Challenges to Effective Oversight of Afghanistan Reconstruction Grow as High-Risk Areas Persist

Statement of John F. Sopko, Special Inspector General for Afghanistan Reconstruction
February 24, 2016
Chairman Graham, Ranking Member Leahy, and Members of the Subcommittee,

This statement explains the FY 2017 budget request for the Special Inspector General for Afghanistan Reconstruction (SIGAR). The statement describes SIGAR’s successes, challenges to accomplishing its mission, and steps taken to overcome or mitigate these challenges. In keeping with the agency’s oversight mission, this statement also touches on key management and program challenges facing State, the United States Agency for International Development (USAID), and the Department of Defense (DOD) by noting areas of high risk that SIGAR has identified.

Since FY 2002, Congress has appropriated approximately $113.1 billion to rebuild Afghanistan. That is at least $10 billion more, adjusted for inflation, than the amount the United States committed in civilian assistance to help rebuild Western Europe after World War II.¹

For FY 2017, the President has requested $2.5 billion in Afghanistan-related funding via the State Department budget.² The President’s has also requested more than $3 billion in the Department of Defense (DOD) budget to train, equip, and sustain the Afghan National Security and Defense Forces (ANDSF). Another $11.5 billion from previous years’ reconstruction appropriations remains available for disbursement.

SIGAR’s mission is to ensure that all these funds are spent as effectively and efficiently as possible, and that they are protected from waste, fraud, and abuse. Our enabling legislation also directs SIGAR to keep Congress and the Secretaries of State and Defense informed on reconstruction issues and to offer recommendations for improvement.³

Embedded in State’s overall request is SIGAR’s budget request for FY 2017 of $54.9 million. As SIGAR’s request explains, these funds “will enable the organization to perform independent and objective oversight of reconstruction and security assistance programs.”⁴ The amount sought is $2 million less than provided in each of the last two fiscal years. But we have achieved some operating economies and have slightly reduced our personnel count in Afghanistan in view of increased security, travel, and logistics constraints. We therefore believe the requested funding level is adequate to continue meeting SIGAR’s congressional mandate.

Like other international donors, the United States has pledged security, development, and humanitarian assistance to Afghanistan for years to come, and increasing amounts of aid are being delivered on-budget via bilateral transfers to Kabul ministries or through multilateral trust-fund disbursements. Those ministries continue to struggle with staffing,

¹ SIGAR, Quarterly Report to the Congress of the United States, 7/30/2014, p. 5.
² Department of State, Congressional Budget Justification: Department of State, Foreign Operations, and Related Programs, Fiscal Year 2017, 2/9/2016, p. 3.
⁴ Department of State, Congressional Budget Justification: Department of State, Foreign Operations, and Related Programs, Fiscal Year 2017, 2/9/2016, p. 143.
technical skills, budget-execution capacity, management, reporting, and accountability.

Meanwhile, the Taliban insurgency is still waging war, and foreign terrorist groups are making their presence felt. U.S. and Coalition military forces have been sharply reduced. Personal safety and obstacles to travel remain key concerns for foreign personnel. In other words, the risk of fraud, waste, and abuse of reconstruction funds in Afghanistan is growing, even as the ability to exercise effective oversight is increasingly constrained.

Nevertheless, SIGAR continues to provide aggressive oversight of reconstruction projects and use of U.S. funds, and has adapted to the more constrained environment by approaches such as using third-party monitors to go where SIGAR employees cannot and by checking Global Positioning System data against satellite photos.

**FY2017 Budget Request Highlights SIGAR’s Unique and Critical Role in Overseeing Afghanistan Reconstruction Funds**

SIGAR is the only inspector general with interagency authority to audit, inspect, and investigate the activities of all U.S. government agencies and international organizations that receive U.S. funding for Afghanistan reconstruction. As a result, SIGAR can conduct cross-cutting reviews of State, USAID, DOD, and other agencies that are involved in reconstruction programs. In addition, SIGAR is the only oversight agency devoted solely to Afghanistan reconstruction, enabling it to examine reconstruction programs and issues in more depth while still producing timely and high-quality work. Further, SIGAR is truly independent. We conduct our oversight autonomously and report directly to Congress and to the Secretaries of State and Defense.

