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AFGHANISTAN RECONSTRUCTION OVERSIGHT

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS, HUMAN RIGHTS AND OVERSIGHT

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

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AFGHANISTAN RECONSTRUCTION OVERSIGHT

THURSDAY, MAY 20, 2010

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS,
HUMAN RIGHTS AND OVERSIGHT,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:31 a.m. in room 2172, Rayburn House Office Building, Hon. Russ Carnahan (chairman of the subcommittee) presiding.

Mr. CARNAHAN. Good morning. I want to call the Subcommittee on International Organizations, Human Rights and Oversight to order this morning.

I want to get started. We do have a time constraint this morning, as the joint session is going to convene at 11 o'clock. And so we want to jump right into the hearing this morning.

But before we get started, I would like to recognize some distinguished visitors who are joining us. A delegation from the Standing Committee on Defense from Pakistan is with us this morning. If you would please stand, and let us acknowledge our guests. Welcome.

[Applause.]

Mr. CARNAHAN. They are in Washington this week as guests of the House Democracy Partnership. Welcome.

On Tuesday morning we marked a solemn occasion when a car bomb intercepted a U.S. convoy, and five U.S. soldiers died. The toll of America's dead in Afghanistan passed 1,000. With 1,000 Americans dead and thousands more wounded, we must redouble our efforts to effectively utilize our resources, and build up Afghan forces so that our brave American troops can ultimately come home.

From May 1 to May 3 I traveled to Kabul, Kandahar, and Islamabad as part of the House Foreign Affairs Committee trip to review security and reconstruction efforts underway in Afghanistan and Pakistan. Our delegation met with General McChrystal. I also met with Afghan President Karzai, along with American troops who are working hand-in-hand with the Afghan people to rebuild their nation after years of Taliban control.

While I was away we were threatened on U.S. soil once again. The Times Square bomb plot reminded us all of the urgency and importance of our success in Afghanistan and Pakistan. We must do everything in our power at home and abroad to keep our citizens safe.

On February 24 I convened my first hearing as chair of this subcommittee. The title: "Hard Lessons Learned in Iraq, and Benchmarks for Future Reconstruction Efforts," with Special Inspector General for Iraq Reconstruction Stewart Bowen.

Mr. Bowen conveyed a series of hard lessons to this committee. He estimated that $4 billion in waste had occurred during the Iraq program because of weak planning, repeated shifts in program direction, and poor management oversight. He went on and highlighted a lack of contract oversight to protect our tax dollars.

In one striking example, a $2.5 billion police training contract, the largest ever in State Department's history, was being managed by only three contract officer representatives.

Mr. Bowen described an "adhocracy," with blurred chains of command between DOD, State, and USAID. He emphasized the lack of an institutional structure in human resources to effectively perform stabilization and reconstruction operations.

Today I want to ask Major General Arnold Fields, Special Inspector General for Afghanistan Reconstruction, a simple question that has profound implications for protecting our citizens and safeguarding our tax dollars: Have we learned lessons? And if so, as we say in Missouri, show me.

Last December President Obama announced that 30,000 additional troops will be sent to Afghanistan. To accompany the troop increase, the State Department announced that it will immediately triple the number of civilian experts and advisors.

President Obama's new funding request would bring U.S. support for the reconstruction of Afghanistan to $71 billion, far surpassing what the United States provided to rebuild Europe after World War II, and significantly more than what was spent in Iraq over the last 8 years. We need to ensure that these civilian resources are being spent effectively, and that waste, fraud, and abuse are being rooted out.

The Government Accountability Office estimates that as of 2010, approximately 107,000 contractors support U.S. and allied efforts in Afghanistan. Last month, General McChrystal questioned our reliance on private contractors. And he said, "I actually think we would be better to reduce the number of contractors involved. I think it doesn't save money. We have created in ourselves a dependency on contractors that I think is greater than it ought to be." We need to reduce our dependence on private contractors, and ensure there is adequate oversight and contract management in place so that tax dollars are not wasted.

In order to protect taxpayer resources, we must also strengthen efforts to combat corruption. A recent U.N. survey estimates that Afghans paid $2.5 billion in bribes to government officials and members of the police force in 2009. In 2009, Afghanistan was ranked 179th out of 180 nations on Transparency International's Corruption Perceptions Index, a step down from 117 out of 159 in 2005.

These are alarming numbers. The U.S. and other donors have pledged to increase the proportion of development aid delivered to the Afghan Government to 50 percent in the next 2 years.

If we are going to work in partnership with the Afghan Government, we must ensure they are a reliable partner that will seriously address corruption issues.

While we fight waste and corruption, we must also build Afghanistan's capacity to provide for its own security and training in equipping the Afghan National Security Forces. Current requirements call for the Afghan National Army to grow from 103,000, as of June 2009, to 171,000 by October 2011.

The Afghan National Police will be boosted from 94,000 to 134,000. We must ensure we are measuring not just the number of troops and police being trained, but the effectiveness in protecting Afghan civilians.

We must also develop Afghan's economy. According to the U.N., about 80 percent of Afghanistan's population live in rural areas. We must do more to promote alternative development, build the Afghan agricultural sector, and reduce the production of opium.

Missouri National Guard Agricultural Development teams, from my home state, have been deployed to the Nangarhar Province. Their work is being received well, pairing with civilians. Their background in farming has been critical, working with Afghan farmers to teach them sustainable farming practices and techniques.

As we train the Afghan National Security Forces and develop the Afghan economy, we must also focus on women, who make up 60 percent of the Afghanistan population. Under the Taliban's rule in Afghanistan, women were subjected to harsh inequalities, and were excluded from all forms of public life.

Last week I moderated a roundtable with female ministers from the Afghan Government to discuss how the United States and Afghanistan can work together to empower women politically, economically, and socially.

I look forward to hearing the testimony today on all of these critical areas from Major General Fields. We have a responsibility to our men and women in uniform, to the taxpayers of this country to make sure that we have a strict accounting on how resources are being spent. We cannot waste resources that our troops need to keep themselves safe and get the job done.

I want to now recognize our ranking member, Representative Rohrabacher, for his opening statement.

[The prepared statement of Mr. Carnahan follows:]

Chairman Russ Carnahan
Subcommittee on International Organizations, Human Rights and Oversight

Opening Statement
"Afghanistan Reconstruction Oversight"

May 20, 2010

On Tuesday morning, we marked a solemn occasion when a car bomb intercepted a U.S. convoy and five U.S. soldiers died. The toll of American casualties in Afghanistan passed 1,000. We must now redouble our efforts to effectively utilize resources and build up Afghan forces so that our brave American troops can ultimately come home.

From May 1- May 3, I traveled to Kabul, Kandahar, and Islamabad as part of a House Foreign Affairs Committee trip to review security and reconstruction efforts underway in Afghanistan and Pakistan. I met with General Stanley McChrystal, the top U.S. and NATO commander in Afghanistan, Afghan President Hamid Karzai, along with American troops who are working to help the Afghan people rebuild their nation after years of Taliban control.

While I was away, we were threatened on U.S. soil once again. The Times Square bomb plot reminded us all of the urgency and importance of our success in Afghanistan and Pakistan. We must do everything in our power at home and abroad to keep our citizens safe.

On February 24, I convened my first hearing as Chair of this subcommittee on "Hard Lessons Learned in Iraq and Benchmarks for Future Reconstruction Efforts" with Special Inspector General for Iraq Reconstruction Stuart Bowen. Mr. Bowen conveyed a series of hard lessons:

-Mr. Bowen estimated that $4 billion in waste has occurred during the Iraq program because of weak planning, repeated shifts in program direction, and poor management oversight.

-Mr. Bowen highlighted a lack of contract oversight to protect our taxpayer dollars. In one striking example, a $2.5 billion police training contract, the largest ever in the State Department's history, was being managed by only three contract officer representatives.

-Mr. Bowen described an "adhocracy" with blurred chains of command between DOD, State, and USAID. He emphasized the lack of an institutional structure and human resources to effectively perform stabilization and reconstruction operations.

Today, I want to ask Major General Arnold Fields, Special Inspector General for Afghanistan Reconstruction, a simple question that has profound implications for protecting our citizens and safeguarding our taxpayer dollars: *"Have we learned our lessons?"*

Last December, President Obama announced that 30,000 additional troops would be sent to Afghanistan. To accompany the troop increase, the State Department announced that it will immediately triple the number of civilian experts and advisors. President Obama's new funding requests would bring U.S. support for the reconstruction of Afghanistan to $71 billion, far surpassing

what the United States provided to rebuild Europe after World War II and significantly more than it has spent in Iraq over the last eight years.

We need to ensure that these civilian resources are being spent effectively and that waste, fraud, and abuse are being rooted out.

The Government Accountability Office estimates that, as of early 2010, approximately 107,000 contractors support U.S. and allied efforts in Afghanistan. Last month, General McChrystal questioned our reliance on private contractors, and said "I actually think we would be better to reduce the number of contractors involved." He said, "I think it doesn't save money," and "We have created in ourselves a dependency on contractors that I think is greater than it ought to be." We need to reduce our dependence on private contractors, and ensure that there is adequate oversight and contract management in place so that taxpayer dollars are not wasted.

In order to protect taxpayer resources, we must also strengthen efforts to combat corruption. A recent UN survey estimates that Afghans paid $2.5 billion in bribes to their government officials and members of the police force in 2009. In 2009, Afghanistan was ranked 179 out of 180 on Transparency International's Corruption Perceptions Index—a steep drop from 117 out of 159 in 2005. These are alarming statistics. The United States and other donors have pledged to increase the proportion of development aid delivered through the Afghan government to 50 percent in the next two years. If we are going to work in partnership with the Afghan government, we must ensure that they are a reliable partner that weeds out corruption.

While we fight waste and corruption, we must also build Afghanistan's capacity to provide for its own security by training and equipping the Afghan National Security Forces (ANSF). Current requirements call for the Afghan National Army to grow from 103,475 as of June 2009 to 171,600 by October 2011. The Afghan National Police will be boosted from about 94,000 to 134,000. We must ensure that we are measuring not just the number of troops and police being trained, but their effectiveness in protecting Afghan civilians.

We must also develop Afghanistan's economy. According to the United Nations, about 80 percent of Afghanistan's population lives in rural areas. We must do more to promote alternative development, build the Afghan agricultural sector, and reduce the production of opium. The Missouri National Guard Agricultural Development Team is deployed to Nangarhar Province, and is doing excellent work to pair troops with a civilian background in framing with Afghan farmers to teach them sustainable farming practices and techniques.

