We identified the lessons learned practices in [GAO-14-63](#) primarily using our previous work reported in GAO, *NASA: Better Mechanisms Needed for Sharing Lessons Learned*, [GAO-02-195](#) (Washington, D.C.: Jan. 30, 2002), and a report from the Center for Army Lessons Learned, *Establishing a Lessons Learned Program: Observations, Insights, and Lessons* (Fort Leavenworth, Kansas.: June 2011). The practices we identified are based on research, interviews, and experience.

¹⁸According to State officials, none of the four prosecuted NGOs requested support from the fund, but stated they would have been eligible for support.

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- make adaptation a focus by helping organizations to continue fulfilling their missions in the face of new regulations and enhancing their flexibility to adapt quickly to changing conditions, and engage and enhance civil society organizations in all development; and
 - make the development of innovative approaches a focus by working through intermediaries, third countries, or regional platforms with a focus on information security and technology to provide virtual assistance.

However, the cable does not provide any guidance for specific countries, including Egypt. One of the USAID officials who led the effort to develop the cable noted that USAID would like to develop more specific guidance for individual countries to help missions better manage risk.

While State and USAID have taken some steps to manage potential risks associated with democracy and governance assistance, they have not taken steps to document and incorporate lessons learned from the experience of attempting to directly fund democracy and governance assistance in Egypt, which could help guide future U.S. efforts in Egypt and other potentially challenging environments. Both State and USAID officials noted that their democracy and governance activities in Egypt will continue to face potential risks going forward if the current challenging environment in the country persists. USAID officials said that issues related to potential future risks will still need to be addressed. For example, USAID officials noted that since the NGO trial began, USAID has revised its *Automated Directives System* to require missions to conduct risk analysis as part of the development of their Country Development Cooperation Strategies.¹⁹ However, as of June 2014, USAID had not completed such a strategy for Egypt and USAID officials stated that they had set no specific date for work on the strategy to begin. As noted in agency policy documents, internal control standards, and previous GAO work, State and USAID would benefit from the further development of plans to manage future risks to their democracy and governance assistance in Egypt that incorporate lessons learned from their experiences in Egypt.

¹⁹USAID, *Automated Directives System*, Chapter 201 Planning.

The U.S. Government Provided the NGOs Prosecuted in Egypt with Diplomatic, Legal, Financial, and Grant Flexibility Support

From the time after the December 2011 raids through the conviction of the NGO workers in June 2013, the U.S. government took a number of actions to support the four U.S. NGOs prosecuted in Egypt—Freedom House, ICFJ, IRI, and NDI. These actions included providing the NGOs with diplomatic, legal, financial, and grant flexibility support. Two prosecuted NGOs noted certain areas where they needed additional support from the U.S. government.

The U.S. Government Provided Diplomatic Support to the Prosecuted U.S. NGOs

The U.S. government undertook a range of diplomatic to defend the employees of the four U.S. NGOs. Both U.S. officials at the embassy and senior officials from Washington, D.C. met repeatedly with officials in the Egyptian government, including the Egyptian armed forces, and the Morsi administration in an attempt to reach a diplomatic resolution to the issue. For example, as part of its diplomatic efforts, the U.S. government held a series of ultimately successful negotiations with the Egyptian government to have the travel ban on the U.S. employees of the NGOs lifted to enable them to depart the country in advance of the trial. In the interim, before the travel ban was lifted, the U.S. government allowed American staff from the organizations that were in the country and were fearful of being arrested to be housed at the U.S. embassy in Cairo.

The U.S. government also met regularly with officials from the four U.S. NGOs to help them devise strategies for dealing with the Egyptian government.

The U.S. Government Provided Legal and Related Support to the Prosecuted U.S. NGOs

The U.S. government also provided legal support to the four U.S. NGOs. State representatives attended various hearings during the course of the trial and State and Department of Justice lawyers worked with the NGOs' attorneys to develop legal strategies. State and Department of Justice attorneys provided assistance by working to have Interpol "red notices" filed by the Egyptian government overruled. If these notices had been left to stand, the U.S. NGO employees would have been subject to arrest upon arrival at international ports of entry in countries that are Interpol members, according to State and NGO officials. In addition, State provided assistance to the convicted U.S. NGO employees by writing a letter that stated that the U.S. government did not consider the convictions valid, which was signed by the Deputy Assistant Secretary of

State for Democracy, Human Rights, and Labor, according to State and NGO officials.

The U.S. Government Provided Financial Support to the Prosecuted U.S. NGOs

The U.S. government provided financial support to the four U.S. NGOs by allowing them to use funding from their grants to pay for legal fees, court costs, fines, and other associated costs related to their trial. State and USAID exercised their authority under Section 636(b) of the Foreign Assistance Act to allow for the organizations to use funding from their grants for such costs.²⁰ USAID reported that NDI, IRI, and ICFJ used a total of \$3.1 million in grant funds on legal costs associated with the trial. In addition, State DRL reported that NDI, IRI, and ICFJ used a total of \$1.7 million, and MEPI reported that Freedom House used a total of \$94,000 in grant funds on legal costs associated with the trial. According to State officials, the amount of grant money that each organization used for legal costs was based on the amount the organizations had requested from State and USAID and the organizations' grant amounts. State and USAID officials noted that the organizations may use additional grant funds for legal costs in the future. Table 2 summarizes the amounts of U.S. funding from their grants used by the four organizations for their legal costs, as of June 2014.

