



OFFICE OF INSPECTOR GENERAL

REVIEW OF USAID/EGYPT'S ADHERENCE TO POLICY, STANDARDS, AND BEST PRACTICES IN DESIGNING ECONOMIC GROWTH PROJECTS

REVIEW REPORT NO. 8-263-16-002-S
FEBRUARY 12, 2016

FRANKFURT, GERMANY



Office of Inspector General

February 12, 2016

MEMORANDUM

TO: USAID/Egypt Mission Director, Sherry Carlin

FROM: Regional Inspector General/Frankfurt, James C. Charlifue /s/

SUBJECT: Review of USAID/Egypt's Adherence to Policy, Standards, and Best Practices in Designing Economic Growth Projects (Report No. 8-263-16-002-S)

This memorandum transmits our final report on the subject review. In finalizing the review, we considered your consolidated comments on the draft and have included them in Appendix II.

The review report contains two recommendations to assist the mission in improving various aspects of designing new economic growth projects in a manner consistent with Agency policy, federal standards, and best practices. In comments on the draft report, your office agreed with both the recommendations. Having evaluated the comments, we acknowledge the management decisions on both recommendations. Please provide evidence of final action to the Audit Performance and Compliance Division.

Thank you for the cooperation and assistance extended to the review team during this review.

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SUMMARY OF RESULTS

Following a proven, documented process for project design increases the likelihood that projects will accomplish what they were intended to do. With this in mind, USAID established its design process, which reflects its experience, aligns with federal standards, and parallels best practices. USAID policy is to use project appraisal documents (PADs) to guide project authorization and implementation.

To enhance opportunities for Egyptian trade and investment, USAID/Egypt's Office of Economic Growth began designing new projects covering agriculture, trade, and tourism. The mission started in 2011 but did not finish the design process until early 2014 because of the Arab Spring uprisings and their consequences—budgets not being approved, U.S. policy limiting the mission to work directly with the Government of Egypt, and the leadership in Egyptian ministries constantly churning.

The Office of Inspector General (OIG) conducted this review to determine whether USAID/Egypt designed new economic growth projects in a manner consistent with Agency policy, federal standards, and best practices.

We determined that:

- USAID/Egypt followed Agency policy in planning and designing new economic growth projects (page 2).
- The mission lacked a codified country strategy for Egypt (page 2). Not having one ran counter to USAID policy, federal standards and best practices in organizations and complicated the work of the project design team of important context and guidance.

We recommend that USAID/Egypt:

1. Develop, approve, and implement a transition strategy/country development cooperation strategy (page 4).
2. Develop a process to finalize strategy documents within specified periods, rather than maintaining them in permanent draft form (page 4).

Detailed findings appear in the following section, and Appendix I contains information on the scope and methodology, and management comments appear in Appendix II. Our evaluation of management comments begins on page 5.

AUDIT FINDINGS

USAID/Egypt Complied With Agency Policy on Project Design and Planning

Policies in USAID's Automated Directives System (ADS) govern how USAID carries out project planning, including the design process. ADS 201, "Planning," establishes responsibilities for project design and approval.

Following the guidance, staff in USAID/Egypt's Office of Economic Growth moved through the three stages of the design process—conceptual, analytical, and approval.

- **Conceptual.** Staff conducted extensive studies and held meetings with interested parties to identify needs in the Egyptian economy. Drawing on what they learned, staff formulated concept papers, formed project teams, developed problem statements, identified stakeholders, developed monitoring and evaluation approaches, and estimated funding requirements, among other details.
- **Analytical.** After doing mandatory analyses on gender, the environment, and sustainability, the mission prepared three PADs. These described the technical approach to projects, defined expected results, and provided indicators for measuring progress in agriculture, trade, and tourism.
- **Approval.** The regional legal officer and the staff in the Program, Economic Growth, Financial Management, Procurement, and Executive Offices reviewed the documents for completeness and cleared them. Then the deputy director cleared and the mission director signed them.

