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January 2022

# FOREIGN ASSISTANCE

## Agencies Should Take Steps to Improve Reporting on Assistance to the Government of Azerbaijan

# GAO Highlights

Highlights of [GAO-22-104619](#), a report to the Chairman, Committee on Foreign Relations, U.S. Senate

## Why GAO Did This Study

For decades, Azerbaijan and its neighbor Armenia have disputed rights to the region of Nagorno-Karabakh; in 2020, this dispute escalated to open conflict. While Section 907 generally restricts U.S. assistance to the government of Azerbaijan, the President may waive this provision. The President delegated to State the responsibility for making the certification necessary to waive the Section 907 restriction and for reporting to Congress on assistance provided pursuant to the waiver.

GAO was asked to review assistance provided under the Section 907 waiver. This report examines (1) amounts and types of assistance provided for Azerbaijan in fiscal years 2002 through 2020, (2) State's processes for determining that conditions exist to extend the waiver and the extent of compliance with related consultation and reporting requirements, and (3) the extent to which agencies have considered the waiver provision when assessing programs that provided assistance to the government of Azerbaijan pursuant to a waiver. GAO analyzed data for fiscal years 2002 through 2021; reviewed agency guidance, processes, and assessments of assistance to the government of Azerbaijan; and interviewed agency officials.

## What GAO Recommends

GAO is making three recommendations—that State ensure its reporting to Congress meets the Section 907 reporting requirement and that State and DOD ensure they document consideration of the Section 907 waiver provision. State and DOD concurred with the recommendations.

View [GAO-22-104619](#). For more information, contact Chelsea Kenney at (202) 512-2964 or [kenneyc@gao.gov](mailto:kenneyc@gao.gov).

January 2022

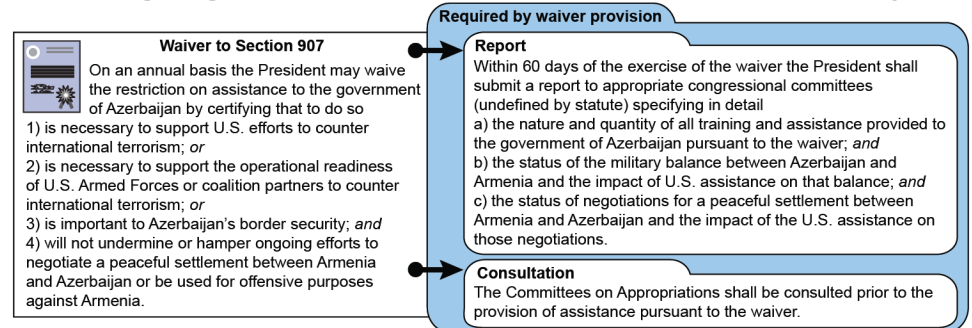
## FOREIGN ASSISTANCE

### Agencies Should Take Steps to Improve Reporting on Assistance to the Government of Azerbaijan

## What GAO Found

Section 907 of the FREEDOM Support Act of 1992 generally prohibits assistance, other than specified support for nonproliferation and disarmament, to the government of Azerbaijan. Subsequent legislation has exempted other types of aid, such as democracy and humanitarian assistance. Since 2002, the President has had the authority to waive the Section 907 restriction annually by certifying certain conditions.

#### Provision Regarding Waiver of Restriction on Assistance to the Government of Azerbaijan



Source: GAO analysis of Pub. L. No. 107-115, 115 Stat. 2129. | [GAO-22-104619](#)

The Departments of State, Defense (DOD), and Energy and the U.S. Agency for International Development reported providing about \$808 million for assistance for Azerbaijan in fiscal years 2002 through 2020. State and DOD reported providing about \$164 million of this amount (20 percent) for security assistance to the government of Azerbaijan pursuant to the Section 907 waiver. Other U.S. agencies' reported categories of assistance—for example, to support democracy and nuclear nonproliferation—were exempt from the Section 907 restriction.

State coordinates with other U.S. agencies providing assistance for Azerbaijan, collecting information needed to determine whether conditions exist to certify the extension of the Section 907 waiver and to comply with the reporting requirement. However, in fiscal years 2014 through 2021, State's reporting to Congress did not address some required elements, such as the impact of proposed assistance on the military balance between Azerbaijan and Armenia. State's 2021 guidance to agencies did not provide detailed instructions about the information required for its reporting to Congress. Unless State takes steps to ensure its reporting addresses all required elements, Congress may lack important information about U.S. assistance to the government of Azerbaijan.

In assessments of their programs providing assistance to the Azerbaijani government pursuant to the Section 907 waiver in fiscal years 2014 through 2021, State and DOD did not document consideration of information the waiver provision requires to be communicated to Congress. For example, the agencies did not document how they determined that their programs would not be used for offensive purposes against Armenia. While program-level considerations of the waiver provision are not statutorily required, documenting such considerations would help ensure State's access to quality information to support its certification of the waiver extension and its related reporting to Congress.

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# Contents

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Letter		1
	Background	4
	U.S. Agencies Obligated About \$808 Million for Programs in Azerbaijan, Primarily for Democracy, Security, and Nonproliferation	10
	State Coordinates with Other Agencies but Has Not Fully Met the Section 907 Waiver Reporting Requirement	18
	State and DOD Did Not Consistently Document Their Consideration of the Waiver Provision in Program-Level Assessments	26
	Conclusions	30
	Recommendations for Executive Action	31
	Agency Comments and Our Evaluation	32
Appendix I	Objectives, Scope, and Methodology	33
Appendix II	USAID's and State's Reported Obligations, by Funding Type, Fiscal Years 2002–2020	36
Appendix III	Comments from the Department of State	38
Appendix IV	Comments from the Department of Defense	41
Appendix V	Comments from the U.S. Agency for International Development	43
Appendix VI	GAO Contact and Staff Acknowledgments	44

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Tables

Table 1: U.S. Agencies' Reported Obligations for Assistance for Azerbaijan, by Funding Account or Agency Unit, Fiscal Years 2002–2020	11
Table 2: Examples of USAID-Funded Programs and Activities in Azerbaijan during Fiscal Years 2002–2020	15
Table 3: Examples of DOD-Funded Programs and Activities in Azerbaijan during Fiscal Years 2002–2020	16
Table 4: Examples of State Department–Funded Programs and Activities in Azerbaijan during Fiscal Years 2002–2020	17
Table 5: Examples of DOE-Funded Nonproliferation Programs in Azerbaijan during Fiscal Years 2002–2020	18
Table 6: Extent to Which State Department Reporting on U.S. Assistance to the Azerbaijani Government Pursuant to Section 907 Waiver Addressed All Statutorily Required Elements, Fiscal Years 2014–2021	25
Table 7: USAID- and State-Reported Obligations for Assistance in Azerbaijan, by Category and Funding Type, Fiscal Years 2002–2020	36

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Figures

Figure 1: Section 907 Restriction and Requirements for U.S. Assistance to the Government of Azerbaijan	7
Figure 2: U.S. Agencies' Reported Annual Obligations for Assistance for Azerbaijan, Fiscal Years 2002–2020	13
Figure 3: Percentages of U.S. Agencies' Total Reported Obligations for Azerbaijan, Including Assistance That Agencies Identified as Pursuant to the Section 907 Waiver, Fiscal Years 2002–2020	14
Figure 4: Department of Defense–Provided Scanners at Border Crossings in Azerbaijan	29

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## Abbreviations

DOD	Department of Defense
DOE	Department of Energy
EUR	Bureau of European and Eurasian Affairs
EUR/ACE	Office of the Coordinator of U.S. Assistance to Europe, Eurasia and Central Asia
EUR/CARC	Office of Caucasus Affairs and Regional Conflicts
FMF	Foreign Military Financing
ICS	Integrated Country Strategy
IMET	International Military Education and Training
MOJ	memorandum of justification
USAID	U.S. Agency for International Development
WMD	weapons of mass destruction

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January 31, 2022

The Honorable Robert Menendez  
Chairman  
Committee on Foreign Relations  
United States Senate

Dear Mr. Chairman:

Azerbaijan is an important partner in the U.S. fight against terrorism. For the past 3 decades, the U.S. government has provided assistance to the Azerbaijan—including assistance to improve the government’s capacity to address security threats and to increase economic development in the Caucasus region. However, a long-standing conflict between Azerbaijan and Armenia over the region of Nagorno-Karabakh has generated continuing instability. In September 2020, intensive fighting broke out between the two countries, heightening concerns about security and stability in the Caucasus.

Since 1992, Congress has restricted U.S. assistance to the government of Azerbaijan. Section 907 of the FREEDOM Support Act, enacted in 1992, generally prohibits assistance—other than certain assistance to promote nonproliferation and disarmament—to the government of Azerbaijan unless the President determines and reports to Congress that the Azerbaijani government is taking demonstrable steps to cease all offensive uses of force against neighboring Armenia and Nagorno-Karabakh.<sup>1</sup> Subsequent legislation contained in annual appropriations measures have exempted other forms of assistance to the government of Azerbaijan from the Section 907 restriction, including humanitarian assistance and activities to support democracy.<sup>2</sup>

In 2002, Congress enacted a provision allowing the President to waive Section 907—which this report refers to as the Section 907 waiver

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<sup>1</sup>See Pub. L. 102-511, § 907, 106 Stat. 3320, 3357 (1992) codified as a note to 22 U.S.C. § 5812. This report refers to the prohibition as the Section 907 restriction.

<sup>2</sup>See, for example, the Consolidated Appropriations Act, 2014, Pub. L. No. 113-76, div. K., § 7069(c), 128 Stat. 5, 559 (2014); Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, div. K, § 7046(c), 132 Stat. 348, 933 (2018); Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. K, § 7046(c), 134 Stat. 1182, 1781 (2020). The exemptions apply to funds appropriated pursuant to those acts.

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provision—on an annual basis to allow nonexempted categories of assistance to the government of Azerbaijan if the President certifies that the waiver will meet certain conditions, such as not undermining peace negotiations between Azerbaijan and Armenia.<sup>3</sup> The Section 907 waiver provision specifies certain requirements to consult with, and report to, congressional committees regarding assistance to the government of Azerbaijan provided pursuant to the waiver. Responsibility for certifying the waiver extension and reporting to Congress is delegated to the Department of State.<sup>4</sup>

You asked us to review U.S. assistance to the government of Azerbaijan and the use of the Section 907 waiver. This report examines (1) the amounts and types of assistance U.S. agencies reported providing for Azerbaijan in fiscal years 2002 through 2020; (2) State’s process for determining that conditions exist to extend the Section 907 waiver, as well as the extent of compliance with related consultation and reporting requirements in fiscal years 2014 through 2021; and (3) the extent to which U.S. agencies considered the Section 907 waiver provision when assessing programs that provided assistance to the government of Azerbaijan pursuant to the provision in fiscal years 2014 through 2021.

To examine the amounts and types of assistance U.S. agencies reported providing for Azerbaijan in fiscal years 2002 through 2020, we analyzed data showing obligations by the Departments of State, Defense (DOD), and Energy (DOE) and the U.S. Agency for International Development (USAID) for assistance provided to the government of Azerbaijan or other entities (e.g., nongovernmental organizations). We reviewed the reported obligations data by agency and funding account, working with the agencies to identify assistance provided pursuant to the Section 907 waiver and to determine overall annual funding amounts and related

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<sup>3</sup>See Pub. L. No. 107-115, 115 Stat. 2118, 2129 (relevant provisions codified as a note to 22 U.S.C. § 5812). On an annual basis, the President may waive the restriction on assistance to the government of Azerbaijan by certifying to the Committees on Appropriations that to do so (a) is necessary to support U.S. efforts to counter international terrorism; or (b) is necessary to support the operational readiness of U.S. Armed Forces or coalition partners to counter international terrorism; or (c) is important to Azerbaijan’s border security; and (d) will not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan or be used for offensive purposes against Armenia.

