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# EXAMINING U.S. RECONSTRUCTION EFFORTS IN AFGHANISTAN

## HEARING

BEFORE THE

SUBCOMMITTEE ON
THE MIDDLE EAST AND NORTH AFRICA

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

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# EXAMINING U.S. RECONSTRUCTION EFFORTS IN AFGHANISTAN

**TUESDAY, JUNE 10, 2014**

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE MIDDLE EAST AND NORTH AFRICA,
COMMITTEE ON FOREIGN AFFAIRS,
*Washington, DC.*

The committee met, pursuant to notice, at 2 o'clock p.m., in room 2172 Rayburn House Office Building, Hon. Ileana Ros-Lehtinen (chairman of the subcommittee) presiding.

Ms. ROS-LEHTINEN. The subcommittee will come to order. After recognizing myself and Ranking Member Deutch for 5 minutes each for our opening statements, we will then recognize other members seeking recognition, for 1 minute each. We will then hear from our witnesses, and we thank them, first of all, for their patience and understanding, and that goes for the audience as well. We had 16 votes, so we thank you for the time.

And the witness' prepared statements will be made a part of the record, and members may have 5 days to insert statements and questions for the record subject to the length limitation in the rules.

Before we begin, I would like to express my most sincere condolences to the family and friends of the five American troops who were killed in Afghanistan just yesterday. No words can adequately express the debt of gratitude that we owe to those brave troops, and our thoughts and our prayers are certainly with them and their families at this troubling time.

The Chair now recognizes herself for 5 minutes. Last year, this subcommittee convened a hearing with Special Inspector General for Iraq Reconstruction, SIGIR, Stuart Bowen, on the lessons learned from the United States' stabilization, relief and reconstruction operations in Iraq. The purpose of that hearing was to examine SIGIR's final report to get a better understanding of how the U.S. approaches reconstruction efforts, and where we can improve so that we won't be confronted with the same problems and repeat the same mistakes.

The major takeaway from that hearing, in addition to the billions of dollars in wasted taxpayer money, was that the United States Government was unable to adequately plan, execute and oversee such large scale operations. So have we learned any lessons from Iraq? And have we learned to use our assistance more effectively and more efficiently?

While we may have implemented a few reforms as a result of the recommendations from these oversight entities in front of us, sadly it seems that we still have a long way to go to be good shepherds of taxpayer dollars. Having seen previous GAO and SIGAR reports related to oversight and accountability of U.S. assistance in Afghanistan, several things are strikingly obvious.

One is that GAO and SIGAR have undertaken an important task keeping Congress informed on that status of our operations there, but now with the troop presence winding down their abilities will be severely restricted due to the security situation and lack of access. This will make it difficult for them, and subsequently for us in Congress, to keep proper tabs on all of the U.S. funded projects in Afghanistan. Another is that for all of our effort and desire to do good in Afghanistan, we have some very glaring deficiencies that must be addressed.

The U.S. has allocated over $103 billion to Afghanistan relief and reconstruction. However, the Afghan Government is still not capable of handling such a large infusion of money, of goods and of equipment, and it is incapable of achieving long term sustainability.

This is particularly telling with many of our infrastructure projects, like in the health sector, where often times USAID would fund projects that are way too large and way too ambitious, and it leaves the Afghans with facilities that are larger and more expensive to operate, like the Gardez and the Khair Khot hospitals. And then these hospitals go unused and unstaffed because the Afghans can't find the funds nor the staff to operate them.

These efforts are not economical and are not practical. As a result, it is a waste of taxpayer dollars. The result of this large infusion of money to an incapable Afghan system is twofold. A report released this year commissioned by General Dunford and conducted by the Joint Coalition Operational Analysis, JCOA, determined that the vast influx of money overwhelmed the Afghan Government's capacity. This helped foster an environment of corruption that has worked against our interests from the start, and as General Allen once said, corruption is the existential, strategic threat to Afghanistan.

The other result is that it created an environment in which we are not tackling the root cause of the issue. The only way for Afghanistan to maintain and sustain the progress it has made under these relief and reconstruction efforts is to continue to rely on donor contributions to fill the revenue gaps. And that is not sustainable for Afghanistan nor is it sustainable for us in the United States, or we risk losing all of those gains.

In 2009, the administration decided it was going to pledge to provide 50 percent of the developmental aid to Afghanistan in direct assistance. In fact, GAO reports that we went from $470 million in 2009 to over $1.4 billion in 2010. However, that same year several reports, including one commissioned directly by USAID, cited how decidedly ill equipped the Afghan ministries were to receive direct assistance.

Both GAO and SIGAR raised the warning flags and recommended that USAID identify and assess the risks associated with direct assistance, but SIGAR is now reporting that USAID

had ignored these recommendations and may have approved direct assistance without mitigating these risks.

So how are we to conduct proper oversight of State, of USAID, of DoD, to ensure that they are fully complying with the recommendations of SIGAR and GAO and the rules and regulations laid out by Congress to ensure U.S. taxpayer dollars are put to their best use? SIGIR identified several major lessons that should have been learned in Iraq that should be applied in Afghanistan, and included the need to implement better interagency coordination and use our funds wiser, more efficiently and more effectively.

If we are still running into the same problems in Afghanistan as we did in Iraq now that we are transitioning, is it time for Congress to reexamine how we conduct these operations and consider implementing some much needed reform? The obvious answer is yes. Of course, yes.

And with that I am pleased to yield to the ranking member, my good friend Mr. Deutch of Florida.

Mr. DEUTCH. I thank you, Madam Chairman. I also would like to extend my condolences to the five troops who were killed yesterday in Afghanistan. We spend a lot of time here talking about what our Government does, but it is ultimately the men and women who serve our Government in tough places like this that we need to keep in mind. And on this day we keep in mind the families of the five.

Today's hearing comes on the heels of the President's announcement that 9,600 American troops will remain in Afghanistan until 2016. After almost 13 years, trillions of dollars and thousands of American lives lost, this news was met with the mixed reactions that we have come to expect when we talk about Afghanistan, from those who cannot bear the thought of even one more American life sacrificed to those who believe that it is our responsibility to remain and protect our national security interests.

A recent Gallup poll found that for the first time since the war in Afghanistan began, more Americans now view the war as a mistake. After the United States has given so much in blood and treasure, what do we have to show for it? Have our resources been wisely spent? Have we strengthened U.S. security at home and abroad?

The Department of Defense and State Department and USAID all continue to have significant civilian presence and projects throughout Afghanistan. These agencies have done tremendous work in an extremely challenging environment. And the civilians on the ground working to rebuild and reform put their lives in danger every day and they deserve to be commended for the work that they are doing.

But as our presence in Afghanistan draws down, are we putting the necessary measures in place to ensure that the programs that we have instituted and the infrastructure that we have built to strengthen Afghanistan's security capability, governance and civil society are sustainable and will remain in place long after we leave?

Accounting for billions of dollars across multiple agencies is no easy task. I believe that the good folks at State and USAID have taken significant steps to deal with corruption in the Afghan Government and to combat any potential uses. An additional inde-

pendent oversight of these efforts is necessary and welcome to create programs that run as efficiently as possible.

In 2008, Congress established the Special Inspector General for Afghanistan Reconstruction with a goal of not just tracking waste, fraud and abuse, but to recommend more efficient and effective methods for completing the enormous task of reconstruction in Afghanistan. Thanks to the work of SIGAR as well as oversight investigations conducted by GAO, they have identified a number of key challenges to U.S. reconstruction efforts such as the limited capacity of the Afghan Government and the many persistent security challenges.

And it is clear that evidence of these challenges can be seen throughout our footprint in Afghanistan. GAO identified numerous weaknesses in interagency coordination and overlap of funding accounts between DoD, State and USAID, creating the potential for duplication of projects and programs.

While GAO recommended the creation of a shared interagency database in 2010, it appears that little progress to advance that recommendation has been made. In 2012, GAO went so far as to recommend that Congress take legislative action to require that U.S. agencies report information on their development related activities in a shared database. While USAID agreed with this recommendation, DoD did not.

SIGAR has also raised serious concerns over State and USAID's ability to terminate contracts when contractors are found to have ties to insurgent or opposition forces. The agencies lack the authorities to swiftly terminate, restrict or avoid a contract awarded to a person or an entity identified as supporting the enemy or opposing U.S. forces, and under existing law the agencies will likely have to pay up to the full cost of any contract to complete a termination.

Implementation of these broad reforms and other recommendations will help maximize our assistance and achieve greater results. Unfortunately, on a micro level SIGAR has also found numerous examples of wasted funds, like the $12.8 million utility equipment purchased to meet urgent needs in support of the counterinsurgency strategy that sat unused in storage controlled by the U.S. Army Corps of Engineers.

I know that our witnesses today will highlight other examples of concern, but I would like to use the remainder of my time to focus on how we can better our coordination, transparency and accountability going forward.

Our development work in Afghanistan will not end when the last American troop leaves in 2016. Many of our ongoing programs have been tremendously successful. We have made great strides in building the capacity of the Afghan justice sector, instituting desperately needed health programs and dramatically increasing access to education, especially for women.

How can we sustain these programs going forward with the ultimate goal of course being to one day transition them to complete Afghan control? With the decreased footprint on the ground, will we be able to provide needed oversight to make sure that our projects stay on track?

USAID has developed an extensive remote monitoring process that has been used successfully in a number of other challenging environments. I hope that our witnesses will address today critical components required for these monitoring programs and when they believe this type of remote monitoring can be successful in Afghanistan.

Any development work of this scale will face its fair share of failures and successes, but I believe we are doing important work that directly impacts the security of this country. It is my hope that today's hearing will shed light on how we can continue to ensure that Congress, State, DoD, and USAID are working together to ensure that aid is provided in the most effective and efficient way possible.

Thank you, Madam Chairman.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Deutch.

So pleased to yield to Mr. Chabot, our subcommittee chairman.

Mr. CHABOT. Thank you very much, Madam Chair, and thank you for calling this hearing to continue this subcommittee's oversight of U.S. reconstruction efforts in Afghanistan. Many of us have ongoing concerns about the future of Afghanistan.

President Obama's recent announcement that he was pulling all but 9,800 U.S. troops out by year's end and then halving that in 2015, and then pulling all our troops out by the end of 2016 is troubling. Announcing a departure date no matter what the conditions on the ground just tells the Taliban how long they have to wait for us to leave before they can then, at least in their mind, take over the country.

This announcement puts at risk, I am afraid, the sacrifice that our men and women in uniform have made in that country, not to mention the billions of dollars the U.S. has invested in stabilization or even reconstruction efforts. I fear that we may see something similar to what we saw in Iraq when we all thought that there would be a number of troops that would remain there. They were all pulled out. Fallujah, we see it fall to Al Qaeda. We now see rather than a U.S. ally there, we have extreme Iranian influence, and I would hate to see a repeat of that.

So thank you very much for holding this.

Ms. ROS-LEHTINEN. Thank you so much.

Mr. Higgins of New York.

Mr. HIGGINS. Thank you, Madam Chair.

And obviously, this situation relative to Afghan reconstruction is sobering at best, $103-billion commitment over the past 12 years. And you look at the condition of that country, you have the Afghan economy is about $20 billion. In 1 year we spent 75 percent of that, some $15 billion in reconstruction, $75 billion for a turbine in the southwest, a $230-million highway project in the east, $4 billion in training and equipping Afghan security forces.

And I think any assessment of the condition of all of those projects is one that requires a lot of explanation when we consider that Congress last year approved $53 billion to rebuild the roads and bridges of America, a nation of 300 million, and yet we spent $89 billion over a 12-year period rebuilding the roads and bridges of Afghanistan, a nation of some 31 million.

So at the very least, the corrupt nature of the government, the inadequacy of the Afghan security forces does not justify the com-

mitment that we have made. So I look forward to listening to the work of the Inspector General and the rest of the panel in exploring these issues more deeply.

Ms. ROS-LEHTINEN. Thank you, Mr. Higgins.

Mr. Weber of Texas.

Mr. WEBER. Thank you, Madam Chair. I am going to be short. Let us go.

Ms. ROS-LEHTINEN. Thank you, sir.

Mr. Cicilline?

Mr. CICILLINE. Thank you, Madam Chairman and Ranking Member Deutch, for holding today's hearing. I too want to extend my sympathies to the families of the five soldiers who were killed yesterday in Afghanistan.

As we begin drawing down combat operations in Afghanistan, I think it is important to say again that the responsibility rests with the Afghan people to operate, build and maintain their own civilian and military capacity. And the United States has built an important foundation for Afghanistan's future, but long term security and sustainable peace in the region can only be accomplished when the people of Afghanistan take on these responsibilities.

Some have argued that helping to rebuild Afghanistan's schools, bridges, roads and hospitals has been important to our mission, and some like me believe that it is time for us to return our focus to supporting our own schools, bridges, roads and hospitals. But I hope that all would agree that we need to be sure that whatever funds have been used and will be used are used wisely and that they are building programs that are sustainable and institutions that are sustainable.

But as Mr. Higgins just said, I think there is a lot of explanation that needs to be provided when you look at the magnitude of the resources that have been invested when we have urgent needs here in our own country. So I look forward to hearing the two witnesses today, and I yield back.

Ms. ROS-LEHTINEN. Thank you, Mr. Cicilline.

Ms. Meng?

Ms. MENG. Thank you, Chairwoman Ros-Lehtinen and Ranking Member Deutch for calling this important hearing. It is important that we conduct this oversight in order to ensure that American taxpayer dollars are being used appropriately and to ensure that our various agencies and departments are working efficiently here and making use of best practices. Without appropriate oversight, money will go to waste in Afghanistan.

I also look forward to a discussion of how we can discuss with the American people the issues that are the subject of this hearing. Afghanistan is an emotional issue for the American people as we have seen this past week with the case of Sergeant Bergdahl. As we finally leave Afghanistan, we need to make sure we are communicating effectively and honestly with the American people about our departure and what will come next. Thank you.

Ms. ROS-LEHTINEN. Thank you so much, Ms. Meng.

And so now we are pleased to introduce our witnesses. First, we are pleased to welcome Special Inspector General for Afghanistan Reconstruction, John Sopko. Mr. Sopko has more than 30 years of experience as a prosecutor, congressional counsel and senior Fed-

eral Government advisor. He spent over 20 years on the Hill—poor thing—serving in the Senate and House of Representatives including on a House Select Committee on Homeland Security and in the Senate Permanent Subcommittee on Investigations. Mr. Sopko was sworn in as the Special Inspector General on July 2nd, 2012.

Secondly, we welcome Mr. Michael Johnson who is a senior executive and director of International Affairs and Trade at the U.S. Government Accountability Office, GAO. In his role, he assesses U.S. counterterrorism and security efforts focusing on Afghanistan, Pakistan and other terrorist safe havens. Prior to this position, Mr. Johnson was an assistant director in GAO's Homeland Security and Justice team and he also spent the year detailed to the House of Representatives Homeland Security Committee.

We thank you, gentlemen, for your patience, for your expertise, for waiting around, and we are so pleased to yield to you now. And we will start with Mr. Sopko.

**STATEMENT OF THE HONORABLE JOHN F. SOPKO, SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION**

Mr. SOPKO. Thank you very much. Chairman Ros-Lehtinen, Ranking Member Deutch, members of the subcommittee, it is a pleasure to be here today to discuss my agency's oversight of reconstruction efforts in Afghanistan. Today's hearing as you have noted is very timely. As you are well aware, we are in the midst of a pivotal transitional year in Afghanistan.

The ongoing military, political and economic transition will undoubtedly shape Afghanistan's future for many years to come. For instance, this week's Presidential run-off election could result in the first peaceful democratic transition of Presidential power in Afghanistan's history. Likewise, just a few weeks ago, the President announced his plan to reduce our military presence to approximately 10,000 troops by the end of 2014, and by the end of 2016 the U.S. presence in Afghanistan will be reduced to a normal Embassy operation in Kabul with a small security assistance office.

These events may lead many to incorrectly assume that the reconstruction effort is also coming to an end, when in fact it is likely to continue for the foreseeable future. This is largely due to previous commitments made by the United States and international community at the Chicago and Tokyo conferences, in addition to the weak state of Afghanistan's economy and the limited capability of the Afghan Government to collect revenue.

Since 2002, Congress has appropriated roughly $103 billion for relief and reconstruction in Afghanistan. This is more than the United States has ever spent to rebuild any single country in our history. To give this number some context, by the end of this year we will have spent more money on Afghanistan reconstruction than we did to rebuild Europe under the Marshall Plan after World War II. And this year alone, we plan to spend more money on Afghanistan reconstruction than we spend on the next four countries, that is Israel, Egypt, Pakistan and Iraq, combined.

Now an unforeseen consequence of this historic investment by the United States and our allies has been that we have built infrastructure and a security force and a national government that the Afghans cannot currently sustain on their own. For example, the

Afghan Government generates roughly $2 billion a year in annual revenue while it needs as much as $10 billion annually to cover all government operations including the important Afghan National Security Forces.

As a result, for many years to come the Afghan Government will depend on external assistance from the United States and the international community to meet this budget shortfall. Accordingly, it is critical that effective management and oversight remain a top priority for all U.S. agencies as we prepare to enter a post-2014 reality in Afghanistan. This is extremely important given that roughly $18 billion in authorized and appropriated reconstruction funds remain to be spent by U.S. agencies as of March 31st, 2014, including approximately $7 billion by the State Department and USAID.

Today, SIGAR and our oversight comrades at GAO and the other IGs are already contending with a restricted oversight access. In fact, based on our best estimate it is likely that far less than 20 percent of Afghanistan will be accessible to civilian U.S. oversight personnel by December of this year. That is more than a 50-percent decrease since 2009.

Despite these challenges, SIGAR is committed to its oversight mission and is developing innovative methods to adapt to the evolving security environment. Given what is at stake for the United States, the international community and the Afghan people, SIGAR believes oversight must be, to use a military term, mission-critical. If it is not, the historic investment we have made to date and the billions more yet to be spent on reconstruction will be significantly vulnerable to possible waste, fraud and abuse.

