

# AFGHANISTAN: RIGHT SIZING THE DEVELOPMENT FOOTPRINT

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## HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL  
DEVELOPMENT AND FOREIGN  
ASSISTANCE, ECONOMIC AFFAIRS, AND  
INTERNATIONAL ENVIRONMENTAL PROTECTION

OF THE

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## **AFGHANISTAN: RIGHT SIZING THE DEVELOPMENT FOOTPRINT**

**THURSDAY, SEPTEMBER 8, 2011**

U.S. SENATE, SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT AND FOREIGN ASSISTANCE, ECONOMIC AFFAIRS, AND INTERNATIONAL ENVIRONMENTAL PROTECTION, COMMITTEE ON FOREIGN RELATIONS

*Washington, D.C.*

The subcommittee met, pursuant to notice, at 2:33 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Benjamin L. Cardin, presiding.

Present: Senators Cardin, Menendez, Udall, and Corker.

### **OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Good afternoon, everyone. The Subcommittee on International Development and Foreign Assistance, Economic Affairs, and International Environmental Protection will come to order. Let me thank Senator Kerry for his help in arranging this subcommittee hearing to deal with Afghanistan, Right Sizing the Development Footprint. I also want to thank Senator Corker for his cooperation in convening this hearing.

We are at a critical juncture in our role in Afghanistan as we approach the beginning of U.S. forces drawdown in Afghanistan. The United States will begin to transition toward a more robust civilian presence; and therefore, it is paramount that we clearly define our position in the region. We must emphasize the importance of assistance as a tool in promoting the stability of that country.

But the United States must also insist on accountability for this assistance, accountability for the money spent, and accountability for the effectiveness and success of these programs. The U.S. taxpayers and the Afghan people deserve nothing less. We must understand the full impact of our assistance, both positive and negative, on the Afghan people.

When done correctly, foreign assistance can fundamentally change countries for the better and is a vital tool in our national security toolbox. When misspent, it fuels corruption, distorts markets, undermines the host government's ability to exert control over resources, and contributes to insecurity and instability.

In the last few years, the United States has spent more on foreign aid in Afghanistan than in any other country. And after 10 years and roughly \$18.8 billion spent, we have achieved some real successes. There has been a sevenfold increase in the number of Afghan children attending school and a significant improvement in

health care. It should be noted that the amount of money spent in 10 years on aid in Afghanistan is about the same as 6 weeks of military spending there.

But we should have no illusions. Serious challenges remain that will prevent us from achieving our goals unless they are addressed. Given the considerable capacity and security challenges on the ground, the State Department and USAID have performed admirably and have assumed considerable risks in support of the President's civil-military strategy for Afghanistan.

However, moving forward, our assistance can be more effective and should meet three basic and necessary conditions before it is spent. It should be necessary, achievable, and sustainable. Unless these conditions can be met, I am skeptical that a comprehensive strategy can be crafted that will help build a government and society the Afghans would be willing to support and carry on after the United States leaves.

In 2001 the United States intervened in Afghanistan to destroy al-Qaeda's safe haven and pursue those who planned the September 11 attacks on our Nation. Those initial objectives in Afghanistan have been largely met. We have removed the Taliban government that sheltered al-Qaeda. We have tracked down and killed Osama bin Laden. We have disrupted the terrorist network allied with al-Qaeda, and we have hunted down those who planned the 9/11 attacks.

Now a different responsibility remains, ensuring the Afghan people can govern and secure themselves, while working to increase the capacity and empowerment of all their citizens to become contributors to their own governance. We are here today to explore how we achieve those goals.

In June this committee released a report about the status of United States assistance in Afghanistan, including the level of corruption and inefficiencies in United States assistance in Afghanistan. As a part of this hearing I would like to hear concrete steps have been taken to address the problems that the committee's report brought out.

Congress has previously put conditions on the use of some funds, including concerns about corruption, the ability to strengthen accountability, and the role of women. We will want to know how the agencies are complying with the restrictions that Congress placed in the appropriations legislation.

I want to make particular note of the status of women. Perhaps no country highlights the challenges facing gender equality as does Afghanistan, including among the lowest life expectancies and literacy rates in the world. It also has some of the highest incidents of domestic violence and lack of political inclusion. We must continue to press the Karzai government on this priority and build the capacity and sustainability of grassroots women-led organizations.

Integrating women into Afghan society and government is not only the moral thing to do, but is also smart and strategic. If women are marginalized in the political process and reconciliation, there will be no lasting peace. Today I would like to hear how in practice U.S. programs are implementing our commitments to improve this situation.

The State Department and USAID are spending approximately \$320 million a month on foreign aid in Afghanistan. While a small number in comparison to our military budget there, as we work to reduce the budget deficit and rebuild our economy it's important to examine how this money is being spent. We have a responsibility to the Afghan people, but also a responsibility to ensure that the hard-earned taxpayer money is being used as it is expected.

The World Bank estimates that today as much as 97 percent of Afghan gross domestic product is derived from spending related to international military and donor community presence. Afghanistan could very easily suffer a severe economic depression when foreign troops and donors leave, unless there is proper and realistic planning for its transition.

Additionally, I have concerns about the reliance on contractors in Afghanistan. Numerous audits have raised serious concerns about the lack of robust oversight. The corruption in Afghanistan has diverted contractors resources and some of these funds have ended up in the hands of insurgents. Corruption costs United States lives and threatens the future of Afghanistan. We must work to improve the capacity of the Afghan Government and civil societies to blunt these efforts.

True development in Afghanistan will only succeed if Afghans are legitimate partners and there's a path to sustainability. Critically, we must continue to measure the impacts of our programming, enabling us to know what is working and what needs to change. Moving toward 2014, we cannot continue with business as usual when it comes to assistance. To that end, I am heartened that Administrator Shah issued new guidance for USAID engagements in Afghanistan earlier this summer which calls for bringing stability to Afghanistan and confidence to the Afghan people in their government, assisting the Afghan people to build more capabilities, inclusion, and pluralistic governance that will help ensure sustainability. We also need to find ways to encourage both public and private sector investments.

I look forward to hearing more about this from the witnesses we have today. I want to thank both of our witnesses for being here, and I will introduce them shortly. But first let me turn to Senator Corker for his opening comments.

**OPENING STATEMENT OF HON. BOB CORKER,  
U.S. SENATOR FROM TENNESSEE**

Senator CORKER. Mr. Chairman, thank you for calling the hearing. I think most people in the Senate know I don't make much in the way of opening comments, but I do thank both the witnesses for being here. I spent a lot of time with Mr. Thier yesterday going through some of the points he's going to make today, but I think almost everybody in the Senate has been to Afghanistan multiple times and knows that at the very least what we're doing there financially is highly distortive to the culture, and you could probably make other comments regarding it, as you did in your opening comments, which I appreciate.

So I look forward to your testimony and the many things that you're doing to try to rectify and make sure that the aid that is

being put in place in Afghanistan is being done in a way that's most appropriate.

So I again thank you for calling the hearing.

Senator CARDIN. Thank you, Senator Corker.

Our first witness will be Mr. Daniel Feldman. He's the Deputy to the Special Representative for Afghanistan and Pakistan, the United States Department of State. He will be followed by Mr. Alex Thier, Assistant to the Administrator and Director of the Office of Afghanistan and Pakistan Affairs, United States Agency for International Development.

Mr. Feldman.

**STATEMENT OF DANIEL FELDMAN, DEPUTY TO THE SPECIAL REPRESENTATIVE FOR AFGHANISTAN AND PAKISTAN [SRAP], DEPARTMENT OF STATE, WASHINGTON, DC**

Mr. FELDMAN. Thank you, Senator Cardin and Senator Corker, for your leadership on these issues and for inviting us to testify before you today. We appreciate your thoughtful opening statements, and I think our testimony will hope to get at many of the questions that you raise, and we look forward to discussing the rest in the question-answer session.

Almost exactly a decade after 9/11, all of our military, civilian, and diplomatic efforts in Afghanistan remain focused on one core goal—disrupting, dismantling, and defeating al-Qaeda. As Secretary Clinton stated to this committee in June, the administration has a three-pronged strategy to achieve this goal: First, a military surge, which reversed Taliban momentum and trained 79,000 additional Afghan National Security Forces in 2010 alone; second, a civilian surge, to give Afghans a stake in their country's future and provide credible alternatives to extremism and insurgency. Our civilian surge was not, nor was it ever designed to solve all of Afghanistan's development challenges. Measured against the goals we set and considering the obstacles we faced, we are and should be encouraged by what we have accomplished. Most important, the civilian surge helped advance our military and political objectives in Afghanistan.

Finally, in February the Secretary announced a diplomatic surge to support an Afghan-led political process that aims to shatter the alliance between the Taliban and al-Qaeda, end the insurgency, and help to produce more stability.

With Osama bin Laden dead, the Taliban's momentum reversed, and the initial seeds of an Afghan-led reconciliation process planted, we're now entering a new phase of our efforts in Afghanistan and Pakistan. As Secretary Clinton noted earlier this year, we have now reached the height of the civilian surge, with roughly 1,150 U.S. experts serving in Kabul, on PRTs, and in District Stabilization Teams. Our civilians have helped Afghan farmers rebuild irrigation systems and expand into licit high-value crops for export beyond Central Asia, providing economic alternatives to joining the insurgency.

As the transition process advances, we will be shifting our civilian efforts from short-term stabilization projects, largely as part of the military strategy, to longer term sustainable development that focuses on spurring growth, building Afghan Government capacity



in critical areas, and integrating Afghanistan into South Central Asia's economy. This approach is consistent with this committee's recommendation, as you referenced, Senator Cardin, that we focus on increasingly implemented projects that are necessary, achievable, and sustainable.

But even as we begin transitioning greater responsibility to the Afghan Government and focus on increasing Afghan ownership, we have been clear that this transition does not mark the end of the United States commitment to the people of Afghanistan or their region. An updated strategic partnership is currently being negotiated this very day with a delegation from Afghanistan between the United States and Afghanistan. It will reaffirm our shared commitments to a stable, independent Afghanistan that is not a safe haven for al-Qaeda, as well as United States respect for Afghanistan's sovereignty. And it will provide a transparent political framework for long-term cooperation, not only on security issues, but also in the areas of economic and social development.

Our long-term commitment reflects a belief that we cannot afford to repeat the mistakes we made in 1989 when our attention shifted to Afghanistan from other challenges. Indeed, even as we have made great strides over the past decade in laying the foundation for sustainable economic growth in Afghanistan, the World Bank and other financial institutions have warned, again as you noted, Senator, that the drawdown of the international combat presence in Afghanistan will have significant economic consequences. Spending on goods and services in Afghanistan, now a critical basis of Afghan economic growth, will decrease and the United States, alongside Afghanistan and members of our international contact group, is working to implement a strategy for sustainable economic growth that would undergird political stability and the security gains we have achieved, including ensuring equal access to economic opportunities for women.

Afghanistan will continue to need development support to achieve this goal, but we are acutely aware that the United States cannot bear the full burden. We recognize the financial constraints. Other donors, private investment, and Afghans themselves must carry the majority of the load.

A key challenge in the economic development of Afghanistan is finding a way to integrate the Afghan economy into the broader region. So 2 months ago in India, the Secretary of State outlined her vision of a New Silk Road to foster Afghan growth and prosperity by promoting stronger economic ties throughout South and Central Asia, so that goods, capital, and people can flow more easily across borders. This vision is meant to act as a guide for Afghanistan's future development, not a prescriptive menu of projects or a commitment from the United States to fund a particular project or sector.