<sup>4</sup>The President delegated the authority to extend the Section 907 waiver to the Secretary of State (see Exec. Order No. 12163, as amended, and set out as a note to 22 U.S.C. § 2381). According to State, the waiver may also be extended by the Deputy Secretary of State pursuant to an internal delegation of authority by the Secretary of State.

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trends. We interviewed officials from each agency to corroborate our understanding of the data. In addition, we conducted manual and electronic testing to identify any missing data or logical errors. We determined that the data were sufficiently reliable for showing obligation amounts and general trends, by agency and sector, in fiscal years 2002 through 2020.

To examine State's process for determining that conditions exist to extend the Section 907 waiver, as well as the extent of compliance with related consultation and reporting requirements in fiscal years 2014 through 2021, we reviewed the relevant statutes as well as agencies' policies and guidance related to assistance provided pursuant to the waiver of the Section 907 restriction. We analyzed State's documentation related to the waiver, including certifications, notifications, memorandums, and reports to Congress for fiscal years 2014 through 2021.

Additionally, for the same timeframe, we reviewed State and DOD procedures, guidelines, and related documentation for coordinating on assistance to the Azerbaijani government with interagency partners and consulting with Congress on their respective programs providing assistance to the government of Azerbaijan pursuant to the waiver. We selected this period to capture the process for adhering to the Section 907 waiver provision, including patterns of reporting and consulting on the assistance related to the waiver under various administrations. Further, to confirm our understanding about the process for adhering to the Section 907 waiver provision, we interviewed officials in Washington, D.C., and in Azerbaijan from each agency with responsibility for managing U.S. assistance for Azerbaijan.

To examine the extent to which U.S. agencies considered the Section 907 waiver provision when assessing programs that provided assistance to the government of Azerbaijan pursuant to the provision in fiscal years 2014 through 2021, we collected and analyzed State and DOD assessments of such assistance during that period.<sup>5</sup> We selected this period to capture assessments of assistance related to the waiver that were relatively recent but covered several administrations. We collected relevant program-level assessments from State and DOD because they

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<sup>5</sup>In our request for agency documentation, we asked agencies to provide applicable assessments, evaluations or other monitoring documents related to these programs. We requested these documents to identify how agencies were determining the impact of their assistance provided pursuant to the Section 907 waiver. In this report we refer to these documents broadly as assessments.



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were the only two agencies that had provided assistance to the government of Azerbaijan pursuant to the Section 907 restriction. We reviewed the assessments to determine the extent to which State and DOD had considered the Section 907 restriction and the information the waiver provision requires to be provided as well as the extent to which these assessments documented consideration of the Section 907 restriction or waiver provision.

In addition, we interviewed agency officials in Washington, D.C., and in Azerbaijan about their processes for assessing the assistance provided pursuant to the waiver. Finally, we compared State's and DOD's assessments with standards for internal control in the federal government.<sup>6</sup> See appendix I for a full description of our scope and methodology.

We conducted this performance audit from November 2020 to January 2022 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.

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## Background

### Azerbaijan's Geopolitical Significance

According to the U.S. Embassy's Integrated Country Strategy (ICS) for Azerbaijan, the country plays an important role in the regional security of the South Caucasus.<sup>7</sup> USAID's Country Development Cooperation Strategy for Azerbaijan states that the country's location and size, including its borders with Russia, Iran, and Turkey, make it unique among recipients of U.S. assistance in the region.<sup>8</sup> The ICS further states that an Azerbaijan that is stable, independent, democratic, and aligned with the West is important for U.S. national security interests. According to the ICS, since gaining independence from the Soviet Union in 1991,

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<sup>6</sup>See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

<sup>7</sup>Department of State, *Integrated Country Strategy: Azerbaijan* (Feb. 21, 2020).

<sup>8</sup>U.S. Agency for International Development, *Country Development Cooperation Strategy: Azerbaijan* (May 2020).

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Azerbaijan has expressed an interest in increasing integration with the West.

Moreover, according to a State memorandum, the government of Azerbaijan has been a strong partner of the United States in combating terrorism.<sup>9</sup> The memorandum states that Azerbaijan has shared information, increased efforts to combat terrorism financing, and apprehended and prosecuted suspected terrorists. According to the ICS for Azerbaijan, the economic and security interests Azerbaijan shares with the United States remain important building blocks to achieve strong institutions that respect rule of law, transparency, and accountability.

According to State, Azerbaijan has also been a key partner in facilitating both air and surface resupply of forces in Afghanistan. However, the decades-long tensions between Azerbaijan and Armenia over Nagorno-Karabakh—which resulted in 6 weeks of open conflict in September 2020—has been a source of regional instability, impeding regional development and integration.

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## Goals and Statutory Requirements regarding U.S. Assistance for Azerbaijan

The United States is committed to using diplomatic and assistance tools to support Azerbaijan’s reform initiatives to solidify rules-based institutions, support a functioning civil society, and encourage a commitment to human rights and democratic values to create the foundation for Azerbaijan’s long-term stability, according to the U.S. Embassy’s ICS for Azerbaijan.<sup>10</sup> The ICS notes that the country is subject to malign external influences, such as disinformation, that have the potential to hinder progress on economic and institutional reforms and challenge Azerbaijan’s stability.

Section 907 restricts U.S. assistance to the government of Azerbaijan—with the exception of nonproliferation and disarmament assistance provided under Title V of the FREEDOM Support Act—unless the President determines that the government has taken demonstrable steps to lift its blockades and other offensive uses of force against Armenia and Nagorno-Karabakh. Annual appropriations acts have included provisions exempting other forms of assistance from the Section 907 restriction, including democracy-support activities, nonproliferation assistance, and

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<sup>9</sup>Department of State, “Memorandum of Justification regarding Determination under Title II of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002” (2020).

<sup>10</sup>Department of State, *Integrated Country Strategy: Azerbaijan*.

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humanitarian assistance. Section 907 also does not apply to assistance for nongovernmental beneficiaries.

The President may waive Section 907 with respect to assistance to the government of Azerbaijan if the President determines and certifies to the Committees on Appropriations that to do so

- is necessary to support U.S. efforts to counter international terrorism, or
- is necessary to support the operational readiness of U.S. Armed Forces or coalition partners to counter international terrorism, or
- is important to Azerbaijan's border security, and
- will not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan or be used for offensive purposes against Armenia.

The Section 907 waiver was first exercised in 2002 and has been extended each year since then. The authority to extend the waiver was delegated from the President to the Secretary of State in 2004.<sup>11</sup>

Exercise of the authority to waive the Section 907 restriction triggers a reporting requirement and a consultation requirement.

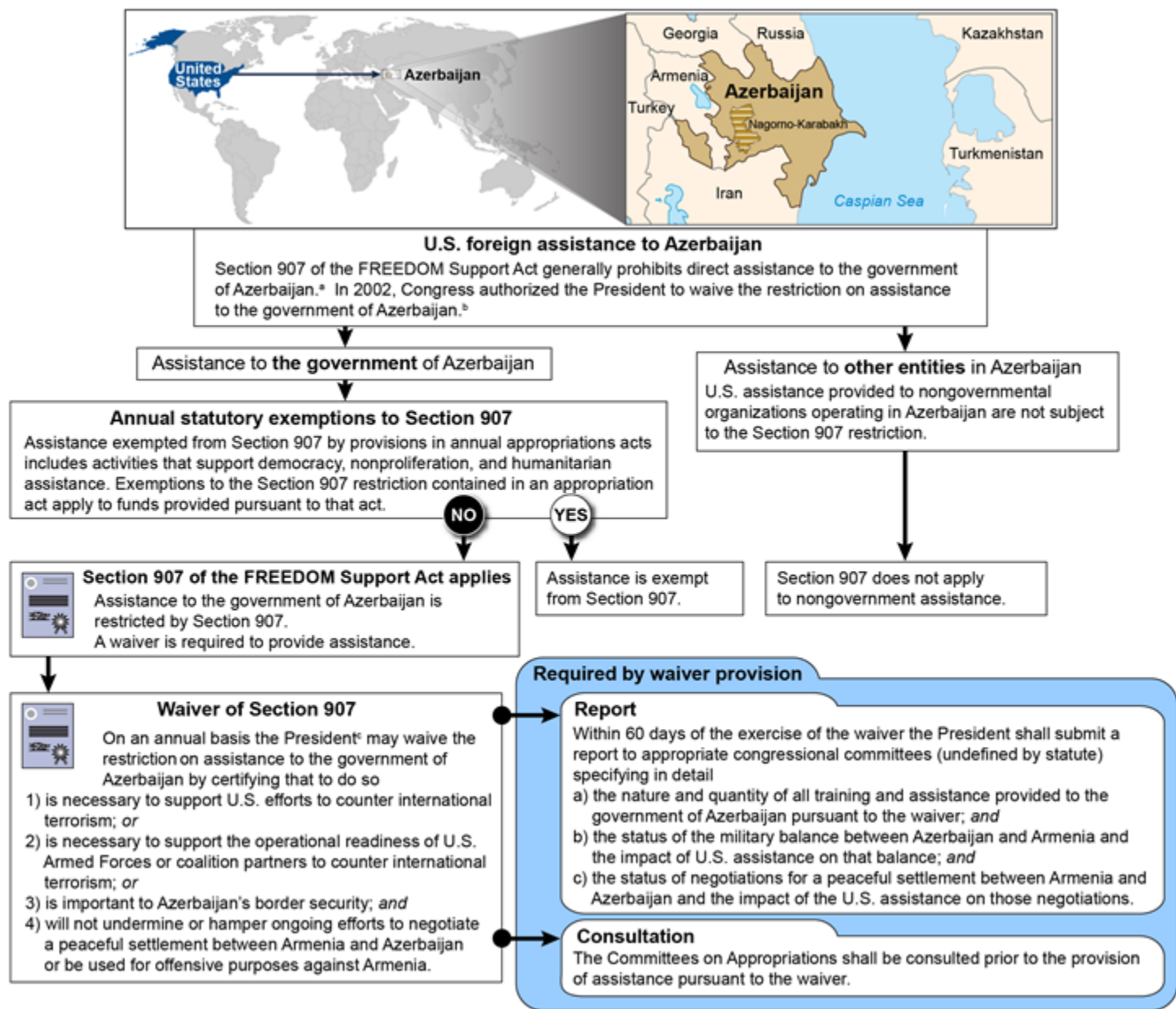
- **Reporting requirement.** The statute requires that State submit a report to appropriate congressional committees within 60 days of exercising the waiver. The report is to specify in detail (1) the nature and quantity of all training and assistance provided to the government of Azerbaijan pursuant to the waiver, (2) the status of the military balance between Azerbaijan and Armenia and the impact of U.S. assistance on that balance, and (3) the status of negotiations for a peaceful settlement between Armenia and Azerbaijan and the impact of the U.S. assistance on those negotiations.
- **Consultation requirement.** The statute requires consultation with the Committees on Appropriations prior to the provision of assistance made available pursuant to the waiver.

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<sup>11</sup>See Exec. Order No. 12163, as amended and set out as a note to 22 U.S.C. § 2381. The waiver may also be extended by the Deputy Secretary of State pursuant to an internal delegation of authority by the Secretary of State, according to State officials.

Figure 1 summarizes the Section 907 restriction and the consultation and reporting requirements imposed by the laws governing U.S. assistance to the government of Azerbaijan.

Figure 1: Section 907 Restriction and Requirements for U.S. Assistance to the Government of Azerbaijan



Source: GAO analysis of Pub. L. No. 102-511, Pub. L. No. 107-115, Stat. 2129 and appropriations acts funding the department of State and foreign operations; Map Resources (map). | GAO-22-104619

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<sup>a</sup>In 1992, Congress passed the FREEDOM Support Act to support freedom and open markets in the independent states of the former Soviet Union, including Azerbaijan. Pub. L. No. 102-511, 106 Stat. 3320 (1992). Section 907 of that act restricts assistance to the government of Azerbaijan, other than nonproliferation and disarmament assistance provided under Title V of the act.