Table 2: Amounts of U.S. Grant Funding Used by the Four U.S. Nongovernmental Organizations for Legal Costs Associated with Their Prosecution in Egypt, as of June 2014

Agency	Freedom House	International Center for Journalists	International Republican Institute	National Democratic Institute	Total
USAID	0	\$50,000	\$976,286	\$2,080,893	\$3,107,179
State					
DRL	0	\$304,000	\$548,010	\$842,265	\$1,694,275
MEPI	\$94,125	0	0	0	\$94,125
Total	\$94,125	\$354,000	\$1,524,296	\$2,923,158	\$4,895,579

Legend: USAID = U.S. Agency for International Development; State = Department of State; DRL = Department of State Bureau of Democracy, Human Rights, and Labor; MEPI = Department of State Middle East Partnership Initiative.

Source: GAO analysis of USAID and State data. | GAO-14-799

²⁰The fiscal year 2014 Consolidated Appropriations Act states that "the Secretary of State may reduce the amount of assistance for the central Government of Egypt under the heading 'Economic Support Fund' by an amount the Secretary determines is equivalent to that expended by the United States Government for bail, and by nongovernmental organizations for legal and court fees, associated with democracy-related trials in Egypt." Pub. L. No. 113-76, § 704(a) 128 Stat. 5, 522 (2014).

Note: Legal costs include legal fees, court costs, fines, and other associated costs related to the prosecutions.

In addition, three of the NGOs reported that they were allowed to use funding from their grants to pay for other personnel-related costs of employees convicted in the case. State DRL officials also noted that the bureau used one of its rapid-response mechanisms to provide emergency support to an employee of one of the NGOs, who requested assistance out of fears for his safety and that of his family, given the hostility that the prosecuted NGO employees faced from many in the Egyptian public.

The U.S. Government Provided Grant Flexibility Support to the Prosecuted U.S. NGOs by Approving Modifications to Their Grants

The U.S. government also supported the four U.S. NGOs by approving various modifications to their grants that allowed them to adjust the planned activities under their projects, given the constraints the organizations were facing. State and USAID both approved extensions to the period of performance for the grants to allow the organizations to continue using grant funding for their operations during the duration of the trial. State and USAID also approved other grant modifications to allow the organizations to modify their programming when various planned activities became unfeasible because of the trials. For example, when Freedom House determined that it was no longer feasible to continue its work with civil society organizations in Egypt, MEPI allowed Freedom House to instead submit a report on challenges faced by civil society organizations in Egypt. In addition, when it became clear that NDI would not be able to develop a media center in Cairo for political groups to use, as it had originally planned to do as part of its grant, USAID allowed NDI to instead develop online tools for these political groups to use.

Two of the Four NGOs Identified Areas Where They Needed Additional Support from the U.S. Government

In general, the four prosecuted U.S. NGOs did not identify many areas where they required additional support from the U.S. government; however, officials from two NGOs did raise certain issues related to U.S. government support. Officials from one NGO noted that it had taken almost a year for State to provide the letters for that organization's employees stating that the U.S. government did not recognize the convictions, but noted that the letters were eventually provided. In addition, an official from this organization noted that the NGO had requested that the U.S. government help one of its Egyptian employees, who is now living in exile, for help finding employment in the United States, but that the U.S. government had not provided assistance to date. Officials from a different NGO noted that they had requested that the U.S. government take the matter to an international dispute mechanism

because the organization believed that the trial was essentially a dispute between the U.S. and Egyptian governments.

The Prosecution of NGO Workers Affected U.S. Democracy and Governance Assistance in Egypt

The trial of employees of four U.S. NGOs—Freedom House, ICFJ, IRI, and NDI—from 2012 to 2013 significantly affected U.S. democracy and governance assistance in Egypt. Specifically, the four organizations that were prosecuted by the Egyptian government are no longer conducting activities inside Egypt. The NGO trial exacerbated existing challenges for some of the other NGOs implementing U.S. democracy and governance programs. Since the start of the trial in February 2012 the amount of funding that State and USAID have awarded for new or ongoing democracy and governance projects in Egypt has significantly decreased, going from about \$72 million in 2011 to about \$6 million in 2013. The trial also made certain types of democracy and governance activities more challenging for the U.S. government to fund in Egypt.

The Four Prosecuted U.S. NGOs Are No Longer Conducting Democracy and Governance Programming inside Egypt

The trial of Freedom House, ICFJ, IRI, and NDI employees from February 2012 through June 2013 affected the ability of these organizations to conduct their democracy and governance activities in Egypt and resulted in funds being redirected for legal costs related to the trial. These four organizations made up a significant portion of USAID's and State's democracy and governance assistance after the 2011 revolution, accounting for about \$32 million, or nearly half, of the approximately \$65 million in democracy and governance initially awarded after the revolution. However, approximately \$4.9 million of the State and USAID funding for these NGOs was spent on legal costs, rather than on program activities.