Over time, an economically connected region will generate lasting employment for Afghanistan's population, raise consistent revenue to pay for government services, and attract international private investment in key sectors. This vision is built upon existing Afghan development priorities and especially upon the foundational investments that USAID is already implementing and that my close colleague, Alex Thier, will describe in more detail.

We are working toward this long-term vision of a New Silk Road with eyes wide open. We understand the economic and policy constraints and are realistic about what we hope to achieve. We are working with our allies and partners in advance of important foreign ministerial conferences in Istanbul and Bonn later this year to build the framework for a truly international effort.

This framework is not only important in and of itself, but as a demonstration that the region and the international community, not just the United States, are sustaining a commitment to a secure, stable, and prosperous Afghanistan that is not used as a base for international terrorism.

We are also well aware of the constraints of doing business in Afghanistan and are continually trying to mitigate those, particularly with regard to corruption.

Because of Afghanistan's prime importance to our national security, we are committed to a continued effort, working closely with the Afghans, Congress, and international partners, to ensure that our development strategy and civilian transition strategy drives the size of our footprint in direct pursuit of our interests.

We recognize the unique fiscal challenges here at home and will continue to be vigilant when implementing programs to ensure that American development assistance achieves maximal impact for our national security interests. And we believe our modest civilian investment, which totals barely more than 3 percent of the overall financial commitment to the mission, is paying important dividends.

We appreciate the opportunity to speak with you, and we welcome your questions.

[The prepared statement of Mr. Feldman follows:]

PREPARED STATEMENT OF DANIEL FELDMAN

Thank you, Senator Cardin and Senator Corker, for your leadership on these issues, and for inviting us to testify before you, today.

Almost exactly a decade after 9/11, all of our military, civilian, and diplomatic efforts in Afghanistan remain focused on one core goal: disrupting, dismantling, and defeating al-Qaeda. As Secretary Clinton stated to this committee in June, the administration has a three-pronged strategy to achieve this goal.

First, a military surge, which reversed Taliban momentum and trained 79,000 additional Afghan National Security Forces (ANSF) in 2010 alone, bringing the total Afghan National Security Force to 305,000 which is 100 percent of the goal for fiscal year 2011, and on track to grow to 350,000 by the end of fiscal year 2012. Even as we begin reducing our combat troop levels and transitioning lead security responsibility to these Afghan forces, we will continue our counterterrorism activities and training efforts.

Second, a civilian surge, to give Afghans a stake in their country's future and provide credible alternatives to extremism and insurgency. Our civilian surge was not nor was it ever designed to solve all of Afghanistan's development challenges. Measured against the goals we set and considering the obstacles we faced, we are and should be encouraged by what we have accomplished. And most important, the civilian surge helped advance our military and political objectives in Afghanistan.

Finally, in February the Secretary launched a "diplomatic surge" to support an Afghan-led political process that aims to shatter the alliance between the Taliban and al-Qaeda, end the insurgency, and help to produce more stability. Our diplomatic surge recognizes the need for Afghanistan's neighbors and the broader international community to be more concrete and specific about the ways in which they will support Afghanistan through the current challenges of transition and Afghan-led reconciliation.

With Osama bin Laden dead, the Taliban's momentum reversed, and the initial seeds of an Afghan-led reconciliation process planted, we are entering a new phase of our efforts in Afghanistan and Pakistan. I want to briefly discuss how we see our civilian efforts evolving.

As Secretary Clinton noted in June, we have now reached the height of the civilian surge, with roughly 1,150 U.S. experts serving in Kabul, on 28 Provincial Reconstruction Teams and 38 District Stabilization Teams. Our civilians have helped Afghan farmers rebuild irrigation systems and expand into licit high-value crops for export beyond Central Asia—providing economic alternatives to joining the insurgency. Since 2002, our civilians have helped train over 170,000 teachers and ensured that basic health services are available to 85 percent of Afghans within 1 hour via any mode of transport, building confidence in a vision for a more positive future. Joint United States-Afghan counternarcotics efforts are disrupting opium production and drug networks. These results come even as we continue to work in a very challenging security environment.

As the transition process advances, we will be shifting our civilian efforts from short-term stabilization projects, largely as part of the military strategy, to longer term sustainable development that focuses on spurring growth, building Afghan Government capacity in critical areas, and integrating Afghanistan into South Central Asia's economy. This approach is consistent with this committee's recommendation that we focus on increasingly implementing projects that are, "necessary, achievable, and sustainable," and includes a continued emphasis on maintaining respect for human rights such as freedom of religion and freedom of speech.

But even as we begin transitioning greater responsibility to the Afghan Government and focus on increasing Afghan ownership, we have been clear that this transition does not mark the end of the United States commitment to the people of Afghanistan or the region. An updated Strategic Partnership is currently being negotiated between the United States and Afghanistan. It will reaffirm our shared commitment to a stable, independent Afghanistan that is not a safe-haven for al-Qaeda, as well as U.S. respect for Afghanistan's sovereignty. And it will provide a transparent political framework for long-term cooperation not only on security issues, but also in the areas of economic and social development. Our long-term commitment reflects a belief that we cannot afford to repeat the mistakes we made in 1989, when our attention shifted from Afghanistan to other challenges.

Indeed, even as we have made great strides over the past decade in laying a foundation for sustainable economic growth in Afghanistan, the World Bank and other financial institutions have warned that the drawdown of the international combat presence in Afghanistan will have significant economic consequences. Spending on goods and services in Afghanistan—now a critical basis of Afghan economic growth—will decrease. The United States, alongside Afghanistan and members of the International Contact Group, is working to implement a strategy for sustainable economic growth that would undergird political stability and the security gains we have achieved, including ensuring equal access to economic opportunities for men and women. Afghanistan will continue to need development support to achieve this goal, but we are acutely aware that the United States cannot bear the full burden. We recognize the financial constraints. Other donors, private investment, and Afghans themselves must carry the majority of the load.

A key challenge in the economic development of Afghanistan is finding a way to integrate the Afghan economy in the broader region. Earlier this year the Secretary of State outlined her vision of a "New Silk Road" to foster Afghan growth and prosperity by promoting stronger economic ties throughout South and Central Asia, so that goods, capital, and people can flow more easily across borders. This vision is meant to act as a guide for Afghanistan's future development, not a prescriptive menu of projects or a commitment from the United States to fund a particular project or sector. Over time, an economically connected region will generate lasting employment for Afghanistan's population, raise consistent revenue to pay for government services, and attract international private investment in key sectors, such as licit agriculture and the extractive industries. This vision is built upon existing Afghan development priorities, and especially upon the foundational investments that USAID is already implementing and that Assistant to the USAID Administrator Alex Thier will describe in more detail.

We are working toward this long term vision of a New Silk Road with eyes wide open. We understand the economic and policy constraints and are realistic about what we hope to achieve. Within the U.S. Government, we are working with our interagency partners to develop a strategy for U.S. economic assistance for Afghanistan that rationalizes and prioritizes industry sectors and Afghan development goals. Additionally, we are working with our allies and partners in advance of important foreign ministerial conferences in Istanbul and Bonn later this year to build the framework for a truly international effort. This framework is not only important in and of itself but as a demonstration that the region and the international community—not just the United States—are sustaining a commitment to a secure, stable, and prosperous Afghanistan that is not used as a base for international terrorism.

We also are well aware of the constraints of doing business in Afghanistan, and are continually trying to mitigate those, particularly with regard to corruption. We have increased our oversight capacity for U.S. assistance projects including through the work of Taskforce 2010 and Taskforce Shaffiyat which identify and address weaknesses in our processes. Even with increased oversight, we are going to encounter challenges similar to those that you would encounter in any developing country destroyed by more than 30 years of war. In these situations, we will work with the international community and the Afghan Government to eliminate sources of corruption and strengthen systems of accountability.

Our handling of Kabul Bank is one example of this approach. The United States and the international community have been clear to the Afghan Government that the situation must be properly addressed including compliance with IMF conditions to prosecute wrongdoers, recapitalize the Central Bank and recover assets at Kabul Bank.

As I stated earlier, Afghanistan is of prime importance to our national security, and we are committed to a continued effort, working closely with the Afghans, Congress, and international partners, to ensure that our development strategy and civilian transition strategy drives the size of our footprint, in direct pursuit of our interests. We recognize the unique fiscal challenges here at home, and will continue to be vigilant when implementing programs to ensure that American development assistance achieve maximal impact for our national security interests. We believe our modest civilian investment—which totals barely more than 3 percent of the overall financial commitment to the mission—is paying important dividends.

Thank you for the opportunity to speak to you today, and I welcome your questions.

Senator CARDIN. Thank you very much, Mr. Feldman.  
Mr. Thier.

**STATEMENT OF ALEX THIER, ASSISTANT TO THE ADMINISTRATOR AND DIRECTOR OF THE OFFICE OF AFGHANISTAN AND PAKISTAN AFFAIRS, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT [USAID], WASHINGTON, DC**

Mr. THIER. Mr. Chairman, Senator Corker, Senator Udall. Thank you for the opportunity to appear before you today.

Ten years ago this week, our Nation was abruptly awoken to the dangers of unchecked extremism. The terrible, untimely deaths of over 3,000 innocents in New York, Pennsylvania, and Washington was a tragedy and a portent, one that changed the way a generation of Americans view the world.

For nearly 20 years I have spent my career working in or on the issues of peace and security in Afghanistan and its region. Following the attack, like many Americans, I responded to the call and went back to Afghanistan. Our Nation pledged that Afghanistan would never again become a haven for international terrorism, a pledge that President Obama has repeatedly reaffirmed as a central plank of U.S. national security policy.

We appreciate the attention this committee has devoted to Afghanistan and the support you have shown for the civilian surge that has gone in to parallel our military effort. As President Obama has said many times, Afghans must take responsibility for their own future. Our current assistance effort is designed to help them do just that.

Our current effort, which focuses relentlessly on accountability and impact, is delivering real results. Approximately 1,000 American civilians, including over 300 direct hire USAID staff, and tens of thousands of Afghans take risks every day to implement U.S. Government programs and turn the tide against violent extremists. Insurgent attacks and assassination campaigns kill our partners and raise security-related costs significantly.

But despite some of the world's most challenging conditions, Afghanistan has in fact made some dramatic development gains in the last decade. Several of them were highlighted by Senator Cardin. I won't repeat those, but will list a few others.

Our investments have contributed heavily to the 10-percent annual growth rate of the Afghan economy over the last decade, by building infrastructure, promoting agriculture, and improving the investment climate. Customs revenues alone have increased 400 percent since 2006 and the gross domestic product per capita has doubled since 2002, with 5 million people lifted out of a dire state of poverty.

Access to basic education and health have expanded dramatically, as the Senator noted, and there are now more than 400 new women-owned small and medium enterprises created in Afghanistan in the last few years alone. We have also rehabilitated more than 1,700 kilometers of roads, increasing mobility and strengthening trade and security.

Though still a deeply impoverished country, Afghanistan has made significant progress from the war-racked country I first knew in the 1990s. But Afghanistan does remain an extremely high-risk environment, and we face considerable challenges in implementing our efforts there. Because of these difficult conditions, we've made oversight and accountability an essential part of how we operate in Afghanistan. To ensure that proper procedures are in place to protect our assistance dollars, we developed last year, last fall, the Accountable Assistance for Afghanistan, or A<sup>3</sup> Initiative.

