



SIGAR

Statement for the Record

Committee on Appropriations, Subcommittee on
the Department of State, Foreign Operations, and
Related Programs
U.S. Senate

Improving the Effectiveness of
U.S. Reconstruction Efforts in
Afghanistan by Enhancing
Oversight and Addressing Key
Areas of High Risk

Statement of John F. Sopko,
Special Inspector General
for Afghanistan Reconstruction
February 24, 2015

Chairman Graham, Ranking Member Leahy, and Members of the Subcommittee,

Thank you for the opportunity to provide this statement for the record to aid in your consideration of the Department of State (State) Fiscal Year (FY) 2016 budget request for Afghanistan.

Since 2002, Congress has appropriated approximately \$107.5 billion to rebuild Afghanistan. For FY2016, the President has requested more than \$5.3 billion in additional reconstruction funding for Afghanistan, consisting of over \$1.5 billion for State and U.S. Agency for International Development (USAID) efforts, and \$3.8 billion for the Department of Defense (DOD) to train, equip, and sustain the Afghan National Security Forces (ANSF). It is the Special Inspector General for Afghanistan Reconstruction's (SIGAR) mission to ensure that these funds are spent as effectively and efficiently as possible and that they are protected from waste, fraud, and abuse. As funding for reconstruction projects in Afghanistan continues through FY2015 and beyond, and as the U.S. military presence and travel accessibility shrinks, the risk of fraud, waste, and abuse increases. SIGAR will continue to provide aggressive oversight of ongoing reconstruction projects and the billions of reconstruction dollars yet to be spent, while developing creative ways to operate in a more constrained environment.

This statement summarizes SIGAR's FY2016 budget request, recent successes from SIGAR's ongoing work, the challenges SIGAR has in accomplishing its mission, and steps being taken to overcome these challenges. In addition, the statement describes key management and program challenges facing State and USAID, as well as DOD, by highlighting areas of high risk that SIGAR has identified.

FY2016 Budget Request Highlights SIGAR's Unique and Important Role in Overseeing Afghanistan Reconstruction Funds

SIGAR is the only inspector general with interagency authority to audit, inspect, and investigate the activities of all U.S. government agencies and international organizations that receive U.S. funding for Afghanistan reconstruction. As a result, SIGAR can conduct cross-cutting reviews of State, USAID, DOD, and other agencies. In addition, SIGAR is the only oversight agency that focuses solely on Afghanistan reconstruction, enabling it to examine reconstruction programs and issues in more depth while still producing timely and high-quality work. Further, SIGAR is truly independent. We conduct our oversight autonomously and report directly to Congress and the Secretaries of State and Defense. To support its ongoing oversight mission, SIGAR has requested \$56.9 million for FY2016. Although this is equivalent to the FY2015 enacted level, SIGAR intends to reallocate funds within the agency, as discussed below, to address operational and budgetary changes within Afghanistan's uncertain and unpredictable environment.

SIGAR currently has the largest oversight presence in Afghanistan, with more auditors, analysts, and investigators in country than any other agency. SIGAR's staff of 42 deployed personnel—consisting of 18 Audits and Inspections staff, 20 Investigations staff, and 4 Management and Support staff—are located at U.S. Embassy Kabul, Bagram Airfield, and Kandahar Airfield. Most of SIGAR's deployed staff serve at least 2 years in country, limiting the amount of annual turnover compared to other agencies and providing a stable knowledge base within the U.S. government's presence in Afghanistan. SIGAR plans to maintain 41 deployed positions in Afghanistan through FY2016. SIGAR has also hired six local Afghan engineers and analysts. To supplement the deployed and local staff, SIGAR personnel located at the agency's headquarters in Arlington, Virginia, frequently travel to Afghanistan on a temporary duty basis for 2 to 8 weeks to conduct audit, inspection, and investigative work.

By working and living alongside their colleagues in State, USAID, DOD, and other implementing agencies, SIGAR's staff has a full understanding of the challenges and dangers of working on the ground in Afghanistan. SIGAR's investigators located at sites outside Kabul regularly experience rocket attacks and other indirect fire. An investigator recently received the Council of the Inspectors General on Integrity and Efficiency Sentner Award for Dedication and Courage in recognition of his courage, uncommon selflessness, and dedication to duty during an insurgency attack on the Herat Consulate in September 2013. The morning of September 13, 2013, a truck packed with explosives rammed into the security gate and blew up, killing several guards and heavily damaging the building. A group of armed insurgents then tried to storm the compound, but ultimately failed. SIGAR's investigator assisted the Regional Security Officer by conducting an armed sweep to ensure that all U.S. personnel were accounted for and that no insurgents had penetrated the consulate. The investigator also helped move casualties and held a weapons position covering the blown-open entrance to the consulate until security forces arrived.

