



February 2015

# EGYPT

## U.S. Government Should Examine Options for Using Unobligated Funds and Evaluating Security Assistance Programs

# GAO Highlights

Highlights of [GAO-15-259](#), a report to congressional requesters

## Why GAO Did This Study

Since the signing of the Egypt-Israel Peace Treaty in 1979, Egypt has been a key strategic partner of the United States and the recipient of almost \$64 billion in U.S. security and economic assistance, including an annual average of about \$1.3 billion in security assistance and \$245 million in economic assistance since fiscal year 2009. State outlines strategic objectives for Egypt, State and USAID are primarily responsible for funding and managing assistance provided to Egypt, and the Department of Defense implements most security assistance. Since the January 2011 revolution that ended the almost 30-year presidency of Hosni Mubarak, Egypt has experienced a series of tumultuous political transitions that have raised concerns about how U.S. assistance is supporting strategic objectives.

This report examines, for fiscal years 2009 through 2014, the extent to which (1) U.S. strategic objectives and assistance evolved, (2) the U.S. government disbursed funds allocated for assistance to Egypt, and (3) the U.S. government evaluated the results of its assistance. To address these objectives, GAO analyzed U.S. government documents; interviewed U.S. officials in Washington, D.C.; and conducted fieldwork in Cairo, Egypt.

## What GAO Recommends

GAO recommends that (1) State and USAID develop a plan for other uses for \$260 million previously allocated for a cash transfer and (2) State establish specific time frames for completing a required evaluation of security assistance. State and USAID generally agreed with these recommendations.

View [GAO-15-259](#). For more information, contact Charles Michael Johnson, Jr., at (202) 512-7331 or [johnsoncm@gao.gov](mailto:johnsoncm@gao.gov).

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## EGYPT

### U.S. Government Should Examine Options for Using Unobligated Funds and Evaluating Security Assistance Programs

## What GAO Found

U.S. strategic objectives and levels of assistance to Egypt have generally remained constant since fiscal year 2009, though the U.S. government adjusted some aspects of its assistance in response to events in Egypt. According to documents and senior U.S. officials, U.S. strategic objectives are to assist Egypt to be stable, democratic, and prosperous; uphold the peace treaty with Israel and advance regional stability; counter terrorism and extremism; and continue to provide strategic benefits to the U.S. government. After Egypt's 2011 revolution, the U.S. government increased its emphasis on democracy and economic growth initiatives. After President Morsi's removal in July 2013, the U.S. government suspended some assistance and adjusted its economic assistance to focus more on directly benefitting the Egyptian people and its security assistance to focus more on shared interests. The administration has now resumed some assistance, enabled in part by new legal authorities provided by Congress.

As of September 30, 2014, the U.S. government had disbursed or committed almost \$7.5 billion (about 80 percent) of over \$9.3 billion in assistance allocated for Egypt in fiscal years 2009 through 2014. The U.S. government allocated 98 percent of this funding from the Foreign Military Financing and Economic Support Fund (ESF) accounts. The Department of State (State) and the U.S. Agency for International Development (USAID) reported \$460 million in unobligated ESF balances for Egypt—equal to about 230 percent of their fiscal year 2015 budget request of \$200 million. This included \$260 million in prior year funding allocated for a cash transfer to Egypt that the administration announced in October 2013 that it would not carry out. According to U.S. officials, these funds have not been reprogrammed for other purposes. Given U.S. government resource constraints, it is important that U.S. agencies have plans for using existing resources.

#### Examples of Military Systems Purchased by Egypt Using U.S. Security Assistance



Source: Department of Defense. | GAO-15-259

While USAID has evaluated some economic assistance, State has not evaluated the results of billions of dollars in security assistance to Egypt. Since fiscal year 2009, USAID has evaluated 15 projects in Egypt totaling over \$600 million and has completed all of the evaluations required under its policy. USAID officials noted that they have used evaluations to inform decisions about assistance. In May 2014, State attempted to commission a first-ever evaluation of results of security assistance to Egypt but received no proposals in response to its solicitation. State officials said that the agency remains committed to completing such an evaluation and is considering alternate approaches, although State has not established specific time frames for doing so. Standard practices in program management include a plan to execute projects within a specific time frame.

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### Abbreviations

ATA	Antiterrorism Assistance
CTF	Counterterrorism Financing
DA	Development Assistance
DF	Democracy Fund
DOD	Department of Defense
DSCA	Defense Security Cooperation Agency
ESF	Economic Support Fund
EXBS	Export Control and Related Border Security
FMF	Foreign Military Financing
IMET	International Military Education and Training
INCLE	International Narcotics Control and Law Enforcement
MEPI	Middle East Partnership Initiative
NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs
NDF	Nonproliferation and Disarmament Fund
State	Department of State
USAID	U.S. Agency for International Development

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February 11, 2015

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

The Honorable Gerald E. Connolly  
House of Representatives

For over 30 years, Egypt has been a key military and political ally of the United States and among the top recipients of U.S. foreign assistance. Since the signing of the Egypt-Israel Peace Treaty in 1979,<sup>1</sup> the United States has provided Egypt with approximately \$64 billion in assistance, including about \$40 billion in security assistance and \$24 billion in economic assistance. Through security assistance programs administered by the Departments of State (State) and Defense (DOD), the United States has provided the Egyptian military and law enforcement agencies with training and equipment. Through economic assistance programs primarily administered by the U.S. Agency for International Development (USAID), the United States has funded education, economic growth, health, and democracy and governance programs in Egypt. According to U.S. officials, the U.S.-Egypt strategic partnership is based on shared interests of promoting a stable and prosperous Egypt, securing regional peace and maintaining peace between Egypt and Israel, and countering violent extremism throughout the region. U.S. officials also cite significant benefits associated with the strategic partnership, including expedited transit through the Suez Canal, approval of military overflights, and cooperation on counterterrorism and counterproliferation efforts.<sup>2</sup>

Following almost 30 years of relative stability, Egypt has experienced a series of tumultuous political transitions since 2011 that have generated concerns among some members of Congress about how U.S. assistance

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<sup>1</sup>Egypt-Israel Peace Treaty 1979, 1136 U.N.T.S. 116.

<sup>2</sup>DOD defines counterproliferation as actions taken to reduce the risks posed by extant weapons of mass destruction to the United States, allies, and partners.

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is being used to meet strategic objectives. In January 2011, a popular revolution ended the presidency of Hosni Mubarak and ushered in a period of transitional military rule. In June 2012, Mohamed Morsi of the Muslim Brotherhood-affiliated Freedom and Justice Party took office as Egypt's first democratically elected president, but a little over a year later the Egyptian military removed Morsi from power after a popular uprising against his presidency. In the aftermath of Morsi's removal, the U.S. government suspended some assistance to Egypt. In May 2014, Abdelfattah al-Sisi, a former field marshal in the Egyptian Armed Forces who played a key role in Morsi's removal, was elected president.

You asked us to review various aspects of U.S. assistance to Egypt. This report examines, for fiscal years 2009 through 2014, the extent to which (1) U.S. strategic objectives and assistance for Egypt evolved, (2) the U.S. government disbursed funds allocated for assistance to Egypt, and (3) the U.S. government evaluated the results of its assistance.<sup>3</sup>

To address these objectives, we reviewed laws related to U.S. assistance to Egypt; analyzed State and USAID funding data on U.S. assistance to Egypt from fiscal years 2009 through 2014; and examined documents from State, USAID, and their implementing partners, DOD, and the Egyptian government. We interviewed officials from State, USAID, and DOD in Washington, D.C., and Cairo, Egypt, who oversee or implement U.S. assistance. In Cairo, we also interviewed officials from the Departments of Homeland Security and Justice who managed assistance programs in Egypt funded through transfers from State. We examined U.S. government documents related to this assistance, including bilateral agreements between the United States and Egypt, strategic plans, resource requests, budget justifications, operational plans, program evaluations,<sup>4</sup> a U.S. government review of military assistance to Egypt, and cables discussing U.S. assistance to Egypt. We also reviewed public statements made by U.S. government officials that articulated U.S.

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<sup>3</sup>As part of this broader review, we previously reported on U.S. democracy and governance assistance in Egypt. See GAO, *Democracy Assistance: Lessons Learned from Egypt Should Inform Future U.S. Plans*, [GAO-14-799](#) (Washington, D.C.: July 24, 2014).

<sup>4</sup>This report focuses on agency efforts to complete evaluations, which is distinct from performance measurement. Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress toward preestablished goals, and is typically conducted by program or agency management.



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strategic objectives for Egypt. State confirmed that the U.S. objectives for assistance to Egypt are consistent with U.S. policy developed by the National Security Council. We conducted audit work in Cairo, Egypt, and interviewed Egyptian government officials from the Ministries of Foreign Affairs, International Cooperation, and Social Solidarity—three ministries that coordinate bilateral assistance with the United States or approve the registration of a portion of the organizations that implement U.S.-funded assistance. We also met with officials from the Egyptian Armament Authority, a unit within the Egyptian Armed Forces that oversees the procurement of U.S. military equipment using U.S. assistance. In both the United States and in Cairo we also interviewed officials from nongovernmental organizations that implement U.S. assistance to Egypt. Appendix I provides a detailed description of our scope and methodology.

We conducted this performance audit from November 2013 to February 2015 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

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### Overview of Egypt

Egypt is the most populous country in the Arab world and is strategically located at the geographic nexus between Africa and the Middle East (see fig. 1). It is bordered to the north by the Mediterranean Sea; to the west by Libya; to the south by Sudan; and to the east by the Gaza Strip, Israel, and the Red Sea. Egypt controls the Suez Canal, a strategic maritime linkage between the Mediterranean Sea and Indian Ocean by way of the Red Sea.

**Figure 1: Map of Egypt**



Source: Map Resources (maps). | GAO-15-259

The United States helped broker the Egypt-Israel Peace Treaty in 1979 and since then has regarded Egypt as a key strategic partner on a range of security issues, including maintaining peace in the Middle East and countering terrorism and violent extremism. For example, Egypt played a

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key role in mediating negotiations between Israel and Hamas during their 2014 conflict. Egypt has also undertaken a number of security operations in recent years to restore law and order in the Sinai Peninsula and to combat terrorist organizations that have used the peninsula as a base of operations to conduct attacks in Egypt and Israel. In addition, Egypt joined the U.S. coalition against the Islamic State of Iraq and the Levant in September 2014.

## Egypt's Economic Outlook

### Egypt at a Glance



#### Geography

- 1,001,450 square kilometers in area (30th largest in the world)
- Large desert plateau interrupted by the Nile valley and delta
- Less than 3 percent of Egypt's land is arable

#### Population

- 87 million (16th largest in the world)
- 1.84 percent population growth rate
- 50 percent of the population is under 25 years of age

#### Economy

- \$272 billion gross domestic product in 2013 (41st largest economy in the world)
- \$3,314 per capita gross domestic product in 2013
- 13.4 percent unemployment rate (2013 estimate); 24.8 percent youth unemployment (ages 15-24)
- Economy composition, by sector: agriculture, 14.5 percent; industry, 37.5 percent; services, 48 percent

#### Religion

- 90 percent of the population is Muslim (predominantly Sunni)

#### Independence

- Partially independent from the United Kingdom in 1922; full sovereignty in 1952

Source: CIA World Factbook (as of June 2014) and the World Bank. | GAO-15-259

Egypt has faced a number of economic challenges in recent years, including persistently high unemployment, growing public debt, unsustainable subsidies on food and fuel, and declining revenues in key sectors, such as tourism. According to a 2014 International Monetary Fund report, political and social tensions continue to depress economic activity in Egypt.<sup>5</sup> For example, real gross domestic product and private investment growth remained weak; inflation remained high (consumer price inflation was estimated to be 10.7 percent from 2013 to 2014); and the poverty rate increased to 26.3 percent. Furthermore, while improvements in Egypt's political environment have boosted the World Bank's assessments of the country's economic outlook, in 2014 the World Bank noted that some measures of Egypt's economic performance, such as foreign direct investment and international reserves, remain well below their pre-revolutionary levels. The World Bank also noted that Egypt suffered from weak performance in indicators of government transparency and accountability, earned a low ranking (114 out of 177 countries) in an index of global corruption, and ranked close to the bottom in the World Bank's 2013 Ease of Doing Business index. In the years leading up to the January 2011 revolution, the Egyptian government initiated work on a number of economic reform initiatives, including tariff reductions, privatization of state-owned enterprises, and the easing of regulations on the private sector, according to U.S. government documents; however, reform initiatives have stalled since that time. More recently, since taking office in June 2014, President al-Sisi has started work on several economic initiatives, including cutting fuel subsidies and launching major infrastructure projects such as an expansion of the Suez Canal. Since the January 2011 revolution, other countries in the region, including Saudi Arabia, Kuwait, and the United Arab Emirates, have provided billions of dollars in economic assistance to Egypt.

<sup>5</sup>International Monetary Fund, *Arab Countries in Transition: An Update on Economic Outlook and Key Challenges* (Washington, D.C.: Apr. 9, 2014).

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## Egypt's January 2011 Revolution and Subsequent Political Transitions

After a long period of relative political stability, Egypt has experienced a series of tumultuous political transitions in recent years. Following the assassination of President Anwar el-Sadat in October 1981, Hosni Mubarak assumed power in Egypt and ruled for almost 30 years until 2011. Starting on January 25, 2011, Egyptian citizens took to the streets to protest against President Mubarak and to demand a variety of political, economic, and social reforms. These protests followed shortly after and were inspired in part by the successful revolution in Tunisia that began in December 2010. The protests in Egypt culminated in President Mubarak's resignation on February 11, 2011. Since that time, Egypt has continued to undergo a series of turbulent political transitions. After a transitional period of military rule following President Mubarak's resignation, Mohamed Morsi of the Muslim Brotherhood-affiliated Freedom and Justice Party became Egypt's first democratically elected president in June 2012.<sup>6</sup> However, in July 2013, the Egyptian military removed Morsi from power after widespread citizen protests against his rule. After Morsi's removal, the military appointed the chief justice of Egypt's Supreme Constitutional Court, Adli Mansour, to serve as interim president. Former field marshal Abdelfattah al-Sisi resigned from the Egyptian army and was subsequently elected as president in May 2014. In January 2015, the Egyptian government announced that parliamentary elections would take place in two phases, with the first slated for March 22 and 23 and the second for April 26 and 27, 2015.

At various points since the January 2011 revolution, Egyptian government officials have reiterated their commitment to Egypt's democratic transition, but the Egyptian government has also taken a number of actions that have caused some observers to question its commitment to democratic ideals. For example, the Egyptian government has conducted an aggressive campaign against supporters of former President Morsi, including one incident on August 14, 2013, when Egyptian security forces killed at least 817 Morsi supporters in Raba'a Square, according to a report by Human Rights Watch. Additionally, in June 2013, an Egyptian court convicted employees of four U.S. nongovernmental organizations

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<sup>6</sup>The Freedom and Justice Party was an Egyptian Islamist political party with strong connections to the Muslim Brotherhood—an Islamic religious and political organization founded in Egypt in 1928 that is dedicated to the establishment of a nation based on Islamic principles. The Freedom and Justice Party was dissolved by an Egyptian court in August 2014. Morsi was previously a member of the Muslim Brotherhood but resigned before running for office.

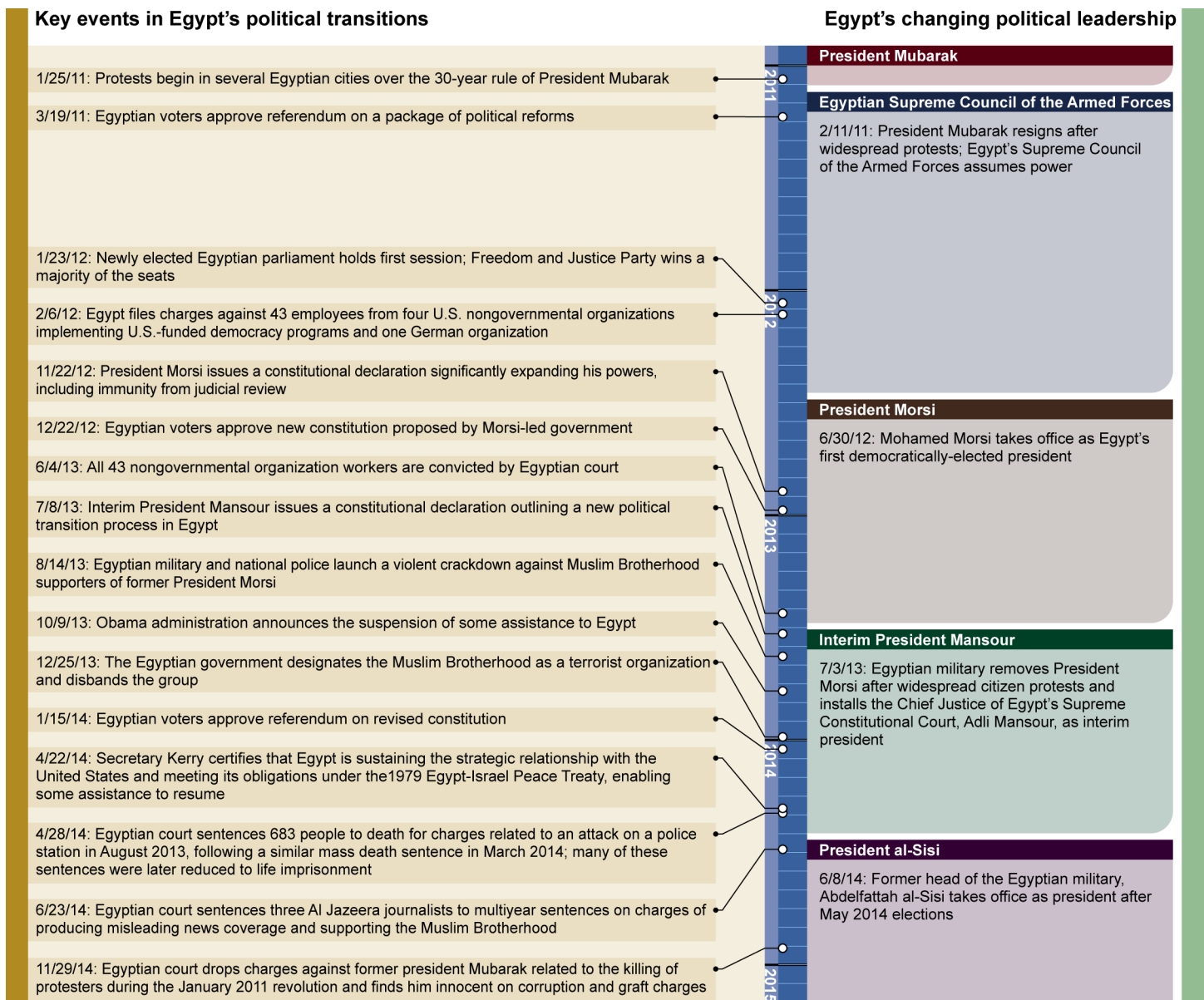
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on charges related to their implementation of U.S. government-funded democracy and governance assistance programs.<sup>7</sup> The Egyptian government has also taken other steps to curb press freedom and limit political dissent, according to U.S. government, international organization, and nongovernmental organization reporting. For example, in June 2014, an Egyptian court sentenced three Al Jazeera journalists to multiyear sentences on charges of producing misleading news coverage and supporting the Muslim Brotherhood. Figure 2 provides a timeline of key events in Egypt's political transitions.