SIGAR currently has the largest oversight presence in Afghanistan, with more auditors, analysts, and investigators in country than any other agency. As of this month, SIGAR has more than 30 employees based at U.S. Embassy Kabul. These employees comprise auditors, inspectors, and investigators, plus management and support staff. Two other SIGAR employees are located at Bagram Airfield. In addition, seven Afghan citizens support SIGAR’s work in Kabul.

Most of SIGAR’s deployed staff serve at least two years in country. This practice reduces annual turnover compared to other U.S. agencies and mitigates the risk of institutional memory loss. The deployed and local staff are augmented by SIGAR personnel from our Arlington, Virginia, offices who frequently travel to Afghanistan on a two- to eight-week temporary assignments.

When SIGAR was established in 2008, the agency created four directorates: (1) Audits and Inspections, (2) Investigations, (3) Research and Analysis, and (4) Management and Support. The Research and Analysis Directorate, originally known as Information Management, produces SIGAR’s quarterly report to Congress and other publications.

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5 Unless otherwise indicated, numbers and monetary values regarding SIGAR are as of 12/30/2015, as reported in SIGAR, *Quarterly Report to the Congress of the United States*, 1/30/2016. Copies of this and other SIGAR products are posted at www.sigar.mil
Management and Support provides human resources, budget, information technology, and other support to SIGAR’s other directorates and to staff.

Since then, two additional units have been established. In 2012, SIGAR created its Office of Special Projects to examine emerging issues and deliver prompt, actionable reports to implementing agencies and Congress. The team conducts a variety of assessments and produces inquiry and alert letters, reviews, fact sheets, and other products.

In late 2014, SIGAR established its Lessons Learned Program, whose projects include examinations of corruption, sustainability, counternarcotics, contract management and oversight, and strategy and planning. While audits and inspections typically focus on the planning, execution, and outcome of particular programs and projects, LLP’s objective is to more broadly document U.S. reconstruction objectives, assess results, and distill this knowledge into recommendations to improve reconstruction efforts in Afghanistan and in future contingency operations. Other federal agencies and the U.S. military also operate lessons-learned units, but SIGAR’s Lessons Learned Program is the only one established and positioned to extract and frame lessons from a whole-of-government perspective.

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

SIGAR’s investigations, audit, and other work continues to have positive impacts on ongoing and planned reconstruction programs and agency operations. These impacts take several forms. SIGAR does more than simply identify waste, fraud, and abuse. It can bring malefactors to justice, and recover money. SIGAR investigators are full-fledged federal law-enforcement officers with powers of search and arrest. Whether acting on their own or in coordination with other law-enforcement agencies, they have conducted investigations into cases of bribery, theft, smuggling, money laundering, and other offenses; have made arrests in Afghanistan and stateside; and have referred many Afghans to that country’s prosecutors.

As of December 30, 2015, SIGAR had 309 ongoing investigations. At that time, the cumulative results of the SIGAR Investigations Directorate comprised 103 arrests, 137 criminal charges, 102 convictions, and 80 sentencings. The cumulative total from investigations-related criminal fines, restitutions, forfeitures, civil-settlement recoveries, and savings to the government exceeds $946 million—the equivalent of 17 years’ funding for SIGAR at current levels. Investigative work has also led to 697 referrals of companies and individuals for suspension or debarment to prevent them from receiving more U.S. contract awards: 72% of these referrals led to suspension or debarment, not counting a small number of special-entity designations or administrative-compliance agreements.

From 2009 through December 2015, SIGAR had made 619 recommendations in its 208 published audits, alert letters, and inspection reports. SIGAR has closed more than 83% of its recommendations, indicating that the subject agency has either adopted the recommendation or taken other appropriate action on the issue. These recommendations
have, among other things, strengthened contract oversight, management, and compliance; assisted in building and sustaining Afghan government capacity; and improved accountability for on-budget support. SIGAR continues to monitor agency action on 51 open recommendations from 17 performance-audit reports, 6 open recommendations from 4 inspection reports, and 41 open recommendations from 18 financial-audit reports. SIGAR audits and inspections have resulted in recovering an estimated $36 million and in identifying some $950 million that could be put to better use, for a combined impact approaching $1 billion.