<sup>b</sup>In 2002, Congress enacted a provision allowing the President to waive Section 907, thereby allowing a greater range of assistance to the government of Azerbaijan, by certifying that to do so satisfies specified conditions. See Pub. L. No. 107-115, 115 Stat. 2118, 2129 (relevant provisions of which are codified as a note to 22 U.S.C. § 5812).

<sup>c</sup>The authority to extend the Section 907 waiver was delegated from the President to the Secretary of State in Exec. Order No. 12163, as amended. According to State, the waiver may also be extended by the Deputy Secretary of State pursuant to an internal delegation of authority by the Secretary of State.

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## Roles and Responsibilities of U.S. Agencies Providing Assistance for Azerbaijan

Several U.S. agencies—State, DOD, DOE, and USAID—provide assistance for Azerbaijan.

**State.** State has a leading role in coordinating the provision of U.S. assistance for Azerbaijan, particularly assistance to the government of Azerbaijan. Within State, the following key bureaus and offices coordinate or provide assistance for Azerbaijan.

- Within the Bureau of European and Eurasian Affairs (EUR), the Office of the Coordinator of U.S. Assistance to Europe, Eurasia and Central Asia (EUR/ACE) oversees or coordinates all U.S. agencies' bilateral economic, security, democracy, and humanitarian assistance to Europe, Eurasia, and Central Asia. In this capacity, EUR/ACE allocates funding from the Assistance for Europe, Eurasia, and Central Asia account to various entities that implement U.S. government assistance, known as implementing partners. EUR/ACE also designs assistance strategies in the region and coordinates with interagency partners providing assistance that may require reliance on the Section 907 waiver. EUR/ACE develops its allocations of assistance for Azerbaijan taking into account the Section 907 restriction.
- Also within EUR, the Office of Caucasus Affairs and Regional Conflicts (EUR/CARC) manages U.S. bilateral relations with the countries in the Southern Caucasus: Armenia, Azerbaijan, and Georgia. EUR/CARC leads efforts to promote peaceful resolutions to regional conflicts, including the Nagorno-Karabakh conflict, and leads State's documentation process for extending the annual Section 907 waiver.
- The Bureau of Political-Military Affairs conducts joint planning and coordinates security cooperation and assistance activities with DOD and with regional and functional bureaus within State, including EUR.

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- Other functional bureaus that provide assistance for Azerbaijan include the Bureau of Democracy, Human Rights and Labor and the Bureau of Population, Refugees and Migration.

**DOD.** DOD's Office of the Under Secretary of Defense for Policy coordinates policy and processes related to DOD's defense relationship with Azerbaijan, including security cooperation. Generally, DOD provides assistance intended to increase Azerbaijan's contributions to international security efforts and build capacity to secure its Caspian Sea and Iranian borders against terrorist operations and illicit trafficking. DOD's Defense Security Cooperation Agency builds partner capabilities, primarily using the authority codified at Section 333 of Title 10 authorizing assistance to build the capacity of foreign security forces; the Defense Security Cooperation Agency also implements certain other Title 10 authorities. In addition, DOD implements certain Title 22 assistance on behalf of State, including the Foreign Military Financing (FMF)<sup>12</sup> program and the International Military Education and Training (IMET) program.<sup>13</sup>

DOD's Defense Threat Reduction Agency provides assistance through the DOD Cooperative Threat Reduction program, to support Azerbaijan's efforts to prevent the proliferation of weapons of mass destruction (WMD) and WMD-related materials, technologies, and expertise under the DOD Cooperative Threat Reduction program. According to DOD officials, the Defense Threat Reduction Agency partners with DOE to establish efforts to bolster safety and increase emergency response capabilities in Azerbaijan.

**DOE.** DOE provides assistance for Azerbaijan through cooperative activities, according to agency officials. For example, DOE provides nuclear nonproliferation assistance that connects partners who can support one another on a regional level and supports cross-border events and exercises that encourage cooperation. Within DOE, the National Nuclear Security Administration provides assistance to increase the capability of Azerbaijan to detect, disrupt, and investigate the illicit trafficking of special nuclear material and radiological materials. DOE's Office of Defense Nuclear Nonproliferation, Office of Global Material

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<sup>12</sup>State manages the FMF account, and DOD is the primary implementer of this funding. Pursuant to provisions generally included in annual appropriations acts, FMF funds are deemed to be obligated when apportioned. Amounts of FMF funding committed to Azerbaijan listed in this report are from [ForeignAssistance.gov](http://ForeignAssistance.gov).

<sup>13</sup>Training events are primarily funded by State and implemented by DOD through the FMF and IMET programs.

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Security, and Office of Nonproliferation and Arms Control provide equipment, training, and other technical support to Azerbaijan counterpart organizations with nuclear security and nonproliferation responsibilities.

**USAID.** USAID provides assistance for Azerbaijan with the overarching objective of supporting democracy through work in two main areas outlined in its Country Development Cooperation Strategy—(1) strengthening democracy and governance and (2) promoting economic development and connectivity—according to agency officials.

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## U.S. Agencies Obligated About \$808 Million for Programs in Azerbaijan, Primarily for Democracy, Security, and Nonproliferation

In fiscal years 2002 through 2020, USAID, DOD, State, and DOE reported obligations totaling approximately \$808 million for assistance for Azerbaijan that supported, among other things, democracy, economic growth, security, and nonproliferation.<sup>14</sup> USAID obligated the largest share of U.S. funds for Azerbaijan, although DOD’s obligations increased in fiscal years 2018 and 2019. State and DOD provided some funding, pursuant to the Section 907 waiver, for assistance to the government of Azerbaijan to support maritime and border security and military education. USAID, DOD, State, and DOE also provided assistance to support activities that were exempt from, or not subject to, the Section 907 restriction.

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## USAID Obligated the Largest Share of Assistance in Fiscal Years 2002–2020, while DOD Obligations Increased in Recent Years

In fiscal years 2002 through 2020, U.S. agencies reported obligating approximately \$808 million in total for assistance for Azerbaijan, with USAID’s obligations accounting for the largest share. USAID reported obligating approximately \$335 million (about 41 percent) for assistance for Azerbaijan. DOD reported obligating approximately \$201 million (about 25 percent), State reported obligating approximately \$164 million (about 20 percent), and DOE reported obligating approximately \$108 million (about 13 percent). Table 1 shows the total amounts that the agencies reported obligating in fiscal years 2002 through 2020.

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<sup>14</sup>According to agency officials, the agencies do not obligate funding directly to the government of Azerbaijan for use at its discretion.

**Table 1: U.S. Agencies' Reported Obligations for Assistance for Azerbaijan, by Funding Account or Agency Unit, Fiscal Years 2002–2020**

Dollars in thousands

Agency	Funding account or unit	2002–2013	2014–2020	Total
U.S. Agency for International Development (USAID)	Assistance for Europe, Eurasia, and Central Asia <sup>a</sup>	258,335	26,681	<b>285,016</b>
	Economic Support Fund	6,043	17,670	<b>23,713</b>
	Global Health Programs	15,654	2,968	<b>18,622</b>
	Development Assistance	3,339	301	<b>3,640</b>
	Democracy Fund	2,800	750	<b>3,550</b>
	Other <sup>b</sup>	572	-6	<b>567</b>
	<b>Total obligations for USAID</b>	<b>286,743</b>	<b>48,365</b>	<b>335,108</b>
Department of Defense (DOD)	Section 333 Building Partner Capacity <sup>c</sup>	11,420	85,480	<b>96,900</b>
	Cooperative Threat Reduction	57,181	36,428	<b>93,609</b>
	Other <sup>d</sup>	3,819	6,419	<b>10,238</b>
	<b>Total obligations for DOD</b>	<b>72,420</b>	<b>128,327</b>	<b>200,747</b>
Department of State	Foreign Military Financing <sup>e</sup>	48,497	7,235	<b>55,732</b>
	Assistance for Europe, Eurasia, and Central Asia	23,400	1,854	<b>25,254</b>
	Nonproliferation, Antiterrorism, Demining, and Related Programs	20,711	3,176	<b>23,887</b>
	National Endowment for Democracy <sup>f</sup>	10,408	6,499	<b>16,907</b>
	International Military Education and Training <sup>g</sup>	9,172	4,636	<b>13,808</b>
	International Narcotics Control and Law Enforcement	6,277	2,246	<b>8,524</b>
	Democracy Fund	4,103	4,090	<b>8,193</b>
	Migration and Refugee Assistance	4,937	3,175	<b>8,112</b>
	Economic Support Fund	2,332	1,285	<b>3,618</b>
	<b>Total obligations for State</b>	<b>129,838</b>	<b>34,197</b>	<b>164,035</b>
Department of Energy (DOE)	Nuclear Smuggling Detection and Deterrence	50,227	50,105	<b>100,331</b>
	Office of Radiological Security	2,627	3,984	<b>6,611</b>
	Other <sup>h</sup>	159	858	<b>1,017</b>
	<b>Total obligations for DOE</b>	<b>53,013</b>	<b>54,947</b>	<b>107,961</b>
<b>Total for all agencies, 2002–2020</b>		<b>542,015</b>	<b>265,836</b>	<b>807,851</b>

Source: GAO analysis of USAID, DOD, State, and DOE data. | GAO-22-104619

Notes: Because of rounding, numbers in columns and rows may not sum to totals shown. If deobligations exceeded obligations during a time period, the total obligations may be negative. Fiscal years denote the year of obligation. Totals shown do not include funding for administration, oversight, or program design and learning.

To show amounts obligated over time, we present them in two periods. The data shown for fiscal years 2002 through 2013 provide historical context for the assistance provided since the Section 907 waiver was enacted; we did not review the processes agencies followed to determine that assistance. The data shown for fiscal years 2014 through 2020 correspond to the assistance provided through the processes described in this report.



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<sup>a</sup>Amount shown includes funding obligated from the Assistance for Eastern Europe and the Baltic States account and the Assistance for the Independent States of the Former Soviet Union funding account, which were combined to create the Assistance for Europe, Eurasia, and Central Asia funding account in fiscal year 2009.

<sup>b</sup>Other USAID funding accounts include International Disaster Assistance and the USAID Development Credit Authority. Totals shown for USAID do not include the "Gifts and Donations" account or the "Operating Expenses" account.

<sup>c</sup>The National Defense Authorization Act for Fiscal Year 2017 replaced multiple capacity-building authorities with a new statute codified at 10 U.S.C. § 333. See Pub. L. No. 114-328, § 1241, 130 Stat. 2000, 2497-2512 (2016).

<sup>d</sup>Other DOD funding accounts or agency units include, among others, the State Partnership Program, Overseas Humanitarian Disaster and Civic Aid, Wales Initiative Fund, Traditional Command Activities, Aviation Leadership Program, and the European Deterrence Initiative.

<sup>e</sup>State manages the FMF account, and DOD is the primary implementer of this funding. Pursuant to provisions generally included in annual appropriations acts, FMF funds are deemed to be obligated on apportionment. Amounts of FMF funding committed to Azerbaijan that are shown in this table are from ForeignAssistance.gov.

<sup>f</sup>The National Endowment for Democracy, a nongovernmental, nonprofit organization, uses congressionally appropriated funds provided through State to support democracy activities.

<sup>g</sup>International Military Education and Training funding is obligated by State and implemented by DOD.