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<sup>7</sup>In addition to the four U.S. nongovernmental organizations, the Egyptian government also prosecuted employees from a German organization, the Konrad Adenauer Foundation, at the same time. We previously testified on a number of issues related to these prosecutions. See GAO, *Democracy Assistance: Lessons Learned from Egypt Should Inform Future U.S. Plans*, [GAO-14-793T](#) (Washington, D.C.: July 24, 2014).

**Figure 2: Timeline of Selected Political Events in Egypt, from January 2011 to November 2014**



Source: GAO analysis of Department of State, U.S. Agency for International Development, nongovernmental organization, and Congressional Research Service documentation. | GAO-15-259

## U.S. Assistance Programs for Egypt

Since 1979, when the Egypt-Israel peace treaty was signed, Egypt has been among the top recipients of U.S. foreign assistance. Historically, the U.S. government has provided Egypt with both security and economic assistance. The United States has provided Egypt with almost \$64 billion in assistance since 1979, including about \$40 billion in security assistance and \$24 billion in economic assistance. While U.S. funding for security assistance to Egypt has stayed generally constant since the 1980s, economic assistance has declined significantly since that time.

The U.S. government provides bilateral assistance to Egypt through a number of accounts, which are described in table 1. In addition to its bilateral assistance, the U.S. government has also provided assistance to Egypt through a number of accounts that fund global or regional programs, including the Nonproliferation and Disarmament Fund, the Democracy Fund, and the Global Health Program.

**Table 1: Accounts Used to Fund U.S. Assistance for Egypt**

Account	Type of assistance	Funding agency <sup>a</sup>	Implementing agency	Program description
Foreign Military Financing	Security	Department of State (State)	Department of Defense (DOD) <sup>b</sup>	Provides grants and loans to foreign governments for the acquisition of U.S. defense equipment, services, and training.
International Military Education and Training	Security	State	DOD <sup>b</sup>	Provides training, such as technical and professional military education, on a grant basis to students from allied and friendly nations.
International Narcotics Control and Law Enforcement	Security	State	State	Supports country and global programs to strengthen criminal justice systems and minimize the impact of transnational crime and illegal drugs on the United States and partner nations.
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) – Antiterrorism Assistance <sup>c</sup>	Security	State	State	Trains civilian security and law enforcement personnel from friendly governments in counterterrorism procedures.



Account	Type of assistance	Funding agency <sup>a</sup>	Implementing agency	Program description
NADR – Counterterrorism Financing <sup>c</sup>	Security	State	State	Provides training for law enforcement officials, prosecutors, and judges, among others, in specific elements of money laundering and terrorist financing crimes.
NADR – Export Control and Related Border Security <sup>c</sup>	Security	State	State	Assesses countries' export control systems and provides a variety of assistance to help countries develop and improve their strategic trade and related border control systems.
Economic Support Fund	Economic	State/U.S. Agency for International Development (USAID)	State/USAID	Supports economic growth; democracy, governance, and human rights; health; and education programming.

Source: GAO analysis of Department of Defense, Department of State, U.S. Agency for International Development, and Congressional Research Service information. | GAO-15-259

Notes: In addition to the accounts listed here, through which the United States funds bilateral assistance to Egypt, the U.S. government also funds some assistance for Egypt through global or regional programs.

<sup>a</sup>State transfers some of its funding to other agencies to implement assistance programs in Egypt, including programs focused on biosafety, border security, disease control, and nuclear safety, among others. From fiscal years 2009 through 2013, State reported that it transferred about \$9 million of its funding to other agencies, including the Federal Bureau of Investigation, Customs and Border Protection, Immigration and Customs Enforcement, and the Centers for Disease Control and Prevention, among others.

<sup>b</sup>State is responsible for the continuous supervision and general direction of security assistance programs, including Foreign Military Financing and International Military Education and Training, whereas DOD leads the day-to-day implementation of these programs.

<sup>c</sup>State's NADR bilateral security assistance for Egypt has been provided through three accounts: Antiterrorism Assistance, Counterterrorism Financing, and Export Control and Related Border Security.

The U.S. government provides the majority of its security assistance to Egypt through the Foreign Military Financing (FMF) account. Egypt has used FMF funding to purchase and sustain a wide array of military systems, including major systems such as F-16 aircraft, Apache helicopters, and M1A1 tanks, as shown in figure 3.

**Figure 3: Examples of Military Systems Purchased by Egypt Using Foreign Military Financing Funds**



Source: Department of Defense. | GAO-15-259

The U.S. government provides the majority of its economic assistance for Egypt through the Economic Support Fund (ESF) account. The U.S. government has used ESF assistance to fund economic development, health, education, and democracy and governance programs in Egypt. Appendix II provides examples of activities that the U.S. government has funded with ESF in each of these areas. The U.S. government funds most ESF programming in coordination with the Egyptian government under assistance implementation agreements, according to USAID and State officials.<sup>8</sup> The U.S. government also uses the ESF account to directly fund nongovernmental organizations and other organizations to implement activities in Egypt outside of the framework of an assistance implementation agreement, including democracy and governance activities.<sup>9</sup>

The U.S. government has used assistance from other accounts to fund a range of other activities. For example, the U.S. government has used International Military Education and Training (IMET) funding to provide training to Egyptian military personnel on U.S. military doctrine and values, International Narcotics Control and Law Enforcement (INCLE)

<sup>8</sup>Egypt and the United States have entered into a bilateral international agreement (*Economic, Technical and Related Assistance Agreement* dated October 15, 1978 [130 U.S.T. 4609]). Within the framework of this agreement, USAID enters into assistance implementation agreements officially known as Development Objective Agreements. These agreements stipulate the terms under which the U.S. and Egyptian governments jointly agree to the funding of activities to achieve specified assistance objectives.

<sup>9</sup>See [GAO-14-799](#) for more information on direct funding for democracy and governance activities in Egypt.

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funding to train the Egyptian police on forensic investigative techniques and community policing models, and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funding to expand cooperation with the Egyptian government related to efforts to target and disrupt international terrorism and weapons smuggling groups.

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## U.S. Government Has Generally Maintained the Same Strategic Objectives and Overall Levels of Assistance for Egypt since Fiscal Year 2009

U.S. strategic objectives for Egypt have generally remained constant since fiscal year 2009. The U.S. government's overall levels of security and economic assistance to Egypt have also generally remained constant from fiscal years 2009 through 2014. While U.S. strategic objectives and overall levels of assistance generally did not change during this period, the U.S. government did increase its focus on particular objectives and adjusted some aspects of its assistance in response to Egypt's political transitions. After the revolution in January 2011, the U.S. government adjusted its assistance to place more emphasis on democracy and governance and economic growth initiatives. After the removal of President Morsi, the U.S. government adjusted its assistance again by suspending some assistance, including holding the delivery of several large military systems, and focusing its economic assistance more on programs that directly benefit the Egyptian people and its security assistance more on shared interests. According to U.S. government officials, this policy remains in place, but some previously suspended assistance to Egypt has resumed, enabled in part by the passage of the Consolidated Appropriations Act, 2014, which provided additional authority for and restrictions on U.S. assistance to Egypt.<sup>10</sup>

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## U.S. Government's Strategic Objectives for Egypt Have Generally Remained Constant since Fiscal Year 2009

U.S. strategic objectives for Egypt have generally remained constant since fiscal year 2009, according to senior U.S. officials and State documents.<sup>11</sup> State officials identified the following as U.S. strategic objectives for Egypt:

- Egypt is stable, democratic, and prosperous.
- Egypt upholds the peace treaty with Israel and is a partner for regional stability.

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<sup>10</sup>Pub. L. No. 113-76, § 7041(a), 128 Stat. 5 at 522 (Jan. 17, 2014).

<sup>11</sup>State confirmed that the U.S. objectives for assistance to Egypt are consistent with U.S. policy developed by the National Security Council.

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- Egypt helps counter terrorism and violent extremism.
  - Egypt continues to provide strategic benefits to the United States, including expedited access through the Suez Canal and approval of military overflights.

We found these objectives to generally be consistent with those contained in various U.S. government documents and senior administration officials' statements. According to State officials, strategic objectives for Egypt can be found in several different documents: mission strategic plans and resource requests, congressional budget justifications, presidential speeches, and congressional testimony by senior administration officials. We analyzed the mission strategic plans and resource requests for Egypt, as well as the congressional budget justifications for fiscal years 2009 through 2015, and presidential speeches and congressional testimony. We found that the objectives in these documents were generally consistent with statements made by State officials and remained largely constant in fiscal years 2009 through 2015.

In September 2014, State began a planning process to review its strategic objectives for Egypt as part of the development of its integrated country strategy.<sup>12</sup> According to State guidance, this strategy is intended to encapsulate policy priorities and objectives, as well as the means by which diplomatic engagement, foreign assistance, and other tools will be used to achieve them. The integrated country strategy, once it has been finalized, will serve as the basis for future resource requests and performance reporting, according to State guidance. To guide its efforts in Egypt prior to beginning work on the integrated country strategy, State used annual mission strategic plans in fiscal years 2009 through 2013 and mission resource requests for fiscal years 2014 and 2015. State officials told us that U.S. Embassy Cairo plans to have an integrated country strategy in place by February 2015 in order to inform the mission's budget planning process for fiscal year 2017.

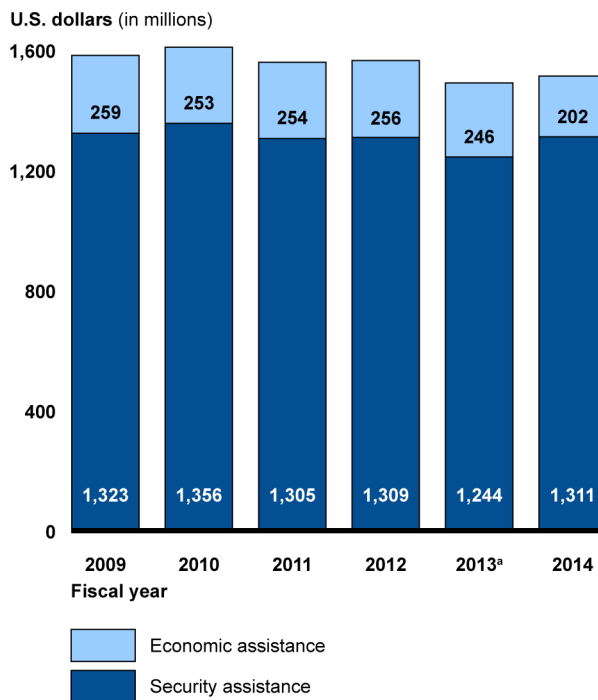
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<sup>12</sup>The development of an integrated country strategy for Egypt is part of a new agency-wide strategic planning process begun in December 2011 that put mission strategic planning and resource requests on different timelines. Previously, each U.S. mission completed a combined annual strategic plan and resource request 2 years in advance of the fiscal year of the plan. As part of its new strategic planning process, State directed missions to complete an annual mission resource request and to develop a 3-year integrated country strategy to inform the request.

## U.S. Government Has Generally Maintained the Same Overall Levels of Assistance for Egypt since Fiscal Year 2009

U.S. assistance to Egypt generally remained constant in fiscal years 2009 through 2014. State and USAID allocated more than \$9.3 billion in security and economic assistance to Egypt over this period, averaging about \$1.55 billion in annual allocations for assistance to Egypt. Allocations ranged from a high of about \$1.61 billion in fiscal year 2010 to a low of about \$1.49 billion in fiscal year 2013. The majority of this funding—approximately 84 percent—supported security assistance, while 16 percent supported economic assistance. As shown in figure 4, the shares of U.S. assistance allocated to security and economic assistance to Egypt largely remained constant in fiscal years 2009 through 2014.

**Figure 4: Funds Allocated for U.S. Security and Economic Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**



Source: GAO analysis of Department of State data. | GAO-15-259

Note: As of February 3, 2015, fiscal year 2015 allocations were pending.

<sup>a</sup>The lower assistance levels in fiscal year 2013 reflect across-the-board spending cuts required by the budget sequestration applied to much of the federal budget.

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## After Egypt's 2011 Revolution, U.S. Government Increased Its Focus on Economic Growth and Democracy and Governance Initiatives

Though overall U.S. strategic objectives and amounts of economic assistance to Egypt have largely remained unchanged since fiscal year 2009, the prioritization of particular economic assistance efforts, and the amount of funding allocated for them, changed after Egypt's January 2011 revolution. More specifically, the U.S. government adjusted its economic assistance after the January 2011 revolution to place greater emphasis on economic growth and democracy and governance programs. For example, U.S. agencies increased their allocations for economic growth programs by about 74 percent in fiscal year 2011, compared with the average of the previous 2 fiscal years. In addition, in fiscal year 2011, allocations for categories of assistance related to democracy and governance constituted four of the five highest categories of economic assistance to Egypt, whereas democracy and governance did not rank among the five highest categories of economic assistance in fiscal year 2009.<sup>13</sup>

In February 2011, after the revolution, State and USAID reprogrammed \$150 million in prior year ESF funds in support of Egypt's political transition, with \$100 million for job creation, poverty alleviation, and economic development initiatives and \$50 million for democracy and governance initiatives. State and USAID allocated an additional \$15 million from prior year ESF democracy funding to bring U.S. support for democracy and governance programs in Egypt to \$65 million after the 2011 revolution. State and USAID funded a variety of activities with the \$165 million in ESF funding for economic growth and democracy and governance assistance. Economic growth activities included micro, small, and medium-sized enterprise development and entrepreneurship; youth employment; and community development. Democracy and governance activities included political party strengthening, election monitoring, independent media development, and civil society assistance, among others. According to USAID, the U.S. government focused its assistance in these areas in order to support Egypt's democratic transition after the resignation of former President Mubarak and to promote growth in the economy. According to a USAID official, the U.S. government addressed these objectives in tandem because officials recognized that democracy promotion would not be successful unless accompanied by efforts to

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<sup>13</sup>Though State and USAID increased their emphasis on economic growth and democracy and governance assistance after the 2011 revolution, security assistance remained the largest category of U.S. assistance to Egypt in fiscal year 2011, as shown in fig. 4.

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address the economic hardships that Egyptians were experiencing and that led, in part, to the revolution.

After the 2011 revolution, the U.S. government also announced several new economic growth initiatives that had not been implemented, or were only partially implemented, as of the end of fiscal year 2014. In a May 2011 speech, President Obama announced the creation of an Egyptian-American Enterprise Fund to promote the development of the Egyptian private sector, including small and medium-sized businesses.<sup>14</sup> As of the end of fiscal year 2014, USAID had obligated \$120 million to support this fund, although the fund had not yet made any investments.<sup>15</sup> In his May 2011 speech, President Obama also announced an initiative to provide up to \$1 billion to relieve some of Egypt's debt, and an additional \$1 billion in U.S.-backed loan guarantees for infrastructure projects and job creation, but the U.S. government later canceled these plans. According to State officials, in order to be more responsive to the Egyptian government's immediate fiscal needs, the department decided to use a portion of the \$1 billion intended for debt relief to instead fund a \$450 million cash transfer to the Egyptian government using ESF funds.<sup>16</sup> The cash transfer was intended to help close the government's financing gap and thus bolster Egypt's economic stability as well as to encourage the Egyptian government to adopt economic and budgetary reforms. In September 2012, USAID and State notified Congress of their intent to obligate \$450 million for the cash transfer, which was to be provided in two tranches. A congressional hold was immediately placed on these funds, and according to USAID officials, the administration subsequently negotiated with Congress for several months before the hold was lifted on a portion of this funding.<sup>17</sup> USAID made a first cash transfer of \$190 million in March 2013, but State announced in October 2013 that the

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<sup>14</sup>We have reported in greater detail on the Egyptian-American Enterprise Fund. See GAO, *Enterprise Funds: Egypt and Tunisia Funds Are Established; Additional Steps Would Strengthen Compliance with USAID Grant Agreements and Other Requirements*, [GAO-15-196](#) (Washington, D.C.: Feb. 2, 2015).