SIGAR’s audit, inspection, and quarterly reports continue to be used by U.S. agencies, international partners, and the highest levels of the Afghan government to improve oversight and management of reconstruction efforts. President Ashraf Ghani and key advisors have met repeatedly with SIGAR personnel, and have expressed appreciation for SIGAR’s oversight work. President Ghani has said that he reads and annotates SIGAR’s audit and quarterly reports, and uses them in his efforts to reform Afghan institutions. At President Ghani’s invitation, and in the wake of a fuel-contract scandal that SIGAR investigated, a SIGAR staff member participates as an observer in the high-level meetings of the presidential procurement council that reviews major contract awards.

SIGAR also maintains professional and productive working relationships with the DOD and its subcomponents and commands, and with State and USAID. SIGAR also coordinates regularly with other inspectors general and the Government Accountability Office to ensure coverage of all aspects of the reconstruction effort and avoid duplication of effort.

SIGAR Has Taken Steps to Overcome Challenges to Conducting Its Oversight Mission

In 2015, the Afghan government took on full responsibility for security, the U.S./Coalition mission switching from combat to train/advise/assist support, and the start of Afghanistan’s “Transformation Decade” aimed at achieving self-sufficiency in fiscal and security matters. In this changed setting of heightened security precautions and reduced access to program and project sites, SIGAR developed a 2014–2016 transition plan to synchronize activities with its strategic plan and with those of other U.S. agencies.

For an example of transitional adjustment, SIGAR has hired several Afghan engineers and analysts to assist with audit and inspection work. SIGAR has also signed a cooperative

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6 SIGAR Audits and Inspection Directorate, internal tally, 2/22/2016.
7 In September 2015, President Ghani discussed his country’s challenges and his reform aims in an extended interview at the presidential palace with SIGAR’s director of research and analysis. See SIGAR, Quarterly Report to the Congress of the United States, 10/2015, section 1, pp. 3–15.
8 In February 2015, SIGAR and U.S. military officers briefed President Ashraf Ghani on their investigative findings that four contractors had engaged in price-fixing, bid-rigging, and bribery prior to the award of a nearly $1 billion, U.S.-funded fuel contract for the Afghan Ministry of Defense. The criminal collusion raised the cost of the contract by at least $214 million. After the briefing, President Ghani immediately suspended the MOD officials involved in the fuel contract award, cancelled the entire contract, warned the contractors involved of possible debarment, and assigned an independent Afghan investigator to look into the award of the MOD fuel contract and of 11 MOD contracts for other commodities. See SIGAR, Quarterly Report to the Congress of the United States, 4/30/2015, i.
agreement with a well-respected Afghan nongovernmental organization, to conduct site visits, including inspections and engineering assessments of U.S.-funded projects. This Afghan organization’s work will be subject to generally accepted government auditing standards (GAGAS), and to SIGAR’s internal quality-control requirements. SIGAR has also expanded its use of remote monitoring and geospatial imaging through working relationships with National Geospatial Intelligence Agency and an agreement with the Army Geospatial Center.

In addition, SIGAR is continuing its financial audit program. Establishing an independent public auditing firm to perform financial audits of completed reconstruction contracts. SIGAR staff oversees the firms’ conduct of these financial audits, from notification to final report. In some cases, when questioned costs are identified, SIGAR investigators review those costs and initiate criminal investigations if appropriate.

SIGAR also coordinates closely with the Afghan Attorney General’s office to refer criminal and civil cases involving Afghans for prosecution in Afghanistan. Over time, and as appropriate, SIGAR will adjust its functions, methods, products, and practices, adopting new ones when necessary, to continue to provide seamless, independent oversight of the reconstruction effort. Further, SIGAR will take all measures necessary to uphold government standards of quality in carrying out its oversight.

**SIGAR Has Identified Areas of High Risk to the Success of the U.S. Reconstruction Effort in Afghanistan**

Although State, USAID, and DOD have each experienced some successes in their individual reconstruction efforts, multiple challenges exist that could undermine the success of the overall U.S. reconstruction effort. In December 2014, SIGAR issued its first High-Risk List to call attention to program areas and elements of the U.S.-funded reconstruction effort in Afghanistan that are especially vulnerable to significant waste, fraud, and abuse.