As we train the Afghan National Security Forces and develop the Afghan economy, we must focus on women, who make up 60 percent of the Afghan population. Under the Taliban's rule in Afghanistan, women were subjected to harsh inequalities and were excluded from all forms of public life. Last week, I moderated a roundtable with female Ministers from the Afghan government to discuss how the U.S. and Afghanistan can work together to empower women politically, economically, and socially.

I look forward to hearing testimony today in all of these critical areas from Major General Fields. We have a responsibility to our men and women in uniform and to the taxpayers of this country to make sure that we have a strict accounting of how resources are being spent. We cannot waste resources that our troops need to keep themselves safe and get the job done.

I will now recognize our Ranking Member, Representative Rohrabacher, for his opening statement.

Mr. ROHRABACHER. Thank you, Mr. Chairman. Yesterday I had the great honor to meet with our Inspector General, Major General Fields, and I was deeply moved by his dedication and understanding the magnitude of the challenge that he faces, which you just outlined very well.

I do not see how we can expect any human being to meet this challenge alone, even as a great leader as a Marine Major General. He has demonstrated his leadership. This has got to be a team effort, or we will fail.

We have failed in the past. We have failed in the past. And I remember as a young person, when I was 19 years old—and again, I was not in the military, but I found myself in Vietnam, and found myself confronting enormous corruption, beyond my imagination as a 19-year-old. And the sight of the gore of war and this corruption was quite, left a lasting imprint on me. And I left that country thinking that all those young men that I saw, who were wounded and dying, that their lives may have been spent in vain. But it was not because they were not fighting the battle, but because we were unable to control an out-of-control situation.

I went home, and my father, I talked to my father about it. My father was a Marine, as General Fields. He wasn't quite your, you weren't quite his commanding officer, because I think he was out by the time you got in.

But I told him about it. I told him that I thought that the chaotic situation and the incredible corruption that I saw would prevent us from prevailing. And he had some very wise words for me.

He just said look, Dana, what do you think it looked like when I flew the first DC–3 into the Pusan Perimeter in Korea. And what do you think it was like in World War II and Korea? There is chaos in war; war comes with chaos. And those people, like the General, who have taken it upon themselves to try to bring some order to a situation in which people are losing their lives in great numbers, and bombs are going off, and no one knows if they are going to live to the next day, and sometimes their morals then are obliterated along with their bodies, it is an incredible job. But it is one that we need to succeed in.

And we need—American people will lose faith in rebuilding Afghanistan if they believe that all this money that we are committing, or large chunks of it, are being siphoned off. And, just as we lost faith in the war in Vietnam and eventually lost that war, we could lose this conflict, as well.

Let me note, our enemy, then, is not necessarily religious fanaticism, but the corruption of the human soul. And this is a great challenge, and a great challenge in this context.

I am very honored that we have a man of integrity trying to tackle this. But General, you can't do it on your own. We are here to learn from you today about some of the successes, but also perhaps some of the things we must overcome in order to succeed.

And I appreciate your leadership, Mr. Chairman. You take this issue very seriously; one can tell that by your opening statement. And so let us get on with the hearing, and see if we can come to some conclusions that will do some good.

Mr. CARNAHAN. Thank you. And now we would like to turn to today's witness, Major General Arnold Fields. He is the special in-

spector general for Afghanistan reconstruction, a position he has held since July 2008. He is responsible for ensuring effective oversight of funds appropriated for the reconstruction of Afghanistan.

Previously General Fields served as deputy director of the Africa Center for Strategic Studies at the Department of Defense, and as chief of staff at the Iraq Reconstruction Management Office in the U.S. Embassy in Baghdad, where he assisted in coordinating over $18 billion of U.S. appropriated funds for Iraq reconstruction.

Major General Fields retired from the U.S. Marine Corps in January 2004, after 34 years of active military service. His decorations include the Distinguished Service Medal and the Defense Superior Service Medal.

General Fields holds a master of arts degree in human resources management from Pepperdine University. He is also a graduate of the Army War College, the Marine Corps Command and Staff College, and the Marine Corps Amphibious Warfare School.

Again, welcome. We are honored to have you here, and very much appreciate your many years of service.

STATEMENT OF MAJOR GENERAL ARNOLD FIELDS (USMC–RETIRED), INSPECTOR GENERAL, OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

Mr. FIELDS. Thank you, Mr. Chairman, Ranking Member Rohrabacher, and the members of the committee. Thank you very much for inviting me to discuss SIGIR's oversight mission, and the issues we have identified that must be addressed to improve the implementation of what is poised to become the largest overseas reconstruction effort in American history.

In February of this year the President submitted a budget request that, if approved, will add about $20 billion to the $51 billion Congress has appropriated for the reconstruction of Afghanistan since 2002. SIGIR was stood up to bring focused oversight to this money. And we are doing so by providing a broad range of oversight to the reconstruction activities that are funded through, and implemented by, multiple agencies.

Over the last 12 months, SIGIR has produced 23 reports. We have seven reports that are currently in their final stages, and another 10 audits that are underway. Our work has identified several issues that hamper the reconstruction effort in Afghanistan. Let me talk about a few of them.

Reviews of infrastructure contracts have found serious construction problems, due in part to a lack of quality control. Agencies continue to suffer from a shortage of qualified contracting officials, and U.S. agencies lack a full picture of reconstruction projects in Afghanistan.

I am particularly concerned about three issues that our auditors have identified over the last year: Inadequate planning, inadequate sustainability, and inadequate accountability. A couple of examples. SIGIR audits found obsolete planning documents in the energy and security sectors. We issued two audit reports of U.S.-funded construction contracts to build Afghanistan National Army garrisons. The United States has invested more than $25 billion, nearly half of all reconstruction dollars appropriated to date, to train and equip the Afghanistan security forces.

U.S. military officials were unable to provide us with an updated master plan for the facilities to house and train the forces representing the Afghanistan security sector.

And a bit about metrics. As part of the planning process, implementing agencies must establish reliable metrics to measure progress. SIGIR has been conducting an audit of the capability milestones, or CM ratings system, the primary metric used to monitor development progress of fielded Afghanistan security forces and units.

The ability to accurately measure the abilities of the Afghan Army and Police is absolutely critical to the U.S. strategy in Afghanistan. Our audit will, it is yet to be released, describe weaknesses that have affected the reliability of the rating system. And certainly we will make recommendations.

This audit has had an impact already, given the outbrief that we have already provided to General McChrystal, as well as to certain Members of Congress. It has caused the Defense Department to acknowledge limitations of the rating system.

The International Security Assistance Force, or ISAF, Joint Command is replacing the rating system with a new unit, a new units level assessment system.

One of the most serious development challenges anywhere is creating sustainable programs. Our audits in the energy and security sectors have found that the Afghan Government does not have the financial resources to operate and maintain new infrastructure. Therefore, the United States has funded operations and maintenance contracts for the next several years.

While this solves a short-term problem, it does not address the long-term issue of sustainability.

Under the new strategy, the international community, in partnership with the Afghan Government, is committed to increasing both the Afghan National Army and the Afghan National Police forces. An important question will be how these forces can be sustained over time.

The United States and international donor community are planning to provide more development funding through Afghan institutions. SIGIR certainly supports giving Afghans a greater say in how money is spent. But we also believe it is vital that Afghans be held accountable for U.S. funds channeled through the Afghan institutions.

Therefore, SIGIR has begun assessing, one, what the United States and other donors are doing to build the capacity of Afghanistan institutions to deter corruption and strengthen the rule of law. And the extent to which various national and local institutions have the systems in place to exert internal control, and demonstrate accountability for donor funds.

This work is having an impact. For example, the international community and the Afghan Government have taken steps to implement many of SIGIR's, our organization's, recommendations to strengthen the principal Afghanistan agency responsible for combating corruption. SIGIR is reviewing the salary support that the U.S. Government is providing for Afghan civil servants.

We have also begun an assessment of the Afghanistan National Solidarity Program, which has received more than $900 million in

donor assistance to fund small infrastructure programs. SIGIR's legislation gives it a special responsibility to provide independent and objective assessments of every aspect of the reconstruction effort to Congress and to the Secretaries of State and Defense.

Last month SIGIR began a review of the implementation of the inter-agency civilian surge. This audit seeks to identify the number and types of personnel provided to implement the civilian surge. It will also evaluate the extent to which civilians in the field are being effectively utilized to achieve strategic goals.

Now a bit about SIGIR. We are steadily building our staff, and are prepared to provide the expanded oversight necessary to detect and deter waste, fraud, and abuse of the increasing U.S. funding for this reconstruction effort.

We currently have 79 employees, and plan to reach our goal of 132 during Fiscal Year 2011. We are in negotiations with the U.S. Embassy to increase the number of auditors and investigators present at the Embassy. Currently we have 20 full-time, for a year, investigators and auditors, with a small support staff, located at the Embassy in Kabul, Afghanistan.

The United States, together with the international community, is committed to a strategy that will put Afghans in control of their future. The President is asking for a nearly 40 percent increase in U.S. funding.

However, the success of this strategy depends not only on how the United States implements its reconstruction program; it also depends on the actions of the Afghan Government. Afghanistan must do its part to make sure that the human and financial resources provided for its reconstruction are not wasted.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Fields follows:]

Testimony by Arnold Fields

Special Inspector General for Afghanistan Reconstruction

Before

The Subcommittee on International Organizations, Human Rights & Oversight

House Foreign Affairs Committee

"Oversight Issues in Afghanistan"

May 20, 2010

Chairman Carnahan, Representative Rohrbacher, and members of the Committee:

Thank you for inviting me today to discuss SIGAR's oversight mission and the issues we have identified that must be addressed to improve the implementation of what is poised to become the largest overseas reconstruction effort in American history.

In February this year, the President submitted budget requests that, if approved, will add about $20 billion to the $51 billion Congress has appropriated for the reconstruction of Afghanistan since 2002. The Administration is asking Congress for $16.2 billion in the FY 2011 budget and $4.2 billion in a FY 2010 Supplemental Request to implement its new reconstruction strategy to help the Afghan government develop the capacity to defend itself and govern effectively. More than $14 billion—or about 70 percent—of the requests would go to support the Afghan Security Forces Fund, which supports the training and equipping of the Afghan National Army and the Afghan National Police.

The new funding requests would bring U.S. support for the reconstruction of Afghanistan to $71 billion, far surpassing what the United States provided to rebuild Europe after World War II and significantly more than it has spent in Iraq over the last eight years.

SIGAR'S MISSION

SIGAR did not exist for the first six and a half years of the reconstruction effort in Afghanistan. During this period, the inspectors general of each implementing agency were responsible for providing oversight of projects being implemented by their agencies. Their auditors have done a lot of fine work. However, they have neither the authority nor obligation to provide Congress with an overview of the entire reconstruction effort. Although the GAO is also able to look at programs across agencies, it has vast domestic and international responsibilities.