<sup>15</sup>USAID obligated \$60 million in fiscal year 2012 and 2013 ESF funding for the Egyptian-American Enterprise Fund.

<sup>16</sup>The ESF appropriations for the relevant fiscal years included the authority to use these funds for cash transfers.

<sup>17</sup>State and USAID provide congressional notifications on how the agencies intend to obligate certain funds. As a matter of practice, the agencies generally do not obligate the funds while a member of the committee objects to the planned obligation.

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administration would hold the delivery of a second planned transfer of \$260 million.

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After President Morsi's Removal, the Administration Decided, in October 2013, to Focus Assistance More on the Egyptian People and Shared Security Goals

After President Morsi's removal, the U.S. government adjusted its economic and security assistance. According to State officials and State guidance, the U.S. government adjusted its economic assistance toward programs that would more directly benefit the Egyptian people, rather than programs that would primarily benefit the Egyptian government. State officials also said that the U.S. government adjusted its security assistance to better target shared U.S.-Egyptian security interests. Following the removal of President Morsi on July 3, 2013, the administration announced that it was conducting a review of U.S. assistance to Egypt. This review culminated in a decision announced by State on October 9, 2013, to adjust some economic and security assistance to Egypt. The administration did not make a determination as to whether President Morsi's removal was a coup d'état. However, according to State guidance, it adjusted its assistance to Egypt consistent with Section 7008 of the Consolidated Appropriations Act, 2012, which prohibits foreign assistance to the government of a country whose duly elected head of government is deposed by military coup d'état or decree, or a coup d'état or decree in which the military plays a decisive role.<sup>18</sup>

After President Morsi's removal, senior administration officials announced, as part of the October 2013 decision, that the U.S. government would focus economic assistance on programs that more directly benefit the Egyptian people—including health, education, and private sector development programs—and would bring to a close most programs that provided assistance to the Egyptian government.<sup>19</sup> For example, State and USAID directed their largest economic assistance investment since the 2011 revolution toward a higher education initiative

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<sup>18</sup>Pub. L. No. 112-74, § 7008 (Dec. 23, 2011). This restriction has appeared historically in annual appropriations acts. For the most recent provision, see Pub. L. No. 113-235, § 7008 (Dec. 16, 2014).

<sup>19</sup>State guidance stipulated that the government of Egypt would be defined as the government at any level (national, regional, and local) and all branches of the government (executive, legislative, and judicial). It stated further that departmental policy would be to continue to provide as much assistance as possible, including assistance to the Egyptian government, within the parameters of the policy decision and legal authorities. For example, the guidance authorized implementing agencies to use available legal authorities, including notwithstanding and wind-up authorities, to continue assistance to the Egyptian government.



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that directly benefits Egyptian students.<sup>20</sup> As of September 2014, State and USAID reported that they had obligated \$119 million in fiscal year 2012 and 2013 ESF funding for this initiative to support scholarships for women in fields such as business, science, and technology and for disadvantaged youth, as well as partnerships between U.S. and Egyptian universities, among other activities. In addition, senior administration officials stated that the U.S. government would continue funding for the Egyptian-American Enterprise Fund, which is focused on supporting private sector development. After the October 2013 decision, USAID began to shut down 10 projects, funded at approximately \$48 million, which provided assistance benefitting the Egyptian government, primarily in the economic growth and education sectors. For example, USAID began to close out \$29 million in ongoing basic education projects because they benefitted public employees and institutions. USAID also placed funding on hold for some other planned education projects with the Egyptian government. Furthermore, the administration held the delivery of the second, \$260 million tranche of the planned \$450 million cash transfer to the Egyptian government, and senior administration officials noted that these funds would be used for other purposes.

As part of the October 2013 decision on security assistance to Egypt, the U.S. government suspended the deliveries of some military equipment and asserted that the U.S. government would increasingly use security assistance to support shared U.S.-Egyptian security interests.<sup>21</sup> Specifically, the administration announced that it was holding the deliveries of four large-scale military systems, including F-16 aircraft,<sup>22</sup> Apache helicopters, M1A1 tank kits, and Harpoon missiles. According to a senior administration official, the U.S. government chose these weapons systems in part because they were deemed not to be necessary

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<sup>20</sup>Though the initiative was announced in March 2013, which was prior to President Morsi's removal in July 2013, USAID notified Congress of its intent to obligate funding for this initiative in February and May 2014.

<sup>21</sup>After Morsi's removal, but prior to October 2013, the administration also canceled some security-related activities with the Egyptian military, though these were not security assistance. In August 2013, the administration announced that a biennial U.S.-Egyptian joint military exercise, Bright Star, had been canceled. In addition, DOD officials stated that the U.S. government postponed an annual meeting between the U.S. and Egyptian militaries that had been scheduled to take place in October 2013.

<sup>22</sup>The U.S. government originally announced holds on the delivery of four F-16 aircraft in July 2013.

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for addressing shared security interests at that time. The administration also asserted in its October 2013 decision that Egypt's FMF program would be reoriented to focus on shared security interests, including border and maritime security, Sinai security, and counterterrorism. According to DOD officials, prior to this decision, the U.S. government had placed few restrictions on Egypt's use of FMF, although the U.S. government had been trying for several years to reorient FMF assistance away from weapon systems designed to wage a ground war and toward capabilities necessary for border security and counterterrorism. A State official noted, however, that the U.S. government may continue to provide sustainment support for some existing U.S.-origin weapon systems even if those systems do not address one of the shared security interests. The administration also asserted that it would continue to fund military education and training to the Egyptian armed forces.

Subsequent to the October 2013 decision, DOD's Defense Security Cooperation Agency (DSCA), which implements FMF on behalf of State, led a review of Egypt's FMF program to align current purchases with shared security interests and to make recommendations on whether to continue to support specific systems through FMF. As part of this review, DSCA identified some systems that did not directly align with shared security interests. These included some older, outdated, or third-party-produced systems, such as Chinese-built submarines and Russian-made surface-to-air missiles, as well as U.S.-manufactured Gulfstream VIP aircraft and M1A1 tank kits. DSCA recommended continuing support for 18 of these systems totaling \$6.5 billion, but identified 15 of these systems totaling \$777 million that should be transitioned from FMF funds to Egyptian government funds or ended.

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### Some Previously Suspended Economic and Security Assistance to Egypt Has Resumed

With the passage of the Consolidated Appropriations Act, 2014,<sup>23</sup> in January 2014, Congress provided additional authority to the administration to resume some economic and security assistance to Egypt, while also placing restrictions, including certification requirements, on assistance. As previously noted, while the administration did not make a determination as to whether President Morsi's removal was a coup d'état, State guidance on implementing assistance in accordance with the October 2013 decision notes that the administration decided to act consistently with a recurring provision in State's annual appropriations act

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<sup>23</sup>Pub. L. No. 113-76, § 7041(a), 128 Stat. 5 at 522 (Jan. 17, 2014).

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that prohibits foreign assistance to the government of a country whose duly elected head of government is deposed by military coup d'état or decree, or a coup d'état or decree in which the military plays a decisive role. The Consolidated Appropriations Act, 2014, again included this provision but enabled some assistance to resume by authorizing some assistance for Egypt notwithstanding any provision of law restricting assistance for Egypt. The law did, however, include certification requirements that had to be met before some of the appropriated funding for Egypt could be made available for certain purposes. For example, the law specified that funds appropriated by the act that are available for assistance for the government of Egypt could only be made available if the Secretary of State certified to Congress that Egypt was sustaining its strategic relationship with the United States and was meeting its obligations under the Egypt-Israel Peace Treaty. Secretary of State Kerry made this certification on April 22, 2014, enabling fiscal year 2014 funding to be made available for assistance to Egypt.

As of February 3, 2015, Secretary Kerry had not yet made other certifications under the Consolidated Appropriations Act, 2014, which would allow certain fiscal year 2014 funds to be made available without restriction for economic and security assistance. For example, he had not yet certified that the government of Egypt has (1) held a constitutional referendum and is taking steps to support a democratic transition in Egypt or (2) held parliamentary and presidential elections, and that a newly elected government of Egypt is taking steps to govern democratically.<sup>24</sup> Even without making these certifications, the U.S. government has been able to continue to provide, or resume providing, some economic and security assistance to Egypt because the law also makes exceptions for funding in certain areas. Such funding is said to have “notwithstanding authority” because it can be provided notwithstanding other provisions of law that may otherwise restrict assistance to Egypt. Appendix III provides an overview of the adjustments made to economic and security

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<sup>24</sup>Pub. L. No. 113-76, § 7041(a)(6) (Jan. 17, 2014). The first certification would make up to \$975 million in ESF, FMF, and IMET funding available without restriction. The second certification would make up to \$576.8 million in funding available without restriction from the same accounts. Another provision of the law requires the Secretary of State to certify that the government of Egypt is taking steps to stabilize the economy and implement economic reforms before fiscal year 2014 ESF and prior year appropriated ESF funding may be used for cash transfer assistance or budget support to the Egyptian government (Pub. L. No. 113-76, § 7041(a)(2)(B)).

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assistance for Egypt following the October 2013 policy decision and the enactment of the Consolidated Appropriations Act, 2014.

The Consolidated Appropriations Act, 2014, made ESF funds from this and prior fiscal year appropriations available for education and economic growth programs, notwithstanding any other provision of law restricting assistance for Egypt.<sup>25</sup> With the authority provided by that provision, the U.S. government was able to resume providing some economic assistance to Egypt that had previously been marked for termination or put on hold.<sup>26</sup> Of the 10 projects mentioned previously that USAID had been in the process of shutting down after the October 2013 decision, 7 have now resumed. Additionally, in September 2014, USAID signed \$268 million in new and amended bilateral agreements with the Egyptian government for projects in six areas, including education, economic growth, agriculture, and governance.

The U.S. government also has resumed some of its security assistance. The Consolidated Appropriations Act, 2014, provides notwithstanding authority for FMF and IMET funding appropriated in fiscal year 2014 and prior fiscal years, but imposes certain restrictions. With regard to fiscal year 2014 funding for FMF, State notified Congress of its intent to obligate \$650 million in FMF for Egypt a few days after Secretary Kerry certified to Congress on April 22, 2014, that Egypt was sustaining its strategic relationship with the United States and was meeting its obligations under the Egypt-Israel Peace Treaty. A congressional hold was placed on this funding because of concerns about the Egyptian government's abuse of the justice system.<sup>27</sup> According to State officials, until December 9, 2014, \$78 million of this funding was on hold, but it has been released and all of the \$650 million in fiscal year 2014 FMF is available at the minimum rate necessary to pay existing FMF contracts or to support activities that had security exemptions—including

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<sup>25</sup>Prior to fiscal year 2014, ESF funds for education and economic growth programs were generally not provided with notwithstanding authority.

<sup>26</sup>The Secretary of State is required to certify that the government of Egypt is taking steps to stabilize the economy and implement economic reforms before these funds may be made available for cash transfer assistance or budget support to the Egyptian government.

<sup>27</sup>State and USAID provide congressional notifications on how the agencies intend to obligate certain funds. As a matter of practice, the agencies generally do not obligate the funds while a member of the committee objects to the planned obligation.

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counterterrorism, nonproliferation, and border security programs in Egypt, and development activities in the Sinai. According to State officials, fiscal year 2014 FMF funds have been used to make payments on existing contracts, and in July 2014, State authorized DSCA to use approximately \$80 million for FMF purchases under the security exemptions. These included spares for radars, vehicles, fixed and rotary wing aircraft, and border security equipment, according to State officials.

The U.S. government has also removed the delivery hold for one weapon system. In April 2014, Secretary Kerry announced that the administration would deliver the Apache helicopters to Egypt. An administration official noted that the Apache helicopters are being provided to the Egyptian government to counter terrorist groups in the Sinai Peninsula. However, the helicopters were not released to the Egyptians until August 2014.<sup>28</sup> According to State officials, new deliveries of the other three weapons systems that were suspended as part of the October 2013 decision—F-16 aircraft, M1A1 tank kits, and Harpoon missiles—remained on hold as of February 3, 2015.<sup>29</sup>

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<sup>28</sup>According to State officials, the Apache helicopters arrived in Egypt on November 17, 2014.

<sup>29</sup>The Consolidated and Further Continuing Appropriations Act, 2015, which was enacted in December 2014, allows ESF, FMF, and IMET funding to resume to Egypt, notwithstanding certain certification requirements of the act or similar provisions of the law in prior acts, if the Secretary of State, after consultation with the Committees on Appropriations, certifies and reports to such committees that it is important to the national security interest of the United States to provide such assistance. Pub. L. No. 113-235, § 7041(a)(6)(C). The law requires the Secretary of State to provide a detailed justification of the reasons why the certifications cannot be met, as part of this report to the committees. As of February 3, 2015, the Secretary of State had not exercised this authority.

## Agencies Disbursed or Committed 80 Percent of Approximately \$9.3 Billion Allocated for Egypt in Fiscal Years 2009 through 2014 but Faced Challenges Obligating Some Funds

State and USAID had disbursed or committed almost \$7.5 billion, or 80 percent, of the approximately \$9.3 billion allocated for assistance for Egypt in fiscal years 2009 through 2014, as of the end of fiscal year 2014. While the U.S. government allocated assistance for Egypt from a number of accounts in fiscal years 2009 through 2014, over 98 percent of allocated funding was from the FMF and ESF accounts. The extent to which State and USAID had obligated and disbursed or committed funds allocated for Egypt in fiscal years 2009 through 2014 varied by account, with significant unobligated balances in the ESF account because of various challenges related to Egypt's political transitions that the agencies faced in obligating these funds.

## State and USAID Disbursed or Committed Almost \$7.5 Billion of the Assistance Allocated for Egypt in Fiscal Years 2009 through 2014

Of the \$9.3 billion in funds allocated for Egypt in fiscal years 2009 through 2014, State and USAID had disbursed or committed almost \$7.5 billion, or 80 percent, as of the end of fiscal year 2014 (see table 2).<sup>30</sup>

**Table 2: Status of U.S. Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Allocations	\$1,581,794	\$1,609,776	\$1,558,374	\$1,564,780	\$1,490,548	\$1,512,867	<b>\$9,318,139</b>
Unobligated balances	862 <sup>a</sup>	3,115 <sup>b</sup>	226,475 <sup>c</sup>	34,377 <sup>d</sup>	18 <sup>e</sup>	937,131 <sup>f</sup>	<b>\$1,201,978</b>
Unliquidated obligations/ uncommitted <sup>g</sup>	100,678	108,915	5,890	184,859	249,695	3,509	<b>\$653,546</b>
Disbursements/ committed <sup>g</sup>	1,480,254	1,497,745	1,326,009	1,345,543	1,240,835	572,226	<b>\$7,462,612</b>

Legend: FY = fiscal year.

Source: GAO analysis of Department of State data. | GAO-15-259

<sup>30</sup>Congress passed a full year appropriations bill for fiscal year 2015 in December 2014 that appropriated up to \$150 million in ESF funding and up to \$1.3 billion in FMF funding for Egypt. As of February 3, 2015, decisions about fiscal year 2015 assistance allocation levels for Egypt were still pending.

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Notes: Agencies may have several years in which to obligate allocated funds. Under certain authority generally granted in the Department of State, Foreign Operations, and Related Programs Appropriations Acts, if funds from certain accounts are obligated within the initial period of availability, they remain available for obligation for an additional 4 years. This is commonly referred to as deobligation-reobligation authority. Obligated funds generally then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation. The amounts above reflect bilateral assistance allocated for Egypt from the Economic Support Fund (ESF); Foreign Military Financing (FMF); International Narcotics Control and Law Enforcement (INCLE); International Military Education and Training (IMET); and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts, as well as global or regional program funding allocated for Egypt from several accounts. App. IV provides detailed information on the status of funding for Egypt, by year of appropriation, for each of these accounts.

<sup>a</sup>These unobligated balances include \$60,000 in INCLE funds, \$149,000 in bilateral NADR funds, and \$653,000 from the NADR Nonproliferation and Disarmament Fund. The period of availability for obligation for the INCLE funds and the bilateral NADR funds has expired and they are no longer available to incur new obligations. Funds from the NADR Nonproliferation and Disarmament Fund are available for obligation until they are disbursed and are thus still available for obligation.

<sup>b</sup>These unobligated balances include \$6,000 in INCLE funds, \$314,000 in bilateral NADR funds, and approximately \$2.8 million from the NADR Nonproliferation and Disarmament Fund. The period of availability for obligation for the INCLE funds has expired and they are no longer available to incur new obligations. According to State, \$232,000 of the NADR bilateral funds has been deobligated under the deobligation-reobligation authority and may be reobligated, and the period of availability for obligation for \$82,000 of the funds has expired. Nonproliferation and Disarmament Fund funds are available for obligation until they are disbursed and are thus still available for obligation.

<sup>c</sup>These unobligated balances include \$225.4 million in ESF funds, \$31,000 in INCLE funds, and over \$1 million in bilateral NADR funds. The ESF funds were allocated for a cash transfer that has not taken place. The initial period of availability for obligation for fiscal year 2011 ESF funds ended on September 30, 2012, but the fiscal year 2010 appropriations act (Pub. L. No. 111-117, Div. F, § 7011), which was carried forward in the full year continuing resolution for fiscal year 2011 (Pub. L. No. 112-10) provided that fiscal year 2011 ESF funds allocated or obligated for a cash transfer remain available until expended. The period of availability for the INCLE funds has expired, and they are no longer available to incur new obligations. According to State, \$126,000 of the NADR bilateral funds has been deobligated under the deobligation-reobligation authority and may be reobligated, and the period of availability for obligation for \$918,000 of the funds has expired.

