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STATUS OF U.S. FOREIGN ASSISTANCE TO AFGHANISTAN IN ANTICIPATION OF THE U.S. TROOPS WITHDRAWAL

HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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STATUS OF U.S. FOREIGN ASSISTANCE TO AFGHANISTAN IN ANTICIPATION OF THE U.S. TROOPS WITHDRAWAL

Thursday, March 13, 2014,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittee met, pursuant to call, at 2:31 p.m., in Room 2154, Rayburn House Office Building, Hon. Jason Chaffetz [chairman of the subcommittee] presiding.

Present: Representatives Chaffetz, Lummis, Mica, Duncan, Woodall, Tierney, Maloney, Speier, Welch, and Lujan Grisham.

Staff Present: Caitlin Carroll, Majority Press Secretary; Linda Good, Majority Chief Clerk; Mitchell S. Kominsky, Majority Counsel; Sarah Vance, Majority Assistant Clerk; Sang H. Yi, Majority Professional Staff Member; Jaron Bourke, Minority Director of Administration; Devon Hill, Minority Research Assistant; Peter Kenny, Minority Counsel; and Julia Krieger, Minority New Media Press Secretary.

Mr. CHAFFETZ. The committee will come to order.

I would like to begin this hearing by stating the Oversight Committee mission statement: We exist to secure two fundamental principles: first, Americans have a right to know that the money Washington takes from them is well spent and, second, Americans deserve an efficient, effective Government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights.

Our solemn responsibility is to hold Government accountable to taxpayers, because taxpayers have a right to know what they get from their Government. We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy. This is the mission of the Oversight and Government Reform Committee.

Good afternoon. I would like to welcome everybody to this hearing today, which is entitled, Status of U.S. Foreign Assistance to Afghanistan in Anticipation of the U.S. Troops Withdrawal.

I would like to welcome Ranking Member Tierney, members of the subcommittee, and members that are joining us here today in the audience.

Today's hearing is critical because Afghanistan is consistently the leading recipient of U.S. foreign assistance. This assistance continues, but our greatest contribution to the future of Afghanistan

has been the sacrifice of 1,795 U.S. military personnel. In addition, 19,665 Americans have been wounded in action since September 11th, 2001. We can never forget them. We owe them so much gratitude for their sacrifice for this Nation. There are countless others that have taken time away from their families and their careers to serve on behalf of the United States of America.

Since 2002, the United States' Government has appropriated more than $102 billion for relief and reconstruction in Afghanistan. That does not include the war fight. That does not include our troops. That does not include the food for our troops or the military equipment. This is for relief and reconstruction. In recent years, the United States and other donors have funded about 90 percent of Afghanistan's total public expenditures. Of that 90 percent, the United States contributed roughly 62 percent. The United States continues to make substantial military and financial commitments in Afghanistan. Meanwhile, Afghanistan is perhaps the most corrupt nation on the face of the planet. We know this, it is not a secret.

The challenge is in properly overseeing the assistance we provide Afghanistan are already difficult in the current environment with a United States military presence. For example, onsite monitoring is often restricted by security concerns. These challenges will only grow as U.S. troops leave Afghanistan. I have traveled to Afghanistan several times with the support the help, and the protection of the United States military, which is drawing down its efforts.

The hearing will focus on this pivotal question: If we can't sufficiently oversee the billions of dollars we are spending now, should we continue spending billions with less visibility, less oversight, less security? And yet you will find through this hearing that we are actually going to be spending more money than ever in Afghanistan, which I think will be a surprise to most Americans.

At the same time, the national security and economic stakes of our mission in Afghanistan are higher than ever. Therefore, we must ensure our aid programs are properly monitored. American taxpayers cannot afford to have their hard earned dollars sent overseas only to find our aid efforts plagued by waste, fraud, and abuse. Americans deserve better and so do our international partners.

Ranking Member Tierney and I have held numerous bipartisan subcommittee hearings addressing some of the worst cases of waste, fraud, and abuse encumbering effective U.S. foreign assistance in Afghanistan. The subcommittee, prior to my even joining this committee, had been doing and working on this. The subcommittee has investigated petroleum oil and lubricants provided to the Afghan National Army by the United States totaling nearly half a billion dollars. Meanwhile, the Defense Department failed to properly maintain receipts for these transactions, and the Department of Defense wants to given them even more money.

We have also investigated Dawood Hospital, where the United States provided more than $150 million in medical supplies in just an 18 month period. Unfortunately theft, mismanagement, and human suffering became rampant at Dawood. We still don't have the proper accounting on that.

In 2012, a $1 billion bank scandal, one of the worst in banking history, erupted at the Kabul Bank. We will talk more about that later.

Corruption in Afghanistan is likely the biggest threat to our ability to effectively administer foreign assistance. We are now at a point where uncertainty of troop levels beyond 2014 in Afghanistan will hinder our ability to effectively administer foreign aid. This Administration's failure to secure a bilateral security agreement with the Afghan government means that agencies like USAID are left guessing at how much onsite monitoring of aid programs will be possible. But, again, we are going to be spending more money, giving more money direct to the Afghan government than ever before.

Yesterday, the Senate Armed Services Committee held a hearing and heard from the Defense Department that because of the absence of a signed bilateral security agreement, Department of Defense will begin planning for various contingencies in Afghanistan. Today I look forward to hearing from USAID's contingency plans. We need to know that U.S. foreign assistance to Afghanistan will be properly monitored after the withdrawal of our troops.

In 2012, I held a subcommittee hearing assessing the transition from a military-to a civilian-led mission in Iraq. The transition in Iraq was an unprecedented mission for the State Department and our diplomatic corps functioned without the protections of a typical host nation. The USAID Inspector General's Office testified that "According to the USAID mission, the security situation has hampered its ability to monitor programs. Mission personnel are only occasionally able to travel to the field for site visits."

Afghanistan is likely to offer even greater challenges, and I want us to learn from our experiences in Iraq. In that 2012 hearing, I asked the witnesses to think towards the future in planning for the transition in Afghanistan. Today we are much closer to that transition and I look forward to hearing from our witness panel.

I would now like to recognize the gentleman from Massachusetts, the ranking member, somebody who has poured an awful lot of energy into this issue and understands it quite well, Mr. Tierney, for his opening statement.

Mr. TIERNEY. Well, thank you, Mr. Chairman. Thank you for the hearing. This is, as you mentioned, the third in a series of hearings held by the full committee and the subcommittee on national security in the 113th Congress and about the challenges of administering and overseeing foreign aid in Afghanistan. So today's hearing is going to focus on the civilian side of development efforts in light of the planned draw down of United States military forces.

Mr. Chairman, as you know, the vast majority of foreign assistance in Afghanistan is not managed by USAID, but by the Defense Department. Since 2002, the vast majority of that money, $59 billion, is for the Defense Department's programs to train, equip, and sustain the Afghanistan national security forces. We have had a number of hearings on that in the past and I believe that you agree with me that we are to do more hearings on that as we go forward.

Even this year, when we plan to draw down many of our troops, we still plan to spend more than four times as much on Defense Department assistance programs than we will on civilian assist-

ance programs. USAID's share is still substantial, however. Over $15 billion has been invested since 2002. We have to ensure that in Afghanistan, as in other high-risk locations, USAID is properly managing and accounting for how the taxpayer dollars are being spent. This includes improving efforts to collect data and monitor and evaluate program performance and outcomes.

Assistant Administrator Sampler brings some significant experience to the table on this, having lived in Kabul and traveled to Afghanistan and Pakistan over 60 times, as I understand. I look forward to Mr. Sample's testimony today on what USAID is doing and what they can do to still keep its personnel and its partners' personnel safe, and to ensure the accountability of taxpayer funds in Afghanistan.

This subcommittee and the full committee have also taken a closer look at the Administration's policy of providing assistance directly to the Afghan government, which the chairman just mentioned. A recent Special Inspector General for Afghanistan Reconstruction Report raised serious concerns over USAID's decision to move forward with direct assistance at seven Afghan ministries, despite external audits identifying many deficiencies at these ministries, deficiencies that have not been corrected.

While I understand that USAID takes a different view of the actual risk to taxpayer funds, it would be unfair to only focus on this report today in the absence of our Inspector General John Sopko. Nevertheless, I look forward to hearing more about how USAID is ensuring that direct assistance in Afghanistan, how it is protecting from waste, fraud, and abuse, especially given the endemic corruption that exists in Afghanistan.

At our full committee hearing nearly one year ago, Inspector General Sopko raised serious concerns that the draw down of the United States military will limit the ability of U.S. personnel to directly oversee projects both because of security concerns and because movement can only be supported within a one-hour round trip of any medical facility. This could limit access to some reconstruction sites, including the $75 million USAID-funded Kajaki dam project. Although the inspector general is not here today, I look forward to hearing whether the Government Accountability Office is experiencing some of those same challenges to access.

Mr. Chairman, as you know, USAID operates in some of the most challenging parts of the world, including Pakistan, Iraq, and South Sudan, and, in these locations, USAID does not depend on the United States military either for their personnel security or to facilitate direct oversight of their projects. We may want to hear some of how that works in those locations and how it will be applied to this situation going forward.

There are currently 34,000 United States troops in Afghanistan. By the end of this year, there will be 12,000 or 10,000 or perhaps 8,000 troops remaining to train and equip missions, as well as limited counterterrorism operations. Yet, conditions on the ground, and most prominently President Karzai's refusal to sign the bilateral security agreement, has led President Obama to recently ask our military to consider a complete withdrawal by the end of the year.

I hope that today's hearing will be the beginning of additional hearings focusing on the Administration's policy regarding a continued troop presence, whether it should in fact be a zero option or whether it should be 2, 4, 6, 8, 12 or however many troops. One line of question will certainly be: If the zero option, or close to it, is chosen, or if relatively few troops are maintained in Afghanistan, will any portion of them be utilized to ensure oversight of USAID programs? Are they necessary or desirable for such tasks? What are the other options to ensure safe oversight of USAID projects and spending?

Thank you, Mr. Chairman.

Mr. CHAFFETZ. Thank you.

I remind members that they have seven days to submit opening statements for the record.

We are now going to recognize our first panel. Mr. Sampler is the Assistant to the Administrator of the Office of Afghanistan and Pakistan Affairs at the U.S. Agency for International Development, often referred to as USAID. Mr. Johnson is the Director of International Affairs and Trade at the U.S. Government Accountability Office.

I want to thank both you gentlemen for your expertise, your commitment to our Country and our Nation. I know you care deeply about her and your expertise is appreciated here today. We are going to ask some difficult questions but, again, don't let there be any question about your personal patriotism, your commitment to our Nation. This is a good back and forth with the United States Congress and we appreciate your being here today.

With that, we will now, pursuant to committee rules, all witnesses need to be sworn before they testify, so if you will please rise and raise your right hands. Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. CHAFFETZ. Thank you. You may be seated.

Let the record reflect that the witnesses both answered in the affirmative.

In order to allow time for discussion, we would appreciate you limiting your testimony to five minutes. But given that there are two panel members and only one panel, feel free to take a little bit of liberty with that. Just also know that your entire written statement will be made part of the record.

With that, we will now recognize Mr. Sampler.

WITNESS STATEMENTS

STATEMENT OF DONALD L. SAMPLER, JR.

Mr. SAMPLER. Thank you, Mr. Chairman, for your remarks, for your welcome. Thank you both very much for allowing me the opportunity to testify today and discuss the role of the U.S. Agency for International Development in Afghanistan.

We understand that the fiscal reality that our Nation faces at home means that resources available for Afghanistan will decline. This is going to require tough decisions, prioritizing investments so that we identify the ones with the greatest potential for long-term

sustainability. We are committed to safeguarding taxpayer funds and to ensuring that the development progress in Afghanistan is maintained and made durable.

I have been working on and in Afghanistan, both in civilian and military capacities, since 2002. In addition to having worked with the Afghan Emergency Loya Jirga, the Constitutional Loya Jirga, I have served as a representative of an international NGO, I was the chief of staff of the UN Assistance Mission in Afghanistan, and I have been a civilian representative of both the Departments of State and USAID. I bring all these perspectives to my work and to my testimony today.

After the fall of the Taliban regime, I saw firsthand an Afghanistan that had been utterly destroyed by decades of war. In 2002, Afghanistan was starting with literally nothing. However, since that time positive developmental trends have been truly remarkable and they strongly reflect areas of USAID and U.S. Government interest and investment.

Former Secretary of State Hillary Clinton recently said, when woman succeed, the world succeeds. Well, in Afghanistan today, there are over 3,000 women-owned businesses and associations. Almost 20 percent of Afghans enrolling in higher education or college are women, and women are active participants in Afghan political processes.

On the UNDP Human Development Index, an important global metric for professional professionals, Afghanistan made the largest gains on a percentage basis of any country in the past decade.

In 2002 there were less than 900,000 Afghan children in school. Today there are almost 8 million Afghan children in school, and 30 percent of those are girls.

With respect to health, one of the areas where we made the most progress, life expectancy has increased from 42 years to 62 years in Afghanistan.

Maternal mortality rates have decreased by over 80 percent and child mortality has decreased by 50 percent.

Again, in 2002, less than 6 percent of the Afghan population had access to electricity. Today that number is approximately 20 percent.

Finally, in 2002, there were no fixed telephone lines, and if I wanted to make a call out of the country it required a satellite phone. Today the combined phone networks cover 90 percent of the population of Afghanistan; 85 percent of the women in Afghanistan have access to a cell phone; and the telecommunications sector is Afghanistan's greatest source of foreign direct investment, the largest remitter of taxes to the government of Afghanistan, and the biggest listed employer, providing over 100,000 jobs.

To assist the Afghans in securing these important gains and to enable them to build on these gains, USAID is engaged with the U.S. Interagency and with other donors to ensure that we have a transition policy that is sound, and I am happy to talk about that today. We are also focused on assuring that the Afghan government remains accountable during the transition process. At a senior officials meeting in Kabul last July, I announced a U.S. incentive fund of $75 million. These funds would be released to the Afghan government as they met specific thresholds of progress in five

key areas: elections, subnational governance, human rights, public finance, and economic growth. To date, we have released $30 million of the $75 million, we have denied $30 million of the $75 million for inadequate progress, and $15 million is still in play pending Afghan performance.

USAID places high priority on ensuring that American taxpayer dollars are used wisely, effectively, and only for their intended purpose. In a post-2014 environment, it will continue to be a difficult place to operate and we know that we will face challenges in the delivery of development assistance. Looking ahead, I believe the main challenges we face will be a volatile and uncertain security situation, oversight and monitoring of a complex and still robust portfolio, and the Afghan capacity for governance at all levels and in all sectors, which continues to grow. But, to be clear, USAID will terminate or redesign programs if we determine that a particular program cannot be adequately overseen or that it is not making adequate progress.