As a result of the trial, the four prosecuted NGOs are no longer conducting democracy and governance programming inside Egypt, and three have moved to online and other methods of delivering trainings for Egypt. According to a Freedom House official, Freedom House continued some of its activities until the verdict, in June 2013. After the verdict, according to a Freedom House official, Freedom House stopped all of its programming in Egypt and has since received no U.S. government funding for programming in Egypt. According to ICFJ officials, ICFJ stopped all of its activities in Egypt after its offices were raided in December 2011. After the raids on their offices, IRI and NDI observed the Egyptian parliamentary elections in January 2012, but did not conduct any further activities in Egypt. ICFJ, IRI, and NDI continued some of their activities through on-line training modules and held some trainings using

other methods, according to officials from these NGOs. In November 2012, NDI launched an online learning portal with training modules on long-term political party development, campaign planning, election monitoring, and civil society development, among others.

The NGO trial adversely affected the results that the four prosecuted organizations could achieve with their Egypt programming. USAID's 2012 review of democracy and governance assistance in Egypt found that the trial had an adverse effect on the results that IRI and NDI could achieve. Both organizations cancelled numerous activities as a result of the raids and the initiation of the trial. IRI and NDI cancelled election observation, voter education activities, and political party development trainings, among others. In addition, NDI closed civil society resource centers in Egypt and stopped plans to establish a media center for training political parties and candidates in Egypt. According to IRI officials, after the 2011 revolution, IRI's democracy and governance activities were able to reach more than 24,000 direct beneficiaries in Egypt, but since the June 2013 verdict, IRI programs have reached fewer than 500. Before the raids in 2011, NDI conducted public opinion research through 43 focus groups on voter attitudes among women and youth and shared the results with 23 political parties participating in the 2011-2012 parliamentary elections. Because of the trial, however, NDI was unable to conduct any further focus group sessions. Similarly, Freedom House and ICFJ also canceled activities. According to State officials, Freedom House had been planning to build the capacity of Egyptian civil society organizations, but could not complete the task after the trial began and instead submitted a report on the challenges faced by civil society in Egypt. According to ICFJ officials, ICFJ's activities were limited by the trial, as it could no longer carry out any trainings of citizen journalists in Egypt. ICFJ's citizen journalist trainings are now done online or using other methods.

**The NGO Trial
Exacerbated Existing
Challenges for Some, but
Not All, of the Other NGOs
Implementing Democracy
and Governance
Assistance in Egypt**

For some, but not all, of the other NGOs conducting U.S.-funded democracy and governance programs in Egypt, the 2012 trial exacerbated challenges to their efforts. NGOs receiving foreign funding in Egypt reported that they had faced challenges in implementing their activities well before the 2011 revolution and 2012 trial. For example, some Egyptian NGOs reported experiencing delays in getting approval from the Ministry of Social Solidarity to receive foreign funding since at least 2009. In addition, some U.S.-based NGOs reported facing delays in the registration process prior to 2011. One U.S.-based NGO applied for registration in 2005, but did not receive it until 2010, according to an official from that organization. However, after the revolution and raids on

NGOs' offices in 2011, some U.S.-funded NGOs were able to successfully implement their democracy and governance projects. For example, one U.S.-based NGO, which had obtained registration, was able to implement a project on election administration, electoral processes, and citizen participation after the revolution and raids. After the raids on a number of NGOs' offices in December 2011, NGO officials reported that some groups were initially reluctant to accept U.S. government funding, to include U.S. government branding on their materials, and to participate in U.S.-funded projects.

The trial exacerbated an already challenging environment for Egyptian civil society organizations. According to USAID reviews of its democracy and governance assistance in 2011 and 2012, negative press reports in the Egyptian media about civil society organizations affected the ability of civil society organizations to operate. Such organizations were portrayed by the Egyptian media as spies because they were receiving foreign funding, according to NGO officials with whom we spoke in Egypt. USAID grantees reported facing delays in getting Egyptian government approval for their activities several months before and during the time period of the trial. A 2012 report by the USAID Inspector General found that in March 2012, 12 of the 24 NGOs to which USAID had awarded grants after the 2011 revolution—with activities worth \$28.5 million—were not on track to achieve their goals. According to the Inspector General's report, although the program began in April 2011, at least 7 of the 16 Egyptian organizations had not received Egyptian government approval to receive foreign funding by March 2012, with 1 organization's approval denied and other organizations' activities delayed up to 11 months after USAID had awarded their grants.²¹ According to USAID officials, USAID eventually terminated three of its grants because the organizations implementing the grants determined that they were not able to meet their program objectives, which may have stemmed in part from delays or a lack of approval to receive foreign funding. State/MEPI officials noted that some of the NGOs that they funded in 2011 withdrew from their grants for similar reasons.