The High-Risk List highlights program areas that SIGAR believes agencies such as State, USAID, and DOD, need to focus on, and discusses whether agencies are mitigating risks in areas within their purview. The list also proposes some key questions for Congress and the agencies to consider to improve their reconstruction efforts.

SIGAR’s first High-Risk List identified seven areas of vulnerability:

1. Corruption/Rule of Law

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

2. Sustainability
3. Afghan National Defense and Security Forces Capacity and Capabilities
4. On-Budget Support
5. Counternarcotics
6. Contract Management [and Oversight Access, now Area 8]
7. Strategy and Planning

We are preparing an update of our list that will modify one existing item and add a new one. High-Risk Area 6 will become simply “Contract Management.” “Oversight Access,” while still decidedly an issue for contract management, will be treated as a broader concern as a new Area 8.

Although other areas of risk exist, SIGAR selected these areas because they are mission-critical for the success of the reconstruction campaign. In other words, a gross failure in any of these areas could imperil the entire 14-year effort and all its human and monetary costs. Our other selection filters were that (1) these areas are at significant risk of failure due to fraud, waste, or abuse; (2) they involve ongoing or planned reconstruction programs and projects; and (3) are subject to the control or influence of the U.S. government.

SIGAR recognizes that even in peaceful venues, no reconstruction or development program or project is without risk of failure, or without exposure to fraud, waste, and abuse. But these risks are magnified in insecure and unstable conflict areas like Afghanistan. Moreover, the work of SIGAR and other oversight agencies has shown that some reconstruction efforts in Afghanistan are at unnecessarily high risk, which agencies could mitigate by taking appropriate corrective actions.

Area 1: Corruption/Rule of Law

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

Reducing corruption and increasing accountability are important components of the U.S. reconstruction strategy in Afghanistan. However, in 2010, SIGAR reported that more than $50 billion in U.S. assistance had been provided for reconstruction in Afghanistan since 2002 without the benefit of a comprehensive anticorruption strategy, and that U.S. anticorruption efforts had provided relatively little assistance to some key Afghan institutions. SIGAR and other observers—not least of whom is President Ghani—have
consistently reported that corruption remains a massive and systemic problem in Afghanistan. It is troubling, therefore, that the United States continues to operate without a comprehensive overall strategy for coordinating and executing effective measures to reduce the malign influence of corruption in Afghan society. Corruption is a critical issue not only for government effectiveness and legitimacy, but for fiscal sustainability: Kabul relies heavily on customs receipts for domestic revenue, but corruption severely constricts the actual flow of funds to its treasury, while also adding to the risk of “donor fatigue.” SIGAR’s Lessons Learned Program has a research and analysis project under way focused entirely on the problem of corruption in Afghanistan.

Key questions for consideration are:

- To what extent have U.S. technical assistance and capacity-building programs dedicated sufficient resources to reducing corruption within the Afghan government?
- Why does the United States still lack a comprehensive anticorruption strategy for Afghanistan reconstruction?
- Have U.S. agencies revisited the premises and approaches of their own anticorruption strategy in light of the persistence and severity of the problem?
- What steps has the Afghan government taken to pursue criminal action against those matters referred by SIGAR and other U.S. and international law-enforcement bodies?
- What steps are U.S. agencies and the Afghan government taking to reduce corruption within Afghanistan’s customs-collection system?

Area 2: Sustainability

Another acute risk to the reconstruction effort is that Afghanistan simply cannot sustain many of the programs and projects without large and continuing financial support from the United States and other donors. For example, the Afghan government’s budget for its FY 1395 (December 2015–December 2016) envisions domestic revenues covering only 31% of the national budget; foreign grants and loans would fund the remaining 69%. Afghanistan also lacks the technical and managerial capacity needed to sustain many operations.