When SIGAR was established in 2008, the agency created four directorates to accomplish its mission: (1) Audits and Inspections, (2) Investigations, (3) Research and Analysis, and (4) Management and Support.¹ In addition to these directorates, in 2012, SIGAR created its Special Projects program to examine emerging issues and deliver prompt, actionable reports to implementing agencies and Congress. The team conducts a variety of assessments and, to date, has produced 88 inquiry and alert letters, reviews, fact sheets, and other products, on different aspects of the Afghanistan reconstruction effort. SIGAR was the only inspector general with this capability until 2014, when State's Office of Inspector General followed SIGAR's lead by establishing a similar group within its own office.

¹ Formerly known as the Information Management directorate, Research and Analysis produces SIGAR's quarterly report to Congress. Management and Support provides human resources, budget, information technology, and other support to SIGAR's directorates and staff.

In late 2014, SIGAR established another unique capability in the form of its Lessons Learned Program (LLP). SIGAR is the only inspector general with the authority to look across the entire reconstruction effort in Afghanistan to analyze lessons learned and best practices. SIGAR's previous oversight work has exposed a series of systemic issues that have hindered the progress of agencies' reconstruction efforts in Afghanistan. These, along with the demonstrated successes of those and other efforts, will be incorporated into the lessons learned work.²

LLP is planning to release a series of reports focused on key aspects of the reconstruction effort that will contain actionable recommendations that can help to improve current and future reconstruction efforts. These reports will document what the U.S. government sought to accomplish through its reconstruction efforts, assess what it achieved, and evaluate the degree to which these programs helped the United States reach its strategic goals in Afghanistan. These reports will distill this knowledge to produce recommendations to address the challenges stakeholders face in ensuring efficient, effective, and sustainable reconstruction efforts, not just in Afghanistan, but in future conflict zones. Through these reports, SIGAR plans on reaching a diverse audience in the legislative and executive branches, at both the strategic and programmatic levels, and in Washington, D.C., and the field. LLP has four initial projects underway, which will address (1) interagency strategy and planning, (2) coordination of international donor assistance, (3) anti-corruption efforts, and (4) counternarcotics interventions in Afghanistan reconstruction. Future projects will focus on other significant issues.

SIGAR sees the LLP and its lessons learned reports as a key legacy of SIGAR and is working to ensure the proper resourcing for this important effort. To staff the LLP, SIGAR has hired subject-matter experts with considerable experience working and living in Afghanistan. In producing its reports, the LLP is also leveraging the considerable skills, experience, and resources found throughout SIGAR in its Audits and Inspections, Investigations, Research and Analysis, and Special Projects directorates. By leveraging these resources, as well as SIGAR's unique interagency mandate, LLP intends to do everything it can to make sure that the lessons from the United States' largest reconstruction effort are identified, acknowledged, and most importantly, remembered and used to inform future reconstruction and development efforts.

SIGAR's Work Continues to Improve the Effectiveness and Efficiency of Reconstruction Programs, and Reduce Fraud, Waste, and Abuse of Funds

SIGAR's investigations, audit, and other work continues to have positive impacts on ongoing and planned reconstruction programs and agency operations. Since 2008, SIGAR has identified over \$1.6 billion in savings, representing a return of almost \$8 for \$1

² Some of these systemic interagency problems, such as corruption, sustainability, counternarcotics, contract management and oversight, and strategy and planning, are detailed in SIGAR's December 2014 *High-Risk List*.

appropriated to fund SIGAR. SIGAR's investigations have saved the U.S. government more than \$550 million. Forfeitures, fines, and restitution resulting from criminal investigations currently total over \$18 million. In addition, SIGAR's investigative work has led to the conviction of over 80 subjects, 64 of whom have been sentenced. During the first quarter of FY2015, SIGAR recovered a record \$53.7 million for the U.S. government from Civil Settlement Agreement payments, consisting of:

- \$25 million from Supreme Logistics FZE (Supreme) for falsifying billing claims by submitting false claims to three prime global transportation and logistics contractors, causing them to overcharge the U.S. government for refrigerated containers when Supreme used dry goods containers;³
- \$20 million from Supreme Site Services GmbH for over-billing for fuel purchased by the Defense Logistics Agency for use by U.S. and coalition military forces; and
- \$8.7 million from Maersk Line Limited for alleged failure of performance and noncompliant shipments to military outposts under a contract with DOD.

This nearly equals SIGAR's total budget of \$56.9 million for the current fiscal year. Other significant achievements from prior years include four convictions resulting from an investigation into an individual who used his position to steer more than \$10 million in military supply contracts to a company owned and operated by his wife and mother-in-law. Two notable examples are the convictions of four individuals after a single investigation uncovered a complex scheme to steal U.S. government fuel, and an investigation into a \$1.75 million contract for a clinical engineering support program to assist the Afghan National Army (ANA) Medical Services that resulted in the contract being terminated for non-performance and a \$1.5 million cost savings for the U.S. government.⁴

In addition, SIGAR has completed 188 audit and inspection reports and made 540 recommendations that have identified nearly \$1.1 billion in questioned costs, funds that can be put to better use, and funds identified for potential recovery. Of that \$1.1 billion, SIGAR's financial audit program identified approximately \$107 million in questioned costs, \$11.5 million of which has been sustained by the agencies so far. Of the 540 recommendations, State, USAID, and DOD have implemented 374, or almost 70 percent, with 100 recommendations still open. These recommendations have, among other things, strengthened contract oversight, management, and compliance; assisted in building and sustaining the capacity of the Afghan government; and ensured accountability over on-

³ The U.S. Transportation Command awarded a series of contracts, collectively referred to as the "USC-06" contracts, to three global transportation and logistics companies: Maersk Line Limited, American President Lines, and Hapag-Lloyd. Under various USC-06 contracts, those three companies transported food and cargo destined for U.S. troops in Afghanistan from the United States to Latvia or other intermediate ports in Europe. At that point, the three companies then arranged with various logistics vendors, one of which was Supreme, to carry the cargo the rest of the way to Afghanistan.