SIGAR is bringing focused oversight to a broad range of reconstruction activities that are funded through and implemented by multiple agencies. SIGAR is not only reviewing individual contracts and projects, but is looking at how these contracts and projects fit into larger programs and work together to support U.S. strategic goals in Afghanistan, a country deemed critical to U.S. national security. SIGAR is also assessing how U.S. agencies coordinate with each other and how these agencies have integrated U.S.-funded programs with those of the international community and the Afghan government to realize mutually-agreed upon reconstruction objectives.

Since April of last year, SIGAR has completed 23 reports. We have 7 more in the drafting stage and another 10 audits that are ongoing. The completed audits include reviews of construction contracts, evaluations of how implementing agencies are managing and monitoring their programs, and assessments of whether U.S.-funded programs are achieving their objectives. SIGAR has also issued several audit reports to assess what the United States and other international donors are doing to strengthen the capacity Afghan institutions to account for funds and prevent corruption within Afghan institutions.

Our work to date has identified several issues that hamper the reconstruction effort in Afghanistan. Reviews of infrastructure contracts have found serious construction problems resulting, in part, from a lack of quality assurance on the part of both implementing agencies and contractors. Agencies continue to suffer from a shortage of qualified contracting officials to provide sufficient oversight for the billions of dollars spent in Afghanistan. In addition, U.S. agencies lack a full picture of all completed, underway, and planned projects in Afghanistan. The integration of such information with U.S. agencies and with other donors and Afghan entities is essential for decision-makers and stakeholders to better plan, coordinate, monitor, and report on the overall effort. Despite numerous reports highlighting this problem in Iraq and Afghanistan over the last eight years, one of our first audits found that the United States still does not have a system that would allow agencies to share information about reconstruction programs. Furthermore, we have identified weaknesses in the data bases that individual agencies are maintaining of reconstruction contracts. We expect to issue an audit next month that details these weaknesses and makes recommendations to improve them.

I am particularly concerned about three issues that our auditors have identified over the last year: inadequate planning, questions about sustainability, and accountability. Because these issues threaten to reduce the effectiveness of the reconstruction effort, I would like to take a few minutes to discuss our findings.

Inadequate Planning

SIGAR audits in the security and energy sectors discovered that development plans have not been updated for several years. Last month we issued two audits of U.S.-funded construction

contracts to build Afghan National Army garrisons. The United States has invested more than $25 billion—nearly half of all reconstruction dollars appropriated to date—to train and equip the Afghan security forces. Despite this investment, U.S military officials were unable to provide us with an updated master plan for developing the facilities needed to house and train these forces. We are following up on this issue.

Since 2002, the United States has obligated over $732 million to increase Afghanistan's ability to generate and transmit electricity. And yet, SIGAR's audit of the energy sector found that Afghanistan lacks a current Energy Sector Master Plan that establishes priorities, timeframes, and costs associated with energy sector goals. Without good planning, it will be almost impossible to achieve the U.S. goal of increasing generating capacity from 389 megawatts in April 2009 to 1500 megawatts by 2013.

One important consequence of inadequate planning is poor coordination, particularly at the local level. For example, our auditors found that coordination mechanisms did not exist between USAID and the coalition forces at the project level. Moreover, the United States and international donors have not agreed on the technical standards for rural energy projects. This increases the possibility that communities will not be able to connect and share energy sources. In the absence of proper planning, the United States risks wasting reconstruction funds on projects that either 1) do not complement each other, 2) do not meet the evolving needs of Afghans, or 3) are unsustainable.

As part of the planning process, implementing agencies must establish reliable metrics to measure progress. Since October 2009, SIGAR has been conducting an audit of the Capability Milestone (CM) rating system, the primary metric used to monitor development progress of fielded Afghan security force units. These metrics were developed in 2005 and have been shared with decision-makers, including the U.S. President and the Congress. They have been used to measure our progess in building security forces that are capable of independently providing internal and external security for Afghanistan. Having the ability to accurately measure the capabilities of the Afghan army and police is absolutely critical to the U.S. strategy in Afghanistan.

SIGAR's audit, the first to evaluate the efficacy of this system, will be issued in June. In this report we will describe weaknesses that have affected the reliability of the rating system and make recommendations for future improvements. This audit has already had an impact, causing the Defense Department to acknowledge limitations of the rating system in its *April 2010 Report on Progress Toward Security and Stability in Afghanistan*. Furthermore, the ISAF Joint Command is replacing the rating system with a new unit level assessment system. Its first rating cycle is underway. We are monitoring its implementation to ensure that the issues our audit identifies are addressed. We believe our review of the CM rating system should serve to guide all future efforts to assess the operational effectiveness of the Afghan security forces.

Sustainability

One of the most serious development challenges anywhere is creating sustainable programs. It requires working closely with local authorities, developing local capacity and making sure that resources will be available for the long term. Experience in Iraq taught us that reconstruction projects often fail because they cannot be sustained. For example, if we build a facility—be it an electric plant, a health clinic or a garrison—we must consider whether it is the kind of facility that Afghans want and whether Afghans are going to be able to operate and maintain it once it is complete.

The new U.S. strategy emphasizes greater collaboration with Afghans and we support this in principle. I have made seven trips to Afghanistan since being appointed to this job. On every trip, Afghan officials have complained to me about the failure of the United States and the international donor community to consult fully with them about their priorities This trip was no exception. For example, last week the Minister of Health told me we needed to stop building so many clinics and concentrate on 1) resourcing the clinics that we have built, and 2) making them more accessible. Experience in Iraq should have taught us that we cannot build sustainable infrastructure or programs unless we have the support of the people we say we are trying to help.

Sustainability poses a particular challenge in Afghanistan because of the country's lack of financial resources. The International Monetary Fund projects that Afghanistan will collect revenues of a more than a $1 billion for 2009/2010. While this is a significant increase—perhaps as much as 50 percent--over the previous year, it does not begin to cover the total government budget of nearly $8 billion. Most of the Afghan government's operating budget, including salaries of civil servants, is financed by international donor assistance. According to the IMF, the Afghan economy is growing by an average of about seven percent per year, but this is nowhere near enough to generate the revenues needed to maintain government operations, let alone sustained development.

This reality impacts every reconstruction project. For example, our audit of the Kabul Power Plant found that the Afghan government does not have the ability to pay for the diesel to fuel the plant. USAID has invested about $300 million in this power plant. A year ago, USAID informed the Afghan government that it would be responsible for providing the operating costs, including fuel, for the plant. Nevertheless, the Afghan government has requested fuel support for the Kabul Power Plant and other diesel-fired power plants in the south of Afghanistan. After concluding that the Afghan government would not be able to pay for operations and maintenance costs for several years, USAID decided to issue a multi-year operations and maintenance contract for the Kabul Power Plant.

As we identified in our audits of two Afghan National Army garrisons, the Afghan government does not have the budgetary resources to maintain more than 600 police and army facilities throughout Afghanistan. Therefore, to ensure temporary sustainment of those facilities, the U.S.

Army Corps of Engineers has let contracts worth about $700 million to provide for the operations and maintenance of these facilities for the next five years. These solutions take care of the short term requirements, but do not answer the long term question about sustainability. We must ask ourselves what happens five years from now?

This issue of sustainability is particularly important when we consider the ongoing investment the United States and the international community are making in the Afghan security forces Under the new strategy, the international community in partnership with the Afghan government is committed to increasing the Afghan National Army from its current 113,000 to 171,000 and the Afghan National Police forces from 102,000 to 134,000 by 2011. The Administration's budget requests include $14 billion to expand the Afghan Security Forces. This would bring the total U.S. funding for Afghan Security Forces Fund to nearly $40 billion. An important question will be how the United States, in conjunction with its coalition partners and the Afghan government, plans to sustain this force over time.

Accountability

As part of its effort to build Afghan governing capacity, the United States and international donor community are planning to provide more development funding through Afghan institutions. The Department of State is committed to increasing the amount of economic assistance it delivers through the Afghan government and local non-government organizations from 13.5 percent to 40 percent by the end of this year. In January, the international community agreed in principle to an Afghan government request that donors increase the proportion of development assistance delivered through the Afghan government to 50 percent over the next two years. However, the international community stipulated that this support would depend on the Afghan government strengthening its public financial management systems, improving budget execution, and reducing corruption.

One of the most important lessons learned in Iraq was that the U.S. government must have the controls and accountability mechanisms in place before it begins to obligate and spend money. The Special Inspector General for Iraq Reconstruction, Stuart Bowen, stressed this point in testimony before this committee in February this year. SIGAR supports giving Afghans a greater say in how money is spent, but we also believe it is vital that Afghans be held accountable for U.S. funds channeled through Afghan institutions. Therefore, SIGAR has begun assessing 1) what the United States and other donor countries are doing to build the capacity of Afghan institutions to deter corruption and strengthen the rule of law, and 2) the extent to which various national and local institutions have the systems in place to exert internal control and demonstrate accountability for U.S. and other donor funds.

SIGAR has produced several audits that focus on what the United States is doing to build Afghan capacity as well as on the capabilities of Afghan institutions to account for U.S. and other donor

funds. Our most recent report—a review of Afghanistan's Control and Audit Office (CAO) — found that Afghan law does not provide the country's top audit agency with sufficient independence and authority to conduct its work effectively. Moreover, the CAO suffers from a shortage of qualified Afghan accountants and auditors. As a result, it depends heavily on support from foreign consultants and advisors.

Late last year, SIGAR issued a report on Afghanistan's High Office of Oversight (HOO), the principal agency responsible for combating corruption. I am pleased to report that the international community and the Afghan government have taken steps to implement many of SIGAR's recommendations. According to the U.S. Embassy, an extensive dialogue between the HOO and the international community helped frame the anti-corruption paper prepared by the Afghan government for the international conference that was held in London at the end of January. During that conference, President Hamid Karzai announced a whole-of-government approach to fighting corruption and said that he would empower the HOO to investigate and sanction corrupt officials. In March, President Karzai issued a decree giving the HOO greater independence and authority. USAID has told SIGAR it will provide $30 million over three years to support the HOO.

Although neither the HOO nor the CAO had received much funding from the United States, SIGAR believes it was important to assess these two agencies which are critical to any effort to deter corruption in Afghanistan. However, we are focusing primarily on those Afghan institutions and programs that receive significant U.S. funding.