SIGAR’s work has shown that State, USAID, and DOD have not always considered sustainability when planning programs or projects, jeopardizing the massive investment that the United States and other international donors have made. Further, both the international community and the Afghan government agree that improving the energy sector is essential to Afghanistan’s economic progress and long-term viability. However, the Afghans cannot afford to pay for much of the electric power infrastructure that the U.S. reconstruction effort

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has provided. In June 2015, for example, a SIGAR inquiry letter drew attention to concerns that the Afghan national electric utility might be unable to sustain operations and maintenance of the $335 million, USAID-funded Tarakhil Power Plant needed as backup generation for the Kabul area.\textsuperscript{14}

Questions for consideration are:

- What if any progress has the Afghan government made in generating revenues to fund government operations, and in improving the administrative and technical skills of its workforce?
- What planning steps and practical measures have U.S. agencies taken and coordinated amongst themselves and with Afghan ministries to sustain their programs and projects during the country’s Decade of Transformation?

**Area 3: ANDSF Capacity and Capabilities**

Establishing security is fundamental to preventing Afghanistan from again becoming a safe haven for terrorists, and to enabling much-needed reconstruction and development activities to succeed. A well-developed and fully capable ANDSF is critical to achieving and maintaining this security. Building the capacity of the ANDSF has therefore been a key component of the U.S. and international reconstruction effort. As of December 2015, Congress had appropriated more than $68 billion to build, equip, train, and sustain the ANDSF. That figure represents 61\% of all U.S. appropriations for Afghanistan reconstruction.\textsuperscript{15}

This significant investment in Afghanistan’s security is at risk, as evidenced in no small part by SIGAR’s documentation of concerns about the actual strength and capability of the ANDSF. In April of last year, for example, SIGAR reported that unannounced audit visits to Afghan National Army and Afghan Air Force units found the identities of only 103 of 134 personnel sampled could be verified against ANA personnel data. Some lacked ANA identification cards, and a few were not even listed in the services’ human-resources data base. SIGAR’s auditors also found inconsistent use of daily rosters, lack of verification of numbers, unsupervised paper-based and manually submitted data systems, weak controls, and Afghan ministry failures to submit financial records to the U.S. military, among other difficulties.\textsuperscript{16}

Since 2008, SIGAR has released 74 reports examining how funds appropriated for the ANDSF have been used, and has submitted 167 improvement recommendations to DOD. Improvements have been made, but the security picture in Afghanistan remains troubling, and appears to be worsening. National Intelligence Director James Clapper said last week

\textsuperscript{14} SIGAR-15-65-SP Inquiry Letter: Tarakhil Power Plant, to the USAID Acting Administrator and Mission Director for Afghanistan, 6/19/2015.
\textsuperscript{15} SIGAR, Quarterly Report to the Congress of the United States, 1/30/2016, Appendix B.
\textsuperscript{16} SIGAR, Quarterly Report to the Congress of the United States, 4/30/2016, pp. 3–4.
that the intelligence community believes “fighting in 2016 will be more intense than 2015, continuing a decade-long trend of deteriorating security.”

Looming challenges include high levels of ANDSF casualties, insurgent activity during the usually quiet winter season, the temporary Taliban seizure of the provincial capital of Kunduz, a distinct threat to government control of Helmand Province, and the appearance of al-Qaeda and Islamic State fighters in Afghanistan. These and other developments add to long-standing concerns with ANDSF personnel numbers, recruitment and retention, evaluation methodologies, leadership effectiveness, unit capabilities for operating independently, and ability to operate and sustain equipment and infrastructure. Meanwhile, the U.S. drawdown and the loss of “touch points” at the maneuver-unit level have magnified the difficulty of observing the actual outcomes of U.S. security assistance and of checking data supplied by Afghan ministries.

Possible questions on the capability of the ANDSF include:

• Is the ANDSF making significant and verifiable progress toward becoming an effective and sustainable force for security and counterterrorism purposes?

• How has the U.S. drawdown-induced loss of “touch points” below the level of Afghan ministries and corps affected the U.S. ability to assess Afghan capabilities and provide effective training and assistance?

• Are ANDSF recruitment, training, and retention efforts improving so as to reduce casualties and offset attrition?

• Has DOD taken practical and effective steps to account for and safeguard U.S.-provided equipment and infrastructure, and ensure that Afghans can fully utilize and maintain them?