Thank you very much for the opportunity to testify, and I look forward to your questions.

[The prepared statement of Mr. Sopko follows:]

Testimony

Before the Subcommittee on the Middle East and North Africa, Committee on Foreign Affairs
U.S. House of Representatives

# Oversight of USAID and State Department Reconstruction Efforts in Afghanistan

Statement of John F. Sopko,

Special Inspector General
for Afghanistan Reconstruction

June 10, 2014

Chairman Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee,

I am pleased to be here today to discuss oversight of U.S. Agency for International Development (USAID) and Department of State (State) reconstruction efforts in Afghanistan. As of March 31, 2014, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately $103.17 billion. Combined, approximately $22 billion from these appropriated funds have been allocated to USAID and State—USAID, $17.53 billion and State, $4.42 billion—to help rebuild Afghanistan through a wide range of projects and programs in areas such as healthcare, education, agriculture, counter-narcotics, and rule of law/anti-corruption. USAID receives the vast majority of its funds through the Economic Support Fund; State primarily receives its funds through the International Narcotics Control and Law Enforcement Fund. (See appendices I and II for additional information on appropriations, obligations, and disbursements in the Economic Support Fund and the International Narcotics Control and Law Enforcement Fund.)

The United States' efforts in Afghanistan will continue beyond 2014 in what is being called the "Transformation Decade,"[1] as will our Office's duties and responsibilities. More than $18 billion obligated by U.S agencies for reconstruction efforts remains to be disbursed. In addition, Congress continues to appropriate reconstruction funds for Afghanistan including $6.62 billion for fiscal year 2014. SIGAR has been and will remain a critical component of the oversight community in Afghanistan, but like all U.S. agencies operating in-country it is reducing its footprint. However, no matter the number of personnel, my agency's job is to provide vigorous oversight of the reconstruction funds that will continue for Afghanistan.

[1] In August 2013, the Departments of Defense and State released the latest revision of the U.S. Civil-Military Strategic Framework for Afghanistan. The framework, which replaces an October 2012 version, provides strategic guidance for all American civilian and military personnel serving in Afghanistan and outlines U.S. priorities through what the framework calls the "Transformation Decade" of 2015–2024.

SIGAR remains committed to doing so in the most complete, objective, fair, and professional manner possible.

From its inception in January 2008 through March 2014, SIGAR has issued 70 performance audit, financial audit, and inspection reports focused on USAID and State reconstruction efforts in Afghanistan. These reports—41 for USAID and 29 for State—provide specific examples of how projects were planned, implemented, and overseen, and contain 127 and 111 recommendations to USAID and State, respectively. SIGAR has closed the majority of these recommendations due to corrective actions that USAID and State have taken. For example, prompt and timely corrective action by State has resulted in a number of positive outcomes, including the implementation of two policies that assist in ensuring accountability of U.S. funds paid to foreign contractors and subcontractors; putting $103 million of at-risk funds to better use; and the recovery of more than $6.6 million.[2] In the coming months, SIGAR will be issuing separate audit reports on USAID and State that will assess the status of all recommendations made to these two agencies.

Experts inside and outside the government agree that 2014 is a pivotal year in Afghanistan—Afghans will be electing a new president later this week, all indicators point to the signing of a bilateral security agreement that will allow a U.S. military presence through 2017, U.S. and other North Atlantic Treaty Organization (NATO) nations will continue their withdrawal of troops and equipment, and the ultimate responsibility for security transfers to the Afghan National Security Forces by year's end. Yet, as one of the worlds' most impoverished, insecure, and corrupt countries, Afghanistan presents extraordinary challenges for those committed to helping it address its serious problems. The most critical question facing

[2] Given these positive results, it is somewhat disconcerting to note that nine recommendations—some involving Afghan election issues—were closed but not implemented because State's inaction made them obsolete.

Afghanistan today—after 12 years of reconstruction efforts and more than $103 billion in U.S. appropriated funds—centers on whether it can successfully transition to become a secure, viable, and self-sufficient nation. By all measures, it will be an enormous challenge and the risks are high.

My testimony today focuses on five of the many challenges, or what we are calling "high-risk areas," facing USAID and State as they move forward in Afghanistan—sustainability, corruption, counternarcotics, on-budget assistance, and contract management and oversight. It should be noted that these high-risk areas are inexorably intertwined. For example, Afghanistan's pervasive corruption deprives the country of funds sorely needed to narrow the gap between expenditures and revenues. As a result, the country needs greater international donations than would otherwise be required to sustain what has been provided through reconstruction efforts. In another example, despite the United States' counternarcotics efforts, opium poppy cultivation in Afghanistan is at record levels. As a result, the Taliban can continue to finance its activities, which obstructs the reconstruction effort. Security conditions on the ground have affected SIGAR's and other organization's ability to conduct reconstruction oversight. Nonetheless, as evidenced by the SIGAR and United States Institute of Peace jointly sponsored international monitoring symposium held in February 2014, we are working to find ways to ensure that vigorous oversight of U.S. reconstruction efforts continues.

**Sustainability: The enormous size of the U.S. government's reconstruction effort has placed a financial and operational burden on the Afghan government that it simply cannot sustain.**

In 1988, USAID published a report on U.S. assistance to Afghanistan between 1950 and 1979, which identified a number of lessons learned, based on the U.S. government's experience in Afghanistan.[3] Chief among them was that U.S. assistance to Afghanistan had been "over-ambitious, both as to scale and timing" and that, "in many ways, the program was larger than could be effectively administered by either the U.S. or Afghan governments."

Unfortunately, the U.S. government does not appear to have learned from this report. As SIGAR's and others' work has shown, the size of the U.S. government's current reconstruction effort has placed an unmanageable financial and operational burden on the Afghan government.

Development efforts are a major contributor to Afghanistan's growing fiscal gap. As a result, each new development project that USAID or State funds increases operations and maintenance costs, adding pressure to Afghanistan's operating budget. Indeed, Afghanistan's fiscal sustainability ratio—domestic revenues versus operating expenses—remains one of the lowest in the world. Recent World Bank calculations show that Afghanistan's fiscal sustainability ratio has declined, from 66.5 percent in fiscal year 2011 to 60.1 percent in fiscal 2012. More troubling though is the fact that this ratio is projected to drop even lower in coming years.[4] As a result, Afghanistan's ability to pay for discretionary services will increasingly become more limited and further delay progression toward self reliance.

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[3] "Retrospective Review of U.S. Assistance to Afghanistan: 1950-1979." Submitted to USAID by Devres, Inc., October 31, 1988.

[4] World Bank, *Afghanistan Economic Update*, October 2013.

A 2011 report on Afghanistan's fiscal sustainability, prepared for USAID by Chemonics International, Inc., found that, even under conservative assumptions, the size of operation and maintenance expenditures associated with all external development spending is almost equal to Afghanistan's current operating budget.[5] USAID officials told SIGAR they are concerned that the U.S. and the Afghan governments could be left with "stranded assets" if project implementation and follow-up are not handled correctly. Each day, it becomes clearer that the reconstruction effort has provided too much, too fast for the Afghans to absorb. While this could lead to resentment and feelings of abandonment on the part of Afghans as they watch facilities sit ideal and deteriorate beyond repair, more significantly it results in a waste of U.S. taxpayers' money.

In essence, U.S. reconstruction efforts have been guided by over-ambitious expectations of the Afghan government's ability to afford development projects. Following are several examples in the health sector and in the energy sector, which raise serious doubts about whether the Afghan government can sustain completed reconstruction projects without massive donor support.

In April 2013, SIGAR reported that USAID built two hospitals for the Afghan Ministry of Public Health (MOPH) that the ministry would likely not be able to afford.[6] SIGAR found that the estimated annual operation and maintenance costs of the two new hospitals could be more than five times the annual operating costs for the hospitals they were replacing. For example, while the old Gardez provincial hospital had operating costs of approximately $611,000, including costs for operation and maintenance, salaries, and supplies, the International

[5] Afghanistan Fiscal Sustainability Model Summary Report, produced for USAID by Chemonics International, Inc., September 2011.

[6] SIGAR Audit 13-9, *Health Services in Afghanistan: Two New USAID Funded Hospitals May Not Be Sustainable and Existing Hospitals Are Facing Shortages in Some Key Medical Positions*, April 2013.

Organization for Migration, which received a USAID cooperative agreement to build the new hospital, estimated that its operation and maintenance costs alone would exceed $1.1 million annually. A USAID-contracted engineering firm estimated that annual operation and maintenance costs for the new Gardez hospital would be even higher—as much as $2.1 million. Further, USAID estimated higher fuel costs for the new hospital, ranging from $1.6 million to $3.2 million. Similarly, the old hospital in Khair Khot district had total operating costs of about $98,000, including costs for operation and maintenance, salaries, and benefits, but USAID estimated annual operating costs for the new facility of more than $587,000. Despite the projections for these two hospitals, neither USAID nor the Afghan government allocated funds to cover these additional costs.

In January 2010, SIGAR issued an audit report on USAID's efforts to build the Kabul Power Plant, a 105 megawatt power plant on the outskirts of Kabul city.[7] The U.S. and Afghan governments together made the decision to build the plant and, in 2007, the Afghan government committed to paying for the fuel required to operate the plant and commercializing the operations of Afghanistan's electricity revenues to cover fuel costs and operation and maintenance expenses within one year of the plant's creation.

In June 2008, the USAID Mission Director in Afghanistan certified to Congress that USAID had concluded the Afghan government was capable of meeting these commitments.[8] However, it soon became apparent that this conclusion was unrealistic. One key basis for USAID's certification was the expectation that the Afghan government would be able to

[7] SIGAR Audit 10-6, *Contract Delays Led to Cost Overruns of the Kabul Power Plant and Sustainability Remains a Key Challenge*, January 2010.

[8] This certification was submitted in compliance with Section 611(c) of the Foreign Assistance Act of 1961, which provides that whenever certain types of funds are proposed to be used for a capital assistance project exceeding $1 million, the USAID Mission Director must certify that the country has the capability to effectively maintain and utilize the project.

commercialize its utility sector. By 2010, though, the utility sector for the Kabul area was projected to suffer an annual operating loss of $250 million. Similarly, although the Afghan government had committed to paying fuel costs for the plant, in 2009, the Afghan Minister of the Economy requested that USAID reserve $28 million in funds originally set aside for its contribution to the Afghanistan Reconstruction Trust Fund, in part to cover fuel costs at the Kabul Power Plant and other power plants in southern Afghanistan.

One contributing factor behind the high costs associated with operating and maintaining the Kabul Power Plant was the Afghan and U.S. governments' joint decision to build a dual fuel plant—one capable of operating on diesel or heavy fuel. According to staff of the contractor hired by USAID to build the plant, a senior Afghan government official had advocated for a dual fuel plant since heavy fuel oil is considerably cheaper than diesel fuel and would increase the chances that the Afghan government could operate the plant with its own resources. The contractor's staff noted that the full costs of using heavy fuel oil include additional infrastructure investments, handling costs, and operation and maintenance expenses associated with greater wear and tear placed on the generators. Moreover, heavy fuel oil is not available in Afghanistan and would require the creation of a heavy fuel import and distribution network solely for the Kabul Power Plant. The contractor estimated that up to $4 million could be saved if the plant were converted to a diesel-only plant, but USAID officials declined to pursue this option due to political sensitivities surrounding the issue and prior commitments they had made to the Afghan government.

Last year, SIGAR reexamined USAID's efforts to strengthen the electricity sector in Kabul. In an audit report focused on USAID assistance to support commercialization of the Kabul regional department of Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national power utility, SIGAR found that USAID's assistance had helped DABS-Kabul reduce its losses

and increase revenues, a positive development.[9] However, SIGAR also found that DABS-Kabul—the same power utility that USAID had expected in 2008 to produce enough revenue to cover operation and maintenance costs of the Kabul Power Plant—was not self-sufficient and without an Afghan government subsidy would operate at a loss unless it significantly improved its revenue generation capability.

DABS-Kabul is well ahead of other DABS regional departments, including that in Kandahar, which the U.S. government expects to cover the costs of a number of critical U.S. and other international donor funded energy sector projects in that region. In July 2012, SIGAR issued a report on the Afghanistan Infrastructure Fund, which provides funding for large-scale infrastructure projects jointly managed and implemented by USAID and U.S. Forces-Afghanistan (USFOR-A).[10] Many of these projects are in the energy sector and include significant initiatives such as the Kandahar Bridging Solution, which provides fuel, operation, and maintenance for all Department of Defense (DOD) and USAID-procured generators in Kandahar, and improvements to the Northeast and Southeast Power Systems, two high voltage transmission networks. SIGAR found that, although USAID and USFOR-A prepared sustainment plans for these projects, as required, the plans did not include any analysis of the costs of sustaining them. Moreover, the likelihood that the Afghan entities charged with financing these projects can afford them is questionable. For instance, DABS-Kandahar, which is responsible for sustainment of the Southeast Power System and, ultimately, the operation of U.S. government-procured generators in Kandahar, has limited capability to bill customers, collect revenues, and maintain its infrastructure. As SIGAR noted in this July 2012 report, estimates at the time called for the U.S. government to support the Kandahar Bridging Solution through

[9] SIGAR Audit 13-7, *Afghanistan's National Power Utility: Commercialization Efforts Challenged by Expiring Subsidy and Poor USFOR-A and USAID Project Management*, April 2013.

[10] SIGAR Audit 12-12, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, July 2012.

calendar year 2012, when either DABS would take over fuel procurement or other power sources would come online. Not surprisingly, those estimates were overly optimistic, and U.S. funding for the Kandahar Bridging Solution has continued.

During my March 2014 trip to Afghanistan, a senior U.S. military official told me the fuel provided through the Kandahar Bridging Solution will end by December 2014. Afghan officials also told me that if the U.S. military stops providing the fuel, DABS will probably not have the financial resources to purchase fuel needed to maintain the power provided by the generators funded through the Afghanistan Infrastructure Fund. In other words, unless the U.S. government or another international donor provides more fuel to DABS, thousands of homes and businesses in Kandahar will no longer have access to power beginning in early 2015, even assuming the most optimistic estimates for the time needed to complete the Kajaki Dam and other key electrical grid projects designed to connect Kandahar to the country's larger electrical grid. DOD officials have told us that the department intends to continue purchasing fuel through possibly September 2015.

However, DOD's plans to continue purchasing fuel are still under development. We are seeking additional information from the Office of the Secretary of Defense. To help offset the power generation gap, USAID and DABS officials in Kandahar have drafted a "bridging solution to the bridging solution." Under their draft proposal, DABS will obtain power through a new solar power plant in eastern Kandahar and a hydro-electric turbine at Dahla Dam. Although I commend USAID and DABS for trying to develop a solution to this serious challenge, I have concerns about USAID and the Afghan government's ability to jointly develop, undertake, and complete two new large-scale infrastructure projects before the end of this year.

State projects and programs have also failed to consider Afghan needs. For example, State contracted for the construction of six communications towers in southern Afghanistan, with a combined value of at least $6.5 million. The contract to build the towers was completed before operations and maintenance contracts were solicited. State estimated the cost at $2 million, but the operation and maintenance bids came back four to five times higher. At this point, it is unclear why the towers are not being used, what plans exist for future use, and who will maintain them. Clearly, the lack of adequate planning jeopardizes State's investment in these towers and could result in another example of significant waste of U.S. taxpayers' money.

I would be remiss not to mention that, although the exception, SIGAR auditors and inspectors have found some projects during their oversight work which have been successfully sustained. For example, our April 2013 inspection report on the Qala-I-Muslim Medical Clinic—a $160,000 clinic in Kabul province funded by DOD's Commander's Emergency Response Fund—found that the project appeared to be a success story. The community of 4,000 people supported the clinic's construction, a villager donated the land, and the facilities are being used daily.[11] MOPH has fulfilled its commitment to sustain the clinic and our inspection showed that the heating system worked, floors were clean, bedding was plentiful and well kept, and the pharmacy was well stocked. USAID-provided educational information on pre- and post-natal care was also accessible to all patients.

Nevertheless, whether it be the energy sector or the health sector or any other, the pitfalls of placing unreasonable expectations on the Afghan government regarding its ability to sustain the costs of operating and maintaining development projects are clear. Among these pitfalls are cost overruns, delays, and waste of reconstruction funds, to name a few. Perhaps most

[11] SIGAR Inspection 13-7, *Qala-I-Muslim Medical Clinic: Serving the Community Well, But Construction Quality Could Not Be Fully Assessed*, April 17, 2013.

significant, though, is the possibility that the Afghan public and the Afghan government will lose confidence that their key partner in the reconstruction effort, the U.S. government, has their best interest at heart.

**Corruption: Long–standing and pervasive corruption could destroy Afghanistan's prospects for continued foreign assistance and for the development and reforms needed to make the government self-sustaining.**

Corruption poses the most severe threat to the integrity of U.S. government reconstruction aid to Afghanistan. Transparency International has listed Afghanistan tied for last place with Somalia and North Korea as the country perceived as the most corrupt of 177 countries rated.[12] Afghans themselves agree. In a number of internationally recognized surveys, Afghans identify corruption as one of the most serious challenges facing their country.[13]

In a 2013 survey conducted by the International Security Assistance Force, for instance, 80 percent of Afghans described corruption as a major problem, and 65 percent said it was worse than a year before. And a U.S. military study, commissioned by General Joseph F. Dunford, Commander, USFOR-A, summarized the danger with corruption as follows, "Corruption directly threatens the viability and legitimacy of the Afghan state." The study went on to say, "Corruption alienates key elements of the population, discredits the government and security

[12] Transparency International, "Corruption Perceptions Index 2013," Summary Brochure, http://cpi.transparency.org/cpi2013/results/.