As elaborated on in the next finding, the political situation delayed completion of the PADs and other planning processes. Egypt had two major uprisings and numerous changes in government between 2011 and 2013. The first uprising led to the ouster of President Hosni Mubarak in February 2011 and the eventual victory of Mohammed Morsi in the June 2012 presidential elections. The second uprising led to President Morsi's removal from power in July 2013. In January 2014, voters approved a new constitution by referendum. In late May 2014, voters elected Abdel Fattah El-Sisi president. Appendix III provides a timeline of events. During this period, USAID/Washington twice ordered the evacuation of the mission's U.S. personnel. Because of the turmoil, the mission's fiscal year (FY) 2012 and 2013 budgets were not approved, causing further delays in processing the PADs. Consequently, the mission did not approve the PADs until 2014, more than 2 years later. Yet USAID/Egypt staff were able to comply with ADS 201 in designing and approving three new economic growth projects.

USAID/Egypt Lacked a Codified Country Strategy

Besides detailing project planning, ADS 201 requires missions to do strategic planning. Since 2008, USAID missions have been required to develop a 5-year country development cooperation strategy (CDCS), laying out development objectives and coordinating USAID's efforts with those of the partner-country government and all other U.S. Government agencies. Yet guidance on what to do when uncertainty makes a 5-year strategy impracticable has shifted.

Three versions of ADS 201 permitted the use of an interim strategic plan. The version in effect as of January 21, 2003, said a transition plan was for “[a] transition environment . . . [b] . . . for countries experiencing high uncertainty because of drastic political, military, and/or economic events . . . and [c] for a crisis or immediately post-crisis situation.” The version in effect in 2009 removed the word “transition,” as well as the allowance of short-term (less than 3 years) strategic planning. A 2013 ADS version allowed missions to develop a transition strategy for a country undergoing rapid political, military, or economic change.

Since September 2010, USAID/Egypt has not had a codified country strategy, in part because of uncertainty between ADS versions. In lieu of a country strategy, the mission has produced numerous strategic documents, some formal but limited in scope, others perpetually in draft. The documents are detailed below.

- **Bridge strategy.** In December 2009, well before designing the three Office of Economic Growth PADs in 2011, USAID/Egypt issued a short-term bridge strategy. It was designed to span the gap between the conclusion of USAID’s FY 2001–FY 2009 strategy for Egypt and “a new Country Assistance Plan to be prepared for the FY 2011–2015 period.” The bridge strategy applied to all the areas the mission worked in—health, democracy, education, and economic growth—and was in keeping with federal guidelines, and best practices in strategic planning.¹ These sources call for drafting strategic guidance with objectives, formally adopting a strategic plan to achieve them, and continually reviewing the plan to make any necessary changes. However, once this strategy expired and subsequent country strategy efforts ceased, the mission was without a codified strategy to guide programming.
- **Strategy parameters paper.** When the bridge strategy expired at the end of FY 2010, the mission began developing a new multiyear country strategy and shared a strategy parameters paper with the Egyptian Government. However, progress on the new strategy stopped following the Arab Spring-related uprising in January 2011. Because of staff evacuations and political instability, the mission did no further work on the country strategy for the remainder of FY 2011.
- **Egypt assistance priorities paper.** In April 2012, Embassy Cairo drafted a priorities paper for all three economic growth sectors. Several mission personnel referred to it as a key strategy document although it was never finalized. On the other hand, USAID/Egypt officials said they had embraced and “formalized” the priorities paper “in a number of forms, including the U.S. Embassy Cairo’s cable 14 Cairo 123, as well as Congressional Budget Justifications, Congressional Notifications, Operational Plans and Mission Resource Requests,” each of which contained elements of it. However, the documents are too diffuse to clarify which elements of the priorities paper were included in them and which were not.
- **Concept papers.** From July to August 2012, the mission developed concept papers to flesh out the priorities paper developed by the U.S. Embassy. Each concept paper focused on an objective identified in the priorities paper. Like the priorities paper, the concept papers contributed to the final three economic growth PADs, albeit 2 years before the PADs were issued.

¹ Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 10, 2014; J.M. Bryson, *Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement*, 2011.