<sup>d</sup>These unobligated balances include almost \$34.2 million in ESF funds, \$34,000 in INCLE funds, and \$188,000 in bilateral NADR funds. The ESF funds were allocated for a cash transfer that has not taken place. The initial period of availability for obligation for fiscal year 2012 ESF funds ended on September 30, 2013, but the fiscal year 2012 appropriations act (Pub. L. No. 112-74 Div. I, § 7011) provided that funds allocated or obligated for a cash transfer remain available for an additional 4 years beyond the period of initial availability. Thus, these funds are available for obligation until September 30, 2017. The period of availability for the INCLE funds has expired, and they are no longer available to incur new obligations. According to State, \$168,000 of the NADR bilateral funds has been deobligated under the deobligation-reobligation authority and may be reobligated, and the period of availability for obligation for \$20,000 of the funds has expired.

<sup>e</sup>These unobligated balances include \$14,000 in INCLE funds and \$4,000 in bilateral NADR funds. The period of availability for the INCLE funds has expired, and they are no longer available to incur new obligations. According to State, the period of availability for obligation for the \$4,000 in NADR bilateral funds has expired.

<sup>f</sup>These unobligated balances include \$728 million in FMF funds, \$200 million in ESF funds, \$1.8 million in IMET funds, over \$2.8 million in INCLE funds, and over \$2.9 million in bilateral NADR funds. In addition, these unobligated balances include \$1.6 million in global or regional program funding allocated for assistance to Egypt. The unobligated balances from all these accounts are generally available for obligation until September 30, 2015.

<sup>g</sup>We are not able to present data on FMF for Egypt in the same way as the other programs because FMF funds are budgeted and tracked in a different way than the other program funds and the system used does not allow us to report information in a way that is consistent with how we are presenting the data for the other programs. For the purposes of this report, “uncommitted” amounts represent FMF obligations not yet committed for expenditure and “committed” amounts include funding that has been committed but not yet disbursed, as well as FMF funding that has been disbursed to a case.

Assistance Committed or Disbursed Varied by Account Because of Various Challenges, with Significant Unobligated Balances in ESF Account from a Previously Planned Cash Transfer

While U.S. agencies allocated assistance for Egypt from a number of accounts in fiscal years 2009 through 2014, over 98 percent of allocated funding was from two of these accounts—FMF and ESF. During this period, U.S. agencies allocated over \$7.7 billion in FMF assistance for Egypt and over \$1.4 billion in ESF assistance, or approximately 83 percent and 15 percent, respectively, of total assistance allocated for Egypt. The remaining 2 percent of assistance allocated for Egypt included bilateral assistance from the NADR, INCLE, and IMET accounts, as well as several global or regional programs.

The extent to which State and USAID had obligated and disbursed or committed funds allocated for Egypt in fiscal years 2009 through 2014 varied by account. Table 3 provides summary information on the status of funding allocated for Egypt, by account, for fiscal years 2009 through 2014, as of the end of fiscal year 2014. Appendix IV provides more detailed information on the status of funding for each of these accounts for this period.

**Table 3: Status of U.S. Funds Allocated for Assistance for Egypt by Account, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands				
Account	Allocations	Unobligated balances	Unliquidated obligations/uncommitted (for FMF only)	Disbursements/committed (for FMF only)
FMF <sup>a</sup>	\$7,731,659	\$728,000 <sup>b</sup>	-	\$7,003,659
ESF	1,440,532	459,555 <sup>c</sup>	\$611,027	369,950
Global/regional programs <sup>d</sup>	112,361	5,048 <sup>e</sup>	37,446	69,866
NADR	13,882	4,619 <sup>f</sup>	1,372	7,890
INCLE	11,042	2,956 <sup>g</sup>	2,895	5,190
IMET	8,663	1,800 <sup>h</sup>	806	6,057
<b>Total</b>	<b>\$9,318,139</b>	<b>\$1,201,978</b>	<b>\$653,546</b>	<b>\$7,462,612</b>

Legend: ESF = Economic Support Fund; FMF = Foreign Military Financing; IMET = International Military Education and Training; INCLE = International Narcotics Control and Law Enforcement; NADR= Nonproliferation, Anti-terrorism, Demining, and Related Programs.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: Agencies may have several years in which to obligate allocated funds. Under certain authority generally granted in the Department of State, Foreign Operations, and Related Programs Appropriations Acts, if funds from certain accounts are obligated within the initial period of availability, they remain available for obligation for an additional 4 years. This is commonly referred to as deobligation-reobligation authority. Obligated funds generally then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation. App. IV provides detailed information on the status of funding for Egypt, by year of appropriation, for each of these accounts.

<sup>a</sup>We are not able to present data on FMF for Egypt in the same way as the other programs because FMF funds are budgeted and tracked in a different way than the other program funds and the system used does not allow us to report information in a way that is consistent with how we are presenting the data for the other programs. For the purposes of this report, "uncommitted" amounts represent



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FMF obligations not yet committed for expenditure and “committed” amounts include funding that has been committed but not yet disbursed, as well as FMF funding that has been disbursed to a case.

<sup>b</sup>FMF funds are obligated upon apportionment. The \$728 million in fiscal year 2014 unobligated balances had not yet been apportioned as of September 30, 2014. These funds are available for obligation until September 30, 2015.

<sup>c</sup>Of the approximately \$460 million in ESF unobligated balances, \$225.4 million is funding from fiscal year 2011 allocated for a cash transfer that has not taken place. The initial period of availability for obligation for fiscal year 2011 ESF funds ended on September 30, 2012, but the fiscal year 2010 appropriations act (Pub. L. No. 111-117, Div. F, § 7011), which was carried forward in the full year continuing resolution for fiscal year 2011 (Pub. L. No. 112-10), provided that fiscal year 2011 ESF funds allocated or obligated for a cash transfer remain available until expended. In addition, almost \$34.2 million of the unobligated balances is funding from fiscal year 2012 that was allocated for a cash transfer that has not taken place. The initial period of availability for obligation for fiscal year 2012 ESF funds ended on September 30, 2013, but the fiscal year 2012 appropriations act (Pub. L. No. 112-74 Div. I, § 7011) provided that funds allocated or obligated for a cash transfer remain available for an additional 4 years beyond the period of initial availability. Thus, these funds are available for obligation until September 30, 2017. Finally, \$200 million of the unobligated balances is funding from fiscal year 2014 that is available for obligation until September 30, 2015.

<sup>d</sup>Global/regional programs include Department of State (State) managed ESF, Democracy Fund, Development Assistance, Global Health, and NADR programs.

<sup>e</sup>Of the approximately \$5 million in global and regional program unobligated balances, approximately \$3.4 million is funding from fiscal years 2009 and 2010 for the NADR Nonproliferation and Disarmament Fund. Nonproliferation and Disarmament Fund funds are available for obligation until they are disbursed. The remaining unobligated balances include \$600,000 in Development Assistance funding and \$1 million in Democracy Fund funding from fiscal year 2014. These funds are available for obligation until September 30, 2015.

<sup>f</sup>Of the over \$4.6 million in NADR unobligated balances, approximately \$1.7 million is funding from fiscal years 2009 through 2013 for the NADR Antiterrorism Assistance program. The period of availability for obligation for the fiscal year 2009 NADR Antiterrorism Assistance funds expired on September 30, 2014. According to State, \$526,000 of the fiscal years 2010 through 2013 NADR Antiterrorism Assistance funds has been deobligated under the deobligation-reobligation authority and may be reobligated, and the period of availability for obligation for over \$1 million of these funds has expired. An additional \$2.1 million of the unobligated balance is funding from fiscal year 2014 for NADR Antiterrorism Assistance and is available for obligation until September 30, 2015. Finally, \$820,000 of the unobligated balance is funding for the NADR Export Control and Related Border Security program from fiscal year 2014 and is also available for obligation until September 30, 2015.

<sup>g</sup>Of the almost \$3 million in INCLE unobligated balances, \$145,000 is from fiscal years 2009 through 2013. The period of availability for these funds has expired and they are no longer available for new obligations. The remaining unobligated balances of approximately \$2.8 million are from fiscal year 2014 and are available for obligation until September 30, 2015.

<sup>h</sup>All of the \$1.8 million in IMET unobligated balances are from fiscal year 2014. While IMET funds are generally available for obligation for 1 year, the Consolidated Appropriations Act, 2014, provided that up to \$4 million of IMET funding appropriated under the act could remain available for obligation until September 30, 2015. The \$1.8 million in fiscal year 2014 IMET funding allocated for Egypt was among this \$4 million and is available for obligation until September 30, 2015, according to State.

## Obligation and Commitment of FMF Account Funds

Of the over \$7.7 billion in funding allocated for security assistance to Egypt through FMF in fiscal years 2009 through 2014, State had committed over \$7 billion, or 91 percent, as of the end of fiscal year 2014 (see table 4). As of this same date, State had \$728 million in unobligated FMF balances for Egypt, all from its fiscal year 2014 appropriation, which remains available for obligation through September 30, 2015.

**Table 4: Status of Foreign Military Financing Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Allocations	\$1,300,000	\$1,300,000	\$1,297,400	\$1,300,000	\$1,234,259	\$1,300,000	<b>\$7,731,659</b>
Unobligated balances	-	-	-	-	-	728,000 <sup>a</sup>	<b>\$728,000</b>
Uncommitted	-	-	-	-	-	-	-
Committed	1,300,000	1,300,000	1,297,400	1,300,000	1,234,259	572,000	<b>\$7,003,659</b>

Legend: FMF = Foreign Military Financing; FY = fiscal year.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: We are not able to present data on FMF for Egypt in the same way as the other programs because its funds are budgeted and tracked in a different way than the other program funds and the system used does not allow us to report information in a way that is consistent with how we are presenting the data for the other programs. For the purposes of this report, “uncommitted” amounts represent FMF obligations not yet committed for expenditure and “committed” amounts include funding that has been committed but not yet disbursed, as well as FMF funding that has been disbursed to a case.

<sup>a</sup>FMF funds are obligated upon apportionment. The \$728 million in fiscal year 2014 unobligated balances had not been apportioned as of the end of fiscal year 2014. Unobligated balances are available for obligation until September 30, 2015.

Several characteristics of the FMF program have contributed to State’s ability to obligate and commit funds for Egypt. First, annual appropriations acts for fiscal years 2009 through 2014 have contained language stating that FMF funds shall be obligated upon apportionment.<sup>31</sup> In addition, Egypt has certain benefits associated with its FMF assistance, including cash flow financing, that the U.S. government has granted to only a limited number of countries. The U.S. government has historically provided Egypt with FMF assistance through a statutory cash flow financing arrangement that gives Egypt the ability to agree to the purchase of defense goods and services in a given year and then pay for them over time, using FMF funds allocated from future appropriations. Cash flow financing provides Egypt with the flexibility to commit to major acquisitions in one year that will be paid for over time, similar to installment payments.

<sup>31</sup>Apportionment is the action by which the Office of Management and Budget distributes amounts available for obligation. An apportionment divides amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof.

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Obligation and Disbursement  
of ESF Account Funds

Because of Egypt's payment schedules on existing contracts, all of its FMF funding for fiscal years 2009 through 2014 had been committed as of the end of fiscal year 2014, with the exception of the \$728 million in fiscal year 2014 funding that had not been obligated. Of this \$728 million in unobligated funds, \$78 million was subject to a congressional hold as of the end of fiscal year 2014 and, thus, had not been obligated.<sup>32</sup> For the remaining \$650 million, State had not yet submitted a notification to Congress as of the end of fiscal year 2014, so those funds had not been obligated. State is currently in the process of determining when to notify Congress of the \$650 million in FMF unobligated funds, according to State officials. Once this \$728 million has been obligated, these funds will be committed to existing programs and potentially to a small number of new programs in the four security exemption categories identified in the Consolidated Appropriations Act, 2014—counterterrorism, nonproliferation, border security, and development activities in the Sinai—according to DOD officials.

USAID had disbursed almost \$370 million, or 26 percent, of the over \$1.4 billion in funding allocated for economic assistance through the ESF account in fiscal years 2009 through 2014, as of the end of fiscal year 2014 (see table 5).<sup>33</sup>

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<sup>32</sup>In certain cases, State and USAID are required to provide specific congressional notifications on how the agencies intend to obligate funds. According to State, fiscal year 2014 was the first year that State was required to consult with Congress prior to obligating FMF funds for Egypt, even if Congress had already been notified of State's intention to obligate the funds in a congressional budget justification. As a matter of practice, agencies generally do not obligate the funds while a member of the committee objects to the planned obligation. This \$78 million was part of a larger notification for \$650 million in FMF assistance for Egypt that State submitted to Congress in April 2014. Initially, a congressional hold was placed on the full \$650 million. However, the hold was subsequently lifted on \$572 million of the funds that were then obligated and committed. According to State officials, as of December 2014, the hold had been lifted on the remaining \$78 million and State had requested apportionment of these funds.

<sup>33</sup>There is a limited amount of this ESF funding allocated for Egypt that USAID transfers to State or other agencies to manage. In total, USAID made approximately \$52 million in such transfers in fiscal years 2009 through 2014 out of the over \$1.4 billion in ESF funding allocated for Egypt during this period.

**Table 5: Status of Economic Support Fund Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Allocations	\$250,000	\$250,000	\$249,500	\$250,000	\$241,032	\$200,000	<b>\$1,440,532</b>
Unobligated balances	-	-	225,400 <sup>a</sup>	34,155 <sup>b</sup>	-	200,000 <sup>c</sup>	<b>\$459,555</b>
Unliquidated obligations	94,004	91,845	4,090	180,056	241,032	-	<b>\$611,027</b>
Disbursements	155,996	158,155	20,010	35,789	-	-	<b>\$369,950</b>

Legend: ESF = Economic Support Fund; FY = fiscal year.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: ESF funds are generally available for obligation for 2 years. Obligated ESF funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.

<sup>a</sup>All of the \$225.4 million in unobligated balances from fiscal year 2011 were allocated for a cash transfer that has not taken place. The initial period of availability for obligation for fiscal year 2011 ESF funds ended on September 30, 2012, but the fiscal year 2010 appropriations act (Pub. L. No. 111-117, Div. F, § 7011), which was carried forward in the full year continuing resolution for fiscal year 2011 (Pub. L. No. 112-10), provided that fiscal year 2011 ESF funds allocated or obligated for a cash transfer remain available until expended.

<sup>b</sup>All of the almost \$34.2 million in unobligated balances from fiscal year 2012 were allocated for a cash transfer that has not taken place. The initial period of availability for obligation for fiscal year 2012 ESF funds ended on September 30, 2013, but the fiscal year 2012 appropriations act (Pub. L. No. 112-74 Div. I, § 7011) provided that funds allocated or obligated for a cash transfer remain available for an additional 4 years beyond the period of initial availability. Thus, these funds are available for obligation until September 30, 2017.

<sup>c</sup>The unobligated balances from fiscal year 2014 are available for obligation until September 30, 2015.

As of the end of fiscal year 2014, USAID had approximately \$460 million in unobligated ESF balances—equal to about 230 percent of its fiscal year 2015 ESF budget request of \$200 million. Of these unobligated funds, approximately \$260 million was from appropriations prior to fiscal year 2014. The \$260 million in unobligated funds was originally allocated for a cash transfer to the Egyptian government, but the administration decided not to use the funds for that purpose after President Morsi's removal from power in July 2013.<sup>34</sup> According to State officials, the fiscal year 2011 funding allocated for a cash transfer has been transferred into a no-year ESF account and is available for obligation until expended, and the fiscal year 2012 funding allocated for a cash transfer has been transferred into an extended-life ESF account and is available for

<sup>34</sup>These funds continued to be subject to a congressional hold at the time of the administration's decision.

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obligation until September 30, 2017.<sup>35</sup> State and USAID officials stated that although the administration had decided not to move forward with the cash transfer, these funds had not been reprogrammed for other purposes. Additionally, State and USAID officials stated that there are currently no established time frames for making a determination regarding how these funds will be used.

In addition to the unobligated balances that had been previously allocated for a cash transfer, State and USAID have faced challenges obligating other ESF funding allocated for Egypt. For example, USAID did not obligate over \$280 million in fiscal years 2012 and 2013 ESF funding for Egypt until the last 2 months of fiscal year 2014. This funding would have expired as of the end of fiscal year 2014 if it had not been obligated by then.

State and USAID officials noted a variety of issues that have challenged the U.S. government's ability to obligate and disburse ESF funds.

- Given the ongoing changes in Egypt's political leadership, USAID has experienced challenges reaching agreement with the Egyptian government on new projects to fund, according to State and USAID officials. For example, in one sector, USAID officials noted, they are working with their seventh Egyptian minister since the January 2011 revolution.
- State and USAID officials noted that the ordered departure of those agencies' personnel from Cairo, which was in effect from July to November 2013, affected their ability during that period to conduct their normal planning and programming processes.
- State and USAID officials informed us that the security situation at certain project locations, as well as broader security concerns across

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<sup>35</sup>ESF funding is generally available for obligation for 2 years. However, the Consolidated Appropriations Act, 2010 (Pub. L. No. 111-117, Div. F, § 7011, Dec. 16, 2009), which was carried forward in the full year continuing resolution for fiscal year 2011, provided that funds allocated or obligated for a cash transfer remain available until expended. Similarly, the Consolidated Appropriations Act, 2012 (Pub. L. No. 112-74, Div. I, § 7011, Dec. 23, 2011) provided that funds allocated or obligated for a cash transfer remain available for an additional 4 years beyond the period of initial availability. Thus, those fiscal year 2012 funds were transferred into an extended-life ESF account and are available for obligation until September 30, 2017.