[13] The findings of a 2014 National Corruption Survey conducted by Integrity Watch Afghanistan showed that Afghans' perceptions and experiences of corruption have deteriorated compared to 2012. While respondents believed corruption to be the third biggest problem in the country in 2012, they held that it was the second biggest problem after security in 2014.

forces, undermines international support, subverts state functions and rule of law, robs the state of revenue, and creates barriers to economic growth."[14]

The Joint Staff report drew in part on SIGAR audits and echoed observations made by academics and individuals involved in coalition efforts to stabilize and develop Afghanistan. Displaying a critical awareness and candor often missing from official documents, the report laid out some key findings:

- The initial U.S. strategy in Afghanistan fostered a political climate conducive to corruption.
- Massive military and aid spending overwhelmed the Afghan government's ability to absorb it. This, coupled with weak oversight, created opportunities for corruption.
- The lack of a common understanding of the nature of corruption stymied efforts to combat it.
- The lack of political will on the part of both the international community and the Afghan government to combat corruption resulted in a culture of impunity that frustrated anti-corruption efforts.
- The failure to develop a comprehensive U.S. anti-corruption strategy reduced the effectiveness of various anticorruption initiatives.

The U.S. military used a proxy force—composed largely of warlords associated with Afghanistan's Northern Alliance—to drive the Taliban and al-Qaeda from power in 2001. However, as several civilian and military analysts have pointed out, and as the military's latest study reiterates, these warlords often used U.S. support to operate with impunity to increase their political power and improve their economic positions. Afghan political leaders have built

[14] Joint Coalition Operational Analysis (JCOA), a division of Joint Staff J-7, *Operating Counter/Anti-corruption Study*, Feb. 28, 2014.

allegiances by cutting political deals that put powerful figures in key government positions and allowed them to behave with impunity.

Some of these figures have used their government positions to entrench and expand their patronage networks. In some cases, these patronage networks have morphed into criminal networks involved in everything from extrajudicial land seizures and extortion, to narcotics trafficking and money laundering.

Rule-of-law and democracy scholar Sarah Chayes of the Carnegie Endowment for International Peace argues that the military gave short shrift to corruption, even as its presence aggravated the problem:

> At every echelon, short-term security imperatives repeatedly trumped corruption concerns. Battalion commanders got cozy with police officials whose men were shaking down locals at every checkpoint, with a blow or an insulting sneer, or were imprisoning people for ransom, or demanding young sons for service as tea-boys—and other activities. Diplomats stood shoulder-to-shoulder with provincial governors who were key nodes in predatory government networks…And Afghans were watching. "People think the Americans must want the corruption," a former Kandahar neighbor remarked.[15]

Corruption also directly undermines key assistance programs run by USAID and State. One of SIGAR's most recent reports—related to developing the capacity of the Afghan government to assess and collect customs revenue—notes that corruption is affecting all levels of

[15] Sarah Chayes, "The Military Must Hunt Corruption, Not Just Terrorists," DefenseOne, 4/6/2014, http://www.defenseone.com/ideas/2014/04/military-must-hunt-corruption-not-just-terrorists/81973/, accessed April 7, 2014.

the customs process and is the biggest obstacle to increasing Afghan customs revenues.[16] Although the scale and impact of corruption in Afghanistan's customs process is difficult to quantify, USAID officials hypothesize that eliminating or significantly reducing corruption in the customs process could double the customs revenues remitted to the central government. The U.S. Department of Homeland Security's Customs and Border Protection has administered the Border Management Task Force (BMTF)—a program that mentors Afghan Customs Department, Afghan Border Police, and Afghan Customs Police agents at border control points and inland customs depots—and the task force has noted that criminal networks use intimidation to smuggle commodities, resulting in the estimated loss of approximately $25 million annually for wheat and rice imports alone. In a separate estimate, USAID officials stated that about $60 million is lost annually to commercial smuggling. However, complicating efforts to combat criminal and patronage networks are reports from BMTF advisers that Afghan employees are being kidnapped and intimidated because they are listening to the advisers and properly collecting customs duties.

Several developments in Afghanistan suggest that an emerging civil society is increasingly focused on exposing and combating corruption. It has a robust media that has highlighted and reflected Afghan dissatisfaction with corruption. International donors and the Afghan government have also established the Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) to address international concerns about corruption. The MEC, which has Afghan and international representation, has proved to be an important body that has grappled with serious issues, identified corrupt practices, and made recommendations to improve transparency and accountability. It produced the single most important report on the Kabul Bank scandal. It has also pointed out that the Afghan Attorney General's Office has not followed legal requirements in hiring prosecutors and needs to raise prosecutors' salaries "to reduce the

[16] SIGAR 14-47-AR, *Afghan Customs: U.S. Programs Have Had Some Successes, but Challenges Will Limit Customs Revenue as a Sustainable Source of Income for Afghanistan*, April 15, 2014.

incentive for corruption."[17] Another MEC corruption-vulnerability assessment reported that Afghanistan's pension-administration system suffered from opportunities for bribery, fake documents, lack of information on beneficiaries, and "unfair influence of high-ranking government officials."[18] Such courageous work from civil society actors like the MEC needs continued multifaceted support from the international community.

Nevertheless, former International Security Assistance Force (ISAF) commander General John Allen testified before the Senate Foreign Relations Committee on April 30, 2014, regarding what he viewed as the worst threat to Afghanistan's future—corruption, not the Taliban or Pakistan. Framing his opening remarks in the form of a letter to the next Afghan president, General Allen underscored, "While the Afghan National Army will battle your nation's foes and, in that context, battle the Taliban, the battle for Afghanistan—the real fight—will be won by righteous law enforcement, a functioning judiciary, and an unambiguous commitment to the rule of law. .... Wresting back the institutions of governance from corruption must be one of your highest priorities. .... Corruption is the dry rot of democracy."

Given General Allen's remarks, it is disturbing to note, that SIGAR reported in September 2013 that the U.S. anti-corruption activities in Afghanistan are not guided by a comprehensive U.S. strategy or related guidance that defines clear goals and objectives for U.S efforts to strengthen the Afghan government's capability to combat corruption and increase accountability. In the absence of a relevant and specific anti-corruption strategy, agency officials informed us that two documents guide their current anti-corruption efforts in Afghanistan—the Tokyo Mutual Accountability Framework and the U.S. Civil-Military Strategic Framework for

[17] MEC Backgrounder, "Illegal hiring of prosecutors and lack of comprehensive training contributes to impunity and risks of corruption," http://www.mec.af/files/BackgrounderAGO.pdf, accessed March 24, 2014.
[18] MEC Backgrounder, "Summary of the VCA on Pension Administration," http://www.mec.af/files/SummaryVCApensionprocess.pdf, accessed April 7, 2014.

Afghanistan. However, we found that both documents lacked specific goals and objectives with measurable outcomes for anti-corruption activities against which the U.S. government can measure its progress. This troubling evidence suggests that the U.S. government lacks a comprehensive anti-corruption strategy to deal with what General Allen and other experts view as the most serious threat to success in Afghanistan.[19]

**Counternarcotics: The expanding cultivation and trafficking of drugs is one of the most significant factors putting the entire U.S. and international donor investment in the reconstruction of Afghanistan at risk.**

During my trips to Afghanistan in late 2013 and early 2014, I met with U.S., Afghan, and international officials involved in implementing and evaluating counternarcotics programs. In the opinion of almost everyone I spoke with, the situation in Afghanistan is dire with little prospect for improvement in 2014 or beyond. Afghan farmers are growing more opium poppies today than at any time in their history. The UN Office of Drugs and Crime (UNODC) estimates the value of opium plus its heroin and morphine derivatives produced by Afghanistan at nearly $3 billion—or the equivalent of about 15 percent of Afghanistan's Gross Domestic Product (GDP)—in 2013.[20] This was a substantial increase over 2012 when the value of Afghan opiates totaled about $2 billion and equaled about 11 percent of Afghanistan's GDP.[21]

The narcotics trade is poisoning the Afghan financial sector and fueling a growing illicit economy. This, in turn, is undermining the Afghan state's legitimacy by stoking corruption,

[19] SIGAR Special Report 13-9, *U.S. Anti-Corruption Efforts: A Strategic Plan and Mechanisms to Track Progress are needed in Fighting Corruption in Afghanistan*, September 2013.
[20] United Nations Office for Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, December 2013.
[21] United Nations Office for Drugs and Crime (UNODC), *Afghanistan Opium Survey 2012*, May 2013.

nourishing criminal networks, and providing significant financial support to the Taliban and other insurgent groups. There are already signs that elements within the Afghan National Security Forces are reaching arrangements with rural communities to allow opium poppy cultivation, or even encouraging production, as a way of building local patronage networks and to establish rent-seeking opportunities.[22]

In sum, the expanding cultivation and trafficking of drugs is one of the most significant factors putting the entire U.S. and international donor investment in the reconstruction of Afghanistan at risk. All of the fragile gains we have made over the last 12 years on women's issues, health, education, rule of law, and governance are now, more than ever, in jeopardy of being wiped out by the narcotics trade which not only supports the insurgency, but also feeds organized crime and corruption. We must also not overlook the reality that the narcotics trade poses dangers far beyond Afghanistan's borders. As much as 90 percent of the world's global opium supply comes from the country's poppy fields. Opiates originating in Afghanistan find their way to every corner of the globe, including Canada and, to a limited extent, the United States.[23] In the process, they foster global drug addiction and international crime.

Meanwhile, the United States and other western donors assisting Afghanistan have, by and large, made counternarcotics programming a lower strategic priority at the same time that the 2014 drawdown of U.S. and coalition forces increases the security risks in the country. From 2002 through March 2014, the United States had provided more than $7 billion for counternarcotics efforts and for agriculture and stabilization programs, which under the current U.S. strategy are considered an important part of the counternarcotics effort in Afghanistan.

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[22] David Mansfield and Paul Fishstein, Afghanistan Research and Evaluation Unit, *Eyes Wide Shut: Counter-Narcotics in Transition*, September 2013.

[23] The Drug Enforcement Administration (DEA) reports that only about 4 percent of the heroin found in American cities is of Afghan origin.

These funds do not include the wider state-building effort aimed at increasing security, improving governance, and promoting economic growth—all of which are required to achieve enduring reductions in opium production. The U.S. counternarcotics effort has evolved from one that emphasized eradicating poppy fields and interdicting drugs, to one more closely aligned with the overall U.S. counterinsurgency strategy. In 2010, the United States adopted a counternarcotics strategy which prescribed programs to break what the United States has described as the "narcotics-insurgency-corruption nexus" and help "connect the people of Afghanistan to their government."[24]

Nonetheless, on my trips to Afghanistan in 2013 and earlier this year, no one at the Embassy could convincingly explain to me how the U.S. government counternarcotics efforts are making a meaningful impact on the narcotics trade or how they will have a significant impact after the 2014 transition. That is troubling, given the severity of the drug crisis, the well-documented link between opiates and the insurgency, and the potential of the drug trade to undermine the overarching U.S. goal of preventing terrorist groups from securing sanctuaries in Afghanistan. In addition, I was astonished to find that the counternarcotics effort does not seem to be a top priority during this critical transition period and beyond.

SIGAR has either completed or has ongoing audit and investigative work that touches on a number of programs related to the counternarcotics efforts. This work, which is described below, coupled with the sobering assessments of poppy cultivation and opium production, raises serious questions about the efficacy of U.S.-funded counternarcotics programs. To address these questions, SIGAR is planning to conduct a comprehensive audit of the U.S. counternarcotics effort to determine how U.S. funds have been spent, assess the degree to which U.S.-funded

[24] Department of State, *U.S. Counternarcotics Strategy for Afghanistan*, March 2010.

counternarcotics programs have achieved their intended purposes, and examine the extent to which the counternarcotics effort has been integrated into a cohesive strategy to achieve U.S. reconstruction objectives.

SIGAR has found that U.S. programs critical to the counternarcotics effort—such as establishing special counternarcotics justice centers—have made limited progress and may not be sustainable. SIGAR published two audit reports in 2009 that examined the construction and administration of the Counternarcotics Justice Center (CNJC), which was established as a centralized location for the Afghan government to prosecute and detain narcotics offenders.[25] State's Bureau of International Narcotics Control and Law Enforcement (INL) paid for the CNJC's construction. It has also provided funding for programs that include mentoring, training, and providing advisory services to the police, prosecutors, and judges of the Criminal Justice Task Force who work at the CNJC. SIGAR's first audit found that insufficient funding and inadequate utilities delayed construction for three years. Moreover, the CNJC's detention facilities, which opened in May 2009, reached capacity within three months, forcing the center to send narcotics-related offenders to other locations.

SIGAR's second report alerted U.S. officials that the CNJC's detention facility was not being used for high profile drug traffickers as intended. Rather, the cells were being occupied by low-profile detainees. SIGAR also noted that, at the time, the CNJC did not have the procedures in place to handle a high case load.

The CNJC has made some headway toward convicting more senior Afghan officials. For example, the Nimroz Provincial Chief of Police, General Mohammad Kabir Andarabi, was

[25] SIGAR Audit 09-04, *Actions Needed to Resolve Construction Delays at the Counternarcotics Justice Center*, August 27, 2009; SIGAR Audit 09-07, *Documenting Detention Procedures Will Help Ensure Counter-Narcotics Justice Center is Utilized as Intended*, September 30, 2009.

arrested for heroin and opium trafficking. At the end of September, the CNJC Primary Court issued a guilty verdict on one count of drug-related corruption and sentenced General Andarabi to 10 years in prison. However, these high-profile cases remain rare. Law enforcement officials tell SIGAR that Afghan authorities lack the political will to effectively prosecute senior officials.

The United States has placed priority on developing the Counter Narcotics Police of Afghanistan (CNPA), an Afghan force dedicated to combating the drug trade. Because the CNPA is a vital component of the entire counternarcotics effort, SIGAR is in the process of completing an audit of the U.S. effort to build the CNPA and particularly its provincial units. This audit evaluates the extent to which development and capacity-building of the CNPA's provincial units are based on a comprehensive interagency plan; facilities constructed for CNPA provincial units are being used as intended; and U.S. government assistance has contributed to building sustainable and capable provincial unit forces.

Established in 2003, the CNPA had an assigned strength of 2,759 personnel at the end of October 2013. Since 2006, DOD and State's INL have provided about $900 million to train, equip, mentor, house, and sustain the CNPA.

DOD has told SIGAR that it expects the ability of the CNPA and other Afghan counternarcotics agencies to diminish as coalition forces draw down. DOD pointed out that the withdrawal is likely to have the biggest impact on the two provinces with the most poppy cultivation—Helmand and Kandahar. These areas have more insurgents and more entrenched narcotics networks. The Drug Enforcement Administration (DEA), which has been mentoring the CNPA, is closing a number of forward operating locations and reducing its footprint in others. The forward operating locations are being transitioned to the CNPA.

Without military support for security, intelligence, medical evacuation, and tactical air control for high-risk operations, DEA will have little ability to extend its operations beyond Kabul. Since DEA has augmented CNPA capabilities throughout Afghanistan, the pullback could have a serious negative impact on the CNPA's ability to do its job.

USAID has also supported agricultural and alternative development programs to improve agricultural production, increase access to markets, and provide alternatives to poppy cultivation. For example, USAID's $20 million Kandahar Food Zone program is designed to identify and address the drivers of poppy cultivation in seven targeted districts in Afghanistan. It has two major components: capacity building at the Ministry of Counter Narcotics (MCN) and alternative livelihood projects. The capacity-building component seeks to build up the MCN's ability to create, implement, and manage alternative livelihood projects. The alternative livelihood component aims to improve community infrastructure and increase legal economic opportunities. As of December 31, 2013, the program has begun two community-level projects with an objective to identify the social, political, and economic drivers of poppy cultivation, and then tailor appropriate projects to them.

However, USAID has reported that the Kandahar Food Zone program office in Kandahar is closed because the Afghan Public Protection Force (APPF)—which provides security to program activities—has not fulfilled its contractual obligations to provide uniforms and weapons to APPF guards. Program staff are therefore currently working out of their homes until this situation is resolved. Despite this impediment, USAID told us as we were preparing our latest quarterly report that it is pleased with the program's collaboration across ministerial and provincial entities and said that the project identification process has been smooth.

In sum, the people I spoke with in Afghanistan in my last few trips talked about two possible outcomes following the 2014 transition in Afghanistan: a successful modern state, or an insurgent state. However, there is a third possibility: a narco-criminal state. Absent effective counternarcotics programs and Afghan political will to seriously tackle this grave problem, that third outcome may become a reality.

**On-Budget Assistance: Growing reliance on Afghan government institutions to manage money and deliver services increases the risk of waste, fraud, and abuse of reconstruction funds.**

Before 2010, the United States provided most of its assistance to Afghanistan through contracts, grants, and cooperative agreements that have been executed outside the Afghan budget and beyond the reach of Afghan officials. Since 2010, the United States and other donors have agreed in principle to provide more on-budget assistance to help Afghan government institutions build capacity to manage funds and deliver services. At the same time, the international donor community has made this aid conditional on the Afghan government tackling endemic corruption and demonstrating that it has the capacity to manage these funds in a transparent manner.

Therefore, a successful security and political transition in 2014 and continued international support depend to a great degree on the ability of the Afghan government to allocate, manage, and account for direct assistance funds; and to put the money to good use for its intended purposes.

On-budget, or direct assistance, strictly defined, is aid provided through a host nation's national budget. This assistance can be delivered through multinational trust funds or by individual governments through bilateral agreements. International donors contribute to

multinational trust funds that provide and oversee assistance to Afghanistan's national budget. Bilateral aid can consist of direct budget support for government salaries, all aspects of government functions, and earmarked projects to be managed by government institutions. State and USAID are both providing direct assistance to Afghanistan using multinational trust funds and bilateral agreements.