One developmentally sound technique for building Afghan capacity to sustain the gains we have made so far and to allow the United States to transition out of our assistance program over time is government-to-government, or direct, assistance. USAID has a rigorous system of oversight for direct assistance programming with the Afghan government. It is complicated; different ministries have different strengths and weaknesses, and different programs are funded in different ways. But, in summation, there are a number of multiple levels of protection that we use to identify and mitigate risk before we disburse any funds: we may require the establishment of a non-comingle, separate bank account for each project; we disburse funds only after USAID has verified that a particular milestone has been reached or after we have verified the accrued costs; we require an annual audit by a USAID inspector general-approved external audit firm; we will insist on substantial involvement in ministerial procurement processes.

All direct assistance requires compliance with USAID accountability and oversight procedures. This includes site visits. If Afghan ministries fail to adhere to these measures, the agreements are subject to immediate suspension or termination.

In conclusion, let me say that USAID is always mindful of the enormous sacrifices made by Americans, our allies, our Afghan partners to build and secure a stable Afghanistan, and we fully understand the need for constant vigilance, particularly during this delicate transition period. Whether in the military, as a government civilian, as an implementing partner, I personally know the risks and sacrifices my brothers and sisters in the services have made, and their families have made as well, and I thank them also for their service.

We are under no illusions about the challenges, though, that we continue to face in Afghanistan. Problems of limited capacity and corruption certainly exist in Afghanistan, just as they do in many of the other places where we operate, and they will continue to be a challenge for us, as was noted. However, these problems are not reasons to abandon our vital national interests. Instead, they are reasons to redouble the care and diligence of our efforts as we assist Afghanistan and as we pursue U.S. national interests. It is an

honor to be able to share with you today a glimpse of what USAID is doing in that regard, and I look forward to the conversation. Thank you.

[Prepared statement of Mr. Sampler follows:]

Statement for the Record

United States Agency for International Development

Donald L. Sampler

Assistant to the Administrator and Director of the Office of Afghanistan and Pakistan Affairs

Before the House Oversight and Government Reform Subcommittee on National Security

"Status of U.S. Foreign Assistance to Afghanistan in Anticipation of the U.S. Troop Withdrawal"

Thursday, March 13, 2014, 1:30 p.m.

Chairman Chaffetz, Ranking Member Tierney, and Members of the Subcommittee, thank you for allowing me the opportunity to testify before you today to discuss the role of the U.S. Agency for International Development (USAID) in advancing U.S. Government policy through USAID's civilian assistance program during and after this transition year in Afghanistan. USAID partners to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity. It is an honor to appear before you today with Mr. Charles Johnson, Jr., Director, International Affairs and Trade, U.S. Government Accountability Office (GAO).

This transition period is a pivotal moment for Afghanistan, in anticipation of which USAID has been planning and adjusting its programming to maximize sustainability, oversight and accountability. Throughout our efforts, we are applying important lessons from the past twelve years in Afghanistan, as well as from other high-risk environments in which USAID has worked. We understand fully that the fiscal reality our nation faces at home means that resources available for Afghanistan will decline over time. Weaning Afghanistan from unsustainable levels of assistance is necessary for us, and essential for them. To achieve this without triggering a crisis, we must remain a strong partner and continue to provide assistance in areas critical to Afghan development and stability. To do this with fewer resources, we are making tough decisions and prioritizing investments that have the greatest potential for long term sustainability. As USAID navigates through the 2014 transition period, we are committed to

expending every effort to safeguard taxpayer funds and ensure that the development progress in Afghanistan is maintained and made durable.

Over the course of the last 12 years, USAID's funding has amounted to approximately seventeen percent of the funds allocated by Congress for Afghanistan for both military and civilian reconstruction, and just two percent of the total military and civilian cost of the war. The USAID role in Afghanistan is to promote a stable, inclusive and increasingly prosperous country. During the past decade, Afghanistan has made remarkable development gains across multiple sectors due to the whole-of-government efforts of the U.S., along with our international partners and the Afghan people.

I have been working on and in Afghanistan in both civilian and military capacities since 2002. In addition to having worked with the Afghan Constitutional Loya Jirga and the Afghan Emergency Loya Jirga, I have served as a representative of an international non-governmental organization, and as chief of staff of the UN Assistance Mission to Afghanistan. I bring these perspectives to USAID's work today.

USAID and Results

After the fall of the Taliban regime, I saw firsthand an Afghanistan devastated by decades of conflict. Although Afghanistan had a very low starting point, the upward developmental trends show powerful aggregation over a decade and strongly reflect areas of USAID investment.

Changes of this magnitude are not made overnight, especially in such a deeply traditional society and challenging operational environment. Meaningful, impactful gains in Afghanistan, made possible with the support of international civilian assistance, and led by the United States, are significant, though fragile:

- Afghanistan made the largest gains on a percentage basis in the UNDP Human Development Index than any other country in the past decade.

- Education: in 2002, there were only 900,000 Afghan children in school, and virtually none of them were girls. Today, nearly approximately 8 million children are registered to attend school and more than one-third of them are girls.

- Health: life expectancy has increased from 42 years to over 62 since 2001; the maternal mortality rate has declined by 80 percent from 1,600 deaths to 327 per 100,000 births; and child mortality decreased from 172 to 97 deaths per 1,000 live births.

- Energy: in 2002, only 6 percent of Afghans had access to reliable electricity. Today 18 percent do. In addition, USAID assistance has helped put the Afghan national power company (DABS) on a path to become fully self-sustaining. DABS collected $220 million from the sale of electricity in 2012, an increase of 67 percent from 2010.

- Mobile Technology: in 2002, there were few fixed telephone lines and making calls outside of Afghanistan required a satellite phone. Today, the combined phone network covers 90 percent of the Afghan population. Eighty-five percent of women have access to a mobile phone. The telecommunications sector is Afghanistan's greatest source of foreign direct investment, largest remitter of taxes to the government, and biggest licit employer, providing jobs for 100,000 Afghans.

- Women: today, there are over 3,000 women-owned business and associations; almost 20 percent of Afghans enrolled in higher education are women; and women are active participants in the Afghan political process, with three female members of the Afghan Cabinet, 68 Members of Parliament (of the 249 seats), and three women vice presidential candidates.

USAID Transition Strategy

Over the last two years USAID has regularly reviewed and adjusted its programs to ensure that they advance the strategic objectives of the United States and are achievable and sustainable. USAID is coordinating with the Department of State, the Department of Defense, and other

agencies on transition planning for multiple contingencies so we can continue to support overall U.S. assistance and national security objectives.

USAID's transition strategy is three-fold:

- Maintain and make durable the gains made in health, education, and the empowerment of women;
- Mitigate the economic impact of the drawdown through a robust focus on the agriculture sector, private sector development, the operations and maintenance of infrastructure investments, and the future potential of the extractives industry; and,
- Foster improved stability by supporting legitimate and effective Afghan governance, including the 2014 presidential election.

Operationally, USAID has adjusted its implementation model to improve sustainability and meet the challenges presented by the transition through:

- Focusing assistance in Regional Economic Zones (REZs) that cover major population centers and promote regional trade and economic opportunities– especially with regional markets in Central and South Asia;
- Developing a multi-tiered oversight strategy to address reduced mobility and decreased field staff that, along with other monitoring and evaluation efforts, will continue to ensure adequate oversight over projects in the field;
- Transforming USAID's approach in Afghanistan to one of mutual accountability that incentivizes Afghan reforms by conditioning an increasing percentage of our assistance to the government on progress on reforms; and
- Implementing USAID's 2011 Afghanistan Sustainability Guidance, which emphasizes the principles of: (1) increasing Afghan ownership and capacity; (2) contributing to stability and confidence, and (3) effective and cost-efficient programming.

With these parameters in mind, USAID holds biannual portfolio reviews in coordination with the U.S. Government interagency and the Afghan Government to review and revise USAID's Afghanistan portfolio. For example, as a result of internal USAID reviews and in consultation

with the Government of Afghanistan in 2012, USAID substantially downscaled a five-year, $32 million agricultural faculties program found to be duplicative of efforts by another donor.

In 2013 and 2014, the U.S. has conditioned an increasing amount of civilian assistance on Afghan progress on key governance and development reforms. Based on the Tokyo Mutual Accountability Framework (TMAF) agreed in July 2012, USAID has established a bilateral incentive fund. Incentive funds are released as the Afghan Government meets certain thresholds of progress on the key TMAF indicators. These indicators set out needed reforms in five areas: elections, sub-national governance, human rights, public finance, and economic growth.

The program was designed to encourage the most important reforms by linking the reforms to additional contributions to the World Bank's Afghan Reconstruction Trust Fund (ARTF). We recently disbursed $30 million of the $75 million available in the first year of the bilateral incentive program to the ARTF based on Afghan follow through on TMAF benchmarks related to planning for the upcoming election and development of improved budgeting procedures. The Afghan Government made insufficient progress in other areas and therefore did not qualify for an additional $30 million. The final $15 million is still pending a decision based on Afghan reforms related to economic growth. We expect to make a decision on that final $15 million by the end of April 2014. For this year, we have increased the amount subject to TMAF indicators from $75 million to $100 million using Fiscal Year 2013 funds.

Oversight and Accountability

USAID places the highest priority on ensuring that American taxpayer funds are used wisely, effectively, and for their intended purpose. While Afghanistan presents a number of unique challenges, we draw on our extensive experience in monitoring projects in other very challenging environments to improve our oversight systems in Afghanistan.

As the President announced in May 2012, U.S. combat forces will leave Afghanistan by the end of 2014. As the President said in the State of the Union earlier this year, if the Afghan government signs a security agreement that we have negotiated, a small force of Americans

could remain in Afghanistan with NATO allies to carry out two narrow missions: training and assisting Afghan forces and counterterrorism operations to pursue any remnants of al-Qaida. USAID has been intensively engaged in planning oversight policies and procedures to match the full range of contingencies.

USAID has operated in a number of places around the world in which there is a minimal or no U.S. troop presence, and in which there is a mixture of operating environments, from permissive to non-permissive, at times within the same country. These places include, among others, Colombia, Iraq, and Yemen. USAID has learned hard lessons, in Afghanistan and elsewhere, and adapted its project design, its procurements, and its oversight and accountability procedures to a wide range of operating environments.

In the post-2014 environment, Afghanistan will continue to be a difficult place to operate and we know we will face challenges in the delivery of development assistance. Looking ahead, we believe the main challenges we will face will be:

- A volatile security environment that is dynamic and hard to predict, in response to which we will have to monitor, shift, and adapt our programs as necessary.
- Oversight and Monitoring: Given the scope of our programming, we will maintain a robust multi-tiered monitoring system.
- Afghan administrative capacity, which has come a long way since 2002 but is still lacking.

In addition to the usual oversight USAID undertakes in every country where it works, USAID's Accountable Assistance for Afghanistan initiative (known as A3) focuses on four areas:

1. Award Mechanisms – We rely less on large agreements and have increased the number of smaller and more flexible agreements. We are also utilizing assistance awards that provide the most visibility on project costs, such as cost-reimbursable contracts and limiting layers of subcontracts to two.

2. Partner Vetting – The USAID Mission established a Vetting Support Unit in February 2011. The unit conducts checks on non-U.S. companies and non-U.S. key individuals for prime contractors, sub-contractors, grant recipients and sub-grantees to determine whether or not they are associated with known malign entities or individuals. We have kept $49.3 million from being awarded to those who did not meet our vetting requirements, as a result of our vetting process.

3. Financial Controls – We are enhancing controls on project funds, such as using electronic funds transfers in lieu of cash payments, using independent financial monitors to verify appropriate usage of funds, ensuring close review of recipients' claims prior to payment, and performing audits of locally incurred cost.

4. Project Oversight – USAID uses a multi-tiered monitoring approach that includes, as appropriate, independent monitoring contractors; observation by U.S. Government staff; reporting by implementing partners, local non-governmental organizations and civil society; and use of technological tools, such as time- and date-stamped photos. By using multiple sources of monitoring data, USAID can compare information received from separate sources to ensure the greatest degree of oversight possible.

USAID will terminate or redesign projects, or specific activities, if the Agency determines that adequate oversight is not possible or adequate development progress is not being made. In designing the Afghanistan monitoring strategy, USAID incorporated lessons learned from its use of third-party independent monitoring in challenging environments across the world, including Colombia, Iraq, Pakistan, and South Sudan, as well as from the USAID Office of Inspector General (OIG), the Special Inspector General for Afghanistan Reconstruction (SIGAR), and GAO audits, as well as public feedback.

USAID has also developed a new unit at the Mission in Afghanistan, the Implementation Support Team, which is responsible for providing an additional layer of critical review and analysis for the many streams of monitoring information and for providing USAID leadership with alternative courses of action for addressing challenges with project implementation. In

addition, USAID is continuing its close coordination with other donors to share best practices and expertise on monitoring.

Direct Assistance

Government-to-government or "direct" assistance is intended to build the Afghan government's ability to sustain the investments and gains that have been made over the last twelve years, and allow the U.S. to transition out of a civilian assistance program. USAID is intensely conscious of the trust that has been placed with us to safeguard taxpayer funds while implementing development programs in support of U.S. national security interests. The Agency has learned from its experience with "direct" assistance in Afghanistan and in similar countries around the world, and has applied best practices to design and implement rigorous risk mitigation measures for direct assistance. It also continues to work internally and with its auditors to refine oversight policies and procedures.

USAID has a rigorous system of oversight for its direct assistance programming with the Afghan government. This means that USAID conducts assessments to identify the strengths and weaknesses of each ministry for which a direct assistance project is being contemplated. To date, USAID has conducted sixteen ministry assessments, but has decided to limit its direct assistance to seven ministries, subject to stringent safeguards. Different ministries have different strengths and weaknesses, and different programs are funded in different ways. However, for all seven of them we have these stringent safeguards in place. As noted, we begin with a review of a ministry's basic systems followed by an internal assessment of the risks inherent in the proposed program and build our mitigating measures and safeguards accordingly. At the same time, with an eye towards building Afghan systems that are able to prevent corruption and fraud, waste, or abuse on their own, we are simultaneously building the capacities of these ministries.

For direct assistance, USAID utilizes multiple levels of protection to mitigate risks before disbursing any funds. These measures may include, but are not limited to:

- requiring the establishment of a non-commingled, separate bank account for each project with USAID;
- disbursement of funds only after USAID has verified that the ministry has achieved a performance milestone or USAID has verified accrued costs;

- an annual audit by a USAID OIG-approved firm;
- substantial involvement and oversight by USAID staff in procurement processes;
- independent management, monitoring and evaluation of services; and
- technical assistance through other projects to increase the capacity of ministries while addressing any vulnerabilities or weaknesses identified in the assessments.

All direct assistance requires compliance with USAID accountability and oversight procedures, including site visits. Ministries are required to fully comply with the mitigation measures prior to and throughout the disbursement process. If Afghan ministries fail to adhere to these measures, the agreements are subject to immediate suspension or termination.