⁴ SIGAR currently has 328 ongoing investigations.

budget support.⁵ For example, based on SIGAR's audit of the Afghan Air Force's medium-airlift requirement, we requested that DOD review those requirements and the Afghan Air Force's ability to fully use its two existing C-130 cargo planes before providing two additional planes. DOD subsequently determined that a fourth plane was unnecessary, resulting in potential savings of about \$40.5 million: \$19.8 million for the aircraft itself and \$20.7 million for maintenance, parts, training, and aircraft modifications.⁶

SIGAR's audit, inspection, and quarterly reports continue to be used by U.S. agencies, international partners, and the highest levels of the Afghan government to improve oversight and management of reconstruction efforts. During my most recent trip to Afghanistan in February 2015, I met with President Ashraf Ghani and his key advisors, at President Ghani's request. During that meeting, President Ghani thanked me for SIGAR's aggressive oversight work. He noted that he reads and uses SIGAR's audit and quarterly reports. For example, he carefully followed SIGAR's work examining issues regarding the United Nations Development Programme's (UNDP) management of the Law and Order Trust Fund for Afghanistan (LOTFA), which funds Afghan National Police (ANP) salaries.⁷ He also stated that he is pushing for major changes in the ANP's salary program as a result of SIGAR's recent audit of the reliability of ANP personnel and payroll data.⁸

SIGAR continues to have a good working relationship with the Department of Defense and its subcomponents and commands, most notably the Combined Security Transition Command-Afghanistan (CSTC-A). SIGAR has also taken great strides to improve its relationships with State and USAID. In addition, SIGAR coordinates regularly with the other inspector general offices and the Government Accountability Office to ensure coverage of all aspects of the reconstruction effort and prevent duplication of effort. For example, SIGAR participates in the Southwest Asia Joint Planning Group, which meets quarterly and produces the Comprehensive Oversight Plan for Southwest Asia. As an extra step to prevent duplication, SIGAR vets its performance audit notification letters with the DOD, State, and USAID Offices of Inspector General; and the Government Accountability Office prior to initiating those audits. Further, SIGAR's financial audit team meets frequently with the USAID Mission for Afghanistan to ensure, to the extent possible, that USAID's reconstruction contracts, grants, and cooperative agreements are audited.

⁵ As of February 19, 2015, recommendation implementation rates by agency were approximately 66 percent for State, 72 percent for USAID, and 69 percent for DOD.

⁶ SIGAR-14-80-AL, *Afghan Air Force C-130 Aircraft*, July 10, 2014, and SIGAR-14-80a-AL, *Afghan Air Force C-130 Aircraft Response*, October 6, 2014.

⁷ See SIGAR Special Project 14-57-SP, *Inquiry Letter: UNDP LOTFA Oversight*, May 13, 2014; SIGAR Special Project 14-98-SP, *Inquiry Letter: UNDP LOTFA Oversight Response*, September 12, 2014; SIGAR Special Project 14-99-SP, *Inquiry Letter: CSTC-A Role of UNDP Oversight and Financial Management of LOTFA*, September 17, 2014.

⁸ SIGAR 15-26-AR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, January 7, 2015.

SIGAR's Has Taken Steps to Overcome Challenges to Completing Its Oversight Mission

With the transfer of full responsibility for securing Afghanistan to the Afghan government, the end of the International Security Assistance Force mission, and the beginning of the Resolute Support Mission, a new phase of the Afghanistan reconstruction effort has begun. The Afghan government and international community refer to this as the “Transformation Decade,” which began in 2015 and ends in 2024. To help guide SIGAR during this period of rapid change in Afghanistan and address, among other things, how the office will conduct its oversight mission with less direct access to program and project sites, SIGAR developed a transition plan for 2014 through 2016. The plan ensures that SIGAR’s transition activities are synchronized with its strategic plan and other U.S. agencies’ transition plans. Over time, and as appropriate, SIGAR will adjust its functions, methods, products, and practices, adopting new ones when necessary, to continue to provide seamless, independent oversight of the reconstruction effort. Further, SIGAR will take all measures necessary to uphold government standards of quality in carrying out its oversight.