Area 4: On-Budget Support

The United States and other international donors have agreed to increase the proportion of their development aid for Afghanistan delivered on-budget to 50%. On-budget assistance can take the form of direct, government-to-government assistance (also referred to as bilateral assistance), or can flow through multi-donor trust funds before reaching the Afghan government. In either case, concerns arise about visibility and accountability of the funds.

19 Major multidonor trust funds for Afghanistan are the Afghanistan Reconstruction Trust Fund, managed by the World Bank; the Afghanistan Infrastructure Trust Fund, managed by the Asian Development Bank; and LOTFA, the Law and Order Trust Fund for Afghanistan, managed by the UN Development Program. The United States has contributed to all three.
SIGAR’s prior work has shown that many ministries lack the capacity or necessary internal controls to effectively manage and account for on-budget assistance funds, and are unable to do so in a transparent manner that enables U.S. agencies to oversee those funds. A 2014 SIGAR audit revealed that USAID’s own assessments of seven Afghan ministries receiving on-budget U.S. assistance found that none would be capable of effectively managing and accounting for those funds unless they implemented a series of required risk-mitigation measures developed by USAID.\(^\text{20}\) Further, in a review of DOD’s safeguards for funds provided to the MOD and Ministry of Interior (MOI), SIGAR identified a number of weaknesses that increased the risk that on-budget funds provided to the ANDSF that made those funds particularly vulnerable to waste, fraud, and abuse.\(^\text{21}\) Meanwhile, once money is delivered on-budget, it is not only beyond U.S. control (as intended), but difficult to monitor without negotiated agreements on access to files and electronic-information systems.

One way to improve Afghan ministries’ ability to manage and account for on-budget assistance is to make on-budget assistance conditional on the ministries taking defined actions to improve their financial management, procurement, strategic planning, and auditing capabilities, among others. President Ghani has long supported conditionality as a way to maintain protection for donors while incentivizing host-country capacity building. DOD has begun to use explicit conditionality in commitment letters with the Afghan Ministry of Finance, and State and USAID make some use of it. But fully effective conditionality requires rational metrics, buy-in from the host country, verification mechanisms, incentives as well as penalties—and a credible show of donor determination to pull the trigger on penalties if host-country performance falls short of the mark. SIGAR is doubtful that U.S. agency use of conditionality for on-budget assistance typically satisfies all of those standards.

International trust funds are a large source of on-budget support to Afghanistan. SIGAR recently initiated a new performance audit to assess the administration, monitoring, and reporting of the multilateral Afghanistan Reconstruction Trust Fund (ARTF), administered by the World Bank. U.S. pledges to the ARTF, about $2.8 billion, represent 31% of its total funding. Donors do not control the use of their contributions, but a previous SIGAR audit on the ARTF found limitations in the mechanisms the World Bank uses to administer, oversee, and report on the uses and results of donor funding.\(^\text{22}\) SIGAR’s Lessons Learned Program is preparing a report on the overall effectiveness of U.S. assistance to develop the ANDSF to achieve its security mission.

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

- Are agencies making evidence-based choices between ex ante and performance-based conditionality terms, and are they appropriately

\(^\text{20}\) SIGAR Audit 14-32-AR, *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries’ Ability to Manage Donor Funds, but Concerns Remain*, 1/30/2014.


imposing accountability?

- What steps are agencies taking to achieve Afghan transparency and information access in the use of U.S. on-budget assistance?
- Is the U.S. government taking effective steps to improve trust-fund reporting of the uses of donors’ funds?

Area 5: Counternarcotics

Production and trafficking of drugs puts the entire U.S. and international investment in the reconstruction of Afghanistan at risk. The narcotics trade supports the insurgency, feeds organized crime, fosters corruption, and undermines governance and society. From 2002 through December 31, 2015, the United States has provided $8.4 billion for counternarcotics efforts in Afghanistan including eradication, seizure, and alternative-livelihood programs.23

Nonetheless, Afghanistan remains by all accounts the world’s largest producer of opium. Its processed opium constitutes 90% of the world’s heroin supply, and 11% of the Afghan population or roughly 3 million people are believed to be drug users.24 In December of last year, the UN Office of Drugs and Crime (UNODC) published its *Afghanistan Opium Survey 2015*, which estimated that Afghanistan had 183,000 hectares of land under cultivation with opium poppy25—more than 450,000 acres. The UNODC reported that eradication efforts destroyed about 3,760 hectares of opium poppy in 2015—about 2% of the cultivated area, As metrics of success, these are disheartening numbers.