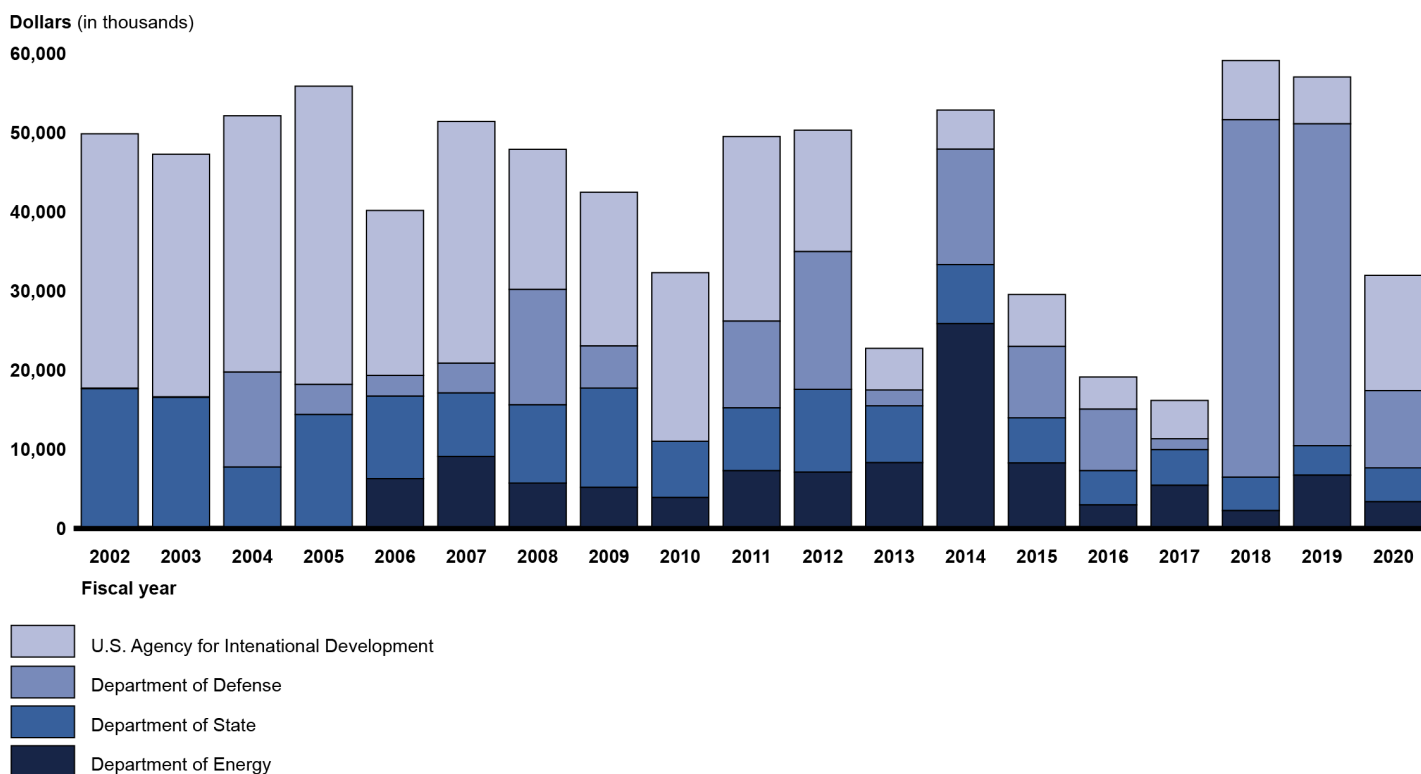
<sup>h</sup>Other DOE funding accounts or agency units include Nuclear Export Controls and Nuclear Verification.

The agencies' total reported obligations for assistance for Azerbaijan varied during the period from fiscal year 2002 through fiscal year 2020. Specifically:

- USAID's reported obligations generally declined from a high of about \$37.7 million in fiscal year 2005 to a low of approximately \$4 million in fiscal year 2016. USAID's reported obligations averaged approximately \$23.9 million annually in fiscal years 2002 through 2013 and averaged approximately \$6.9 million annually in fiscal years 2014 through 2020.
- DOD's reported obligations generally increased, with the largest in fiscal years 2018 and 2019. DOD's reported obligations averaged approximately \$6 million annually in fiscal years 2002 through 2013 and averaged approximately \$18.3 million annually in fiscal years 2014 through 2020.
- State's reported obligations generally declined, with annual average obligations decreasing from approximately \$10.8 million in fiscal years 2002 through 2013 to approximately \$4.9 million in fiscal years 2014 through 2020.
- DOE's reported obligations increased, with average annual obligations rising from \$4.4 million in fiscal years 2002 through 2013 to approximately \$7.8 million in fiscal years 2014 through 2020.

Figure 2 shows the amount each agency reported obligating annually for assistance for Azerbaijan in fiscal years 2002 through 2020.

**Figure 2: U.S. Agencies' Reported Annual Obligations for Assistance for Azerbaijan, Fiscal Years 2002–2020**



Source: GAO analysis of Department of State, U.S. Agency for International Development, Department of Defense, and Department of Energy data. | GAO-22-104619

### DOD and State Provided About \$164 Million for Assistance Pursuant to the Section 907 Waiver

DOD and State—the only agencies that provided assistance pursuant to the Section 907 waiver—reported obligations of approximately \$164 million for assistance to the government of Azerbaijan in fiscal years 2002 through 2020.<sup>15</sup> This assistance included DOD-funded programs for maritime and border security that DOD provided through Section 333

<sup>15</sup>The amount shown reflects funding for programs that State and DOD officials identified as requiring the Section 907 waiver. This amount does not include approximately \$1 million in funding for certain DOD programs that, according to agency officials, had multiple funding authorities, some of which may be subject to the Section 907 restriction.

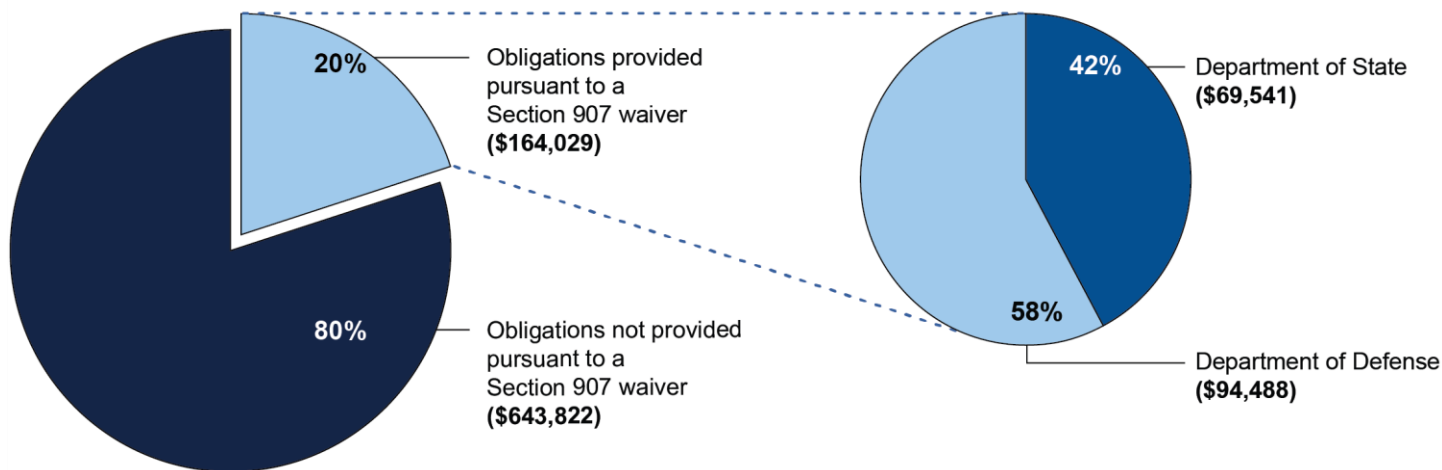
funds as well as State-funded FMF and IMET programs that DOD implemented.<sup>16</sup>

The \$164 million that DOD and State reported obligating pursuant to the Section 907 waiver represented about 20 percent of U.S. agencies' approximately \$808 million of reported obligations for assistance for Azerbaijan in fiscal years 2002 through 2020 (see fig. 3). DOD's obligations accounted for approximately \$94 million (58 percent) of the assistance provided pursuant to the Section 907 waiver, and State's obligations accounted for approximately \$70 million (42 percent).

**Figure 3: Percentages of U.S. Agencies' Total Reported Obligations for Azerbaijan, Including Assistance That Agencies Identified as Pursuant to the Section 907 Waiver, Fiscal Years 2002–2020**

All obligations (dollars in thousands)

Obligations provided pursuant to a Section 907 waiver



Source: GAO analysis of Department of State, the U.S. Agency for International Development, Department of Defense, and Department of Energy data. | GAO-22-104619

<sup>16</sup>Most of the assistance that State, DOE, and USAID provided to Azerbaijan in fiscal years 2002 through 2020 either (1) was exempted from the Section 907 restriction because it consisted of humanitarian or nonproliferation assistance or activities to support democracy or (2) was not subject to the Section 907 restriction because it was not provided to the Azerbaijani government.

**USAID, DOD, State, and DOE Funded Programs to Support Democracy, Economic Growth, Nonproliferation, and Security**

During the period from fiscal year 2002 through fiscal year 2020, USAID, DOD, State, and DOE funded a number of programs that supported democracy, human rights, humanitarian needs, and nonproliferation in Azerbaijan—categories of assistance that are exempt from the Section 907 restriction. In addition, DOD and State provided security assistance to Azerbaijan pursuant to the Section 907 waiver.

**USAID.** USAID supported programs to strengthen human rights, increase civic engagement, and diversify Azerbaijan’s economy to improve the investment climate.<sup>17</sup> According to USAID, its assistance for Azerbaijan has the overarching objective of supporting democracy. USAID’s assistance for Azerbaijan does not entail assistance to the government. Table 2 provides examples of USAID-funded programs in Azerbaijan.

**Table 2: Examples of USAID-Funded Programs and Activities in Azerbaijan during Fiscal Years 2002–2020**

Program type	Efforts	Description
Democracy, Human Rights, and Governance	Counter Trafficking-in-Persons	Programs seek to improve Azerbaijan’s effectiveness in combating human trafficking and forced labor.
	Socio-Economic Development	Activities are intended to increase the participation of citizens in local governance and institutionalizes a participatory approach to address the socio-economic needs of communities in the rural regions of Azerbaijan.
	Law, Rights, and Awareness	Activities are intended to support broad human rights awareness and activism through small grants to local organizations.
Economic Growth	Private Sector	Activities are intended to support a more resilient Azerbaijan economy and improve the business-enabling environment. Support the non-oil sector by improving the competitiveness of the private sector.
	Economic Empowerment for Entrepreneurship and Employment	Activities are intended to support economic empowerment for entrepreneurship and employment among women and youth.

Source: GAO analysis of documents and interviews from the U.S. Agency for International Development (USAID). | GAO-22-104619

**DOD.** DOD-funded programs included training and equipment for the Azerbaijani government to promote nonproliferation and increase border security, especially along the border with Iran and the Caspian Sea. According to DOD, it implemented the two large programs supported by Section 333 funding—the Maritime Security for the Caspian Sea program and the Southern Border Security program—to improve the border and

<sup>17</sup>Azerbaijan is an oil-rich nation that lacks diversity in its economy, according to USAID and State documents.

maritime security capacity of the Azerbaijani government.<sup>18</sup> These programs provided, among other things, procurements for items such as patrol boats and scanners, which led to an increase in Section 333 obligations in fiscal years 2018 and 2019.<sup>19</sup> Table 3 provides examples of DOD-funded programs in Azerbaijan.

**Table 3: Examples of DOD-Funded Programs and Activities in Azerbaijan during Fiscal Years 2002–2020**

Program type	Agency	Description
Nonproliferation Assistance	Defense Threat Reduction Agency	Cooperative Threat Reduction programs seek to reduce weapons of mass destruction by eliminating, securing, detecting, and interdicting weapons of mass destruction–related materials through cooperative work with civilian and military counterparts.
		Countering Weapons of Mass Destruction programs provide equipment and training for chemical, biological, radiological, and nuclear response.
Security Cooperation	Defense Security Cooperation Agency	Maritime Security for the Caspian Sea programs aim to improve the capacity of Azerbaijan’s national-level security forces—specifically, the State Border Service Coast Guard—to conduct maritime security operations. <sup>a</sup>
		Southern Border Security programs are intended to improve the capacity of Azerbaijan’s national-level security forces, specifically the State Border Service Coast Guard and State Customs Committee, to conduct border security operations along the Iranian border. <sup>a</sup>
	State Partnership Program	Through the National Guard Bureau State Partnership Program, the Oklahoma National Guard cooperates with Azerbaijan to provide security cooperation on a range of program activities including North Atlantic Treaty Organization certifications and disaster preparedness. <sup>a</sup>

Source: GAO analysis of documents and interviews from the Department of Defense (DOD). | GAO-22-104619

<sup>a</sup>This program was conducted pursuant to the Section 907 waiver, according to DOD officials.