USAID in the last few months has dramatically enhanced the safeguards for development assistance in four categories: decreasing the number of subcontractors, undertaking a dramatic vetting program, tightening financial controls, and increasing project oversight. I'm happy to elaborate those in the question and answer, but one example of this is that in the last 18 months we have tripled the size of our contract oversight staff, and in the next 12 months we will double it again. We have also tripled the number of USAID staff in Afghanistan overall since 2009. This presence has dramatically increased our oversight capacity in Afghanistan.

Going forward, our assistance strategy places primary emphasis on enabling a sustainable and lasting transition, by investing in priority sectors that will lay the foundation for long-term growth, helping Afghanistan sufficiently develop its economy and governance to prevent it from ever again becoming a safe haven for terrorists.

We are making foundational investments to shore up the Afghan economy in the face of sharp decreases in wartime spending, lay the groundwork for sustainable economic growth, and boost Afghan capacity to govern effectively and raise revenue for fiscal sustainability.

Perhaps most important, as you yourself emphasized, our investments need to be sustainable, and it was to this end that we issued our new sustainability guidance. This guidance aims to ensure that USAID's resources our people, our time, and our budget are closely aligned with both United States and Afghan national interests, and we're examining the entire complement of our programs in Afghan-

istan to ensure that we meet three key principles: Afghan ownership and capacity; increasing stability and confidence; and effectiveness, both programmatically and cost-wise.

I will conclude by saying that, as President Obama stated in June, we are helping Afghanistan to move away from an economy shaped by war to one that can sustain a lasting peace. Indeed, as Secretary Clinton noted in her recent testimony and you repeated, USAID's budget, although significant in terms of its global spending over the last decade has been equivalent to only 6 weeks of our current cost of our military presence in Afghanistan.

I emphasize this because our contribution to transition in Afghanistan will fundamentally affect our ability to drawdown our troops effectively and make a durable contribution to Afghanistan.

When I arrived in Afghanistan 18 years ago, it was a collection of warring fiefdoms, no government, no economy, millions of refugees, and a perfect breeding ground for violent extremism. Today, through the efforts of our Nation and our Afghan and international partners, we have lifted Afghanistan far from that place of desolation and increased the security of our homeland and our allies in the process.

This effort is far from finished, but our commitment to an effective, accountable, and sustainable mission is resolution.

Thank you.

[The prepared statement of Mr. Thier follows:]

PREPARED STATEMENT OF J. ALEXANDER THIER

Mr. Chairman, distinguished members of the subcommittee, my name is Alex Thier. I serve as Assistant to the Administrator and Director of the United States Agency for International Development's (USAID) Office of Afghanistan and Pakistan Affairs (OAPA). I will provide brief opening remarks but would ask that my full written statement be entered into the hearing record.

Ten years ago this week, our Nation was abruptly awoken to the dangers of unchecked extremism. The terrible, untimely deaths of 3,000 innocents in our largest city, the Pentagon, and on United Airlines Flight 93 was a tragedy and a portent one that changed the way a generation of Americans view the world.

For nearly 20 years, I have spent my career working in or on the issues of peace and security in Afghanistan and its region. Like others who followed the intertwining paths of Afghanistan and al-Qaeda in prior years, I knew immediately on the morning of September 11 that our future was tied to Afghanistan's. The hateful, failed ideology of the late Osama bin Laden is squarely to blame for these attacks. But our abandonment of post-Soviet invasion Afghanistan contributed to the misery and decline that led to the Taliban regime, al-Qaeda's safe haven, and eventually the attack on America. Following that realization, our Nation pledged that Afghanistan would never again become a haven for international terrorism, a pledge that President Obama has repeatedly reaffirmed as a central plank of U.S. national security policy.

It has been a long decade, and there have been many missteps. Indeed, prior to the three surges—military, civilian, and diplomatic—put in place by President Obama, our aid efforts and fighting forces did not represent the full complement of resources required to accomplish the goal of stabilizing Afghanistan. The civilian assistance generously provided by American taxpayers and overseen by USAID and State is a central component to ensuring we achieve our national goals in Afghanistan.

We appreciate the attention this committee has devoted to Afghanistan, and the support for the civilian surge that has paralleled our military buildup. We all understand that improving governance, creating economic opportunity, and supporting civil society is critical to solidifying our military gains and advancing our political and diplomatic goals for Afghanistan and the region.

I welcome the opportunity to appear before you today to talk about how U.S. assistance to Afghanistan is an essential part of building the peace and enabling U.S. troops to drawdown by 2014, as announced by President Obama.

As President Obama has said many times, Afghans must take responsibility for their own future. Our current assistance effort is designed to help them do just that. This has not always been the case. Too often over the last decade, goals have not fully taken into account the limitations presented by the Afghan reality. Some programs have been designed to meet immediate needs, and not long-term needs in a sustainable fashion. Some programs have assumed more robust capacities and resources than exist in one of the poorest countries on earth. Our current effort—which focuses relentlessly on sustainability, accountability, and impact—is delivering real results.

Our approach has three main elements:

- First, in support of President Obama’s pledge to disrupt, dismantle, and defeat al-Qaeda, we will build upon the dramatic development progress made over the last decade that is critical to Afghanistan’s long-term stability.
- Second, accountability will be central to our policies and programs to make the most of current and future funds. To ensure development assistance in Afghanistan is achieving intended goals, we launched the innovative Accountable Assistance for Afghanistan (A<sup>3</sup>) initiative, which is achieving important results.
- Third, as we focus our programs with an eye toward transition, ensuring that sustainability is at the forefront of every decision we make, we will make key investments in priority sectors that will lay the foundation for sustainable economic growth and increasingly effective, legitimate governance.

We understand fully that the fiscal reality at home means that resources available for Afghanistan will decline over time. Weaning Afghanistan from unsustainable levels of assistance is necessary for us, and essential for them. To achieve this without triggering a crisis, we are making tough decisions and prioritizing investments that have the greatest potential for long-term sustainability by Afghans themselves, and that ensure our troops can drawdown safely, efficiently, and permanently.

#### SIGNIFICANT DEVELOPMENT ACHIEVEMENTS

Approximately 1,000 American civilians, including over 300 direct hire USAID staff, and tens of thousands of Afghans, take risks every day to implement USAID programs and turn the tide against violent extremists. Insurgent attacks and assassination campaigns kill our partners and raise security-related costs significantly. Since 2003, 387 USAID partners implementing our programs have been killed in action and another 658 wounded in action. Between 2009 and 2010, there was a twofold increase in the number of attacks on partners, from an average of 29 a month in 2009 to 57 a month in 2010. Afghanistan is a difficult operating environment to say the least.

Despite some of the world’s most challenging conditions for stabilization and development, Afghanistan has made some dramatic development gains—with strong support from the U.S. Government. For example:

- Our investments have contributed heavily to the 10-percent annual growth rate of the Afghan economy over the last 6 years by building infrastructure, promoting agriculture, improving the investment climate, and helping the government increase revenue collection.
- Customs revenues have increased 400 percent since 2006. And GDP per capita has doubled since 2002 with 5 million people lifted from a state of dire poverty.
- Access to basic education has expanded dramatically, increasing literacy and cultivating a new generation of more capable Afghan workers and future leaders. Under the Taliban, less than a million boys and no girls attended school. Today, over 7 million students are in school, 37 percent of whom are girls.
- We’ve worked closely with the Afghan Ministry of Public Health to massively expand access to health services from 9 to 64 percent of the population. In 2002, Afghanistan had one of the highest infant mortality rates in the world and our efforts have contributed to a 22-percent drop in infant deaths. Maternal mortality has also dropped significantly as the use of antenatal care in rural Afghanistan has risen from an estimated 8 percent in 2003 to 36 percent in 2008, thanks in part to a USAID midwives training program that has trained over 1,600 midwives, contributing to an increase in active Afghan midwives from 467 to 3,250. Afghanistan is one of only four countries where polio remains endemic. Thanks partly to USAID’s efforts, over 90 percent of children under 5 have been vaccinated against polio since 2002.
- USAID has sponsored training and internships for over 5,500 women, and there are now more than 400 new women-owned small and medium enterprises in Afghanistan since 2006.

- We have rehabilitated more than 1,677 kilometers of roads, increasing mobility and strengthening trade and security. Approximately 80 percent of Afghans now live within 50 kilometers of the newly constructed Ring Road.
- Improved access to water for Afghan farmers has enriched irrigation systems on nearly 15 percent of Afghanistan's arable land—in addition to the creation of 90,000 new agricultural employment jobs, Afghan farmers now have access to improved technologies and financial services.
- USAID has also helped bring reliable, low-cost electricity to more than 18 percent of the population up from 6 percent—taking Afghanistan's total electricity supply from 117 MWh to 223 MWh per month—according to the Afghanistan Energy Information Center, which is supported with USAID and DOD funds. Now, Kabul has gone from barely having 2 hours of electricity a day to being fully powered all day. The supply of reliable, low-cost electricity has contributed to the doubling of the Afghan economy since 2006. DABS, the Afghan electric utility USAID has helped establish, has doubled revenues each of the last 3 years—reaching \$170 million this year, reducing government fuel subsidy by nearly \$100 million this year and increasingly placing Afghans in a position of running and maintaining their energy network on their own. Indeed, 2 weeks ago I joined our Administrator, Dr. Rajiv Shah, in Afghanistan to launch the new Afghan National Load Management Center—giving the Afghans the tools and capacity to literally light their own future path.

It is important to take stock of the many taxpayer funded programs that have delivered results in Afghanistan and make sure that their results endure. Though still an impoverished country, Afghanistan has made significant progress from the civil war-racked country I first knew in the 1990s.

#### ACCOUNTABILITY AND TRANSPARENCY

Afghanistan remains an extremely high-risk environment, and we face considerable challenges. Because of these difficult conditions, we've made oversight and accountability an essential part of how we operate in Afghanistan. This is an area on which USAID's leadership, including Administrator Shah and myself, has focused intensively. It represents a key part of our Agency's largest reform agenda and our team's approach in Afghanistan.

To ensure that proper procedures are in place to help protect assistance dollars from being diverted from their development purpose to malign actors, USAID developed the Accountable Assistance for Afghanistan (A<sup>3</sup>) initiative in the fall of 2010.

As a result, USAID has enhanced its safeguards for development assistance in the following four categories:

- Award Mechanisms—A subcontracting clause is being included in new awards requiring that a certain percentage of work on a contract be done by the prime contractor. It also provides for the ability to restrict the number of subcontract tiers, and to prohibit subcontracts with broker/dealers who do not perform work themselves.
- Vetting—The mission established a Vetting Support Unit in February 2011. The unit conducts checks on non-U.S. companies and non-U.S. key individuals for prime awards contractors, grant recipients and subawardees to determine whether or not they have a criminal history or association with known malign organizations.
- Financial Controls—The USAID mission is working with the USAID Inspector General to establish a new program of auditing procedures for 100 percent of locally incurred project costs.
- Project Oversight—The mission is devolving more project monitoring responsibilities to USAID personnel located in field offices outside of Kabul. Assigned to specific projects, USAID On-Site Monitors will have the authority to monitor implementation of USAID projects and report to the USAID Contract/Agreement Officer's Technical Representative.

Our A<sup>3</sup> systems are yielding results.

Our project and contract oversight capacity has grown dramatically. I testified before the Commission on Wartime Contracting in January that we have tripled the size of our contract oversight staff since 2007. This year, we ordered a doubling of our contracting staff, and we are in progress to complete this goal. Further, we have also tripled the number of USAID staff in Afghanistan overall since 2009, with approximately 56 percent of our 325 current U.S. staff deployed outside Kabul, working alongside the military and other agencies. This presence has increased our oversight capacity exponentially. Security conditions in some areas do prevent us from getting out as much as we would like to. We mitigate this by deploying national staff, and employing third-party monitors who do independent assessments of our



programs. The Inspector General community also plays a critical role in the monitoring and evaluation process through their investigations. Since 2003, our own USAID Office of Inspector General has conducted 45 audits, investigations and/or reviews and recovered over \$150 million in tax payer funds.