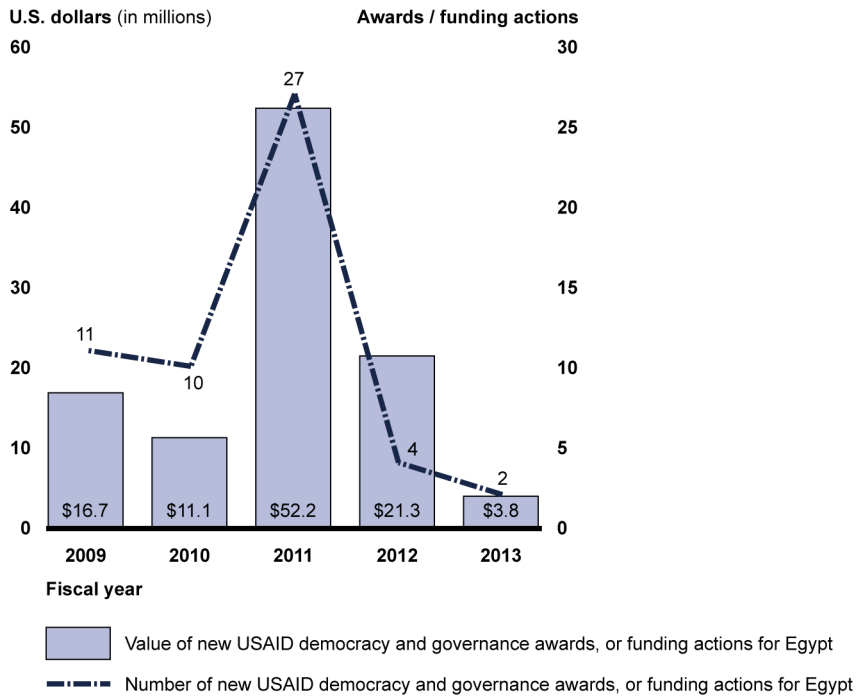
²¹ USAID, Office of Inspector General, *Audit of USAID/Egypt's Transition Support Grants Program*, 6-263-13-002-P (Cairo, Egypt: October 2012).

The Amount of Funding and Number of Grants Awarded for Democracy and Governance Projects in Egypt Decreased after the NGO Trial

Since the beginning of the NGO trial in 2012, the number and total dollar value of grants awarded for democracy and governance activities in Egypt has decreased. U.S. officials noted that the NGO trial and the hostile environment it created for democracy and governance assistance contributed to this decrease. In addition, they noted that other factors also contributed to the significant decrease in democracy and governance funding awarded in fiscal years after 2011. For example, due to changing circumstances in Egypt, USAID did not submit a notification to Congress of its intent to obligate fiscal year 2012 funds for democracy and governance assistance to Egypt until February 2014 and did not submit a notification to Congress of its intent to obligate fiscal year 2013 funds for democracy and governance assistance to Egypt until May 2014. According to our review of USAID and State data, between fiscal year 2009 and March 31, 2014, USAID has awarded about \$108 million and State has awarded about \$32 million for democracy and governance assistance to Egypt. With the use of \$65 million in prior year ESF funding in 2011, State and USAID significantly increased the number of democracy and governance activities that they funded in Egypt.²² For example, USAID almost tripled the number of grants it awarded for democracy and governance from 10 grants in fiscal year 2010 to 27 grants in fiscal year 2011. In addition, MEPI awarded 53 grants for democracy and governance in Egypt in fiscal year 2011, compared with 24 grants in fiscal year 2010. However, as shown in figures 2 and 3 below, the amount of funding and number of grants awarded for democracy and governance assistance to Egypt have decreased significantly since fiscal year 2011. For example, the amount of funding that USAID awarded declined by nearly 60 percent from fiscal year 2011 to fiscal year 2012, going from about \$52 million to about \$21 million. It declined further to about \$4 million in fiscal year 2013. The number of grants USAID awarded declined from 27 in fiscal year 2011, to 4 in fiscal year 2012, to 2 in fiscal year 2013 (see fig. 2).

²² The \$65 million in post-revolution assistance, which led to a large increase in the value and number of democracy and governance awards in fiscal year 2011, was funded through no-year and fiscal year 2010 ESF funding.

Figure 2: New U.S. Agency for International Development (USAID) Democracy and Governance Awards or Funding Actions for Egypt, Fiscal Years 2009-2013