As part of our effort to assess the internal controls and accountability procedures of key Afghan institutions to account for U.S. reconstruction dollars, SIGAR is reviewing the salary support that the U.S. government is providing for Afghan civil servants. We have also begun an assessment of the Afghanistan's National Solidarity Program, which has received more than $900 million in donor assistance to fund small infrastructure programs.

Donors, international organizations, the Afghan government and—most important—the Afghan people are disturbed by the pervasive corruption in Afghanistan. In a nation-wide survey completed in two months ago by the International Security Assistance Force—ISAF—83 percent of Afghans said that government corruption affected their daily lives.[1] A recent poll by the United Nations Office on Drugs and Crime concluded that Afghans paid about $2.5 billion in bribes to government officials and members of the police force in 2009. That amounts to about 25 percent of Afghanistan's GDP and is almost as much as is generated by the illicit drug trade. Corruption robs the poor, leads to misallocation of resources, destroys trust in government, and threatens to undermine the entire reconstruction effort.

Senior U.S. officials recognize that reducing corruption is essential to the reconstruction effort. The U.S. Embassy in Kabul has an anti-corruption working group and it has produced a draft of

[1] See the Report on Progress Toward Security and Stability in Afghanistan, April 2010

an interagency anti-corruption strategy. This needs to be finalized and adopted immediately because it will be an important element of the overall U.S. strategy to increase Afghan capacity to defend and govern itself.

MEASURING SUCCESS

SIGAR's legislation gives it a special responsibility to provide independent and objective assessments of every aspect of the reconstruction effort to Congress and to the Secretaries of State and Defense. An important part of SIGAR's responsibility is to help Congress determine whether reconstruction is helping the United States achieve its overall strategic objectives in Afghanistan.

Rebuilding Afghanistan is a very complicated undertaking, involving multiple agencies and funding streams. Nothing illustrates the complexities better than the civilian surge currently underway. A cornerstone of the Administration's new civilian-military reconstruction strategy is to deploy a large number of civilian experts to help Afghanistan increase its governing capacity at all levels; provide basic services to the people; enhance the rule of law; and initiate sustainable economic growth, with an emphasis on agricultural development. Since January 2009, the Administration has more than tripled the number of civilians in Afghanistan from approximately 320 to 990 as of April 15 of this year. The Administration plans to increase this number by 20-30 percent by the end of 2010.

The civilian surge is composed of experts from multiple U.S. government departments and agencies; including the Departments of State, Justice, Agriculture, Transportation, the Treasury, Health and Human Services, and Homeland Security, and USAID. These experts--on everything from private sector development and agriculture, to health, education and civilian law enforcement--are being deployed across the country to work in partnership with Afghans and the international coalition to develop and implement reconstruction programs. U.S. civilians are to be posted not only to the 13 U.S-led Provincial Reconstruction Teams, but also to the 14 PRTs led by our international partners. These civilians will draw upon multiple reconstruction funding sources to finance, manage, and monitor reconstruction projects. To be successful, they must coordinate their efforts with the Afghan government and the international coalition forces.

During my recent visit to Afghanistan, I saw significant improvement in civilian-military coordination in the south. What I did not witness and we will be looking for are what those of us with a military background call "effects." Has better coordination helped us achieve reconstruction goals, such as job creation, which is a major objective of the new strategy?

Last month SIGAR began a review of the implementation of the civilian surge in support of the reconstruction effort. This audit has several objectives. First, we seek to identify the number and types of personnel provided to implement the civilian uplift. Second, we will evaluate the extent to which required resources have been provided to support the operational needs of these additional personnel in Afghanistan. Finally, we will evaluate the extent to which civilians in the

field are being effectively utilized to achieve strategic goals. For example, we will be assessing whether the civilian staff are able to leave the security of the PRT bases to meet with their Afghan counterparts and provide oversight of reconstruction programs and projects. SIGAR is the only inspector general with the mandate to fully examine this multi-agency effort.

MEETING THE OVERSIGHT CHALLENGE

Congress first funded SIGAR in September 2008 to enhance oversight of what then amounted to about $29 billion for Afghanistan's reconstruction. Since then, SIGAR has been steadily building its staff and is prepared to provide—through its audits and investigations—the expanded oversight necessary to detect and deter waste, fraud and abuse of the increased U.S. funding for the reconstruction effort. SIGAR is committed to conducting the assessments needed to help Congress determine if these U.S. funds are being spent wisely and effectively to advance U.S. strategic goals. Per our mandate, we produce a Quarterly Report to Congress that summarizes SIGAR's work, identifies concerns, and provides current and historical data on reconstruction activities in Afghanistan.

We currently have 80 employees and plan to reach our goal of 132 in FY 2011. We have established offices in 3 locations in Afghanistan. We now have 15 investigators who are working on 45 cases. Our audit staff, composed of auditors, analysts and engineers, has grown from 1 in January 2009 to 29 today. As we continue to increase our staff, we will be able to greatly expand our audit and investigative coverage. We are in negotiations with the U.S. Embassy in Kabul to increase our presence on the ground in Afghanistan. At the moment, because of space and security issues, we are only allowed 20 positions at the embassy. Our audit and investigations strategy requires additional positions at Embassy Kabul.

CONCLUSION

The United States, together with the international community, is committed to a strategy that will put Afghans in control of their future. The President is asking for a nearly 40 percent increase in U.S. funding—an increase that would make this the largest reconstruction effort in American history—to support this effort. However, the success of this strategy depends not only on how the U.S. implements its reconstruction program; it also depends on the actions the Afghan government takes to develop sustainable projects and combat corruption. This summer the Afghan government will host an international donor's conference in Kabul. The Kabul conference will give the Afghan government an opportunity to transform the international commitments to specific programs to build capacity across the Afghan government and lay the foundation for sustained economic growth. The Afghan government and its citizens must also do their part to make sure that the human and financial resources provided for the reconstruction of their country are not wasted.

Special Inspector General For Afghanistan Reconstruction Audits Reports

Completed reports: 23 Active audits: 17

COMPLETED REPORTS[2]

FISCAL YEAR 2010 (10 reports)

SIGAR Audit-10-10 *ANA Garrison at Gamberi Appears Well Build Overall but Some Construction Issues Need to Be Addressed,* April 30, 2010.

SIGAR Audit-10-9 *ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed,* April 30, 2010.

SIGAR Audit-10-8: *Afghanistan's Control and Audit Office Requires Operational and Budgetary Independence, Enhanced Authority, and Focused International Assistance to Effectively Prevent and Detect Corruption,* April 9, 2010.

SIGAR Audit-10-7: *The Tojg Bridge Construction Is Nearly Complete, but Several Contract Issues Need to Be Addressed*, March 1, 2010.

SIGAR Audit-10-6: *Contract Delays Led to Cost Overruns for the Kabul Power Plant and Sustainability Remains a Key Challenge,* January 20, 2010.

SIGAR Audit-10-4: *Afghanistan Energy Supply Has Increased but An Updated Master Plan Is Needed and Delays and Sustainability Concerns Remain,* January 15, 2010.

[2]SIGAR Audit-10-5 is a skipped report number. There is no product associated with this number.

SIGAR Audit-10-3S: *Actions Needed for a More Strategic Approach to U.S. Judicial Security Assistance.*

SIGAR Audit-10-3: December 18, 2009. Report has been issued as a Controlled Unclassified Information document. (title is also restricted) *NO PUBLIC RELEASE.*

SIGAR Audit-10-2 *Afghanistan's High Office of Oversight Needs Significantly Strengthened Authority, Independence, and Donor Support to Become an Effective Anti-Corruption Institution*, December 16, 2009.

SIGAR Audit-10-1 *Barriers to Greater Participation by Women in Afghan Elections*, October 28, 2009.

FISCAL YEAR 2009 (13 reports)

SIGAR Inspection-09-6: *Inspection of Kohi Girls School Construction Project, Kapisa Province, Afghanistan: Payment Delays and Safety Concerns Require Attention,* October 26, 2009.

SIGAR Inspection-09-5: *Inspection of Habib Rahman School Construction Project, Kapisa Province, Afghanistan: Design Issues Require Attention,* October 26, 2009

SIGAR Inspection-09-4: *Inspection of Abdul Manan School Construction Project, Kapisa Province, Afghanistan: Poor Project Planning Contributes to Substandard Construction,* October 26, 2009

SIGAR Inspection-09-3: *Inspection of Farukh Shah School Construction Project, Kapisa Province: Project Completion Approved Before All Contract Requirements Met,* October 26, 2009

SIGAR Inspection-09-2: *Inspection of Mahmood Raqi to Nijrab Road Construction Project in Kapisa Province: Contract Requirements Met, but Sustainability Concerns Exist,* October 2, 2009

SIGAR Audit-09-7 *Documenting Detention Procedures Will Help Ensure Counter-Narcotics Justice Center is Utilized As Intended,* September 30, 2009.

SIGAR Audit-09-6 *Strategy and Resources Needed to Sustain Afghan Electoral Capacity*, September 22, 2009.

SIGAR Audit-09-5 *Increased Visibility, Monitoring, and Planning Needed for Commander's Emergency Response Program in Afghanistan*, September 9, 2009

SIGAR Audit-09-04 *Actions Needed to Expedite Construction of Additional Detention Cells at the Counter-Narcotics Justice Center,* August 27, 2009

SIGAR Audit-09-03 *A Better Management Information System Is Needed to Promote Information Sharing, Effective Planning, and Coordination of Afghanistan Reconstruction Activities*, July 30, 2009.

SIGAR Inspection-09-1 *Inspection of Improvements to the Khwost City Electrical Power System: Safety and Sustainability Issues Were Not Adequately Addressed,* July 28, 2009

SIGAR Audit-09-02 *UN Action Urged to Strengthen Afghanistan Capacity to Support Future Elections*, July 6, 2009.

SIGAR Audit-09-01 *Contract Oversight Capabilities of the Defense Department's Combined Security Transition Command-Afghanistan (CSTC-A) Need Strengthening*, May 19, 2009.

DRAFT REPORTS WITH AGENCY FOR REVIEW None

ONGOING AUDITS (17 active audits)
In order of notification announcement

Review of U.S. Assistance for the Preparation and Conduct of Presidential and Provincial Council Elections in Afghanistan (SIGAR-006A)

(Third and final report on lessons learned expected early 2010 – anticipated June)

> *Objectives:* We have previously issued three reports on the preparations for the elections and women's issues associated with the elections. We are currently completing a fourth report on conduct of the elections.

Review of U.S. and Other Donor Efforts to Address and Build Afghanistan's Capacity to Address Corruption (SIGAR-007A)

(Report on U.S. anti-corruption strategy anticipated in late June/early July)

> *Objectives:* Review of oversight and anti-corruption capabilities and performance of the Afghan government, U.S. and donor efforts to strengthen the capabilities, and internal controls and accountability for U.S. funds used by selected Ministries.