For example, to expand our ability to monitor projects remotely, SIGAR has hired six Afghan engineers and analysts to assist with audit and inspection work. These local employees have greater freedom of movement, allowing them to visit sites and facilities that SIGAR’s U.S. staff is unable to visit. In addition, in December 2014, SIGAR signed a cooperative agreement with Integrity Watch Afghanistan (IWA), a well-respected Afghan nongovernmental organization, to conduct site visits, including inspections and engineering assessments of U.S.-funded projects. SIGAR has assigned an agreement officer to work closely with IWA to ensure that its work meets generally accepted government auditing standards (GAGAS) and SIGAR’s internal quality control requirements. SIGAR has also expanded its use of geospatial imaging through agreements with the National Geospatial-Intelligence Agency and Army Geospatial Center. SIGAR is currently pursuing additional methods for remote monitoring.

In addition, SIGAR plans to continue its financial audit program.⁹ Established in 2012, the SIGAR financial audit program contracts with independent public auditing firms to perform financial audits of completed reconstruction contracts. SIGAR staff oversees the firms’ completion of these financial audits, from notification to the final report, to ensure the work complies with GAGAS and SIGAR quality control standards. To date, SIGAR has completed 38 financial audits, which have, as noted above, identified approximately \$107 million in questioned costs, \$11.5 million of which has been sustained by the agencies, and another

⁹ SIGAR produces two types of audits: (1) financial and (2) performance. Financial audits evaluate completed reconstruction contracts and identify questioned costs, if any, resulting from significant deficiencies in the audited entity’s internal controls related to the contracts, and any instances of noncompliance with contract requirements and applicable laws and regulations. Performance audits provide objective analysis of the effectiveness and efficiency of reconstruction programs and make recommendations to improve performance and operations, reduce costs, and facilitate decision making by parties with responsibility to oversee or initiate corrective action for public accountability.

30 financial audits ongoing. When questioned costs are identified, SIGAR investigators review those costs and initiate criminal investigations, when applicable.

SIGAR is also coordinating closely with the Afghan Attorney General's office to refer criminal and civil cases involving Afghans for prosecution in Afghanistan. For example, SIGAR conducted an investigation into bid rigging on the Afghan Ministry of Defense's (MOD) contract to deliver fuel to ANA sites throughout Afghanistan and other contracts. In early February 2015, a SIGAR investigator; Major General Todd Semonite, the CSTC-A commander; and others attended a meeting with President Ghani at the presidential palace regarding the investigation. Based on SIGAR's work, President Ghani suspended the fuel contract and assigned a representative to investigate the alleged collusion. That representative has since informed SIGAR that President Ghani cancelled the fuel contract completely and that six MOD officials were suspended pending the results of the investigation. SIGAR was also informed that CSTC-A would fund \$280 million per year on the contract. That amount includes \$80 million in reserve funding per year. In order to draw upon the reserve funding, MOD would have to justify and account for its fuel usage, thus placing conditionality on that funding. In addition to referring cases to the Afghan government, SIGAR plans to share lessons learned with Afghan central government auditors and facilitate their relationship with the Government Accountability Office and the International Organization of Supreme Audit Institutions.

SIGAR Has Identified Seven Areas of High Risk to the Success of the U.S.

Reconstruction Effort in Afghanistan

Although State, USAID, and DOD have each experienced some successes in their individual reconstruction efforts, multiple challenges exist that could undermine the success of the overall U.S. reconstruction effort. Building on the seven questions SIGAR developed in early 2013 to guide decision makers as they consider whether and how best to use the remaining reconstruction funds,¹⁰ in December 2014, SIGAR issued its first High-Risk List to call attention to program areas and elements of the U.S.-funded reconstruction effort in Afghanistan that are especially vulnerable to significant waste, fraud, and abuse.¹¹ With the list, SIGAR seeks to highlight program areas SIGAR believes agencies, such as State, USAID, and DOD, need to focus on and discuss how specific agencies are failing to mitigate risks in areas under their purview. In addition to driving agencies to evaluate and address their own operations, SIGAR intends to use the list as an internal tool for planning its own oversight work in order to develop recommendations to help Congress and the agencies correct major

¹⁰ See SIGAR, *Quarterly Report to the United States Congress*, January 30, 2013, and SIGAR, Statement for the Record, Committee on Appropriations, Subcommittee on the Department of State, Foreign Operations, and Related Programs, U.S. Senate, *Reducing Waste, Improving Efficiencies, and Achieving Savings in U.S. Reconstruction of Afghanistan*, April 18, 2013.

¹¹ SIGAR, *High-Risk List*, December 2014.

deficiencies. The list proposes some key questions for Congress and the agencies to consider to improve their reconstruction efforts. In addition to informing U.S. stakeholders, the list should assist the new Afghan national unity government in planning and implementing its reform agenda.

SIGAR's first High-Risk List identifies seven program areas:

1. Corruption/Rule of Law
2. Sustainability
3. ANSF Capacity and Capabilities
4. On-Budget Support
5. Counternarcotics
6. Contract Management and Oversight Access
7. Strategy and Planning

Although other areas of risk exist, SIGAR selected these seven program areas because they are essential to the success of the reconstruction effort. In other words, if there is a failure in any of these areas, the entire 13-year reconstruction effort could fail, resulting in billions of dollars in taxpayer funds being wasted. These seven areas are also at risk of significant and large scale failure due to fraud, waste, or abuse; elements of ongoing or planned reconstruction programs and projects; and subject to the control or influence of the U.S. government.