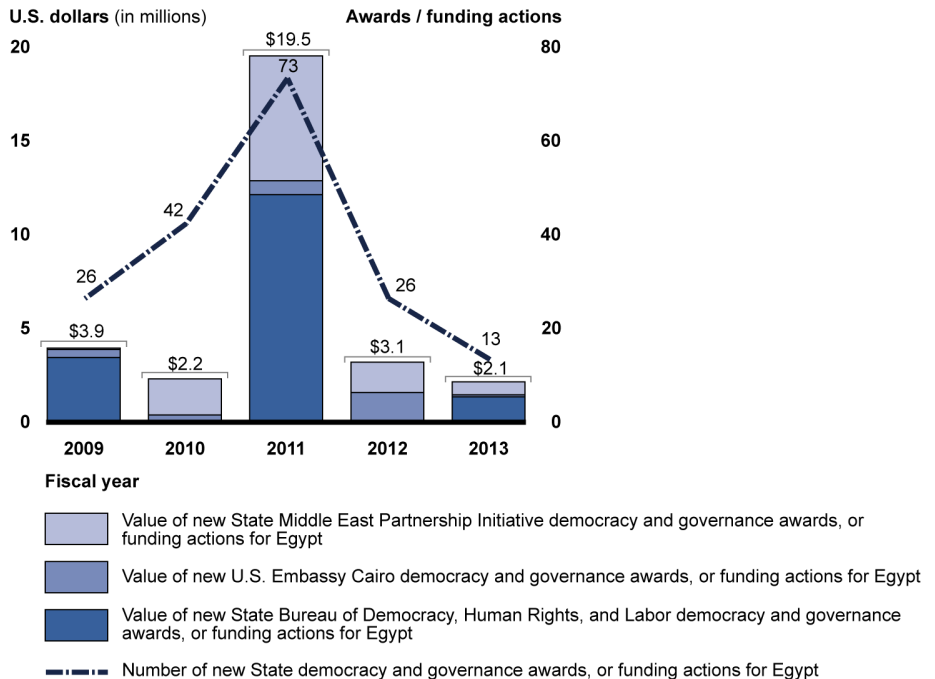


Source: GAO analysis of USAID data. | GAO-14-799

Note: In fiscal year 2014, USAID had funded 2 awards valued at \$3.4 million, as of March 31, 2014. From fiscal year 2009 through March 31, 2014, USAID has awarded a total of about \$108 million in democracy and governance assistance. Fiscal year breakdowns are based on the fiscal year in which the award/program started. Awards may draw upon funding appropriated in multiple fiscal years.

The amount of funding that State awarded for democracy and governance assistance declined approximately 84 percent, from about \$20 million in fiscal year 2011 to approximately \$3 million in fiscal year 2012. It declined further to about \$2 million in fiscal year 2013. The number of grants that State awarded declined from 27 in fiscal year 2011, to 4 in fiscal year 2012, to 2 in fiscal year 2013, as shown in figure 3 below.

Figure 3: New Department of State (State) Democracy and Governance Awards or Funding Actions for Egypt, Fiscal Years 2009-2013



Source: GAO analysis of State data. | GAO-14-799

Note: State did not list a start date for 14 awards with a total value of \$397,399 managed by the U.S. embassy in Cairo. We did not include these awards in this analysis. State listed the start date for 11 awards managed by the U.S. embassy in Cairo as 2009, without noting the month when the award began. We include these grants as part of fiscal year 2009 for the purposes of this analysis. In fiscal year 2014, State had funded 12 awards valued at \$1.2 million, as of March 31, 2014. From fiscal year 2009 through March 31, 2014, State has awarded a total of about \$32 million in democracy and governance assistance. Fiscal year breakdowns are based on the fiscal year in which the award/program started. Awards may draw upon funding appropriated in multiple fiscal years.

As of March 31, 2014, USAID had disbursed about \$75 million of the approximately \$108 million it awarded for democracy and governance activities that began in fiscal year 2009 through March 31, 2014. USAID continued to manage 17 active democracy and governance awards in Egypt as of March 31, 2014. As of June 30, 2014, State had disbursed about \$22 million of the approximately \$32 million it awarded for democracy and governance activities in fiscal years 2009 through March 31, 2014. State continued to manage 37 active democracy and governance awards in Egypt as of March 31, 2014.

The NGO Prosecutions Made Some Democracy and Governance Activities More Challenging for the U.S. Government to Fund in Egypt

After the conclusion of the NGO trial, some democracy and governance activities have become more challenging for State and USAID to fund in Egypt. State and USAID are not funding new political party strengthening activities given the environment in Egypt after the NGO trial as of March 31, 2014. IRI and NDI had been conducting such activities in Egypt prior to the trial, but are no longer operating in Egypt.²³ State officials noted that funding other NGOs to conduct this type of activity in Egypt is possible, but that it would be challenging to do so. According to USAID, as of February 2014, the U.S. government is focusing its democracy and governance assistance in areas that aim to support more transparent and participatory political processes, more responsive and accountable governance, and more effective civil society and human rights activities. For example, a USAID and MEPI-funded NGO observed the January 2014 constitutional referendum and May 2014 presidential election. Both State and USAID officials emphasized the need to be flexible in their programming to respond to any opportunities that may arise to fund democracy and governance activities in Egypt in the future. State officials noted that various issues have affected the ability of the U.S. government to implement its democracy and governance programming in Egypt beyond just the NGO prosecutions, including the U.S. government's relationship with the government of Egypt, policy considerations regarding different types of programming, and the ability to safely implement programming in a highly complex and rapidly changing environment.

Conclusions

The United States and Egypt have been longstanding military and political allies over the past three decades. The United States has provided billions of dollars in military and economic assistance to Egypt and partnered with Egypt on a range of security efforts in the region. While much of the U.S. and Egyptian governments' relationship is anchored in shared security interests, the United States has also sought to support Egypt's progress toward democracy, particularly after the January 2011 revolution.

There are certain inherent risks associated with the U.S. government's provision of democracy and governance assistance around the world, as the ruling government or other powerful entities may view such

²³However, IRI and NDI have online training modules on political party strengthening and development that they are conducting as part of their grant activities for Egypt until those grants end in the fall of 2014.

assistance as running counter to their interests. However, the U.S. government may decide that it is willing to accept such risks if it determines that it has a clear foreign policy interest in supporting progress toward democracy in a country, as it did in Egypt. The U.S. government cannot ensure that there will be no unintended or adverse consequences in providing democracy and governance assistance, but it can take steps to identify and manage potential risks. In planning its significant expansion of democracy and governance assistance in Egypt after the 2011 revolution, the U.S. government identified potential risks, given the Egyptian government's past objections to the direct funding of NGOs to promote democracy dating back to 2005. Subsequent Egyptian government actions, including the prosecution of the four U.S. NGOs, demonstrated the extent of the risk that the U.S. government faced in supporting such efforts in Egypt. As a result of these actions, a portion of U.S. democracy and governance assistance was not used for its original purpose.