In October 2015, the Afghan government approved its National Drug Action Plan, developed in collaboration with the U.S. government, and to be supported by State’s Bureau of International Narcotics and Law Enforcement Affairs. The United States, however, has not released an updated version of its own counternarcotics strategy. Given the robust resistance of Afghanistan’s illicit-drug trade to costly suppression programs, both the strategies and operations of counternarcotics programs raise serious concerns. SIGAR’s Lessons Learned Program is researching a report on the U.S. counternarcotics strategy and its impact.

Some questions for consideration on the counternarcotics issue are:

- To what extent has U.S. assistance for counternarcotics efforts in Afghanistan succeeded in achieving its overarching goals and objectives?
- Given the continuing high levels of opium production and low levels of eradication and seizure, have U.S. agencies made any progress toward an integrated and effective counternarcotics strategy in Afghanistan?

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• Can Afghanistan achieve and sustain reasonable levels of control over the smuggling and money-laundering channels that are vital to the drug trade?

Area 6: Contract Management

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

Shortcomings in federal agencies’ management and oversight of contracts and other agreements have featured in numerous SIGAR products. For example, one of the potentially most alarming incidents of poor contract management appeared in the construction of a 10-classroom, DOD-funded school addition in Bathkak, Afghanistan. The site is in an earthquake zone. But contrary to requirements, the contractor built unreinforced-brick instead of cement-block walls, and installed a heavy slab roof instead of the specified wood-truss roof. Despite the potentially lethal consequences of the construction method, the first inspection did not occur until six months into the work, and even then was not properly documented. As SIGAR reported in 2013, DOD acknowledged that U.S. forces in Afghanistan lacked the capacity to administer, oversee, and close contracts to ensure proper performance.26

In January 2015, SIGAR reported that it was unable to complete a full inspection of Gorimar Industrial Park, built under a $7.7 million USAID contract, because USAID could not locate project design, planning, construction, quality-assurance, and related documents that the agency should have maintained to comply with the Federal Acquisition Regulation.27

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

• If security conditions prevent U.S. access for direct management and oversight in some areas, to what extent have agencies made reasonable plans for adequate and verifiable remote or third-party monitoring of contractor performance?

• What steps have agencies taken to improve contract management and oversight, particularly agency personnel’s adherence to existing regulations and policies and contractors’ adherence to the terms of their agreements?

Area 7: Strategy and Planning

26 SIGAR, Quarterly Report to the Congress of the United States, 7/30/2013, pp. 5–6.
27 SIGAR Inspection 15-30-IP, Gorimar Industrial Park: Lack of Electricity and Water Have Left This $7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses, 1/27/2015.
The U.S. reconstruction effort has at times suffered from gaps between strategic objectives documents and the programs and projects intended to attain them. Such shortcomings in strategic and operational planning may cause agencies and projects to work at cross purposes, spend money on duplicative or unnecessary efforts, or fail to coordinate efforts for maximal impact.

SIGAR recently reported one example of a disconnect between strategy and operations involving the goal of stabilization. Since 2003, USAID has spent at least $2.3 billion on stability programs meant to engage and support at-risk populations, extend the Afghan government’s reach to unstable areas, provide income opportunities, build trust between citizens and government, and encourage local people to participate in development.\textsuperscript{28} Stability is a key point in U.S. goals for a secure, stable, and unified Afghanistan that can prevent the emergence of future threats.\textsuperscript{29} In response to a SIGAR query, however, USAID recently said it has received no new funding for peace and security programming, and has no plans to continue stabilization activities in Afghanistan.\textsuperscript{30} It is possible, of course, that stabilization could emerge as a result of programs nominally pursuing other objectives, but the stabilization strategic goal appears to lack explicit operational components.