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the country, has affected their ability to obligate and disburse funds. For example, USAID reported that technical advisors it needed for the implementation of some of its economic growth programs refused to travel to Egypt because of security concerns.

- Policy decisions by the administration have affected the pace at which USAID has been able to obligate and disburse ESF funds, according to State and USAID officials. For example, the administration's decision to not move forward with the \$260 million planned cash transfer has required State and USAID to consider alternative plans for this funding.
- State and USAID officials stated that various congressional holds and legal restrictions that have been placed on planned assistance to Egypt have resulted in delays in the obligation and disbursement of funds. For example, on May 25, 2012, USAID notified Congress of its intent to obligate almost \$27 million in fiscal year 2011 ESF funds for a variety of programs in Egypt; however, a congressional hold was placed on all but \$500,000 of this funding, so, according to State, USAID reprogrammed these funds.

Because of challenges in obligating and disbursing ESF funds in Egypt, State and USAID officials have adjusted their assistance plans. For example, USAID had to seek an extension of the period of availability for obligation for its fiscal year 2012 ESF funds for Egypt since it determined that it was unlikely that it would be able to obligate the funds by the end of the original period of availability, which was September 30, 2013.<sup>36</sup> In fiscal year 2014, Congress appropriated up to \$250 million in ESF funds for Egypt consistent with the administration's budget request for the year;<sup>37</sup> however, the administration subsequently determined that it would use only \$200 million of this funding. In addition, the administration requested \$200 million in fiscal year 2015 ESF funding for Egypt, which was \$50 million less than its requests in fiscal years 2009 through 2014. According to State officials, the administration requested \$50 million less

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<sup>36</sup>Pursuant to section 7014(b) of the Consolidated Appropriations Act, 2012 (Pub. L. No. 112-74, Div. I, § 7014(b), Dec. 23, 2011), the USAID Administrator made a determination that a significant change in circumstances in Egypt made it unlikely that USAID could obligate its fiscal year 2012 ESF funds allocated for Egypt within their original period of availability and thus extended their period of availability by 1 year, until September 30, 2014.

<sup>37</sup>Pub. L. No. 113-76, § 7041(a)(2) (Jan. 17, 2014).

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## Obligation and Disbursement of Funds from Other Bilateral Assistance Accounts

in funding for Egypt in part because of the large amount of unobligated and undisbursed funding already available from previous fiscal years.<sup>38</sup>

As of the end of fiscal year 2014, State had disbursed the majority of IMET and NADR funding allocated for Egypt in fiscal years 2009 through 2014 (70 percent and 57 percent, respectively); however, it had disbursed less than half of the funding allocated for INCLE during this same period (47 percent). All three accounts had unobligated balances of over 20 percent of their total allocated amounts in fiscal years 2009 through 2014, as of the end of fiscal year 2014. IMET, NADR, and INCLE had unobligated balances that represented 21 percent, 33 percent, and 27 percent, respectively, of the total funds allocated to the accounts in fiscal years 2009 through 2014. All of the IMET unobligated balances, as well as the majority of the NADR and INCLE unobligated balances (63 percent and 95 percent of the two accounts' total unobligated balances, respectively), were from funds allocated in fiscal year 2014 and are available for obligation until September 30, 2015. However the NADR and INCLE accounts also had unobligated balances that included allocated funding going back to fiscal year 2009.<sup>39</sup> State has been prohibited from obligating and disbursing fiscal year 2014 IMET funds because the certifications contained in section 7041 of the fiscal year 2014 Consolidated Appropriations Act had not yet been made, as of February 3, 2015. State officials noted challenges in obligating and disbursing INCLE and NADR funds that were similar to many of the challenges experienced in obligating and disbursing ESF funds. For its fiscal year 2015 budget request, State reduced its IMET request by \$100,000 compared with its fiscal year 2014 allocation, increased its request for

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<sup>38</sup>Subsequent to the administration's request, Congress passed the fiscal year 2015 appropriation in December 2014 that made available up to \$150 million in ESF funding for Egypt. Pub. L. No. 113-235, § 7041(a)(2) (Dec. 16, 2014).

<sup>39</sup>INCLE had a total of \$145,000 in unobligated balances from fiscal years 2009 through 2013, as of the end of fiscal year 2014. The period of availability for obligation for these funds has expired. NADR had a total of almost \$1.7 million in unobligated balances from fiscal years 2009 through 2013, as of the end of fiscal year 2014. The period of availability for obligation for the fiscal year 2009 NADR funds has expired. According to State, \$526,000 of the fiscal years 2010 through 2013 NADR funds have been deobligated and may be reobligated, and the period of availability for obligation for over \$1 million of the funds has expired. Pursuant to authority generally provided in the annual Department of State, Foreign Operations, and Related Programs Appropriations Act, certain funds remain available for obligation for an additional 4 years from the date on which the availability of such funds would otherwise expire if the funds were initially obligated within the period of availability for obligation.

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NADR funds by \$680,000 compared with its fiscal year 2014 allocation, and reduced its INCLE request by \$2 million compared with its fiscal year 2014 allocation.

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## Agencies Have Evaluated Economic Assistance for Egypt but Have Not Evaluated the Results of Security Assistance

USAID and State have completed evaluations of U.S. economic assistance for Egypt, but State has not evaluated the results of its security assistance efforts. Since fiscal year 2009, USAID has completed 15 evaluations covering more than \$600 million in economic assistance and has completed all of the evaluations required under its policy.<sup>40</sup> These evaluations highlighted various achievements and challenges with USAID-funded projects, and USAID officials noted that they have used the results of these evaluations to inform decisions about their assistance. State has also completed evaluations of three multicountry initiatives funded by its Middle East Partnership Initiative (MEPI) that addressed activities in Egypt and used the results to inform future efforts. However, while State has undertaken efforts to commission a required evaluation of security assistance to Egypt, it has not yet carried out the evaluation because none of the five eligible evaluation firms submitted bids to conduct it.<sup>41</sup> Although State officials said that they remain committed to evaluating security assistance to Egypt and are considering alternate approaches, State has not established a time frame for completing the required security assistance evaluation.

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## Agency Policies Require Periodic Evaluations of Certain Programs

USAID's and State's policies do not require an overall evaluation of all assistance to Egypt. USAID's and State's policies do, however, require periodic evaluations of large projects under agency stewardship.<sup>42</sup> Evaluations are individual or systematic studies conducted to assess how well a program is working and are often conducted by experts external to the program.<sup>43</sup> USAID's evaluation policy requires that each operating

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<sup>40</sup>U.S. Agency for International Development, "Assessing and Learning," chap. 203 in *Automated Directives System* (Washington, D.C.: Nov. 2, 2012).

<sup>41</sup>Department of State, *Program Evaluation Policy* (Washington, D.C.: Feb. 23, 2012).

<sup>42</sup>State's policy applies to programs, projects, and activities. For clarity, we use "project" to refer to all three.

<sup>43</sup>This report focuses on agency efforts to complete evaluations, which are distinct from performance measurement. Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress toward preestablished goals, and is typically conducted by program or agency management.



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unit,<sup>44</sup> including USAID's mission in Egypt, conduct at least one evaluation of each large project it implements.<sup>45</sup> According to USAID officials, the Egypt mission calculated its threshold for large projects as \$12.2 million when it first implemented the evaluation policy in May 2011.<sup>46</sup> USAID's policy stipulates that evaluations may be undertaken for different levels within an assistance portfolio. For example, evaluations may cover individual projects or collections of projects that support a higher-level objective. State's February 2012 evaluation policy requires that all large projects be evaluated at least once during each project's lifetime or every 5 years, whichever is less, and states that for most bureaus a large project is one whose dollar value equals or exceeds the median project size for that bureau.<sup>47</sup> State's policy also requires each bureau to evaluate two to four projects under its direction over the 24-month period that began in fiscal year 2012, depending on the size, scope, and complexity of the projects being evaluated and funding availability.<sup>48</sup>

State's evaluation policy notes that the requirement for its headquarters bureaus to evaluate two to four projects over a 24-month period was to be extended to diplomatic posts, including U.S. Embassy Cairo, in fiscal year 2013. According to State officials, this requirement has yet to be extended to diplomatic posts. According to State officials, State is continuing to

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<sup>44</sup>An operating unit is the organizational unit responsible for implementing a foreign assistance program. For USAID, it includes field missions, regional entities, and USAID/ Washington offices that expend program funds to achieve development objectives.

<sup>45</sup>U.S. Agency for International Development, "Assessing and Learning," chap. 203 in *Automated Directives System* (Washington, D.C.: Nov. 2, 2012).

<sup>46</sup>According to USAID officials, this calculation represented the mean value of all 63 active implementing agreements across its assistance portfolio, as of May 2011, excluding awards valued at less than \$1 million and grants made after the January 2011 revolution to directly fund organizations implementing democracy and economic growth projects in Egypt. Our July 2014 report discusses these grants in greater detail. See [GAO-14-799](#).

<sup>47</sup>Department of State, *Program Evaluation Policy* (Washington, D.C.: Feb. 23, 2012).

<sup>48</sup>State's Bureau of Democracy, Human Rights, and Labor officials noted that the bureau requires external evaluations for its democracy and governance programs worldwide, including those in Egypt.

focus its efforts on building its capacity to conduct evaluations in headquarters bureaus, some of which also manage assistance to Egypt.<sup>49</sup>

<b>USAID Has Completed Evaluations of Economic Assistance That It Manages in Egypt</b>	<p>USAID has completed evaluations for all of the projects that it determined required evaluation under agency policy. USAID completed some of these evaluations during the fiscal years included in the scope of our review (2009-2014), whereas others were completed before fiscal year 2009 or after fiscal year 2014.</p> <p>From fiscal years 2009 through 2014—the time period included in the scope of our review—USAID completed 15 evaluations of U.S.-funded economic assistance projects in Egypt totaling more than \$600 million. As shown in table 6, USAID evaluated projects across all four sectors of assistance—democracy and governance, economic growth, education, and health.</p>
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**Table 6: U.S. Agency for International Development’s Evaluations of Assistance to Egypt by Sector, Fiscal Years 2009 through 2014**

<b>Sector</b>	<b>Number of evaluations completed<sup>a</sup></b>	<b>Range of evaluation dates</b>	<b>Amount of U.S. funding for projects (dollars in millions)</b>
Democracy and governance	5	May 2009 – Apr. 2010	\$74.1
Economic growth	5	Aug. 2009 – Feb. 2012	214.9
Education	2 <sup>b</sup>	Apr. 2010 – Dec. 2011	250.3
Health	3	July 2009 – Apr. 2013	86.2
<b>Total</b>	<b>15</b>		<b>\$625.5</b>

Source: GAO analysis of U.S. Agency for International Development evaluation reports and award data. | GAO-15-259

<sup>a</sup>The number of evaluations completed also includes evaluations that were completed prior to the 2011 evaluation requirement.

<sup>b</sup>The U.S. Agency for International Development completed a desk review and meta-evaluation of its education portfolio in March 2010 and a performance evaluation of the same portfolio in April 2010. For the purposes of this analysis, we count these as one evaluation because they covered the same six projects.

Among the 15 evaluations completed by USAID, 7 were midterm evaluations, 7 were final evaluations, and 1 was an evaluation of USAID’s education portfolio, which included several projects at various stages of

<sup>49</sup>For example, State’s Bureau of Political-Military Affairs manages security assistance to Egypt through the FMF and IMET programs.

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completion. With the exception of the evaluation of USAID's education portfolio, most evaluations focused on a single project. According to USAID guidance, individual projects must contribute to USAID's broader development objectives for a particular country.<sup>50</sup> Appendix V provides additional information on the projects evaluated by USAID in fiscal years 2009 through 2014.

The evaluations of USAID assistance identified a range of successes achieved and challenges experienced by USAID economic assistance projects in Egypt, as shown by the following examples.

- A December 2009 midterm evaluation of USAID's \$22 million democracy and governance project to provide technical assistance, training, and policy support to improve the effectiveness, transparency, and accountability of local governments (the Egyptian Decentralization Initiative) determined that the aggregate impact of USAID's efforts to decentralize governance in Egypt had been negligible in large part because of powerful political forces in Egypt. However, the evaluation also noted that recent efforts may have influenced the formulation of decentralization policies by decision makers and increased awareness of the need for decentralization, among other things.
- An April 2010 evaluation of USAID's \$250 million education portfolio determined that USAID had made positive changes to Egyptian education through projects that contributed to girls' education, the use of technology in schools, and reforms in the Egyptian Ministry of Education. The evaluation team noted that it believed the prospects for significant additional progress on implementation of Egypt's National Strategic Plan over the next 5 years were excellent and recommended that USAID develop a new education strategy to support continued implementation of this plan.
- A September 2010 final evaluation of a \$126 million project to provide technical assistance to Egyptian ministries to define and implement policy reforms found that the project was generally successful. The evaluation noted that the project contributed to the implementation of

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<sup>50</sup>USAID's development objectives in Egypt are as follows: (1) Egypt's political transition is inclusive and democratic, (2) its economy is more competitive and inclusive, (3) its workforce response to labor market demands is improved, (4) its use of quality health care increases, and (5) its sustainable access to water and sanitation is improved.

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several important reform measures, which helped to improve the trade environment, support the financial sector and economic growth, streamline tax administration, and improve the business environment. However, the evaluation also noted that some efforts undertaken as part of the project—for example, studies on privatization and housing reform—did not result in any reforms.

- A February 2012 final evaluation of two USAID economic growth projects totaling \$40 million to provide technical assistance to the institutions responsible for overseeing and managing the provision of water and wastewater services in Egypt found that one of the projects had helped contribute to cost-effective service delivery improvements; however, the evaluation noted that some of the project's achievements seemed surprisingly modest given the long history of similar support in this sector. The evaluation determined that the second project had not met its dual objectives of (1) strengthening the policy, legal, and regulatory framework for the water and wastewater sector in Egypt and (2) improving the quality of and access to sustainable water and wastewater services. The evaluation concluded that the work conducted under this project may prove valuable if the environment for reform changes in the future.

The USAID mission in Egypt considers evaluation findings and other performance information during semiannual portfolio reviews and uses these to inform decisions about future assistance, according to USAID officials. For example, the evaluation of technical assistance in the water and wastewater sectors concluded that USAID should reduce its emphasis on capital investment planning and project management support. As a result, USAID phased out this assistance by transferring responsibility for such support to an Egyptian entity, according to USAID officials. Another evaluation of a USAID project to strengthen Egypt's health systems recommended that future technical assistance focus on leadership development, noting that this would be particularly important in response to the high turnover at Egypt's Ministry of Health and Population in the aftermath of the January 2011 Egyptian revolution. USAID officials reported that the mission developed two leadership development programs to address this recommendation, one for hospital administrators and one for nurses.

USAID officials noted that although the mission in Egypt has not yet updated its calculation of large projects to reflect new initiatives, the mission has already developed a planned timetable for conducting a midterm evaluation, final evaluation, or both for all seven of the new

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education, economic growth, and democracy and governance projects totaling about \$545 million that it approved in the summer of 2014 (see app. VI). USAID plans to revise its calculation of the threshold for large projects when the mission has an approved strategy in place to reflect new projects and respond to recent changes in how USAID-funded projects are designed and approved. USAID officials also noted that the mission will calculate its threshold for large projects by development objective to reflect revised agency guidance, which aims to ensure that projects in each development objective are evaluated.<sup>51</sup>

In addition to the evaluations described in this section, USAID officials noted that they also use a variety of mechanisms to monitor and report on the performance of U.S. assistance to Egypt. For example, according to USAID officials, the mission conducts periodic reviews of its assistance portfolio for each development objective—as well as reviews of individual projects and activities—to monitor whether USAID-funded initiatives are achieving their objectives.

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## State Has Completed Evaluations of Some Economic Assistance to Egypt

Officials from State's MEPI, which funds democracy and governance projects in Egypt and other countries in the Middle East and North Africa, noted that since fiscal year 2009 they have completed three evaluations of multicountry initiatives that included activities in Egypt. For example, these officials reported that in 2011 MEPI commissioned an evaluation of its legal reform projects, one of which was a regional civil society law reform project that included activities in Egypt, among other countries. MEPI officials noted that recommendations from this evaluation were used to inform the design of a follow-on project dedicated specifically to reforming the law governing nongovernmental organizations in Egypt. They noted that although the proposed new law was not passed, the

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<sup>51</sup>USAID's original January 2011 Evaluation Policy defined a large project as one that equals or exceeds in dollar value the mean project size for the operating unit, and USAID/Egypt's May 2011 calculation of \$12.2 million as the threshold for large projects reflected this definition. In January 2012, USAID revised its evaluation policy to define a large project as one that equals or exceeds in dollar value the mean project size for each development objective within an operating unit. The goal of this approach is to ensure that major projects in each development objective undergo evaluation, even when a development objective is a relatively small share of an operating unit's budget.

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project helped communicate how such a law should be formulated in Egypt and aided Egyptian organizations in advocating for reform.<sup>52</sup>

According to U.S. agency officials, the annual Performance Plan and Report prepared by U.S. Embassy Cairo represents the most comprehensive reporting on the entirety of U.S. security and economic assistance to Egypt. Although not an evaluation, this report broadly describes the successes and challenges of foreign assistance to Egypt and measures annual progress toward selected performance indicators that correspond to global objectives for U.S. foreign assistance (i.e., peace and security, governing justly and democratically, investing in people, and economic growth).