Consistent with the USAID Forward agenda, we also seek to empower Afghan institutions, both public and private, to check and balance one another in detecting and deterring corruption. This effort includes strengthening the oversight role of elected Afghan institutions, such as Parliament and provincial councils, as well as executive branch agencies charged with combating corruption. An essential component of our plan for sustainability, transparency, and accountability is to strengthen Afghan capacity to manage more funds themselves.

As was noted in the recent full committee majority staff report, “the Afghan Government must be a genuine partner for our assistance efforts to succeed.” Channeling assistance dollars through the Afghan Government is an essential part of this process and important part of ensuring the long-term viability of our investment. In 2010, we committed with other donors at the Kabul conference to move toward putting 50 percent of our assistance through Afghan institutions. We’ve gone from providing 10 percent through Afghan institutions in 2008 to 37 percent today. However, USAID has a rigorous assessment process in place to guarantee that every entity receiving funds has the capacity to transparently and effectively handle U.S. funds. As a result, we are very selective in which institutions we will fund directly, having approved a few and rejected many more.

One specific example of this approach is work we’ve done with the Ministry of Public Health (MOPH). With USAID’s on-budget support, the MoPH has been successful in procuring, managing, and monitoring 18 contracts with 10 NGOs to deliver basic health services in over 530 facilities in 13 provinces. In FY 2010, USAID helped the MoPH increase basic health services coverage to 10 million people in 13 provinces, serving over 800,000 patients each month. Seventy-six percent of beneficiaries are women, and children under age 5. Ultimately this approach is a triple win: it develops sustainable Afghan capacity; it saves money by reducing reliance on contractors and security firms; and it enhances government legitimacy by delivering effective services through the government.

#### SUSTAINABILITY THROUGH FOUNDATIONAL INVESTMENTS

Going forward, our assistance strategy places primary emphasis on enabling a sustainable and lasting transition by investing in priority sectors that will lay the foundation for long-term growth, helping Afghanistan sufficiently develop its economy and governance to prevent it from again becoming a safe haven for terrorists.

Recognizing that the financial and human resources available to USAID for Afghanistan will decrease as the transition proceeds, we are increasing the focus in our portfolio on those sectors that can serve as a bulwark against economic and political instability. These foundational investments are intended to shore up the Afghan economy in the face of sharp decreases in wartime spending, lay the groundwork for sustainable economic growth, and boost Afghan capacity to govern effectively and raise revenue for fiscal sustainability. They will complement the more traditional investments in development, such as in health and education, and in stabilization that we will continue to support.

Foundational investments require some combination of substantial up-front financing, concentrated technical expertise, and sustained political engagement on the part of the United States. Foundational investments also exploit synergies created by our current civ-mil presence in Afghanistan. For example, foundational investments in the energy sector are required to unlock Afghanistan’s most promising near-term and long-term economic growth drivers: agriculture and extractive industries. Given the current security situation, expanding the national power grid would not be possible without the willingness of our military colleagues to work hand-in-glove with us and our Afghan partners. Similarly, expanding Afghanistan’s nascent mobile financial services sector—which will increase transparency in Afghan payment systems and dramatically broaden financial inclusion—requires little U.S. funding but intensive advocacy with Afghan officials and cooperation with private sector partners. USAID’s foundational investments will focus on economic growth (agriculture, extractive industries, financial inclusion through technology); infrastructure (energy, water); and human capacity development (higher education, vocational skills training).

Perhaps most importantly, our investments need to be sustainable. To this end, the USAID Administrator recently issued our Sustainability Guidance for Afghanistan. This guidance aims to ensure that USAID’s resources—our people, time, and budget—are closely aligned with both U.S. and Afghan national interests. To con-

firm that our work is focused on achieving the U.S. and Afghan immediate objective of transition, and to ensure that the impact of our work is sustainable and durable beyond 2014, we are examining our programs to ensure that each meets three key principles: (1) increases Afghan ownership and capacity, (2) contributes to stability and confidence, and (3) is effective both programmatically and cost-wise.

We are currently reviewing all of our projects through a lens of sustainability. Based on this analysis, USAID is calibrating its portfolio, and we are making tough choices to end or modify projects that don't meet the new standards.

#### *Economic Growth*

Economic growth and jobs will lead to greater stability and help increase the government's own revenues thereby lessening, over the years, the Afghan Government's reliance on donor assistance. Boosting the agricultural sector, in which 80 percent of the population participates, is the most promising means of sustaining reliable employment and enhancing economic security for the greatest number of people. Pending availability of appropriations, USAID intends to allocate over \$1 billion of its Afghanistan assistance program over the next 5 years for agricultural and alternative development programs to increase food security, the production of high-value crops, and the capacity of the government and the private sector to support agriculture and agribusiness.

Afghanistan is also rich in untapped mineral and hydrocarbon resources, with some of the world's largest undeveloped reserves of copper and iron. With USAID, the efforts of the Task Force for Business and Stability Operations, and other donor support, diverse mineral sites throughout the country will continue to be developed to generate increased incomes, public sector revenues, and employment. Our near-term objective in the mining sector is to help Afghanistan develop its technical capacity and infrastructure to manage these resources and to meet international standards in transparency, regulations, royalties and government oversight. This will help lay the groundwork for private investment in the mining sector, generating a large and growing source of public revenue for Afghanistan's robust development beyond 2014. Our investments in transport and energy infrastructure will serve as key enablers of the growth of the primary drivers of the Afghan economy going forward: agriculture, extractives, and trade.

#### *Energy*

Asia Foundation surveys of the Afghan people reveal that access to electricity is one of their highest priorities. The lack of electricity reduces economic and social development opportunities and feeds perceptions that the government has not been responsive to the needs of its people. Since 2002, an annual 20-percent increase in electricity supply has helped fuel an average annual 10 percent GDP growth rate. Because of the power sector's critical importance to economic growth, a key component of our work is building Afghan capacity in the power sector and supporting power sector reform.

Developing a national energy grid and accompanying infrastructure is accelerating investment in mining and agriculture, fueling private growth and productivity, and facilitating value chain development. USAID investments will provide electricity to more than 3 million people, serving over 50 percent of the population in urban centers along the ring road in eastern Afghanistan.

Our three integrated efforts include: building transmission infrastructure to bring additional power to Kabul and the south; improving energy security by increasing domestic power generation; and developing the energy utility, DABS, that will fund and maintain the energy infrastructure through revenue collection and capacity development.

#### *Human Capacity Development*

A skilled workforce capable of servicing the needs of a rapidly growing and diverse economy is a cornerstone of any country's sustainable development. USAID's foundational investments in human capital are increasingly being moved on-budget, and include vocational training as well as post-secondary education. These investments will result in cost savings compared with the cost of providing expatriate technical assistance—it costs an estimated four to five times less to work with and through the Ministry of Education and through the Ministry of Public Health than it does to import expatriate technical assistance. In addition to significant cost savings for the U.S. taxpayers, these investments will also contribute directly to the sustainability of these programs by building and reinforcing the capacity of the Afghan Government to manage such programs in the future.

USAID investments in human capital during the past decade have helped expand access to basic, secondary, and vocational education and increased literacy. Overall, increased levels of educational attainment will generate significant social and eco-

conomic returns over time and lead to improved prospects for employment, enhanced participation in democratic society, declines in fertility and improved health status.

Building on essential investments in basic education, over the next few years USAID will support secondary and post-secondary technical and vocational education and workforce development programs for young men and women to generate informed and skilled workers to support increased demand in government, business, and industry as the economy grows. With a large and growing youth population, training in vocational and productive skills is both a priority for long-term economic growth and also improves the employability of youth at high risk by providing them with marketable skills.

#### CONCLUSION

USAID plays a vital role in implementing the President's strategy for Afghanistan. We face significant challenges, but we're confident that our work is necessary and our goals achievable. As Secretary Clinton recently noted in testimony before this committee, USAID's entire budget over the last decade in Afghanistan is the equivalent of only 6 weeks of the cost of our military presence in Afghanistan. The civilian portion of our assistance is not only a vital component to our overall objectives, but one that can provide significant cost savings as the military begins to drawdown. Civilian assistance to Afghanistan is needed to help build peace as our troops come home. We owe it to the Afghan people, and we owe it to the American men and women who have made great sacrifices to help Afghanistan move toward a secure and prosperous future.

As President Obama stated in June "we're helping Afghanistan move away from an economy shaped by war to one that can sustain a lasting peace."

When I arrived in Afghanistan 18 years ago, it was a collection of warring fiefdoms—no government, no economy, millions of refugees—and a perfect breeding ground for violent extremism. Today—through the efforts of our Nation and our Afghan and international partners—we have lifted Afghanistan far from that desolation, and increased the security of our home and our allies in the process. This effort is far from finished, and our commitment to an effective, accountable, and sustainable mission is resolute.

Senator CARDIN. Mr. Thier, thank you for your testimony.

Let me start by expressing my appreciation, and I think the appreciation of all the Members of the Senate, for the dedicated public servants who have been working in Afghanistan on the civilian side to rebuild that nation. It's at great risk, sacrifice, and they do it because they want to make a difference, and I hope we first want to express our appreciation for all those who have put themselves at risk in order to try to provide stability in that region of the world.

We clearly have made a difference, and I very much want to acknowledge that up front. I also want to acknowledge that a good part of our assistance has come through the Department of Defense, which we don't have a representative here today, and many of the reports about moneys going to the insurgents have been coming from—the source was more likely the Department of Defense than it was the funds that are administered by the two witnesses we have here today. I just want to also at least acknowledge that point.

But I want to start out with the macrochallenge we have here about sustainability that we talk about frequently. The reports indicate, as I said in my opening statement, that less than 10 percent of the economy of Afghanistan is generated internally, that the overwhelming majority of their economy is based upon the war economy, based upon international activities, and not about domestic local production.

When I take a look at the amount of funds that the United States is providing, the overwhelming amount of that goes into security. That's the largest single part of the pie. After security does

come economic development, but it's a much smaller piece. And then we look at humanitarian assistance, counternarcotics, et cetera.

How do we transition to a domestic economy that's sustainable if we have to maintain that type of allocation of assistance? Can we really develop a sustainable economy in the timeframe that the President has laid out as we're starting to drawdown our troops, with the type of investments that are currently being made in Afghanistan?

Mr. FELDMAN. Thank you, Senator. I'll start with that answer and then let Alex conclude.

On the broader piece of this, the sustainable piece, you're absolutely right. And this is the issue that we've all been grappling with. This is exactly what was behind the vision that, as I referenced in my opening statement, the Secretary laid out of the New Silk Road. That's not looking at particular projects. It's not looking at specific initiatives. It's the vision that as we seek some sort of reconciliation, reintegration, that we can lay out for the Afghan people to say, this is what you can buy into; you can buy into an economic web that is more integrated, more part of the broader region.

We've been saying it's the vision of a safe, stable, prosperous Afghanistan within a safe, stable, prosperous region. Through our series of big conferences, ministerials, in the coming months, and particularly concluding at the Bonn conference, almost 10 years after the initial Bonn conference in December, that's exactly what we're seeking. We're looking for some sort of political assurances from the region, neighbors, and near neighbors to Afghanistan, ideally a consultative mechanism to accompany those, but even perhaps more importantly, having the Afghans themselves lay out what this broader vision would be of sustainability, whether it's dependent on the extractive industries, building the infrastructure for that, on continued agriculture for jobs, on building sustainability and capacity within ministries, on continuing to build the infrastructure so that the Afghan Government can deliver for its own people.