For example, USAID has worked closely with the Ministry of Education to assess its financial management systems, implement extensive mitigation measures for the risks these assessments identified, and audit their progress and monitor results. USAID negotiated a stringent series of preconditions and financial controls pursuant to the launch of a $27 million textbook printing program, part of the Basic Education, Literacy, and Technical Vocational Education and Training Project. The specific steps USAID required to mitigate these risks included use of a non-commingled separate bank account from which all project disbursements are to be accounted for; an annual audit including quarterly audit testing of all project disbursements under the agreement by an OIG-approved certified public accounting firm; and USAID involvement and mandatory clearance of the textbook procurement cycle for each separate procurement undertaken under the agreement. USAID subsequently obligated a total of $27 million towards the agreement, and to date $18.8 million has been disbursed.

Finally, audits provide useful oversight and discipline, and complement and reinforce USAID's own efforts to ensure U.S. tax dollars are used effectively and efficiently. There are currently over 100 on-going audits of USAID programs in Afghanistan. In fiscal year 2013, the GAO, USAID OIG, and the SIGAR completed over 65 financial and program audits in Afghanistan.

Oversight is a process that requires continual re-examination and the ability to adjust to new circumstances as they arise. Although there are inherent risks in doing business in a country like

Afghanistan, we work hard to ensure taxpayer dollars are adequately protected while carrying out a vital component of the U.S. Government's national security policy.

Conclusion

USAID always keeps in mind the enormous sacrifices made by Americans to build a secure and stable Afghanistan, and we fully understand the need for constant vigilance, particularly during this delicate transition period. Whether in the military, as a government civilian, or as an implementing partner, I know the risks and the sacrifices these individuals and their families have taken and sincerely thank them for their service. We are under no illusions about the challenges we face in Afghanistan. Every day our staff and our partners are under threat. Since 2001, 434 people working for USAID partner organizations in Afghanistan have been killed and another 768 wounded.

Problems of limited capacity and corruption certainly exist in Afghanistan, just as they do in many places in which USAID operates, and they will continue to be a challenge. However, these problems are not reasons to abandon our vital national security interests. Instead, they are reasons for our continued exercising of care and diligence in our work. It is an honor to be able to share with you today a small glimpse of what USAID is doing in that regard. I look forward to answering any questions that you may have.

Mr. CHAFFETZ. Thank you, Mr. Sampler.
We now recognize Mr. Johnson for five minutes.

STATEMENT OF CHARLES M. JOHNSON, JR.

Mr. JOHNSON. Thank you, Mr. Chairman. Chairman Chaffetz, Ranking Member Tierney, members of the subcommittee, I am pleased to be here today on behalf of the GAO to discuss three issues related to USAID's efforts in Afghanistan that we outlined in our most recent Afghanistan key issues and contingency contracting reports. These issues are: the continued need for oversight and accountability, the need for continued monitoring and evaluation of projects, and the importance of planning in advance for the withdrawal of combat troops.

Before I delve into these issues, it is important to point out that various factors, such as the security environment, the prevalence of corruption, which Mr. Sampler pointed out, and the limited capacity of the Afghanistan government, have challenged U.S. efforts.

Now, with respect to oversight and accountability of funds, we have found that USAID did not always conduct pre-award risk assessments to identify and mitigate against risks of providing direct assistance to Afghan ministries. While USAID took some steps since our report to complete risk assessments, recent inspector general reporting indicates that USAID may not have mitigated for all identified risks.

We also reported that USAID generally rely on multilateral organizations to ensure accountability over direct assistance provided through the Afghan Reconstruction Trust Fund. However, we found that USAID had not consistently complied with its risk assessment policies in awarding funds to the trust fund. In following up on our recommendation for action, we learned that USAID did take steps later in awarding additional funds to the Trust Fund to conduct pre-award risk assessments.

With respect to monitoring and evaluation, which we also point out is a very important control that needs to be put in place, while USAID has taken steps to improve the management of its programs, various factors continue to challenge its ability to monitor program effectiveness. These factors include inconsistencies in USAID's application of its performance management procedures, shortfalls in maintaining institutional knowledge, and missed opportunities to enhance oversight and management of contractors.

Concerning application of performance management procedures, we previously noted that USAID did not always follow its performance management procedures which, among other things, call for USAID to collect, analyze, and interpret performance data. While USAID took action in response to our recommendation, once again results of recent oversight have raised concerns about its continued efforts.

Concerning institutional knowledge, USAID has historically faced obstacles in this area. Frequent staff turnovers have made it more difficult for USAID to analyze and interpret performance data. Further, according a recent USAID report, the majority of the foreign service national staff in Afghanistan have applied for special immigrant visas to the United States, potentially leaving the agency at risk of losing key staff with institutional knowledge.

Concerning oversight and management of contractors, we recently reported that USAID had identified increasing performance reviews as one of its highest priorities with respect to performance reviews of their contractors. We also reported that USAID had established a working group to, among other things, develop a compendium of best practices and lessons learned for monitoring projects in a non-permissive environment. USAID, however, missed opportunities to leverage institutional knowledge by not assessing if the mission level policies and procedures should be considered agency-wide. In response to our recommendation, USAID has noted that it will create a working group to gather and share lessons learned.

Finally, with respect to planning for future development efforts in Afghanistan, the USAID's ability to conduct mission and monitor its projects in Afghanistan is likely to be challenged by the planned withdrawal of combat troops. Additionally, finalizing plans for the post-combat environment is complicated by the absence of a signed bilateral security agreement. As combat troops continue to withdraw from Afghanistan, USAID's opportunities to directly monitor programs in certain parts of Afghanistan may be challenged, given that the military presence helped USAID gain access to less secure areas. As such, USAID will need to plan for how it will continue monitoring its projects in what is just as likely to be and remain a non-permissive environment.

In closing, as the United States plans for the withdrawal of combat troops and transition to a civilian-led presence, it is important to have safeguards in place to help ensure sustainment of our gains. This will require continued oversight and accountability of U.S. funds, consistent application of USAID's monitoring evaluation policies, planning for challenges that are likely to result from the withdrawal of combat troops. Undertaking these steps, we believe, may help to better ensure accountability and could lessen the likelihood of waste, fraud, and abuse.

Mr. Chairman, ranking member, members of the subcommittee, once again I thank you for the opportunity to testify. This concludes my opening statement. I would be happy to take any questions for the record.

[Prepared statement of Mr. Johnson follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on National Security, Committee on Oversight and Government Reform, House of Representatives

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AFGHANISTAN

Key Oversight Issues for USAID Development Efforts

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

GAO Highlights

Highlights of GAO-14-448T, a testimony before the Subcommittee on National Security, Committee on Oversight and Government Reform, House of Representatives

March 13, 2014

AFGHANISTAN

Key Oversight Issues for USAID Development Efforts

Why GAO Did This Study

The U.S. government has been engaged in efforts in Afghanistan since declaring a global war on terrorism that targeted al Qaeda, its affiliates, and other violent extremists. The U.S. effort has involved a whole of government approach to disrupt, dismantle, and defeat al Qaeda and its affiliates and strengthen Afghanistan so that it can never again be a haven for terrorists. This approach includes USAID's development assistance and reconstruction efforts, which to date have invested over $15 billion in Afghanistan since 2002.

To assist Congress in its oversight, GAO has issued over 50 products in the past 5 years focusing on U.S. efforts in Afghanistan. This testimony summarizes the findings from those products related to USAID efforts in Afghanistan and discusses: (1) levels of U.S. direct assistance and need for continued oversight, (2) the importance of routine monitoring and evaluation of USAID projects in Afghanistan, and (3) the need for mitigation planning for how USAID will continue to operate in Afghanistan after the withdrawal of U.S. combat troops.

What GAO Recommends

GAO is not making new recommendations but has made numerous recommendations in prior reports aimed at improving USAID's oversight and accountability of U.S. assistance to Afghanistan. USAID has generally concurred with these recommendations and has taken or plans to take steps to address them.

View GAO-14-448T. For more information, contact Charles Michael Johnson, Jr., at (202) 512-7331 or johnsoncm@gao.gov

What GAO Found

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. This direct assistance is intended to help develop the capacity of Afghan government ministries to manage programs and funds. Using bilateral agreements and multilateral trust funds, the United States more than tripled its direct assistance awards to Afghanistan in the first year of the pledge, going from over $470 million in fiscal year 2009 to over $1.4 billion in fiscal year 2010. The U.S. Agency for International Development's (USAID) most current reporting shows that for fiscal year 2012 the agency provided over $800 million in mission funds through direct assistance. In 2013, GAO 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. USAID has taken steps in response to GAO's recommendations to help ensure the accountability of direct assistance funds provided to the Afghan government. Recently, the Special Inspector General for Afghanistan Reconstruction (SIGAR) reported that, USAID determined that seven ministries were unable to manage direct assistance funds without a risk mitigation strategy in place. However, SIGAR reported that USAID approved assistance for the ministries, but did not mitigate for all identified risks.

GAO has previously reported on systemic weaknesses in USAID's monitoring and evaluation of programs carried out by its implementing partners in Afghanistan. For example, although USAID collected progress reports from implementing partners for agriculture and water projects, it did not always analyze and interpret data to, among other things, inform future decisions. USAID has undertaken some efforts to improve its monitoring and evaluation of the billions of dollars invested towards development projects 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.

USAID's ability to conduct its mission and the challenges it has faced in providing oversight and monitoring of its development projects in Afghanistan are likely to be exacerbated by the planned withdrawal of U.S. and coalition combat troops from Afghanistan at the end of 2014. The United States is currently transitioning from counterinsurgency and stability operations toward more traditional diplomatic and development activities. As U.S. combat troops withdraw from Afghanistan, provincial reconstruction teams will continue to decline in number, thus challenging USAID's opportunities to directly monitor and evaluate programs in certain parts of Afghanistan. To prepare for the possible lack of USAID personnel in the field, USAID has undertaken various planning efforts to mitigate against potential challenges. For example, USAID is planning to implement a remote monitoring program that will use contractors to verify activities that implementing partners have completed. As the United States plans for the withdrawal of its combat troops and the transition from an integrated civilian and military effort to a civilian-led presence, GAO believes it is important to have safeguards in place to help ensure sustainment of the gains made by U.S. and coalition investments.

Chairman Chaffetz, Ranking Member Tierney, and Members of the Subcommittee:

I am pleased to be here to discuss key issues relating to the U.S. Agency for International Development's (USAID) efforts in Afghanistan. As this subcommittee is aware, the U.S. government has been engaged in a number of efforts in Afghanistan since declaring, after 9/11, a global war on terrorism that targets al Qaeda, its affiliates, and other violent extremists, including groups operating along the Afghanistan/Pakistan border and in the tribal areas of Pakistan. U.S. efforts have focused on a whole of government approach that calls for the use of all elements of national power to disrupt, dismantle, and defeat al Qaeda and its affiliates and strengthen Afghanistan so that it can never again be a haven for terrorists. This approach includes USAID's development assistance and reconstruction efforts, which to date have invested over $15 billion in U.S. taxpayers' funds since 2002 in Afghanistan.

Today I would like to highlight three issues relating to USAID's efforts in Afghanistan that were outlined in our most recent key issues report provided to the 113th Congress, the Administration, and U.S. agencies, including USAID.[1] These issues are:

- First, the continued need for oversight and accountability of U.S. funds, including those USAID has provided as a part of U.S. efforts to build the capacity of the Afghan government;
- second, the importance of routine monitoring and evaluation of USAID development projects to guide and ensure the most efficient and effective use of U.S. funds; and
- third, the need for mitigation planning for how USAID will continue to operate under a civilian-led presence following the scheduled withdrawal of U.S and coalition combat troops from Afghanistan.

The key issues report summarizes the work we have reported on in over 50 issued products in the past 5 years related to U.S. efforts in

[1] GAO, *Afghanistan: Key Oversight Issues*, GAO-13-218SP (Washington, D.C.: Feb. 11, 2013) and 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) for updated work regarding oversight of contracts in Afghanistan.

Afghanistan. Detailed information on the scope and methodology for our prior work can be found in the reports we have cited throughout this statement. 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.

Background: Challenges to USAID's Efforts in Afghanistan

USAID has undertaken various programs and activities in support of the United States' and coalition partners' goals to reconstruct Afghanistan and build the country's institutional capacity. These programs and activities have focused on, among other things, (1) enhancing and developing Afghanistan's economy—notably Afghanistan's agricultural, water sectors, energy, and transportation; and (2) building Afghanistan's institutional capacity to govern; provide economic livelihood to its people; and address longstanding issues of corruption. USAID plays a vital role in the United States' whole of government approach towards its strategic goals for Afghanistan—to disrupt, dismantle, and defeat al Qaeda and its affiliates and strengthen Afghanistan so that it can never again be a haven for terrorists. However, the dangerous security environment, prevalence of corruption, and limited capacity of the Afghan government, continue to threaten the achievement of U.S. goals:

- *Dangerous security environment.* Afghanistan's security environment continues to challenge the Afghan government's and international community's efforts. In our 2013 key issues report, we noted that in December 2009 the U.S. President, recognizing that the situation in Afghanistan had become more grave, announced his decision to deploy additional troops to Afghanistan to disrupt and defeat extremists.[2] The security situation in Afghanistan, as measured by enemy-initiated attacks on U.S. and coalition forces, Afghan security forces, and non-combatants, while declining recently, has remained relatively high compared to the number of daily enemy-initiated attacks before the surge of U.S. combat forces.

[2] GAO-13-218SP, Enclosure I.

- *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. reconstruction dollars. Afghanistan is ranked at the bottom of Transparency International's 2013 Corruption Perception Index of countries worldwide.[3] The United States and Afghanistan have undertaken various efforts to attempt to address the challenges associated with corruption in the country.[4]

- *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] The United States continues to undertake efforts to improve Afghanistan's ministerial and public financial management capacity to develop a budget, expend funds, and increase accountability and transparency.

These challenges are likely to play an even larger role in USAID's efforts within Afghanistan as U.S. and international combat forces continue to withdraw.

Oversight and Accountability of U.S. Funds to Support Afghanistan

In 2010, the United States pledged to provide at least 50 percent of its development aid through the Afghan government budget within 2 years.[6] Such direct assistance is intended to help develop the capacity of Afghan government ministries to manage programs and funds, which are used for a range of government expenses and activities, including operating costs, salaries, development programs, and infrastructure projects. Using bilateral agreements and multilateral trust funds, the United States more than tripled its direct assistance awards to Afghanistan in the first year of

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

[4] In the fall of 2010, USAID initiated an Accountable Assistance for Afghanistan (A3) report that provides detailed research into how best to protect USAID development funds from being diverted from their intended use. The results of this research are 31 recommendations in four categories for the USAID mission in Afghanistan to implement: award mechanisms; vetting; financial controls; and project oversight.