SIGAR is not alone in observing such disconnects. In December 2015, for example, USAID’s inspector general released an audit of the agency’s strategy system for multi-tier monitoring of its projects in Afghanistan.\textsuperscript{31} The report noted that USAID had presided over $17 billion in Afghanistan reconstruction projects since 2002, was facing reduced staff count and site access in-country, and developed a strategy of multi-tiered monitoring. The intent was “to insure the greatest degree of oversight possible” by drawing on information from multiple sources like independent monitoring contractors, staff observations, implementing partners’ reports, local non-governmental organizations and civil society, and technological tools. The USAID inspector general found that the agency’s implementation of the strategy was “aspirational,” as the multi-tier monitoring system suffered from lack of standards, incomplete databases, lack of analysis and monitoring plans, and lack of tracking for evaluations and recommendations. SIGAR’s Lessons Learned Program is drafting a report on interagency strategy and planning lessons.

Key questions for consideration are:

- Are U.S. agencies regularly revisiting strategies, devising meaningful metrics, verifying outcome reports, and adjusting strategies and plans in light of actual results?
- How effectively is strategic and operational planning coordinated among U.S. agencies, with other donors and the Afghan government, and, as appropriate, with

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\textsuperscript{28} & SIGAR, Quarterly Report to the Congress of the United States, 1/30/2016, p. 119. \\
\textsuperscript{29} & President Barack Obama, “Statement by the President on Afghanistan,” 10/15/2015. \\
\textsuperscript{30} & SIGAR, Quarterly Report to the Congress of the United States, 1/30/2016, p. 119. \\
\textsuperscript{31} & USAID, Office of the Inspector General, Audit Report F-306-16-001, Audit of USAID/Afghanistan’s Strategy for Monitoring and Evaluating Programs Throughout Afghanistan, 12/10/2015.
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key nongovernmental organizations?

- Have U.S. agencies developed clear guidance for determining when a strategy has failed, and for deciding whether to modify or abandon it?

**Area 8: Oversight Access**

The increasing difficulties U.S. agencies are having—due to, among other things, the drawdown of U.S. and Coalition military personnel, deteriorating security conditions across Afghanistan, and the ongoing normalization of Embassy Kabul’s operations and presence—have made it much more difficult and at times impossible for agency personnel to oversee their programs and projects first-hand. These factors exacerbating ongoing problems with contract oversight such as spotty compliance with regulations on inspecting, documenting, and imposing accountability on contractors’ work; inadequate numbers of technical specialists to advise contracting officer representatives; and personnel rotations that impair continuity of oversight and institutional memory.

USAID has developed a multi-tiered monitoring and evaluation strategy for Afghanistan that includes using independent, third-party contractors to monitor and evaluate the agency’s programs. State is reportedly taking similar steps. Given the billions of dollars yet to be spent in Afghanistan—and the hundreds of companies and individuals already debarred or suspended from federal-contract work as a result of SIGAR referrals to administrative officials—the growing challenges to oversight access require close attention and effective mitigating actions.

Key questions for consideration are:

- Are agencies tracking staffing, security, and transport indicators to determine what program sites cannot be safely or practicably accessed for oversight?

- When contemplating new projects or new work sites, are agencies specifically assessing oversight access and planning mitigation measures where needed?

- Have agencies taken appropriate steps to use third-party monitors, remote sensing, increased access to Afghan documentation and officials, or other tools to maintain acceptable levels of oversight?

- If effective oversight cannot be maintained, have agencies conducted prudent inquiries whether projects at affected sites should be suspended, modified, relocated, or terminated?

**Conclusion**

Much remains to be done before Afghanistan can ensure its own stability and security, and provide its citizens with essential services like a fair and effective rule of law and comprehensive education. The reconstruction that has already cost $113 billion will
continue for years and, as currently planned, will cost many billions more. The success of this effort critically depends on the U.S. government's ability to efficiently and effectively provide reconstruction assistance to Afghanistan and ensure that funds are not wasted or abused.

Thank you for the opportunity to submit a written statement for the hearing record. SIGAR shares your commitment to protecting U.S. funds from waste, fraud, and abuse and is committed to assisting Congress, U.S. agencies, and other stakeholders by continuing to provide aggressive and independent oversight of the reconstruction effort, and by offering recommendations and lessons based on that work.