Senator CARDIN. The way you said it is exactly right. They have to have a game plan that can replace an economy so that there's stability in their country, frankly. But the clock is ticking. The President's timeframe, which may or may not be accelerated, there's certainly an interest here to try to advance that timeframe. We're still talking about coming up with that plan. It seems to me the Afghan Government needs to be implementing that plan.

Mr. Thier.

Mr. THIER. Let me address your question at two levels. When we talk about sustainability, there's the big question is, does Afghanistan have a viable economy that can support its state and some of the infrastructure and the civil service that we've built for it. Then there's the smaller question about whether our specific investments have sustainability built into them.

On the broader question, we have been very, very focused on this concern because of the decrease in our assistance, the decrease in international assistance. I've made four trips to Afghanistan in this calendar year, and they have all been very focused on this ques-

tion. We are working with the World Bank to answer the question of how much does the Afghan state cost and what path is their economy on? In other words, what proportion of that cost are they going to be able to carry?

And if it turns out, as we all know it will, that the proportion is lower than what the state costs, then how are we going to bridge that difference, and how are we going to bridge it in a way that doesn't cause instability.

Senator CARDIN. What's the timeframe for this?

Mr. THIER. Well, the timeframe, the immediate timeframe, is that we are really working very intensively toward the end of this year, in part because of the Bonn process, to examine exactly what that state costs and to put programs in place that we think are going to be generating an increase in revenue.

So there's two things we can do. We can decrease the cost of the Afghan state and/or we can increase the revenues that the Afghans are drawing so that they'll be able to pay. We're trying to do both at the same time to meet the approaching deadline.

Senator CARDIN. Will you have by the end of the year a game plan as to what type of industries within Afghanistan will meet those revenues that you're suggesting?

Mr. THIER. Absolutely. Let me just give you an example. In the agriculture industry, agriculture makes up about 75 percent of Afghan employment and gross domestic product. It is the agriculture industry that in the near term is going to provide the greatest potential for increased employment and revenue generation in Afghanistan. So we are looking very intensively at a number of initiatives in terms of increasing agricultural yield, increasing market access, increasing trade, that are going to generate those livelihoods and generate those revenues for the Government of Afghanistan.

In the longer term, we're of course looking at things like broader regional trade and mineral resources development. But that's, frankly, not going to impact the next 3 or 4 years in terms of revenues to the state. At the same time, what we're doing is making sure that those investments that the Afghans have gotten from our investment and other members of the international community are going to be sustained. So we are looking intensively at things like the energy sector, where there is starting to be some investment. We've spent the last 2 years building an Afghan utility that has grown, so that the \$175 million subsidy that they required from the Afghan Government 2 years ago has now fallen by 80 percent, so that by collecting revenues from people who are getting energy they will be able to sustain their energy sector.

Senator CARDIN. I think you've raised a very valid point about sustainability of the Afghan economy and sustainability of our projects. We need accountability on sustainability of our projects, and I think what you're raising on the energy sector is exactly on target. I'm going to ask that you make available to this committee the details that you expect to have by the end of this year as to the blueprint for sustainability of the Afghan economy, as specific as is available. I'm very interested as to where they see their short-term, long-term economy from sectors and where they expect to make that type of progress.

You mentioned agriculture, and I just point out, it's a real challenge if you don't have land reform, it's a real challenge if they don't change their whole attitude toward women, as to how an agriculture sector could be productive for that type of economy. So they have a long way to go in regards to agriculture and women if it's going to be a sustainable type of growth that they should have in their country.

We'll come back to some of these points, but let me turn it over to Senator Corker and we'll follow up on some of these points.

Senator CORKER. Go ahead and finish up.

Senator CARDIN. Well, OK, let me just finish up this one point, then. Is it reasonable to expect that we could get that type of information by the end of this year?

Mr. THIER. Well, yes, that's something that we're all working on. But I think the most important piece of this, obviously, is that this is an Afghan-led process. So we're working very closely with the Afghans on developing exactly what this is. So there's a role for the Afghans in prioritizing. Many of the things which we've talked about as part of this broader, New Silk Road vision are drawn from the Afghan national development strategy, from their own stated priorities over many years.

Second of all, it's involving the rest of the international community, other donors, and particularly the multilateral institutions. So we're working with the World Bank, and we're working with other donors very, very closely. A number of those meetings are going on even in the next few weeks, and I think you'll start to see much more specific talk about this and then the Afghans really taking ownership of where this plan will go. But it's a very collaborative process.

Senator CARDIN. I'll take that as a yes, you'll have the information by the end of the year.

[The information referred to above was not available when this hearing went to press.]

Senator CARDIN. I just point out again, I understand it's an Afghan process. The United States taxpayer has been asked to be a partner here, and I can tell you, if this was a business venture and if you don't have a good plan partners walk away. So I think we obviously want to be a partner, but we don't want to be part of a process that's not going to lead to a productive conclusion. So we have a responsibility to make sure there is a game plan there for a sustainable economy based upon the types of reforms necessary to achieve a growing economy.

Senator Corker.

Senator CORKER. Thank you, Mr. Chairman.

Thank you both for your testimony and I'll second what the chairman said. I appreciate your service to our country and what you do, which brings me to—I've been in the Senate 4 years and 7 months and it seems like every so often our reasons for being in Afghanistan evolve to a different reason. I know that has to wreak havoc on what people are doing on the ground there.

The most recent I guess description of how we want to leave Afghanistan is "good enough." It's fairly abstract. I just wonder if—I talked to Mr. Thier about this yesterday, but has there in the State Department crept in thoughts of, look, what we're really try-

ing to do is cause this place to hang together for a couple of years after we leave, so we can at least say for a period of time we've been successful?

I'm wondering if that has affected—has that thought process been discussed any in the State Department, and if that kind of “good enough” thinking affects what you're doing on a daily basis. Mr. Feldman?

Mr. FELDMAN. I appreciate the question, Senator. I think the goals have actually been extremely consistent over the years. The way in which we address those goals, and, as I noted in my opening statement and as the President and the Secretary have said many times, it remains to disrupt, dismantle, and defeat al-Qaeda and prevent its return. Obviously, there have been some great successes.

But our goal is still for Afghanistan's sovereignty and territorial integrity to be assured and sustained by Afghan forces in the lead, and that we will continue to support that. We obviously still see a very distinct national security interest in the region as a whole—2 billion people with 2 nuclear-armed nations—and we have to ensure that we have that stability.

Our specific interest is the same in terms of defeating al-Qaeda. The military operation with counterinsurgency has been quite successful. As we are transitioning to the transition phase of this, we are looking at a different role for the civilian surge. It's hand in hand. These things must all go together, civilian, military, and diplomatic. So the mechanisms to the goals have shifted as the battleground has shifted, but the goals remain the same.

Senator CORKER. I'm not sure I understood. Let me go a different level. We talked about the budget, and I guess the ability of the country to sustain itself. I suppose one of the big components is just the payment of paying for the Afghan National Police and military. I think the budget authority, last I saw in Afghanistan, was about \$1.3 billion. I think it's risen slightly. But what is that budget authority today? Their ability to carry out a budget is what in Afghanistan, what level?

Mr. FELDMAN. I believe the Afghan Government's revenues are about \$1.5 billion.

Senator CORKER. \$1.5 billion now. So it's grown a little bit. So I guess you'd have to have a little over five times that in income to the government just to sustain the military and the police that will be left after we leave; is that correct?

Mr. FELDMAN. If we are striving for Afghan National Security Forces of around 350,000 to 370,000, yes, the estimates are anywhere between \$6 to \$10 billion.

Senator CORKER. So that being the case, when you account for this sustainability that Mr. Thier was referring to are you taking those kinds of things into account?

Mr. FELDMAN. Of course. I mean, the only way that we can ultimately drawdown American troops is that if the Afghan security forces themselves are stood up and capable of doing this. That includes being able to do the training and everything else that that money helps to ensure.

The goal is, first of all, that if we have some sort of political-diplomatic resolution that perhaps you may not need as many of those

Afghan National Security Forces. There's the recognition that countries as they begin to drawdown will hopefully recognize their own savings and start contributing to funds to help ensure that the security is there. That's in part why we and NATO are designing these longer term strategic partnership relationships, which are defining what we will do over the course beyond 2014.

And last, we're trying to build over the long term the Afghan economy itself so they can ultimately support these costs themselves. The economy obviously is growing year by year. Whenever it gets to a point that—

Senator CORKER. I would say in your lifetime it would be very difficult for them to have the budget ability just to carry out the security piece, right? So that's a pretty awesome goal that you have.

Mr. FELDMAN. Well, it's dependent, of course, on whether that number stays that amount, and then how much we can do on developing the economy over the next decade or two.

Senator CORKER. So we talked extensively with a gentleman who had just come from there. I think he's pretty respected. I guess the question of the Afghan police—you can only have an effective justice system if there's actually a justice system, meaning that you have police who enforce the laws. My guess is in Afghanistan they're going to be not what we would hope to have on the streets of Washington, DC.

Then if you have a justice system that just doesn't operate at all, which apparently is the way it is right now in Afghanistan, how does that work together, where you have a trained police force, but you don't have any ability to judge whether people are innocent or not innocent after they've been apprehended?

Mr. FELDMAN. There are several different pieces, obviously, rolled into that question. On the issue of the ANP as well as the army, I actually think we've made very—

Senator CORKER. I understand I don't think they're ever going to be of a very high level, from what I've seen on the ground. But back to the justice piece, so they're probably not infallible. So since we haven't really been able to make much headway, if any, as it relates to a real justice system there, how do you deal with that, getting back to some of the issues that Mr. Cardin was raising regarding human rights and that kind of thing?

Mr. FELDMAN. Well, first of all, I think you have to look at what the baseline is, what the starting point is. For that alone, I think we have made great strides. No, we're not seeking a police force on parity of Washington, DC. But the fact that we have now incorporated—

Senator CORKER. That might not be the right level, by the way.

Mr. FELDMAN. Or any other city here in America.

But the fact that we have now incorporated literacy training, the fact that there's much more continuity, the fact that we've addressed salary issues, all these have gone to the fact that there is a much more professional force.

Broader justice issues are also incredibly complex, obviously, and there's been some headway, but again I think you have to look at the baseline. I think issues of prison reform have been quite suc-



cessful. I think there have been some pilot programs on rule of law, which Alex and others can talk about a little bit more.

So there has been some headway, but there's much more to do. And you're obviously talking about things that could be generational in terms of how quickly they change, and we're doing the best we can with the resources we have to stand up a sovereign entity.

Senator CORKER. But you would agree just that if you have a police force and you don't really have any system of adjudication or anything like that, it's kind of problematic? I do think that that's an area that there's been like almost no real progress in. Would you agree with that?

Mr. FELDMAN. I would say that there's two different mechanisms here. There's a formal justice system and there's a more informal system.

Senator CORKER. But the informal system is hard to use with the police force, right? I understand about the informal, elder system that occurs, but typically that's not going to involve the Afghan police, is that correct?

Mr. FELDMAN. I think that's correct, but we can certainly get you more detail.

[The information referred to above was not available when this went to press.]

Senator CORKER. I know my time's almost up, or maybe it is. But we talk about the coordination and sustainability issues. How do you feel about the CERP funding then? It's pretty amazing. Our men and women in uniform are my heroes, and I think they're probably yours, too, and I hold them on a pedestal. But at the same time, a lieutenant colonel I guess can spend 200 grand without talking to anybody, and millions and millions and millions are being spent in that fashion.

