



Testimony

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Middle East and North Africa,
Committee on Foreign Affairs, House
of Representatives

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DEMOCRACY ASSISTANCE

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

Statement of Charles Michael Johnson, Jr., Director,
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Madam Chair Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee:

I am pleased to be here today to discuss U.S. democracy assistance efforts in Egypt and the effect of the prosecutions of U.S.-funded nongovernmental organizations (NGOs) on these efforts.

For over 30 years, Egypt has been a key strategic partner of the United States and the recipient of billions of dollars in U.S. economic and military assistance. Since 2011, Egypt has undergone a series of political transitions, beginning with the January 2011 revolution that ended the nearly 30-year presidency of Hosni Mubarak. The U.S. government has funded democracy and governance activities in Egypt for over 10 years and awarded approximately \$140 million in total for this assistance from fiscal year 2009 to March 31, 2014. The principal U.S. agencies engaged in these efforts, the Department of State (State) and the U.S. Agency for International Development (USAID), have funded a variety of activities—including political party strengthening, election monitoring, and independent media development—to be implemented by a range of U.S. and Egyptian organizations. The U.S. government increased the amount of funding it awarded in Egypt for democracy and governance assistance from approximately \$13 million in fiscal year 2010 to approximately \$72 million in fiscal year 2011. This funding included an increase in direct funding to NGOs totaling about \$65 million after the 2011 revolution.

The Egyptian government, however, objected to the United States providing this assistance directly to NGOs, noting its view that USAID was violating the terms of a process that the two governments had outlined in 2004. In 2005, Congress approved an amendment to the Consolidated Appropriations Act of 2005 (the “Brownback Amendment”), which stated that for U.S. assistance for democracy and governance activities in Egypt, the organizations implementing such assistance and the specific nature of the assistance shall not be subject to prior approval of the Government of Egypt.¹ U.S. government officials responded to Egyptian government concerns about funding democracy and governance programs by saying that they were interpreting their commitments based on the conditions

¹Similar language has been included in subsequent appropriations bills. Starting with the Consolidated Appropriations Act of 2008, the Brownback Amendment requirements have applied globally. The most recent version of the amendment was contained in the Consolidated Appropriations Act of 2014, Pub. L. No. 113-76, 128 Stat. 5 (2014).

applied by the Brownback Amendment and agreement in diplomatic discussions on direct funding to NGOs.

In December 2011, the Egyptian government raided the offices of four U.S.-based nongovernmental organizations (NGO) that were implementing U.S.-funded democracy and governance activities. In February 2012, the Egyptian government charged these four organizations—Freedom House, the International Center for Journalists (ICFJ), the International Republican Institute (IRI), and the National Democratic Institute (NDI)—and a German organization, the Konrad Adenauer Foundation, with establishing and operating unauthorized international organizations, according to U.S. agency documents. In June 2013, an Egyptian court convicted a total of 43 employees from the four U.S. organizations and the Konrad Adenauer Foundation of the charges, and the NGOs had to close their operations in Egypt. After a series of negotiations between the U.S. and Egyptian governments, all the American staff from the NGOs were allowed to leave Egypt before the convictions.

This statement summarizes the findings of our report²—released at this hearing—examining (1) the extent to which the U.S. government identified and managed potential risks of providing U.S. democracy and governance assistance in Egypt, including assistance to unregistered NGOs;³ (2) what support, if any, the U.S. government provided to the NGOs prosecuted by the Egyptian government; and (3) the extent to which U.S. democracy and governance assistance in Egypt has been affected, if at all, by the prosecution of NGO workers. We conducted work

²GAO, *Democracy Assistance: Lessons Learned from Egypt Should Inform Future U.S. Plans*, [GAO-14-799](#) (Washington, D.C.: Jul. 24, 2014).

³For the purposes of this report, we are defining unregistered NGOs as those organizations considered by the Egyptian government to be NGOs that have either (1) not attempted to register with the Ministry of Social Solidarity (local NGOs) or to obtain a standing agreement with the Ministry of Foreign Affairs (foreign NGOs), or (2) attempted to register through one of these means, but did not receive an explicit confirmation of their approved registration from the Egyptian government. For the purposes of this report, we are defining registered NGOs as those organizations considered by the Egyptian government to have a standing agreement with the Ministry of Foreign Affairs or that have been registered with the Ministry of Social Solidarity. This definition of unregistered is used solely for the purpose of this report and does not imply or indicate any U.S. government position on the compliance or noncompliance of any organization with Egyptian law.

on this report as part of a broader review of U.S. economic and security assistance to Egypt, which we plan to complete later in 2014.

Our work for the report on which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits 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.

