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Highlights

Highlights of [GAO-05-731](#), a report to the Chairman, Committee on International Relations, U.S. House of Representatives

Why GAO Did This Study

Since 1992, the U.S. Agency for International Development (USAID) has focused the Cash Transfer Program in Egypt on supporting economic reform activities to move Egypt toward a more liberal and market-oriented economy. USAID has provided funds to Egypt's government as it completed agreed-on economic reform activities. In fiscal year 2002, the Department of State and USAID conducted a review of U.S. economic assistance in Egypt that led USAID to renegotiate the program's terms. USAID and Egypt signed a new agreement in March 2005.

GAO's review of the Cash Transfer Program focused on the program's disbursement of funds and Egypt's completion of agreed-on activities, factors affecting the program's influence on Egypt's economic reform, USAID's efforts to evaluate the program's impact, and USAID's changes to the program in response to the 2002 review by the Department of State and USAID.

GAO received comments on a draft of this report from USAID. USAID stated that the draft was fair and clear but that Egypt's completion of about 70 percent of the activities resulted from the program's structure rather than shortcomings in Egypt's policy reforms. USAID also stated that extending the target dates for completing reforms increased U.S. influence in accomplishing reforms.

www.gao.gov/cgi-bin/getrpt?GAO-05-731.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

FOREIGN ASSISTANCE

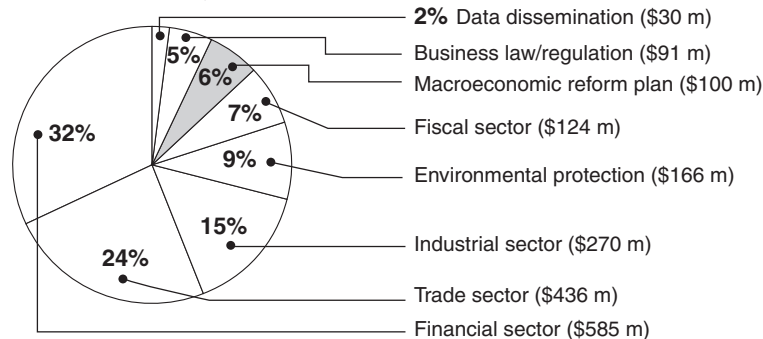
USAID's Cash Transfer Program in Egypt Supports Economic Reform Activities, but Various Factors Have Limited Its Influence

What GAO Found

Since fiscal year 1992, USAID's Cash Transfer Program has provided about \$1.8 billion in economic assistance to the Egyptian government for completing reform-related activities, such as privatizing state-owned companies. USAID and Egypt have identified 196 reform-related activities, and Egypt has completed 136 of them (about 70 percent), primarily in the areas of finance and trade.

Cash Transfer Program Disbursements by Reform Area

Total Disbursements: \$1.8 billion



Source: GAO analysis of USAID data.

Although the Cash Transfer Program supported Egypt's completion of reform activities, several factors have limited its ability to influence the Egyptian government to undertake certain reforms. First, the financial costs of certain reforms affected the Egyptian government's willingness to undertake them despite their potential benefits; although the Cash Transfer Program offsets some of those costs, its contribution to Egypt's overall budget is small. In addition, Egypt is cautious about undertaking reforms that may lead to domestic instability. Finally, USAID granted numerous extensions that allowed Egypt additional time to complete agreed-on activities, thus weakening the conditions tied to funding disbursement.

Despite the difficulty of determining the impact of policy reform, USAID conducted two evaluations of Cash Transfer activities as well as a series of opinion surveys on the impact of certain activities supported by the program. Although these studies reported some positive results, GAO found limitations with some of the measures used to evaluate the activities' impact on Egypt's economy.

In response to recommendations in the 2002 Department of State and USAID review, USAID (1) narrowed the Cash Transfer Program's focus to reforms in the financial sector, (2) will obligate funds when it is certain that the Egyptian government will complete activities rather than when the government agrees to undertake them, and (3) is improving its monitoring and evaluation system.