How does the CERP funding relate to all these other things you're talking about? Basically, you're the mayor, you're the everything when you're in that position with CERP funding. How does that tie to what you're doing and how do you measure the sustainability of what our military is actually spending on civilian activities?

Mr. THIER. Let me say one thing about that. Having been working on this over the last 10 years, I think it's really important to note how far we have come in making what we call civ-mil, the civil-military relationship, a real partnership from where it was a decade ago. It used to be that people were doing separate things, and we would kind of share information. Today it is much more integrated.

So the good news in terms of what you're asking is that our folks, our development folks, our State Department folks, our Department of Agriculture folks, are sitting at the same platforms with our military folks, and there is much less of a distinction in terms of these funds. If there's an important project to fund, then people sit around the table and decide how to go about and do that.

Although I can't speak to the evaluation—that's not something that we do—of CERP programs. We evaluate our own programs. But I have really noticed a dramatic increase in the extent to which we are working together to make sure that those funds that

are coming in, whether civilian or military, are being used in a way to further our combined objectives in the area.

Mr. FELDMAN. Both in the field and in Washington.

Mr. THIER. Yes.

Senator CORKER. Mr. Chairman, thank you. I appreciate it.

I would say to Mr. Feldman in closing, the international community I don't think is quite as impressed with prison reforms as you are, based on recent reports we've seen. It might be something you could look at a little bit.

I thank you both for your testimony.

Senator CARDIN. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

I want to follow up on Chairman Cardin's line of questioning because I think it leads to the question of not only right sizing the development footprint, but the integrity of the development footprint and the fiduciary responsibility we have to the taxpayers of this country.

I am very concerned about the lack of coordination and accountability for United States funds expended on Afghan reconstruction and development. In addition to reports about the inability of the United States to oversee these projects, account for project expenditures, and limit funding to sustainable projects, the most recent SIGAR report indicates that United States assistance may be making its way into the hands of Afghan insurgents. I am incredulous that at the end of the day, United States taxpayer dollars go to the very people we're trying to defeat.

I recognize the difficult environment in which United States civilian and military personnel and contractors are operating, but since 2002 the United States has spent \$18.8 billion on Afghan development and reconstruction and another \$3 billion on CERP. And SIGAR has repeatedly flagged lack of oversight and sustainability in both programs.

So it seems to me that the parameters for providing any civilian or military assistance should be that the project funded is necessary, achievable, and sustainable. For me the mere expenditure of funds is not a measurement of success. I am concerned enough about the issue of SIGAR that I'm circulating a letter to Secretaries Panetta and Clinton on it.

I'd like to know, how does the Department and the Agency intend to integrate SIGAR's recommendation into project oversight?

Mr. THIER. Let me say, thank you for your question. I am equally concerned about the issues that you raise, and in fact one of the reasons I took this job was to make sure that precisely what you outline is actually coming to fruition, that we are spending our money responsibly and that it's achieving the results that it needs to and that it's doing so sustainably.

We have taken some pretty dramatic steps in the last year to get at some of the very concerns that you raise. When we developed the Accountable Assistance for Afghanistan Initiative last fall, it was really targeted at several of the points that you've raised. First of all, vetting. We believe that it is critical that we know where our money is going down to the last subcontractor level and who those people are. So we have taken steps that had not been taken previously by the Agency: (a) to demand that information from our

contractors and, (b) to put all of those subcontractors into a vetting process that includes information from multiple sources, including intelligence sources, so that we can make sure that our money is not being misdirected and certainly that it is not going to insurgents.

We have already, having put this process in place, vetted thousands of individuals and hundreds of subcontractors, and some have been cut out of the system. Those that we have found derogatory information about have been precluded from receiving U.S. assistance.

Another way that we get at this problem is by overall limiting the number of subcontractors that we have. When there are multiple subcontractors we lose oversight, we lose privity of contract, and that makes it much more difficult for us to demand full accountability. So we are putting clauses into our new agreements that limit the number of subcontracts and increase the percentage of work that all prime contractors or grant recipients must do themselves, again for precisely these reasons, because we don't want the money to be misused, and we don't want it going into places, frankly, that we can't see.

The third thing that we've done is that we have tripled overall the number of staff that we have on the ground in Afghanistan who are there to see projects every day, and we have also specifically tripled the number of contract oversight staff that we have. Some of the reports that you allude to and others over the last several years have consistently noted that the lack of enough specific oversight staff has led to an inability to be able to effectively monitor.

We took that on board and have tripled the number of staff and are going to again double them over the next year, for precisely this reason, because we need to have the staff in place on the ground in Afghanistan, not sitting in Washington or in Bangkok, who can watch where those dollars are going.

By building in these multiple layers of accountability, we believe that we are responding to the types of concerns that have been raised in the past and are going to do a much more effective job of accountability going forward.

Senator MENENDEZ. So when you have this all in place, the next SIGAR report is unlikely to reflect most of these concerns?

Mr. THIER. All we can do is try our hardest to improve our record. I think that we can already demonstrate real progress over the last year and will continue to do so.

Senator MENENDEZ. If you could, submit to the committee—SIGAR had a series of recommendations, and you've referred to some of the actions you've taken. If you could submit to the committee which of those have been implemented, are in the process of being implemented, and which you dispute, I'd appreciate that.

Mr. THIER. I would be happy to do so.

[The information referred to above was not available when this went to press.]

Senator MENENDEZ. Second, on Tuesday, Norway announced that it is freezing aid payments of \$55 million to Afghanistan until issues surrounding the collapse of the country's biggest private lender, Kabul Bank, are resolved. The Norwegian Foreign Minister

indicated that good governance was a priority for Norway and a major obstacle in providing aid.

The IMF has also withheld a scheduled payment of \$70 million from the World Bank-administered Afghan Reconstruction Trust Fund for similar reasons. The CIGAR report stated that the lack of cooperation by Afghan ministries and the central bank has limited the oversight of U.S. funds flowing through the Afghan economy.

Can you comment on Afghan cooperation and whether this issue has been addressed with President Karzai and senior Afghan leaders?

Mr. FELDMAN. I can assure you, Senator, that this issue is raised very, very frequently with President Karzai and with senior Afghan leaders.

Senator MENENDEZ. What was the response?

Mr. FELDMAN. We have laid out a series of things that we would like to see in support of the IMF statement, to restart the IMF program, including prosecutions, recapitalization of the bank, forensic or particular types of auditing, and recapturing some of the lost assets.

There has been some movement on some. There's a lot of evaluation and this is something that's at the core of our bilateral relationship right now and our multilateral relationship with other donors.

Regarding that particular report, we actually did reach out to the Government of Norway when we saw it. I don't think that there's anything new there. There's a series of governments, including Norway, which have decided with us several months ago to not allow any—to seek to push for the IMF program to be restarted, and we have kind of all agreed on this together. We'll have to—there's an Afghan Reconstruction Trust Fund board meeting, quarterly board meeting, next week and this is continuing the process of evaluation. But we work very closely with Norway and the other donors on this.

Senator MENENDEZ. Mr. Chairman, I appreciate the evaluation process. What concerns me is that if others who are engaged do the same as the IMF and Norway have in holding back funds, we will be left on our own to face the challenges that I just discussed with Mr. Thier. We need other countries and entities like the IMF to be engaged.

That doesn't seem to stop us from continuing our funding, even though accountability questions exist. So it gives some of us, who have been supportive of providing resources, real concerns about how we continue to be supportive when there are issues with the Government of Afghanistan and problems with attaining the type of accountability and transparency that we want.

So I look forward to hearing the result of that conversation. It's great to bring it up to President Karzai. I'd like to see what his actions will be, so that we might understand whether or not we should continue to have faith and confidence as we move forward.

Mr. THIER. Senator, could I just add one thing to what my colleague just said, just to emphasize, because I think this is where your question was going. You should rest assured that the United States has actually been the most stringent of all the donors in de-

manding results on Kabul Bank, and in fact we have not made certain payments to the Afghan Government in anticipation of that.

So it's not as though there are donors, the Norwegians or others, who are ahead of us in demanding this level of accountability. We have done the same quite vigorously.

Senator MENENDEZ. Then I'd appreciate knowing what we've withheld, the dollars amount, to understand whether that's a serious enough message to the Afghan Government.

Thank you, Mr. Chairman.

Senator CARDIN. Senator Udall.

Senator UDALL. Thank you, Chairman Cardin.

I also echo what others have said. We very much appreciate your service and appreciate the hard work that you're putting in. But I, like others that have questioned, have some real doubts about the aid and about the corruption and about the problems that Afghanistan is facing.

On Tuesday the BBC first reported that NATO forces have suspended the transfer of detainees to at least eight Afghan-run prisons after a U.N. report set to be released this week revealed—and this is the quote—“commonplace and systematic torture and other abuse” at the facilities.

What kind of aid did we put into the process? We were talking earlier about the justice system, and there were questions about the justice system. I assume that these facilities were first run by us, and then there was an aid-and-development process to turn them over to them, with extensive consultation and dollars put in place. Now what we're seeing is that they aren't capable of running these.

What can you tell us about this U.N. report and where we're headed on what's happening to detainees in Afghanistan and these prisons and the holdup of detainees going in?

Mr. FELDMAN. Well, I can tell you what I know about it, which obviously this is still being played out. We're obviously aware that the U.N. is working on this report, and the United States also, obviously, takes all allegations of human rights abuses extremely seriously and is very committed to protecting the safety and dignity of people all over the world.

We encourage and support any action by the Afghan Government to investigate these allegations of human rights abuses, hold those people—

Senator UDALL. Are they investigating? The Afghan Government, are they investigating these abuses?

Mr. FELDMAN. This is all as of the last few days, but my understanding is yes, that that has already started. And because the report is not yet public, I can't say too much more about that. And DOD would have to answer specific questions about transfer from ISAF.

But it does allow me to go back to the previous point I made to Senator Corker, where the prison reform I was talking about was actually the infrastructural improvements themselves, and obviously some of what we had done there in terms of the categorization, the advice and training on categorization of prisoners and things like that, in an effort to deradicalize, has been quite successful.

So there are pieces of it—and there's also a variety of different types of prison systems. There's the DOD versus DOJ equivalent of prisons, whose transferring to what. So it's a more complex issue than just that. But yes, we have raised these issues, as has the rest of the international community, and the Afghans are looking into this straight away.

Senator UDALL. These were facilities that were run by ISAF originally, these eight Afghan-run prisons now?

Mr. FELDMAN. I think I would have to defer until the actual report is out, which talks in more detail about that. I'm sorry, Senator.

Senator UDALL. Well, when the report comes out I hope that you'll update our committee on the questions I've asked and anything else that you would like to include.

Mr. FELDMAN. Of course.

Senator UDALL. I wanted to follow up on some of the questions that were asked earlier about the Afghan economy and then what's happened since our intervention. I think the figure was used that 10 percent of the economy is really generated internally, and so that 90 percent is from the outside, from the United States and from all of this aid from our military efforts.

It seems to me that we built this very, very war-heavy economy within Afghanistan if they're only generating a very small part, and I assume most of that is from agriculture, because this is a very tribal society. I think the per capita income is a couple of hundred dollars a year. These are people that are living on the land, except in several of the larger cities, that are just eking out a living.

What were the things before we got in there that they were doing that we're trying to complement at the local level? It seems to me when we talk about sustainability, what's really important with sustainability is helping them do the things they were doing well before we got there and trying to build upon those.

