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Highlights

Highlights of [GAO-06-437](#), a report to the Committee on International Relations, House of Representatives

Why GAO Did This Study

Since 1979, Egypt has received about \$60 billion in military and economic assistance with about \$34 billion in the form of foreign military financing (FMF) grants that enable Egypt to purchase U.S.-manufactured military goods and services. In this report, GAO (1) describes the types and amounts of FMF assistance provided to Egypt; (2) assesses the financing arrangements used to provide FMF assistance to Egypt; and (3) evaluates how the U.S. assesses the program's contribution to U.S. foreign policy and security goals.

What GAO Recommends

We recommend that the Secretaries of State and Defense conduct: (1) an assessment of the impact of potential shifts in appropriations on the Egypt FMF program; and (2) periodic program-level evaluations of the program. Specifically, the agencies should define the current and desired levels of modernization and interoperability the U.S. would like to achieve.

DOD concurred with our recommendations. State said that steps to mitigate risks are in place. GAO responded that additional factors should be included. State agreed to try to measure Egypt's modernization goals but defining interoperability would be speculative. Some level of capabilities, such as contributions to peacekeeping, can be measured.

www.gao.gov/cgi-bin/getrpt?GAO-06-437.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Joseph Christoff at (202) 512-8979 or christoffj@gao.gov.

SECURITY ASSISTANCE

State and DOD Need to Assess How the Foreign Military Financing Program for Egypt Achieves U.S. Foreign Policy and Security Goals

What GAO Found

Egypt is currently among the largest recipients of U.S. foreign assistance, along with Israel, Afghanistan, and Iraq. Egypt has received about \$1.3 billion annually in U.S. foreign military financing (FMF) assistance and has purchased a variety of U.S.-manufactured military goods and services such as Apache helicopters, F-16 aircraft, and M1A1 tanks, as well as the training and maintenance to support these systems.

The United States has provided Egypt with FMF assistance through a statutory cash flow financing arrangement that permits flexibility in how Egypt acquires defense goods and services from the United States. In the past, the Defense Security Cooperation Agency (DSCA) accumulated large undisbursed balances in this program. Because the flexibilities of cash flow financing permit Egypt to pay for its purchases over time, Egypt currently has agreements for U.S. defense articles and services worth over \$2 billion—some of which are not due for full payment until 2011. The Departments of State (State) and Defense (DOD) have not conducted an assessment to identify the risks and impacts of a potential shift in FMF funding.

Officials and many experts assert that the FMF program to Egypt supports U.S. foreign policy and security goals; however, State and DOD do not assess how the program specifically contributes to these goals. U.S. and Egyptian officials cited examples of Egypt's support for U.S. interests, such as maintaining Egyptian-Israeli peace and providing access to the Suez Canal and Egyptian airspace. DOD has not determined how it will measure progress in achieving key goals such as interoperability and modernizing Egypt's military. For example, the U.S. Central Command, the responsible military authority, defines modernization as the ratio of U.S.-to-Soviet equipment in Egypt's inventory and does not include other potentially relevant factors, such as readiness or military capabilities. Achieving interoperability in Egypt is complicated by the lack of a common definition of interoperability and limitations on some types of sensitive equipment transfers. Given the longevity and magnitude of FMF assistance to Egypt, evaluating the degree to which the program meets its goals would be important information for congressional oversight, particularly as Congress assesses the balance between economic and military assistance to Egypt as well as the impact on U.S. foreign policy interests.

Egypt FMF Funds Are Used to Purchase Items Such as F-16 Aircraft, Apache Helicopters, and M1A1 Tanks



Source: DOD.