Review of U.S. and Other Donor Efforts to Address and Build Afghanistan's Capacity to Address Corruption in the Provincial Governments (SIGAR-008A)

(Re-announcing revised audit objectives and scope – May 5, 2010. Field work underway through July)

> *Objective:* (New objectives) (1) Identify the amounts, sources, and purposes of funding for Nangarhar province (donor and Afghan funding); (2) Assess the steps taken by the U.S. Government to ensure that reconstruction funds provided by the United States for use in Nangarhar province are used only for intended purposes according to national and provincial priorities; (3) Determine the extent to which Nangarhar's provincial government and line directorates are able to ensure that funds are properly protected from misuse, and used only for intended purposes according to national and provincial priorities.

Agencies' use of contractors to provide security for reconstruction programs in Afghanistan (SIGAR-009A)

(Report anticipated by July)

> *Objectives:* describe the number and volume of contracts to provide security services in Afghanistan and the extent to which these contracts are for reconstruction activities, determine extent of audit oversight of these contracts by GAO and the Inspector General

community, assess agencies' supervision and management of the security contractors and personnel, and identify contractor capabilities and performance strengths and weaknesses.

Review of the use of funds earmarked for Afghan women and girls (SIGAR-010A)

(Report anticipated June)

Objectives: identify how the funds were used and the extent their use complied with legislative requirements, assess how agencies measure effectiveness of the programs, and assess plans for project sustainability.

Assessment of the Capabilities of the Afghanistan National Security Forces (SIGAR-012A) (Anticipated report June)

Objectives: Identify the procedures by which ANSF capabilities are measured and verified, Assess the extent to which readiness assessment methods vary between and within the Afghanistan National Army and Afghanistan National Police, Determine to what extent the capability rating system provides a reliable profile of ANSF capabilities, and Identify the extent to which challenges have impeded the U.S. ability to assess ANSF capabilities.

Review of Afghan National Security Forces Personnel Management (SIGAR-013A) (Audit work re-started. Anticipated report fall 2010)

Objectives: Describe the extent to which Afghan army and police personnel have been counted and validated; actions taken by the United States and international donors to support the development of ANSF personnel accounting systems; challenges associated with the completion and maintenance of routine systems for personnel accounting; and extent to which inaccurate personnel numbers have led to additional challenges, including the fraudulent collection of ANSF salaries.

Focused Contract Audit: Construction of ANA Brigade Garrison in Farah Province (SIGAR-014A) **Re-announced former inspection** (Anticipated report July)

Objectives: examine 2 USACE construction contracts for Phases I and II of the U.S.-funded ANA Brigade Garrison in Farah Province to determine contract outcomes and cost, U.S. oversight of the contracts, and plans for ANA to sustain the infrastructure. Expect to identify the subcontractors and determine if any subcontractors were hired to provide personnel and/or site security and whether any Afghan subcontractors used were approved by the Afghan government to operate in Afghanistan at the time.

Focused Contract Audit: Reconstruction Security Support Services from Global Strategies Group Inc (SIGAR-017A) (Audit work restarted May 2010)

Objectives: examine USACE task order for private security services to review the contract outcomes and costs, U.S. oversight of the contract, as well as evaluating the planning procedures USACE followed in preparing the contract request. We also plan to identify any private security subcontractors used by the prime contractor and if the same requirements in the prime contract were included in the subcontract.

Identification of Major Venders for Reconstruction Contracts in Afghanistan (SIGAR-018A) (Anticipated report June)

Objectives: ensure that the major contracts SIGAR identified are for reconstruction in Afghanistan, determine the full value and purpose of the contracts involved, and document each contract's obligations and expenditures to date.

Review of Construction Contract of Kandahar Police Facilities - Kandahar Air Field, Kandahar Province (Project Code: SIGAR 008-I)
Re-scoped to contract performance audit objectives. (Anticipated report June 2010)

Objectives: review contract outcomes and cost, U.S. oversight of the contracts, and plans for ANA to sustain the infrastructure. Expect to identify the subcontractors and determine if any subcontractors were hired to provide personnel and/or site security and whether any Afghan subcontractors used were approved by the Afghan government to operate in Afghanistan at the time.

Review of Salary Supplements Paid to Afghan Government Officials

(SIGAR-020A) (Anticipate report late July 2010)

Objectives: Identify all salary supplements paid to officials and advisors of the Afghan government; examine the internal controls and other accountability mechanisms for determining 1) the recipients of salary supplements and 2) the amounts paid; and determine the effectiveness of these mechanisms in safeguarding U.S. funds against improper use. This excludes payments to ANSF.

Review of the Implementation of the Civilian Uplift in Support of U.S. Reconstruction Efforts in Afghanistan (SIGAR-021A) (Started April 2010 reporting anticipated late summer)

Objectives: Identify the number and types of personnel provided to implement the civilian uplift; assess the extent to which required resources have been provided to support the operational and life-support needs of these additional personnel in Afghanistan; assess the extent to which civilians in the field are being effectively utilized in achieving stated strategic and programmatic goals, including collaboration with military and international partners and assisting with contract oversight responsibilities.

Forensic Auditing Data Collection: SIGAR initiative regarding Afghanistan Security Forces Fund Transaction Data (SIGAR-022A)
This will not result in an audit report. Rather this is job is focused on specific data collection and analysis as part of our forensic audit effort.

Objective: To review Department of Defense appropriation, obligation, and expenditure transaction data related to the Afghanistan Security Forces Fund (ASFF) for fiscal years 2005 to 2009. The objective of this initiative is to analyze transaction data using data mining techniques and to review the appropriateness of expenditures from ASFF. The results could lead to one or more SIGAR audits or investigations to follow-on to assess the appropriate use of ASFF and identify any potential fraud, waste, or abuse.

Review of Afghanistan's National Solidarity Program (SIGAR-023A)
Announced mid-April. Field work in Afghanistan begins mid-May.

Objectives: Identify U.S. and donor assistance to the NSP and determine actions taken by the U.S. and other donors to ensure their contributions are adequately accounted for, appropriately programmed, and ultimately used for their intended purposes; and examine the capacity of the Ministry of Rural Rehabilitation and Development to plan, manage, and monitor the NSP in order to provide reasonable assurance that adequate internal controls are in place and properly utilized in order to achieve the program's intended results.

Review of Construction Projects for Six ANP Facilities in Helmand and Kandahar Districts (SIGAR-024A)

Announced late April and to begin work in Afghanistan in May. Anticipated report August.

Objectives: Assess the construction and progress of the six projects to determine: whether the infrastructure projects were (are being) completed within the terms of

the contract, including schedule and cost, and if not, why not; whether the construction is in accordance with approved construction plans and specifications, and if not, why not; and the nature and adequacy of U.S. contract administration and construction oversight.

Review of U.S. Air Force Center for Engineering and the Environment (AFCEE) Infrastructure Projects in Heart and Mazar-E-Sharif (SIGAR-025A)

Announced May 5, 2010. Field work to begin mid-June in Afghanistan.

Objectives: Examine two AFCEE infrastructure projects (Contract Number FA8903-06-D-8507, Task Order 13 and Contract Number FA8903-06-D-8510, Task Order 12) to determine whether: the projects were (are being) completed within the terms of the contract(s) including schedule and cost; construction is in accordance with approved construction plans and specifications; and U.S. contract administration and construction oversight is effective.

Mr. CARNAHAN. Thank you. I want to recognize myself for 5 minutes. And I guess I want to start with a look back.

No special IG was created for Afghanistan until 2008. That was $38 billion and 7 years into the program. And given the massive level of waste, fraud, and abuse, and incredible levels of corruption in Afghanistan, I guess, can you assess the time before the special IG got up and running in terms of evaluating that time period?

And then, of course, we want to talk about from that time forward. But can you assess that time before the Inspector General's Office got up and running?

Mr. FIELDS. Thank you, Mr. Chairman. First I will say that it was a mistake; that we took too long to stand up this office of Special Inspector General.

I applaud, however, my counterpart, SIGIR, under the current leadership of Mr. Stuart Bowen, who largely, almost from the start, was stood up to provide the same oversight over Iraq spending that my office is providing for Afghanistan. So it took us almost 8 years into this very expensive and very serious and pivotal operation in Afghanistan to bring about the organization that I am currently privileged to represent.

So we are going back, however, commensurate with our legislation and we are looking at what did, in fact, in retrospect, took place between 2002 and actually the point at which we stood our office up.

In so doing, we are conducting forensic investigations to determine who may have wasted, frauded, or abused the American taxpayer dollar during this period during which this office was not stood up.

Meanwhile, the offices of the Inspector General of the Department of Defense, the Department of State, and USAID were, in fact, expected to provide the oversight in the absence of such an organization as a Special Inspector General for Afghanistan.

Mr. CARNAHAN. Thank you. And I guess to drill down more specifically, have you evaluated that time period, looking back, in terms of the amount of money that was wasted? I guess, is number one.

And number two, if you could address some of the criminal prosecutions for fraud that were mentioned in your report.

Mr. FIELDS. Thank you, Mr. Chairman. We are, by way of the forensic effort, going back and determining the extent to which funds were wasted during the period in advance of this office having been stood up. We don't have figures, sir, at this time to provide to this subcommittee. But we will determine that over time.

Initial indications are, though, that we have wasted money. I am not prepared today to put a figure on it, in the millions or billions, but I would hazard, sir, that it is in the millions, and perhaps even in the billions, that we have wasted and/or frauded the American taxpayer out of money during the period between 2002 and 2008.

Mr. CARNAHAN. In the process to come to a more precise number on that, tell me what that process is, and when you think we could get some better numbers.

Mr. FIELDS. Yes, sir. We are, as I mentioned, conducting the forensics. This essentially means we are boring down into various

documents and procedures and spending that took place over about an 8-year period.

We will review the contractual arrangements of folks involved in that spending for that period of time. And as a result of that, we hope that we will be able to determine if there was, in fact, waste, fraud and abuse, and indeed, who was——

Mr. CARNAHAN. Excuse me for interrupting. Just really quickly, because my time is about to expire, if you could briefly mention the criminal prosecutions and some of the monies that have been recovered.

Mr. FIELDS. Yes, sir. Thus far, we have been a part of the joint community responsible for finding criminal activity. And as part of that mechanism, which is ongoing, and of which we are members, we have at least sent two folks to jail, or been a part of the process that in fact has resulted in two Afghanistan-Americans having been sent to jail. As a part of that, we have identified about $2 million associated with their activity.