One of SIGAR's earliest reports related to safeguarding reconstruction funds was an audit of USAID's efforts to safeguard funds provided for salary support to Afghan government employees and technical advisors.[26] SIGAR found that, although USAID had provided salary support to Afghanistan since at least 2005, it did not begin collecting information on that support until 2008. Moreover, it was only through the process of compiling an inventory of salary support it had funded that it discovered it had been violating its own policy. Specifically, USAID had supplemented the salaries of Afghan ministers and senior presidential advisors, even though its policy prohibited supplementing policy-making officials' salaries under any circumstances.[27] SIGAR also found that, although USAID had conducted an assessment of the Afghan government's financial management capabilities, it had not conducted similar assessments of the human resources and payroll systems used to implement U.S. salary support to determine if necessary internal controls were in place to protect salary payments from mismanagement, waste, or misuse. SIGAR's own analysis of these systems found they had a number of significant weaknesses, such as incomplete implementation of an electronic payroll system and an inability to detect multiple supplements paid to single recipients.

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[26] SIGAR Audit 11-05, *Actions Needed to Mitigate Inconsistencies In and Lack of Safeguards over U.S. Salary Support to Afghan Government Employees and Technical Advisors*, October 2010.

[27] See USAID Automated Directives System 201.3.11.10, "Policy Guidance on Criteria for Payment of Salary Supplements for Host Government Employees [Cable 88State 119780, April 1988]. After discovering these violations, successive USAID Administrators twice waived the policy to allow for continued salary support to the Office of the President.

In SIGAR's opinion, failing to adequately assess the internal controls within Afghan ministries responsible for handling U.S. salary support payments assumed an unacceptable level of risk. And this problem was not isolated to the issue of salary support. In July 2008, USAID and the MOPH signed an implementation letter establishing the Partnership Contracts for Health (PCH) program—a 5-year program to provide funding to the ministry for the delivery of health services throughout Afghanistan. USAID had conducted two assessments of the ministry prior to establishing the PCH program. The first concluded that the ministry's operations were adequate for the purposes of accounting for and managing USAID funds provided directly to the ministry. The second found that the ministry had adequate experience and procurement capabilities to handle procurements funded under USAID host-country procurement procedures. However, in November 2010, USAID's Office of Inspector General (OIG) reported that these pre-award assessments—which USAID used to certify the ministry's ability to manage the $236 million PCH program—were inadequate and did not provide reasonable assurance of detecting significant vulnerabilities.[28] Indeed, SIGAR's own review of these assessments found that they consisted primarily of observations, walk throughs, and documentation reviews and that USAID conducted little testing of internal controls.[29]

When SIGAR examined USAID's management of this program in 2013, it found that, despite USAID OIG's 2010 findings, USAID had not reassessed operations within the ministry to determine whether funds provided under the PCH program were at risk. Moreover, although a later, more thorough assessment of the ministry was conducted through a USAID contract with Ernst & Young, and that assessment found significant internal control weaknesses at the ministry, USAID officials told SIGAR they had no obligation to address the deficiencies

[28] USAID OIG, *Review of USAID/Afghanistan's Ministerial Assessment Process*, F-306-11-001-s, November 6, 2010.

[29] SIGAR Audit 13-17, *Health Services in Afghanistan: USAID Continues Providing Millions of Dollars to the Ministry of Public Health despite the Risk of Misuse of Funds*, September 2013.

identified or to verify any corrective actions that the ministry may have implemented for the ongoing PCH program.[30]

USAID cited two main arguments for this position. First, the PCH program was executed through what USAID calls a "host-country contract." According to certain USAID officials, that type of contracting did not constitute "direct government-to-government assistance," thereby negating any need to address the findings of the Ernst & Young assessment, which was conducted solely as part of a different program that fell explicitly under the rubric of direct bilateral assistance. Second, USAID stated that the weaknesses identified through the Ernst & Young assessment did not matter because USAID had established a separate unit, the Grants and Contracts Management Unit (GCMU), through which all PCH funds would flow—separate from the rest of the ministry and better able to protect USAID's funds. In its comments on SIGAR's draft report, USAID stated, "It is in part because of the GCMU that the [ministry] and USAID have had such a strong success with the PCH program over the past several years and confidence in the management of the funds for the PCH program."

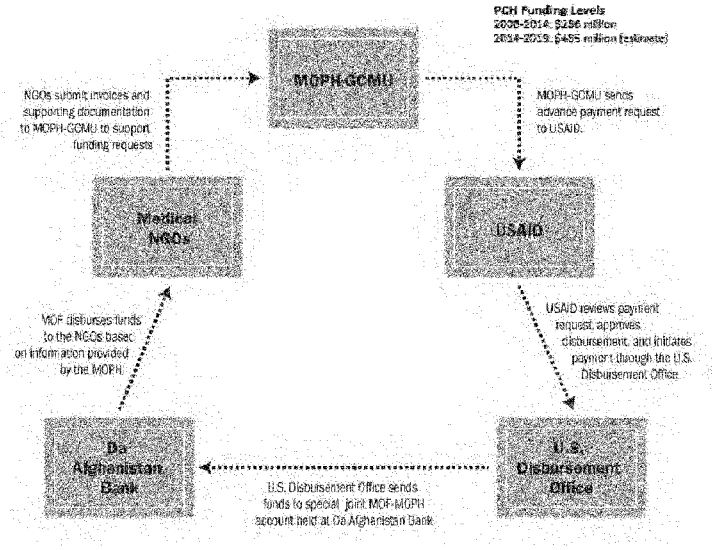
These arguments were troubling for a number of reasons but, particularly, because SIGAR's own investigative work has found that the GCMU has done little to protect USAID's funds from waste and mismanagement. While details of SIGAR's ongoing criminal investigation cannot be shared at this point, it is safe to say that, based on information SIGAR's auditors and investigators have collected and corroborated, the GCMU constitutes, in many ways, a single point of failure when it comes to the protection of USAID funds for the PCH program.

To provide direct assistance funds to MOPH for the PCH program, USAID depends heavily on cooperation and information from MOPH's GCMU. As shown in figure 1, MOPH-

[30] See SIGAR Audit 13-17, p.4, for a more complete discussion of this matter.

GCMU submits an advance payment request to USAID every 45 days to cover the estimated cost of the PCH program. This estimate is based on requests and supporting information provided to MOPH-GCMU by the nongovernmental organizations providing goods and services under the program. USAID reviews MOPH-GCMU's payment request, approves disbursement, and initiates payment through the U.S. Disbursement Office. The U.S. Disbursement Office then sends funds to an account at Afghanistan's central bank, Da Afghanistan Bank, jointly held by the Ministry of Finance and MOPH for the PCH program. Using information provided by MOPH-GCMU, the Ministry of Finance disburses funds to individual nongovernmental organizations to cover their anticipated expenses for goods and services.

**Figure 1 - MOPH-PCH Payment Process**




Source: SIGAR analysis of interviews and documentation.

This system presents a number of vulnerabilities.

- First, although the nongovernmental organizations implementing PCH submit invoices and other supporting documentation to MOPH-GCMU, MOPH-GCMU does not, as Ernst &Young found in its assessment of MOPH, have strong monitoring capabilities. Notably, Ernst & Young found that internal audit was a critical area within MOPH that needed improvement. Moreover, there is a risk that nongovernmental organizations and individuals within MOPH-GCMU could collude to inflate the estimated costs of the program.

- Second, MOPH-GCMU does not have to provide any supporting documentation to USAID. Therefore, there is nothing to prevent MOPH-GCMU from submitting payment requests to USAID for more than is actually needed for the program.
- Third, the Ministry of Finance releases funds to the nongovernmental organizations based on information provided to it by MOPH-GCMU. Again, there is no control preventing MOPH-GCMU from falsifying the information it provides to the Ministry of Finance regarding the amount of funding that each nongovernmental organization should receive.

USAID has, however, made substantial progress since the days of its salary support program and, even, since the PCH program began. Most notably, USAID has strengthened its efforts to assess the capacity of a number of Afghan ministries to manage U.S. direct assistance funds. As SIGAR reported earlier this year, USAID contracted with both Ernst & Young and KPMG to conduct thorough public financial management assessments of 16 Afghan ministries.[31] These assessments were a significant improvement over the earlier, more limited assessments that USAID had conducted and that USAID OIG had criticized in its 2010 report. For example, SIGAR found that the contracted firms not only identified the internal controls in place at each of the ministries, but tested these internal controls as well. Moreover, USAID conducted an additional internal risk review of seven Afghan ministries in an effort to better understand the risks associated with using their systems to manage USAID's direct assistance funds.

Unfortunately, USAID's progress in assessing the risks associated with awarding funds directly to the Afghan ministries has not been matched by an equally robust strategy to ensure the Afghan government mitigates those risks. As noted in SIGAR's recent report on the ministerial assessments, Ernst & Young and KPMG concluded that all of the 16 ministries assessed were unable to manage and account for funds unless they implemented specific

[31] SIGAR 14-32-AR, *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries' Ability to Manage Donor Funds, but Concerns Remain*, January 2014.

recommendations outlined in the assessments. Similarly, USAID found, in each of its seven internal risk reviews, that the ministry was unable to manage direct assistance funds without a risk mitigation strategy and that the mission would not award direct assistance to the ministry "under normal circumstances." Issues uncovered through the risk reviews include such serious problems as internal control environments inadequate to safeguard assets against theft and unauthorized use; failure to fully comply with Afghan procurement laws and regulations; and limited capacity to encourage and enforce code of government ethics.

Some of USAID/Afghanistan's risk reviews also discussed each ministry's ability and willingness to combat corruption. Specifically, USAID/Afghanistan found that DABS and the Ministries of Agriculture, Irrigation, and Livestock; Communication and Information Technology; Education; Mines and Petroleum; and Public Health had control environments that were "not adequate to mitigate risk of corruption." Of those ministries, USAID/Afghanistan only identified DABS as demonstrating, "to a certain degree, the will to address concerns that could lead to corrupt acts." Although USAID formulated 333 mitigating measures in total to address the serious risks identified within the seven ministries, it only required the ministries to implement 24 of them before they received direct assistance funds.

In response to SIGAR's report on the ministerial assessments, USAID noted that it has taken a number of additional safeguards to protect direct assistance funds from waste, fraud, and abuse. For example, unlike its arrangement with MOPH for the PCH program, it now provides funds to ministries on a reimbursement basis for specific projects using separate, non-interest bearing bank accounts to which it has viewing access to provide the funds—a practice that USAID sometimes refers to as "projectizing" the money.

However, it is important to note that these safeguards are primarily external measures and, as such, do not directly address the underlying problems within the ministries identified through the risk reviews. In other words, they do little to build ministries' organic capabilities to manage donor funds—one of the primary purposes of providing direct assistance to the Afghan government.

To illustrate, the risk mitigation measures included in USAID's risk review of the Ministry of Agriculture, Irrigation, and Livestock identified several concrete actions that the ministry could take to address its internal problems. These actions included, among others, "define and restrict systems access to staff according to their roles and functions," "develop a policy for accounting for revenue," and "verify that adequate reference checks have been made on every prospective employee and properly documented." None of USAID's external measures—whether it be creation of separate bank accounts or distribution of funds on a reimbursement basis—would require the ministry to implement these basic and important steps.

Moreover, the effectiveness of USAID's external risk mitigation measures may be limited by ongoing problems within the ministries. For example, although USAID has developed a written monitoring and evaluation plan specific to its direct assistance program with the MOPH—as it has with a number of other ministries—USAID's risk review of that ministry found there was a serious risk of the ministry "concealing vital monitoring and evaluation information." In SIGAR's opinion, failing to address the underlying problems within the ministries constitutes, once again, an unacceptable assumption of risk.

SIGAR does not oppose direct assistance. But if the Administration and Congress proceed with plans to increase direct assistance, we believe it is critical that they focus on three issues that could dramatically threaten our reconstruction objectives:

- the lack of Afghan government capacity to manage and account for donor funds,
- the effect of pervasive corruption, and
- the need to ensure adequate, long-term oversight.

**Contract Management and Oversight Access: Effective oversight of reconstruction contracts in Afghanistan is a critical issue to support U.S. political, security, humanitarian, and development goals for that country.**

It is clear that the stakes in contract management and oversight are high in Afghanistan. Much of the U.S. reconstruction campaign takes the form of written agreements that result in commitments ranging from major programs to equip and train Afghan security forces, to small-scale endeavors to build schools and clinics or train judicial staff. Whether administered as contracts, grants, or cooperative agreements the undertakings result in obligations running into tens of billions of dollars. However, due to the lack of a central database, no U.S. agency has yet compiled a definitive amount that has been obligated—SIGAR is working to clarify the data.

SIGAR estimates that, based on preliminary data provided by DOD, State, and USAID, U.S. agencies had obligated nearly $37 billion in contracts, grants, and cooperative agreements for Afghan reconstruction from fiscal year 2002 through February 2013. For example, USAID obligated about $11.2 billion for more than 280 contracts, grants, and cooperative agreements. However, as SIGAR's analysis continues, the amount of funds that we find obligated to contracts, grants, and cooperative agreements undoubtedly will continue to rise.

Unfortunately, the odds of applying consistent and effective contract management in Afghanistan are not good. In February 2013, for example, the Government Accountability Office (GAO) updated "key oversight issues" in Afghanistan and reported that DOD, State, and USAID

"face contract management and oversight challenges" and need to improve. The report noted agencies' "difficulty in reporting reliable information on their contracts and contractor personnel in Afghanistan," inadequate training and staffing among DOD personnel, and ad hoc contracting decisions at State and USAID for lack of a strategic plan.[32]

Further, in one of the broadest looks at USAID's oversight of its Afghanistan programs, GAO reported that there were systematic weaknesses in USAID's oversight and monitoring of project and program performance.[33] For example, USAID did not consistently follow its established performance management and evaluation procedures for Afghanistan agriculture and water sector projects. Moreover, GAO found that the USAID mission in Kabul was operating without a required performance plan.

In July 2013, a special section in SIGAR's quarterly report to Congress focused on contracting in Afghanistan. The section featured examples of poor planning, bad contractor performance, ineffective management and oversight (including noncompliance with federal oversight rules), lack of documentation, improper release of contractor liability, and weak accountability—all contributing to waste, fraud, abuse, costly rework, and sustainability problems for the Afghan government.

SIGAR's performance audits, financial audits, and inspection work underscores failings in contract management and oversight and the risk they create. Last month SIGAR issued an inspection report which assessed INL's management and oversight of construction of the regional prison in Baghlan province.[34] After construction was completed in November 2012,

[32] GAO, *Afghanistan: Key Oversight Issues*, GAO-13-218SP, February 2013.

[33] GAO, *Afghanistan: USAID Oversight of Assistance Funds and Programs*, GAO-12-802T, June 6, 2012.

[34] SIGAR Inspection Report 14-62-IR, *Baghlan Prison: Severe Damage to $11.3 Million Facility Requires Extensive Remedial Action*, May 27, 2014.

building settlement occurred, which led to serious structural damage including wide cracks in three buildings. As a result, one building was demolished. Two other buildings also experienced collapsing walls and cracked structural beams and columns, and will likely need to be rebuilt. INL and its contractor, Omran Holding Group (OHG), an Afghan firm, do not agree on the cause of the building settlement and remain in negotiation regarding OHG's responsibility for repairing the facilities and paying for those repairs.

Nonetheless, both INL and OHG agree that OHG did not fully comply with all contract requirements. For example, OHG failed to construct a required stormwater management system and substituted lower-grade plumbing materials that had been prohibited by INL. OHG also failed to deduct 10 percent from its billed invoices to create a retainage fund as required by the contract. This led to an $807,254 shortfall in funds, which should have been retained for INL's protection in the event of a contract dispute.

SIGAR is concerned that many of the construction deficiencies may be the result of fraudulent actions by the project's original contracting officer's representative—a former Embassy employee—and, possibly, OHG personnel. SIGAR is currently conducting a preliminary inquiry to determine whether any OHG or Embassy officials may have been complicit in these alleged activities. In 2013, the contracting officer and INL appointed a new contracting officer's representative and lead engineer for Baghlan prison. INL also took measures to correct problems at the site, such as the missing stormwater management system.

In October 2013, SIGAR issued an inspection report covering the DOD/State-funded contract to build the Justice Center courthouse in Parwan province. The contract was awarded to CLC Construction Company, with completion set for November 2011. SIGAR and other U.S. inspectors found construction flaws and use of inferior materials. SIGAR also found no evidence

that the project's contracting officer representative conducted monthly reviews or submitted required reports to the contracting center—but did hear from the contracting officer representative that he felt unqualified to determine whether the contractor was performing according to contract. In October 2013, the behind-schedule contract was terminated for default after the contractor had been paid nearly $400,000.[35]

On December 20, 2013, SIGAR referred CLC Construction Company and several affiliated parties to the Department of the Army for debarment from future contracting throughout the Executive Branch of the United States Government pursuant to Section 9.406 of the Federal Acquisition Regulation. The basis for this referral of CLC and its affiliates are the allegations of unsatisfactory performance, false statements, and major fraud against the United States as part of its performance on the Justice Center in Parwan province. Based on SIGAR's referral, the Department of the Army proposed all parties for debarment on March 5, 2014. All remain in proposed debarment status and are excluded from contracting with the United States Government. A final debarment determination is pending from the Army.

In June 2013, a SIGAR Alert advised Ambassador James B. Cunningham and senior USAID officials of its observations from examining a nearly $70 million USAID cooperative agreement with International Relief and Development Inc. (IRD) for projects to promote agriculture, reduce instability, and "improve the confidence of Afghans in their government." The alert letter noted that USAID did not review and approve IRD's work plan until 4 months into its execution, when about $44 million had already been obligated. The alert letter summarized the issue as follows:

[35] SIGAR Inspection Report 14-7, *Justice Center in Parwan Courthouse: Poor Oversight Contributed to Failed Project*, October 2013.