The U.S. government has stated its intent to continue to support Egypt's and other countries' progress toward democracy. The U.S. government will likely continue to face risks in implementing such assistance. Accordingly, it is vital that the U.S. government be able to apply lessons learned from past experience as it moves forward with funding future democracy and governance assistance efforts.

Recommendation for Executive Action

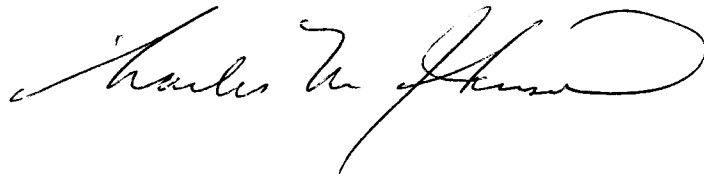
To help ensure that State and USAID are better positioned to respond to unintended or adverse consequences related to their future democracy and governance assistance in Egypt and other countries, we recommend that the Secretary of State and the USAID Administrator take steps to identify lessons learned from their experiences in Egypt and work to incorporate these lessons into plans for managing risks to their future democracy and governance assistance efforts.

Agency Comments

We provided State and USAID with a draft of this report for their review. Both agencies provided technical comments, which we incorporated as appropriate. State and USAID also provided written comments, which are reproduced in appendixes II and III, respectively. In their written comments, State and USAID concurred with our recommendation and noted certain steps they are already taking that they can build on in responding to our recommendation.

We are sending copies of this report to the appropriate congressional committees, the Secretary of State, and the Administrator of USAID. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-7331 or johnsoncm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made contributions to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read "Charles M. Johnson, Jr.", with a large, stylized loop at the end.

Charles Michael Johnson, Jr.
Director, International Affairs and Trade

Appendix I: Scope and Methodology

The objectives of this review were to examine (1) the extent to which the U.S. government identified and managed potential risks of providing U.S. democracy and governance assistance in Egypt; (2) what support, if any, the U.S. government provided to the nongovernmental organizations (NGO) prosecuted by the Egyptian government; and (3) the extent to which U.S. democracy and governance assistance in Egypt has been affected, if at all, by the prosecution of NGO workers.

To address all three objectives, we interviewed officials at the Department of State (State) and the U.S. Agency for International Development (USAID) who manage or coordinate democracy and governance assistance in Egypt. In Washington, D.C., we interviewed officials at State's Bureau of Near Eastern Affairs who coordinate foreign assistance for Egypt, including democracy and governance assistance; officials who manage democracy and governance assistance provided through the Middle East Partnership Initiative (MEPI), and officials from State's Bureau of Democracy, Human Rights, and Labor who manage assistance for Egypt. We also interviewed officials at USAID's Bureau for the Middle East who coordinate assistance for Egypt, including democracy and governance assistance. At the U.S. embassy in Cairo, we interviewed officials who manage democracy and governance assistance, including State and USAID officials who participate in the Democracy Working Group, a State official from the Public Affairs section, and State officials in the political section who manage MEPI's local grants program for Egypt. At the USAID mission in Cairo, we interviewed officials in USAID's Democracy and Governance Office.

To examine the extent to which the U.S. government identified the potential risks of providing U.S. democracy and governance assistance in Egypt, we reviewed memos approving democracy and governance assistance for Egypt, letters between the U.S. and Egyptian governments discussing the provision of democracy and governance assistance, State cables describing Egyptian government concerns with U.S. assistance, and implementing assistance agreements between the United States and Egypt regarding democracy and governance assistance. We also applied the *Standards for Internal Control in the Federal Government*.¹ To determine agency policies for conducting risk assessments, we reviewed

¹GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999)

State's *Foreign Affairs Manual*² and USAID's *Automated Directives System*.³ We also reviewed a State cable dated April 18, 2013, that describes challenges and responses for supporting civil society organizations, including those that implement democracy and governance programs, in restrictive environments. We reviewed U.S. laws related to democracy and governance assistance. We also reviewed Egyptian Law 84 of 2002, which outlines the legal requirements for Egyptian and foreign NGOs to operate in Egypt and the requirements for Egyptian NGOs to receive foreign funding. The opinions on the requirements of Egyptian law expressed in this report reflect the views of entities and individuals we interviewed, not an official position on the part of GAO. We interviewed State and U.S. officials who manage or coordinate democracy and governance assistance for Egypt in Washington, D.C., and Cairo, Egypt. In addition, we interviewed a senior official at the Egyptian Ministry of International Cooperation responsible for coordinating U.S. assistance, including democracy and governance assistance. We also interviewed Egyptian government officials from the Ministries of Foreign Affairs, International Cooperation, and Social Solidarity—the three ministries that coordinate bilateral assistance with the United States or authorize the registration of organizations that implement U.S.-funded democracy and governance assistance.