**State.** State funded programs to support democracy, human rights, and governance; humanitarian assistance; and economic growth. According to State, these programs are intended to increase economic development and strengthen civil society in Azerbaijan. Additionally, State funded FMF and IMET programs, which DOD implemented, to provide training and equipment to Azerbaijan’s military pursuant to the Section 907 waiver. Table 4 provides examples of State-funded programs in Azerbaijan.

<sup>18</sup>DOD identified these gaps in the capability of Azerbaijan’s State Border Service Coast Guard and State Customs Committee to perform maritime security and border security.

<sup>19</sup>According to DOD officials, DOD planned to continue these efforts in a similar program along the norther border with Russia. However, as of November 2020, these funds had not been obligated.

**Table 4: Examples of State Department–Funded Programs and Activities in Azerbaijan during Fiscal Years 2002–2020**

Program type	Bureau	Description
Democracy, Human Rights, and Governance	Public Affairs Section at the U.S. Embassy	<p>Programs are intended to contribute to enhancing democratic institutions and governance in Azerbaijan, empower civil society, and develop independent media to promote a more engaged citizenry and to counter Russian influence.</p> <p>Programs support research on the influences of Russian propaganda, and bring journalists from the Baku-based public radio station to the U.S. to conduct interviews on a broad range of topics and produce video and radio content.</p>
	Bureau of Democracy, Human Rights and Labor	Programs supports civil society to promote human rights, democracy, and rule of law in Azerbaijan.
	Bureau of International Narcotics and Law Enforcement Affairs	Programs provided technical assistance and training to justice sector and law enforcement actors and institutions to improve their respective capacity to address domestic and transnational crimes.
Economic Growth	Office of the Coordinator of U.S. Assistance to Europe, Eurasia and Central Asia, which funds programs implemented by the U.S. Department of Commerce	<p>Special American Business Internship Training programs provide Eurasian and Central Asian business executives with first-hand, sector-specific experience and training in the U.S. economy, intended to enable them to become leaders in market reform and private-sector development in their home countries. The programs also promote the development of U.S.–Eurasian and U.S.–Central Asian business relationships and linkages, including through the exchange of information between U.S. host companies and program participants.</p>
		<p>The Commercial Law Development Program promotes the rule of law by strengthening judicial capacity and fostering transparency in judicial processes related to the protection and enforcement of intellectual property rights. This program builds the capacity of Azerbaijan’s Intellectual Property Agency to further develop the systems for obtaining copyright, patent, and trademarks in Azerbaijan.</p>
Peace and Security	Bureau of Political–Military Affairs	<p>Foreign Military Financing (FMF) funds, which have not been provided since fiscal year 2017, historically supported a variety of equipment and training including for border security, protection against criminal and terrorist organizations, and investments in critical infrastructure to prevent illegal substances from entering the country at border crossings. FMF funds also support improved communication for the Azerbaijani military to help integration with the North Atlantic Treaty Organization as Azerbaijan provided assistance for operations in Afghanistan. Remaining funds will support humanitarian explosive ordnance disposal and professional military education.<sup>a</sup></p>
		<p>International Military Education and Training programs support training for professional military education, including courses on basic officer leadership and English language training.<sup>a</sup></p>
		<p>The Conventional Weapons Destruction Program managed by the Office of Weapons Removal and Abatement supports humanitarian mine clearance efforts to reduce the harmful effects of mines and unexploded ordnance.</p>
	Bureau of International Security and Nonproliferation	Export Control and Related Border Security programs seek to prevent the proliferation of weapons of mass destruction and conventional weapons.

Source: GAO analysis of documents and interviews from Department of State. | GAO-22-104619

<sup>a</sup>This program was conducted pursuant to the Section 907 waiver, according to State officials.

**DOE.** DOE supported programs that promoted nonproliferation and increased security at crucial government facilities, a category of assistance that is exempt from the Section 907 restriction. According to DOE, these programs provided equipment, training, and other technical support for nuclear security and nonproliferation to Azerbaijani government agencies. Table 5 provides examples of DOE-funded programs in Azerbaijan.

**Table 5: Examples of DOE-Funded Nonproliferation Programs in Azerbaijan during Fiscal Years 2002–2020**

Program type	Description
Nuclear Smuggling Detection and Deterrence	Programs install or provide radiation detection equipment and associated training. <sup>a</sup>
Seismic Cooperation	Programs fund U.S. experts at national laboratories, universities, and nonprofit organizations to support their joint research and collaboration with seismologists at Azerbaijan’s Republican Seismic Survey Center.
Office of Radiological Security	Program works to protect radioactive sources to prevent radiological terrorism in Azerbaijan.
International Nonproliferation Export Control Program	Program provides export control capacity building training to prevent the diversion of dual-use goods related to weapons of mass destruction.

Source: GAO analysis of documents and interviews from the Department of Energy (DOE). | GAO-22-104619

<sup>a</sup>According to DOE officials, DOE provides funding to U.S. national laboratories and U.S. companies to provide technical subject-matter expert support, training, equipment procurement, site design, integration, civil works, construction, and engineer support for work performed in Azerbaijan.

## State Coordinates with Other Agencies but Has Not Fully Met the Section 907 Waiver Reporting Requirement

State EUR uses various means of coordinating with other agencies, as well as with other State entities, to collect information needed to determine that conditions exist to extend the Section 907 waiver. In addition, in fiscal years 2014 through 2021, State and DOD consulted with congressional committees about assistance that they planned to provide to the government of Azerbaijan. However, State did not fully meet the statutory reporting requirement related to the waiver.

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## State Coordinates with Other Agencies to Collect Information for Annual Extension of Section 907 Waiver

State EUR coordinates with other U.S. agencies and State bureaus and offices to collect information needed to determine annually whether to certify the extension of the Section 907 waiver to the Committees on Appropriations. According to State officials, each federal agency that provides assistance to Azerbaijan conducts its own assessment of whether programs and activities benefit the government of Azerbaijan and, if so, whether they are exempt from the Section 907 restriction or require reliance on the waiver. State EUR coordinates the collected information, and the Secretary of State must ultimately certify that conditions exist to extend the Section 907 waiver.

State uses various formal and informal mechanisms to gather agencies' assessments of whether their proposed assistance to Azerbaijan is subject to Section 907. In addition, State uses the assessments in determining whether the assistance meets the statutory conditions to extend the waiver and allow the assistance. For example:

- During the Annual Budget Review process, State's EUR/ACE meets with each agency implementing programs in Azerbaijan through the Assistance for Europe, Eurasia, and Central Asia account; the Economic Support Fund; the Global Health Programs account; and the International Narcotics Control and Law Enforcement account to discuss proposed allocations for the following fiscal year. According to officials from EUR/ACE, the Annual Budget Review process is the primary mechanism that EUR/ACE uses to ensure that assistance from these accounts is provided in compliance with Section 907 and related provisions.
- Agencies participating in working groups at the U.S. Embassy in Baku, Azerbaijan, share information about upcoming and ongoing assistance that would require the Section 907 waiver. For example, according to embassy officials, various agencies represented at the embassy regularly discuss assistance for Azerbaijan, including assistance subject to Section 907, during meetings of the Assistance Committee, the Economic Growth working group, and the Peace and Security working group. Participants in these meetings include U.S. embassy officials in Azerbaijan from, depending on the topic, the embassy's Public Affairs Section and Economic Section, and Political Section and from USAID and DOD.
- According to embassy officials, State and DOD officials attend the annual U.S. European Command's Strategy Implementation Conference and the command's Security Cooperation Education and Training Working Group meetings to discuss topics related to



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assistance for Azerbaijan. Such topics include appropriate funding levels and program needs for each country in the region, whether the planned funding and programs meet U.S. goals and objectives, and the impacts of the assistance.

- According to State and DOD officials, interagency coordination on Section 907 assessments occurs at annual National Security Council staff-led meetings. These meetings include officials from State, DOD, DOE, and USAID as well as the U.S. cochair of the Minsk Group.<sup>20</sup> During these discussions, agency officials discuss the types of assistance being provided and share information about impacts and risks related to providing U.S. assistance for Azerbaijan, including the impact of the assistance on ongoing efforts to resolve the Nagorno-Karabakh conflict.
- State and DOD officials said they use emails and phone calls to informally communicate specific information about ongoing and needed programs and activities in Azerbaijan. They said they also use emails and phone calls when determining whether other agencies' assistance for Azerbaijan is exempt from the Section 907 restriction or meets the conditions necessary to justify extending the waiver.

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<sup>20</sup>The Minsk Group was established by the Organization for Security and Cooperation in Europe in the 1990s to hold a peace conference in Minsk, Belarus, regarding the Armenian–Azerbaijani conflict over Nagorno-Karabakh. Cochaired by Russia, France, and the United States, the Minsk Group continues to oversee the negotiations between Azerbaijan and Armenia to reach a peaceful settlement.

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## State Submitted Annual Waiver Determination Packages to Congress

### Waiver of Section 907

On an annual basis, the President may extend the waiver of the restriction on assistance to the government of Azerbaijan by certifying that to do so

- 1) is necessary to support U.S. efforts to counter international terrorism; or
- 2) is necessary to support the operational readiness of U.S. Armed Forces or coalition partners to counter international terrorism; or
- 3) is important to Azerbaijan's border security; and
- 4) will not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan or be used for offensive purposes against Armenia.

Source: Pub. L. No. 107-115, 115 Stat. 2118, 2129. | GAO-22-104619

Our review of State's waiver determination packages for fiscal years 2014 through 2021 found that State submitted a Section 907 waiver determination package to Congress each year. State EUR's Office of Caucasus Affairs and Regional Conflicts uses information about State's and other agencies' proposed assistance for Azerbaijan to develop the annual package, which State ultimately transmits to Congress if the Secretary of State approves it. We found that each package included a waiver determination, a certification that the waiver conditions were met, background on assistance to the government of Azerbaijan, and a memorandum of justification (MOJ) providing detailed information to support the determination that conditions existed to justify extending the waiver.

Our analysis of the MOJs for fiscal years 2014 through 2021 found that they generally addressed each of the Section 907 waiver provision's conditions for extending the waiver.<sup>21</sup>

- To address the first condition, the MOJs generally noted the existence of joint U.S. and Azerbaijani government efforts to combat terrorist financing and apprehend and try members of suspected terrorist groups.
- To address the second condition, the MOJs included information about the Azerbaijani government's granting of overflight clearances to all U.S. aircraft working in the region.
- To address the third condition, the MOJs generally explained that the waiver supported training to strengthen Azerbaijani government officials' ability to surveil, detect, and interdict members of terrorist groups, their facilitators, and illicit materials and assets.
- To address the fourth condition, the MOJs stated that the assistance being provided to the government of Azerbaijan was not suitable for offensive use against Armenia. According to the MOJs, the assistance therefore would not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan and would not be used for offensive purposes against Armenia.

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<sup>21</sup>While the Section 907 waiver provision requires State to certify, among other things, that extension of the waiver will achieve one of the waiver provision's first three enumerated objectives, State's waiver determination packages included information related to all three objectives.

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## State and DOD Consulted Congress on Planned Assistance to Azerbaijan

### Consultation Required

The Committees on Appropriations shall be consulted prior to the provision of assistance related to the waiver.

Source: Pub. L. No. 107-115, 115 Stat. 2118, 2129. | GAO-22-104619

According to State officials, State consulted with the Committees on Appropriations regarding assistance that it planned to provide to the government of Azerbaijan pursuant to the Section 907 waiver in fiscal years 2014 through 2021.<sup>22</sup> According to DOD officials, DOD consulted with the committees regarding all planned Section 333 assistance—including assistance to the Azerbaijani government provided pursuant to the waiver—in fiscal years 2014 through 2020. In fiscal year 2020, DOD determined that the department had not formally consulted with the Committees on Appropriations about its other assistance provided pursuant to the Section 907 waiver; as a result, DOD revised its process for adhering to the consultation requirement for such assistance.