> Robust oversight by funding agencies—in this case USAID—is the first line of defense when U.S. government dollars are on the line. In environments such as Afghanistan, strong oversight is especially important. However, in the case of the [IRD-run] program, USAID did not exercise oversight as effectively as it could and should have. As a result, equipment was purchased that may be left unused or stolen; inflated prices for agricultural products were potentially paid; and unnecessary costs for storing, disassembling, and distributing unneeded [water] pumps were incurred.[36]

SIGAR is sensitive to the fact that oversight in an environment like Afghanistan is uniquely challenging. Without a doubt, one of the greatest impediments to strong oversight is the problem of limited mobility due to insurgent violence. Put another way, even if U.S. contract management and oversight personnel were fully staffed, adequately trained, consistently conscientious in applying rules and documenting results, and uniformly diligent in imposing accountability, there would still be a critical obstacle in their way—access to contract worksites and records. U.S. officials have told us that it is often difficult for program and contracting staff to visit reconstruction sites in Afghanistan. SIGAR personnel have direct experience with this problem, having already encountered difficulty obtaining military escort to travel into contested areas. In early 2013, for example, SIGAR was unable to visit infrastructure projects in northern Afghanistan valued at $72 million because they are located in areas that could not be reached by U.S. civilian employees. SIGAR refers to these inaccessible reconstruction sites as areas outside the "oversight bubbles." Now, these areas outside the security bubbles and oversight reach include billions of dollars worth of U.S.-funded reconstruction.

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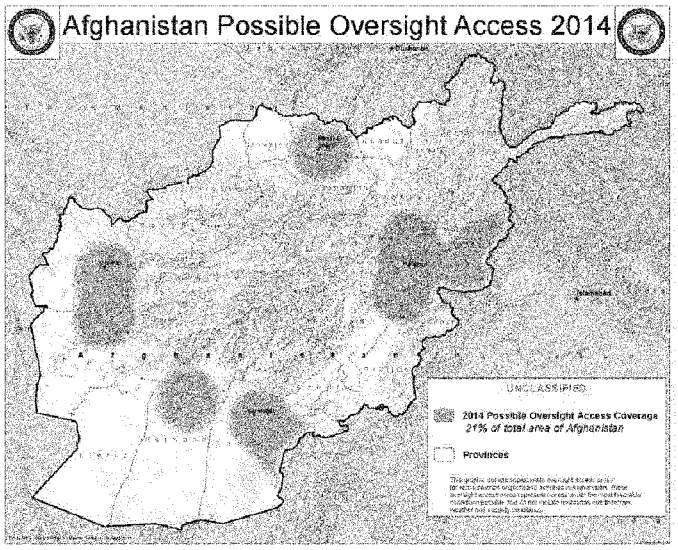
[36] SIGAR Alert 13-2 to Ambassador Cunningham et al., regarding USAID's Southern Regional Agricultural Development Program, June 27, 2013.

The areas covered by these "oversight bubbles" are defined by the ability of the U.S. government to provide both adequate security and rapid emergency medical support to civilian employees traveling to the area. U.S. military officials have told us that they will provide civilian access only to areas within a one-hour round trip of an advanced medical facility. Although exceptions can be made to this general policy, we have been told that requests to visit a reconstruction site outside of these "oversight bubbles" will probably be denied. Similarly, State Department officials have warned us that their ability to reach reconstruction sites will be extremely limited due to constraints on providing emergency medical support without assistance from DOD.

Significant portions of Afghanistan are already inaccessible to SIGAR, other inspectors general, GAO, and other U.S. civilians conducting oversight, such as contracting officers. SIGAR believes this constraint on oversight will only worsen as more U.S. and coalition bases close. The following map illustrates SIGAR's concerns.

**Figure 2 - Afghanistan Possible Oversight Access 2014**




Source: U.S. Army Geospatial Center

Although it is difficult to predict the future of the U.S. presence in Afghanistan, it is likely that only about 20 percent of Afghanistan will be accessible to U.S. civilian oversight personnel by the end of the transition in December 2014—nearly a 50 percent decrease since 2009. We have been told by State Department officials that this projection may be optimistic, especially if the security situation does not improve, and given the President's recent announcement regarding the future U.S. military presence in Afghanistan, it is likely that civilians will no longer have access to many of the areas shown on the map above, especially

after 2016. The shrinking "oversight-bubbles" may be mitigated by agencies' use of remote or third-party monitoring—which may present their own management issues.

In February 2014, SIGAR and the United States Institute of Peace jointly hosted a symposium on managing and overseeing programs in contingency environments. This event, attended by a host of nongovernmental, think-thank, and government officials, including USAID officials, highlighted the specific challenges of remote monitoring—assessing how projects are proceeding in areas that U.S. government officials typically cannot visit. We plan to issue a report on the results of this symposium in the coming weeks. Clearly, the scale of the Afghan reconstruction mission, the standard challenges of contract management and oversight, the specific challenges of operating in Afghanistan, and the constricting access to Afghan sites all combine to form a setting of substantial and continuing risk to financial stewardship and mission success.

***

In conclusion, implementing, managing, and overseeing reconstruction programs in Afghanistan is uniquely challenging. The phased withdrawal of U.S. and coalition forces from Afghanistan over the next several years does not mark the end of the Afghanistan reconstruction mission. Billions of dollars already appropriated remain to be spent by USAID, State, and DOD, and the U.S. government has committed to provide billions more over the coming years. Now, more than ever, conducting oversight will be essential if the U.S. government intends to protect these funds and ultimately the massive military and civilian investment the U.S. government made in Afghanistan over the last 13 years.

Our work has shown that there are many challenges to successfully accomplishing this mission, five of which appear time and time again in SIGAR's audits, inspections, and special projects—sustainability, corruption, counternarcotics, on-budget assistance, and contract management and oversight access. These intertwined and interdependent challenges form the core of SIGAR's oversight mission and our planning for future audits, inspections, investigations, and special projects centers around adequately examining and devising actionable solutions to these challenges. Encouragingly, it also appears as if our message of the importance of oversight and accountability is being received by agencies funding Afghanistan reconstruction efforts. In particular, USAID's Administrator stated in a recent op-ed in the *Washington Post* that it has reformed its practices to ensure U.S. taxpayer dollars are used effectively and for their intended purpose.[37] He stated that USAID has saved millions by suspending or cutting off funding to discipline contractors. This is a positive step forward to ensure reconstruction funds are not wasted to fraud, waste, and abuse.

We look forward to working with USAID, State, and the Congress as we continue to oversee the critical work the United States and its coalition partners are undertaking in Afghanistan. We hope that as the U.S. agencies continue their important work during the "Transformation Decade," they keep in mind these seven simple, but critical questions that SIGAR developed last year to guarantee a greater chance of success:

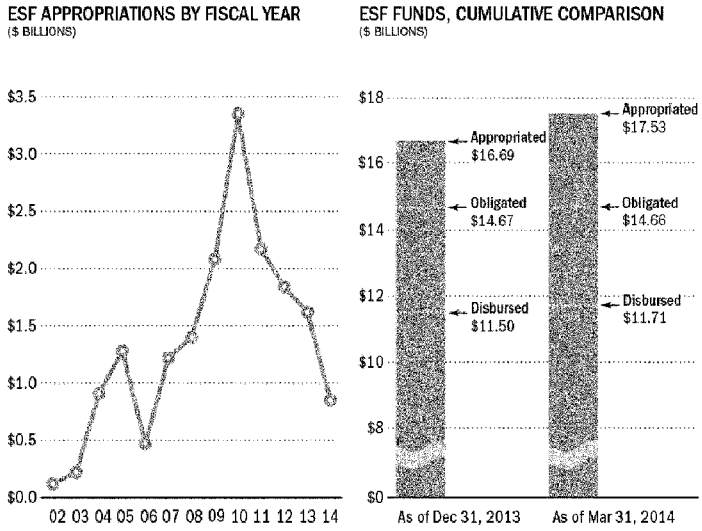
- Does the project or program clearly contribute to U.S. national interests or strategic objectives?
- Do the Afghans want it and need it?
- Has the project or program been coordinated with the Afghan government, other implementing agencies, and international donors?

[37] Rajiv Shah, Administrator, USAID, "How to Keep Afghanistan on the Right Track," *Washington Post*, May 30, 2014.

- Do security conditions permit effective implementation and oversight?
- Does the project or program include safeguards to detect, deter, and mitigate corruption?
- Do the Afghans have the financial resources, technical capacity, and political will to sustain the project or program?
- Have implementing agencies established real metrics for determining outcomes and measuring success?

Thank you for the opportunity to testify today. I look forward to answering your questions.

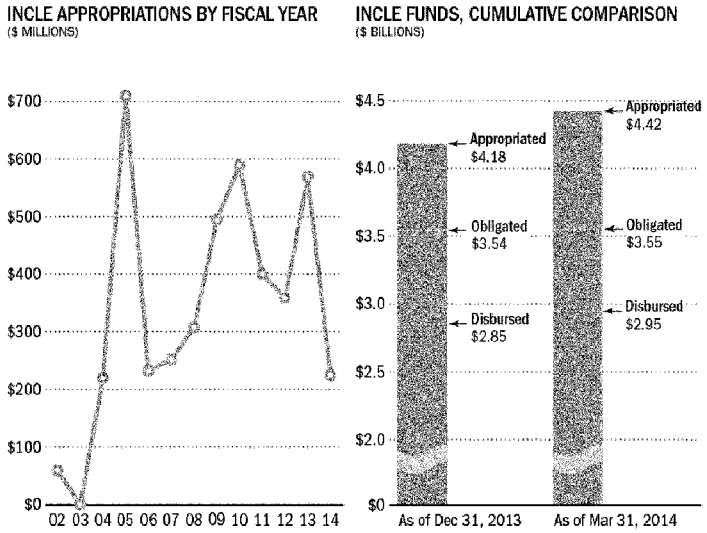
## Appendix I - Economic Support Fund (ESF) Appropriations, Obligations, and Disbursements




Notes: Numbers have been rounded. FY 2014 figure reflects draft allocation amount for Afghanistan and is subject to final Congressional approval. FY 2011 figure includes $101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund. Updated data resulted in a lower obligation figure than reported last quarter.

Sources: USAID, responses to SIGAR data call, 4/7/2014 and 1/7/2014; State, responses to SIGAR data call, 4/15/2014 and 6/27/2013.

## Appendix II - International Narcotics Control and Law Enforcement (INCLE) Appropriations, Obligations, and Disbursements




Notes: Numbers have been rounded. FY 2014 figure reflects draft allocation amount for Afghanistan and is subject to final Congressional approval. Data may include inter-agency transfers.

Sources: State, responses to SIGAR data call, 4/15/2014, 4/11/2014, and 1/13/2014.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Sopko.

Mr. Johnson?

**STATEMENT OF MR. CHARLES MICHAEL JOHNSON, JR., DIRECTOR, INTERNATIONAL SECURITY & COUNTERTERRORISM ISSUES, INTERNATIONAL AFFAIRS & TRADE TEAM, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. JOHNSON. Thank you, Madam Chair.

Madam Chair, Ranking Member Deutch and members of the subcommittee, I am pleased to be here to discuss key issues relating to U.S. efforts and Afghanistan. Since 2003, GAO has issued over 70 products including a special publication in 2003 highlighting key issues for oversight. We have also just been to numerous congressional hearings and briefings on U.S. efforts in Afghanistan. During the course of our work we have made over 150 recommendations on a range of actions that should be taken to improve program planning, implementation, management and oversight.

Today I would like to highlight a few key issues. Among them are the need to mitigate against the risk of providing direct assistance to the Afghan Government, the oversight and accountability of U.S. development projects, and as the chair noted, the need for a comprehensive database and the need for contingency planning as the U.S. transitions to a predominately civilian-led presence.

Regarding direct assistance to the Afghan Government, in 2010, the U.S., along with other international donors pledged to provide at least 50 percent of its development assistance support through direct assistance. This was contingent on certain controls being in place, and as the chair has noted, we reported in 2011 that the U.S. fulfilled its pledge by nearly tripling its awards during the first year. We went from about $470 million in Fiscal Year 2009 to about $1.4 billion in Fiscal Year 2010.

We also reported that while USAID had established and generally complied with various financial and other internal controls, it did not always assess the risk of providing direct assistance. Although USAID took steps in response to our recommendations, we have since learned of SIGAR's follow-on findings that USAID may have again approved direct assistance to some Afghan ministries without mitigating against all identified risks.

Regarding oversight and accountability of the USAID development projects with respect to Afghanistan, since 2002 U.S. agencies have allocated over $23 billion for governance and development related projects. While USAID is taking some steps in response to our prior reviews to improve its monitoring and evaluation efforts, USAID continues to inconsistently apply performance management procedures.

USAID has also fallen short in maintaining institutional knowledge in some areas and still needs to strengthen its oversight of its contractors. Additionally, as the ranking member noted in his opening statement, to avoid the potential overlap and duplication and to ensure a full accounting of USAID, DoD and State funded development projects, GAO has made multiple recommendations and, actually, dating back to 2008, including suggested congressional action leading to establishment of a comprehensive shared database

to account for U.S. funded projects. Although State and USAID have taken some steps to designate a database, nearly 6 years later we continue to report on the need for a database. This is due in part to the lack of DoD action.

Regarding the need for contingency planning, in February 2013 we reported that while circumstances in Iraq are somewhat different from those in Afghanistan, potential lessons could be learned from that transition and when you transition from a military to civilian-led presence.

As we have reported, program implementation, oversight and accountability in Afghanistan have and are very likely to continue to be challenged by multiple factors, including a dangerous security environment, the prevalence of corruption and the limited capacity of the Afghan Government.

As we have also highlighted, contingency planning is critical to the successful transition and to ensuring that the environment is conducive to carry out operations and to also carry out oversight. The plans to invest billions more in Afghanistan, the challenging working environment and uncertainties of the bilateral security agreement underscore the continued need for contingency planning and continued oversight of U.S. efforts.

In closing, Chairman Ros-Lehtinen, Ranking Member Deutch and members of the subcommittee, I would like to personally thank the dedicated GAO staff who have put their lives on the line in carrying out oversight. I also thank the Congress and members of the subcommittee for their support and for calling this hearing on key issues, and note that GAO stands ready to assist the Congress and the administration in ensuring that there is oversight and accountability of the U.S. partnership in Afghanistan.

I thank you for the opportunity again to testify. This concludes my statement and I would be happy to answer any questions you may have.

[The prepared statement of Mr. Johnson follows:]

United States Government Accountability Office

Testimony

Before the Subcommittee on the Middle East and North Africa, Committee on Foreign Affairs, House of Representatives

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# AFGHANISTAN

# Oversight and Accountability of U.S. Assistance

Statement of Charles Michael Johnson, Jr.
Director, International Affairs and Trade

GAO-14-680T

# GAO Highlights

Highlights of GAO-14-580T, a testimony before the Subcommittee on the Middle East and North Africa, Committee on Foreign Affairs, House of Representatives

## Why GAO Did This Study

The U.S. government has engaged in multiple efforts in Afghanistan since declaring a global war on terrorism that targeted al Qaeda, its affiliates, and other violent extremists, including certain elements of the Taliban. These efforts have focused on a whole-of-government approach that calls for the use of all elements of U.S. national power to disrupt, dismantle, and defeat al Qaeda and its affiliates and prevent their return to Afghanistan. This approach, in addition to security assistance, provided billions toward governance and development, diplomatic operations, and humanitarian assistance.

To assist Congress in its oversight, GAO has issued over 70 products since 2003 including key oversight issues related to U.S. efforts in Afghanistan. This testimony summarizes the key findings from those products and discusses: (1) the challenges associated with operating in Afghanistan, (2) key oversight and accountability issues regarding U.S. efforts in Afghanistan, and (3) the need for contingency planning as the U.S. transitions to a civilian-led presence in Afghanistan.

## What GAO Recommends

While GAO is not making new recommendations it has made numerous recommendations in prior reports aimed at improving U.S. agencies' oversight and accountability of U.S. funds in Afghanistan. U.S. agencies have generally concurred with these recommendations and have taken or plan to take steps to address them.

View GAO-14-580T. For more information, contact Charles Michael Johnson, Jr. at (202) 512-7331 or johnsoncm@gao.gov.

June 10, 2014

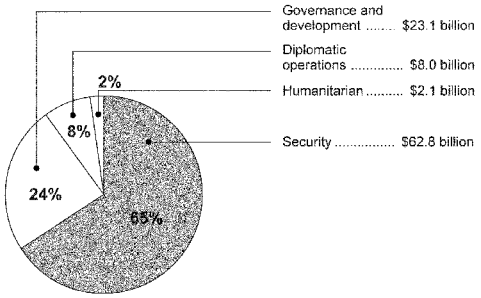
# AFGHANISTAN

## Oversight and Accountability of U.S. Assistance

## What GAO Found

Since 2003, GAO has identified numerous challenges related to U.S. efforts in Afghanistan. Among the various challenges that GAO and others have identified, are the following: the dangerous security environment, the prevalence of corruption, and the limited capacity of the Afghan government to deliver services and sustain donor-funded projects. As illustrated in the figure below, between fiscal years 2002 and 2013, U.S. agencies allocated nearly $100 billion toward U.S. efforts in Afghanistan.

**Breakout of U.S. Allocations for Efforts in Afghanistan, Fiscal Years 2002-2013**




Source: GAO analysis of Departments of Defense, Justice, and State data. | GAO-14-580T

Note: This figure does not include funding provided for U.S. military or other operations in Afghanistan. Percentages may not add up to 100 as a result of rounding.

The United States, along with the international community, has focused its efforts in areas such as building the capacity of Afghan ministries to govern and deliver services, developing Afghanistan's infrastructure and economy, and developing and sustaining the Afghan National Security Forces. In multiple reviews of these efforts, GAO has identified numerous shortcomings and has made recommendations to the agencies to take corrective actions related to (1) mitigating the risk of providing direct assistance to the Afghan government, (2) oversight and accountability of U.S. development projects, and (3) estimating the future costs of sustaining Afghanistan's security forces which the United States and international community have pledged to support.