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

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

the pledge (fiscal year 2010), from over $470 million in fiscal year 2009 to over $1.4 billion in fiscal year 2010. The most recently available data from USAID reports that for fiscal year 2012 the agency provided over $800 million in mission funds through direct assistance awards.[7]

To provide a higher level of accountability for U.S. and international assistance funds, the Afghan government and the international community agreed at the Tokyo Conference in 2012[8] to implement accountability mechanisms including the Mutual Accountability Framework, which was designed to ensure that the Afghan government is achieving governance and development goals. Going forward, the Afghan government and the international community are expected to monitor performance in five major areas of governance and development and determine a time line for achieving the framework's goals. Additionally, following the Tokyo Conference, the Afghan President presented an anticorruption decree enumerating specific actions that the Afghan government will take to improve governance and the rule of law. For fiscal year 2012, Congress conditioned the availability of funds for direct assistance to Afghanistan on a detailed notification to Congress[9] concerning efforts to protect direct assistance funds from waste, fraud, and abuse.[10]

In fiscal year 2011, Congress required that the Secretary of State certify that Afghan ministries have been assessed and considered qualified to manage such funds.[11] We noted in our 2013 key issues report that while

[7] At the time of this testimony, fiscal year 2013 data had not yet been completely validated by USAID and thus were not available. According to USAID officials, the agency will publish fiscal year 2013 data in spring 2014.

[8] The United States and over 70 partners met in Tokyo, Japan from July 7-9, 2012 to underline continued support for Afghanistan's efforts to strengthen itself and provide a more peaceful, secure, and prosperous future for its people.

[9] Pub. L. No. 112-74, Div. I, § 7031(a).

[10] For example, the 2012 limitation on direct assistance specified that funds may be made available for direct assistance "only if...each implementing agency or ministry to receive assistance has been assessed and is considered to have the systems required to manage such assistance and any identified vulnerabilities or weaknesses of such agency or ministry have been addressed." Furthermore, the limitation states that funds be made available only if "effective monitoring and evaluation systems are in place to ensure that such assistance is used for its intended purposes and no level of acceptable fraud is assumed." See Pub. L. No. 112-74, Div. I, § 7031(a)(1).

[11] Pub. L. No. 112-10, Div. B. § 2121(b).

USAID had established and generally complied with various financial and other controls in its direct assistance agreements (such as requiring Afghan ministries to maintain separate bank accounts and records subject to audit) in 2011, it had not always assessed the risks in providing direct assistance before awarding funds.[12] For example, USAID had not completed pre-award risk assessments in two of the eight cases of bilateral assistance we identified, despite the USAID administrator's prior commitment to Congress that the agency would not proceed with direct assistance to an Afghan public institution before assessing its capabilities. USAID took steps to respond to our recommendations to address these issues, including issuing new agency policies on risk assessments.

These policies require pre-award risk assessments for all bilateral direct assistance awards, periodic reassessment, and risk mitigation measures, as appropriate. USAID has since awarded millions of dollars in direct assistance funds to Afghan government entities and since our 2011 review completed risk assessments prior to awarding the funds in at least two cases in compliance with its updated policies. The Special Inspector General for Afghan Reconstruction (SIGAR), however, recently reported that although USAID determined that seven Afghan ministries were unable to manage direct assistance funds without a risk mitigation strategy in place and that the mission would not award direct assistance to them "under normal circumstances"; USAID approved direct assistance for these ministries without mitigating for all identified risks.[13] USAID commented to SIGAR's report that the mission had taken steps to mitigate the risks they identified.

We also highlighted in a previous report that USAID generally relies on the World Bank and the United Nations Development Program to ensure accountability over U.S. direct assistance provided multilaterally through the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan, but we found that USAID had not consistently complied with its risk assessment policies in awarding funds to ARTF.[14] For example, USAID did not conduct a risk assessment before

[12] GAO-13-218SP, Enclosure VI.

[13] 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).

[14] GAO, *Afghanistan: Actions Needed to Improve Accountability of U.S. Assistance to Afghanistan Government*, GAO-11-710 (Washington, D.C.: July 20, 2011).

awarding an additional $1.3 billion to ARTF and it was determined that USAID had not conducted pre-award risk assessments in the last 12 instances in which it awarded funds during the period 2005 to 2010. USAID has since ensured adherence with its policies for assessing risks associated with multilateral trust funds in awarding funds to ARTF. In accordance with its policies for awarding funds to public international organizations, in March 2012, USAID awarded about $371 million to ARTF and conducted a risk assessment prior to awarding the funds.

Monitoring and Evaluation of USAID Development Projects

USAID has undertaken some efforts to improve its management of the billions of dollars provided to U.S. development programs in Afghanistan, but various factors, such as inconsistencies in its application of performance management procedures, shortfalls in maintaining institutional knowledge, and needed improvements related to the oversight and management of contractors, may continue to challenge USAID's ability to monitor and evaluate program effectiveness.

With respect to inconsistencies in its application of performance management procedures, in our 2013 key issues report, we noted that USAID did not consistently follow its established performance management and evaluation procedures with regard to its agriculture and water sector projects.[15] For example, only two of the seven USAID-funded agricultural programs included in our related review had targets for all of their performance indicators. In response to our recommendations to improve oversight and monitoring, USAID took several steps, including issuing a new performance monitoring plan and approving its implementing partners' performance targets. However, questions concerning USAID's oversight have endured. In June 2013, SIGAR reported that poor coordination, waste, and mismanagement for an agriculture project were allowed to occur because USAID did not exercise effective oversight of its implementing partner.[16] In addition, the USAID

[15] GAO-13-218SP, Enclosure VII. See also 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); and *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).

[16] SIGAR, *Southern Regional Agricultural Development Program Had Poor Coordination, Waste, and Mismanagement*, SIGAR Alert 13-2 (Arlington, Va: June 27, 2013).

Mission in Afghanistan, in its Fiscal Year 2013 Federal Managers' Financial Integrity Act of 1982 Annual Certification, noted the inadequacy of monitoring program/project implementation by designated USAID staff for the tenth year in a row (since fiscal year 2003).

We also previously reported that while USAID had conducted an evaluation, as required by USAID's policy, covering three of the eight agriculture programs we reviewed, the extent to which USAID used the evaluation to enhance current or future programs was unclear.[17] In addition, although USAID collected progress reports from implementing partners for agriculture and water projects, it did not always analyze and interpret the data to further institutional learning, inform current programs, and shape future planning. We made several recommendations to address these gaps, which USAID has implemented.

With respect to institutional knowledge, USAID has also historically faced obstacles in Afghanistan. Frequent staff rotations and high turnover have made it difficult for USAID to fully analyze and interpret performance data for its programs. In its most recent annual certification required by the Federal Manager's Financial Integrity Act of 1982, USAID identified a significant deficiency related to its foreign service nationals. According to the report, the majority of foreign service nationals in Afghanistan have applied for special immigrant visas to the United States, leaving the agency at risk of losing a majority of that staff, further complicating the challenges of the high rotation rate among U.S. personnel at the embassy. USAID has attempted to address some of these issues by requiring program monitoring officials in Afghanistan to maintain program documentation in electronic files on a shared drive for use by current and incoming staff.

With respect to oversight and management of contractors in Afghanistan, in February 2014, we reported that USAID identified needed improvements.[18] For example:

- USAID identified increasing the submission of contractor performance evaluations as one of the agency's highest acquisition priorities. To do

[17] GAO-10-368.

[18] GAO-14-229.

so, USAID established quarterly targets for reporting in the contractor past performance database to measure its progress.

- USAID also established a nonpermissive environment[19] working group in October 2013 to develop a compendium of best practices and lessons learned for implementing and monitoring projects in nonpermissive environments; an operations security toolkit that will include tools for enhanced monitoring, and possibly a field information technology support package; and a targeted set of training and learning tools that focus on how USAID prepares staff for managing risks inherent in working in overseas contingency environments.

However, we found that USAID did not assess whether the procedures and practices created by the missions or offices that operate in contingency environments, such as Afghanistan, should be reflected in agency-wide policy or guidance. As a result, USAID may have missed opportunities to leverage its institutional knowledge, and we recommended that USAID further assess contingency contracting related procedures and practices. In response to our recommendation, USAID plans to create a supplementary group to its nonpermissive environment working group that will reach out to missions, offices, and contracting personnel with contingency operations experience to collect and disseminate a set of best practices for contracting in support of contingency operations and other potentially dangerous or uncertain environments. These actions afford USAID another opportunity to improve contractor oversight and better leverage its institutional knowledge to improve program monitoring and evaluation efforts.

Planning for Future Development Efforts in Afghanistan

USAID's ability to conduct its mission and the challenges it has faced in providing oversight and monitoring of its development projects in Afghanistan are likely to be exacerbated by the planned withdrawal of U.S. and coalition combat troops from Afghanistan. Plans for the United States' post-combat presence in Afghanistan, scheduled to begin in January 2015, have been developed by the Departments of State (State) and Defense (DOD) and are currently being reviewed by the U.S. National Security Council Staff. According to U.S. strategic documents,

[19] USAID officials have also developed a working definition of nonpermissive environment—any environment in which USAID operates where security concerns are elevated or its ability to implement or monitor programs is limited.

the United States is transitioning from counterinsurgency and stability operations toward more traditional diplomatic and development activities. Planning is complicated, however, by the absence of a finalized Bilateral Security Agreement between the United States and Afghanistan, which is needed if the United States is to maintain a military presence in the country. The number and role of remaining military personnel have not yet been determined by the Administration. State has noted that it is concurrently planning for a possible continued U.S. military presence and for a situation in which no military troops remain after the deadline of December 31, 2014.

In February 2012, we reported that the U.S. civilian presence in Afghanistan and the deployment of civilians to Afghan provinces and districts were crucial to U.S. efforts to build the capacity of the Afghan government to provide essential services to its people with limited international support.[20] Provincial reconstruction teams, led and secured by the U.S. military and coalition members, have helped to enable USAID to access less secure regions of Afghanistan. As U.S. combat troops continue to withdraw from Afghanistan, provincial reconstruction teams will continue to decline in number, thus challenging USAID's opportunities to directly monitor and evaluate programs in certain parts of Afghanistan.

While USAID, as an agency, has experience working in insecure environments in other parts of the world, alternative oversight mechanisms may need to be in place and adhered to so that monitoring and evaluation of projects continue as U.S. combat troops withdraw from Afghanistan. In February 2014, we reported that USAID officials have acknowledged that they may be challenged to adequately monitor project progress as the U.S. military presence draws down, but are taking steps to counter diminished access to development projects in insecure environments after U.S. combat troops withdraw.[21] To prepare for the possible lack of USAID personnel in the field, the agency is planning to implement a remote monitoring program in Afghanistan that will use contractors to verify activities that implementing partners have completed. This initiative will rely on various monitoring methods, including third-party monitors, Global Positioning System tracking, photography, and data

[20] GAO, *Afghanistan: Improvements Needed to Strengthen Management of U.S. Civilian Presence*, GAO-12-285 (Washington, D.C.: Feb. 27, 2012).

[21] GAO-14-229.

collections with mobile devices. To implement this initiative, USAID issued a draft request for proposals in May 2013 publicizing its intent to negotiate as many as three contracts. According to USAID officials, as of the first quarter of fiscal year 2014, the agency was in the process of finalizing the request for proposals.

In closing, as the United States plans for the withdrawal of its combat troops and the transition from an integrated civilian and military effort to a civilian-led presence, it is important to have safeguards in place to help ensure sustainment of the gains made by U.S. and coalition investments. These include taking steps to ensure that the billions of dollars spent in Afghanistan do not become subject to terrorist control or a culture of corruption that the Afghan government, the United States, and its coalition partners have worked to prevent. As we, and others, have highlighted, this requires:

- the continued U.S. agency oversight and accountability of U.S. funds, including those invested as part of USAID's mission in Afghanistan;
- ensuring that USAID consistently implements its monitoring and evaluation policies for managing its programs in Afghanistan; and
- the ability to mitigate potential challenges that are likely to result from the withdrawal of U.S. and coalition combat forces.

These steps may help to better ensure that the United States has accountability over the substantial funds that it has already invested and could be valuable to guiding future U.S. and USAID efforts in Afghanistan, while also serving as valuable lessons learned for future U.S. efforts. In the absence of consistent application of its performance management and evaluation procedures, USAID's programs are more vulnerable to corruption, waste, fraud, and abuse.

Chairman Chaffetz, Ranking Member Tierney, 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.

Mr. CHAFFETZ. Thank you. Thank you both.

I now recognize myself for five minutes.

I want to start, Mr. Sampler, with my understanding is we have about $20 billion that is yet to be disbursed in Afghanistan. Yet, I am looking at this SIGAR report, this is the Special Inspector General for Afghan Reconstruction. We refer to it as SIGAR. Here is the concern. I have general concerns overall about USAID's forward program. It is laudable to set goals, but I really have deep concerns about this.

And let me just read part of this assessment that came out in January of 2014. Ernst & Young and KPMG came in and did assessments. All of the 16 ministries assessed "were unable to manage and account for funds unless they implemented recommendations." There were 696 recommendations that were made, and yet here I am finding that SIGAR found that USAID required that ministries only implement 24 of the 333 recommended risk mitigation measures prior to receiving funds.

The report says, "Although USAID–Afghanistan concluded in each of the 7 risk reviews that the ministry was unable to manage direct assistance funds without a risk mitigation strategy in place and that the mission would not award direct assistance to the ministry 'under normal circumstances', USAID–Afghanistan signed the agreements with each of the reviewed ministries to approve direct assistance programs."

As the report points out, the U.S. Government has committed to providing at least 50 percent of its developmental aid to Afghanistan through on-budget assistance to the Afghan government. We are talking about 50 percent of $20 billion. And yet none of the ministries could even pass the basic test by the outside groups that you cited in your opening statement as coming in and doing the audit. Why are we doing this? That was a question, yes.

Mr. SAMPLER. Congressman, thank you. We are in Afghanistan because we were attacked from Afghanistan.

Mr. CHAFFETZ. No, no, no, no, no.

Mr. SAMPLER. We are not doing this because——

Mr. CHAFFETZ. Wait, wait, wait. We don't need the history of why we are there.

Mr. SAMPLER. Right.

Mr. CHAFFETZ. The reality is we are there. We have invested lives. Americans have given their lives. The last thing we want to do is just abandon and forget. We have invested a lot there. I am concerned about giving tens of billions of dollars to the most corrupt foreign country that there is. This is the most corrupt nation on the face of the planet and we are going to give them tens of billions of dollars with less oversight than ever. Why are we doing that?

Mr. SAMPLER. Congressman, let me just challenge the question from the SIGAR report, if I may. It was an audit of our audits. Our audits were found to be sound, as you noted. They audited 13 ministries and it was a soup-to-nuts audit of all the risks in all the ministries that we could identify.

Mr. CHAFFETZ. I believe it was 16 ministries, but go ahead.