- **PADs.** From the fall of 2012 to May 2013, mission staff developed the PADs for agriculture, tourism, and trade. They drew on the bridge strategy, the priorities paper, the concept papers, the results framework (described below), and State Department policy cables.
- **Policy guidance cables.** Two cables affected the USAID/Egypt strategy. The first, issued by the State Department in October 2013, provided policy guidance regarding restrictions on programming in Egypt. USAID/Egypt acknowledged these restrictions at the beginning of each PAD, stating that the cable restricted “certain assistance in Egypt.” The second cable, issued by Embassy Cairo in February 2014, further defined the USAID assistance approach in Egypt. This cable described the focus for programming in a period of uncertainty in Egypt. Both cables were marked Sensitive But Unclassified (SBU), limiting their circulation.
- **Results framework.** A results framework is a graphical representation of the development hypothesis. It maps out development objectives, intermediate results (steps to achieve the objectives), and performance indicators to measure progress toward the CDCS goal. In December 2011 and then again in April and May 2012, USAID/Egypt coordinated strategy meetings for the mission’s results framework. The mission drafted the results framework in 2012, approved it in December 2013, and began updating it in 2014. The October 2014 update formulated an objective and activities to facilitate transition in Egypt. However, the results framework remained in draft form, and each PAD reflected a previous version of the results framework, which did not focus on political transition. USAID/Egypt officials said they would incorporate the results framework when creating the new CDCS, which they had not yet done. ADS 201 makes clear that while the results framework contributes to a country strategy, it does not take the place of one.

Two other factors contributed to the lack of a codified country strategy supporting the USAID/Egypt Office of Economic Growth and other offices. First, U.S. policy limited the mission’s ability to work directly with the Government of Egypt on economic growth. Second, the leadership of the Egyptian ministries that traditionally worked with the USAID/Egypt’s Office of Economic Growth was subject to constant churn.

Foreign aid continues to flow to Egypt, and the need to communicate clear strategic guidance for programmatic activities remains strong. Since 2013, the mission has had but not exercised the option of doing a transition strategy. Likewise, it has not codified a country strategy to guide the USAID/Egypt Office of Economic Growth. Absent a clear USAID/Egypt country strategy, the mission is not following Agency policy, federal standards, or best practices. Moreover, keeping two key documents in draft complicates the work of staff who rely most on them—e.g., those designing new projects who need to understand the formal guidance and the context for them.

Recommendation 1. We recommend that USAID/Egypt develop, approve, and implement a transition strategy or a country development cooperation strategy.

Recommendation 2. We recommend that USAID/Egypt develop a process to finalize important strategy guidance documents within specified periods, rather than maintaining them in permanent draft form.

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/Egypt agreed with Recommendation 1 and, agreeing with the principle underlying substance of Recommendation 2, proposed alternative action to address it. We acknowledge management decisions on both recommendations. Our evaluation of the management comments follows.

Recommendation 1. USAID/Egypt agreed to develop, approve, and implement a CDCS. Currently, it is in the process of developing a CDCS for FY 2015 through FY 2019 funds. Officials expected to complete it by December 31, 2016. We acknowledge the mission's management decision. Final action is pending the finalization, approval, and implementation of the CDCS.

Recommendation 2. USAID/Egypt agreed in substance with the principle underlying Recommendation 2 regarding the importance of finalizing strategy documents. Officials said they would address the recommendation by implementing a CDCS in response to Recommendation 1 (by December 31, 2016). We acknowledge the mission's management decision. Final action is pending the finalization, approval, and implementation of the CDCS.

In addition, USAID/Egypt highlighted its disagreement with the report's conclusions and determinations in four areas. Our evaluation of their comments follows:

1. Mission officials disagreed with our assertion that not having a codified country strategy for Egypt deprived the project team of important context and guidance. They said that since the review team did not test the impact of a lack of a codified strategy on programs and projects, it could not draw a conclusion about the impact of insufficient context and guidance on the project design team.

We stand by our assertion. Support for it came from our interviews with multiple mission staff who worked on the PADs for agriculture, tourism, and trade. Staff said they drew their understanding of USAID/Egypt's strategy from multiple documents such as the bridge strategy, the priorities paper, the concept papers, the results framework, and State Department policy cables. Suggesting that the lack of a codified strategy does *not* affect programs and projects calls into question the Agency's longstanding policy requiring country strategy on how projects and programs are designed, and implemented.

2. The mission disagreed with our conclusion that the strategic thinking laid out in the priorities paper was not clearly reflected in formalized documents such as cables, Congressional Budget Justifications, congressional notifications, operational plans, and mission resource requests. Officials said the various strategic documents were generally consistent with each other, as acknowledged in a February 2015 report by the Government Accountability Office (GAO-15-259).