To examine what support, if any, the U.S. government provided to the NGOs prosecuted by the Egyptian government, we interviewed and obtained written responses from officials at the four U.S.-funded NGOs that were prosecuted—Freedom House, the International Center for Journalists (ICFJ), the International Republican Institute (IRI), and the National Democratic Institute (NDI). We reviewed quarterly and final progress reports for their U.S.-funded projects and modifications made to their grant agreements with State and USAID. We interviewed State and USAID officials in Washington, D.C., and Cairo, Egypt; reviewed State cables describing assistance provided to the prosecuted NGOs; and reviewed a State document providing legal advice to the NGOs. We also obtained information from State and USAID on the amounts of grant

² State, *Foreign Affairs Manual*, vol. 2, 2 FAM 020, Management Controls (Washington, D.C.: Jan 25, 2013).

³ USAID, *Automated Directives System*, Chapter 201 Planning (Washington, D.C.: Sept. 30, 2013).

funding the agencies authorized to be used for legal and related costs associated with the prosecutions.

To examine the extent to which U.S. democracy and governance assistance in Egypt may have been affected by the prosecution of NGO workers, we interviewed officials from State and USAID in Washington, D.C., and Cairo, Egypt, that manage or coordinate this assistance. We interviewed and obtained written responses from officials at the four U.S.-funded NGOs that were prosecuted—Freedom House, ICFJ, IRI, and NDI. We also conducted roundtable discussions in Cairo, Egypt, with 17 other organizations that had received U.S. funding to implement democracy and governance activities in Egypt from fiscal years 2009 through 2013, but were not prosecuted. We selected this nongeneralizable sample of organizations to ensure representation among the four democracy and governance program areas (civil society, good governance, rule of law and human rights, and political competition and consensus building); U.S., Egyptian, and international organizations; organizations that received small and large amounts of U.S. funding; organizations whose U.S.-funded projects had varying start and end dates; and organizations funded by State and USAID. We reviewed documentation from State and USAID that described challenges implementing democracy and governance in Egypt during fiscal years 2009 through 2013. This documentation included annual portfolio reviews of USAID's democracy and governance assistance in Egypt, annual performance reports prepared by the U.S. embassy in Cairo, various State and USAID strategy documents and resource requests, and State cables. We also reviewed progress reports for projects implemented by the four NGOs that were prosecuted and the organizations that participated in our roundtable discussions. We obtained and analyzed data from State and USAID on all democracy and governance awards that the agencies funded from fiscal year 2009 through March 31, 2014. We determined that these data were sufficiently reliable for the purposes of reporting on the number and value of awards made by State and USAID for democracy and governance programming in Egypt from fiscal year 2009 through March 31, 2014.

We conducted this performance audit from November 2013 to July 2014 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.

Appendix II: Comments from the Department of State



United States Department of State
Comptroller
P.O. Box 150008
Charleston, SC 29415-5008

JUL 19 2014

Dr. Loren Yager
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001


Dear Dr. Yager:

We appreciate the opportunity to review your draft report, "DEMOCRACY ASSISTANCE: Lessons Learned from Egypt Should Inform Future U.S. Plans" GAO Job Code [REDACTED].

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 Ryan Cooper, Foreign Affairs Officer, Bureau of Near Eastern Affairs, office of Assistance Coordinator at (202) 736-8545.

Sincerely,


Christopher H. Flagg, Acting

Enclosure:
As stated.

cc: GAO – Charles Michael Johnson Jr.
NEA – Gerald Feierstein
State/OIG – Norman Brown

Department of State Comments on GAO Draft Report

**Democracy Assistance: Lessons Learned from Egypt Should Inform Future
U.S. Plans**
([REDACTED], GAO Code [REDACTED])

The Department of State and the United States Agency for International Development welcome the opportunity to comment on the draft report *Democracy Assistance: Lessons Learned from Egypt Should Inform Future U.S. Plans*.

The Department and USAID appreciate the professionalism with which GAO has conducted program audit meetings, data collection, and analysis and GAO's stated willingness to incorporate the Department's and USAID's technical comments into the final GAO report. The Department and USAID also thank GAO for its careful handling of the sensitive details of U.S. democracy assistance in Egypt.

GAO's report makes one recommendation, that the Department of State and USAID incorporate lessons learned from their experience in Egypt into risk management plans for future democracy and governance assistance efforts in Egypt and other countries.

The Department and USAID concur with GAO's recommendation. The Department and USAID will incorporate lessons learned into its strategic planning efforts moving forward to manage risk as it continues to support democracy and governance assistance efforts in Egypt and other countries.

This will build on similar ongoing initiatives. In Egypt, the interagency Democracy Working Group – which includes State Department and USAID – continuously reevaluate opportunities and threats to civil society and democracy and governance programming in light of constantly changing circumstances. This ongoing analysis directly translates into changes in the planning, design and management of State and USAID democracy and governance programming in Egypt. More generally, the Department has established an Assistance Coordination Office in its Bureau of Near Eastern Affairs to track, advise, and share information on all assistance matters across the Middle East and North Africa region, including assistance to Egypt.

Similarly, USAID is focused on applying lessons learned from experiences with closing space for civil society in Egypt and elsewhere. USAID formed an Ad

-2-

Hoc Working Group on Closing Space two years ago in recognition of this growing challenge, and “Closing Space for Civil Society” was the theme of USAID’s Democracy, Human Rights, and Governance Partners’ Forum in June 2014, which provided an opportunity for partners and USAID staff to share their experience with closing spaces and discuss lessons learned and innovative responses. USAID has also increased its global funding to programs that address civil society concerns in challenging environments. This has included ramping up activities that provide analysis on emerging issues relevant to civil society and supporting programs to improve digital security awareness among civil society organizations and actors.