**State’s consultations.** According to State officials, the department consulted with the Committees on Appropriations before providing assistance related to the waiver, as required by law. State officials said that State conducted these consultations through in-person briefings, phone calls, and through consultation notes. According to State officials, each State bureau or office managing programs that may rely on the Section 907 waiver is responsible for preparing its own consultation note, including details about the proposed obligations, planned accounts for the spending, and types of assistance being provided to the government of Azerbaijan. State officials said that the department’s Bureau of Legislative Affairs consulted with Congress annually in fiscal years 2014 through 2021.<sup>23</sup>

**DOD’s consultations.** According to DOD officials, in fiscal years 2014 through 2020, DOD did not fully meet the consultation requirement for all assistance made available pursuant to the waiver and did not consult formally with the Committees on Appropriations regarding assistance provided pursuant to the Section 907 waiver before providing the assistance. Instead, DOD’s consultations with Congress during that period pertained to all assistance provided to Azerbaijan under Section

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<sup>22</sup>According to State officials, other federal agencies providing assistance to the government of Azerbaijan are responsible for consulting with the Committees on Appropriations about their own programming.

<sup>23</sup>State officials also communicate information to the Committees on Appropriations in other ways. For example, State officials communicated assistance related to the Section 907 waiver during annual meetings with congressional committees when providing the waiver determination package. In addition, according to officials, State bureaus and offices that carry out programming in Azerbaijan are responsible for preparing Congressional Budget Justification narratives or congressional notifications describing U.S. assistance to Azerbaijan, which are shared with Congress.

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333, which accounted for the majority of DOD assistance provided in fiscal years 2002 through 2020 pursuant to the waiver.<sup>24</sup> DOD's interactions with Congress in fiscal years 2014 through 2020 included the submission of written notifications and briefing slides regarding specific assistance to Azerbaijan, which DOD provided to us. These briefing slides contained details of the types of assistance being provided to Azerbaijan, the country's capability gaps, and the rationale for providing assistance.<sup>25</sup>

DOD officials stated that in fiscal year 2021, to better comply with the Section 907 waiver consultation requirement, DOD updated its process for consulting with Congress. According to the officials, in fiscal year 2020 DOD had conducted an internal review of its consultation processes and determined that DOD had not fully met its standards for compliance with the requirement. DOD officials told us that this internal review was conducted in response to the Section 907 waiver's lapsing in March 2020 and in light of congressional attention to assistance to Azerbaijan. According to the officials, as a result of this review, DOD generated a more informative consultation note that identified planned assistance to Azerbaijan in fiscal year 2021 that was exempt from the Section 907 restriction as well as the assistance made available in fiscal year 2021 pursuant to the Section 907 waiver. DOD officials said that the department plans to continue generating these consultation notes on an annual basis.

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<sup>24</sup>Not later than 15 days before initiating activities under 10 U.S.C. § 333, the Secretary of Defense must provide written and electronic notice, containing specified elements, to the Committee on Armed Services, the Committee on Foreign Relations, and the Committee on Appropriations of the Senate and of the House of Representatives. See 10 U.S.C. § 333(e) and 10 U.S.C. § 301(1).

<sup>25</sup>DOD officials noted that, in addition to consulting with the Senate and House Committees on Appropriations, DOD consults with other congressional committees with interests in DOD programs, such as the Senate and House Armed Services Committees, the Senate Foreign Relations Committee, and the House Foreign Affairs Committee.

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## State Did Not Fully Meet the Section 907 Reporting Requirement

In fiscal years 2014 through 2021, State did not fully meet the statutory requirement to report to Congress in detail, within 60 days of exercising the Section 907 waiver, specific information relating to planned assistance to the government of Azerbaijan.

### Report Required by the Waiver Provision

Within 60 days of the exercise of the waiver, the President shall submit a report to the appropriate congressional committees specifying in detail:

- a) the nature and quantity of all training and assistance provided to the government of Azerbaijan pursuant to the waiver, and
- b) the status of the military balance between Azerbaijan and Armenia and the impact of U.S. assistance on that balance, and
- c) the status of negotiations for a peaceful settlement between Armenia and Azerbaijan and the impact of the U.S. assistance on those negotiations.

Source: Pub. L. No. 107-115, 115 Stat. 2118, 2129. | GAO-22-104619

According to State officials, the MOJs that State submitted with the annual waiver determination packages fulfilled the annual 60-day reporting requirement. However, our review of State's MOJs for fiscal years 2014 through 2021 found that they did not consistently address certain of the required reporting elements. Specifically, while the MOJs described the nature of the assistance provided, they did not consistently include information about (1) the quantity of assistance provided to the government of Azerbaijan, (2) the status of the military balance between Armenia and Azerbaijan, (3) the impact of U.S. assistance on the military balance between Azerbaijan and Armenia, and (4) the impact of the assistance on peace negotiations between the two countries.

Additionally, two reports—titled “60-Day Report”—that the agency included in its waiver determination packages for fiscal years 2016 and 2021 addressed some, but not all, of the required reporting elements. Compared with the MOJs, both 60-Day Reports contained more information about the nature of the assistance provided to the government of Azerbaijan. In addition, the 2021 report addressed the quantity of assistance provided. However, the 60-Day Reports did not include information about the impact of the assistance on (1) the military balance between Azerbaijan and Armenia or (2) peace negotiations between the two countries. For example:

- The 60-Day Report for fiscal year 2021 stated that U.S. assistance to the government of Azerbaijan did not have any applicable offensive use against Armenia. The report also stated that there was no indication that U.S. security assistance was diverted during the 44 days of intensive fighting in fall 2020. According to State officials, while the report did not explicitly address the impact of U.S. assistance on the military balance between the two countries, it implied that the assistance would not have such impact. Our review of the report found it stated that the outbreak of intensive fighting underscored the continuing need to avoid providing offensive or potentially destabilizing weaponry to either side. However, the report did not provide information about how the assistance may have affected the military balance between the two countries.
- The 60-Day Report for fiscal year 2021 stated that the U.S. government evaluates all assistance for its potential impact on the

negotiation process. State officials said that while the report did not explicitly address the impact of U.S. assistance on the status of negotiations for peaceful settlement between Azerbaijan and Armenia, it could be understood to imply that the assistance would not have such impact. However, our review of the report found it did not provide any information about the impact of assistance on negotiations between the two countries.

Table 6 shows the results of our assessment of the extent to which State’s MOJs and 60-Day Reports addressed all elements of the Section 907 waiver reporting requirement.

**Table 6: Extent to Which State Department Reporting on U.S. Assistance to the Azerbaijani Government Pursuant to Section 907 Waiver Addressed All Statutorily Required Elements, Fiscal Years 2014–2021**

Fiscal year	Required elements to be specified in detail					
	Nature of training and assistance provided	Quantity of training and assistance provided	Status of military balance between Azerbaijan and Armenia	Impact of the U.S. assistance on that balance	Status of negotiations for peaceful settlement between Azerbaijan and Armenia	Impact of U.S. assistance on those negotiations
2014	✓	X	X	X	✓	X
2015	✓	X	X	X	✓	X
2016	✓	X	X	X	✓	X
2017	✓	X	X	X	✓	X
2018	✓	X	X	X	✓	X
2019	✓	X	X	X	✓	X
2020	✓	X	X	X	✓	X
2021	✓	✓	✓	X	✓	X

Legend: ✓ = addressed in Section 907 waiver determination package; X = not addressed in the Section 907 waiver determination package. We did not assess whether an element was addressed in detail; rather, we determined whether an element was addressed at all.

Source: GAO analysis of Department of State’s Section 907 waiver determination packages for fiscal years 2014–2021; Pub. L. No. 107-115, 115 Stat. 2129. | GAO-22-104619

According to State officials, State did not provide a separate 60-Day Report in fiscal years 2017 through 2020 because it determined that the annual MOJs fulfilled the annual 60-day reporting requirement. When State updated its guidance related to the Section 907 waiver reporting requirement for fiscal year 2021, it included a copy of the 60-Day Report for fiscal year 2016—its most recent report—as an example; however, the 2016 report did not include information on several required elements.<sup>26</sup> Moreover, State’s guidance for fiscal year 2021 did not specify that all

<sup>26</sup>According to State officials, as of January 2022, State had not decided whether to continue generating the 60-Day Report.

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elements of the reporting requirement should be addressed and did not provide specific instructions about the level of detail required to address each element. Unless State takes steps to ensure that it addresses all elements required by the Section 907 waiver provision, Congress may lack important information for its oversight of U.S. assistance to the government of Azerbaijan.

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## State and DOD Did Not Consistently Document Their Consideration of the Waiver Provision in Program-Level Assessments

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### State Did Not Document Consideration of the Section 907 Waiver Provision in Its Program-Level Assessments

State's assessments of its programs providing assistance to the government of Azerbaijan pursuant to the Section 907 waiver in fiscal years 2014 through 2021 did not document consideration of the waiver provision or of the information that the provision requires to be communicated to Congress. Although consideration of the waiver provision is not statutorily required at the program level, standards for internal control in the federal government outline the importance of documentation and of communicating quality information.<sup>27</sup>

State data show that State provided about \$12 million in International Military Education and Training (IMET) and Foreign Military Financing (FMF) assistance from fiscal years 2014 through 2020 pursuant to the Section 907 waiver. According to State officials, funding for IMET was used to provide training to Azerbaijani officials to promote a more professional military, primarily related to leadership, military doctrine, and defense acquisition management. Funding for FMF was used to provide equipment to the government of Azerbaijan for border security in efforts directed against terrorist organizations and against the smuggling of

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<sup>27</sup>[GAO-14-704G](#). According to State guidance, all of the department's management systems must incorporate these internal control standards. See 2 FAM 021.1.c.

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narcotics, according to State officials.<sup>28</sup> FMF funding was also used to provide communication equipment for Azerbaijan's military to enhance integration with the North Atlantic Treaty Organization.

According to State officials, IMET and FMF programs do not provide offensive capabilities against Armenia; however, State did not document this consideration, or consideration of any other elements of the Section 907 waiver provision, in documents such as its program assessments. State conducted a limited number of program-level assessments of assistance provided to the government of Azerbaijan pursuant to the Section 907 waiver. For example:

- State conducted a summary assessment of all assistance it provided to the government of Azerbaijan in fiscal year 2021 pursuant to the Section 907 waiver, outlining the overall assistance provided under the FMF and IMET programs. However, the assessment did not document consideration of the information that the waiver provision requires to be communicated to Congress, such as the potential impact of the assistance on the military balance between Azerbaijan and Armenia.
- State conducted some program-level assessments of the FMF programs, such as end-use monitoring of FMF-provided equipment. Although these assessments described the uses of FMF assistance, none of the assessments documented consideration of the Section 907 waiver provision.

According to State officials, programs funded pursuant to the Section 907 waiver follow State's general monitoring and evaluation requirements. Although the Section 907 waiver provision does not state that the information to be communicated to Congress must be documented at the program level, standards for internal control in the federal government call for management to externally communicate necessary quality information and to use quality information to achieve objectives.<sup>29</sup> Furthermore, these standards state that documentation is a necessary part of an effective internal control system.

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<sup>28</sup>According to State officials, as of January 2022, State has not committed any new FMF funding to Azerbaijan since 2017. Officials stated that the remaining FMF assistance will be used for additional training similar to IMET programs and for peacekeeping and humanitarian efforts, such as disposal of explosive ordnance.

<sup>29</sup>[GAO-14-704G](#).



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Documenting its consideration of the Section 907 waiver provision, such as in assessments of its programs providing assistance to the Azerbaijani government, would help State ensure the availability of quality information to support its certifications and congressional reporting pursuant to the Section 907 waiver provision.