Our opinion is that the priorities paper cannot serve as a USAID strategy because it does not conform to the required elements of ADS 201 that govern the CDCS process. During our review, we noted that USAID/Egypt did not communicate to staff that the priorities paper served as a formal country strategy. In the absence of a CDCS or other approved country strategy, and given numerous other documents with elements of strategic guidance developed over the years, there was a lack of certainty among the interviewed

mission staff as to which documents served as the official mission strategy. As noted by the mission, there are several high-level documents, which further reinforces OIG's assertion that there needed to be codification into a final and approved strategy. Furthermore, the priorities paper, prepared by U.S. Embassy Cairo and not USAID, consisted of initiatives and objectives that were very broad in scope and not focused on USAID resources alone.

In addition, USAID/Egypt also stated that the various strategic documents were generally consistent with each other, as acknowledged in a February 2015 report by the Government Accountability Office (GAO). While we agree with GAO that objectives in the various documents reviewed were generally consistent, we note that GAO also commented on numerous documents containing elements of the USAID/Egypt strategy. This reinforces our assertion that USAID/Egypt should integrate the elements found in these documents into a formal, codified country strategy. Expecting staff to consult a plethora of documents to glean strategic guidance is unrealistic and burdensome.

3. Officials disagreed with our assertion that, since 2013 the mission has had the option of doing a transition strategy—which it did not—but it must have a country strategy of some kind. They said developing the kind of strategy that ADS 201 calls for was impossible between 2011 and 2013 in Egypt; they noted that OIG's 2015 audit of CDCSs² found missions needed an average of 22 months to complete strategies—roughly the time Egypt was without one—and said that during that time they were undertaking steps that would lead to such a strategy.

We strongly maintain that having a strategy is a widely recognized best practice. If the mission determined that it could not develop a transition strategy or a 5-year CDCS, it should have sought additional guidance from USAID/Washington or received a formal CDCS waiver, as permitted under ADS 201.3.7. The mission did neither. A transition strategy is for environments experiencing political unrest or conflict; thus, Egypt's political upheavals, via the Arab Spring, serves as an example of the type of environments in which a transition strategy could be used is a perfect example.

4. USAID/Egypt asked us to revise and update the timeline in Appendix III. We did so.

² *Audit of USAID Country and Regional Development Cooperation Strategies*, Report No. 9-000-15-001-P, February 20, 2015.

SCOPE AND METHODOLOGY

Scope

We conducted this review in accordance with the generally accepted government auditing standards in Chapter 3 of *Government Auditing Standards* and with the documentation, evidence, and finding development standards in Sections 6.56 through 6.85. Those standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our review objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this review was to determine the extent to which USAID/Egypt ensured that new economic growth projects were designed in a manner consistent with Agency policy, federal guidelines, and best practices.

We performed this review from November 20, 2014, through June 16, 2015, and conducted fieldwork at USAID/Egypt in Cairo.

We reviewed all aspects of the USAID's project design policies, including ADS 201 and mission orders for its three new projects:

- Agribusiness for Rural Development and Increasing Incomes
- Sustainable Investment in Tourism in Egypt
- Trade and Investment Promotion in Egypt

As required by ADS 201, we reviewed the supporting documentation for the design process, including (1) preparation, review, and approval of concept papers, (2) analysis, synthesis of results, and preparation of the PAD, and (3) project authorization by each mission office responsible for project design.

The review covered November 2011 to November 2014. However, for context we also reviewed documents related to key events outside the scope of this review.

Methodology

To answer the review objective, OIG interviewed officials representing:

- USAID/Egypt:
 - Mission Director
 - Project management specialists
 - Director of Office of Procurement
 - Director of Program Office
 - Regional Legal Officer
- The Ministry of Industry, Trade, and Small & Medium Enterprises
- The Ministry of Tourism

In addition to conducting these interviews, we reviewed and analyzed relevant documents related to the Office of Economic Growth's three new projects.

We did not rely on sampling because we reviewed all the new economic growth projects designed and approved by the mission since November 2011. Computer-based information was not significant to our review objectives. The answer to our review objective was based on interviews and the review of supporting documentation, with only minimal reliance on computer-generated data. The computer-generated data processed during the design of new projects used standard systems and were not essential to answering the review objective.

Documents included portions of ADS on project design, as well as concept papers, PADs, analysis and studies completed as part of the design process, and approval documents including the action memorandum for Mission Director approval.