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## State Has Not Completed an Evaluation of Its Security Assistance to Egypt

State has proposed, but has not carried out, a required evaluation of security assistance to Egypt.<sup>53</sup> State's February 2012 evaluation policy requires that all large projects be evaluated at least once during each project's lifetime or every 5 years, whichever is less, and states that for most bureaus a large project is one whose dollar value equals or exceeds the median project size for that bureau.<sup>54</sup> According to officials in State's Bureau of Political-Military Affairs, which manages security assistance through FMF, the bureau identified security assistance to Egypt as a large program in February 2013, making it subject to evaluation requirements.<sup>55</sup> Accordingly, State commissioned an external evaluation of security assistance to Egypt, including assistance provided through both FMF and

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<sup>52</sup>A State Bureau of Democracy, Human Rights, and Labor official stated that the bureau plans to complete external evaluations of its ongoing projects in Egypt once the projects are completed.

<sup>53</sup>State is responsible for the continuous supervision and general direction of security assistance programs, including FMF, whereas DOD leads the day-to-day implementation of these programs. Officials from DOD reported that they had not evaluated the results of security assistance to Egypt and noted that an evaluation of security assistance provided through these programs would be State's responsibility because State manages these programs.

<sup>54</sup>Department of State, *Program Evaluation Policy* (Washington, D.C.: Feb. 23, 2012).

<sup>55</sup>Egypt receives about 20 percent of all U.S. funding provided to foreign countries through the FMF program.

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IMET.<sup>56</sup> The Statement of Work for the proposed evaluation noted that examining the impact of security assistance to Egypt was critical given the recent transitions in the Egyptian government and the role the Egyptian Armed Forces played in those transitions. It noted further that that the intended purpose of the evaluation would be to (1) determine the effectiveness of State-funded security assistance to Egypt; (2) provide accountability for the program; and (3) identify lessons learned that would benefit security assistance programs in Egypt, in the region, and globally. Additionally, it specified that the evaluation should focus on the following questions:

- What impact, if any, has U.S. security assistance had on Egypt's capacity for satisfying U.S. strategic objectives?
- Has U.S. security assistance been effective in addressing U.S. program objectives?
- Is security assistance provided by the U.S. government being used effectively by the host government?
- Were there any unintended consequences of U.S. security assistance? Were the consequences positive or negative?
- What factors explain the intended or unintended consequences of the assistance?
- What project activities should be sustained, if any?
- What project activities should be expanded or contracted, if at all?
- What lessons can be learned from the project experience?

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<sup>56</sup>For the purposes of the proposed evaluation, State's Bureau of Political-Military Affairs defined security assistance as assistance provided through accounts under its management, including FMF and IMET, which account for most security assistance to Egypt. State decided to include IMET as part of the proposed evaluation even though State did not identify IMET assistance for Egypt as a large project. Security assistance provided through other accounts, such as INCLE and NADR, was not included in the scope of this proposed evaluation. State officials noted that aside from security assistance provided through FMF, no other security assistance to Egypt met the criteria for a large project, and therefore no other assistance required evaluation.

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State solicited proposals for this evaluation in May 2014 but did not receive any responses from the eligible evaluation firms.<sup>57</sup> According to the State official overseeing the solicitation process, some of the eligible firms reported having concerns about being able to carry out an evaluation given the uncertain security environment in Egypt. State officials also noted that the department has never before attempted to holistically evaluate security assistance to Egypt or any other country, and the size and complexity of security assistance to Egypt make it especially challenging to conduct a formal evaluation. The State official overseeing the solicitation process for the proposed evaluation noted the difficulty of determining how security assistance contributes to broader strategic goals and said that there is limited information to serve as the basis for an evaluation because neither State nor DOD has established performance metrics, nor has either agency consistently collected performance data on the FMF program. In addition, this official noted that a foreign military such as the Egyptian Armed Forces might be reluctant to cooperate on an evaluation of military capabilities, as it might be perceived as intelligence gathering.

Because of such challenges and the nonresponsiveness of eligible evaluation firms, a State Bureau of Political-Military Affairs official reported in October 2014 that the department had decided to take a different approach to the evaluation. State's Bureau of Political-Military Affairs is in the process of developing a global security assistance evaluation and monitoring strategy and plans to hire additional staff members with expertise in program evaluation to develop a methodological framework that could be applied to evaluations of security assistance globally. One of the goals of this methodological framework would be to clearly define the objectives of security assistance and create a logic model linking the components of security assistance programs to these objectives. According to the State official overseeing these efforts, the bureau is seeking to have the new staff members in place early in 2015 to begin developing the framework. The bureau also hired a

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<sup>57</sup>State has awarded indefinite delivery, indefinite quantity contracts to five firms so that bureaus can rapidly contract for evaluations. Proposed evaluations are sent to all five firms as a Request for Task Order Proposal and Statement of Work, which specifies the desired personnel and evaluation criteria, among other things.



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contractor to conduct an evaluation of security assistance to Lebanon,<sup>58</sup> which it expects will help inform future evaluations of security assistance to Egypt and other countries.<sup>59</sup> According to State officials, State remains committed to evaluating security assistance to Egypt and conducting an evaluation as soon as practicable. However, the State official in charge of this process noted that there are no set time frames for when this will occur. Standard practices in program management include, among other things, developing a plan to execute projects within a specific time frame.<sup>60</sup>

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## Conclusions

The U.S.-Egypt partnership yields significant benefits, including Egypt's support of peace with Israel, shared interest in counterterrorism and regional stability goals, as well as other strategic U.S. benefits such as expedited access through the Suez Canal and approval of military overflights. Security and economic assistance amounting to more than \$9.3 billion since fiscal year 2009 has served as the linchpin of this long-standing strategic partnership. However, factors related to the political upheaval in Egypt since 2011 have hindered the ability of the U.S. government to implement some assistance. As a result, the U.S. government has significant amounts of funding that it allocated for assistance to Egypt but has not yet obligated for a particular purpose, including \$260 million in ESF funds allocated for a cash transfer the administration no longer intends to carry out. Given the resource constraints the U.S. government faces, it is important that U.S. agencies have plans for using existing resources in an effective and timely manner. Plans for an alternative use of the \$260 million in funding allocated for the cash transfer would allow the U.S. government to support programs designed to respond to the evolving situation in Egypt or other identified

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<sup>58</sup>In March 2013, we recommended that the Secretary of State, in consultation with the Secretary of Defense, complete plans to evaluate the effectiveness of security assistance programs in Lebanon. See GAO, *Security Assistance: Evaluations Needed to Determine Effectiveness of U.S. Aid to Lebanon's Security Forces*, [GAO-13-289](#) (Washington, D.C.: Mar. 19, 2013).

<sup>59</sup>A State official overseeing this evaluation noted in January 2015 that the evaluation was formally stopped at the end of November 2014 because of the security situation in Lebanon. According to the State official, the evaluation team was unable to conduct field work in Lebanon but completed a desk review, draft methodology, logical framework, and several survey instruments which will aid in future evaluation efforts.

<sup>60</sup>The Project Management Institute, *The Standard for Program Management* (Newtown Square, PA: 2013).

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priorities that contribute to U.S. strategic objectives, while also potentially allowing for reductions in future budget requests.

While the U.S. government is in the process of developing a multiyear strategic plan to guide future U.S. assistance to Egypt, little is known about the effectiveness of past assistance toward achieving U.S. strategic goals. U.S. officials have acknowledged challenges in linking assistance provided to Egypt with specific results. In particular, U.S. officials noted that it is difficult to determine the extent to which security assistance has contributed to strategic objectives, such as promoting regional stability, upholding the Egypt-Israel Peace Treaty, countering terrorism and extremism, and maintaining key strategic benefits. Nevertheless, evaluations can provide useful information to the executive branch and Congress about whether a program is meeting its goals or may be producing unintended consequences. The absence of an evaluation of security assistance to Egypt raises questions about how this program—supported by \$1.3 billion in U.S. funding annually—is contributing to meeting strategic objectives and what levels of funding are necessary for success. State has stated its commitment to completing such an evaluation but has not established specific time frames for doing so. Establishing time frames for completion of an evaluation of security assistance to Egypt would help ensure that State successfully fulfills this commitment.

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## Recommendations for Executive Action

Given the significant unobligated balances of about \$260 million in the ESF account for Egypt previously allocated for a cash transfer that the administration has stated it no longer intends to carry out, we recommend that the Secretary of State and the USAID Administrator work to develop plans for an alternate use of these funds, in consultation with the appropriate committees of Congress. As part of planning for these funds, State should also consider ways that this funding could potentially be used to offset future budget requests.

To help ensure the timely completion of an evaluation of security assistance to Egypt that is required by State policy, we recommend that the Secretary of State establish specific time frames for completing such an evaluation.

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## Agency Comments

We provided a draft of this report to DOD, State, and USAID for review and comment. DOD did not provide comments. State and USAID provided technical comments, which we incorporated as appropriate. State and USAID also provided written comments, which are reproduced in appendixes VII and VIII, respectively. In their written comments, State

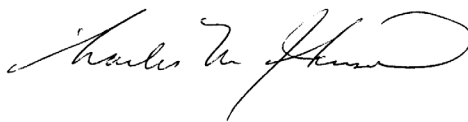
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and USAID generally agreed with our recommendation to develop alternate uses for \$260 million previously allocated for a cash transfer and noted that they were currently examining other uses for these funds. Additionally, State agreed with our recommendation to establish specific time frames for completing a required evaluation of security assistance to Egypt. State noted that while evaluation of security assistance to Egypt poses challenges, State views evaluation as a critical tool for accountability and program improvement and will continue to pursue a formal evaluation of security assistance to Egypt, or some element of Egypt's security assistance program.

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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, the Secretaries of Defense and State, and the Administrator of USAID. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

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



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

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# Appendix I: Objectives, Scope, and Methodology

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The objectives of this review were to examine, for fiscal years 2009 through 2014, the extent to which (1) U.S. strategic objectives and assistance for Egypt evolved, (2) the U.S. government disbursed funds allocated for assistance to Egypt, and (3) the U.S. government evaluated the results of its assistance.

To determine the extent to which U.S. strategic objectives and assistance for Egypt have evolved since fiscal year 2009, we analyzed the Department of State's (State) mission strategic plans from fiscal years 2009 through 2013, mission resource requests for fiscal years 2014 and 2015, congressional testimony by senior administration officials, presidential speeches, and congressional budget justifications for assistance to Egypt from fiscal years 2009 through 2015. We reviewed the U.S. Agency for International Development's (USAID) strategies for Egypt, including its strategic plan for fiscal years 2000-2009, bridge strategy for fiscal years 2009 and 2010, and 2012 papers outlining priorities for each development sector: democracy and governance, economic growth, education, and health. We also reviewed the Department of Defense (DOD) U.S. Central Command's fiscal years 2014 and 2015 Country Security Cooperation Plans for Egypt. Finally, we reviewed relevant laws pertaining to U.S. assistance to Egypt and State's and USAID's guidance for strategic planning. To determine the extent to which levels of U.S. assistance to Egypt evolved in fiscal years 2009 through 2014, we obtained and analyzed State data on allocations for security and economic assistance to Egypt, and we reviewed cables and memos that described changes in assistance priorities. To address strategic objectives and changes in assistance—particularly after Egypt's political transitions in 2011 and 2013—we interviewed officials from State's Bureaus of Near Eastern Affairs; Democracy, Human Rights, and Labor; and Political-Military Affairs; the Middle East Partnership Initiative; and the Office of U.S. Foreign Assistance Resources; USAID's Bureau for the Middle East; DOD's Office of the Under Secretary of Defense for Policy, Defense Security Cooperation Agency, and U.S. Central Command. State confirmed that the U.S. objectives for assistance to Egypt are consistent with U.S. policy developed by the National Security Council. We conducted audit work in Cairo, Egypt, and interviewed U.S. officials from State, USAID, DOD, the Department of Homeland Security, and the Department of Justice who manage assistance programs for Egypt. We also interviewed Egyptian government officials from the Ministries of Foreign Affairs, International Cooperation, and Social Solidarity—the three ministries that coordinate bilateral assistance with the United States or approve the registration of a portion of the organizations that implement U.S.-funded assistance—and the Egyptian

Armament Authority, a unit within the Egyptian Armed Forces that oversees the procurement of U.S. military equipment using U.S. assistance. In both the United States and in Cairo we also interviewed officials from nongovernmental organizations that implement U.S. assistance to Egypt.

To determine the extent to which the U.S. government disbursed funds allocated for assistance to Egypt from fiscal years 2009 through 2014, we collected and analyzed data from State's Office of Foreign Assistance Resources, by appropriation account, on allocations, unobligated balances, unliquidated obligations, and disbursements. Recognizing that different agencies and bureaus may use slightly different accounting terms, we provided State with definitions from GAO's *A Glossary of Terms Used in the Federal Budget Process* and requested that it provide the relevant data according to those definitions.<sup>1</sup> The data State provided were as of the end of fiscal year 2014. State provided data on bilateral assistance managed by both State and USAID from the Economic Support Fund (ESF); Foreign Military Financing (FMF); International Military Education and Training (IMET); International Narcotics Control and Law Enforcement (INCLE); and Nonproliferation, Anti-terrorism, Demining, and Related Assistance (NADR) accounts. In addition, State provided data on funding from global or regional programs that supported assistance to Egypt from the Democracy Fund, Development Assistance, ESF, Global Health Program, and NADR accounts. In the case of FMF, funds are budgeted and tracked in a different way than for other foreign assistance accounts, so State provided us data on funding that was uncommitted or committed rather than data on unliquidated obligations and disbursements. To assess the reliability of the data provided, we requested and reviewed information from State regarding the agency's underlying financial data systems and the checks, controls, and reviews used to ensure the accuracy and reliability of the data provided. We determined that the data State provided were sufficiently reliable for the purposes of this report. To gather additional information on the status of assistance to Egypt, we interviewed State, USAID, and DOD officials and reviewed agency documents to identify factors that contributed to any unobligated balances and unliquidated obligations. Finally, we identified any relevant legal authorities related to these accounts, including the

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<sup>1</sup>GAO, *A Glossary of Terms Used in the Federal Budget Process*, [GAO-05-734SP](#) (Washington, D.C.: September 2005).

periods of availability for funds to be obligated from each of these accounts. To guide our assessment of unobligated balances and unliquidated obligations in Egypt, we used GAO's report *Budget Issues: Key Questions to Consider When Evaluating Balances in Federal Accounts*, which provides guidance on evaluating such balances in federal accounts.<sup>2</sup> While that prior GAO report does not make recommendations about what level of unobligated balances and unliquidated obligations are appropriate, it does identify key questions that should be considered in evaluating such balances.<sup>3</sup>

To determine the extent to which the U.S. government evaluated the results of its assistance to Egypt in fiscal years 2009 through 2014, we reviewed evaluation reports, agency evaluation policies, and implementing guidance. We also interviewed or obtained written responses to questions from officials at State, USAID, and DOD in Washington, D.C., and Cairo, Egypt, that manage or implement U.S. assistance to Egypt. Program evaluation, the focus of this report, is distinct from performance measurement. Program evaluations are individual or systematic studies conducted to assess how well a program is working and are often conducted by experts external to the program. Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress toward preestablished goals, and is typically conducted by program or agency management.<sup>4</sup> To determine agency evaluation requirements, we reviewed State's evaluation policy<sup>5</sup> and implementing guidelines and USAID's evaluation policy in its Automated Directives System.<sup>6</sup> We also reviewed

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<sup>2</sup>GAO, *Budget Issues: Key Questions to Consider When Evaluating Balances in Federal Accounts*, [GAO-13-798](#) (Washington, D.C.: Sept. 30, 2013). In the report, we note that unobligated balances and unliquidated obligations are carryover balances.

<sup>3</sup>The report identified four key questions to consider when evaluating carryover balances: (1) What mission goals is the account or program supporting? (2) What are the sources and fiscal characteristics of the funding? (3) What factors affect the size or composition of the carryover balances? (4) How does the agency estimate and manage carryover balances?

<sup>4</sup>GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, [GAO-11-646SP](#) (Washington, D.C.: May 2011).

<sup>5</sup>Department of State, *Program Evaluation Policy* (Washington, D.C.: Feb. 23, 2012).

<sup>6</sup>U.S. Agency for International Development, "Assessing and Learning," chap. 203 in *Automated Directives System* (Washington, D.C.: Nov. 2, 2012).

documentation of the analysis USAID conducted in May 2011 to determine which of its projects in Egypt would require evaluation. To identify evaluations of USAID assistance, we queried USAID's Development Experience Clearinghouse database, downloaded relevant evaluations, compiled a list of these evaluations, and verified the accuracy of our list with USAID officials. We cross-referenced these evaluations with data on USAID-funded projects in Egypt that were active in fiscal years 2009 through July 31, 2014, to determine the value of the projects evaluated by USAID. We determined that these data were sufficiently reliable for the purposes of determining the value of these projects. To identify evaluations of State assistance, we interviewed or obtained written responses from State officials and reviewed evaluation reports provided by State. We also reviewed a Request for Task Order Proposal and Statement of Work issued by State in May 2014 to commission an evaluation of security assistance to Egypt, and we discussed the status of the proposed evaluation with officials from State's Bureau of Political-Military Affairs. Although the scope of our report is limited to program evaluation, we also reviewed documents that describe, and interviewed U.S. officials to discuss, other performance monitoring activities undertaken by the agencies to assess the results of assistance to Egypt.

