



SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

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SIGAR Testimony Transcript

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As Delivered by Acting Inspector General Steven J Trent

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Mr. Chairman, Ranking Member Tierney, and members of the Committee, thank you for inviting me here today to discuss changes in Afghanistan's private security contractor policies and their impact on USAID reconstruction projects and personnel in Afghanistan.

President Karzai's decision to dissolve private security contractors, or PSCs, and transfer the responsibility to Afghan state-owned enterprise ultimately affects all U.S. international reconstruction programs. Under a two-year bridging strategy, the new Afghan Public Protection Force, known as the APPF, was to assume security responsibilities for all development projects and convoys by March 20th of this year, and for all military construction sites and bases a year from now.

The transition most immediately affects AID, as the largest single funder for development projects in Afghanistan. SIGAR has conducted a number of PSC-related audits and is currently conducting an audit of the cost of PSCs used by AID's implementing partners from 2009 through 2011. Earlier this month SIGAR alerted AID to issues we believed warranted immediate consideration in light of this transition to the APPF.

Our primary concerns are over increased costs and the possible disruption or termination of reconstruction projects if the APPF cannot provide the necessary security. Security costs for reconstruction projects have steadily and significantly increased in recent years. Our ongoing audit work indicates



that AID-implementing partners employing PSCs are currently spending an average of 14 percent of the value of their contracts on security services. We noted one project whose security comprised 42 percent of the overall contract value.

SIGAR's analysis found the transition to the APPF may increase Afghan labor costs by as much as 25 to 46 percent and expat labor costs by as much as 200 percent. In January of this year, AID released an analysis of its implementing partners' contingency plans for the transition. This analysis concluded that if the APPF cannot provide necessary security, at least 10 major AID funded projects, valued at nearly \$900 million, would be at risk of termination. Another 19 projects, worth about \$450 million, would need to be modified.

Although AID disagreed with our alert letter, neither AID nor any of the U.S. Government agencies involved in Afghanistan's reconstruction systematically tracks security costs. No one knows how much the transition to the APPF is going to cost, but all agree it will cost more. How much more will ultimately depend on the APPF's capacity to provide the full range of security services. The true increase in cost may not be known for a year or more as the fledgling APPF develops.

I think it is important to realize that the current rush to establish contracts with the APPF is not the end game. At the moment, we have more questions than answers about how the APPF is actually going to operate. The bridging strategy called for developmental assessments of the APPF at the 6, 9, and 12 month marks. The six-month assessment, completed in September of 2011, found that the APPF was not ready to assume essential PSC responsibilities, such as training, equipping, and deploying guard forces to meet contract requirements. The December assessment at the 9 month mark has not been finalized, and we are now at the 12 month assessment point.

SIGAR has suggested that AID determine if funding will be available to cover additional security costs for projects that will continue after the transition and assess the effect increased security costs will have on project implementation. SIGAR also suggested that AID address increased security costs before deciding to make a new award. In other words, AID should carefully and objectively consider whether the expected benefits of a reconstruction project outweigh the rising costs of security.



Security is central to the reconstruction effort and SIGAR will continue to closely monitor transition to the APPF, assess transitional outcomes, and keep key policy and decision makers informed about the results of our work.

Thank you, and I am happy to take any questions from the Committee.