In this report, we found that, while the U.S. government identified potential risks in providing democracy and governance assistance in Egypt, State and USAID have not documented lessons learned from the U.S. experience in Egypt and have not incorporated these lessons into their future plans for democracy and governance assistance. Both State's *Foreign Affairs Manual* and USAID's *Automated Directives System* emphasize the need for the agencies to identify and assess potential risks to their programs. State and USAID guidance also calls for the development of risk management plans for their programs. Consistent with State and USAID policies and internal control standards,⁴ the U.S. government identified potential risks in providing democracy and governance assistance in Egypt dating back to 2005—including the awareness of the Egyptian government's likely objection to the U.S. plan to use \$65 million to directly fund NGOs shortly after the revolution in 2011. We also found that, consistent with their policies, State and USAID have taken some steps to manage the risks of providing democracy and governance assistance in Egypt, including issuing an April 2013 cable with guidance on how to counter increasing risks to NGOs globally. However, we found that State and USAID have not documented lessons learned from the U.S. experience in Egypt and incorporated these lessons into their risk management plans for future democracy and governance assistance. In previous work, we reported that lessons learned are important in planning agencies' activities. Specifically, the use of lessons learned is a principal component of an organizational culture committed to a continuous improvement, which could help ensure that beneficial information is factored into planning, work processes, and

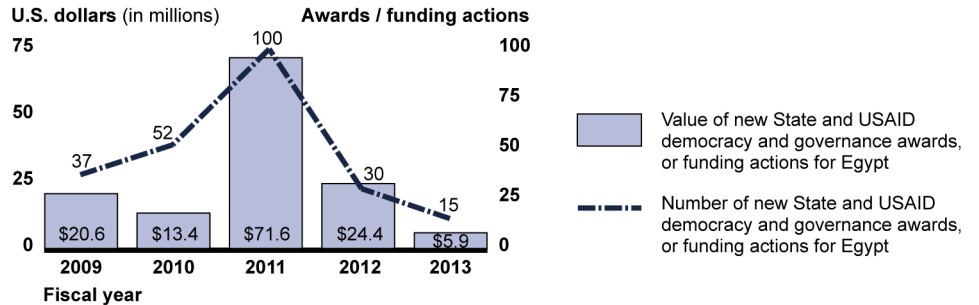
⁴State, *Foreign Affairs Manual*, 2 FAM 020 and USAID, *Automated Directives System*, ADS Chapter 201. GAO, *The Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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

We also reported that the U.S. government provided the four prosecuted U.S. NGOs with diplomatic, legal, financial, and grant flexibility support. The U.S. government's diplomatic efforts included holding multiple meetings with Egyptian officials to try to defend the NGO employees. U.S. legal support to the NGOs included working with the NGOs' lawyers to develop legal strategies for the case. U.S. financial support allowed the four U.S. NGOs to use a total of \$4.9 million in funding from their grants to pay for various legal costs related to the trial. Finally, State and USAID also approved other grant modifications to allow the organizations to modify their programming when various planned activities became unfeasible because of the trials.

In addition, we reported that the Egyptian government's prosecution of the four U.S. NGOs affected U.S. democracy and governance assistance in Egypt in 2012. Currently, the four prosecuted U.S. NGOs are no longer conducting activities inside Egypt and have modified or stopped a number of their programs. Other NGOs implementing U.S. democracy and governance programs reported experiencing delays in obtaining Egyptian government approval to receive U.S. funds, and some withdrew from their grants, as a result. Since the start of the trial in 2012, the amount of funding and number of grants awarded for democracy and governance projects in Egypt has also decreased, going from a high of about \$72 million in fiscal year 2011 to its lowest level during the 2009–2013 time frame of about \$6 million in fiscal year 2013 (see fig. 1). Also, the number of awards for new activities has declined during this time period, from a high of 100 in fiscal year 2011 to a low of 15 in fiscal year 2013.

Figure 1: New U.S. Agency for International Development (USAID) and Department of State (State) Democracy and Governance Awards or Funding Actions in Egypt, Fiscal Years 2009-2013



Source: GAO analysis of State and USAID data. | GAO-14-793T

Note: Fiscal year breakdowns are based on the fiscal year in which the award/program started. Awards may draw upon funding appropriated in multiple fiscal years.

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

In closing, the United States and Egypt have been longstanding military and political allies over the past 30 years, with the United States providing billions of dollars in military and economic assistance to Egypt and partnering with Egypt on a range of security efforts in the region. The U.S. government has stated its intent to continue to support Egypt's and other countries' progress toward democracy but may likely continue to face risks in implementing such assistance in Egypt and other parts of the world. While the U.S. government cannot ensure that there will be no unintended or adverse consequences in providing democracy and governance assistance, it can take steps, as it has done in Egypt consistent with agency policies, to identify and manage potential risks. As such, it is vital that the U.S. government take steps to apply lessons learned from past experiences in Egypt as it moves forward with funding future democracy and governance assistance efforts.

Madam Chair Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact me at (202) 512-7331 or johnsoncm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. In addition to the contact named above, Jeff Phillips (Assistant Director), Ryan Vaughan (Analyst-In-Charge), Drew Lindsey, Rachel Dunsmoor, Ashley Alley, Jeff Isaacs, Debbie Chung, Justin Fisher, Oziel Trevino, and Kaitlan Doying made major contributions to this report.

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