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### DOD Did Not Consistently Document Consideration of the Section 907 Waiver Provision in Its Program-Level Assessments

DOD's assessments of its programs providing assistance to the government of Azerbaijan pursuant to the Section 907 waiver provision in fiscal years 2014 through 2021 did not consistently document consideration of the information that the provision requires to be communicated to Congress. Although this information is not statutorily required at the program level, standards for internal control in the federal government outline the importance of documentation and of communicating quality information.<sup>30</sup>

DOD data show that DOD obligated approximately \$81 million through Section 333 for capacity-building assistance to the government of Azerbaijan pursuant to the Section 907 waiver in fiscal years 2014 through 2020.<sup>31</sup> According to DOD officials, DOD primarily supported two such programs—the Maritime Security to the Caspian Sea program and the Southern Border Security program.<sup>32</sup> Assistance provided through these programs included items such as scanners, communication devices, and maritime assets for border security along Azerbaijan's border with Iran (see fig. 5).

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<sup>30</sup>[GAO-14-704G](#).

<sup>31</sup>DOD also obligated about \$1 million for other programs pursuant to the Section 907 waiver, according to DOD officials.

<sup>32</sup>According to DOD officials, DOD had planned to support the Northern Border Security program; however, as of November 2021 this program has yet to receive any obligations.

**Figure 4: Department of Defense–Provided Scanners at Border Crossings in Azerbaijan**



Source: U.S. Embassy in Azerbaijan. | GAO-22-104619

According to DOD officials, DOD programs providing assistance to the Azerbaijani government pursuant to the Section 907 waiver are designed so that the assistance cannot be used for offensive purposes against Armenia. However, DOD did not consistently document consideration of this or any other Section 907 waiver provision in its program assessments. According to DOD officials, DOD has conducted various assessments of its programs providing security assistance to the government of Azerbaijan. For example:

- During the intensive fighting between Azerbaijan and Armenia in the fall of 2020, DOD, along with State, conducted a detailed review of its ongoing and planned assistance to the Azerbaijani government to reconfirm consistency with the Section 907 waiver provision. According to DOD officials, the U.S. government wanted to avoid any perception that assistance could be used in the conflict.
- DOD officials stated that the department conducts formal program assessments before providing Section 333 assistance. For example, officials said that DOD conducted predesign assessments for the five Section 333 programs for which, according to notifications it submitted to Congress, DOD planned to obligate funds in fiscal years 2018 through 2020. These assessments consisted of a program overview; a baseline summary of the host nation's capabilities and performance;

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and an overall program summary, including information about risks and challenges. However, the assessments for fiscal years 2018 and 2019 did not include any reference to the Section 907 waiver provision.<sup>33</sup> In fiscal year 2020, a predesign assessment for a program to support border security on Azerbaijan's northern border included a limited discussion of risk related to the Section 907 restriction, stating that the project would not provide any advantage to Azerbaijan over Armenia. However, the assessment did not address the proposed program's impacts on the ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan.<sup>34</sup>

- According to DOD officials, DOD conducts enhanced and routine end-use monitoring on equipment provided to Azerbaijan. DOD's policy states that end-use monitoring is the process by which DOD observes and reports any potential misuse or unapproved transfer of defense articles. DOD also informally monitors for risks associated with DOD provided equipment, according to DOD officials.

According to DOD officials, programs funded pursuant to the Section 907 waiver follow DOD's general monitoring and evaluation requirements. Although the Section 907 waiver provision does not state that the information to be communicated to Congress must be documented at the program level, standards for internal control in the federal government call for management to externally communicate necessary quality information and to use quality information to achieve objectives.<sup>35</sup> Furthermore, these standards state that documentation is a necessary part of an effective internal control system.

Documenting its consideration of the Section 907 waiver provision, such as in assessments of its programs providing assistance to the Azerbaijani government, would help DOD ensure the availability of quality information to support State's certification of the waiver extension and related reporting to Congress.

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## Conclusions

The recent conflict between Azerbaijan and Armenia highlights the importance of State's delegated responsibility for determining and certifying that, among other things, U.S. assistance to the government of

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<sup>33</sup>DOD began obligating Section 333 funds for the Maritime Security to the Caspian Sea program and the Southern Border Security program in fiscal year 2018.

<sup>34</sup>As of November 2021, the program to support border security on Azerbaijan's northern border had not yet been implemented because of delays in Section 333 funding.

<sup>35</sup>[GAO-14-704G](#).

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Azerbaijan will not be used for offensive purposes against Armenia or undermine efforts to negotiate a peaceful settlement between the two countries. In carrying out this responsibility, State coordinates with other U.S. agencies and collects information about assistance they provide in Azerbaijan to fulfill the Section 907 waiver certification requirement as well as the associated reporting requirement. However, State's mandated reporting has not addressed all of the elements required by the waiver provision. As a result, Congress may lack important information about assistance provided to the government of Azerbaijan.

In addition, in assessing their programs providing assistance to the Azerbaijani government, State and DOD have not consistently documented their consideration of the information that the Section 907 waiver provision requires to be communicated to Congress. Such documentation would help ensure the availability of quality information to support State's annual certification of the waiver extension and related reporting to Congress.

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## Recommendations for Executive Action

We are making the following three recommendations, two to State and one to DOD:

The Secretary of State should ensure that the Assistant Secretary of State for European and Eurasian Affairs takes steps—such as including detailed instructions in its guidance to agencies providing assistance for Azerbaijan—to ensure that State's reporting to Congress about U.S. assistance to the Azerbaijani government provided pursuant to the Section 907 waiver addresses all elements of the statutory reporting requirement. (Recommendation 1)

The Secretary of State, in consultation with the Secretary of Defense, should ensure that State documents at the program level, such as in program assessments, its consideration of information that the Section 907 waiver provision requires to be communicated to Congress. (Recommendation 2)

The Secretary of Defense should ensure that DOD documents at the program level, such as in program assessments, its consideration of information that the Section 907 waiver provision requires to be communicated to Congress. (Recommendation 3)

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## Agency Comments and Our Evaluation

We provided a draft of this report to State, DOD, DOE, and USAID for review and comment. State and DOD provided written comments that we have reproduced in appendixes III and IV, respectively. In their comments, State and DOD concurred with our recommendations. State and DOD also provided technical comments that we incorporated as appropriate. DOE informed us that it had no comments. USAID provided written comments, which are reproduced in appendix V, but did not provide technical comments.

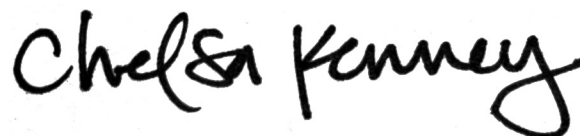
Although State concurred with our recommendations, it disagreed with our assessment that it did not fully meet the 60-day statutory reporting requirement in fiscal years 2014 to 2021. Further, State asserted that the unclassified nature of its 60-Day Report to Congress limits the amount of detail the report can include. State also noted that assessing the impact of U.S. assistance on the military balance and on negotiations can be challenging. However, we stand by our assessment. Specifically, we found that the MOJs inconsistently addressed four of the required elements and the 60-Day Reports did not address two of the required elements.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees and to the Secretaries of State, Defense, and Energy; the Administrator of USAID; and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2964 or [kenneyc@gao.gov](mailto:kenneyc@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 major contributions to this report are listed in appendix VI.

Sincerely yours,



Chelsa Kenney  
Director, International Affairs and Trade

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# Appendix I: Objectives, Scope, and Methodology

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This report examines (1) the amounts and types of assistance U.S. agencies reported providing for Azerbaijan in fiscal years 2002 through 2020; (2) the Department of State's process for determining that conditions exist to extend the Section 907 waiver, as well as the extent of compliance with related consultation and reporting requirements in fiscal years 2014 through 2021; and (3) the extent to which U.S. agencies considered the Section 907 waiver provision when assessing programs that provided assistance to the government of Azerbaijan pursuant to the provision in fiscal years 2014 through 2021.<sup>1</sup>

To identify the agencies that provided assistance for Azerbaijan in fiscal years 2002 through 2020, we analyzed publicly available data and identified the key agencies that provided such assistance after the passage of the Section 907 waiver provision in 2002. On the basis of the analysis and interviews, we focused this review on State, the Department of Defense (DOD), Department of Energy (DOE), and U.S. Agency for International Development (USAID).

To describe the amounts and types of assistance provided for Azerbaijan in fiscal years 2002 through 2020, we analyzed reported obligations data from State, DOD, DOE, and USAID. We analyzed the data by federal agency and funding account, working with the agencies to identify programs that provided assistance pursuant to the Section 907 waiver and interviewing agency officials to obtain clarifying information about the data.

To identify programs that provided assistance pursuant to the Section 907 waiver, we interviewed State, DOD, DOE, and USAID officials. We relied on agencies' determinations of whether assistance they provided fell within a category that is exempt from the Section 907 restriction. We used the identified programs and funding accounts to determine the total amount of funding provided for Azerbaijan pursuant to the Section 907 waiver. This amount reflected funding for programs that State and DOD officials identified as requiring the waiver; this amount did not include

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<sup>1</sup>See Pub. L. No. 107-115, 115 Stat. 2118, 2129 (2002) (relevant provisions codified as a note to 22 U.S.C. § 5812). The authority to extend the Section 907 waiver was delegated from the President to the Secretary of State. See Exec. Order No. 12163, as amended and set out as a note to 22 U.S.C. § 2381. According to State officials, the authority may also be extended by the Deputy Secretary of State pursuant to an internal delegation of authority by the Secretary of State.

programs that, according to agency officials, had multiple funding authorities, some of which may be subject to the Section 907 restriction.

We reviewed the reported obligations data and related documentation, conducted manual and electronic testing to identify missing data or any logical errors, and interviewed relevant officials from State, DOD, DOE, and USAID to determine the overall funding amounts by fiscal year and related trends in obligations data. We excluded State and USAID funding for administration, oversight, and program design and learning. We interviewed officials from State, DOD, DOE, and USAID to corroborate our understanding of the data. We determined that the data were sufficiently reliable for showing obligation amounts and general trends, by agency and sector, in fiscal years 2002 through 2020.

To examine State's process for determining that conditions exist to extend the Section 907 waiver, as well as the extent to which agencies complied with related consultation and reporting requirements in fiscal years 2014 through 2021, we reviewed the relevant statutes as well as agencies' policies and guidance related to assistance provided pursuant to the waiver of the Section 907 restriction. We analyzed State's documentation related to the waiver, including certifications, notifications, memorandums, congressional notifications, and 60-Day Reports provided to Congress for fiscal years 2014 through 2021. We selected this period to capture the process for adhering to the Section 907 waiver provision, including patterns of reporting and consulting on the assistance related to the waiver under different administrations. We also obtained information from State and DOD on coordination mechanisms through interviews with agency officials. When agencies were unable to provide documentation of their coordination, we corroborated this information in interviews with other agency officials.

Additionally, for the same timeframe, we collected and reviewed State's and DOD's procedures, guidelines, and related documentation for consulting with Congress on their respective programs providing assistance to the government of Azerbaijan related to the waiver. Further, to confirm our understanding about the process for adhering to the Section 907 waiver provision, we interviewed officials in Washington, D.C., and in Azerbaijan from each agency with responsibility for managing U.S. assistance for Azerbaijan.

To evaluate the extent to which agencies have considered the Section 907 waiver provision in their program-level assessments, we collected and analyzed applicable State and DOD assessments of their programs

providing assistance to the Azerbaijani government pursuant to the Section 907 waiver for fiscal years 2014 through 2021. In requesting agency documentation, we asked agencies to provide applicable assessments, evaluations, or other monitoring documents related to these programs. We requested these documents to identify how agencies were determining the impact of their assistance provided pursuant to the Section 907 waiver. We selected this period to capture assessments of assistance related to the waiver that were relatively recent but covered several administrations. We collected the assessments from State and DOD because they were the only two agencies that had provided assistance to the government of Azerbaijan that was subject to the Section 907 restriction.