SIGAR recognizes that even in conflict-free areas, no reconstruction or development program or project is without risk of fraud, waste, and abuse. This risk is greater in insecure and unstable conflict areas, such as Afghanistan. However, SIGAR's work and the work of other oversight agencies has shown reconstruction efforts in Afghanistan are at unnecessarily high risk, which agencies could mitigate by taking appropriate corrective actions.

Corruption/Rule of Law

Corruption is one of the most serious threats to the U.S.-funded Afghanistan reconstruction effort. In a February 2014 report, the DOD Joint Staff wrote, "Corruption alienates key elements of the population, discredits the government and security forces, undermines international support, subverts state functions and rule of law, robs the state of revenue, and creates barriers to economic growth."¹²

¹² DOD, Joint and Coalition Operational Analysis (JCOA), division of Joint Staff J-7 (Joint Force Development), *Operationalizing Counter/Anti-Corruption Study*, February 28, 2014.

Reducing corruption and increasing accountability are important components of the U.S. reconstruction strategy in Afghanistan. However, in 2010, SIGAR reported that more than \$50 billion in U.S. assistance had been provided for reconstruction in Afghanistan since 2002 without the benefit of a comprehensive anti-corruption strategy, and that U.S. anti-corruption efforts had provided relatively little assistance to some key Afghan institutions.¹³ In a 2013 follow-up review, SIGAR found that although an additional \$46 billion had been appropriated for reconstruction, the United States still did not have a comprehensive strategy or related guidance that defined clear goals and objectives for U.S. efforts to fight corruption.¹⁴

In 2012, SIGAR's Investigations directorate enhanced its relationship with the Afghan Attorney General's office and began documenting criminal activity by senior government officials and Afghan businessmen, and referring those matters to the Attorney General's office for action. More recently, in April 2014, SIGAR reported that the single biggest issue limiting the Afghan government's collection of customs revenue is corruption.¹⁵ This is a significant loss since customs revenue has accounted for between 44 and 48 percent of Afghanistan's total domestic revenue for the past 3 years. Increasing domestic revenue is a key goal of both the U.S. and the Afghan governments, and significantly reducing or eliminating corruption could double customs revenues. However, despite spending \$198 million to develop Afghan capacity to assess and collect customs revenue, its potential as a stable source of government income remains uncertain.

Key questions for consideration are:

- To what extent have U.S. technical assistance and capacity-building programs dedicated sufficient resources to reducing corruption within the Afghan government?
- What steps has the Afghan government taken to pursue criminal action against those matters referred by SIGAR?
- What steps are U.S. agencies and the Afghan government taking to reduce corruption within Afghanistan's customs collection system?

Sustainability

Much of the more than \$107 billion the United States has committed to reconstruction projects and programs risks being wasted because the Afghans cannot sustain the investment without significant support from the United States and other donors. However,

¹³ SIGAR Audit 10-15, *U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized Comprehensive U.S. Anti-Corruption Strategy*, August, 5, 2010.

¹⁴ SIGAR Special Project Report SP-13-9, *U.S. Anti-Corruption Efforts: A Strategic Plan and Mechanisms to Track Progress are Needed in Fighting Corruption in Afghanistan*, September 11, 2013.

¹⁵ SIGAR Audit 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.

Afghanistan lacks the capacity—financial, technical, managerial, or otherwise—to operate and maintain much of what has been built or established during more than a decade of international assistance. For example, the Afghan government’s budget for 2014 was nearly \$7.6 billion; however, the government expected revenues to only cover \$2.8 billion, or less than 37 percent, of that amount, with donor grants making up the rest.

SIGAR’s work has shown that State, USAID, and DOD have not always considered sustainability when planning programs or projects, jeopardizing the massive investment that the United States and other international donors have made. For example, a 2013 audit examining the \$18.5 million in USAID funds spent to build two hospitals in Afghanistan found that USAID did not fully assess the Afghan Ministry of Public Health’s (MOPH) ability to operate and maintain the facilities. The new operation and maintenance costs for the two hospitals could be five times the costs of the hospitals they replaced, a burden that neither USAID nor the MOPH has agreed to assume.¹⁶

Further, both the international community and the Afghan government agree that improving the energy sector is essential to Afghanistan’s economic progress and long-term viability. However, the Afghans cannot afford to pay for much of the electric power infrastructure that the U.S. reconstruction effort has provided. In 2014, SIGAR reported that over 2 years after its completion, the Kabul Power Plant, a 105-megawatt power plant on the outskirts of Kabul built under a USAID contract—was not being operated and maintained in a sustainable manner by the Afghan national power utility, Da Afghanistan Breshna Sherkat.¹⁷

In addition to conducting audits, inspections, and special projects, SIGAR investigates cases involving sub-standard construction of critical facilities that not only detracts from their expected life spans but also presents an immediate safety risk for the individuals occupying those facilities.