Mr. SAMPLER. We are not working with all of those ministries; we are working with 7. That was a deliberate decision based on de-

velopment needs, the needs of the Government, and U.S. Government priorities. So in those 7 ministries we again identified every possible risk we could through these audits, but we focused on projectized money. We don't give money to the government of Afghanistan, we spend money on projects with the government of Afghanistan, and that is what is missing in the SIGAR audit, is a recognition that——

Mr. CHAFFETZ. There is no direct assistance, no on-budget assistance? You are telling me there are no dollars going direct to the Afghan government?

Mr. SAMPLER. There are some terms of art, Congressman, and forgive me if this sounds bureaucratic. When we talk about doing direct assistance, that is programs that we do with ministries of the government of Afghanistan, and we control every dime of that money. When we talk about doing on-budget assistance, that is when, as Mr. Johnson referred to, we are giving money to a multi-donor trust fund that is administered by The World Bank; and within that trust fund there is a small window of funds, called recurrent costs, which do go to the government of Afghanistan to meet salaries. But every step of that is still audited by international auditors that our inspector general has approved.

So I refute the notion that we give money to the government of Afghanistan.

Mr. CHAFFETZ. I just went through this with USAID, with the Kabul Bank situation, nearly $1 billion in missing funds. When I went to Afghanistan and sat in the room and I asked those people how much of that is U.S. money, they said we have no idea; when we just give it to the Afghan government, we have no more accountability, it is hands off, we can't even tell you. When I went to Afghanistan, I just asked for a simple spreadsheet of the schools that we had helped. USAID couldn't even provide me a spreadsheet of those. Now, later they followed up and gave us some of those.

But you are telling me that there is no money, U.S. taxpayer money going direct to the Afghan government?

Mr. SAMPLER. Congressman, there may be some that goes through The World Bank multi-donor trust fund and through the recurrent cost window——

Mr. CHAFFETZ. That is not the oversight that is happening here. We are not giving all this money to The World Bank. That is not how this is working.

Mr. SAMPLER. No, Congressman, most of our money is done in direct assistance, and that is where USAID professionals work with the ministries of the seven ministries I named on specific programs. So most of it is projectized money. But you asked me directly if we give money to the government of Afghanistan, and the only way that could be interpreted as happening is if it is done through the very carefully regulated World Bank multi-donor trust fund.

Mr. CHAFFETZ. When it says in this report, "SIGAR found that USAID–Afghanistan has only required the ministries to implement 24 of the 333 recommended risk-mitigation measures prior to receiving funds," true or false?

Mr. SAMPLER. True, Congressman, but inaccurate. The inaccuracy is we identified every possible weakness within these min-

istries, but our projectized risk, the risk to a particular project in the Ministry of Public Health, doesn't require all those risks to be mitigated at once. The conditions precedence, the things that we forced them to fix now, before we give them money, are risks that are specific and immediate to a particular project.

And I will note that we do address all the risks through a completely separate technical assistance goal. Our goal was to create ministries that do this themselves, and that is the reason the direct assistance is a valuable tool. But our first priority is safeguarding taxpayer resources, so we don't put money into any of these ministries.

Mr. CHAFFETZ. I am way past my time.

I recognize the gentleman from Massachusetts, Mr. Tierney, the ranking member.

Mr. TIERNEY. Thank you.

Mr. Johnson, does the Government Accountability Office have staff on the ground in Afghanistan?

Mr. JOHNSON. Yes, we do.

Mr. TIERNEY. And how important is their presence to the investigations of the programs and the policies in that country?

Mr. JOHNSON. Their presence, which the Congress has supported and we thank you for that support, has been extremely valuable, it gives us the firsthand, realtime experience and interaction with our colleagues who were there in the IG and oversight community, as well as with the agencies that we do oversight for you, whether it is DOD, State, and USAID. So their presence has been extremely valuable.

Mr. TIERNEY. And how important is it that those individuals have access to documents that they believe are relevant to their investigations and audits?

Mr. JOHNSON. That is extremely important to our work, and with respect to the work in Afghanistan we have had a pretty good relationship with respect to our Afghanistan-related work.

Mr. TIERNEY. So how open would you say the United States Agency of International Development has been to reviews of those documents by the General Accountability Office?

Mr. JOHNSON. If the focus is on our Afghanistan oversight, we have had pretty good interaction with the folks at the mission with respect to our Afghanistan oversight.

Mr. TIERNEY. So you have been allowed to review the documents, even documents that were marked sensitive, but unclassified?

Mr. JOHNSON. In some cases, and with respect to Afghanistan, that answer would be an affirmative answer.

Mr. TIERNEY. You have been able to do that.

Mr. JOHNSON. With respect to Afghanistan.

Mr. TIERNEY. And with respect to where have you not had that kind of cooperation?

Mr. JOHNSON. I think it has been somewhat not an access issue, but more so we have experienced some challenges in terms of the processes we have had to go through to gain the timely ability to review documents.

Mr. TIERNEY. Can you explain that to me?

Mr. JOHNSON. I guess basically there are some cases where we have to have our staff come over to a reading room and other areas

to look at materials, and that has basically created more of a strain on our resources and been somewhat more costly.

Mr. TIERNEY. So these are unclassified documents that your staff has had to be brought over to a facility and the work is done there?

Mr. JOHNSON. Yes.

Mr. TIERNEY. And whose policy is that?

Mr. JOHNSON. This is actually within USAID's policy.

Mr. TIERNEY. And in practical terms how does that affect the work that you are trying to do?

Mr. JOHNSON. Well, as I pointing out, most of the effect has to do with a resource constraint. We see it as something that creates an additional cost for our resources.

Mr. TIERNEY. Mr. Sample, I would be a little concerned if those sets of policies are being used in any way at all for abusive purposes. I understand that sometimes it is necessary to have documents have some level of secrecy, but if you are going to be marking things that are sensitive, but not classified, it seems that there could be a better policy worked out to allow access without causing such a strain on resources. What do you say?

Mr. SAMPLER. Congressman, first, of course USAID does not in any way want to hamper the work of GAO or your committee, and it is our policy to share information that is required for those duties. When we mark information sensitive, but unclassified, we provide always, in camera, access to full, unredacted documents, in every case, as far as I am aware.

Mr. TIERNEY. You just make them spend extra resources getting over to take a look at them.

Mr. SAMPLER. The problem, Congressman, is that in the generation of some of these documents, they include information that is sensitive. The example I have used in Afghanistan is some of the documents we created actually named members of oversight bodies like your own in the government of Afghanistan who are providing oversight and trying to prevent Afghan fraud, waste, and abuse; and naming them in a public document would put them literally at risk of their life, and that is sensitive information. It is not classified because it doesn't do risk to the United States' national interest, but it is sensitive.

Mr. TIERNEY. I don't think it is anybody's surprise who the members of this panel are and that we are doing this kind of work. I mean, I am concerned because when Mr. Sopko went over there, it was working the same issue. He reported back that he was coming into some of the same restrictions on that and that when he asked for an explanation of it, he was told that documents could be disclosed, except that they would be found to be embarrassing.

Now, I don't think that you drafted the policy, for sure, but you may be stuck with trying to implement it from time to time. Have you come across any of those situations where things were not disclosed primarily because they would just be embarrassing if they were, as opposed to being so sensitive for security reasons?

Mr. SAMPLER. No, Congressman, we would not hold documents back and we have not, to my knowledge, redacted documents because of that. The issue that you are describing with the special inspector general may well have an impact, however, on the next round of engagements with the government of Afghanistan. They

opened all their books to us in an unprecedented level of access to do a collaborative assessment of risk in their ministries expecting that those would be kept internal to the U.S. Government.

They have since not been kept internal to the U.S. Government. The reactions are to protect personal interests and individuals, and in a couple cases to protect against the revealing vulnerabilities in Afghan systems that would indeed open them up to exactly the kind of exploitation that we are trying to avoid and train them not to do.

Mr. TIERNEY. Well, I have some sympathy for the sensitivity issue with respect to the Afghan officials, but I have no sensitivity to them not opening their books fully in order for us to review and audit whether or not they are spending the money that the United States appropriates wisely. So obviously there is a question of a balance there on that that we have to strike on that basis, but I would like to see some effort be made to lighten the burden on personnel that the General Accountability Office and the inspector general have in getting access to those documents so that it doesn't become onerous, sort of a stepped-up effort to make sure there really is a national security issue on sensitivity on that before any kind of restriction is put on them at all.

Recently there was a proposal, USAID proposal to hire photographers in Afghanistan, and the expressed purpose, I am told, was "to counter negative visual images coming from Afghanistan with high-quality positive images." To the extent possible, can you explain the reason behind that original proposal?

Mr. SAMPLER. Certainly, Congressman. Our staff work is not always as good as it should be before it is released to the public. I will just be candid. If I had seen that, I would not have released it to the public as it was written. The staff in Afghanistan are passionate about the work that they do, and by the time newspaper reports in Washington get put up on the Internet and go back to Kabul, the real experience our staff have on the ground with what is reported in the international media just doesn't sync. They have a cognitive dissonance between what they are doing and what they see with their own eyes and then what they see reported in the international press.

Now, I personally push aggressively, from my time in private practice, to encourage every staff member to collect stories and pictures and opportunities to talk about and demonstrate the effects of the good work that is being done, but the quality of what we collect ourselves is not that good; our cell phone photographs and our selfies that are taken in the field don't tell the story adequately well. So the intent of this was merely to capture positive news stories in Afghanistan that we know are there and make them available for people who wish to see them. It was not an attempt to propagandize, it was not an attempt to gain or to counter negative stories. It was, though, an attempt, and in my opinion a poorly executed, but well intended attempt, to tell the good news stories of the work that USAID, the U.S. Government, and, indeed, all the donors are doing in Afghanistan.

Mr. TIERNEY. Well, when you use an expression like "counter negative visual images," it sort of flows against what you are trying to tell us here on that, so it was at least a most unfortunate use

of language, if nothing else. I assume that now that that project has been cancelled and there has been some attention brought to the matter, it is a lesson learned for folks. I think most of us are never happy with the press and the visual and verbal images that they project when they fly by and write a story and go off into the sunset, but I don't think it gives us license to try and create our own stories on that.

Mr. SAMPLER. No, I agree, Congressman.

Mr. TIERNEY. Appreciate your remarks. Thank you.

Mr. CHAFFETZ. Thank you.

We now recognize the gentleman from Florida, Mr. Mica, for five minutes.

Mr. MICA. Thank you, Mr. Chairman.

A couple of things. Let me go first to Mr. Sampler. Got this amount, $102 billion U.S. assistance in aid, non-military, since 2002, is it? Is that correct?

Mr. SAMPLER. It is, Congressman, depending on how you parse the money. As was previously noted, a large percentage, over half of that was, in fact, used for development and assistance to the military.

Mr. MICA. How much is their annual budget? I have $7.5 billion. That is the federal budget for Afghanistan?

Mr. SAMPLER. I think that is right, but I can't confirm that.

Mr. MICA. And my calculation is that we have been pouring in an average of about $10 billion in economic aid, not counting military aid. Is that a ballpark figure?

Mr. SAMPLER. Congressman, I am not sure what you asked, I am sorry.

Mr. MICA. Well, it is about $10 billion in economic aid a year over that period, maybe 9 or something.

Mr. SAMPLER. I am sorry, development assistance, yes.

Mr. MICA. On average. So that my point is that the average aid, non-military, exceeds their annual budget. That would be correct. It has to be more than the $7.5.

Now, the chairman cited that we had a hearing here with the special inspector general and he sat right in that chair. I almost fell of my chair when he said there is $20 billion right now in economic aid that the Afghans have neither the capacity to absorb or ability to spend or steal, and when I got to question him a second time I said did I hear you say capacity to spend or steal, and I think he confirmed that was the case.

Do you believe that also to be the case?

Mr. SAMPLER. Congressman, we are working aggressively to increase their capacity to spend that money and decrease their capacity to steal it.

Mr. MICA. But his review was quite critical, that the level of corruption is extremely high. Now, you go after people who misuse your money, USAID money. I guess you have administered about 47 percent of that. Does that include the money going through NGOs or is the 53 percent given to other international organizations?

Mr. SAMPLER. Congressman, some goes through local and international NGOs, and our money is aggressively pursued and overseen.

Mr. MICA. Has there been any case in which the United States has pursued people who have misused our dollars that you could site?

Mr. SAMPLER. There have been programs that we shut down because they were not performing.

Mr. MICA. Have we had the ability—it is within another jurisdiction—to go after them, or have the Afghanis prosecuted anyone for corruption, fraud, or abuse of that aid?

Mr. SAMPLER. The first question, I don't know the answer to that. I don't know if we have actually——

Mr. MICA. Can you provide it to the committee?

Mr. SAMPLER. We can.

Mr. MICA. Okay.

Mr. SAMPLER. Yes, sir.

Mr. MICA. To your knowledge, has anyone been prosecuted for misusing U.S. dollars?

Mr. SAMPLER. In Afghanistan?

Mr. MICA. Yes.

Mr. SAMPLER. We actually arrested a USAID staff member in Afghanistan who our own inspector general had investigated——

Mr. MICA. So you can testify that some of our people have done wrong. Any Afghanis or any other folks that we know of that we have gone after? It sounds like we have lost billions to corruption as high as the President's office and family, and, again, when I went over there, Mr. Chaffetz had been over there and cited that, I remember pointing out, I went to a forward operating position in one of the villages and the troops pointed out, see that school over there, we constructed it? That is the village joke because we paid five or ten times what it should cost to build that. Are you aware that that kind of misuse of our hard-earned taxpayer dollars has gone on, continues to go on?

Mr. SAMPLER. Congressman, let me answer your first point first, about billions of dollars in corruption. I will state categorically USAID has not lost billions of dollars to corruption in Afghanistan. To your point of a specific school in a specific——

Mr. MICA. Well, then it will be to overpayment and misuse, waste.

Mr. SAMPLER. Congressman, I cannot honestly categorically say there have not been overpayments. Doing reconstruction and development in a war zone is a challenge. Our guidance, our rules don't allow for it. When we find it, we pursue it.

Mr. MICA. If I wanted to stop the aid, what do I have to go through, which budget, would that be State? Most of this AID money is coming through the State.

Mr. SAMPLER. From the Foreign Operation, yes, Congressman.

Mr. MICA. So that is where I have to target it.

Mr. SAMPLER. Congressman, I am not certain of the process——

Mr. MICA. Well, I want you to help me because I want to cut us off. You may not be inclined to cooperate other than providing me with assurance that if I cut it off, there will be able to stop some of the waste and abuse.

My time is up, but I have lots more questions, Mr. Chairman, I would like to submit and get follow up responses, and I yield back.

Mr. CHAFFETZ. The gentleman yields back.

All members' questions within the time frame will be submitted, and we would appreciate both of you, Mr. Johnson and Mr. Sampler, to help us, in a timely way, getting answers to those questions.

Duly noted for Mr. Mica.

We will now recognize the gentlewoman from California, Ms. Speier, for five minutes.

Ms. SPEIER. I believe Mr. Welch is next.