Mr. CARNAHAN. I am going to have to cut you off there. I am sorry, but my time is up, and I am going to yield 5 minutes to Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you. Well, as I mentioned in my opening statement, you face quite a challenge. And your testimony today has only underscored that point.

In looking back, it is a little breathtaking to understand that when we rushed into Iraq, how unprepared we were to handle the specific things that needed to be done in order for us to succeed. And here we are still in Iraq.

And then to understand, as it appears now from what you are saying and what we have heard, and what our gut told us at the time, was that going into Iraq took our focus away from Afghanistan. And so for all of those years, we have not been doing the job we needed to do there, either.

So one area of where we were not able to competently do what is necessary to be done, actually the magnitude of that challenge drew away from what we could do in Afghanistan. Let me note that in the 1990s, I was somewhat of a lone voice here, talking about Afghanistan.

As you know, I spent time in Afghanistan with the Mujahideen when they were fighting the Russians. And also that I spent considerable time and effort during the Reagan White House years, when I worked in Reagan's White House, to make sure that we were supporting people who were fighting the Soviet Empire, as the strategy to eliminate that.

Well, the Afghans, more than anyone else, they gave us a victory in the Cold War. And a victory in the Cold War simply meant that the Soviet Communism disappeared from the planet. And I realized, because I had spent time in Afghanistan, how much we owed to the Afghan people. And they bore the brunt of that effort. And yet, we abandoned them. After the Soviet Union dissolved, we abandoned them, and did not help them rebuild their country, as we should have. And they ended up with these radical forces at play.

And then with 9/11, and I might add during the time period of the 1990s, I was here calling for us to make sure that we did right by them, and that it would hurt us if we did not. And here, it did.

But here again, what happened? After 9/11, with 200 American soldiers on the ground, and several, perhaps 20,000, 30,000 members of the Northern Alliance, we drove the Taliban and al Qaeda out of Afghanistan. And at one point, when they had been driven out, 90 percent of the people in the country were positive toward us.

Again, it was our, it was, the ball was in our court. And again, we dropped the ball. And your testimony today is just underscoring that.

That does not mean that we should not move forward now, and see what we can do, to the best of our ability, as a team, to try to see if we can, number one, repay that debt to the Afghan people. And by doing so, undercut this religious fanaticism on the part of Islamic extremists that have targeted the United States.

General, I am going to read your report. I have not read it yet. Let me just ask, when you talk about corruption, are we talking about Americans or Afghans who are basically responsible for the corruption level we are talking about?

Mr. FIELDS. Thank you, sir. When we look at corruption, we are looking at the whole enchilada. We are looking at both sides, the American side as well as the Afghan side.

Currently, given that most of the money, probably as much as 80 percent of it, that we have invested or are investing in Afghanistan is not channeled through the Government of Afghanistan, it is channeled through the implementing agencies of the United States; principally, the Department of Defense and the Department of State. And then from there to various contractors and other entities who help to make use of this money for the purposes for which it was, in fact, appropriated.

So the work of our audit, as well as our investigations, considers both sides. With some degree of emphasis, of course, on the U.S. side and what we are doing to properly prevent waste, fraud, and abuse.

Mr. ROHRABACHER. Mr. Chairman, I think this subject actually deserves a lot more time than we are going to be able to give it today. And I would suggest to you that we bring the General back some time soon, after we have studied your reports, and be able to—there are some areas that I would really like to get into very deeply here. And we do not have the time to do it today.

There is a major address before Congress, before the President of Mexico, I believe, that we are going to. And it would seem to me that we should—for example, I would like to ask the General's analysis of whether the military teams, the PRTs, whether that is the way that we should focus on delivering aid, and what we have found are the effectiveness of those teams, as compared to the contractors at the local level.

And there are a number of questions specifically like that, that need to be addressed. And I would hope that we can bring him back.

Mr. CARNAHAN. I concur. And our point today is I think to give us an overview of the work that the Inspector General is doing.

And certainly I expect there is going to be a number of specific issues we are going to want to dig into. So I look forward to working with you on that.

Now I want to recognize Mr. Ellison for 5 minutes.

Mr. ELLISON. Thank you, Mr. Chairman. And thank you, General, for being here and sharing your illuminating insights about these issues we are facing here in reconstruction of Afghanistan.

Last month General McChrystal questioned our reliance on private contractors in Afghanistan. In fact, he is quoted to have said the following. This is him. "I actually think we would be better to reduce the number of contractors involved." He went on to say, "I think it doesn't save money." And then he further elaborated by saying, "We have created in ourselves a dependency on contractors that I think is greater than it ought to be."

According to the GAO, in early 2010 there was approximately 107,000 contractors supporting the United States and allied efforts in Afghanistan.

I guess my question is, do you share General McChrystal's concerns expressed in these quotes? Or how do you react to them?

Mr. FIELDS. Thank you very much, sir. I think what General McChrystal is saying is generally true, from the standpoint of our dependence on the contracting community.

But we also have been engaged with contractors for quite some time. This is not the first time, in a conflict, in the interest of the strategic direction of the United States, that we have had such a dependence on contractors. We did it during World War II, Korea, certainly Vietnam, and now Afghanistan. And of course, in Iraq, as well.

But I do feel, and agree with General McChrystal, that we have come to depend too much on contractors. But there is a liability to this.

We either build the resources that are now being provided by the contracting community within the defense mechanism and structure, or we continue to depend upon contractors.

Mr. ELLISON. Could I follow up on that, general?

Mr. FIELDS. Absolutely, sir.

Mr. ELLISON. Well, I mean, we are paying these contractors quite a bit of money. So if the U.S. military developed capacity to perform these same functions internally, isn't it likely that we could do it cheaper?

Mr. FIELDS. I would say, sir, that some aspects of what we are currently doing could be done cheaper if the resources were, in fact, a part of the uniform defense establishment. But I am not inclined to say that that would necessarily, in the long run, be in the best interest of the American taxpayer.

I do feel, though, that we could perhaps reduce our dependency on contractors by taking more full advantage of resources that we could have within the more conventional establishment of the U.S. military environment.

Mr. ELLISON. But General, if we are spending, say, $1 to hire a contractor to do any given task, and if that task is necessary to be done; and given some of the concerns we have had about the expense of contractors and the difficulty of imposing accountability;

I mean, the dollar to the contractor and a dollar spent internally is the same dollar, isn't it?

I mean, isn't it conceivable that we could do better by—I mean, where would we not do better if we were to do, to build capacity internally? Because we are spending the same money anyway, either way.

Mr. FIELDS. Well, let me say, sir, that the resources that the contracting community brings to a very complex environment, such as Afghanistan, is good. I do not wish to characterize all contractors as out to take advantage of the American taxpayer.

Yes, they are businesses; and certainly there is a profit margin that they seek to find. But having done this work now for the past coming up on 2 years, I have considerable respect for the contracting community. They are operating in a very dangerous environment, and folks are not necessarily lining up to go to the edge of the battlefield, if you will, such as our contractors. Even folks that I would wish to hire into my organization, with the intent to spend quite a bit of time in dangerous places in corners of Afghanistan, it is difficult for me, as well.

There are contractors being killed on the battlefield out there. And so it is very complex.

Mr. ELLISON. General, certainly we want to thank any, all the contractors for their meritorious service. But this is not really a question of are contractors good people or are they bad people. It is a question of how do we get the most out of our dollars spent as American taxpayers, and might we do these things more cost-effectively internally? And might we also have a better ability to demand accountability if they are done internally? So those are the points.

And I just want to agree with you that people who have gone over and serve as contractors have done good work, and certainly we don't want to denigrate their work. But I think some of these issues remain important. And I thank you for your testimony today.

Mr. FIELDS. Thank you very much, sir.

Mr. CARNAHAN. I want to thank the gentleman. And while we still have additional time, I think we are just going to do a second round of questions.

And I want to follow up where I left off. We really didn't get time to get your full answer, I think, in terms of the look back, before the Special Inspector General's Office was stood up.

Again, give me a description of the process that is in place to evaluate that, and a timeframe when you think we will have some better answers. Because as we evaluate these additional investments going forward, that is the kind of information that we need.

Mr. FIELDS. Thank you, Mr. Chairman. I am pleased to have with me at the table today, and in the room, two of my principal staff: My assistant inspector general and acting deputy inspector general for audits, Mr. John Brummet. He is a career member, or former career member of the Government Accountability Office, GAO.

And I also have with me the assistant inspector general for investigations, a career member of the Federal Bureau of Investigations, Mr. Ray DiNunzio.

I would like to respectfully ask if Mr. John Brummet will roll in on that question of looking back, particularly with emphasis on the forensic work that he and his auditors are doing at this time.

Mr. CARNAHAN. I recognize him to do so. And again, if you could give us a description of the process and the timeline, again as we look at these substantial new investments going forward. I think that is a very critical part of understanding what we have done in the past.

Mr. BRUMMET. Yes, Mr. Chairman. It is very hard to look back. It would have been much easier if we had been set up a long time ago. When we look back, it is hard to find the documentation. It is hard to find the people responsible for the various programs because of the length of tour in Afghanistan. So looking back is a difficult thing.

What we are trying to do is gather transaction data from all the reconstruction programs, and use some data-mining techniques to identify potential anomalies, like duplicate payments, or instances where the person that approved the payment is the same person that received the payment, to get suspect transactions. And then, through audit and through investigations, try to track those down.

But it is a difficult process. And getting precision in terms of the amount of wasted or funds subject to fraud will be a very, very difficult task.

Mr. CARNAHAN. I think that I cannot even imagine how difficult that would be. But having all of us acknowledge that it is difficult, you know, when do you think we could have—again, I know we are not going to get precision on this. But when do you think we could get some even ballpark ideas on where that stands, looking back?

Mr. BRUMMET. I would think that over the course of the next 6 months, as we complete another 10 to 12 audit reports, we will be in a much better position to make estimates along the lines that Mr. Bowen was able to make after he had spent 5 years of doing audits. And I think the figure on our estimate of waste will be considerable.

Mr. CARNAHAN. Well, that will be very important, again, going forward. Now I want to flip to the present. And in your report you talk about the new funding that has been requested; three fourths of this new budget request is going for training the Afghan National Army and Police.

And I think everyone, from our military leaders on the ground to people here on the Hill, believe that the success on the ground is critical, that military and police in Afghanistan be stood up. But it is also critical to being able to get our troops home.

And so I would like you to address the police training, military training aspect. And in particular, you mentioned the Afghanistan Contract and Audit Office and problems there with their having insufficient independence, authority, and qualified staff to actually do their job.