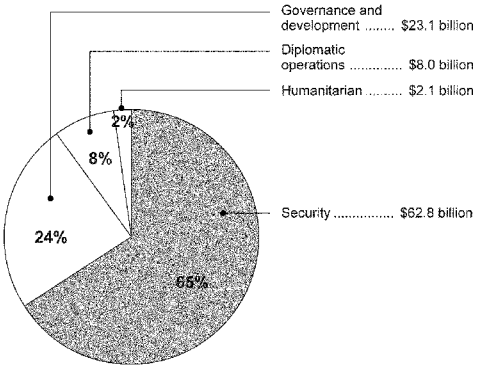
In February 2013, GAO reported that while the circumstances, combat operations, and diplomatic efforts in Iraq differ from those in Afghanistan, potential lessons could be learned from the transition from a military- to a civilian-led presence to avoid possible missteps and better utilize resources. As GAO has reported, contingency planning is critical to a successful transition and to ensuring that there is sufficient oversight of the U.S. investment in Afghanistan. This is particularly vital given the uncertainties of the U.S.-Afghanistan Bilateral Security Agreement and the ultimate size of the post-2014 U.S. presence in Afghanistan.

Chairman Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee:

I am pleased to be here to discuss key issues relating to the oversight and accountability of U.S. government efforts in Afghanistan. Since declaring a global war on terrorism, the U.S. government has engaged in multiple efforts in Afghanistan. These efforts have focused on a whole-of-government approach that calls for the use of all elements of U.S. national power to disrupt, dismantle, and defeat al Qaeda and its affiliates, and other extremists, including certain elements of the Taliban, and prevent their return to Afghanistan. In fiscal years 2002 through 2013, U.S. agencies, including the Departments of State (State) and Defense (DOD) and the U.S. Agency for International Development (USAID), have allocated close to $100 billion for efforts in Afghanistan. As shown in figure 1, U.S. agencies allocated:

- $62.8 billion to support Afghanistan's security in areas such as the development of Afghan National Security Forces (ANSF) and counternarcotics efforts.
- $23.1 billion to support governance and development efforts, such as the construction of roads, schools, and other infrastructure projects.
- $8.0 billion for diplomatic operations, such as diplomatic, consular and building operations.
- $2.1 billion for humanitarian assistance, including refugee, food, and disaster assistance.

**Figure 1: Breakout of U.S. Allocations for Efforts in Afghanistan, Fiscal Years 2002-2013**




Source: GAO analysis of Departments of Defense, Justice, and State data. | GAO-14-680T

Note: Figure 1 does not include funding provided for U.S. military or other operations in Afghanistan. Percentages may not add up to 100 as a result of rounding.

Since 2003, GAO has issued over 70 products and participated in numerous congressional hearings and briefings on U.S. efforts in Afghanistan. In the course of our work, we have made over 150 recommendations to U.S. agencies on a range of actions that should be taken to improve program planning, implementation, management, and oversight. U.S. agencies have generally concurred and have taken steps to address many of our recommendations. In addition, we have identified several matters and key oversight issues for Congress. Our most recent key issues report prepared for the 113th Congress identified several oversight issues and is the basis for my testimony today.[1]

[1]GAO, *Afghanistan: Key Oversight Issues*, GAO-13-218SP (Washington, D.C.: Feb. 11, 2013).

Among the key issues we have highlighted related to U.S. efforts in Afghanistan:

- challenges faced by U.S. agencies operating in Afghanistan;
- the need to ensure oversight and accountability of U.S. efforts invested in Afghanistan; and
- the need to plan for contingencies as the U.S. transitions to a civilian-led presence in Afghanistan.

This testimony and our 2013 key issues report summarizes some of the work we have reported on in over 70 issued products since 2003 related to U.S. efforts in Afghanistan. Detailed information on the scope and methodology for our prior work summarized in this testimony can be found in the reports cited. We conducted the work that this statement is based on in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

## Challenges Associated with Operating in Afghanistan

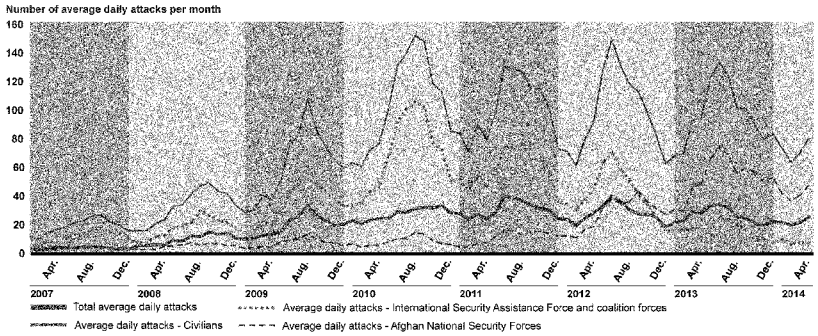
Our work has identified several challenges related to U.S. efforts in Afghanistan. Among those we highlighted in our 2013 key issues report are a dangerous security environment, the prevalence of corruption, and the limited capacity of the Afghan government to deliver services and sustain donor funded projects.

- *Dangerous security environment.* Afghanistan's security environment continues to challenge the efforts of the Afghan government and international community. This is a key issue that we noted in 2007 when we reported that deteriorating security was an obstacle to the U.S. government's major areas of focus in Afghanistan.[2] In December 2009, the U.S. and coalition partners deployed additional troops to disrupt and defeat extremists in Afghanistan. While the security situation in Afghanistan has improved, as measured by enemy-

[2]GAO, *Securing, Stabilizing, and Reconstructing Afghanistan: Key Issues for Congressional Oversight*, GAO-07-801SP (Washington, D.C.: May 24, 2007).

initiated attacks on U.S. and coalition forces, Afghan security forces, and non-combatants, including Afghan civilians, the number of daily enemy-initiated attacks remains relatively high compared to the number of such attacks before 2009. In 2012, attacks on ANSF surpassed attacks on U.S. and coalition forces (see fig. 2).

**Figure 2: Average Daily Number of Enemy-Initiated Attacks on International Security Force Assistance (ISAF) and Afghan National Security Forces (ANSF) Troops, by Month, December 2005—April 2014**




Source: GAO analysis of Defense Intelligence Agency data. | GAO-14-680T

Note: Enemy-initiated attacks do not include insider attacks. Some U.S. special forces in Afghanistan are not under ISAF command. Coalition forces include U.S. and ISAF forces in Afghanistan but exclude ANSF and other Afghan security organizations.

- *Prevalence of corruption in Afghanistan.* Corruption in Afghanistan continues to undermine security and Afghan citizens' belief in their government and has raised concerns about the effective and efficient use of U.S. funds. We noted in 2009 that according to the Afghan National Development Strategy pervasive corruption exacerbated the Afghan government's capacity problems and that the sudden influx of donor money into a system already suffering from poor procurement practices had increased the risk of corruption and waste of

resources.[3] According to Transparency International's 2013 Corruption Perception Index, Afghanistan is ranked at the bottom of countries worldwide.[4] In February 2014, the Afghan President dissolved the Afghan Public Protection Force which was responsible for providing security intended to protect people, infrastructure, facilities, and construction projects. DOD had reported major corruption concerns within the Afghan Public Protection Force.

- *Limited Afghan capacity.* While we have reported that the Afghan government has increased its generation of revenue, it remains heavily reliant on the United States and other international donors to fund its public expenditures and continued reconstruction efforts.[5] In 2011, we reported that Afghanistan's domestic revenues funded only about 10 percent of its estimated total public expenditures.[6] We have repeatedly raised concerns about Afghanistan's inability to sustain and maintain donor funded projects and programs, putting U.S. investments over the last decade at risk. DOD reported in November 2013 that Afghanistan remains donor dependent.[7]

These persistent challenges are likely to play an even larger role in U.S. efforts within Afghanistan as combat forces continue to withdraw through the end of 2014.

## Key Oversight and Accountability Issues Regarding U.S. Efforts in Afghanistan

The United States, along with the international community, has focused its efforts in areas such as building the capacity of Afghan ministries to govern and deliver services, developing Afghanistan's infrastructure and economy, and developing and sustaining ANSF. In multiple reviews of these efforts, we have identified numerous shortcomings and have made recommendations to the agencies to take corrective actions related to (1) mitigating against the risk of providing direct assistance to the Afghan

[3]GAO, *Afghanistan: Key Issues for Congressional Oversight*, GAO-09-473SP (Washington, D.C.: Apr. 21, 2009).

[4]Transparency International. *Corruption Perceptions Index 2013*. (Berlin, Germany: Dec. 3, 2013).

[5]GAO-13-218SP, Enclosure V.

[6]GAO. *Afghanistan's Donor Dependence*. GAO-11-948R (Washington, D.C.: Sept. 20, 2011).

[7]DOD. *Report on Progress Toward Security and Stability in Afghanistan*. (Washington, D.C.: November 2013).

government, (2) oversight and accountability of U.S. development projects, and (3) estimating the future costs of ANSF.

## Mitigating the Risk of Providing Direct Assistance to the Afghan Government

In 2010, the United States pledged to provide at least 50 percent of its development aid directly through the Afghan government budget within 2 years.[8] This direct assistance was intended to help develop the capacity of Afghan government ministries to manage programs and funds. In the first year of the pledge, through bilateral agreements and multilateral trust funds, the United States more than tripled its direct assistance awards to Afghanistan, growing from over $470 million in fiscal year 2009 to over $1.4 billion in fiscal year 2010. For fiscal year 2013 USAID provided about $900 million of its Afghanistan mission funds in direct assistance. In 2011 and 2013, we reported that while USAID had established and generally complied with various financial and other controls in its direct assistance agreements, it had not always assessed the risks in providing direct assistance before awarding funds.[9] Although USAID has taken some steps in response to our recommendations to help ensure the accountability of direct assistance funds provided to the Afghan government, we have subsequently learned from a Special Inspector General for Afghanistan Reconstruction (SIGAR) report that USAID may have approved direct assistance to some Afghan ministries without mitigating all identified risks.[10]

## Oversight and Accountability of U.S. Development Projects

Since 2002, U.S. agencies have allocated over $23 billion dollars towards governance and development projects in Afghanistan through USAID, DOD, and State. The agencies have undertaken thousands of development activities in Afghanistan through multiple programs and funding accounts. We have previously reported on systemic weaknesses in the monitoring and evaluation of U.S. development projects as well as

[8]USAID has established a 5-year goal of providing 30 percent of mission funds worldwide for direct assistance by 2015.

[9]GAO, *Afghanistan: Actions Needed to Improve Accountability of U.S. Assistance to Afghanistan Government*, GAO-11-710 (Washington, D.C.: July 20, 2011); and GAO-13-218SP, Enclosure VI.

[10]SIGAR, *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries' Ability to Manage Donor Funds, but Concerns Remain*, SIGAR-14-32-AR (Arlington, Va: Jan. 30, 2014).

the need for a comprehensive shared database that would account for all U.S. development efforts in Afghanistan (see table 1).[11]

**Table 1: Major U.S.-Administered Programs or Accounts Used to Fund Governance and Development Related Efforts in Afghanistan, Fiscal Years 2002-2013**

| | Economic Support Fund | Commander's Emergency Response Program | Task Force for Business and Stability Operations | Afghanistan Infrastructure Fund |
|---|---|---|---|---|
| **Primary agency or agencies responsible** | U.S. Agency for International Development (USAID) | Department of Defense (DOD) | DOD | DOD and Department of State |
| **Fiscal year in which funding for Afghanistan began** | 2002 | 2004 | 2009 | 2011 |
| **Program or account description** | Supports Afghan government in its efforts to promote economic growth, establish a democratic and capable state governed by the rule of law, and provide basic services for its people. | Enables U.S. commanders in Afghanistan to carry out small-scale projects designed to meet urgent humanitarian relief and reconstruction needs in their areas of responsibility. | Supports projects to help reduce violence, enhance stability, and support economic normalcy through strategic business and economic opportunities. | Supports high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort in Afghanistan. |
| **Total funding allocated since inception (millions)** | $16,542 | $2,921 | $614 | $1,125 |

Source: GAO analysis of agency data. | GAO-14-680T

Note: These four programs or accounts constitute most of the U.S. assistance for governance and development related efforts in Afghanistan since 2002. Smaller amounts of assistance for development efforts have been provided by other U.S. agencies and through other accounts such as USAID Development Assistance. For the purposes of this report, we refer to the Economic Support Fund and Afghanistan Infrastructure Fund as accounts and to the Commander's Emergency Response Program and the Task Force for Business and Stability Operations as programs.

With respect to monitoring and evaluation, although USAID collected progress reports from implementing partners for agriculture and water projects, our past work found that it did not always analyze and interpret project performance data to inform future decisions. USAID has

[11]GAO, *Afghanistan Development: Enhancements to Performance Management and Evaluation Efforts Could Improve USAID's Agriculture Programs*, GAO-10-368 (Washington, D.C.: July 14, 2010); *Afghanistan Development: U.S. Efforts to Support Afghan Water Sector Increasing, but Improvements Needed in Planning and Coordination*, GAO-11-138 (Washington, D.C.: Nov. 15, 2010), and GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011).

undertaken some efforts in response to our recommendations to improve its monitoring and evaluation of the billions of dollars invested toward development projects in Afghanistan. We and other oversight agencies, however, have learned that USAID continued to apply performance management procedures inconsistently, fell short in maintaining institutional knowledge, and still needed to strengthen its oversight of contractors. For example, in February 2014, we reported that USAID identified improvements needed in its oversight and management of contractors in Afghanistan, including increasing the submission of contractor performance evaluations.[12] We also found that USAID may have missed opportunities to leverage its institutional knowledge, and have recently recommended that USAID further assess its procedures and practices related to contingency contracting.

We have also previously reported on several occasions on the need for a common database to avoid possible duplication and overlap of U.S. funded development efforts in Afghanistan. For example, in a review of U.S. funded road projects in Afghanistan, we reported in July 2008 that despite guidance requiring DOD to provide their project information to a USAID-maintained database, DOD had not done so. As a result, a comprehensive database of all U.S.-funded road projects in Afghanistan did not exist. We recommended that information on DOD's Commander's Emergency Response Program-funded road projects be included in a USAID-maintained database, and DOD concurred.[13] Nearly 6 years later, we continue to report on the need for a comprehensive database. Despite the U.S. Mission in Afghanistan designating Afghan Info as the official database for U.S. foreign assistance efforts in Afghanistan, DOD has not taken steps to readily report its projects in Afghan Info or any other shared database. This raises concerns, as we have previously reported, about the potential duplication and overlap of U.S. development projects in Afghanistan. Furthermore, USAID officials have expressed concern about their lack of complete visibility into DOD funded development projects given the DOD's 2014 transition plans. Because of the limited progress made by U.S. agencies in reaching agreement on a

[12]GAO, *Contingency Contracting: State and USAID Made Progress Assessing and Implementing Changes, but Further Actions* Needed, GAO-14-229 (Washington, D.C.: Feb. 14, 2014).

[13]GAO, *Afghanistan Reconstruction: Progress Made in Constructing Roads, but Assessments for Determining Impact and a Sustainable Maintenance Program Are Needed*, GAO-08-689 (Washington, D.C.: July 8, 2008).

comprehensive database of U.S. development projects in Afghanistan in 2012, we suggested that Congress consider requiring U.S. agencies to report information in a shared comprehensive database.[14]

## Estimating Future Costs of Sustaining ANSF

Since 2002, the United States, with assistance from coalition nations, has worked to build, train, and equip ANSF so that the Afghan government could lead the security effort in Afghanistan. U.S. agencies have allocated over $62 billion to support Afghanistan's security, including efforts to build and sustain ANSF, from fiscal years 2002 through 2013. This has been the largest portion of U.S. assistance in Afghanistan. The United States and the international community have pledged to continue to assist in financing the sustainment of ANSF beyond 2014. In April 2012, we reported concerns regarding the need to be transparent in disclosing the long-term cost of sustaining ANSF beyond 2014.[15] DOD initially objected to such disclosure noting that ANSF cost estimates depend on a constantly changing operational environment and that it provided annual cost information to Congress through briefings and testimonies. Our analysis of DOD data estimates that the cost of continuing to support ANSF from 2014 through 2017 will be over $18 billion, raising concerns about ANSF's sustainability. Furthermore, we reported that on the basis of projections of U.S. and other donor support for ANSF, that there will be an estimated gap each year of $600 million from 2015 through 2017 between ANSF costs and donor pledges if additional contributions are not made. We previously noted in 2005 and 2008 that DOD should report to Congress about the estimated long-term cost to sustain ANSF.[16] In 2008, Congress mandated that DOD take such steps. In 2012, we once again

[14]GAO, *Afghanistan Development: Agencies Could Benefit from a Shared and More Comprehensive Database on U.S. Efforts*, GAO-13-34. (Washington, D.C.: Nov. 7, 2012); and "Development Efforts in Afghanistan," *GAO's Action Tracker* (Washington, D.C.: last updated Mar. 6, 2014), accessed June 5, 2014, http://www.gao.gov/duplication/action_tracker/Development_Efforts_in_Afghanistan/action1.

[15]GAO, *Afghanistan Security: Estimated Costs to Support Afghan National Security Forces Underscore Concerns about Sustainability*, GAO-12-438SU (Washington, D.C.: Apr. 26, 2012).

[16]GAO, *Afghanistan Security: Efforts to Establish Army and Police Have Made Progress, But Future Plans Need to be Better Defined*, GAO-05-575 (Washington, D.C.: June 30, 2005); and *Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security* Forces, GAO-08-661 (Washington, D.C.: June 18, 2008).

reported that DOD had not provided estimates of the long-term ANSF costs to Congress.[17] Subsequently, in a November 2013 report to Congress on its efforts in Afghanistan, DOD included a section on the budget for ANSF and reported the expected size of ANSF to be 230,000 with an estimated annual budget of $4.1 billion.