Mr. CHAFFETZ. Mr. Welch, my apologies. You are now recognized for five minutes.

Mr. WELCH. That is okay. Thank you very much.

I agree with the statement of Mr. Chaffetz, your opening statement, and Mr. Tierney, your opening statement. I really appreciate the fact that you are having this hearing at this time, and I think the whole committee does; it is really refreshing for me to be part of a constructive oversight operation.

You know, you are here, but we have a problem that you didn't cause; to a significant degree, Congress has been complicit in this. We have a situation now in Afghanistan where, obviously, it is in our interest for them to maintain the gains that have been made. It is in our interest for Afghanistan to have maximum stability.

But having said those are our interests, does it mean that if we continue pumping money into a country that has institutionalized corruption, weak institutions, and a revenue system that is basically non-existent, we can have any confidence whatsoever that that money will achieve the goals of maintaining gains or stability? I mean, that is really my question. I would not have a problem sending resources to Afghanistan if I had the slightest bit of confidence that it would actually work.

And you have laid out a number of the steps that you have tried to take in order to maintain some accountability and transparency, but there is, it seems to me, a problem, and that is no matter what steps you take, no matter how much you try to stay ahead of the game, if you have a government that will not even establish a revenue system, that basically says, hey, 3 percent of our revenue will come from what we collect and 97 percent will come from foreign aid, and then that foreign aid, as I think everybody knows, has been used basically as a source of funding the private lives and an institutionalized system of corruption, rather than building up institutions, I think it makes it hard on both sides of the aisle to be confident that, even if we share the goal that you are trying to achieve, sending the money is going to get the job done.

So my question is this: Given that skepticism, which I think is widely shared, what are some specific concrete things that we could do that are easy to understand, easy to monitor, that would guarantee that the money delivered was not stolen? That is number one. Number two, should there be some preconditions like, for instance, that the Afghanistan government establishes a revenue system whereby they have some skin in the game before we are just sending checks that we are not confident are going to be used?

So that is kind of a long question, but I think it states the dilemma that we are in. Start with you, Mr. Sampler.

Mr. SAMPLER. Congressman, I appreciate your skepticism. I make it a point, once a month, to try and get outside the Beltway

and talk to business organizations, and I get exactly the same skepticism from ordinary Americans; and I think it is important that we be reminded that the people providing us these resources are skeptical.

The first point I will make in terms of assuring success is that the money we have invested thus far has produced spectacular development returns. And I use those words advisedly. They truly are, in the realm of development, spectacular returns; in the area of health, education, infrastructure, and even in the area of building governance.

In 2002 there was not an intact building anywhere in Kabul. There were no ministries in 2002. Next month, in less than 30 days, we will have an election in Afghanistan where a democratically elected government will pass the reins of power to another democratically elected administration, we hope.

I think you are right to look for preconditions. I think, at this point in time, this government is in less than an advantageous position to impose them. But I know from working with the ministers, the technocrats who have been selected to lead the government, that they do understand both the skepticism in the parliaments and in the populations of the donor countries, and the requirement that they begin to show that they do have skin in the game and that they are interested in weaning themselves off of donor dependency.

With respect to specific measures, I wish I could say that there are simple things that we can do; and there are some, but they get very complicated quickly as we begin to explain them. If this were particularly risk-free and particularly easy and direct to do, I would expect us to pass this to the private sector. That is what they do. What we do is work in situations where the risks cannot always be eliminated.

But you asked for specific things. With respect to projectizing money, that is probably the principal way we assure that the admittedly corrupt government of Afghanistan does not, in turn, corrupt our programs. We projectize money; we do not give money to the government. We control the bank accounts. In these projects, we insist that they set up a separate, non-comingled bank account that USAID has control of and oversight over.

If the money is being paid out to a ministry as they achieve a milestone, then we verify the achievement of that milestone, and we do it through various and multiple data collection methods. It maybe technological, through satellite imagery; it may be crowd sourcing, where we talk to the recipients of the program; it may be self-reporting from the government or self-reporting from a partner. But we take multiple inputs and we have a unit that has been created at the embassy, called the Institutional Support Unit, that analyzes this data and renders a very dry and a very detached perspective of is this data collection acceptable and can we say they have met the milestone. If we can't, we don't pay. If they meet the milestone, we do.

Separately, we may pay cost accruals, where they turn in receipts. But, again, we validate those receipts through multiple external sources.

So there is a number, and I would argue an adequate number, of different kinds of mechanisms, counters and checks and balances in place. They haven't been reported in the special inspector general reports, but they are there, and hopefully a future inspector general report will examine those as well.

Mr. CHAFFETZ. Thank you.

I thank the gentleman.

To suggest that they are trying to wean themself off of foreign assistance defies logic. They are not doing anything like that, and we are spending more money there than ever. We are increasing the spending there, we are not decreasing it. Why would they do it? Why would they wean themselves off of this money when we just give it to them for free? That is a ridiculous assertion and you should be ashamed for making that comment.

We now recognize the gentleman from Tennessee, Mr. Duncan, for five minutes.

Mr. DUNCAN. Well, thank you very much, Mr. Chairman, and I don't have any questions, but I do want to make a statement. I have no criticism of Mr. Sampler or the Agency for International Development, because I am sure they are doing the best they can with the assignment they have been given. But I will criticize the policy, because I think it is totally crazy what we are doing over there in regard to particularly the amount of money that we are spending.

This is my 26th year in the Congress. When I first came here, our national debt was less than $3 trillion. I thought that was terrible. But we have lost sight up here of how much money a trillion dollars is. We can't even comprehend anything like that; yet now we are over $17 trillion in debt and they say we are going to double that in another eight or nine years. Yet, we are sending all this money down a rat hole in Afghanistan.

I have been given several articles here, one from the Huffington Post, that says, as Afghanistan draw down looms, inspector general warns of graft, and it says he is watching the country slip away and he is quoted as saying, every time I visit, I am told by people that we are succeeding, says John Sopko; and he has been here to testify in front of us several times. I am not an expert on war fighting, but I know I can see less of the country every time I go because of security problems.

Then there is an article from some publication called The Interpreter that says, Foreign Aid: Is Afghanistan a Welfare State? Well, I voted for the go to war in Afghanistan, but I sure didn't vote for a forever war or a permanent war, or to turn Afghanistan into a welfare state, and that is what we have done. This is a country that had a GDP of $21 billion before we went in there, and now, according to the World Affairs Journal, there is an article here that says, Money Pit: The Monstrous Failure of U.S. Aid to Afghanistan. And it says in this article, it says, in a recent quarterly report, the U.S. inspector general for Afghanistan reconstruction said that when security for aid workers is figured in, the total amount of non-military funds Washington has appropriated since 2002 is approximately $100 billion.

You know, it is unbelievable what we have spent militarily, but $100 billion. And that was the figure last July. And it says, since

then, Congress has appropriated another $16.5 billion for reconstruction, and it says in this article, it says, What has all this spending accomplished? "The short answer is not so much," said Masood Fayvar, a senior Afghan journalist. And it says, or as the International Crisis Group put it, "Despite billions of dollars in aid, state institutions remain fragile and unable to provide good governance, deliver basic services to the majority of the population, or guarantee human security." Lastly, Heather Barr of Human Rights Watch, a long-time representative in Afghanistan, said, Afghanistan in many ways is sort of a perfect case study of how not to give aid.

You know, when we are borrowing 42 percent, or whatever it is, of every penny that we spend, it is just ridiculous to think that we have spent this much money over there. Our Constitution doesn't give us the authority or the right to run another country and do everything imaginable for them. I mean, I am for trade and tourism and cultural educational exchanges and helping out to a very limited extent during humanitarian crises, but I will say again it is just ridiculous. It is just crazy for us to spend this much money that we don't have, because it is long past the time when we need to start putting our own Country and our own people first once again, and stop trying to do all this that we are doing over in Afghanistan.

Thank you, Mr. Chairman.

Mr. CHAFFETZ. Thank you. Appreciate that.

We will now recognize the gentlewoman from California, Ms. Speier, for five minutes.

Ms. SPEIER. Mr. Chairman, thank you.

And to Mr. Sampler and Mr. Johnson, thank you both for your service to our Country and for the leadership that you have shown.

I think what you are feeling here on this dais is that we believe that USAID has a purpose, and around the world, when we create this soft money to go into countries and to help people build their infrastructure and their economic prowess, we do it expecting that it is going to work. We spent a lot of money in Iraq, maybe not as much as we spent in Afghanistan, and then they kicked us out. And, Mr. Sampler, you would agree that money is basically down the tubes, right?

Mr. SAMPLER. No, ma'am, not categorically I wouldn't. I mean, the development good that was done in Afghanistan is a lasting good; the children that were fed, schools that were built. So development money is development money. So I don't categorically agree that that money is lost because of a political schism between us and Iraq. The development good that we did in Iraq has lasting effects. I am not a specialist, I haven't done Iraq, but, in general, I don't believe that just because we are not still there doesn't mean that the good we did was lost.

Ms. SPEIER. How much money did we spend on this spin doctor?

Mr. SAMPLER. I am sorry, ma'am, I don't understand.

Ms. SPEIER. Mr. Tierney had queried you about the position that was created.

Mr. SAMPLER. We never hired that position.

Ms. SPEIER. Well, how much were you slated to spend on it?

Mr. SAMPLER. I don't know the answer to that.

Ms. SPEIER. Could you find out and return that information to the committee so we know what the priority was there?

Mr. SAMPLER. Yes, ma'am.

Ms. SPEIER. In 2010, President Karzai said we could no longer rely on contractors to provide security for our convoys and the people that we had there, and that we had to rely on the Afghan Public Protection Force. Now President Karzai is reporting that he is disbanding the APPF. So I think we are all very concerned up here that we not have another Benghazi, that we don't lose members who are providing services for USAID or from the State Department.

How are we providing security for our facilities and our personnel there?

Mr. SAMPLER. Yes, ma'am. No one shares your concern about the safety of our staff more than I do. A point of fact, though, a clarification. APPF, as you noted, was decried by President Karzai in 2010. APPF, however, does not provide security for diplomatic enclaves. So U.S. Government direct hires, my staff and the State Department staff——

Ms. SPEIER. All right, let's talk about the people that aren't your staff.

Mr. SAMPLER. Okay. Partners, Medicins Sans Frontieres, forprofit partners who work for us in Afghanistan, if they wish to have armed guards, they must be hired through APPF by Afghan law. At the time of APPF's creation, only about 20 percent of our partners actually used armed guards. So 20 percent of our partners were required to enter contractual agreements with the stateowned enterprise known as APPF for their guards.

Ms. SPEIER. All right, I already said that. I want to get to your answer. What is happening now that Karzai is disbanding APPF?

Mr. SAMPLER. Yes, ma'am. It is an internal Afghan government discussion, it is ongoing. The most recent diplomatic engagement with Minister of Interior Daudzai, he assured us that there would be no interruption of services being provided by APPF to our partners. He provided static security and convoy security, the latter primarily for the military, but Daudzai made a very clear statement to senior U.S. Government officials, because we asked him very pointedly these questions, and he said there would not be an interruption of service.

Ms. SPEIER. Well, if the APPF is being disbanded, who is going to provide the security?

Mr. SAMPLER. Again, the context is that Afghanistan is facing a presidential election in less than a month. There is a fair amount of confusion inside the Afghan government about what they are going to do, which is why we went to the minister for his assurance. I think there is an expectation on the part of some that APPF will be absorbed back into the Ministry of Interior and to the Afghan Uniform Police Service——

Ms. SPEIER. So we don't know, but we are relying on a minister within the government, who may or may not be there after the election.

Mr. SAMPLER. Ma'am, in all candor, in most countries that is all we have.

Ms. SPEIER. And maybe you can't do more than that. But I just want a straight answer. I think the committee deserves a straight answer, and we need to have our eyes wide open in terms of what kind of protection or lack of protection is there for those who are what we are engaged in having us provide assistance to the Afghan people.

You said that there are no funds that go directly to the government and that you control these funds. So, if I understand you correctly, you have money that is going to an NGO or someone providing services who is a for-profit, you put the money in a bank, a central bank in Afghanistan, and withdrawals are only made by you, is that correct?

Mr. SAMPLER. The withdrawals are authorized by USAID, yes, ma'am.

Ms. SPEIER. Well, do you make an authorization of $20 million or $4,000 because that is what the invoice is for?

Mr. SAMPLER. It depends on the program, ma'am. In every case we are either paying for reaching a milestone, in which case we externally validate that they reached the milestone and then we pay them what we agreed for that, or we are paying for the accrual of expenses, in which case they submitted batches of receipts and we, in turn, audit the receipts and externally validate that the receipts are good. But in either case we validate what we are paying for before we pay it, and then we validate that the check actually went to the person or the organization that performed the services.

Ms. SPEIER. And how do you validate that?

Mr. SAMPLER. We ask them.

Ms. SPEIER. So you call them up on the phone and say did you actually get this check?

Mr. SAMPLER. We can in some cases. There are different ways that we can do that, but, yes, ma'am, most of the NGOs that do this work, in public health, for example, are NGOs that are known to us. We have been in Afghanistan now for a dozen years and some of these NGOs have been there for 40 or 50 years. So when the Ministry of Public Health, with our oversight and permission, engages a particular NGO to do a health clinic, we know the people that run that clinic and we know that NGO, and we are able to ask the clinic did you get the resources, did you get the $12,627 that you asked for.

Ms. SPEIER. All right.

Mr. Chairman, my time has expired, but I still have an abiding question as to how a billion dollars in funds at the Kabul Bank got distributed to a group of 18 individuals and we don't know why or how, and we are presuming this money was not U.S. money, which is what I guess everyone is presuming. I yield back.

Mr. CHAFFETZ. And I think the point there, if the gentlewoman would yield, is that there was a significant amount of U.S. money. Part of this went to Karzai's brother. He is listed as one of the people taking this money. And the excuse that we get from USAID is, well, once we give it to the government, it is hands off, we don't get to see it anymore; that is their business, not our business. And there have been external reports done on this. This is one of those big concerns.

And I would point also the gentlewoman back in September there was a criticism from the SIGAR focused on a $236 million USAID program called Partnership Contracts for Health. In fairness, USAID denied that they were giving money directly to the government, but SIGAR said that there was a—I don't want to put words in their mouth, but it obviously caused them great concern. So this is why we have a special inspector general; they get to go in and be objective, and they don't come back with glowing reports.

Let me recognize the gentlewoman from Wyoming, who has been waiting patiently, Mrs. Lummis, and we will go from there. Thank you.

Mrs. LUMMIS. Thanks, Mr. Chairman.

Mr. Sampler, I want to go back to a response you made to Mr. Mica and ask you to elaborate a little. What did you mean by increasing the Afghan capacity to spend our money?