The State Department has also made progress toward meeting this objective globally through strengthening requirements on program contingency plans to include the risk of potential threats from both state and non-state actors. Additionally, DRL has expanded the use of its rapid-response, emergency protection initiatives for embattled civil society organizations to more widely include support to local actors targeted for their participation and activism in human rights and democracy promotion activities. These rapid-response mechanisms have also expanded their scope to include preemptive security and safety training for activists and organizations operating in high-risk environments.

The Department of State and USAID are committed to continuing U.S. democracy assistance to Egypt. We would like to point out that USAID and MEPI, for instance, are managing 31 active projects and intend to and/or have already obligated approximately \$45 million in 2014. DRL continues to support its existing implementing partners as well as provide funding for new human rights and democracy and governance programs in Egypt, with current funding near \$14 million.

The Department of State and USAID thank GAO for the opportunity to respond to the draft report and for the courtesies extended by GAO staff in the conduct of this review.

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



JUL 18 2014

Charles Michael Johnson, Jr.
Director, International Affairs and Trade
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Johnson:

I am pleased to provide USAID's formal response to the Government Accountability Office (GAO) draft report entitled, *DEMOCRACY ASSISTANCE: Lessons Learned from Egypt Should Inform Future U.S. Plans* (GAO-14-799).

This letter, together with the enclosed USAID comments, is provided for incorporation as an appendix to the final report.

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 audit review.

Sincerely,

Angelique M. Crumbly
Assistant Administrator
Bureau for Management
U.S. Agency for International Development

Enclosure: a/s

- 2 -

USAID COMMENTS ON GAO DRAFT REPORT

No. [REDACTED]

Recommendation 1: To help ensure that State and USAID are better positioned to unintended or adverse consequences related to their future democracy and governance assistance in Egypt and other countries, we recommend that the Secretary of State and USAID Administrator take steps to identify lessons learned from their experiences in Egypt and work to incorporate these lessons into plans for managing risks to their future democracy and governance efforts.

USAID Response: The Department of State and the United States Agency for International Development welcome the opportunity to comment on the draft report *Democracy Assistance: Lessons Learned from Egypt Should Inform Future U.S. Plans*.

The Department and USAID appreciate the professionalism with which GAO has conducted program audit meetings, data collection, and analysis and GAO's stated willingness to incorporate the Department's and USAID's technical comments into the final GAO report. The Department and USAID also thank GAO for its careful handling of the sensitive details of U.S. democracy assistance in Egypt.

GAO's report makes one recommendation, that the Department of State and USAID incorporate lessons learned from their experience in Egypt into risk management plans for future democracy and governance assistance efforts in Egypt and other countries.

The Department and USAID concur with GAO's recommendation. The Department and USAID will incorporate lessons learned into its strategic planning efforts moving forward to manage risk as it continues to support democracy and governance assistance efforts in Egypt and other countries.

This will build on similar ongoing initiatives. In Egypt, the interagency Democracy Working Group – which includes State Department and USAID – continuously reevaluates opportunities and threats to civil society and democracy and governance programming in light of constantly changing circumstances. This ongoing analysis directly translates into changes in the planning, design and management of State and USAID democracy and governance programming in Egypt. More generally, the Department has established an Assistance Coordination Office in its Bureau of Near Eastern Affairs to track, advise, and share information on all assistance matters across the Middle East and North Africa region, including assistance to Egypt.

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- 3 -

USAID has also increased its global funding to programs that address civil society concerns in challenging environments. This has included ramping up activities that provide analysis on emerging issues relevant to civil society and supporting programs to improve digital security awareness among civil society organizations and actors.

The Department of State has also made progress toward meeting this objective globally through strengthening requirements on program contingency plans to include the risk of potential threats from both state and non-state actors. Additionally, DRL has expanded the use of its rapid-response, emergency protection initiatives for embattled civil society organizations to more widely include support to local actors targeted for their participation and activism in human rights and democracy promotion activities. These rapid-response mechanisms have also expanded their scope to include preemptive security and safety training for activists and organizations operating in high-risk environments.

The Department of State and USAID are committed to continuing U.S. democracy assistance to Egypt. We would like to point out that USAID and MEPI, for instance, are managing 31 active projects and intend to and/or have already obligated approximately \$45 million in 2014. DRL continues to support its existing implementing partners as well as provide funding for new human rights and democracy and governance programs in Egypt, with current funding near \$14 million.

The Department of State and USAID thank GAO for the opportunity to respond to the report draft and for the courtesies extended by GAO staff in the conduct of this review.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Charles Michael Johnson, Jr., (202) 512-7331, or johnsoncm@gao.gov

Staff Acknowledgments

In addition to the contact named above, Jeff Phillips (Assistant Director), Ryan Vaughan (Analyst-In-Charge), Drew Lindsey, Rachel Dunsmoor, Ashley Alley, Jeff Isaacs, Debbie Chung, Justin Fisher, Oziel Trevino, Tracy Harris, and Kaitlan Doying made major contributions to this report.

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