## Need for Contingency Planning as the U.S. Transitions to a Civilian-Led Presence in Afghanistan

In February 2013, we reported that while the circumstances in Iraq differ from those in Afghanistan, potential lessons could be learned from the transition from a military to civilian-led presence to avoid possible missteps and better utilize resources. As we have reported, contingency planning is critical to a successful transition and to ensuring that there is sufficient oversight of the U.S. investment in Afghanistan.[18] This is particularly vital given the uncertainties of the U.S.-Afghanistan Bilateral Security Agreement and post-2014 presence.

### Lessons Learned from Iraq

While the circumstances, combat operations, and diplomatic efforts in Iraq differ from those in Afghanistan, potential lessons can be learned from the transition from a military to civilian-led presence in Iraq and applied to Afghanistan to avoid possible missteps and better utilize resources. In Iraq, State and DOD had to revise their plans for the U.S. presence from more than 16,000 personnel at 14 sites down to 11,500 personnel at 11 sites after the transition had begun—in part because the United States did not obtain the Government of Iraq's commitment to the planned U.S. presence. Given these reductions, we found that State was projected to have an unobligated balance of between about $1.7 billion and about $2.3 billion in its Iraq operations budget at the end of fiscal year 2013, which we brought to the attention of Congressional appropriators. As a result, $1.1 billion was rescinded from State's Diplomatic and Consular Programs account. According to DOD officials, U.S. Forces-Iraq planning assumed that a follow-on U.S. military force would be approved by both governments. The decision not to have a follow-on force led to a reassessment of State and DOD's plans and presence.

[17]GAO-12-438SU.

[18]GAO-13-218SP, Enclosure IX.

## Status of Transition to a Civilian-Led Presence in Afghanistan

In April 2014, we reported that State planned for the U.S. footprint in Afghanistan to consist of the U.S. Embassy in Kabul, with additional representation at other locations as security and resources allow.[19] In a review still under way, we are examining the status of U.S. civilian agencies' plans for their presence in Afghanistan after the scheduled end of the U.S. combat mission on December 31, 2014, and how changes to the military presence will affect the post-2014 U.S. civilian presence. We have found that State plans to provide some critical support services to U.S. civilian personnel after the transition, but is planning to rely on DOD for certain other services. We plan to report in July 2014 on the anticipated size, locations, and cost of the post-2014 U.S. civilian presence, the planned division of critical support responsibilities between State and DOD, and how pending decisions regarding the post-2014 U.S. and coalition military presence will affect the U.S. civilian presence.

In closing, the President announced in May 2014 that the United States intends to maintain a military presence in Afghanistan through the end of 2016, stationing about 10,000 military personnel in Afghanistan with two narrow missions: to continue supporting ANSF training efforts and to continue supporting counterterrorism operations against the remnants of al Qaeda. Simultaneously, the President announced that the embassy would be reduced to a "normal" presence. At the same time, the United States has made commitments to continue providing billions of dollars to Afghanistan over the next 2 years. These recently announced plans underscore the bottom line of my message today: continued oversight of U.S. agencies is required to ensure the challenges they face are properly mitigated in Afghanistan and that there is oversight and accountability of U.S. taxpayer funds.

Chairman Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions that you may have at this time.

[19]GAO, *Afghanistan: Changes to Updated U.S. Civil-Military Strategic Framework Reflect Evolving U.S. Role*, GAO-14-438R (Washington, D.C.: Apr. 1, 2014).

## Contacts and Acknowledgments

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Ms. ROS-LEHTINEN. Thank you to you both for excellent testimony, and I will begin with the question and answer segment of our hearing.

Corruption is so systemic, it is so pervasive in Afghanistan that it only serves to exacerbate the already difficult obstacles facing the government's ability to govern effectively. Not only that but it undermines the security of both the international forces and the Afghan people. It erodes the people's confidence in their government, and it leads them to distrust us and it leads to the waste of billions, billions of taxpayer dollars.

Yet for all of these warnings and all of the reports we have had about corruption in Afghanistan, we have yet to develop an anti-corruption policy. Even Karzai, Karzai, if you can believe it, acknowledged that this is a major obstacle to progress. How is it even possible that we still don't have an anti-corruption policy even as we are sending billions of dollars in direct assistance to Afghan ministries despite all the warnings, and do we have any insight into updated amounts of direct assistance?

And sticking with the direct assistance issue, after the assessment that the Afghan ministries were not ready, were not capable of receiving direct assistance, and after recommendations from GAO to mitigate all identified risk before proceeding with direct assistance, USAID apparently continued anyway without regard to these warnings. Why did USAID continue to provide direct assistance despite the warnings, and are there any other instances where USAID has ignored recommendations? Also, how would you characterize your relationship with USAID, and what does Congress need to do to ensure that USAID is in full compliance before going forward with these high risk programs?

I am also greatly concerned about the duplication of efforts where we see overlaps between State and DoD on infrastructure projects because there is no central and comprehensive database. I know that is one thing you both would say is seriously lacking and something that we need to address. What else would you say the Congress needs to do to ensure that USAID, State, DoD are all accountable for these billions of dollars that we are spending in Afghanistan and what tools do you need us to give to you to ensure that you have everything you need to continue to do your work?

I know it will be extremely difficult for you with the troop drawdown and the uncertainty over the BSA, but we want to help you to keep you safe while you continue to perform your duties. Thank you.

Mr. SOPKO. Madam Chair, starting with your last point and that is on assistance that we can need, I think it would be useful for Congress to respond with the very valid recommendation that GAO has made about a centralized database. And I don't know if that is authorization language or appropriations language. One of the hardest problems we have, and I am certain GAO and I know my colleagues in the other IGs have, is we don't even know where the money has been spent. So you start with that problem. And by requiring the agencies to put together that database that would be extremely useful.

We are starting to do that ourselves. I think in some of the background material we gave you, we are actually trying to collect this

information. But it really isn't the role of the Inspector General to be the first one to collect this. This is something that should be done.

As for the issue about direct assistance, I think a serious problem here was that USAID had finally done some really good assessments, and we praised them in our audit that came out earlier this year about the direct assistance. They assessed the Afghan ministries, and what we had hoped they would have done would have been to actually use that as leverage to bargain on conditionality, to get in place particularly in the future, where it is going to be more difficult to go out there and kick the tires of the programs. But unfortunately they waived it, and we don't really have an answer on why they waived it.

Mr. JOHNSON. I can actually chime in with some updated numbers, and first to your point about corruption. Corruption, as we all had said in the beginning, will remain a challenge and has been one of the biggest challenges we have had of the U.S. and of the space in operating in Afghanistan.

With regards to direct assistance funding, the latest figures we have is roughly the amount is $800 million for 2012 and approximately $900 million in 2013 in direct assistance. That shows a drop-off from the 1.4 and it is closer to their target of 50 percent but not quite has that met that goal. So it has come down somewhat but it is still pretty significant.

In terms of what more Congress can do, I would definitely agree, as we sort of suggested, that you consider mandating that there be a shared database or a comprehensive database that has the entire inventory of development projects, especially given over $23 billion has been invested of the taxpayers' money and that as I mentioned earlier, USAID has taken action. Afghan Info has been designated as the official database.

However, the Department of Defense, despite various briefings with USAID and others, have basically not agreed to routinely put their stuff in that database automatically and share that database and use that database or any other database for that matter. And so we basically would suggest that Congress now may need to mandate that given the CERP funding, given the AIF funding of the task force and business operations, all the potential funding that exists there.

And we looked at this a little more in-depth comparing those three programs to the USAID funded efforts under ESF or development assistance, and we didn't necessarily find exact duplication, but we found 53 cases of potential duplication and overlap between the agencies.

And the reason why we can definitively say that is because the data that DoD was maintaining did not go down to the level it needed to go down to of capturing data on the villages that were receiving the assistance. So we think a shared database would encompass all that sort of information. I think also continuing holding hearings like you are doing today on key oversight issues would put the attention of the Congress on the agency requesting money every year, additional funding.

With respect to USAID's cooperation with GAO and probably the oversight community as well, I would say that over the last 2 years

or 18 months there have been some significant challenges in terms of our normal operation with USAID. They have been one of the more cooperative agencies, but we have run into major challenges in trying to carry out our mission for the Congress.

Ms. ROS-LEHTINEN. Thank you very much.

Yes, Mr. Sopko?

Mr. SOPKO. Chairman, if I could just add, I echo the statement by my colleague from GAO in that although we have had very good support from DoD on cooperation, particularly under General Dunford, General Cole and a number of those colleagues over there, we have had some problems with USAID in getting access particularly through over classification and, we think, improper classification of some material as unclassified, sensitive but unclassified.

But can I just add to my colleague's numbers? I think he was focusing on the State and USAID direct assistance, but we have to keep in mind the biggest player in all of this is DoD. And so to direct assistance, DoD is giving approximately $4.2 billion right now in direct assistance, and that is going directly to the Ministry of Interior and Ministry of Defense and also going through some of the trust funds. So that is the biggest player. And although we are focusing on the USAID ministerial assessments, there still has never been a ministerial assessment on the Ministry of Interior and the Ministry of Defense by DoD and we have highlighted that as a potential problem.

Ms. ROS-LEHTINEN. Thank you very much.

Our ranking member, Mr. Deutch, is recognized.

Mr. DEUTCH. Thank you, Madam Chairman.

Mr. Sopko, did I understand you said that more money is spent on Afghanistan reconstruction than the Marshall Plan?

Mr. SOPKO. By the end of this year taking into consideration inflation, et cetera.

Mr. DEUTCH. So what is the total amount? As you analyze it today, what is the total amount spent by this country on Afghanistan?

Mr. SOPKO. The appropriations on the Afghanistan reconstruction is $103 billion, I believe.

Mr. DEUTCH. And for both of you, as you analyze what you refer to as waste, fraud and abuse, but fraud and abuse ultimately is waste as well, from all of the responses and all of the good reports that you have put out, is there a total amount? Of that $103 billion is there a total amount that has been wasted?

Mr. JOHNSON. I am not in a position to give you an exact figure on that. That is something we haven't looked in-depth at in terms of a range of figures. But we do know that there has been some various inefficiencies. There are some concerns about whether there is really an inventory of everything. The biggest problem is that many of the agencies weren't keeping good performance metrics for us to look at whether or not the money had been used for its intended purpose or met its goals.

Mr. SOPKO. I agree. We can't come up with an estimate. We would be spending all of our time trying to figure out what was lost in the past. We are looking forward. I think it is safe to say a lot of money has been wasted. Probably more wasted than actually sto-

len, and that is the problem. And I think going back, if we don't even know where the money was spent it is hard for us to come up and quantify particularly GAGAS standards, which is a generally accepted auditing standards, how much money was really spent.

Mr. DEUTCH. And explain it again. We don't know where the money was spent and how much of that $103 billion, do you think we don't know where it was spent?

Mr. SOPKO. Well, first of all, you have to take, out of the $103 billion that is authorized and appropriated, as I mentioned, $18 billion is still in the pipeline. So that money is still safe. It hasn't gone out and been obligated yet. The vast majority of the money, over 60 percent, I believe, was spent by DoD. So that could be on CERP programs, it could be on numerous programs. I am not saying that is wasted, but I am just saying that is where the money is, mainly DoD. DoD is the big player in Afghanistan reconstruction.

Mr. DEUTCH. And so I also want to move forward, but for everything that you have looked at, Mr. Johnson, for all your reports, there are plenty of examples that you pointed to, right, where because of the lack of systems in place, because of lack of oversight, because the contract, all the myriad of reasons that we have discussed there has been some significant amount of waste, it would be helpful if there were some range, even of the reports that you have got, of the review that you have done, where you know there is—here is my point. I want to look forward too.

But as we deal with this issue of a shared database, it is a whole lot easier to convince all of our colleagues here and those who may not be inclined to support a shared database, why it is important, if beyond speaking generally about the types of problems that exist, we can point out that of $103 billion taxpayer dollars that X percent has been wasted. So I am not asking you to recreate the wheel, but based on all the analysis that you have done you must have some sense.

Mr. JOHNSON. Well, I think we can speak in broader terms and give specific examples, but I think it gets back to the point that Mr. Sopko noted that a lot of stuff wasn't done efficiently or it cost a lot more than it probably would have cost in other contingency areas as well.

I would note the ANSF, for example, where the biggest amount of the U.S. contribution has been on the security side, and obviously that goal was supposed to have been accomplished back in 2008 where the Afghan Security Forces were supposed to be fully capable and competent and independent operations. Well, what happened over time and over the many years that we put billions of dollars and enormous amounts of money, the benchmarks continue to be reset every single year. We have lowered the standards of their capability ratings.

Initially, we had been trying to do it the U.S. way in trying to get these guys to operate the way our security forces operate. Well, that wasn't deemed to be ultimately Afghan right or Afghan first. So we wasted a lot of money in the beginning buying U.S. type equipment, training on those equipment that they couldn't maintain or sustain. We built a force that obviously the Afghan Govern-

ment cannot sustain, but they are going to continue to be relying on donors to support.

The U.S. contributed 90 percent of the Afghan public expenditures related to security issues. The United States has paid for that. So we are the largest contributor on the security side. And in terms of waste and efficiencies there, it could have been done more efficiently, is what I would say would really be the message there.

And we could give you some examples where USAID was going to go in and build a road that perhaps DoD had already done. That is why you need a shared database. So USAID, as they noted to us, would like to know what DoD is going to be leaving behind so they will have some indication of what is already there as they move forward with their planning.

Mr. DEUTCH. Okay. And what is the biggest impediment to your shared database since it has now been years since you proposed it?

Mr. JOHNSON. Well, we don't really see a major impediment. DoD's position is that they are concerned about the security of the database itself, whether there are sufficient firewalls to prevent others from getting in. USAID is showing us that that would not be a problem. I honestly think it is a reluctance on the part of DoD to engage with USAID in completing this database that has been put in place.

They actually send, they give them a disc, I think it is every month or so, every 2 or 3 months for USAID to upload. So the data is getting in there eventually but it is not readily available.

Mr. DEUTCH. Finally, does the hesitancy on the part of DoD stem in any way from concern about what we see going forward? Since 60 percent of the $103 billion is DoD funded, and we are not in the position to identify the total amount of waste, is there a concern in going forward? Some of what you described, Mr. Johnson, I would suspect our friends at DoD would view differently than the way you have described it in terms of change of standards and why those standards were changed. Concerns for security.

What do we do to help convince them that this is ultimately necessary, and again I just go back to where I started. I would really urge you, for all of the analysis that has been done it would be immensely helpful for us to have a conversation not just about going forward, but if we can't acknowledge that we have spent $100 billion and we know billions have been wasted but we can't even really identify some ballpark of what that is and where that comes from, then it makes it even harder to support. Forget the creation of a shared database, it makes it harder to support continued funding if we are not even going to identify where the problems were to start with. And with that I yield back, Madam Chairman.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Deutch. And now I am so pleased to yield to a real war hero of both Iraq and Afghanistan, fighter pilot Mr. Kinzinger.

Mr. KINZINGER. Thank you, Madam Chair, you are too nice. And thank you all for being here. The important thing to do at the very top of this is for everybody to remember why we are in Afghanistan in the first place, and that is it was a beautiful day in September and we were attacked right in the United States of America when

we thought we were completely defensible by two oceans, and thousands of Americans lost their lives.

And since that day on September 11th, thousands of Americans have lost their lives in carrying freedom for the Afghan people, and I think importantly too, thousands of Afghans have lost their lives. And we see today in the, I guess, kind of the post war mission of Afghanistan, the Afghan people and the Afghan security forces are really stepping up to secure their country.

There are going to be a lot of challenges. In fact, 2 weeks ago the President announced his plan to withdraw nearly all American service members from Afghanistan at the beginning of 2014, combat mission ending at the end of 2014. He is going to leave in place approximately 9,800 service members, and the following year those numbers will be reduced to the amount necessary to provide security at our Embassy in Kabul.

I would bring, and I notice that this is the purpose of the hearing, to memory, the parallels between what has happened in Iraq and I think what the President has outlined for Afghanistan. In fact, today I read the news and found out that Mosul, the place where I had been multiple times in the war on Iraq, has just fallen to extremists, and they see what happens in a post American situation.

With that said, the reduction of force is going to place a significant demand on the Afghan National Security Forces. As the GAO has reported, between Fiscal Years 2002 and 2013, nearly 65 percent of the agency funding went toward supporting Afghanistan security in areas such as developing the security forces and counternarcotics effort. Questions are, with the looming U.S. troop drawdown more of the onus is going to be placed on the Afghan National Security Forces to maintain the stability in the country. A large portion of the $103 billion we have invested has gone to them in the security. Are they now prepared to take the lead and can they help sustain an environment in which development of infrastructure projects which we put in place will succeed?

And this is important, because for 13 years we fought to create an environment that they can take over. And I want to make sure that at the end of the day we are not in a hurry that just to fulfill a campaign promise so that 13 years of efforts by the American people and by the Afghan people don't go to waste. Because I think in 20 years, history books will judge us very harshly if that is the case.

So Mr. Sopko, I will go with you first. Is there an environment where in a post America era they can succeed?

Mr. SOPKO. The answer to that question is a couple of points. Yes, of course they can succeed. There have been great successes with the military. You have seen the Afghan military hold their own over the last fighting season, and I think everyone is hopeful that they will continue in that robust fashion.

There are concerns. And the major concerns that we have highlighted and I believe General Dunford has highlighted is that you need the BSA. If there is no BSA there is every likelihood there will be failure.

Mr. KINZINGER. But we can assume it will be. It seems like it is on track to, so——

Mr. SOPKO. We are very hopeful. I have no inside information, but that is what I have read in the press that it is very hopeful that both candidates have said they would sign it.