We reviewed the assessments to determine the extent to which State and DOD had considered the Section 907 restriction or waiver provision and the extent to which these agencies documented any consideration of the Section 907 restriction or waiver provision in their program-level assessments. We also requested end-use monitoring reports from State and DOD; however, only State provided this type of documentation. In addition, we interviewed State and DOD officials in Washington, D.C., and in Azerbaijan about their processes for assessing the results of assistance provided pursuant to the waiver. Finally, we compared State's and DOD's assessments with standards for internal control in the federal government.<sup>2</sup> Specifically, internal control principle 13 outlines the use of quality information, and internal control principle 15 outlines the importance of communicating this information to external parties.

We conducted this performance audit from November 2020 to January 2022 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.

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<sup>2</sup>See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).



# Appendix II: USAID's and State's Reported Obligations, by Funding Type, Fiscal Years 2002–2020

The U.S. Agency for International Development (USAID) and the Department of State each reported obligating funds for assistance in Azerbaijan to support, for example, democracy and governance, economic growth, and peace and security. Table 7 shows the reported total amounts that USAID and State obligated, by category, in fiscal years 2002 through 2020.

**Table 7: USAID- and State-Reported Obligations for Assistance in Azerbaijan, by Category and Funding Type, Fiscal Years 2002–2020**

Dollars in thousands

Category and funding source	2002-2013	2014	2015	2016	2017	2018	2019	2020	Total
<b>Democracy, Human Rights, and Governance</b>	134,090	4,997	6,125	3,660	4,129	5,662	4,699	6,847	170,208
USAID	107,654	1,774	3,398	2,089	2,595	3,525	2,591	5,597	129,222
State	26,437	3,223	2,727	1,571	1,534	2,137	2,108	1,250	40,986
<b>Economic Growth</b>	118,574	3,709	3,000	1,786	2,105	3,162	3,030	5,887	141,254
USAID	101,982	3,617	3,000	1,775	2,005	3,137	3,030	5,860	124,406
State	16,593	92	0	11	100	25	0	27	16,848
<b>Peace and Security</b>	105,211	3,969	2,763	2,938	2,610	2,188	1,413	877	121,969
USAID	23,525	-172	170	200	230	950	300	100	25,303
State	24,017	848	300	684	741	300	236	0	27,125
State – Foreign Military Financing	48,497	2,700	1,700	1,400	1,000	0	0	435	55,732
State – International Military Education and Training	9,172	592	593	654	639	938	878	342	13,808
<b>Health</b>	34,395	-25	0	2	0	-127	0	2,998	37,243
USAID	34,395	-25	0	2	0	-127	0	2,998	37,243
<b>Education and Social Services</b>	18,496	-253	0	0	0	0	0	0	18,243
USAID	18,380	-253	0	0	0	0	0	0	18,128
State	115	0	0	0	0	0	0	0	115
<b>Humanitarian Assistance</b>	5,745	-1	389	0	25	25	500	2,236	8,918
USAID	807	-1	0	0	0	0	0	0	807
State	4,937	0	389	0	25	25	500	2,236	8,112
<b>Multi-sector</b>	70	0	0	0	463	785	-9	0	1,308
State	70	0	0	0	463	785	-9	0	1,308
<b>Total</b>	416,581	12,396	12,276	8,385	9,331	11,695	9,633	18,846	499,143
USAID	286,743	4,941	6,568	4,066	4,830	7,485	5,921	14,555	335,108
State	129,838	7,455	5,708	4,319	4,501	4,210	3,713	4,291	164,035

Source: GAO analysis of U.S. Agency for International Development (USAID) and Department of State data. | GAO-22-104619

Notes: Because of rounding, numbers in columns and rows may not sum to totals shown. If deobligations exceeded obligations during a time period, total obligations may be negative. Fiscal years denote the year of obligation. Totals shown do not include funding for administration, oversight, or program design and learning. Totals for State include obligations data for the National Endowment for Democracy, a nongovernment, nonprofit organization that uses congressionally appropriated funds to support democracy activities. State's total obligations for Foreign Military Financing (FMF) and International Military Education and Training programs, which the Department of Defense

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**Appendix II: USAID's and State's Reported  
Obligations, by Funding Type,  
Fiscal Years 2002–2020**

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implements, are shown separately from other State obligations. Pursuant to provisions included in annual appropriations measures, FMF funding is deemed to be obligated on apportionment. Amounts of FMF funding shown represent funding committed to Azerbaijan and are from ForeignAssistance.gov. Totals for USAID do not include the "Gifts and Donations" and "Operating Expenses" accounts.

# Appendix III: Comments from the Department of State



United States Department of State  
*Comptroller*  
Washington, DC 20520

JAN 13 2022

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

Dear Mr. Melito:

We appreciate the opportunity to review your draft report, "FOREIGN ASSISTANCE: Agencies Should Improve Required Reporting of Assistance to the Government of Azerbaijan" GAO Job Code 104619.

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

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey C. Mounts".

Jeffrey C. Mounts

Enclosure:  
As stated

cc: GAO – Chelsa Kenney  
EUR – Karen Donfried  
OIG - Norman Brown

**U.S. Department of State Response to GAO Draft Report**

**FOREIGN ASSISTANCE: Agencies Should Improve Required Reporting to the  
Government of Azerbaijan**  
**(GAO-22-104619)**

Thank you for the opportunity to comment on your draft report, *“Foreign Assistance: Agencies Should Improve Required Reporting of Assistance to the Government of Azerbaijan”*.

The Department of State continuously seeks to improve the procedures, guidelines, and related documentation for interagency coordination and consultation with Congress on assistance to Azerbaijan’s government. The annual decision on whether to extend the waiver of section 907 of the FREEDOM Support Act is made following a careful interagency review of U.S. national security interests and priorities in the region. In 2021, in light of the fall 2020 escalation of the Nagorno-Karabakh conflict, the relevant departments and agencies carefully considered concerns raised by Members of Congress during Secretary Blinken’s confirmation hearings.

We understand that Congressional concerns pertaining to section 907 focus largely on security assistance. The U.S. government continuously reviews and monitors U.S. foreign assistance provided to all countries, including Armenia and Azerbaijan, to ensure appropriate use of funds and alignment with U.S. foreign policy goals. As this report notes, security assistance provided pursuant to the section 907 waiver represented only 20 percent of our total assistance to Azerbaijan from 2014-2021. We take appropriate measures on an ongoing basis to ensure U.S. security assistance provided to the Government of Azerbaijan under the waiver will not undermine or hamper efforts to negotiate a peaceful settlement between Armenia and Azerbaijan; does not have any offensive applications against Armenia; and does not alter the military balance between Armenia and Azerbaijan. The Department will strive, however, to provide more detail whenever possible on these points in our reporting to Congress, and the Department stands ready, as always, to brief Congress on U.S. assistance provided to Azerbaijan.

We disagree with GAO’s assessment that the Department of State did not fully meet the 60-day statutory reporting requirement from 2014 to 2021. Due to the unclassified nature of the report, there is a limit to the amount of detail that can be provided on the status of the military balance and the status of negotiations between Armenia and Azerbaijan. Moreover, assessing the impact of U.S. assistance on the military balance and on negotiations can be challenging, given the flow of military assistance and materiel from non-U.S. sources into the region. Notwithstanding these challenges, the Department strives to provide accurate and detailed reporting annually, consistent with the statutory requirement, and we will continue to work to improve our reports consistent with the GAO recommendations:

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**Recommendation 1:** The Secretary of State should ensure that the Assistant Secretary of State for European and Eurasian Affairs takes steps - such as including detailed instructions in its guidance to agencies providing assistance for Azerbaijan - to ensure that State's reporting to Congress about U.S. assistance to the Azerbaijani government provided pursuant to the section 907 waiver addresses all elements of the statutory reporting requirement.

**Department Response:** The Department of State concurs with the recommendation to provide more detailed instructions in its guidance to agencies providing assistance to the Government of Azerbaijan. State also will continue to ensure its reporting to Congress about U.S. assistance to the Azerbaijani government pursuant to the section 907 waiver addresses all elements of the statutory reporting requirement and will work to provide additional detail in the reporting where possible.

**Recommendation 2:** The Secretary of State, in consultation with the Secretary of Defense, should ensure that State documents at the program level, such as in program assessments, its consideration of information required to be communicated to Congress pursuant to the section 907 waiver.

**Department Response:** The Department of State concurs with the recommendation to increase documentation at the program level, when feasible, of its consideration of information required to be communicated to Congress pursuant to the section 907 waiver. The Department will look for opportunities to enhance documentation of these considerations with respect to proposed assistance to the Government of Azerbaijan.

The Department appreciates the opportunity to comment on the draft report. We are fully committed to improving accountability for funding, and we will maintain focus on the recommendations identified in the report. We look forward to working with you and other stakeholders to address these issues.

# Appendix IV: Comments from the Department of Defense



INTERNATIONAL  
SECURITY AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
2400 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-2400

JAN 11 2022

Ms. Chelsa Kenney  
Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Chelsa Kenney:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-22-104619, "FOREIGN ASSISTANCE: Agencies Should Improve Required Reporting of Assistance to the Government of Azerbaijan," dated December 10, 2021 (GAO Code 104619).

Thank you for the opportunity to comment on this draft report. Attached is DoD's response to the subject report. My point of contact is Dr. Jason Hamm at 703-692-3910 or [jason.c.hamm.civ@mail.mil](mailto:jason.c.hamm.civ@mail.mil).

Sincerely,

A handwritten signature in black ink, appearing to read "Ilan Goldenberg".

Ilan Goldenberg  
Acting Assistant Secretary of Defense  
for International Security Affairs



**GAO DRAFT REPORT DATED DECEMBER 10, 2021**

**GAO-22-104619 (GAO Code 104619)**

**“FOREIGN ASSISTANCE: AGENCIES SHOULD IMPROVE REQUIRED  
REPORTING OF ASSISTANCE TO THE GOVERNMENT OF AZERBAIJAN”**

**DEPARTMENT OF DEFENSE COMMENTS TO  
THE GAO RECOMMENDATION TO DOD**

DoD RECOMMENDATION 1: The Secretary of Defense should ensure that DOD documents at the program level, such as in program assessments, its consideration of information required to be communicated to Congress pursuant to the Section 907 waiver. (Recommendation 3)

DoD RESPONSE: DoD concurs in the recommendation to increase documentation at the program level of its consideration of information required to be communicated to Congress pursuant to the Section 907 waiver.

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



January 10, 2022

Ms. Chelsa Kenney, Director  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20226

Re: Foreign Assistance to the Government of Azerbaijan (GAO 22-104619)

Dear Ms. Kenney,

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO) titled, "Foreign Assistance to the Government of Azerbaijan" (GAO 22-104619).

USAID provides assistance for Azerbaijan with the overarching objective of supporting democracy through work in two main areas outlined in its Country Development Cooperation Strategy: (1) strengthening democracy and governance; and, (2) promoting economic development and connectivity. According to these officials, USAID's past and present portfolio of development assistance supports democracy in Azerbaijan and/or does not entail assistance to the government.

Since GAO had no recommendations for USAID within this audit, USAID will continue to adhere to applicable Section 907 requirements for programs providing assistance to the government of Azerbaijan.

I am transmitting this letter from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report, and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the complete and thorough evaluation of the Section 907 waiver provision for programs providing assistance to the government of Azerbaijan.

Sincerely,

*Colleen Allen*

Colleen Allen  
Assistant Administrator  
Bureau for Management



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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

Chelsa Kenney, (202) 512-2964 or [KenneyC@gao.gov](mailto:KenneyC@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Mona Sehgal (Assistant Director), Carolina Morgan (Analyst in Charge), Neil Doherty, Mark Dowling, William Johnson, Reid Lowe, Heather Rasmussen, Chanetta Reed, and Mike Silver made key contributions to this report.

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A. Nicole Clowers, Managing Director, [ClowersA@gao.gov](mailto:ClowersA@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

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## Public Affairs

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