If we are spending these large amounts of money on something when clearly there is a consensus that this is something that has to be done, and done well, we need to be able to track how that is going. And again, part of that is money, as you mentioned, but I would also like you to address the capability milestone rating sys-

tem, which can really talk about the effectiveness, and when you expect that report to be prepared.

Because again, I think going forward, for considering these new budget requests, that is going to be critical.

Mr. FIELDS. Thank you, Mr. Chairman. Let me address the capability milestones report. That, to answer part of your question, sir, we hope to have completed that report and released it publicly by this June. So next month that report should be posted on our Web site and briefed, as appropriate to the leadership here in the Congress.

That report will identify some serious issues. The most serious is that we have been using for years now this capability milestone, or CM, ratings process to determine where it was, where it is that the Afghanistan Security Forces stand, particularly and specifically Afghanistan National Army, as well as the Afghanistan National Police, and their ability to do what they are being stood up to do, and for which the American taxpayer has thus far essentially spent about $27 billion, with another $14.2 billion to come as a part of the President's most recent request for additional funds to train the security apparatus of Afghanistan.

We found flaws in this CM rating or capability milestone rating scheme. As I mentioned in my opening statement, this flaw or these flaws have been recognized by the most senior leadership of our military forces and trainers in Afghanistan, and they are taking corrective action to remedy this.

But I am amazed that really, over the period that we have been spending so much money training and equipping this force, that we have just come to realize that we had an inadequate system of measuring their progress.

In terms of the CAO, that is the Control and Audit Office, very similar to our Government Accountability Office here in the United States, and the High Office of Oversight, or the HOO. Those are two mechanisms within the Government of Afghanistan designed to fight corruption.

We believe, of course, that in order to be successful, both in terms of standing up the security forces, we have to have good systems, institutions in place in Afghanistan. The CAO and the HOO are very significant in that regard.

Our audit recently released both for the CAO and the HOO suggest that those offices are currently inadequate to do that for which they have been put in place. And the Embassy in Kabul is working with the Government of Afghanistan, as well as with other representatives of the international community, to remedy this.

And I want to point out that President Karzai has taken some action himself to help remedy this, by decreeing that this office, specifically the High Office of Oversight, be provided more independence, so that it can really do its work.

Mr. CARNAHAN. Thank you. Now I want to yield 5 minutes to Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. And again, I think we are going to have to, in the weeks ahead, we might have to have the General back. In the months ahead we might have to have the General back. And I am very happy that you are there, General.

If we are going to talk about contractors, I just thought I would go on the record, because it seems to be a lot of focus on contractors here, a lot of people want to vilify contractors because of a natural inclination to suggest that, well, if there is a problem, we are going to blame it on somebody. We don't want to blame it on the uniformed military people; we will blame it on the contractors.

I think they, by and large, the contractors have done a good job. But we must make sure that they are not corrupt, and they are not going there and just exploiting a situation for profit.

But let me just say that there are people who deserve our thanks, and deserve to be honored, among these contractors. Blackwater, for example, has been a contractor that has been vilified. And I would say the vilification of Blackwater and contractors like Blackwater is a black mark on a lot of people in this town. Blackwater has lost a lot of men in Iraq and Afghanistan.

Just several months ago, when a CIA post was blown up, and we said that we lost, it was reported that six CIA operatives were lost in that explosion. Well, in fact, there weren't eight operatives lost; there were six Blackwater contractors who were lost, along with two CIA operatives. And that didn't happen to get reported.

And they have done a good job. Blackwater has done a terrific job. Yet we see that organization targeted to try to find any little thing that they have done, to try to bring them down. That is outrageous, and I think the American people need to know the sacrifices that these, almost all the Blackwater people are former Special Forces, and I might add Marines, who are retired, and who are now using their expertise to try to accomplish our goals.

So I think the vilification of the contractors is misplaced, and something that we should really think about. And these people, most of them, most of them deserve our praise.

Now, why do we use contractors? Just to note, if a contractor can cook food for our troops, it is actually more cost-effective to have a cook, who is not in uniform and is not a military person, to be there cooking for our troops and providing food services for our troops. Because it costs us $1 million per person, and per uniformed military personnel in that combat area, it is costing $1 million a year.

Well, it shouldn't cost us $1 million a year in order to provide a cook. But perhaps putting someone, someone who is willing to go into harm's way, and our soldiers and Marines, that is the type of expenditure that we have to have.

General, I want to get back to—okay, there is my defense of the contractors. I think it is necessary. I think that they are being abused, and people should be ashamed that they are abusing some of these heroic people, like Blackwater, who have done great jobs for us.

Now, with that said, I would like to go back to this initial question about comparing when the military itself is able to involve itself in economy-building operations, versus having aid, USAID and other agencies, and contractors coming in to do that job.

I am just requesting you now—I don't want you to do this off the top of your head—I would like you to prepare a report for this committee comparing the effectiveness and letting us know the effectiveness of the PRTs, which are military units, in Afghanistan, as

compared to perhaps the way, the operation of non, of contractors and other elements of our Government, in terms of building up local economy, and the success they have had.

So I am going to ask you to do that for this committee. And it wouldn't have to be an extensive report, but just a general analysis of how that is working.

And I see that my time is up now, Mr. Chairman. I hope that if we have time for another round, I do have a couple more questions. Thank you.

Mr. CARNAHAN. Thank you. And I wanted to, in my next round of questions, get into, again looking forward with some of the activities you mentioned. Of course, the Donor Conference in London. We have the upcoming peace jirga on the 29th of this month, and the Kabul conference in July.

Can you address for the committee some of your expectations from those conferences? And in particular, the importance of having really a broad-base involvement of men and women in those conferences, and how that is going to improve the effectiveness of what we are able to do on the ground?

Mr. FIELDS. Sir, I applaud the fact that these conferences are, in fact, taking place. Much of the work that will be done at these forthcoming conferences really is really borne out of the 28 January conference hosted in London in support of the reconstruction efforts in Afghanistan.

There were certain decisions made at that conference, and now the international community is coming together to assist the Government of Afghanistan in making sure that those recommendations agreed upon are, in fact, put in place.

In terms of the involvement of women, I don't anticipate that the level of involvement of women will be at the level at which I think the American people would be pleased to see. We can reflect on audit work that we have done, which I think is an example of what I am trying to say here, regarding women in Afghanistan. We conducted an audit associated with the recent elections, and while not completely disenfranchised, nonetheless, the women did not fare well in terms of the basic rights for voting, and expectations as would otherwise be expected among the male population of Afghanistan.

We are also conducting an audit to determine what has happened to about three quarters of a billion dollars, Mr. Chairman, that this Congress has made available for women and girls in Afghanistan during the course of the past several years. We are looking to find if there is evidence that the money was, first of all, used for the purposes for which it was made available; and to what extent has it helped to advance women and girls in Afghanistan.

The extent to which that money, perhaps, and other donor contributions have been effective will certainly be reflected in the extent to which women participate, to any influential level, in these forthcoming conferences.

Mr. CARNAHAN. Let me ask about the development of the agricultural sector. During our visits a few weeks ago, it was one of the things that was highlighted, that 80 percent of the country is rural and agriculturally driven. They have great opportunities in devel-

oping pomegranates, fruits, nuts, grapes, and that that is going to be critical to their economic growth.

We heard some good success stories about the way some of our civilian teams were partnering with farmers. Also that the farm income in the areas that we visited, in Kandahar, had tripled in the last year. So there is some good progress being made.

Can you talk about your evaluation of how the agricultural sector is developing? And in particular, as was mentioned by Mr. Rohrabacher, about the success of some of the PRTs? But also, the National Guard Agricultural Development Teams.

Mr. FIELDS. Thank you, Mr. Chairman. The agriculture sector is a very important part of the strategy that the United States, in conjunction with the international community, is implementing in Afghanistan. And you may know, sir, and the committee members may know that it consists basically of two principal elements, one of which is to help shore up the Ministry of Agriculture in Afghanistan. And the other component is to shore up agriculture itself among the 34 provinces so that they help to encourage or expand job opportunities which our Government feels is important to helping to bring this reconstruction effort and this conflict to closure.

We are poised to do some work in this area. And I would like to ask Mr. Brummet if he would comment on that, sir.

Mr. CARNAHAN. I recognize you to do so.

Mr. BRUMMET. We have not done any audit work on the ag sector. However, I do have a team that has been in Jalalabad in Nangarhar Province, and they met with the Agricultural Development Team there. And we will be going in I believe next month to do work at the provincial level.

I would say that looking at the ag sector, in a comprehensive way, is something that needs to be done because we have USAID spending a lot of money. We have the U.S. military with the Agricultural Development Team spending a lot of money. We have USDA, Department of Agriculture, with about 40 advisors, throughout the country. And we have the State Department that is working on counter-drug activities, which involve things like alternative crops and that type of thing.

What we found, looking at other sectors—namely, the energy sector—is it is very, very difficult, when you have so many U.S. agencies involved, and also the international donor community, to have a coordinated effort. And what we found in the energy sector was lack of coordination, lack of planning, lack of common standards. And I suspect we might find some of the same problems in looking at the agriculture sector.

So we will be starting that work probably within 6 to 8 weeks. And we will have a report out on the ag sector I hope by the end of the year.

Mr. CARNAHAN. Thank you. Mr. Rohrabacher.

Mr. ROHRABACHER. Amazing we are talking about this 8 years into the war. It is unbelievable.

Let me just note, Mr. Chairman, that quite often people will take a look at projects, and suggest that there might be waste involved in it because they are unsuccessful.

The lack of success in this particular situation, as in other overseas conflicts, is usually not traced back just to corruption, and not

just to waste, but to a flawed strategy. And you cannot have a strategy or a policy that is fundamentally in conflict with the tradition or culture of the country that you are in, and expect that it will succeed.

And it may look like waste or fraud from a distance. For example, when we are talking about creating the, standing up the Army of Afghanistan, and standing up the National Police in Afghanistan.

Now, correct me if I am wrong, General, you may know about this, but there has been a huge desertion rate among the people that we have already trained. Now, what does that reflect? Does it reflect waste? It doesn't reflect waste.

What it reflects is the fact that Afghanistan has the most decentralized tribal and provincial and ethnic culture of any other country in the world. And trying to create an Afghanistan that is controlled or dominated by Kabul, and governed by Kabul, the capitol city, isn't going to happen. It isn't going to happen. It is totally contrary to their whole tradition.

There has never been an Afghanistan that was dominated by the capitol cities. Zahirshah, the King, there for 40 years, basically didn't rule the country. He simply was the godfather or the father figure of the country. But the governance was going down at the tribal level, at the village level, at the family level, at the provincial level. And as we try to create this image of a modern country which has a central army, we will not succeed. And it may look like waste, but it isn't.