But the second issue which, I think, again, I can't speak for General Dunford there, he is really the expert on the military capabilities. But it is basically the back end, it is the tail of the ANSF, the salaries, the support, the buildings, the getting the fuel, the getting them to understand and how to do that which is what he is working on, and I think the vast majority of the assistance going forward will be trying to make the military capable to do that.

We are looking at, we have looked at spare parts, we have looked at fuel, we have looked at literacy, and in all those areas there are serious problems. So we have to make certain we get those right.

Mr. KINZINGER. And I understand you are not a policymaker so I am not putting this on you, but I think my big concern in this is in 2016 the President has put out an outline that says counterterrorism is a good mission in 2016, advising and supporting the Afghan Government is a good mission in 2016, but in 2017 it is not a good mission because we are going to pull all of our troops out, only for Embassy security.

So my question is, assuming now that we have basically 2 years in which to miraculously bring the Afghans to where they can operate without American assistance, there is a lot of progress that has to be made in 2 years. If all troops happened to be out today, if we happened to pull them all out today, what do you think would happen to the future of Afghanistan and those reconstruction projects if that were to happen today? And that gives us a benchmark for where we need to be in 2 years so that it doesn't fall apart.

Mr. SOPKO. I would have to refer to the testimony, I think, of General Dunford. I think it was over here in the House Armed Services Committee, or maybe it was the Senate Armed Services Committee, just last month where he said if we pulled out today there would be a collapse. I have to rely on his expertise. We have not done a study on that. I don't have any audits on that.

Mr. KINZINGER. Okay, thank you, and I think the point there is if all troops were out today we would see another collapse. Instead of having a mission for the next couple of years we want to focus on withdrawal and we are focused on pulling out. It might be smart to actually have a mission past 2016 in which we can have a long term gain when we get Afghanistan where they need to be.

Gentlemen, thank you for being here and I yield back.

Ms. ROS-LEHTINEN. Thank you so much.

Mr. Connolly of Virginia is recognized.

Mr. CONNOLLY. Thank you, Madam Chairman.

I know you want to look forward, but I think before we do that we need to glance backward and see what we have learned or not learned. Reading your reports, Mr. Sopko, and press stories and including press stories with IGA and listening to your testimony and now Mr. Johnson's today, I have got to tell you one has the awful sense of deja vu all over again.

We have been in Vietnam, for example, lots of aid money thrown at Vietnam. Biggest aid mission in the world was in Vietnam. There was no aspect of life in South Vietnam we weren't having

to finance. And the waste, the fraud, the abuse, the inefficiency, the lack of metrics to show what we did or didn't do positively has an eerie echo in your testimony today.

When I, as the chairwoman knows, used to be a staff member of the Senate Foreign Relations Committee, we used to have a chart of what aid would produce every year that was very helpful, and it was called the all-spigots chart. The all-spigots chart, showing all sources of assistance from the United States, from IMET and ESF to a map to development systems and other spigots. When you refer to $103 billion total reconstruction funding, is that all spigots? Does that include all of the DoD money?

Mr. SOPKO. No, it does not include war funding. Straight Title 10. This is just reconstruction. So $103 billion.

Mr. CONNOLLY. For the entirety, for the duration of this war?

Mr. SOPKO. And only U.S. funding.

Mr. CONNOLLY. Only U.S. funding. And would that include CERP?

Mr. SOPKO. Yes, it would, sir.

Mr. CONNOLLY. All right, let us take that as our universe. I know you are reluctant to say how much got wasted. Tell me how much you are comfortable with in looking at it that you think actually performed fairly well by some metric. We have got to have some metrics here.

Mr. SOPKO. Congressman, I would love to tell you 50 percent, 60 percent, 70 percent or whatever, but I live in unfortunately in the world of GAGAS, Generally Accepted Government Accounting Standards, and I can't say that. And I know my good colleague over in Iraq reconstruction once came up with a number and it was later shown to be wrong or nothing supporting it.

I can't say that. I look at specific programs and the specific program we can say that succeeded or didn't succeed or they want to risk. A lot of times we are going in and alerting people that you run a risk of fraud or waste or abuse, so I assume my colleague in GAO has the same. We can't come in and say they have lost X amount or they have succeeded. Now we have identified some successes.

And actually I asked, and I think the last time I testified before another committee I said I sent a letter to the Secretary of State, the Secretary of Defense, and the head of the USAID said give me your success stories and why. And I thought that would be used, that we could use that in our analysis of lessons learned. But I just can't answer that question because I don't have a basis for saying what percentage.

Mr. CONNOLLY. Okay, let me just tell you the consequence of not being able to answer that question.

I am picking up where you left off.

It says to the public, by implication, that all of it was wasted. If you can't cite metrics, not anecdotes but metrics, 30 percent absolutely went to the purpose intended and is performing well, another 20 percent sort of in a little grayer category and then 50 percent is wasted, or whatever the metrics may be. But if the answer is I can't answer that question at all, then it suggests to the United States taxpayer $103 billion in reconstruction went down the drain in Afghanistan, 100 percent.

Mr. SOPKO. Congressman, with all due respect, I think every inspector general you asked, whether it is the Department of Energy IG, VA IG, HHS IG, could not answer that question. So I don't know if the American people merely jump at the response or the answer that then all of the money is being wasted. I don't think anyone, any IG, you cannot give us enough money to answer that question. We would be spending all of our time trying to highlight what worked.

And if you actually look at our legislation, we look at the '78 Act and my act, it is not to find out what has worked. My brief is given to me by you and it is to highlight problems, not successes.

Mr. CONNOLLY. Yes, but you also demurred in the answer to my colleague's question, Mr. Deutch, all right, how much is wasted? So we can't put a metric on how successful we have been and neither can we apparently have enough, to Mr. Deutch's question, about how much do we feel confident was wasted in retrospect.

Mr. Johnson?

Mr. JOHNSON. If I can testify, the biggest problem that we both face as an oversight entity is that there is poor data being collected. And when data is collected—I will give an example of USAID when we looked at the alternative development program or the agriculture program. Enormous amount of data was coming in to USAID from the implementing partners. Well, USAID didn't use the data. They didn't assess the data and actually their ADS requires them to approve their implementing partners' indicators and targets. They weren't even approving it. So they were giving money to the implementing partners and they were carrying out missions and reporting results, and USAID was not using it. So for us to come in, we can look at——

Mr. CONNOLLY. Okay. Well, Mr. Johnson, I appreciate your answer. This is 2014. We have been running bilateral and multilateral aid programs since immediately after World War II. This is not a new subject. What do you mean we are just throwing money and USAID has no records to be able to evaluate the efficacy of the program? How is that possible? Let alone $103 billion?

Mr. JOHNSON. That is a good question and it is something, with the recommendations we have made and the oversight community and congressional action, perhaps USAID and others in State Department will be more accountable on terms of when they come up and ask you guys for money and they don't have metrics.

Mr. CONNOLLY. Would the chair indulge me just one last—

Ms. ROS-LEHTINEN. Absolutely. Please continue.

Mr. CONNOLLY. I thank the chair.

Mr. Sopko and Mr. Johnson, but something that bothered me when I was in Afghanistan and Iraq was CERP. Because it is in a category of, in a sense it was well intentioned walking around money so a military officer, commander, could see a problem and fix it on the spot. I see your bridge is out. Let me help repair it.

That program, however, became an enormous equivalent bilateral aid program run by the military who are not experts in economic development. And it is all cash and so one worries, in a category of what could go wrong with that I wonder if you could just share with us your observation and the vicissitudes of a CERP program.

Mr. SOPKO. Congressman, you are highlighting an issue that we have serious concerns with, I think many Members of Congress had serious concerns with, and I think that if I can make a comment, probably a little bit out of my league, I think it was a wise decision that in your consolidated appropriations bill of 2014, I think CERP funding was pretty well cut.

But there was nearly $2.29 billion obligated of which $2.26 billion has been disbursed. In January of this year we sent an inquiry letter to DoD and ISAF regarding all the unobligated funds, all the performance metrics, and any assessments that had been done. We are still in the process of doing that and once it is done I am happy to report back to you and the other committees on what we are finding.

I think there are serious concerns. It was a good intention. But if I can answer, use that question to try to answer your question and Mr. Deutch's question is, okay, even taking that CERP money, some of it actually worked. It is going to be so difficult to focus and try to do that. And you are just taking the CERP. That is only $2 billion. To do that for everyone of these programs, it is going to be very difficult to say what percentage worked and what percentage didn't.

We have to get the metrics. We have to buy their metrics. What my colleague and I are saying is we are not given the metrics or they don't use the metrics. So how do we determine whether CERP works or not? I mean I have been berated by DoD for even questioning the CERP proposal, because it saved lives. Now I don't know what that means. Maybe it did save lives and maybe that was the metrics that they wanted to use.

But it is hard for me to then take that thing, saving lives, and saying the $2.2 billion was wisely spent. That is where you see the predicament we are in, and I think Mr. Johnson is probably in the same predicament over in GAO.

Ms. ROS-LEHTINEN. Thank you so much. Thank you, Mr. Connolly. And while some of us can say, well, when I was in Iraq or when I was in Afghanistan, here is a man who was really in Iraq. An Iraq vet who is still serving our country valiantly in the Air Force Reserve, Mr. Collins is recognized.

Mr. COLLINS. Madam Chairman, I do appreciate that. And Mr. Connolly you might want to stay here for just a moment because as much as we disagree, my good friend, we are getting ready to agree wholeheartedly right here.

But this is, look, you all have pointed out some things. I came for some other questions and I am going to get to those in a minute, but let me just say if anybody from USAID is here, DoD is here or you are watching by camera, the only way is if these who are supposed to oversight what is being spent tell me that they are not getting the metrics to spend money, they are not getting the metrics on how to even evaluate these programs, then maybe it is time to cut the money off. Maybe it is just time to say let us stop.

If you can't handle it because there is, this is the problem that I have seen so far and I am for, being in the military we have got to rebuild, we have got to help the country out. I have got no problem with that. But I have a huge problem with no accountability.

And the people in the Ninth District of Georgia do not get it. We are not spending Monopoly money here. We are not spending money that just pops out of the air and somebody says it is free health care, free this. It is not that. It comes out of my back pocket and your back pocket. It is tax dollars. We have got a VA system that has problems and issues. We have got other issues in this country, and we have got this problem where we are just blowing money and we don't even get the metrics where Mr. Johnson and Mr. Sopko can't even do their job? Are you kidding me?

We even have this commit? I mean, Madam Chair, this is amazing to me. I feel for you that you are trying to do a job with no metrics. You are trying to do a job in which they are given money and say go spend it, be happy, see if it works or not. But we are not going to provide you the metrics. And if DoD gets upset at your question, Mr. Sopko, so what? Send them to me. I will ask the same questions. They can get mad at me. This is ridiculous.

I submitted language in the State and Foreign Ops Appropriations bill forcing USAID and State Department to take a closer look at the funds it is allocating to various reconstruction projects it has got over in Afghanistan. Frankly, as we have just said, over $100 billion between DoD, USAID, the others, what promise do we have if we continue this?

And I agree with my friend, Mr. Kinzinger. There are some things that we need to do to hopefully keep this country stable and not have to send our sons and daughters back there in the matter of a few years or send others there. But how can we take it seriously if USAID and others can't even provide metrics because they don't want to? How can we have any effect? Would either one of you would like to answer that?

Mr. JOHNSON. It is definitely difficult, and that is part of the way we do our work. We need to measure the U.S. progress against the U.S. identifies strategic goals and objectives. And in order to do that we absolutely need metrics. Those metrics need to be collected routinely and not every so many years.

But they should be collecting those depending on the type of program it is throughout the lifetime of the program and making those available to us. They should be approving those metrics that they are asking their implementing partners to carry out in some of the projects. And quite frankly we did find several deficiencies in that area.

I think later on it probably came up, how do you gather and collect information in a war zone or in an environment like this? Well, they have done it in other locations. They have done it in the tribal area in Pakistan where that is that they have collected data using other alternative means to get that data and to have those metrics and report on progress. So I don't think it is something that can't be done in Afghanistan. They just need to commit to doing it.

Mr. SOPKO. Congressman, can I add something to my colleague, and it is something that Congressman Connolly alluded to. And that is, lessons learned from Iraq, lessons learned from Vietnam. I cited a report done by USAID in 1988, and it is a lessons learned report on USAID's operations in Afghanistan from 1950 to 1979. I couldn't find anybody in our Embassy or anybody at USAID who had ever read it. This is 12 years. If I was being assigned to

USAID, I think I would want to read my lessons learned report from 1950 to 1979.

I spoke to a very prominent general, a wise general who says, I am in the Army. We do lessons learned report by going to the bathroom and pulling paper. We write them like crazy. The problem is they are not applied.

And I think one of the things you can do and Congress can do is mandate that each of the services do these lessons learned reports, but more importantly that USAID and State do them, and in the future, as we all know, this will be an all-government approach to a problem. And that means we need to mandate that USAID, State and DoD, and any other agencies involved, probably the intel community, do combined lessons learned reports on contingencies.

Remember, under Goldwater-Nichols, you created purple in the military. You have not created purple in contingencies. You are not requiring State and USAID to do the same in-depth analyses and lessons learned like all of the various—I know, sir, you have served in the military so you understand the lessons learned reports. The TRADOC produces doctrine. You are not seeing combined doctrine coming out on the next contingency. So I throw that out. If you want to make certain we succeed, maybe not for Afghanistan but at least we have learned from our mistakes before we do it again. That is something you may want to consider, sir.

Mr. COLLINS. Madam Chair, if you will just indulge me for just one moment. I think the thing, and I understand what you are saying here. What bothers me is just simply looking at this as a simple business plan. You don't get money for just, I have an idea, let us throw money at it. Is there a way that maybe we could metric that, say, the metrics have to be applied first before the money is ever transferred? Because once the money is gone it doesn't matter. They don't care. Once the money is gone it doesn't matter.

I think the problem we have here, and I will go back to Mr. Connolly's statement. And where there is good about it, I think, I come from a background where neither or. I am a male. So if you tell me nothing has happened and everything has happened I will discount it immediately and I will show you where it is wrong.

So something in the middle has gone well and a lot of things are done wrong, but when we look at this repeatedly, the people of America, Ninth District, they want the truth. They want the honesty of what is going on, and they will accept the truth even if it is hard, but they will not accept incompetence. And this is simply incompetence that you have unveiled. Now it may be veiled in community service. USAID may call it whatever they want to call it. DoD may call it whatever they want to call it. Anybody else may call it what they want. It is incompetence. Plain and simple, fallible incompetence.

And I don't understand how we continue to do this, and it just, frankly, disturbs me. I don't think we have learned a lesson. You just stated it. We have not learned anything. We have to do hot washes. When I transferred out of Iraq I had to do lessons learned. And I had to actually tell the person coming in who took my job, here is the lessons learned. And it didn't just involve where is the

latrine and where is the DFAC. It had to do with what we found on the ground and how you worked it out.

I applaud your work, but in some ways I feel for you. You are in a no-win situation. And this country ought to be ashamed of what we are doing in this area because we can do better. We can do better. If we truly want to fix it, we truly want to work it, we can do better. The agencies that I am talking to today, my office is 513 Cannon, come and explain your incompetence to me.

Madam Chair, I yield.

Ms. ROS-LEHTINEN. Thank you very much. And just in conclusion, as our memo points out as of March 31, 2014, cumulative appropriations for relief and reconstruction in Afghanistan total approximately $103.17 billion in Fiscal Year 2002. This is more than the United States has ever spent to rebuild a single country. SIGAR findings financial audits were not conducted for 99 of those 140 assistance awards, and USAID did not meet their strategies objective to use performance indicators to measure and evaluate its performance toward meeting the strategies goal.

And GAO has previously reported on systematic weakness in USAID's monitoring and evaluation of programs carried out by its implementing partners in Afghanistan, GAO and other oversight agencies, however, have highlighted gaps that show USAID continued to inconsistently apply performance management procedures, falls short in maintaining institutional knowledge and needs to improve oversight of contractors.

The subcommittee will continue to do its work. And we thank you, gentlemen, for appearing before us. With that the subcommittee is adjourned.

[Whereupon, at 4:21 p.m., the subcommittee was adjourned.]

# APPENDIX

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## Material Submitted for the Record

**SUBCOMMITTEE HEARING NOTICE**
**COMMITTEE ON FOREIGN AFFAIRS**
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

**Subcommittee on the Middle East and North Africa**
**Ileana Ros-Lehtinen (R-FL), Chairman**

June 3, 2014

**TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS**

You are respectfully requested to attend an OPEN hearing of the Subcommittee on the Middle East and North Africa, to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at www.foreignaffairs.house.gov):

**DATE:** Tuesday, June 10, 2014

**TIME:** 2:00 p.m.

**SUBJECT:** Examining U.S. Reconstruction Efforts in Afghanistan

**WITNESSES:** The Honorable John F. Sopko
Special Inspector General for Afghanistan Reconstruction

Mr. Charles Michael Johnson, Jr.
Director, International Security & Counterterrorism Issues
International Affairs & Trade Team
U.S. Government Accountability Office

**By Direction of the Chairman**

*The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.*

# COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *the Middle East and North Africa* HEARING

Day *Tuesday* Date *June 10* Room *2172*

Starting Time *2:00 p.m.* Ending Time *4:21 p.m.*

Recesses [ *0* ] ( to ) ( to ) ( to ) ( to ) ( to ) ( to )

Presiding Member(s)

*Chairman Ros-Lehtinen*

*Check all of the following that apply:*

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [ ]
Stenographic Record [✓]

TITLE OF HEARING:

*Examining U.S. Reconstruction Efforts in Afghanistan*

SUBCOMMITTEE MEMBERS PRESENT:

*Chairman Ros-Lehtinen, Reps. Chabot, Cotton, Weber, Collins, Deutch, Connolly, Higgins, Cicilline, and Meng*

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

*None*

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.)*

*None*

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *4:21 p.m.*

Subcommittee Staff Director