MANAGEMENT COMMENTS



January 19, 2016

MEMORANDUM

TO: James Charlifue, Regional Inspector General

FROM: Anne Patterson, Acting Mission Director, USAID/Egypt /s/

SUBJECT: Mission Response to Review of USAID/Egypt's Process for Designing Economic Growth Projects (Report No. 8-263-16-00X-R)

This memorandum transmits USAID/Egypt's response to the draft report on the subject audit. We are pleased that the RIG had no findings related to the objective of the audit, which was to determine the extent to which USAID/Egypt ensured that new economic growth projects were designed in a manner consistent with Agency policy, guidelines, and best practices. We are also pleased that USAID/Egypt was found to be in compliance with ADS 201 in designing and approving three new economic growth projects despite all the external and internal challenges described in the report.

Please find below the Mission's comments to the subject Review recommendations.

Responses to Recommendations:

Recommendation 1. USAID/Egypt develop, approve, and implement a transition strategy or a country development cooperation strategy.

Response: USAID/Egypt agrees with the recommendation to develop, approve, and implement a country development cooperation strategy (CDCS). USAID is in the process of developing a five-year CDCS for Egypt covering FY 2015 – FY 2019 funds. USAID/Washington and USAID/Egypt convened a videoconference on October 15, 2015 to outline parameters for the CDCS process. The CDCS for Egypt is expected to be finalized, approved, and disseminated by the second half of calendar year 2016. USAID is following closely the CDCS guidance in ADS 201 in this process.

Recommendation 2. USAID/Egypt develop a process to finalize strategy documents within specified periods, rather than maintaining them in permanent draft form.

Response: USAID/Egypt agrees with the principle underlying recommendation 2 regarding the importance of finalizing strategy documents, and will address recommendation 2 through the finalization of a CDCS as discussed above in response to recommendation 1. USAID has developed an Agency-level process for the finalization of strategy documents within specified periods in the form of ADS 201. The Mission is closely following the guidance in ADS 201, including the establishment of a schedule and an internal process to complete development of the CDCS. The schedule mentioned in the response to recommendation 1 was agreed upon with the Middle East Bureau in the initial consultations with the Mission on October 15, 2015. The Phase 1 consultation summarized in videoconference cable 15 STATE 127696 was disseminated by the Bureau on November 10, 2015 (copy enclosed).

In addition to responding to the report recommendations, USAID/Egypt would like to highlight its disagreement with some of the conclusions and determinations discussed in the report:

1. The Mission disagrees with the following determination on page 1 of the report: “Not having [a codified country strategy for Egypt] deprived the project design team of important context and guidance.” This determination is not backed up by evidence. In light of the RIGs statement on page 7 of the June 2015 discussion draft of this report that “[d]ue to the limited scope of this review, the programmatic effect of not having a stand-alone codified strategy was not tested,” it is not clear how the RIG came to the conclusion that this situation deprived the project design team of important context and guidance.
2. The Mission disagrees with the RIG’s conclusions regarding the process and purpose of developing the priorities paper discussed on pages 3 and 4 of the report. Specifically, the Mission disagrees with RIG’s conclusions that U.S. Embassy Cairo’s cable 14 Cairo 123, as well as Congressional Budget Justifications, Congressional Notifications, Operational Plans and Mission Resource Requests documents are too diffuse to clarify which elements of the priorities paper were included in them and which were not. As a strategic document, the priorities paper articulated a vision focusing the Mission’s Economic Growth programming on the following sectors and markets: agriculture, tourism, trade and investment, labor markets, and financial markets. Those same focus areas were described in the Mission’s FY 2013 and FY 2014 Operational Plans and FY 2012 and FY 2013 Congressional Budget Justifications and Congressional Notifications.

With programming in the agriculture sector as an example, the priorities paper states that:

USG/EG will implement an integrated program to strengthen the efficiency of selected value-chains and natural resources in Egypt and increase the

competitiveness and integration of the agricultural sector. The USG/EG will also help reduce rural poverty in line with the objectives of Feed the Future Initiative. Key aspects of this integrated market-led program include introducing new technologies and promoting the adoption of “best” farming practices including efficient water irrigation systems; strengthening agricultural workforce skills throughout the value chain; supporting value-chain linkages with food processing industries and agribusinesses; expanding smallholders and agribusiness access to new markets and market information; improving smallholders and agricultural SME’s access to financial services, and developing agriculture facilities, such as cold-storage and pack houses to reduce agricultural losses.