Questions for consideration are:

- To what extent has the Afghan government made progress in generating revenues to fund government operations?
- To what extent have U.S. agencies developed plans for sustaining their programs and projects that will be turned over to the Afghan government and coordinated these plans with the relevant Afghan ministries?

ANSF Capacity and Capabilities

A stable security environment is vital to prevent Afghanistan from again becoming a safe haven for terrorists and to enable much-needed reconstruction and development activities

¹⁶ 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 29, 2013.

¹⁷ SIGAR Audit 13-2, *Afghanistan's National Power Utility: \$12.8 Million In DOD-Purchased Equipment Sits Unused, and USAID Paid a Contractor for Work Not Done*, December 18, 2012.

to occur. A well-developed and fully capable ANSF is critical to achieving and maintaining this security. As such, a key component of the U.S. and international reconstruction effort has been to build the capacity of the ANSF. As of January 2015, Congress had appropriated more than \$60 billion to build, equip, train, and sustain the ANSF, and DOD has requested an additional \$3.8 billion for FY2016. However, this significant investment in Afghanistan's security is at risk, particularly in light of the end of the U.S. and coalition military combat mission at the end of 2014 and drawdown of those forces.

SIGAR has developed a substantial body of work on U.S. efforts to develop the ANSF in areas such as infrastructure construction and maintenance; equipment and other resources, and maintenance of that equipment; personnel management; capabilities of the ANSF; and training. For example, in a 2014 audit of ANSF literacy training, SIGAR reported that widespread illiteracy undermines effective training, use of technical manuals, understanding orders, inventorying equipment, documenting operations, and other vital military functions. Despite a \$200 million literacy training contract, the NATO Training Mission-Afghanistan and CSTC-A did not have the ability to measure the effectiveness of the training or to determine the extent to which overall literacy of the ANSF had improved.¹⁸ In a 2012 audit of ANSF facilities, SIGAR found that the Afghan government would likely be incapable of fully sustaining ANSF facilities after the transition in 2014 and the expected decrease in U.S. and coalition support. The Afghan government's challenges in assuming operation and maintenance responsibilities included a lack of sufficient numbers and quality of personnel, as well as undeveloped budgeting, procurement, and logistics systems.¹⁹

Based on SIGAR's work, possible questions on the capability of the ANSF include:

- To what extent is the ANSF making sufficient progress toward becoming a fully capable and self-sustaining force that is able to successfully secure Afghanistan?
- What safeguards has DOD implemented—or planned to implement—to strengthen accountability for U.S.-funded equipment and infrastructure, and ensure the Afghans have the capacity and capability to account for, fully utilize, and maintain this equipment and infrastructure?

On-Budget Support

SIGAR continues to have concerns about the risk to U.S. funds provided to the Afghan government in the form of on-budget assistance, which includes direct assistance (also referred to as bilateral assistance), government-to-government assistance, and assistance

¹⁸ SIGAR Audit 14-30-AR, *Afghan National Security Forces: Despite Reported Successes, Concerns Remain About Literacy Program Results, Contract Oversight, Transition and Sustainment*, January 28, 2014.

¹⁹ SIGAR Audit 13-1, *Afghan National Security Forces Facilities: Concerns with Funding, Oversight, and Sustainability for Operation and Maintenance*, October 30, 2012.

that travels through multi-donor trust funds before reaching the Afghan government.²⁰ Since 2002, the United States has committed a total of more than \$7.7 billion in the form of on-budget assistance to Afghanistan.

SIGAR's prior work has shown that many ministries lack the capacity or necessary internal controls to effectively manage and account for on-budget assistance funds, and are unable to do so in a transparent manner that enables U.S. agencies to oversee those funds. A 2013 audit of the \$236 million Partnership Contracts for Health program raised serious concerns about an on-budget program that supports the MOPH's delivery of health-care services to local clinics and hospitals. The audit found that, despite MOPH financial-management deficiencies, USAID continued to provide millions of U.S. taxpayer dollars in direct assistance with little assurance that MOPH is using these funds as intended.²¹ Yet another audit found that USAID's assessments of seven Afghan ministries receiving on-budget assistance from the U.S. government found that none of the ministries would be capable of effectively managing and accounting for those funds unless they implemented a series of required risk-mitigation measures developed by USAID.²² Further, in a review of DOD's safeguards for funds provided to the MOD and Ministry of Interior (MOI), SIGAR identified a number of weaknesses that increased the risk that on-budget funds provided to the ANSF that made those funds particularly vulnerable to waste, fraud, and abuse.²³

One way to improve Afghan ministries' ability to manage and account for on-budget assistance is to make this assistance conditional on the ministries taking defined actions to improve their financial management, procurement, strategic planning, and auditing capabilities, among others. During my recent meeting, President Ghani voiced his support for conditionality on assistance provided to the Afghan government, adding that he plans to use conditionality to keep his government focused on meeting performance targets and prioritizing its key tasks. In addition, CSTC-A recently made a small portion of its on-budget support to the MOI conditional on the ministry taking steps to approve its accounting for ANP personnel and salaries. However, State and USAID have yet to fully embrace the conditionality as part of their on-budget support.