So could you talk a little bit about that, both of you, and how much our aid right now is trying to build upon the things that were the basis of their economy?

Mr. FELDMAN. Let me just say a few words by introduction, and then I'll let Alex talk about kind of more of the specifics. But my former boss, Ambassador Holbrooke, was fond of saying that agriculture was the most important nonsecurity initiative that we had in Afghanistan. So, given that 75, 80 percent of the country is rooted in the agriculture industry, the fact that we poured a huge amount of effort in, as we talk about the civilian surge, it's very important to note that our USDA colleagues went from someplace around 15 or 16 in country to about 60 at this point, complemented by another 25 or so USAID agriculture experts.

So connecting farmers to market, providing seeds, reinvigorating the agricultural industry, pomegranates, which are now being exported to Dubai, raisins, a range of other things, has been a big focus of the capacity-building and the sustainability piece.

Some of it obviously was also—there is a stabilization aspect to it, which is in sustainable cash-for-work programs and other aspects. But it was based on continuing to grow and reinvigorate this industry.

But it gets to Senator Corker's question as well in terms of what ultimately is going to provide the type of revenue to support the national security forces and the range of other things. That's not going to come ultimately from agriculture. So it's got to be complemented over the longer term with some of these other issues in extractives and energy and elsewhere.

That is why we're trying to meld those pieces together for what will take us through a short to medium term to what may ultimately hopefully be much more sustainable over the longer term.

Mr. THIER. Let me say, first of all, our understanding of the Afghan economy is that Afghanistan's gross domestic product right now is around \$16 billion a year. We only estimate that probably \$2 to \$3 billion is actually due to local spending in the economy. There is a roughly equivalent amount of money that's coming from the international community to support the Afghan economy. But overall I think that the figure that the Afghan—that domestic product represents of the economy is probably closer to something like 50 percent of the aggregate of economic activity in Afghanistan.

But specifically to your question, you are exactly right. What we need to be doing in Afghanistan is emphasizing the things that Afghans can do, know how to do, traditionally have done, have the ability to do within their means.

The good example in agriculture is that in the 1970s before all of the crises that hit Afghanistan their biggest export was dried fruit and nuts. We have today, for the first time since that period, returned Afghanistan to that place by improving very simple things, like increasing crop yields, like having small-scale dehydration facilities so that they can take their crop and dry it and sell it abroad.

We have brought that industry back, not to where it was, but to being the largest export that Afghanistan has today. The point is just to underscore what you're saying, that if we're going to succeed in Afghanistan it's going to be to build on the traditional things that Afghans have done in the past and know how to do. I believe that that really is where our focus is in terms of the near-term economic generation, because that's proven again and again to be what works.

Senator UDALL. Thank you.

Sorry for, Senator Cardin, running over on that.

Senator CARDIN. Actually, I think you used less time than any of the rest of us.

Senator UDALL. I know Senator Corker wants to ask many questions, other questions.

Senator CARDIN. I want to ask a few more questions, but just clarify that math for me? You said—did you say 50 percent or 15 percent?

Mr. THIER. About 5–0, the best that we can discern.

Senator CARDIN. I don't understand your math. Maybe you can just help me quickly. I don't want to get bogged down. I thought you said \$3 billion was your estimate of their local consumption? You said \$15 billion is the revenues coming in?

Mr. THIER. Sorry, no. Gross domestic product for Afghanistan overall is about \$16 billion.

Senator CARDIN. \$16 billion, I mean.

Mr. THIER. About \$3 billion of that—local spending of international community, international forces in the Afghan economy is estimated to be in the 3 or so billion dollar figure.

Senator CARDIN. So you think the Afghans themselves are developing about \$8 billion?

Mr. THIER. No; probably more—including all agricultural output and everything, probably in the neighborhood of \$12 billion domestically produced economy.

Senator CARDIN. These are huge differences from what we're seeing here. So I'm going to ask that you again give us the details on that, and we'll come back to you with some questions as it relates to it, because that's a huge difference.

What we've been told is that it's somewhere between 90 to 97 percent is war economy.

So, if we could clarify that, that would be helpful.

Mr. THIER. We'd be happy to do that.

[The information referred to above was not available when this went to press.]

Senator CARDIN. I want to get to accountability for one moment. You had exchanges with just about every member of our committee on the accountability of these funds. You talked about A<sup>3</sup>, Accountable Assistance for Afghanistan, which was clearly a positive step. But let me just remind you, the report that came out from our committee, which was June of this year—the A<sup>3</sup> came out well before that—was critical on the accountability of the USAID funds. It said: "The United States Government relies heavily on contractors in Afghanistan. Multiple reports have raised alarms about the lack of robust oversight and accountability for multibillion dollar investments. USAID and the State Department have insufficient qualified contracting staff serving in Afghanistan to oversee a multibillion dollar portfolio."

You have talked and said, well, you've increased your staff, but this report's indicating the staff has a very high turnover, so you don't have the expertise and institutional memory in order to adequately oversight the accounts. The off-budget issues, the committee reported this approach can weaken the ability of the Afghan state to control resources, which can fuel corruption and has led to the creation of thousands of donor-driven projects without any plan for sustaining them.

This is June of this year, the report from our committee. And I'll have you respond. Then the Appropriations Committee included in its restrictions on the use of these funds that none of the funds may be appropriated unless you certify that the Government of Afghanistan is demonstrating a commitment to reduce corruption and improve governance, including, et cetera, and a whole list of things that are there, to support reconciliation and reintegration activities, only if Afghan women are participating at national, provincial, and local levels of government, et cetera.

It's a whole list here. Then I was told that a relatively summary response was sent to the committees this past week in regards to the concerns of Congress. These are major concerns we have. And we know you're making progress, but we have a responsibility to



get detailed information about changes that are being made to protect against U.S. taxpayer dollars being a source of corruption.

We're working in a country that is not known for its honesty of government and therefore it's challenging to make sure that our funds don't fuel a corrupt society. But that's our demand. We've had hearings in this committee where we've said: Look, we'll walk away from countries rather than support corruption. That's our policy.

So we have a responsibility to get details from you as to what steps you're taking in a very challenging environment to make sure that our funds are not being used to help finance any form of corruption, whether it's a local official taking bribes or whether it's someone just padding their pocket on the contract dollars that we're making available.

I don't know if we've gotten that detailed information, and I think you have a responsibility. We have a responsibility to make sure you supply it. I'm not yet satisfied we have as much information as we need.

Mr. FELDMAN. I would say in regard to the certification that you referenced, Senator, we did send up the certification on meeting certain guidelines, baselines, on corruption and on women's empowerment issues, which I hope was not perceived—this was sent up in early July, so I'm not sure if it's the same thing that you're referencing as earlier this week or not. But it was certainly not a summary response, because it was something that we worked on for quite a bit, and we would be happy to do any additional briefings on it, but which really sought to lay out where we thought there had been strides made and what we were able to accomplish.

On the gender issues, it looked at what had been accomplished, including references on women's rights by President Karzai and others, the goals that had been made on basic education and health, the incorporation of women into civil society. This is obviously something that Secretary Clinton and Ambassador Grossman and Ambassador Crocker all speak about quite a bit, and we would be happy to do a briefing particularly on that.

On corruption, the certification focused on a few key organs. I think again there's at least two pieces of the corruption here. Obviously, corruption is a fundamental challenge in a society like Afghanistan, and I think you have to look at again what the baseline is. We've been working closely with Afghanistan to try to continue to strengthen bodies like the High Office of Oversight, the adoption of subnational governance policies, continuing structural reform. Much, much more has to be done, but we are there working on it every day.

In terms of the USG money, I think that there have been great strides over the course of the last year or 2 on the interagency piece of this, the coordination between the civilian and military sides, particularly on such things as the formation of Task Force 2010.

Then within that are the kind of general accountability and oversight mechanisms like A<sup>3</sup> that Alex laid out. So this is something that we recognize the great burden that we have with U.S. taxpayer money, and we are doing everything that we can to control that and have the appropriate levels of oversight to prevent that

corruption, but recognizing that in the circumstances that we're operating it's impossible to get to 100 percent of that.

Senator CARDIN. Staff turnover?

Mr. THIER. Let me say something about that. We have tried to address the concern that you're raising in two different ways. One is by actually really increasing the number of oversight staff we have, period, which was necessary.

The second is dealing with the problem of rapid staff turnover. We've done two things. One is that we have moved to encouraging and offering 2-year tours, which is up from 1 year and so it's a dramatic improvement.

Senator CARDIN. How many of these contract officers are 2-year assignments?

Mr. THIER. We'll have to get that answer to you. I don't know that off the top of my head.

[The information referred to above was not available when this went to press.]

Mr. THIER. The other thing that we've done this year is, taking a cue from our military colleagues, we have started what we call the AFPAK Hands Program, where we take people who have done a year or 2 of service in country, we bring them back to serve in Washington working on Afghanistan and Pakistan, and then their commitment is to go out for a second tour.

I can tell you, as somebody who has worked on the region on and off for the last 18 years, that it is a place where relationships matter, where an understanding of the culture matters, and I agree fully with the premise of your question. We need to have staff who know what they're doing, who have familiarity with the context, in order to be able to do their jobs effectively. We are looking at multiple ways, both the State Department and USAID, to increase the length of time that our staff spend in these environments, despite the hardships that they face in doing so, in order to be more effective.

Senator CARDIN. Well, if you would give us the length of time that the staff is there, that would be helpful for us to analyze, because numbers are important; experience is invaluable. You are dealing with a long-term problem of corruption in their society, and without experience of having to deal with this it's difficult to believe that a significant part of our funds are not going to corruption, and that is something that we will not tolerate. So I would appreciate as much information as you can get to us about turnover.

I couldn't agree with you more, 1 year is hardly enough to be able to understand the local community as it relates to overseeing contracts and making sure the money is going for its intended purpose.

One last question, and that is: Is there anything that you would like to see Congress do that could make your jobs a little bit easier, other than giving you a larger budget? I'm not talking about dollar amounts. Is there something we could do to help?

Mr. THIER. To be honest, Senator, I think we have an extremely constructive working relationship with Congress right now. We are here frequently briefing staffs, briefing members, talking to members before they head out on CODELs. I think it's just asking for

continued understanding and flexibility about what the needs are going to be, which at this point we can't necessarily determine. We'll have to see what the facts on the ground are like, conditions on the ground, a year from now. We'll have to see where the military campaign goes and then how that's supported on the civilian side.

But I think in these very difficult economic times here it obviously can seem easy to cut a piece of this, and the civilian piece might be important. I would just say, given, as you noted, the very small percentage that that represents of the overall amount spent, I think it's getting great value for that, and it's an integral part of the combined military and diplomatic effort.

Senator CARDIN. Thank you.

Senator CORKER.

Senator CORKER. Thank you, Mr. Chairman.

First of all, I want to again thank you for what you do. I think you sense some frustration here. We had a little off-line conversation a minute ago. I think we're in Afghanistan today, we're there because we're there. If the situation on the ground were there and our military wasn't, there's no way we'd send them in.

On the other hand, our presence there probably has created the positive developments that we've seen in Afghanistan. But it's very frustrating to all involved, and our frustrations, which I have many and I'm sure the chairman has many, are not a reflection of how we feel about individuals like you that are trying to carry out the work.

I will say to Mr. Thier the turnover issue can be solved within the U.S. Government, but we have about 40 percent of the activity on the ground taking place by other international players; is that correct? And they I don't think are engaging in the same type of tenure. We have people coming in for 8 months, making a name for themselves, changing what the last person did, and then the next person coming in to change what the person before them did. And there's not a lot we can do about the tenure of those from the international community, is there?