We conducted this performance audit from November 2013 to February 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Examples of U.S. Economic Assistance Programs in Egypt

The U.S. government has used Economic Support Fund assistance to fund economic growth, education, health, and democracy and governance programs in Egypt. Table 7 provides examples of projects the U.S. government has funded in Egypt in each of these areas.

Table 7: Examples of Economic Assistance Programs in Egypt Funded through the Economic Support Fund		
Sector	Program name	Program description
Economic growth	Egyptian-American Enterprise Fund	Seeks to promote the development of the Egyptian private sector, including small and medium-sized enterprises, through investments, loans, and grants; feasibility studies; and technical assistance.
	Agribusiness for Rural Development and Increasing Incomes	Promotes more efficient use of water and land, introduces new technologies and adoption of farming best practices, and improves agricultural facilities.
Education	U.S.-Egypt Higher Education Initiative	Offers undergraduate and master’s degree scholarships to talented Egyptian students with a focus on women and those from economically disadvantaged backgrounds; funds partnerships between U.S. and Egyptian universities.
	CORE: Improving Skills in Reading, Math, Science, and Institutional Development	Supports student learning of core skills in reading, math, and writing in early grades by improving classroom instruction, teacher training, and educational delivery systems.
Health	Emerging and Infectious Disease Detection and Response	Helps Egypt improve its infectious disease surveillance system and supports implementation of National Infection Control Program.
	Improving Access to Water and Sanitation for Egyptians	Funds infrastructure, including sewage networks and household water and wastewater connections, and supports policy reform in the water and wastewater sectors.
Democracy and governance	Democracy, Elections and Technical Assistance	Provides Egyptian stakeholders with information on global electoral standards and practices, organizes workshops and conferences on Egypt’s electoral system, and funds procurement of election materials and supplies.
	Civil Society Support Program	Builds Egyptian civil society organizations’ financial management and monitoring and evaluation capabilities, offers an online database of resources and an e-learning portal for organizations, and provides training workshops on a range of topics.

Source: GAO analysis of U.S. Agency for International Development, Department of State, and implementing partner information. | GAO-15-259



# Appendix III: Adjustments to U.S. Assistance for Egypt following the October 2013 Policy Decision and Enactment of the Consolidated Appropriations Act, 2014

Following the removal of President Morsi on July 3, 2013, the administration announced that it was conducting a review of U.S. assistance to Egypt. This review culminated in a decision announced by the Department of State on October 9, 2013, to adjust some economic and security assistance to Egypt.<sup>1</sup> With the passage of the Consolidated Appropriations Act, 2014,<sup>2</sup> in January 2014, Congress provided additional flexibility to the administration to resume some economic and security assistance to Egypt, while also placing restrictions, including certification requirements, on some assistance. Table 8 shows the adjustments to U.S. assistance for Egypt following the October 2013 policy decision and enactment of the Consolidated Appropriations Act, 2014.<sup>3</sup>

**Table 8: Adjustments to U.S. Assistance for Egypt following October 2013 Policy Decision and Enactment of Consolidated Appropriations Act, 2014**

Account	Adjustments to assistance following October 2013 policy decision <sup>a</sup>	Adjustments to assistance following Consolidated Appropriations Act, 2014
<b>ESF: Democracy and governance</b>	State and USAID chose to continue assistance, relying on existing and renewed notwithstanding authority <sup>b</sup>	State and USAID chose to continue assistance, relying on notwithstanding authority for these funds that was renewed in this act <sup>c</sup>
<b>ESF: Education</b>	USAID began to terminate six education projects funded at \$39 million	State and USAID chose to resume some of these projects, relying on new notwithstanding authority that the act granted for these funds <sup>d</sup>

<sup>1</sup>The administration did not make a determination as to whether President Morsi's removal was a coup d'état. However, according to State guidance, it adjusted its assistance to Egypt consistent with Section 7008 of the Consolidated Appropriations Act, 2012, which prohibits foreign assistance to the government of a country whose duly elected head of government is deposed by military coup d'état or decree, or a coup d'état or decree in which the military plays a decisive role. Pub. L. No. 112-74, § 7008 (Dec. 23, 2011). This restriction has appeared historically in prior appropriations acts. For the most recent provision, see Pub. L. No. 113-235, § 7008 (Dec. 16, 2014).

<sup>2</sup>Pub. L. No. 113-76, § 7041(a), 128 Stat. 5 at 522 (Jan. 17, 2014).

<sup>3</sup>The Consolidated and Further Continuing Appropriations Act, 2015, which was enacted in December 2014, allows ESF, FMF, and IMET funding to resume to Egypt, notwithstanding certain certification requirements of the act or similar provisions of the law in prior acts, if the Secretary of State, after consultation with the Committees on Appropriations, certifies and reports to such committees that it is important to the national security interest of the United States to provide such assistance. Pub. L. No. 113-235, § 7041(a)(6)(C). The law requires the Secretary of State to provide a detailed justification of the reasons why the certifications cannot be met, as part of this report to the committees. As of February 3, 2015, the Secretary of State had not exercised this authority.

**Appendix III: Adjustments to U.S. Assistance  
for Egypt following the October 2013 Policy  
Decision and Enactment of the Consolidated  
Appropriations Act, 2014**

<b>Account</b>	<b>Adjustments to assistance following October 2013 policy decision<sup>a</sup></b>	<b>Adjustments to assistance following Consolidated Appropriations Act, 2014</b>
<b>ESF: Economic growth</b>	USAID began to terminate three economic growth projects funded at \$9 million	State and USAID chose to resume some of these projects, relying on new notwithstanding authority that the act granted for these funds <sup>e</sup>
<i>Cash transfers</i>	Second tranche of planned \$260 million cash transfer was held	The act requires the Secretary of State to make a certification before any FY 2014 and prior year funds may be used for a cash transfer; as of February 3, 2015, no certification had occurred <sup>f</sup>
<b>ESF: Health</b>	State and USAID chose to continue assistance, relying on notwithstanding authority in existing law for funds made available for health programs <sup>g</sup>	State and USAID chose to continue assistance, relying on notwithstanding authority in existing law for funds made available for health programs
<b>FMF</b>	<ul style="list-style-type: none"> <li>State decided that the remaining unobligated FY 2013 FMF funding could be used for wind-up activities for existing programs</li> <li>State decided to focus future FMF funding on shared security interests, sustainment of U.S. origin systems, and military education and training</li> </ul>	<ul style="list-style-type: none"> <li>The act allows FY 2014 and prior year FMF funding to be used without restriction to support counterterrorism, border security, and nonproliferation in Egypt, and development activities in the Sinai</li> <li>The act provides notwithstanding authority for FY 2014 and prior year funding to be used at the minimum rate necessary to continue existing contracts absent full certification, but it restricts delivery on articles and services for such contracts that do not fall within designated security exemptions<sup>h</sup></li> <li>Two certifications are required before all FY 2014 funding may be made available without restriction<sup>i</sup></li> </ul>
<i>Select military systems</i>	Deliveries of specified military systems (Apache helicopters, F-16 aircraft, Harpoon missiles, and M1A1 tank kits) suspended <sup>j</sup>	Not affected
<b>IMET</b>	State chose to halt new training using FY 2013 funds, but existing training continued	<ul style="list-style-type: none"> <li>State chose to resume the program, relying on new notwithstanding authority that the act granted for funds appropriated for IMET from prior fiscal years</li> <li>Two certifications are required before all FY 2014 funds can be made available<sup>i</sup></li> </ul>
<b>INCLE</b>	State chose to continue assistance, relying on notwithstanding authority for these funds in the Foreign Assistance Act of 1961, as amended	State chose to continue assistance, relying on notwithstanding authority for these funds in the Foreign Assistance Act of 1961, as amended
<b>NADR</b>	State chose to continue assistance, relying on notwithstanding authority in prior fiscal year appropriations and the Foreign Assistance Act of 1961, as amended	State chose to continue assistance, relying on notwithstanding authority in the Foreign Assistance Act of 1961, as amended, and renewed authorities in this act

Legend: ESF = Economic Support Fund; FMF = Foreign Military Financing; FY = fiscal year; IMET = International Military Education and Training; INCLE = International Narcotics Control and Law Enforcement; NADR= Nonproliferation, Anti-terrorism, Demining, and Related Programs; State = Department of State; USAID = U.S. Agency for International Development.

Source: GAO analysis of legislation and data and documents from the Departments of Defense and State and the U.S. Agency for International Development. | GAO-15-259

<sup>a</sup>Although State did not determine that a coup had occurred in Egypt, according to State guidance, the administration acted in a manner consistent with Section 7008 of the Consolidated Appropriations Act, 2012, which prohibits assistance to the government of any country whose duly elected head of government is deposed by military coup d'état or decree, or a coup d'état or decree in which the military plays a decisive role.

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**Appendix III: Adjustments to U.S. Assistance  
for Egypt following the October 2013 Policy  
Decision and Enactment of the Consolidated  
Appropriations Act, 2014**

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<sup>b</sup>Section 7034(h) of the Consolidated Appropriations Act, 2012, made funds available for the promotion of democracy notwithstanding any other provision of law. In addition, according to State guidance on assistance to Egypt after the October 2013 decision, assistance that did not benefit the government of Egypt could continue. Finally, Section 7008 of the Consolidated Appropriations Act, 2012, which prohibits assistance to the government of any country whose duly elected head of government is deposed by military coup d'état or decree, or a coup d'état or decree in which the military plays a decisive role, does not apply to assistance to promote democratic elections or public participation in democratic processes.

<sup>c</sup>Section 7032 of the Consolidated Appropriations Act, 2014, makes funds available for democracy programs notwithstanding any other provision of law.

<sup>d</sup>Section 7041(a)(2)(B) of the Consolidated Appropriations Act, 2014, makes funds for education programs available notwithstanding any provision of law restricting assistance for Egypt, subject to prior consultation with the appropriate congressional committees.

<sup>e</sup>Section 7041(a)(2)(B) of the Consolidated Appropriations Act, 2014, makes funds for economic growth programs available notwithstanding any provision of law restricting assistance for Egypt, subject to prior consultation with the appropriate congressional committees.

<sup>f</sup>The Secretary of State must certify that the government of Egypt is taking steps to stabilize the economy and implement economic reforms before fiscal year 2014 and prior year ESF funds can be used for cash transfer assistance or budget support.

<sup>g</sup>Section 104(c)(4) of the Foreign Assistance Act of 1961, as amended, makes funds available for health programs notwithstanding any other provision of law that restricts assistance to foreign countries, except for certain provisions. According to USAID, some of the health funding was earmarked as family planning, but this funding was reprogrammed in order to make it available for other programs that rely on existing notwithstanding authority.

<sup>h</sup>While fiscal year 2014 FMF funds can be used at the minimum rate necessary to continue existing contracts, purchased items that do not fall within the security exemptions in Section 7041(a)(5) of the Consolidated Appropriations Act, 2014, cannot be delivered to Egypt until the certifications have been made. According to DOD, FMF funding appropriated prior to fiscal year 2014 and obligated before President Morsi's removal in July 2013 can be used to fund new contracts.

<sup>i</sup>For funds appropriated through the ESF, FMF, and IMET accounts, Section 7041 of the Consolidated Appropriations Act, 2014, states that assistance for the government of Egypt may be made available notwithstanding any provision of law restricting assistance for Egypt as follows: (1) up to \$975 million may be made available if the Secretary of State certifies to the Committees on Appropriations that the government of Egypt has held a constitutional referendum and is taking steps to support a democratic transition in Egypt and (2) up to \$576.8 million may be made available if the Secretary of State certifies to the Committees on Appropriations that the government of Egypt has held parliamentary and presidential elections and that a newly elected government of Egypt is taking steps to govern democratically.

<sup>j</sup>The administration announced that the delivery of Apache helicopters, F-16 aircraft, Harpoon missiles, and M1A1 tank kits to the government of Egypt was suspended pending credible progress toward an inclusive, democratically elected civilian government through free and fair elections.

# Appendix IV: Status of U.S. Assistance for Egypt, Fiscal Years 2009-2014

This appendix provides additional information on the status of U.S. assistance to Egypt, by account, for fiscal years 2009 through 2014. All data in the appendix are as of the end of fiscal year 2014.

## Status of Bilateral Assistance Account Funds

The U.S. government provides bilateral assistance to Egypt through a number of accounts, including the Foreign Military Financing; Economic Support Fund; Nonproliferation, Anti-terrorism, Demining, and Related Programs; International Narcotics Control and Law Enforcement; and International Military Education and Training accounts. Tables 9 through 13 provide information on the status of funds allocated for assistance for Egypt from these bilateral accounts for fiscal years 2009 through 2014, as of the end of fiscal year 2014.

**Table 9: Status of Foreign Military Financing Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Allocations	\$1,300,000	\$1,300,000	\$1,297,400	\$1,300,000	\$1,234,259	\$1,300,000	\$7,731,659
Unobligated balances	-	-	-	-	-	728,000 <sup>a</sup>	\$728,000
Uncommitted	-	-	-	-	-	-	-
Committed	1,300,000	1,300,000	1,297,400	1,300,000	1,234,259	572,000	\$7,003,659

Legend: FMF = Foreign Military Financing; FY = fiscal year.  
Source: GAO analysis of Department of State data. | GAO-15-259

Notes: We are not able to present data on FMF for Egypt in the same way as the other programs because its funds are budgeted and tracked in a different way than the other program funds and the system used does not allow us to report information in a way that is consistent with how we are presenting the data for the other programs. For the purposes of this report, “uncommitted” amounts represent FMF obligations not yet committed for disbursement and “committed” amounts include funding that has been committed but not yet disbursed, as well as FMF funding that has been disbursed to a case.

<sup>a</sup>FMF funds are obligated upon apportionment. The \$728 million in fiscal year 2014 unobligated balances had not been apportioned as of the end of fiscal year 2014. Unobligated balances are available for obligation until September 30, 2015.

**Appendix IV: Status of U.S. Assistance for  
Egypt, Fiscal Years 2009-2014**

**Table 10: Status of Economic Support Fund Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

<b>Dollars in thousands</b>							
	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>Total</b>
Allocations	\$250,000	\$250,000	\$249,500	\$250,000	\$241,032	\$200,000	<b>\$1,440,532</b>
Unobligated balances	-	-	225,400 <sup>a</sup>	34,155 <sup>b</sup>	-	200,000 <sup>c</sup>	<b>\$459,555</b>
Unliquidated obligations	94,004	91,845	4,090	180,056	241,032	-	<b>\$611,027</b>
Disbursements	155,996	158,155	20,010	35,789	-	-	<b>\$369,950</b>

Legend: ESF = Economic Support Fund; FY = fiscal year.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: ESF funds are generally available for obligation for 2 years. Obligated ESF funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.

<sup>a</sup>All of the \$225.4 million in unobligated balances from fiscal year 2011 were allocated for a cash transfer that has not taken place. The initial period of availability for obligation for fiscal year 2011 ESF funds ended on September 30, 2012, but the fiscal year 2010 appropriations act (Pub. L. No. 111-117, Div. F, § 7011), which was carried forward in the full year continuing resolution for fiscal year 2011 (Pub. L. No. 112-10), provided that fiscal year 2011 ESF funds allocated or obligated for a cash transfer remain available until expended.

<sup>b</sup>All of the almost \$34.2 million in unobligated balances from fiscal year 2012 were allocated for a cash transfer that has not taken place. The initial period of availability for obligation for fiscal year 2012 ESF funds ended on September 30, 2013, but the fiscal year 2012 appropriations act (Pub. L. No. 112-74 Div. I, § 7011) provided that funds allocated or obligated for a cash transfer remain available for an additional 4 years beyond the period of initial availability. Thus, these funds are available for obligation until September 30, 2017.

<sup>c</sup>Unobligated balances from fiscal year 2014 are available for obligation until September 30, 2015.

**Table 11: Status of Nonproliferation, Anti-terrorism, Demining, and Related Programs Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

<b>Dollars in thousands</b>							
	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>Total</b>
<b>NADR ATA</b>							
Allocations	\$1,325	\$2,340	\$2,340	\$1,518	\$109	\$2,100	<b>\$9,732</b>
Unobligated balances	149 <sup>a</sup>	314 <sup>b</sup>	1,044 <sup>b</sup>	188 <sup>b</sup>	4 <sup>b</sup>	2,100 <sup>c</sup>	<b>\$3,799</b>
Unliquidated obligations	-	6	146	918	13	-	<b>\$1,083</b>
Disbursements	1,176	2,019	1,150	412	92	-	<b>\$4,849</b>
<b>NADR CTF</b>							
Allocations	-	150	-	-	-	-	<b>\$150</b>
Unobligated balances	-	-	-	-	-	-	<b>-</b>
Unliquidated obligations	-	72	-	-	-	-	<b>\$72</b>
Disbursements	-	78	-	-	-	-	<b>\$78</b>
<b>NADR EXBS</b>							
Allocations	-	-	700	1,500	980	820	<b>\$4,000</b>

**Appendix IV: Status of U.S. Assistance for  
Egypt, Fiscal Years 2009-2014**

<b>Dollars in thousands</b>							
	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>Total</b>
Unobligated balances	-	-	-	-	-	820 <sup>c</sup>	<b>\$820</b>
Unliquidated obligations	-	-	-	126	91	-	<b>\$217</b>
Disbursements	-	-	700	1,374	889	-	<b>\$2,963</b>

Legend: ATA = Antiterrorism Assistance; CTF = Counterterrorism Financing; EXBS = Export Control and Related Border Security; FY = fiscal year; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: NADR funds are generally available for obligation for 2 years. Obligated NADR funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.