Mr. SAMPLER. Yes, ma'am. There are multiple ways to achieve development objectives in Afghanistan. If it is, again, health, to use that example, if the goal is to innoculate children, we can do this directly through NGOs very effectively. But that doesn't get us out of the business of supporting Afghanistan and it doesn't reduce their donor dependency. So——

Mrs. LUMMIS. Why not? Why not?

Mr. SAMPLER. Because we are doing the work ourselves, rather than teaching the government of Afghanistan how to do it. It is complicated and it requires mentoring. So when I say increasing their ability to spend our money, the government of Afghanistan ministries have underperformed, over the past few years, with respect to budget execution. Money that they have in their budgets and that the government of Afghanistan, in their fledgling attempts to allocate budgets and resources, they haven't been able to spend it——

Mrs. LUMMIS. Okay. Now, Mr. Sampler, I am going to interrupt you just because I have to go to my constituents, and when they find out that we are giving money for aid in Afghanistan, and these are people in my State who have been to the Pine Ridge, South Dakota Oglala Sioux Reservation. Some of them have been to Detroit since it has gone bankrupt and whole buildings are being occupied by people with drug problems and communities are deteriorating in this Country. They have seen the grinding poverty among some Shoshone and Arapaho on the Wind River Indian Reservation in Wyoming and elsewhere.

How can I tell them that we are working so hard to increase the capacity of the Afghan government to spend our money when the response I am going to get is why would we increase the Afghan government's capacity, a government that you acknowledge is untrustworthy and corrupt, when we have uses here in this Country where there is grinding poverty right before our eyes in American cities, around American Indian reservations? I am having trouble answering that question, so help me answer that question. Assume that I am your constituent.

Mr. SAMPLER. Yes, ma'am.

Mrs. LUMMIS. And you have to respond.

Mr. SAMPLER. Again, I go out every chance I get, back to my home State of Georgia, and have exactly these conversations with

businessmen at home, to include my dad, and the challenge is if we don't do it right in Afghanistan, we may find ourselves having to do it again in another 12 years. Someone has to secure the space of Afghanistan; it is an incredibly wild country.

Mrs. LUMMIS. It is. I have been there. I have been there with the gentleman from Vermont at the end of the table, and we were out in Kandahar Province and we saw—the U.S. had rebuilt the third holiest Muslim site in Afghanistan in a remote area in Kandahar Province because their own people, in a civil war, had destroyed their own religion's third holiest site. So we go and rebuild it, and then we have Army Rangers Special Ops people out there, Americans, trying to defend it from being destroyed again by Muslims in their own country. It just defies logic to me that that is how we are spending our money.

Again, try to help me explain that.

Mr. SAMPLER. Yes, ma'am. The question of corruption is one that I think deserves a lot of attention. It is perhaps the single greatest challenge that we are facing. And the point that I make when I go out to speak to constituents is that, in my opinion, in developmental theory, the best way to combat corruption is strong institutions. Again, in 2002 there were not even strong, solid buildings, never mind strong, solid institutions. The work that we are doing with the government of Afghanistan is intended to build institutions that will help them fight corruption themselves; it is not something we can fix overnight, but it is something that we are determined to fix.

Mrs. LUMMIS. Do you think a corrupt government can be taught to be honest?

Mr. SAMPLER. I am not sure if I would answer it that way. Instead, let me offer this. On your next trip out, meet with the ministers and the people they get up, but also ask to meet with some of the young Afghans. The ministries now are populated by Afghans from 25 to 35 years old, and they don't have to be taught to be honest. In my opinion, the vast majority of them, they are patriotic, because they could be working for me at the U.S. Embassy; they are college educated, they have been abroad, but they come back and choose to work in their ministries for a lower salary because they want Afghanistan to succeed. They don't have to be taught to be honest; they don't have to be taught to be patriotic; they just need a chance.

Mrs. LUMMIS. Thanks, Mr. Sampler.

My time is up and I yield back, Mr. Chairman. Thanks for your indulgence.

Mr. CHAFFETZ. I thank the gentlewoman.

I now recognize the gentlewoman, Mrs. Maloney, for five minutes.

Mrs. MALONEY. I thank the chairman.

Are either of you spending much time in Afghanistan? Are you there, are you up here? Where are your offices?

Mr. JOHNSON. The GAO does have a permanent presence in Afghanistan. I actually have three members behind me who actually staff that presence for about six months each, and we currently have a staff of six people, three people there for six months. I have

made multiple visits to Afghanistan, as well as Pakistan just across the border.

Mrs. MALONEY. What about you, Mr. Sampler, have you spent much time there?

Mr. SAMPLER. Yes, ma'am. I go about every 60 days. I expect to go at the end of the month. I lived there for about three or four years.

Mrs. MALONEY. Are you hopeful? Are we making progress there?

Mr. SAMPLER. That is a great question, and thank you for asking it. In some areas we absolutely are; in other areas we are facing still difficult challenges. But I am cautiously optimistic.

Mrs. MALONEY. Well, I think many of our concerns, and I want to echo my colleague on the other side of the aisle, we agree on a lot of things on women rights and we agree on this, that it is hard to finance an area that is so disgustingly corrupt, and it is again and again and again and again. Probably the biggest example was the Kabul Bank, which was once Afghanistan's largest private bank.

But by the time it reached near collapse in 2010, the Kabul Bank had been looted by $935 million primarily by 19 individuals and companies, including the Bank's ex-CEO. These two figures only received five years in prison, and they are now appealing it. So when you see that type of action, I am concerned about USAID's bank accounts over in Kabul. Do you feel like your money is secure over there?

Mr. SAMPLER. Yes, ma'am. Kabul Bank has come up a couple times, so let me just make a couple points. We lost no U.S. tax dollars in Kabul Bank. We did not have any money in that bank. USAID did not have any money in that bank.

Mrs. MALONEY. But we do now, don't we?

Mr. SAMPLER. We do not. We have a relationship with the Kabul Central Bank, which would be analogous to our Federal Reserve. Kabul Bank would be perhaps a State bank in one of the States. Kabul Bank was an Afghan-on-Afghan crime, and our outrage is shared and exceeded, perhaps, by the Afghan depositors who lost their savings. We are still, in fact, working with the government of Afghanistan to pursue the culprits who were associated with the Kabul Bank fiasco.

Mrs. MALONEY. Well, we are facing the same challenge, really, over in the Ukraine, where it has been reported that $88 billion is missing from the prior government, and we are getting ready to send a billion over of uncapped aid. So the question really is what safeguards do we have that our money actually gets to the people and the causes that we want. In terms of the Ukraine, reported in the press is that even IMF loan guarantees, the loan guarantee money came in, they immediately took $23 billion and sent it offshore. So how can we really make sure that it is going for the purposes that we want to help in Afghanistan, Ukraine, or anywhere?

Mr. SAMPLER. Yes, ma'am. The situation in the Ukraine is different and I can't really speak to that, but in Afghanistan we projectize our money. The USAID money that goes to Afghanistan does not go to the government of Afghanistan. But we work with a particular ministry or a particular office in that ministry to achieve a particular project; and we identify either milestones that

must be accomplished for particular payments or accrual of payments.

Mrs. MALONEY. I want to mention contracts, because historically our private sector and public sector are very strong when they work together. And when contracts were offered in Afghanistan to the private sector, what I heard, it was impossible for an American company to ever win one because we didn't bribe and we weren't corrupt. One of my constituents told me he bid on a copper plan, copper mine, managing it. His RFP or his proposal ended up in a competitor's hand that then won the contract. The competitor then did not even know what to do with the cooper mine and came back and tried to hire him.

So when you see this type of corruption, which I think is very shortsighted on behalf of the Afghan government, if they had allowed American business to be fairly treated, then they would be there helping the country. But what happened is an American business could never win a contract and then our servicemen and women had to risk their lives protecting contractors that came in from other countries who hadn't invested a dime in helping the country. So something is very wrong with that equation and I really am disturbed by it.

Mr. SAMPLER. Yes, ma'am. On the issue of tenders, when the Afghans are able to capitalize on the mineral wealth, I think it will be a good day for Afghanistan. We are working aggressively, the Ministry of Mines and Petroleum, which is the ministry here in question, I believe, to make sure that they have a capacity to do business in ways that western organizations understand. That has not been the tradition for decades, if not centuries. It has been a very patriarchal society and a very——

Mrs. MALONEY. But, Mr. Sampler, what I would like to point out is we spent billions in treasure and life——

Mr. SAMPLER. Yes, ma'am.

Mrs. MALONEY.—and commitment, and then this country, what I was told by American businessmen, they were incapable of ever fairly winning a contract. Their applications were given to their competitors. I know American businessmen who run around the world giving speeches against investing in Afghanistan. So you know the stupidity of the country, but also the stupidity of our Country in that we are financing everything and protecting foreign investors who bribed and got the contracts, and yet American businessmen and women were not successful.

What can we do to allow American businessmen and women to have a fair shot at a contract in Afghanistan? I guess now they don't even want to try, but I think, going forward in other areas that we are involved, we were not only paying the bill protecting everybody, losing American lives, spending a trillion a day or whatever it was, but other countries came in and benefitted from everything that we did, yet American business and investment could not. Now, there is something very wrong with that equation.

Mr. SAMPLER. Yes, ma'am.

Mrs. MALONEY. It is not a winning strategy, to say the least.

Mr. SAMPLER. The goal will be institutions in Afghanistan that are transparent and educated, capable and competent, and we are not there yet.

Mrs. MALONEY. Okay.

Mr. CHAFFETZ. I thank the gentlewoman.

I will now recognize myself for five minutes.

Mr. Johnson, I want to go back about the idea, talk about is the U.S. Government contributing and funding payments to the Afghan government. You issued a report in 2011. What is your perspective on this?

Mr. JOHNSON. Chairman, if you are referring to our report on the direct assistance, we did find situations where the U.S. Government and USAID, as well as DOD, were providing money through trust funds, and that is the Afghan Reconstruction Trust Fund, which Mr. Sampler noted, would be sort of an on-budget type of assistance that the Afghan government could have somewhat some say-so control in, as well as through LOFTA, which DOD managed. So there was quite a bit of money that was going through that route.

Mr. CHAFFETZ. So you wrote in this report, "The United States and other donors funded about 90 percent of Afghan's estimated total public expenditures from solar years 2006 to 2011. Of the 90 percent, the United States provided 62 percent of total expenditures." Is that correct?

Mr. JOHNSON. The U.S. has been the predominant funder of expenditures. I would note that the bulk of our expenditures were in the security sector. We were close to about 40 percent, but we were the largest contributor for the non-security sector as well. But altogether there was the international community contributed slightly more in a cumulative, if you added it all up, but we were quite a substantial contributor, as was noted.

Mr. CHAFFETZ. So another way of saying it is of the public expenditures by the Afghan government, they collect, the Afghans, only collect about 10 percent, a very rough number, about 10 percent of what they are able to spend, correct?

Mr. JOHNSON. Bulk of the money at the time was off-budget, so they didn't really have visibility into the funding until the decision was made to go more direct assistance, and then there began to be an increase in the amount of money to go to enable the Afghan government to do two things, to fund their local operations, as well as pay their own salaries through the direct assistance route and build their capacity.

The issue we had when we sort of not cautioned against it, but highlighted, there needs to be controls in place before you try to do the two things at the same time, and that is where I talked about doing pre-award risk assessments and, more so, mitigating against the risks you have identified, which we have seen happen in other parts of the world, across the border in Pakistan, for example, a similar situation pretty much where we were trying to go the direct assistance route, but in those situations we found they were actually embedded in the contract, cooperative agreements, bilateral agreements, as well as embed folks in the ministries to ensure that there was accountability of our funds.

Mr. CHAFFETZ. So to suggest that the U.S. Government does not give money directly to the Afghan government, how would you react to that?

Mr. JOHNSON. I would say that is not totally true that money has not gone directly to the Afghan government for them to have on budget to expend.

Mr. CHAFFETZ. Let me find this issue. I want to come back to this because, Mr. Sampler, you go way out of your way to try to suggest to us that none of the U.S. taxpayer money is going to the Afghan government.

Mr. SAMPLER. Congressman, USAID does not give money directly to the U.S. Government.

Mr. CHAFFETZ. You mean to the Afghan government?

Mr. SAMPLER. I am sorry.

Mr. CHAFFETZ. You said U.S. Government. To the U.S. Government.

Mr. SAMPLER. I apologize. Let me restate it. USAID does not give money directly to the Afghan government. That was what I meant to say, and I hope I have said it consistently.

Mr. CHAFFETZ. You have. I have great concern about that statement, but we will have to continue to sort that out. You said at one point we control the bank accounts. Explain that to me. And I want to set the context here. We are going to be spending more money than ever; our troop levels are coming down; we are going to have less security in place to actually do the verification and to get out in the field and go see these types of things. Those things just don't add up; they are going in the wrong directions. I mean, it was bad before. When I was there and we were at near our peak of when we had the number of troops on the ground that we could protect our people, they still complained in the offices that they couldn't go out and see these projects.

When I was there, they couldn't let me go out and see these projects. I asked to go see them. I couldn't get out there and go see them. When I talked to the inspectors, they couldn't get out into the field everywhere that they wanted to go. And when I talked to the USAID people, who are just great, brave, patriotic people in the most difficult of situations, they said we can't get out and see these projects.

How is that getting better? It seems like it is going to get worse.

Mr. SAMPLER. Congressman, this is a problem that has been coming for some time. They have been closing PRTs for two years now, and, in fact, they are mostly gone, so this isn't something that we are suddenly waking up and realizing we need new mechanisms for monitoring programs. What we have done is, building on expertise in Pakistan, 12 years in Afghanistan. I have personally worked in both Afghanistan, Pakistan, Yemen, Colombia, West Bank, Gaza, places where we have had to supervise programs, and yet we cannot, on a regular, predictable basis put U.S. direct-hire boots on the ground, we have developed alternative mechanisms that I will argue are good.

The lessons learned from Iraq on this is don't rely on one source of information; do rely on local communities, because they are the beneficiaries of these, and if it is not right they will tell you. Focus on finding ways that are technologically innovative and different to validate programs. So it is not that we have a way to fix these things; we have a new office, the Institutional Support Unit, who are responsible for, in a very cold and deliberate way, analyzing all

the inputs about a particular program and saying does this meet our requirement. If it meets the requirement, then we will make a decision; if it doesn't meet the requirement, then we suspend or terminate the program.

Mr. CHAFFETZ. Mr. Johnson, your ability, the ability of the SIGAR to get out and be able to actually see and verify, there are reports after reports after reports of mismanagement of funds, overpaying funds. There was one we were paying $500 a gallon for fuel. When you go out and spend $100 billion, there is going to be some waste, fraud, and abuse. It is just inevitable, particularly in the difficult circumstances that are Afghanistan. I don't expect it to be perfect, but I do expect that we get better at this. And the disconnect for me is we are spending more money with less personnel and less safety and security.

There is no doubt a ton of good that USAID has done and will do in the future, but how in the world are we possibly going to oversee the proper expenditure of $20 billion in this type of atmosphere?