Given the ongoing concerns about on-budget support, questions for consideration are:

²⁰ The major multi-donor trust funds for Afghanistan are the Afghanistan Reconstruction Trust Fund, managed by the World Bank (\$2.04 billion in cumulative U.S. contributions); the Afghanistan Infrastructure Trust Fund, managed by the Asian Development Bank (\$105 million in cumulative U.S. contributions); and LOTFA, managed by UNDP (\$1.45 billion in U.S. contributions).

²¹ 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*, September 5, 2013.

²² SIGAR Audit 14-32-AR, *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries' Ability to Manage Donor Funds, but Concerns Remain*, January 30, 2014.

²³ SIGAR Special Project Report 14-12-SP, *Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of Over \$4 Billion in Direct Assistance Funding*, December 3, 2013.

- What conditions should U.S. agencies impose on Afghan ministries before distributing on-budget funding to the Afghan government?
- What steps are agencies taking to achieve Afghan transparency in the use of U.S. on-budget assistance?
- What level of oversight access do U.S. officials have to documents, personnel, and locations funded through on-budget support?

Counternarcotics

The expanding cultivation and trafficking of drugs puts the entire U.S. and international investment in the reconstruction of Afghanistan at risk. The narcotics trade, which not only supports the insurgency but also feeds organized crime and corruption, puts the gains the U.S. agencies and their international partners have achieved over the past 13 years in women's issues, health, education, rule of law, and governance in jeopardy. Although the United States has invested \$8 billion, as of December 30, 2014, in counternarcotics efforts in Afghanistan, that country still leads the world in opium production, and Afghan farmers are growing more opium than ever before.

Both SIGAR's October 2014 quarterly report and a special project on opium cultivation highlighted the ineffectiveness of law enforcement and alternative livelihoods programs in combating opium cultivation.²⁴ A SIGAR report on the Counternarcotics Justice Center (CNJC) alerted U.S. officials that the CNJC's \$11 million detention facility was not being used for high-profile drug traffickers as intended; rather, the cells were being occupied by low-profile detainees. Because the detention center was filled with low-profile detainees, no cells were available to house mid- and high-profile drug traffickers. SIGAR also noted that, at the time, the CNJC did not have procedures in place to handle a high case load.²⁵

SIGAR investigations routinely involve analysis of financial flows out of Afghanistan. For law enforcement to be effective in combating the narcotics trade, financial information must be made transparent to ensure that illegal networks can be identified and eliminated. For this to be accomplished, it is imperative the Afghan government be Financial Action Task Force (FATF) compliant.²⁶

Some questions for consideration on the counternarcotics issue are:

²⁴ SIGAR, *Quarterly Report to the United States Congress*, October 30, 2014, and SIGAR Special Project Report 15-10-SP, *Poppy Cultivation in Afghanistan: After a Decade of Reconstruction and Over \$7 Billion in Counternarcotics Efforts, Poppy Cultivation Levels Are at an All-Time High*, October 14, 2014.

²⁵ SIGAR Audit-09-7, *Documenting Detention Procedures Will Help Ensure Counter-Narcotics Justice Center Is Utilized As Intended*, September 30, 2009.

²⁶ FATF is an inter-governmental body established to set standards and promote effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system.

- To what extent has U.S. assistance for counternarcotics efforts in Afghanistan succeeded in achieving its overarching goals and objectives?
- To what extent is the Afghan government capable of assuming a lead role—and sustaining—the fragile progress made by U.S.-supported counternarcotics operations?
- What steps has the Afghan government taken to be fully FATF compliant?

Contract Management and Oversight Access

U.S. military and civilian agencies in Afghanistan rely heavily on contractors to carry out their missions. At times, the number of contractor employees has exceeded the number of in-country U.S. military personnel. Although contracting has provided indispensable support of the U.S. mission, it has also been a massive opportunity for waste, fraud, and abuse, and an enormous challenge to effective oversight of funding and performance.

SIGAR has repeatedly found problems with agencies' management and oversight of contracts and other agreements. In January 2015, SIGAR reported that it could not complete a full inspection of Gorimar Industrial Park, built under a \$7.7 million USAID contract because USAID was unable to locate project design, planning, construction, quality assurance, and related documents that the agency should have maintained in accordance with the Federal Acquisition Regulation.²⁷ Another inspection found that a contractor's noncompliance with contract requirements and inadequate contract oversight of the construction of a dry fire range for the ANP in Wardak province resulted in serious structural deficiencies in the facility.²⁸ Notably, improper substitution of clay bricks for bricks composed mostly of sand resulted in water penetration that essentially "melted" the facility building. Because of these irreparable damages, the ANP demolished and is currently rebuilding the facility, representing a waste of the almost \$500,000 in U.S. funds spent on the initial construction.