<sup>a</sup>The period of availability for these funds has expired and they are no longer available for obligation.

<sup>b</sup>Pursuant to authority generally provided in the annual Department of State, Foreign Operations, and Related Programs Appropriations Act, certain funds remain available for obligation for an additional 4 years from the date on which the availability of such funds would otherwise expire if the funds were initially obligated within the period of availability for obligation. According to the Department of State, \$526,000 of the fiscal years 2010 through 2013 NADR ATA funds has been deobligated and may be reobligated, and the period of availability for over \$1 million of these funds has expired.

<sup>c</sup>Unobligated balances from fiscal year 2014 are available for obligation until September 30, 2015.

**Table 12: Status of International Narcotics Control and Law Enforcement Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

<b>Dollars in thousands</b>							
	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>Total</b>
Allocations	\$406	\$1,000	\$949	\$686	\$5,001	\$3,000	<b>\$11,042</b>
Unobligated balances	60 <sup>a</sup>	6 <sup>a</sup>	31 <sup>a</sup>	34 <sup>a</sup>	14 <sup>a</sup>	2,811 <sup>b</sup>	<b>\$2,956</b>
Unliquidated obligations	-	135	8	75	2,501	176	<b>\$2,895</b>
Disbursements	346	859	910	577	2,486	12	<b>\$5,190</b>

Legend: FY = fiscal year; INCLE = International Narcotics Control and Law Enforcement.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: INCLE funds are generally available initially for obligation for 2 years, and the period of availability can generally be extended by 4 years if the funds are obligated within the initial period of availability. Obligated INCLE funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.

<sup>a</sup>The period of availability for obligation for these funds has expired and they are no longer available for obligation.

<sup>b</sup>Unobligated balances from fiscal year 2014 are available for obligation until September 30, 2015.

**Table 13: Status of International Military Education and Training Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

<b>Dollars in thousands</b>							
	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>Total</b>
Allocations	\$1,316	\$1,900	\$1,275	\$1,389	\$983	\$1,800	<b>\$8,663</b>

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Unobligated balances	-	-	-	-	-	1,800 <sup>a</sup>	\$1,800
Unliquidated obligations	-	52	33	175	546	-	\$806
Disbursements	1,316	1,848	1,242	1,214	437	-	\$6,057

Legend: FY = fiscal year; IMET = International Military Education and Training.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: IMET funds are generally available for obligation for 1 year. Obligated IMET funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.

<sup>a</sup>While IMET funds are generally available for obligation for 1 year, the Consolidated Appropriations Act, 2014, provided that up to \$4 million of IMET funding appropriated under the act could remain available for obligation until September 30, 2015. The \$1.8 million in fiscal year 2014 IMET funding allocated for Egypt was among this \$4 million and is available for obligation until September 30, 2015, according to the Department of State.

## Status of Global or Regional Assistance Program Funds

In addition to its bilateral assistance, the U.S. government has provided assistance to Egypt through a number of accounts that fund global or regional programs, including the following: Development Assistance; Democracy Fund; Economic Support Fund; Global Health Program; and Nonproliferation, Anti-terrorism, Demining, and Related Programs. Tables 14 through 18 provide information on the status of funds allocated for assistance to Egypt from these accounts that fund global or regional programs for fiscal years 2009 through 2014, as of the end of fiscal year 2014.

**Table 14: Status of Development Assistance Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Allocations	-	\$300	\$984	\$800	-	\$600	\$2,684
Unobligated balances	-	-	-	-	-	600 <sup>a</sup>	\$600
Unliquidated obligations	-	-	378	797	-	-	\$1,175
Disbursements	-	300	606	3	-	-	\$909

Legend: DA = Development Assistance; FY = fiscal year.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: DA funds are generally available for obligation for 2 years. Obligated DA funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.

<sup>a</sup>Unobligated balances from fiscal year 2014 are available for obligation until September 30, 2015.

Appendix IV: Status of U.S. Assistance for  
Egypt, Fiscal Years 2009-2014

**Table 15: Status of Democracy Fund Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Allocations	\$3,045	-	\$125	\$3,753	\$3,323	\$1,000	\$11,246
Unobligated balances	-	-	-	-	-	1,000 <sup>a</sup>	\$1,000
Unliquidated obligations	-	-	-	1,813	3,001	-	\$4,814
Disbursements	3,045	-	125	1,940	322 <sup>b</sup>	-	\$5,432

Legend: DF = Democracy Fund; FY = fiscal year.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: DF funds are generally available for obligation for 2 years. Obligated DF funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.

<sup>a</sup>Unobligated balances from fiscal year 2014 are available for obligation until September 30, 2015.

<sup>b</sup>The disbursements for fiscal year 2013 include \$9,000 in fees that went to the Department of State's Office of Acquisitions Management for procurement grant services. We counted these as disbursements for the purposes of our analysis.

**Table 16: Status of Department of State-Managed Economic Support Fund Global or Regional Program Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Allocations	\$763	\$3,122	\$3,231	\$1,126	\$1,891	-	\$10,133
Unobligated balances	-	-	-	-	-	-	-
Unliquidated obligations	-	499	1,235	599	1,891	-	\$4,224
Disbursements	763	2,623	1,996	526	-	-	\$5,908

Legend: ESF = Economic Support Fund; FY = fiscal year.

Source: GAO analysis of Department of State data. | GAO-15-259

Note: ESF funds are generally available for obligation for 2 years. Obligated ESF funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.



**Table 17: Status of Global Health Program Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Allocations	\$4,800	-	-	-	\$4	-	<b>\$4,804</b>
Unobligated balances	-	-	-	-	-	-	-
Unliquidated obligations	980	-	-	-	-	-	<b>\$980</b>
Disbursements	3,820	-	-	-	4	-	<b>\$3,824</b>

Legend: FY = fiscal year.

Source: GAO analysis of Department of State data. | GAO-15-259

Note: These Global Health Program funds were appropriated to the U.S. Agency for International Development (USAID). Global Health Program funds appropriated to USAID are generally available for obligation for 2 years. Obligated Global Health Program funds then continue to be available for disbursement for an additional 5 years after the end of their period of availability for obligation.

**Table 18: Status of Nonproliferation, Anti-terrorism, Demining, and Related Programs Global or Regional Program Funds Allocated for Assistance for Egypt, Fiscal Years 2009-2014, as of September 30, 2014**

Dollars in thousands							
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
<b>NADR NDF</b>							
Allocations	\$20,000	\$50,000	-	-	-	-	<b>\$70,000</b>
Unobligated balances	653 <sup>a</sup>	2,795 <sup>a</sup>	-	-	-	-	<b>\$3,448</b>
Unliquidated obligations	5,694	16,306	-	-	-	-	<b>\$22,000</b>
Disbursements	13,653	30,899	-	-	-	-	<b>\$44,552</b>

Legend: FY = fiscal year; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; NDF = Nonproliferation and Disarmament Fund.

Source: GAO analysis of Department of State data. | GAO-15-259

Notes: Certain other NADR global or regional program funds have also been allocated for Egypt, but the details are sensitive. Thus, we do not report them here. In addition, State has allocated NADR Antiterrorism Assistance, Counterterrorism Engagement, and Counterterrorism Financing funding for global or regional programs where Egypt was among the beneficiary countries.

<sup>a</sup>NADR NDF funds are available for obligation until they are disbursed.

# Appendix V: U.S. Agency for International Development Projects Evaluated for Assistance to Egypt, Fiscal Years 2009 through 2014

	Project name and purpose	Sector	U.S. funding awarded for project (dollars in millions)	Project dates	Evaluation date
1	<b>Media Development Program.</b> Increase the professional standards of Egyptian print and broadcast journalism and improve the economic viability of the media through the strengthening of marketing and advertising capacities.	Democracy and governance	\$15.5	Apr. 2006-Apr. 2011	May 2009
2	<b>Family Justice Project.</b> Strengthen access to justice, enhance family stability, and protect the rights of children.	Democracy and governance	17.6	Nov. 2005-Sept. 2011	June 2009
3	<b>Takamol Project.</b> Help Egypt achieve sustainable reduced fertility and improved health outcomes for mothers and newborns.	Health	47.2	Mar. 2006-Feb. 2011	July 2009
4	<b>Egypt Financial Services Project.</b> Promote reforms that would allow financial institutions to offer mortgages by removing structural, legal, and institutional constraints.	Economic growth	35.9	Nov. 2004-July 2010	Aug. 2009
5	<b>International Human Rights Law Outreach Program.</b> Create an enabling environment for the protection of human rights within selected faculties of Egyptian universities.	Democracy and governance	1.0	Sept. 2006-Sept. 2009	Nov. 2009
6	<b>Egyptian Decentralization Initiative.</b> Provide technical assistance, training, and policy support to improve the effectiveness, transparency, and accountability of local government in pilot governorates so they can respond to citizen priorities.	Democracy and governance	21.9	Dec. 2005-Dec. 2012	Dec. 2009
7	<b>Education Portfolio.<sup>a</sup></b> Support sustained improvement in student learning outcomes by improving quality of teaching and learning, increasing access to education, and strengthening school governance and management.	Education	250.3	Various	Mar.-Apr. 2010
8	<b>Administration of Criminal Justice Program.</b> Enhance the capability of Egypt's Prosecutor General's Office through a series of activities, including the automation of nine public prosecution offices and the development of a Prosecution Information Center.	Democracy and governance	18.1	Mar. 2006-July 2011	Apr. 2010
9	<b>Technical Assistance for Policy Reform II Project.</b> Provide a comprehensive and flexible source of technical assistance to Egyptian reformers to help them define and implement their policy reform vision.	Economic growth	126.0	Oct. 2005-Oct. 2010	Sept. 2010
10	<b>Integrated Water Resource Management II.</b> Increase water efficiency and productivity, improve water quality, and provide a more equitable allocation of water resources.	Economic growth	3.9	Jan. 2009-Sept. 2012	May 2011
11	<b>Agriculture Exports and Rural Incomes II, Agricultural Technical Schools Value Chain Training.</b> Improve the quality of education in agricultural technical schools by improving the learning environment, providing supervised internship programs, and holding career skill development competitions.	Economic growth	9.1	Apr. 2008-June 2013	Oct. 2011

**Appendix V: U.S. Agency for International  
Development Projects Evaluated for  
Assistance to Egypt, Fiscal Years 2009  
through 2014**

Project name and purpose		Sector	U.S. funding awarded for project (dollars in millions)	Project dates	Evaluation date
12	<b>The Power to Lead Alliance.</b> Promote girl leaders in vulnerable communities by cultivating opportunities for girls to practice their leadership skills, creating partnerships to promote girls' leadership, and enhancing knowledge to implement and promote girls' leadership programs.	Education	— <sup>b</sup>	Sept. 2008- Sept. 2011	Dec. 2011
13	<b>Egypt Capacity Building and Policy Support in the Water and Wastewater Sector.</b> Provide technical assistance to the institutions responsible for overseeing and managing water and wastewater service provision in Egypt and sector investment planning and implementation.	Economic growth	40.0	Oct. 2008- Sept. 2013	Feb. 2012
14	<b>Avian and Pandemic Influenza Program.</b> Produce improved and sustainable avian and pandemic influenza prevention and control in Egypt.	Health	28.2	Oct. 2007- Sept. 2011	Dec. 2012
15	<b>Egypt Health Systems 20/20 Project.</b> Support the efforts of Egypt's Ministry of Health and Population to build capacity in health sector strategic planning and financing, social health insurance, and quality of care.	Health	10.8	Feb. 2008- Apr. 2012	Apr. 2013
<b>Total project value</b>			<b>\$625.5</b>		

Source: GAO analysis of U.S. Agency for International Development evaluation reports and award data. | GAO-15-259

Notes: This list does not include (1) an evaluation of a Communication for Health Program that the U.S. Agency for International Development (USAID) deemed to be unsatisfactory; (2) an internal USAID/Egypt evaluation of a project to develop the Egyptian tomato processing sector; and (3) an internal evaluation of the Egyptian Education and Employment Alliance, which was conducted by program implementers.

<sup>a</sup>USAID completed a desk review and meta-evaluation of six projects constituting its education portfolio in March 2010 and completed a performance evaluation of the same portfolio of projects in April 2010. For the purposes of this analysis, we count these as one evaluation because they covered the same six projects. The education projects that USAID evaluated were at different stages of completion at the time of the evaluation.

<sup>b</sup>The Power to Lead Alliance was implemented in six countries, including Egypt. We were not able to determine the amount of U.S. funding used specifically for project activities in Egypt.

# Appendix VI: Planned Evaluations for New U.S. Agency for International Development Projects in Egypt

Project name	Approved amount for project (dollars in millions)	Planned evaluation type	Planned dates for completion of evaluation
<b>Education</b>			
Higher Education Initiative	\$220.0		
U.S. Based Scholarship Program		Midterm evaluation	Mar.-Apr. 2017
		Final evaluation	Feb.-Mar. 2022
Egypt Based Scholarship Program		Midterm evaluation	Dec. 2016
		Final evaluation	Feb.-Mar. 2022
Higher Education Partnerships		Midterm evaluation	Mar.-Apr. 2017
		Final evaluation	Feb.-Mar. 2021
Science and Technology Joint Fund		Midterm evaluation	Feb.-Mar. 2017
		Final evaluation	Feb.-Mar. 2022
Scholarships and Training for Egyptian Professionals		Final evaluation	Feb.-Mar. 2018
Basic Education	55.8		
Early Grade Learning Intervention		Midterm evaluation	Feb.-Mar. 2016
		Final evaluation	Feb.-Mar. 2019
<b>Economic growth</b>			
Trade and Investment Promotion in Egypt	52.3	Midterm evaluation	Oct. 2016
		Final evaluation	Mar. 2018
Sustainable Investment in Tourism in Egypt	23.6	Midterm evaluation	Oct. 2016
		Final evaluation	Mar. 2019
Agribusiness for Rural Development and Increasing Incomes	127.6	Impact evaluation	Dec. 2014-2019
		Midterm evaluation	Mar.-Apr. 2017
		Final evaluation	Mar.-Apr. 2019
<b>Democracy and governance</b>			
Civil Society and Human Rights	42.4	Midterm evaluation	June-July 2016
		Final evaluation	June 2018
Improved Political Processes	23.0	Final evaluation	May-June 2016
<b>Total project value</b>	<b>\$544.7</b>		

Source: U.S. Agency for International Development. | GAO-15-259

# Appendix VII: Comments from the Department of State



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

**JAN 20 2015**

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

Dear Dr. Yager:

We appreciate the opportunity to review your draft report, "EGYPT: U.S. Government Should Examine Options for Using Unobligated Funds and Evaluating Security Assistance Programs" GAO Job Code 321003.

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

If you have any questions concerning this response, please contact Christina Gosack, Assistant Coordinator, Office of Special Coordinator, Bureau of Near Eastern Affairs (202) 776-8522.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris H. Flaggs".

Christopher H. Flaggs

Enclosure:  
As stated.

cc: GAO – Charles M. Johnson, Jr.  
NEA– Anne Patterson  
State/OIG – Norman Brown

**Department of State Comments on GAO Draft Report**

**EGYPT: U.S. Government Should Examine Options for Using Unobligated  
Funds and Evaluating Security Assistance Programs**  
(GAO-15-259, GAO Code 321003)

The Department of State appreciates the opportunity to comment on the draft report *Egypt: U.S. Government Should Examine Options for Using Unobligated Funds and Evaluating Security Assistance Programs*.

GAO's report makes two recommendations. The first is that the Department of State and USAID develop a plan for other uses for \$260 million previously allocated for a cash transfer, and consider ways these funds could potentially be used to offset future budget requests.

The Department and USAID are currently examining other potential uses for the \$260 million and will consult with the appropriate Congressional committees as these plans progress.

The report's second recommendation is that the Department of State establish specific time frames for completing an evaluation of security assistance to Egypt.

The Department agrees with the GAO's recommendation. While the evaluation of security assistance to Egypt poses unique challenges acknowledged in the report, the Department sees evaluation as critical tool for accountability and program improvement and will continue to pursue a formal evaluation for Egypt security assistance, or some element of Egypt's security assistance program. Until it is complete, State will continue to rely on feedback from Department of Defense implementing partners, the Egyptian Armed Forces (EAF), and other sources to gather performance information for the Egypt FMF program. The EAF conducts periodic program reviews with the U.S. Government that provide critical information on Egyptian security capabilities and requirements. These reviews, along with resource requests from Embassy Cairo and capability assessments from U.S. Central Command, provide limited but significant evaluative information for State to determine the effectiveness of our assistance and prioritize new requests.

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

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



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

Dear Mr. Johnson:

I am pleased to provide USAID's formal response to the Government Accountability Office (GAO) draft report entitled, "**EGYPT**: U.S. Government Should Examine Options for Using Unobligated Funds and Evaluating Security Assistance Programs" (GAO-15-259).

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

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this audit review.

Sincerely,

A handwritten signature in blue ink, appearing to read "Angelique M. Crumbly".

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

Enclosure: a/s



**USAID COMMENTS ON GAO DRAFT REPORT**  
No. GAO-15-259

**Recommendation 1:** We recommend that USAID develop a plan for other uses for \$260 million previously allocated for a cash transfer, including ways these funds could be used to offset future budget requests.

**Response:** USAID concurs with this recommendation. State and USAID are currently examining other potential uses for the \$260 million cash transfer and should have a plan soon.



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# Appendix IX: GAO Contact and Staff Acknowledgments

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## GAO Contact

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

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## Staff Acknowledgments

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

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