Mr. JOHNSON. That is definitely something that is going to challenge all U.S. agencies, including USAID and the oversight community, with the withdrawal of the combat troops, and any other security forces if that is not mitigated in advance. I think that is something we all have to plan for.

Mr. CHAFFETZ. But what do you see, from your objective point of view? Were they even achieving that before, when we had the maximum amount of security?

Mr. JOHNSON. It was definitely a challenging environment for us to do oversight, as well as for the agencies to carry out their missions. I think there are other examples, other models, as Mr. Sampler alluded to. If we can't go out directly and oversee the projects ourselves, there are other means by which you can mitigate those things, using global imaging systems, things of that nature; not just relying on your NGOs and the implementing partners to bring you data and provide progress reports, but also using photographs, media reports, other things that you can use to validate what you are receiving from the folks you are giving money to to carry out the program. So you need to have multiple ways of validating what you are getting from the folks you are paying.

Mr. CHAFFETZ. I agree. We have asked in previous instances can we just see a photo of what we built, can you provide a photo. Couldn't even do that.

Mr. JOHNSON. Mr. Chairman, if I can just note. Some of the work we did on the other side of the border, we found that that was being done, and even on the Afghan side, data was being collected by USAID; however, a lot of the data was not being retained or documented. So that was part of the gap. So I think we made recommendations in that area. We were happy that, later on, we saw that those recommendations were addressed back then and that things were done to document it. We have not looked at that issue in a couple years with respect to documentation, but that was a weakness previously.

Mr. CHAFFETZ. If you could, that would be great.

I have gone way over time. I will now recognize the gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you.

I think this last series of questions sort of got to the nub of it, what we are talking about on this. So the first determination is ours, it is the policy decision of the United States' national security interest to continue giving aid to Afghanistan there or not there, right? And that is our issue, not yours, on that. And from what I understand, the things that we are now providing money for through USAID are agriculture, governance, rule of law, and trying to increase the economic growth of that country. So we have to determine that those missions are in fact in the United States' sufficiently, our national security interests, that we want to keep putting money into that. And we have, at least to date, done that because there is money going out and you are in charge, Mr. Sampler, of doing that.

Let me say people have been pretty pointed with you this afternoon. Whether people up here agree with what is happening out there or not, I hope you don't take it personal on that. And I want to tell you that you are and have been an excellent spokesman for your agency. We need people to believe in their mission. Some people up here may not think it is a good mission, bad mission, whatever, but it is something that our Government has asked you to do; and if they send you out there and somebody is totally cynical and not doing it for the right reasons, then we are not being well served. And you, sir, I think are fully committed to what you are doing, and I want to thank you for it. I appreciate it. And your staff that is with you as well. Know that.

But it is our job to look at this and then say, well, fine, we have committed the money, so the next question is how do we do it. How do we do it to bring us back some assurance that there is accountability, that the money just isn't going off into the ethos somewhere. So we want to talk about the amount that we give, the manner in which it is given, how we account for it, and we want to document that it has been to the benefit of our Country, as well as the country that is on the receiving end of it.

And that is what today's hearing has been about and, fundamentally, at the very end of it we are sort of honing in. If we don't have security sufficient to take us to where these projects are, whether it is a far-flung agricultural project or even rule of law issue in a remote province somewhere on that, how do we know it is happening? Or if we are building a school someplace, how do we know that it is functioning properly and that it has been constructed well?

In Pakistan we had one problem of having too few USAID people to actually monitor it even when they could get to a location. So it turned out that what we discovered was we were oftentimes taking the recipient of the grant, a not-for-profit, and then asking them how did they do; and remarkably they all thought they were doing pretty darn well. So that obviously wasn't an effective way to do it.

Mr. Johnson has now told us there are other methods that you are looking at. One of them is to take visual images on that. But I do have to say we spoke a little bit earlier in the questioning about people on your staff taking visual images of things but not really having great images because of the technology that they

were limited to and the process. But that is one of the very things that we are now going to count on to tell us that things are going well. So that has some questions raised right there, right?

Mr. SAMPLER. Congressman, first of all, thank you for your kind comments.

The photographs that we take with our cell phones are not meant to document, they are not meant to be documents of record.

Mr. TIERNEY. So you have another kind of photograph that you are taking for proof of something happening in an area that you cannot physically get to?

Mr. SAMPLER. As an example, one of our monitoring partners has a set of cell phones that have very high digital resolution cameras and a built-in GPS and a date/time stamp. So if they go out to take photographs of a school or photographs of another project, we not only know where they were and when they were there and what the photograph is of, but even which direction the camera is facing.

Mr. TIERNEY. And this partner is a private partner or an Afghan national, or who may it be?

Mr. SAMPLER. It is an international private contractor who uses local Afghan subcontractors to do the work.

Mr. TIERNEY. All right. And they have been vetted to our satisfaction?

Mr. SAMPLER. They have. We have a vetting program that is pretty aggressive and they have been vetted before the contract was let.

Mr. TIERNEY. All right. So, of course, a further part of that is it is one thing to build a structure, it is another thing to be able to complete the inside of it, staff it properly, and get a product out of it. So those things still remain a challenge, I would think.

Mr. Johnson, once we build a school, how do we make sure that it is functioning if we don't have the security to go out there and physically do it? Do we have a solution for that type of issue?

Mr. JOHNSON. I think there have been situations and, again, some of this goes back to the security environment. If we build a school, what the security environment allows for it to be used, and that is an issue where, in advance, you should have studied that, you made that determination before you invested the U.S. dollars. I think there have been a few situations where that may have occurred.

But I think, getting back to an earlier point that was made that Mr. Sampler pointed out, and I am quite pleased to hear sort of the imaging that is being taken. If there is some GPS tracking embedded, there is some date stamping, that is one of the things we felt like was needed, when you have the evidence, but you need to document it better, that we see would enhance the capability of USAID to show or have proof in its records. This all goes back to the knowledge transfer, having institutional knowledge. I mentioned the turnover ratio that takes place. When the next person comes in, they will have that evidence there and know how to build on that and use that to make future decisions.

Mr. TIERNEY. The whole validation issue is a problem for us. I go back to Pakistan again only because we had some concrete examples. In fact, I think the inspector general's report out of the whole Iraq process helped us with Iraq. I think some of our experi-

ences in Pakistan helped us look at this. But in Pakistan, where the premise early on was to give the money to the government and then take the receipts and check the receipts, we were getting great receipts back. I was just telling the chairman here that we spent millions of dollars fixing 35 helicopters and had the receipts for them, and the money was approved and sent. When we went there on the ground and asked to be taken to those helicopters, funny thing is none of them could fly on that. So I don't know how you get beyond that, but that is a concern that we have, is who is validating those receipts beyond just having an Afghan partner come up and say here are the receipts, we really did this work. How does that work?

Mr. SAMPLER. Congressman, if I may, technology helps us. And I will use the school example because, in developing countries, schools are often a way that a government is able to spread the largesse in ways that are not necessarily above board, by ghost teachers or ghost schools. In Afghanistan, if we build a school and we wish to validate whether the school is functioning properly, we don't ask the Ministry of Education and we don't ask the teachers; we can ask the community. And, again, that is why these independent monitoring contracts are valuable, because they can go and have a local shura meeting where they talk to the community and say are you getting what you want from this school.

If they are not, the community may not stand up and waive their arms and draw attention to themselves, calling out corruption within the Ministry of Education, but before the monitoring unit leaves town, very often they will pull them aside and say they don't have 20 teachers at that school, they have 3.

So we have SMS technology that we can use for things like that. We have independent contractors.

And, Mr. Chairman, to your point earlier, even if you gave me back 100,000 troops on the ground, the security situation would do what it is going to do, but I would still use the multiplicity of monitoring techniques that we have developed over all these countries and over all these years because, again, one of the lessons from Iraq was do not depend on a single point of reporting; require multiple reports, and in that there are discrepancies, find out where the discrepancy is. And that works independent of the number of international or U.S. troops on the ground.

So that is the reason that I have some level of confidence, going forward, that we are focusing on the right things. We haven't fixed all the problems yet, but we are focusing on the right things to fix them.

Mr. TIERNEY. Thank you for that, Mr. Sampler.

So we have a requirement that we have a separate bank account established for each project when we do it, is that correct?

Mr. SAMPLER. That is correct. We monitor the accounts and control the funds.

Mr. TIERNEY. And are we depositing that United States assistance into the Central Bank?

Mr. SAMPLER. Congressman, I don't think so. I think it goes into whichever commercial bank we have identified with that ministry will be the repository of those funds, much like an escrow account would be here in the States.

Mr. TIERNEY. And so we do have actual physical oversight of that account, it is not a question of going off to the Central Bank and then we are relying on an international organization with limited oversight capacity.

Mr. SAMPLER. It is not. We do not have to go to the government of Afghanistan and ask to see our bank accounts.

Mr. TIERNEY. Thank you.

So I will just wrap up here again, just reiterate what I said about both of the gentleman that are testifying here today and their staffs. We know you are committed and that you are out there and you are working very, very hard. We appreciate it. Our job is to keep this oversight up.

Mr. Chairman, thank you for having this hearing, again. As long as we make the policy decisions about having this kind of aid and assistance go out there, then it is our responsibility to have you oversee it and implement it, and our responsibility to make sure that you are doing that as much as we can. I think a lot of this is going to be, in the long-run, as long as we decide to do that, whether or not it is working and what are the results. I guess there is no real system we can set up that is pay for success, because some of this money has to be put out in order to get that success, but I think we have to regularly and steadfastly oversee it and make periodic assessments as to whether or not this is a risk worth taking and whether our national security interests are being furthered or not by that.

So I thank you, and thank you again, Mr. Chairman.

Mr. CHAFFETZ. Thank you. I appreciate your ongoing concern about this issue.

Let me just wrap up here. I want to hit just a couple different things.

I am concerned about the automated directive systems, Chapter 593. This prevents the GAO from removing sensitive, but unclassified materials from USAID's secure workspace facility, even if it is needed for official auditing purposes.

We trust the GAO. They may be sensitive, but they are unclassified. We expect, I think, auditors to be able to have unfettered access. I don't know that that policy or directive is consistent with the law. We are going to go back and look at that.

Does USAID provide classified materials to GAO?

Mr. SAMPLER. Congressman, to the best of my knowledge, we do. Again, to reiterate, we provide all the information that they ask for, that any of the oversight bodies ask for.

Mr. CHAFFETZ. But I don't think that is true.

Mr. SAMPLER. Not always in the form of a document that is actually released in an unredacted form.

Mr. CHAFFETZ. We are not asking to release it. Auditors ought to be able to see whatever they want to see.

Mr. SAMPLER. Absolutely.

Mr. CHAFFETZ. But what you said is in direct contradiction to that.

Mr. Johnson, is this the case? Explain to me what happens. When you want to see something that is sensitive, but unclassified, what happens?

Mr. JOHNSON. Well, I guess I would start by pointing out that this is not always the case. It happens in a few situations. We are required to come up to a reading room in some cases, and that does put a strain on our resources and becomes more costly for us, as well as USAID.

Mr. CHAFFETZ. And the subjective nature to that, the inconsistency of that causes me concern. Even the documents that have been provided to Congress have had redactions in them that I think were uncalled for. It is something we are not going to sort out in the last few minutes here; it is an ongoing concern.

Mr. Johnson, if there are any particular documents that you specifically need in your possession to do your job—and I am saying that broadly for GAO—I would like to know about it if you can't resolve that directly with USAID. But the principle here is an important one. We are supposed to allow the auditors to come in and see what they want to see, particularly if documents may be sensitive, but they are unclassified.

And I do have a problem if GAO or somebody was releasing information that is going to put somebody's bodily harm in their way, but this is not the only agency that they work and engage with; there are some pretty darn good sophisticated policies over a host of agencies, it is not just USAID. I mean, they do this for every department and agency, essentially. So it is something that I would appreciate your working on and we will pay attention to to make sure that we are making progress on that.

Number two, I do think my ranking member here, Mr. Tierney, I do think it would be helpful to have Mr. Sopko come here, as well as Mr. Shah, and do so together to talk about this broader context. It is something that I look forward to doing, and we will have to get on the calendar so we can appropriately schedule specific to Afghanistan, but also be able to talk maybe a little bit broader, certainly with Mr. Shah. I find him to be very responsive when I have wanted to chat with him before, and I think it would be a healthy hearing, particularly as we talk about Afghanistan. We are talking about $100 billion that we have spent, so I look forward to doing that as well.

And one thing that Mr. Tierney has persuaded me, I think, over the course of time here is the need for internal competency at USAID. We have a lot of great passionate people. Nobody is questioning your commitment to the mission here. We were chatting here while some other members were asking questions. Mr. Sampler, in particular, we appreciate your passion. You can tell you believe in the mission and what you are doing, and I think you for your military service, as well as your service to USAID.

But we can't just always rely on third-party vendors all the time. The mission of USAID is not we can't just flip a switch on and off. Hopefully we are not engaged in prolonged contracted military engagements over a long period of time, but there does need to be a bank of wisdom that we gain, and that we just don't go out and hire, let's go find another vendor; because we should learn from Iraq. We have to learn from Afghanistan if we are going to do this better in other countries, in Africa and all across the world.

And I would join Mr. Tierney in the support of making sure that that core competency is developed over a long period of time in a

broad range of people. I think that pendulum swung one direction and then it swung over here to say, oh, let's just contract it all out, but this is probably one agency where you need an internal core competency.

One quick question, then we are done here. How many USAID personnel do we have in Afghanistan at this time?

Mr. SAMPLER. Congressman, the last time I saw a formal report, it was 138. We will, by the end of this year, be down to between 100 and 110. And to put that in context, in 2012 I was up at 387. That is U.S. Government direct hire U.S. employees.

Mr. CHAFFETZ. Again, maybe you could get back to me on this or maybe Mr. Shah could help me answer this, Administrator Shah. We are spending more money than we ever have before. We are drawing down not only the security personnel, but the people on the ground if we are having roughly a third, right, of what we had at its peak. I don't know what the proper ratio is, but we are going to spend $20 billion.

My State of Utah, we spend about $13 billion in an entire year. We have 22,000 State employees, and here we are going to spend $20 billion over it is hard to tell what time period and we have just over 100 people trying to administer that. I just, physically, I don't understand how that would work. But if you could help us clarify that.

Again, Mr. Johnson, Mr. Sampler, the people, the support staff that is here, I thank you for your passion and your work. It is vital, it is important. America, as I said at the beginning, has invested lives, treasure. It is a very, very important mission. I appreciate your passion on this. This is enlightening. There is more information that we would like to glean from you, but we again thank you for your service. We thank you for your patriotism, and God bless those men and women who are actually out there on the front lines in these difficult situations doing the great work. Please let them know how much we love and care for them and wish them nothing but the best of success.

With that, we will adjourn this hearing today. Thank you.

[Whereupon, at 4:15 p.m., the subcommittee was adjourned.]