The discussion of agriculture sector strategy in the priorities paper is echoed in USAID/Egypt’s Country Narrative for FY 2013:

As part of the Feed the Future Initiative, USAID will expand programs to increase incomes in rural areas by assisting in the development of selected agricultural value chains and continuing efforts to improve agricultural technical secondary education. The focus will be on bringing smallholder farms into the commercial value chain for higher value farm products, thereby making the entire value chain more efficient and inclusive. USAID will work with existing private sector organizations to develop and disseminate information on alternative high-value crops, water consumption, potential returns and risks, cultivation practices, and markets. USAID may also work with the private sector to assist in aligning the needs of the agribusiness community with the skillsets of students graduating from the agricultural technical schools to improve employment opportunities for the students and satisfy unmet employer demands for qualified staff. . . . USAID’s agriculture program will also aim to improve marketing and supply chain management. USAID will support value chains in other emerging sectors to create market opportunities to better integrate SMEs [small and medium-sized enterprises] through linkages with lead firms.

The above is just one example of how the strategic thinking set forth in the priorities paper was clearly reflected in formalized and approved documents such as the FY 2013 Country Narrative.

As the Mission has expressed to the RIG in response to an earlier draft of this report, high-level U.S. foreign assistance strategy for Egypt has been consistently expressed across various working papers such as the priorities paper and final documents including U.S. Embassy Cairo’s cable 14 Cairo 123, Congressional Budget Justifications, Congressional Notifications, Operational Plans and Mission Resource Requests. The GAO came to a similar conclusion in a recent engagement regarding U.S. assistance to Egypt. *See* U.S. Government Accountability Office, *Egypt: U.S. Government Should Examine Options for Using Unobligated Funds and Evaluating Security Assistance Programs*, GAO-15-259 (February 2015) at 14 (“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.”)

3. USAID/Egypt disagrees with the statement on page 4 of the report that “[s]ince 2013 the mission has had the option of doing a transition strategy--which it did not--but it must have a country strategy of some kind” as well as the implication that developing and obtaining approval for the specific kind of strategy envisioned in ADS 201 (either a CDCS or a transition strategy) could have been accomplished during the 2011 to 2013 timeframe in Egypt.

As the Mission has expressed to the RIG in response to an earlier draft of this report, the interim revisions of ADS 201 in early 2012 did not have significant guidance on what a transition strategy entailed. The pre-2012 version of ADS 201 contained only limited guidance on what constituted an interim strategic plan (a predecessor to the transition strategy). In fact, even the possibility of a shorter CDCS for countries in transition was only mentioned as an aside like the one in ADS 201.3.2.1 (dated 01/17/2012): “A CDCS is a five-year strategy (although it may be shorter for countries in transition) that focuses on USAID-implemented assistance and related USG non-assistance tools.” For a year and a half (from early 2012 through July 2013), which corresponded more or less to the time period when Egypt was undergoing back-to-back political transitions, the ADS guidance on the CDCS process for countries in transition boiled down to the following sentence in ADS 201.3.2.2: “PPL will work with Regional Bureaus to adapt the CDCS Guidance where necessary for fragile states, countries in transition, and regional platforms.”

Despite this limited guidance in the ADS, many of the steps the Mission undertook from 2011 through 2013 (summarized on pages 3 and 4 of the report) were intended to lead eventually to a CDCS. For example, as stated on page 530 of the Regional Perspectives Annex of the FY 2013 Congressional Budget Justification, the Mission had intended to develop a CDCS in late 2012. But the process of developing and approving a CDCS is not instantaneous. In the February 20, 2015 Audit of USAID Country and Regional Development Cooperation Strategies, the Office of Inspector General found that 10 of the 12 missions reviewed needed an average of 22 months to complete their CDCSs (Audit Report No. 9-000-15-001-P at 5). This 22-month average is also roughly the period of