Mr. THIER. I think that contractually it's probably quite difficult to do. But I will note, having come from that community before serving here, that in fact it's often in those implementing partners where the people who have much longer term experience and association with the region do reside. So many of our implementing partners actually have people in place—of course, not to mention that Afghans make up the vast majority of the staff of all of our implementing partners—have a lot of experience in the region.

But it's something that we need to consistently encourage, because it only helps our effort.

Senator CORKER. So let's talk about the corruption issue, which I think is—we had a conversation with a gentleman yesterday at length about this. Is there something about the Afghan culture itself, the culture, that causes it to be a more corrupt culture than the culture we're used to here in America?

Mr. THIER. In my experience, Senator—and this goes for other countries I've worked in as well—there are not particularly cultures that are more or less susceptible to corruption. The problem is lack of institutions, lack of rule of law. There are many societies

that once previously experienced an enormous amount of corruption, were not democratic, and have made that transition, not because the men and women of that country suddenly became better, but because institutions were established that enforced the rule of law.

Ultimately, I believe that we've seen and in fact demonstrated in Afghanistan that that is possible. Some of our partners in Afghanistan, some of the institutions that we work with on a daily basis, like the Ministry of Rural Rehabilitation and Development, which implements the national solidarity program, or the Ministry of Public Health, have received funds from the international community for a number of years. They have made enormous impacts. They have good leaders, and they have not been cited for problems with corruption.

So it can work in Afghanistan, but it requires leadership, and it requires institutional development, and it's critical that we apply that metric more broadly to the other institutions in the country.

Senator CORKER. So that's consistent actually with what another, "noted" expert said yesterday, that culture itself is not the issue.

So let me ask another question. Obviously, there's huge amounts of money flowing in from us and other places. Like Senator Cardin, I would question the part of the Afghan GDP that's generated internally and the part that's coming in because there's a war there. I too would assume that much more of it is because of the money that is coming in because of the war activities and the rebuilding activities.

But do you think that it's our money, then? I know we talked about institutions, and I want to get back to that in just a second. But is the huge amounts of money that's coming into the country from us and other donor countries and involved countries, is that creating the environment also for additional large amounts of corruption?

Mr. THIER. I believe that in any country it is critical that the primary funding source for the government is derived from the revenue of its people. Building that connection between citizen and state is ultimately what creates accountability and the rule of law.

I think that our, the international community's, assistance is critical in diminishing corruption in Afghanistan, in the sense that it invests in institutions and training, so that corruption is reduced. But at the same time, it creates a dependency on assistance that will not be healthy in the long term for Afghanistan, which is why we all I think sit before you with an understanding that our inputs into the Afghan economy, our inputs into Afghanistan's budget, need to decline over the next years as the Afghans' ability to fund their own budget increases.

Ultimately, that link of accountability is going to be what will improve the rule of law and make Afghanistan's leaders more accountable to their people.

Senator CORKER. So my sense is—and I don't have near the evidence or stats that any of you have—I can feel it on the ground, that the huge amount of money that we are pouring in is highly distortive to their culture. I think many of the inputs, as you would describe them, have been very damaging to the Afghan people and to their culture.

Sitting down with tribal elders who are beginning to talk about nuclear reactors, I mean, craziness. Seriously, I think we have done tremendous harm to the people of Afghanistan with the huge amounts of United States dollars that have come into the country, and especially the way that they've come in. So both from a standpoint of just our own sustainability, but, candidly, what we've done to that culture ourselves to me has been highly destructive.

I know that people were doing all of that with good intentions, and I know this goes between two different administrations of two different parties. I'm not in any way being partisan with this. But I think that's true.

Now let's move just to the justice system then again. So you have a culture that on its own is not more corrupt than ours, I think is what you just said. You're going to be cutting back on the inputs, and I think we may be pushing you to cut back more than you may be talking about pushing back.

But I really do think, I go back to this justice system. We have a President that I don't think is trying to deal with corruption. We have a hospital that we turn over and the physicians and nurses are taking bribes to keep people from having—I won't even describe it, it's so grotesque what happens to these people in these hospitals.

I don't think we're dealing with a leadership group that wants to deal with corruption, and I absolutely know we've failed miserably at putting in place any kind of justice system that would allow corruption to be weeded out. Again, you can build an Afghan police and military, but if you don't have a justice system to sort of figure out whether someone committed a crime or not, you're just going to have tremendous corruption. It's going to expand, actually, because the police are not infallible, and certainly in many cases there are going to be bribes.

So I think it's a really depressing scenario, highly depressing. I think this whole nation-building effort that has been put on steroids, and now I know it's been weaned down per our conversations, but other administration officials have said the same—I think we have really fouled up, and I think we've done a lot of harm. I think the fact is that this economy is just—it's not going to be sustainable.

What's going to happen as we move away with our military and as we begin to sort of tone down the amount of inputs, there is going to be a major, major recession economically, major recession, because I think, like Senator Cardin, the number's a whole lot bigger as it relates to what we're placing into the country relative to their overall GDP than I think you just said.

So I think we've helped create a major, major problem in the country. I hope that smart people like you and maybe with some assistance from a lot of folks, maybe even us, we can figure out a way of withdrawing over time and doing so in an appropriate way.

Senator CARDIN. Thank you, Senator Corker.

Senator Udall.

Senator UDALL. Thank you, Chairman Cardin.

I just have one more question on this corruption issue. These figures come from the Commission on Wartime Contracting. I'm interested in whether or not you agree with them or not. We have an

insurgency which is very strong. We have made impacts with it, as Mr. Feldman has said, but our fellow committee member on Foreign Relations, Senator Casey, just returned and the number of IEDs is dramatically higher. So they're getting resources out of Pakistan, this fertilizer and everything, to build these IEDs.

This commission has said that the number one thing fueling the insurgency in terms of resources is the opium and the poppy and all of that. But the No. 2 is the dollars from the corruption, the dollars from U.S. aid and NATO aid and all the organizations around. Do you agree with that? This is an astounding issue, that if the insurgency is living off opium and then it's No. 2 is all the dollars that are flowing out of all the activity we've been talking about, that's something that's very worrisome. Do you agree with that? Do you dispute it? What are your numbers on this?

Mr. THIER. I certainly think that the CWC report as regards USAID or civilian assistance in Afghanistan does not attribute that charge to our assistance, that civilian assistance is one of the leading sources of that corruption. In fact, although the CWC report does focus on I think some important recommendations and some projects, many of them completed several years ago, there was not a significant percentage of our assistance in any way, shape or form that was indicted as being problematic or prone to corruption in that report.

I think we drew from this some important lessons and, frankly, the CWC process has been going on for some time, and we've been engaged in an ongoing dialogue with them. So very few of their conclusions or recommendations came as a surprise to us because we've been having this discussion with them.

But I haven't seen anything that characterizes corruption resulting from USAID civilian assistance as being anything that is a significant factor in fueling the insurgency. In fact, we've never found any direct evidence of any of our funding going to the insurgency and, although it remains a concern and why we put these safeguards and vetting programs in place, I certainly don't think that in any way, shape, or form it's fair to characterize that our assistance is a primary or even significant contributor to insurgent financing. I've never seen that before.

Senator UDALL. Mr. Feldman.

Mr. FELDMAN. Well, let me just say, on the fueling of the insurgency, you have to look at every input. The narcotics trade is clearly one of them, and that's why we have sought to make the strides in our counternarcotics policy, switching from eradication to interdiction, along with Afghan-led eradication programs, and we've seen a decline in opium production in the last few years.

It's in the flow of funds and that's why we've instituted a variety of reforms there over the past few years that help to track this terrorist financing. Of course, you have to look at all the money that's flowing into Afghanistan from multiple entities, from across the array of United States agencies, and again where the civilian assistance is a very small piece of that, to what the rest of the international donor community is doing.

We have sought to do everything we could do within our remit, within our jurisdiction, and we have continued to do much more on

the interagency side. And we've done much more on the international coordination side.

But again, with that amount of money flowing in and with the lack of the inherent institutions, yes, of course it's going to fuel it as one of several factors.

Senator UDALL. Thank you, Mr. Chairman.

Senator CARDIN. Thank you.

As I noted earlier, of course, DOD funds are also involved here, which we don't have before our committee.

Just to underscore what Senator Udall said, the report of our committee in June did point out that most United States aid to Afghanistan is off budget, meaning it doesn't go through the Afghan Government. This approach can weaken the ability of the Afghan state to control resources, which can fuel corruption.

Do you disagree with that finding?

Mr. THIER. No. In fact, we believe strongly that the amount of our civilian resources going through the Afghan Government needs to be increased, and in fact it has increased from 12 percent to 37 percent. But I do want to add a significant caveat, which is that we will not provide funding to any Afghan Government institutions without very stringent controls.

For example, one of the main ways in which we have funded the Afghan Government programs in the past is through the Afghanistan Reconstruction Trust Fund. That fund is a dual-key fund with the World Bank, so everything that's done is very heavily audited. We also conduct intensive examination of Afghan institutions that are going to be receiving United States resources to make sure that they have the appropriate accounting and other standards.

So while we have increased the amount of money on budget, which frankly is a real triple win because it increases the capacity of the Afghan Government, it often lessens the cost of programs, and at the end of the day increases the likely sustainability of the program, we have done that, but we also do so very deliberately so as not to risk any taxpayer resources in the process.

Senator CARDIN. What is your goal as to what percentage should go on budget?

Mr. THIER. We committed in Kabul at the Kabul conference 1 year ago in July 2010 with other donors to move toward a 50-percent funding level through the Afghan budget. That said, we will only reach that goal if we are convinced that the institutions have the absorptive capacity and the accountability to handle those funds. This year we're at 37 percent, and we'll continue to work towards that target.

Mr. FELDMAN. I completely concur with Alex on this, and actually I'm glad you raised this issue because I think it's a little-understood piece of what we do in terms of our assistance in Afghanistan, but a very important one and a much better news story than I think there's a recognition about. Because of the fact that we, along with the rest of the international donor community, sought this 50-percent aspirational goal, we've made great strides in getting it from below 10 percent up to the 37 percent in the last few years, but hand in hand with a very vigorous vetting and oversight process.

So right now we're funding four or five ministries on very targeted programs with that level of oversight. It's taken a very lengthy amount of time to make sure that they meet our vetting processes, but those have been some of our most successful programs.

Senator CARDIN. We want you to have that oversight. What Senator Corker said I happen to agree with, and that is the problems of corruption within the Government of Afghanistan, so therefore you need to have the confidence that the funds moving on budget in fact will be used for its intended purpose and not be siphoned for governmental corruption funds. So we agree with that.

We understand the challenge. Believe me, we do. And we understand the difficult circumstances in which you're operating. The question I asked as to how we can be helpful was a sincere question because we want you to succeed in building a stable Afghan Government and society. But there's a limit to our patience and there are certain standards that we cannot deviate from, including corruption, the empowerment of women, equality issues, and we need to make sure that there is constant progress being made in good faith for the continued support of the U.S. involvement.

I'm going to keep the committee record open until close of business Monday. There may be some additional questions that will be asked by members of the committee. I would ask that you respond to those questions in a timely manner. I've also asked for some additional information, which when it becomes available I'd appreciate you making it available to our committee.

As each member of our committee has said, we really do thank the two of you and the people who work for your agencies for their incredible public service in an extremely challenging part of the world that is very, very important to U.S. interests. We appreciate your dedication.

With that, the hearing will stand adjourned.

[Whereupon, at 4:08 p.m., the hearing was adjourned.]