And let me just note, the great State Department planners who forced the current constitution on Afghanistan, after the Taliban were driven out, created and developed a constitution that is the most centralized-power constitution of any country that I know of.

Mr. Chairman, the constitution in Afghanistan does not have the power to the people, so to speak. I mean, down at the village level. In fact, the police are the National Police Force. Does that sound like it is consistent with a decentralized society? A national police force? That may be good in France, but it is not good in Afghanistan. And if you appoint the heads of police from Kabul, you are asking for corruption. All right?

So we have a flawed policy that looks like corruption, but it is a flawed policy. We aren't going to have—and the provincial leaders, I believe, are appointed by Kabul, under their constitution. How is that going to succeed in a country that prides itself on ethnic lines and in tribal lines, and has a decentralized culture? It won't work.

So General, you have got your job cut out for you. And I would hope that we can, as we discuss the waste that is going on, that we can try to delineate where that fraud and that waste is that is actual fraud and waste, but not just the result of a flawed policy.

You, General, are not going to be able to correct the flawed policy. You are going to be able to point out to us and to everybody else how things aren't working, or there is corruption involved. And we are going to pay a lot of attention to that.

But Mr. Chairman, we need to realize that there are some fundamental structures that have been put in place that will not work. And I think that, as a result also of a lack of attention, as you have

already brought out in this hearing, Mr. Chairman, the lack of attention to exactly what was going on in Afghanistan. And I believe that the incompetence level of what we have been trying to do in Iraq and Afghanistan is a major issue. But especially in Afghanistan, the basic policy and foundation that we have been working with is something that also needs to be looked at, and needs to be corrected if we can.

Mr. ROHRABACHER. General, I am looking forward to your report. When I was, over the years as I visited Afghanistan, I have noted the good work of the various PRT groups that are not totally military, but at least the military officers I think are playing the dominant role in the PRTs. So I am looking forward to that report from you.

And with that said, I guess I didn't ask a question. General, my question is, what do you think about that?

[Laughter.]

Mr. FIELDS. Thank you, sir. We comment on policy issues when requested. And as we see a policy issue having an impact on our principal work, providing oversight of that 51, and to be more exact, $51.5 billion that the U.S. taxpayer has already invested in Afghanistan.

The issues that you mentioned, sir, are certainly issues that need to be addressed. And I am confident that, in this Congress and within the administration, those matters will be sufficiently addressed. And wherever it is that our work, in terms of providing the oversight, crosses those issues, then we will certainly provide our advice and counsel as we see them from our vantage point.

In reference to the PRTs, sir, and their impact, I am pleased to say that I have thus far visited about half of the PRTs, representing about 15 countries, rather, 15 provinces of Afghanistan.

I have yet to find a PRT commander who is inadequate or incompetent. I have been impressed by the leadership, both on the U.S. side, as well as on the internationally led PRT side.

What we have found, though, is that the PRTs have been insufficiently staffed, not so much by the uniform military, but the institutions, Federal institutions of our Government. Department of Agriculture, Department of State, USAID have not, in the past, consistently provided the personnel resources and expertise that was, were determined on the front end of the PRT arrangement.

I am pleased to say, though, I have now been able to see some evidence that the institutions are providing a better response. We are not there yet. A part of that response is, in fact, the civilian surge, or civilian uplift, as we say.

We are conducting an audit of the civilian uplift to determine if, in fact, the policy under which the civilian uplift and surge have been implemented measures up to the effect that we expect that instrument of support to reconstruction should have.

Mr. ROHRABACHER. Thank you, General, I appreciate that. And if you can provide some specifics in writing to me on the PRTs that you just stated. See, I happen to believe that is where the progress is going to come from. Because PRTs go right down to the local level, and you have direct interaction, and you have a disbursement of funds by a military officer, rather than contractors or non-

military officers. Or at least a military officer overseeing it in that local area.

So I am very interested in that. And thank you for that answer. I am looking forward to, as I say, working with you in the years ahead, or months ahead at least.

Mr. FIELDS. Thank you, sir.

Mr. CARNAHAN. Thank you. And I just wanted to close up with a couple of questions, one really following up on the corruption discussion that you had, and also about staffing.

The survey that was put out earlier this year by the U.N. said that 60 percent of Afghans thought that corruption was their biggest concern. That one Afghan out of every two had to pay at least one kickback to a public official. The average bribe was $160, and that the one quarter of the, this was one quarter of the country's GDP, they paid out over $2.5 billion in bribes in the last 12 months. That is equivalent to the revenue accrued by the poppy trade, of about $2.8 billion.

So the magnitude of this is staggering. And, you know, your job is staggering, in terms of trying to get a handle on that and assess that. But, you know, your job I think is to shine a light on the problems there, to arm us with information, to help make the best policy and funding decisions we can from where we sit. And we absolutely want and need you to succeed.

And so I guess I would like you to comment on addressing the corruption issue that seems endemic, and also address the staffing levels for the Inspector General's Office, efforts to be sure that we are not duplicating what other agencies are doing.

But the bottom-line question: Do you have the staffing and resources you need to provide the information that Congress was looking for going forward?

Mr. FIELDS. Thank you, sir. Let me say that the Congress has been forthcoming in providing resources for my office.

While on the front end of the stand-up of this SIGIR office, we did not have really a penny. When I was appointed on the 22nd, when I was sworn in on the 22nd of July in 2008, this organization had absolutely no money.

But by October/November of that same year, Congress did make available $2 million in one instance, in another, $5 million, followed up by another $9 million. So we essentially worked for 1 year building this organization from scratch with about $16 million.

But I am pleased to say that for this year, as well as for year 2011, we have about $35 million to build this organization to 132, primarily of investigators and auditors, about a third of whom will be stationed in Afghanistan. So we are poised to, I think, conduct the work that we have been designed to do.

We are being asked to do more than we really have a capability. We have been asked to participate in the provincial oversight issue or mechanism of the Government of Afghanistan. To this extent we have made a request for an additional $14 million to help in that regard. That would increase by almost twice the current number of auditors that we have.

We don't know whether or not this measure will find its way completely through the Congress, but I do bring that to your attention as a measure of funding for which we have made a request.

And we would certainly put to good use, were the Congress to find that it should be appropriated on behalf of SIGIR.

In terms of corruption, I honestly will tell this Congress that I don't believe that in advance of year 2009, that we paid very much attention to the, an anti-corruption program in Afghanistan as a part of our reconstruction effort. But I am pleased to say that over the last year, and especially in the past 6 months, after seeing considerable activity in that regard, I am inclined to say that some of that activity has been generated by the very audits that SIGIR has conducted. Specifically, the audit of the Control and Audit Office, as well as the audit of the High Office of Oversight.

So the Embassy is working with the Government of Afghanistan, the international community is working with the Government of Afghanistan, both in providing expertise, as well as monetary resources, to raise this country up from 179 or so in terms of where it stands on the hierarchy, if you will, of anti-corruption, or corruption, to something much, much better than that.

I am very disappointed, Mr. Chairman and Ranking Member Rohrabacher, that after we have spent essentially $50 billion, we still have a country that is almost at the bottom of the list in terms of corruption.

Mr. CARNAHAN. Thank you. And we have just a few minutes left, and I am going to yield to Mr. Ellison for the last questions.

Mr. ELLISON. General, I just have a very brief, and even simple, question, and even a simplistic question. But I would just like to ask you your views on, as we approach this issue of addressing corruption, what are some of the key things you think that the United States Government could do to help? I mean some of the key things to really promote a greater environment of transparency and accountability on behalf of our Afghan partners?

Mr. FIELDS. Thank you for your question, sir. What is it that the United States can do? I think we are already doing a lot. But I am disappointed to say that in terms of our financial investment in Afghanistan in shoring up the institutions of Afghanistan, where I think much of the future of fighting anti-corruption begins.

We must have strong institutions. We must have systems and controls in place at the highest level of any government, particularly the one about which we are concerned at this point in time, and that is Afghanistan. We must have those mechanisms at the top of the government.

We are working with the Control and Audit Office, and with the High Office of Oversight. We have spent $27 billion associated with the Afghanistan Security Forces. All of these mechanisms I feel come together to I think, sir, answer your question as to where are we helping to take Afghanistan when it comes to fighting this corruption that exists in their institutions and among their populace.

Mr. CARNAHAN. Thank you, Inspector General. And we are going to have to wrap up. And Mr. Rohrabacher, you had a quick closing?

Mr. ROHRABACHER. Thank you very much. That is it.

Mr. CARNAHAN. Okay. Thank you. We will certainly follow up. We appreciate your service. We want you to succeed in what you are doing, so that we can make the best decisions possible. Thank you very much.

Mr. FIELDS. Thank you, Mr. Chairman.

[Whereupon, at 10:54 a.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS, HUMAN RIGHTS AND OVERSIGHT
Russ Carnahan (D-MO), Chairman

May 13, 2010

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Subcommittee on International Organizations, Human Rights and Oversight, to be held in **Room 2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov)**:

DATE:	Thursday, May 20, 2010
TIME:	9:30 a.m.
SUBJECT:	Afghanistan Reconstruction Oversight
WITNESS:	Major General Arnold Fields (USMC- Retired) Inspector General Office of the Special Inspector General for Afghanistan Reconstruction

By Direction of the Chairman

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COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *IOHRO* **MEETING**

Day *Thursday* **Date** *05/20/10* **Room** *2172*

Starting Time *9:31 a.m.* **Ending Time** *10:55 a.m.*

Recesses *0* (_____ to _____)

Presiding Member(s) *Chairman Russ Carnahan, Ranking Member Dana Rohrabacher*

CHECK ALL OF THE FOLLOWING THAT APPLY:

Open Session ☑
Executive (closed) Session ☐
Televised ☑

Electronically Recorded (taped) ☑
Stenographic Record ☑

TITLE OF HEARING or BILLS FOR MARKUP: *(Include bill number(s) and title(s) of legislation.)*
Afghanistan Reconstruction Oversight

SUBCOMMITTEE MEMBERS PRESENT:
Rep. Carnahan, Rep. Rohrabacher, Rep. Poe, Rep. Ellison

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not Members of HIRC.)*

HEARING WITNESSES: Same as meeting notice attached? Yes ☑ **No** ☐
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*
Rep. Ellison's opening statement, Rep. Poe's statement for the record and questions for the record.

ACTIONS TAKEN DURING THE MARKUP: *(Attach copies of legislation and amendments.)*

RECORDED VOTES TAKEN (FOR MARKUP): *(Attach final vote tally sheet listing each member.)*

Subject	Yeas	Nays	Present	Not Voting

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *10:55am*

Subcommittee Staff Director