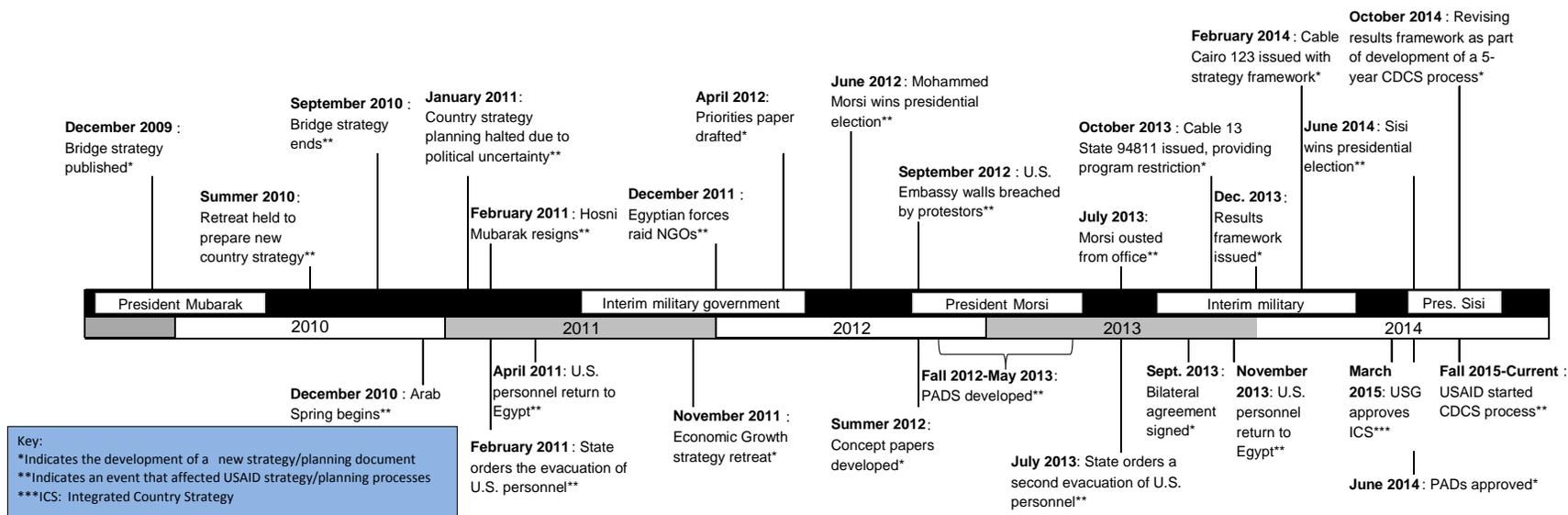
time from 2011 to 2013 during which Egypt experienced a series of political changes unprecedented in its recent history.

As this report recognizes on page 4, “the leadership of the Egyptian ministries that traditionally worked with the USAID/Egypt’s Office of Economic Growth was subject to constant churn.” This change in political leadership in Egypt delayed development of not only the Mission’s Economic Growth PADs, but also its CDCS. In fact, the delay was so systemic that FY 2012 ESF account funds intended to be used for programming in Egypt would have expired on September 30, 2013 without being obligated if the Administrator of USAID had not determined and reported to Congress that there had been “a significant change in circumstances” in Egypt, and that pursuant to Section 7014(b) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012 (P.L.112-74, Division I), these funds’ original two-year period of availability would be extended by one year.

Lastly, the cable issued by the State Department in October 2013, and referenced on page 4 of this report, set forth policy guidance that would have had significant implications for the Mission’s design of Economic Growth activities as well as its broader strategy. The effects of this policy guidance on Economic Growth programming in Egypt were further modified by the legislative flexibility included in the Department of State, Foreign Operations and Related Programs Appropriations Act, 2014 (P.L. 113-76, Division K) passed in January 2014. This evolving policy and legislative landscape had significant strategic implications that would have made proceeding with a strategic document in the form of an ADS 201 CDCS extremely difficult and a poor allocation of the Mission’s staff resources during a period of time that included two ordered departures.

4. USAID/Egypt requests that the timeline in Appendix III be updated as the last two entries in the timeline regarding the Results Framework and the CDCS are no longer accurate. The revision of the Results Framework is not focused on transition, but rather is part of the development of a five-year CDCS. Additionally, USAID/Egypt is no longer preparing to undertake the CDCS process; it has already started the process of developing the CDCS for Egypt as of October 2015. Lastly, please note that the USG approved the Integrated Country Strategy for Egypt in March 2015

USAID/EGYPT TIMELINE OF KEY EVENTS AND PLANNING DOCUMENTS



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