

Recent Developments in U.S. Aid to Egypt

September 29, 2017 (IN10789)

Related Author

- [Jeremy M. Sharp](#)
-

Jeremy M. Sharp, Specialist in Middle Eastern Affairs (jsharp@crs.loc.gov, 7-8687)

Overview

In recent months, the Trump Administration and Congress have taken various steps toward reducing U.S. foreign military and economic assistance to Egypt. Although lawmakers have debated the merits of U.S. foreign aid to Egypt for years, executive and legislative branch action may be tied to specific U.S. concern over Egypt's new legal restrictions on non-governmental organizations (NGOs) and its reported ties to the Democratic People's Republic of Korea (DPRK, or North Korea). For more, see CRS Report RL33003, [Egypt: Background and U.S. Relations](#).

Congressional Concern over Egypt's NGO Law

In May 2017, Egyptian President Abdel Fattah el Sisi signed [Law 70 of 2017 on Associations and Other Foundations Working in the Field of Civil Work](#) into law. The Parliament had ratified this bill six months earlier, and both the ratification and signing drew widespread international condemnation. The new law (which replaced a [2002 NGO law](#)) requires NGOs to receive prior approval from internal security before accepting foreign funding. It also increases penalties for violations, including imprisonment for up to five years. In 2013, an Egyptian court convicted and sentenced 43 people, including employees of the National Democratic Institute (NDI) and the International Republican Institute (IRI), for spending money from organizations that were operating in Egypt without a license.

Some Members called on President Sisi not to sign the law. In December 2016, Senators [John McCain and Lindsey Graham cautioned that](#): "Should President al-Sisi sign into law this draconian legislation, we will endeavor to strengthen democratic benchmarks and human rights conditions on U.S. assistance for Egypt in fiscal years 2017 and 2018." After President Sisi signed the NGO law, [a bipartisan group of Senators sent a letter to President Trump](#) warning that Congress will take the Egyptian government's recent actions into consideration when reviewing U.S. assistance policy.

Alleged Egyptian Support to North Korea

[According to one report](#), while successive Administrations have privately raised concerns regarding Egypt's civilian and military links to North Korea, such pressure may be increasing. On July 5, 2017, [President Trump called President Sisi](#) and, according to a White House readout, "discussed the threat from North Korea" with President Trump stressing "the need for all countries to fully implement U.N. Security Council resolutions on North Korea, stop hosting North Korean guest workers, and stop providing economic or military benefits to North Korea." The President's focus on Egyptian-

North Korean cooperation could relate to [allegations that Egypt may have violated various United Nations-imposed sanctions](#) on trade with North Korea as well as a prohibition on arms transactions with North Korea.

Recent Trump Administration Action

On August 22, 2017, [various news sources reported](#) that the Trump Administration, having felt ([in the words of one unnamed official](#)) "blindsided" by President Sisi's approval of the new NGO law, planned to take several actions regarding U.S. foreign assistance to Egypt. Various outlets characterized these actions as a delay or diversion of up to \$300 million in U.S. foreign assistance. The following is a summary of the Administration's actions.

- **Waiver Issued.** In August, Secretary of State Rex Tillerson issued the national security waiver contained in Section 7041(a)(3)(B) of [P.L. 114-113](#), the Consolidated Appropriations Act, 2016. This waiver allows \$195 million in withheld FY2016 Foreign Military Financing (FMF) funds (out of a total of \$1.3 billion appropriated) to be obligated without the Secretary having to certify whether the government of Egypt is taking several steps to advance democracy and human rights. The United States and Egypt may now use these funds (which would have expired Oct 1) to sustain prior purchases of major U.S. defense equipment, [though according to the State Department](#), rather than being immediately available for Egypt, the \$195 million will be held in reserve until the Administration sees progress on democracy in Egypt. [An Associated Press story](#) notes that when the Secretary of State issued the waiver on August 22, he also submitted a Congressionally-mandated report to the Appropriations Committees detailing the justification for the waiver, including how Egypt is failing to protect free speech, investigate abuses by its security forces, or grant U.S. monitors access to the Sinai Peninsula. The State Department has declined requests from human rights groups to make the report public.
- **Intention to repurpose \$65.7 million in FY2017 FMF.** The Administration also plans to redirect \$65.7 million in FMF for Egypt elsewhere. This action is tied to an informal hold placed on [FY2014 FMF by Senator Patrick Leahy](#) over his reported objections to the Egyptian government's human rights conduct and its use of [U.S.-supplied military equipment in counterterrorism operations in the Sinai](#). Since the State Department has determined that FY2014 FMF to Egypt can no longer be repurposed, it reportedly intends to redirect \$65.7 million in FY2017 FMF for Egypt.
- **Obligating \$155.635 million in Economic Aid.** On August 23, 2017, the United States Agency for International Development (USAID) notified Congress of its intent to obligate a total of \$155.635 million in Economic Support Fund (ESF) aid for Egypt. This obligation is comprised of ESF funds from various fiscal years, of which \$111.75 million would come from FY2016 Overseas Contingency Operations (OCO) funds. In FY2016, Congress appropriated ["up to" \\$150 million in FY2016 ESF](#) for Egypt, though it appears that the Administration has indicated that it will not obligate the full \$150 million for FY2016. [One report suggests that USAID may reprogram \\$20 million in FY2016 ESF](#) for Egypt to support water programs in the West Bank.

As of late September 2017, the Administration has not yet cut or redirected any FMF funds to Egypt, despite signaling its intent to do so. USAID has indicated that it is spending \$111.75 million in FY2016 ESF out of a total of "up to" \$150 million.

Egypt's Reaction and Recent Legislation

It appears that the Administration has modified U.S. assistance policy to Egypt to signal displeasure both with the NGO law and Egypt's relationship with North Korea. The modifications, which the Egyptian government decried as punitive, have prompted extensive speculation over how they might impact U.S.-Egyptian relations. In an official statement, the [Egyptian Foreign Ministry announced that it](#) "regrets the decision of the United States of America to reduce some of the funds allocated under the US assistance program to Egypt..."

In mid-September 2017, South Korean news reported that during a recent visit to South Korea, [Egyptian Defense Minister Sidki Sobhi told his South Korean counterpart](#) that Egypt had "already severed all military ties with North Korea." Several weeks later, President Trump responded to a media inquiry on the status of restarting U.S. aid to Egypt stating, ["We're going to certainly consider it."](#)

In Congress, some continue to express concerns about governance and human rights in Egypt. [S. 1780](#), the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018, allocates up to \$1 billion in FY2018

FMF for Egypt, while stipulating that 25% of that amount (as opposed to 15% in previous annual appropriations legislation) shall be withheld until the Secretary of State certifies and reports to the Committees on Appropriations that the Government of Egypt is taking effective steps to advance democracy and human rights in Egypt. A waiver for this certification is included in the bill. Congress has appropriated \$1.3 billion in FMF to Egypt each year since FY1987.