The increasing difficulties U.S. agencies are having—due to, among other things, drawdown of U.S. and coalition military personnel, deteriorating security conditions across Afghanistan, and the ongoing normalization of Embassy Kabul's operations and presence—have made it much more difficult for agency personnel to oversee their programs and projects first-hand, thus exacerbating ongoing problems with contract oversight. USAID has developed a multi-tiered monitoring and evaluation strategy for Afghanistan that includes using independent, third-party contractors to monitor and evaluate the agency's programs. State is reportedly taking similar steps.

²⁷ SIGAR Inspection 15-30-IP, *Gorimar Industrial Park: Lack of Electricity and Water Have Left This \$7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses*, January 27, 2015.

²⁸ SIGAR Inspection 15-27-IP, *Afghan Special Police Training Center's Dry Fire Range: Poor Contractor Performance and Poor Government Oversight Led to Project Failure*, January 13, 2015.

Although U.S. agencies may be well intentioned in their efforts to rebuild Afghanistan, SIGAR remains concerned that the agencies are implementing and have planned several large-scale reconstruction programs without fully determining how they will oversee those programs. For example, in October 2014, USAID announced the launch of Promoting Gender Equity in National Priority Programs (Promote), a 5-year, \$416 million program that, according to USAID, is “the largest women’s empowerment program supported by USAID anywhere in the world.”²⁹ Promote’s primary goal is to strengthen Afghanistan’s development by boosting female participation in the economy, helping women gain business and management skills, supporting women’s rights groups, and increasing the number of women in decision-making positions within the Afghan government. However, it is currently unclear the extent to which USAID will be able to effectively implement, monitor, and assess the impact of Promote and the extent to which the program will achieve its overall goal.

Key questions for consideration regarding U.S. agencies’ contract management and oversight are:

- If security conditions prevent U.S. access for direct management and oversight in some areas, to what extent have agencies made reasonable plans for adequate and verifiable remote or third-party monitoring of contractor performance?
- What steps have agencies taken to improve contract management and oversight, particularly agency personnel’s adherence to existing regulations and policies and contractors’ adherence to the terms of their agreements?

Strategy and Planning

U.S. agencies have sought to coordinate their efforts to achieve the U.S. reconstruction objectives in Afghanistan through a series of Civil-Military Strategic Frameworks (2012 and 2013) and United States Integrated Civilian-Military Campaign Plans (2009 and 2011). Since FY2007, the number of reconstruction projects and programs implemented has dramatically increased. However, SIGAR’s work has shown that there has been a gap between the high-level strategic documents and the various projects and programs being implemented. This lack of strategic and operational planning to ensure that U.S. activities in Afghanistan actually contribute to overall national goals threatens to cause agencies and projects to work at counter-purposes, spend money on duplicative or unnecessary efforts and endeavors, or fail to coordinate efforts to maximize their impact.

For example, a 2014 SIGAR audit found that although the U.S. government has developed a comprehensive water strategy for U.S. agencies working in Afghanistan, USAID did not meet three of its key objectives in four of the nine water projects it has funded since fiscal year

²⁹ Of the \$416 million, USAID will fund \$216 million and other international donors are expected to fund \$200 million.

2010.³⁰ During the course of another audit of State's Justice Sector Support Program, embassy officials told SIGAR that they were currently updating the 2009 U.S. Government Rule of Law Strategy for Afghanistan to, among other things, assist them to identify overall goals for the Afghan justice sector and help them develop policies and programs to achieve those goals. However, this strategy has not been finalized, and there is no clear timeline for its completion.³¹

Key questions for consideration are:

- To what extent do agencies monitor and evaluate the contributions of specific programs and projects to higher-level U.S. strategic reconstruction goals for Afghanistan?
- What mechanisms exist to facilitate interagency coordination, and how effective are these mechanisms?

Conclusion

Since 2002, the United States has provided billions of dollars to rebuild Afghanistan and prevent it from again becoming a safe haven for terrorist groups. The transfer of security responsibility for the country to the Afghan government, the end of the U.S. and coalition combat mission, and the drawdown of international forces does not mean the reconstruction effort is over. Much remains to be done before Afghanistan becomes a country that can ensure its own stability and security with a capable and self-sustaining ANSF, and has a stable government that can provide necessary services, such as rule of law and education, to its citizens. The success of this effort greatly hinges on the U.S. government's ability to efficiently and effectively provide reconstruction assistance to Afghanistan and ensure that funds are not wasted or abused in what is the most costly rebuilding program for a single nation in U.S. history. SIGAR is committed to assisting Congress, U.S. agencies, and other stakeholders by continuing to provide the aggressive and independent oversight of the reconstruction effort.

Thank you for the opportunity to provide this statement to assist your oversight of U.S.-funded reconstruction efforts in Afghanistan. SIGAR shares your commitment to protecting U.S. funds from waste, fraud, and abuse, and is available to answer any questions you may have.

³⁰ SIGAR Audit 14-52-AR, *Afghanistan's Water Sector: USAID's Strategy Needs to Be Updated to Ensure Appropriate Oversight and Accountability*, April 24, 2014.

³¹ SIGAR Audit 14-26-AR, *Support for Afghanistan's Justice Sector: State Department Programs Need Better Management and Stronger Oversight*, January 24, 2014.