

## **Testimony for the Record**

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**House Committee on Foreign Affairs, Subcommittee on Oversight and Investigations**

**“Investigating Waste, Fraud and Abuse in Afghanistan”**

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Chairman Rohrabacher, Ranking Member Carnahan, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today. My name is Larry Sampler and I am the Senior Deputy Assistant to the Administrator & Deputy Director of the Office of Afghanistan & Pakistan Affairs at the United States Agency for International Development (USAID). I am glad to be here to discuss USAID’s work in Afghanistan and the various methods we are employing to ensure rigorous, multi-layered oversight of U.S. taxpayer dollars as we carry out assistance programs that are pivotal to our national security strategy.

I have been working on and in Afghanistan since 2002, on both the civilian and military side of our U.S. government efforts; as a representative of an international NGO; and as chief of staff of the U.N. Assistance Mission to Afghanistan. So I know the many challenges – from security to governance to local capacity – of implementing an assistance program in such a difficult environment. But we owe it to ourselves and the Afghan people to ensure that our investment over the last decade in Afghanistan’s stability and future growth will endure long after our combat troops depart. Protecting taxpayer resources is of vital concern to USAID. Over the past two years, we have taken several measures to better track funding, enhance accountability, and ensure our programs are having impact. Despite the difficult environment in which we work, we are making every effort to monitor our resources.

Before I discuss the ways in which USAID conducts oversight of projects and assistance dollars, I would like to draw your attention to some of the hard-won gains we have achieved, in cooperation with our Afghan and international partners. A great deal has been accomplished over the past decade. Ten years ago, Afghanistan was 100 years behind the rest of the world in terms of development. Changes of this magnitude are not made overnight, especially in a place as difficult to operate as Afghanistan. The achievements we have fought hard to make, while benefiting the Afghan people, are also making the region and our nation more secure.

For example, enrollment in schools has increased from 900,000 boys under Taliban rule (with nearly no girls) to eight million children in schools today, 35 percent of whom are girls. Likewise, the improvement in Afghan public health is nothing short of remarkable. Afghanistan had the worst maternal mortality rate in the world in 2002, and only nine percent of Afghans had access to even the most basic health care. Today, thanks to an innovative partnership with the Afghan Ministry of Public Health, access to basic health services has expanded to over 60 percent, and life expectancy at birth rose 15-20 years. At the same time, maternal mortality and infant mortality dropped significantly saving many tens of thousands of lives.

Our work in the energy sector has helped triple the number of Afghans with access to reliable electricity, supporting the economic growth of the country. With USAID support, DABS, Afghanistan's national power company, has increased revenues by approximately 50 percent year on year since 2009, and decreased the Afghan government subsidy from \$170 million to approximately \$30 million per year in 2011. The number of customers nationwide has increased by a factor of 4 (from 200,000 to 800,000) since 2003.

Improving access to quality education, healthcare, and economic opportunities promotes global stability and helps keep America safe. As Secretary of Defense Leon Panetta and the commander of our troops in Afghanistan, General John Allen, have emphasized to Congress, we need a fully engaged and resourced national security presence, including the core components of our nation's civilian power: the State Department and USAID. In the most volatile regions of Afghanistan, USAID works side-by-side with the military, playing a critical role in stabilizing districts, building responsive and accountable local governance, and building the resiliency of Afghanistan to maintain the development gains achieved over the last decade.

Many of the projects we undertake are not easy, but they are an integral part of the "three Ds" of defense, diplomacy, and development. We are continuously evaluating hard lessons learned to improve the effectiveness, accountability, and sustainability of our assistance.

As Afghan capacity increases, U.S. resources for Afghanistan will decline, but we must remember that while we have made great gains, those gains remain fragile. To this end, USAID is making difficult choices to sharpen our focus, and working with the Afghan government to prioritize our limited resources. We are focusing our work in areas with the greatest potential for ensuring sustainability, namely by increasing revenues and sustained growth, such as agriculture, extractive industries, energy, trade, and capacity development. We are reducing costly new infrastructure investments while increasing efforts to build Afghan government capacity to maintain the recent investments in critical road and energy infrastructure. We are working to involve the private sector and are ensuring that a gender focus is present in every facet of our programs. We are cementing, rather than expanding, gains in health and education; and we are reorienting stabilization efforts to more directly support the transition and a sustainable and stable Afghanistan.

USAID remains committed to supporting the government's capacity to stand on its own two feet, and ensures rigorous controls are in place when providing funds through government entities. Much of this is managed by the World Bank through the Afghanistan Reconstruction Trust Fund (ARTF). Other funds are provided for specific projects and we have established layered procedures to track funding and monitor projects. These efforts are essential for the Afghans to learn by doing, and we are already seeing the benefits in the health sector where we work alongside and in support of the Ministry of Public Health, which is now delivering basic health care to Afghans.

Our assistance, however, requires a shared responsibility by the Afghan Government. The Strategic Partnership Agreement (SPA), signed last month by President Obama and President Karzai, outlines a mutual commitment between the United States and Afghanistan to support

Afghanistan's economic development and strengthen Afghan institutions, in order to help prevent the re-emergence of an international terrorist safe-haven. This agreement also affirms that the U.S. and Afghanistan are mutually accountable in this effort. The SPA is also a positive step in addressing issues of accountability and oversight in Afghanistan. Per this agreement U.S. commitments to support Afghanistan's social and economic development are matched by Afghan commitments to strengthen accountability, transparency, oversight, and enhance effectiveness of government institutions. It is our expectation that a more defined framework for mutual accountability will be adopted in Tokyo next month by the Afghan government and international donors.

## **OVERSIGHT AND ACCOUNTABILITY**

These aforementioned successes have been achieved by refining and reforming how we do business in Afghanistan. We have learned some hard lessons over a decade of work in Afghanistan, including in oversight and accountability, both areas in which USAID's leadership has focused intensively, and which represent key parts of our Agency's reform agenda and our work in Afghanistan specifically. We face formidable challenges as we strive to meet the highest standards of accountability in a war zone. Let me give you examples of key initiatives we have put into place.

In addition to the regular oversight USAID undertakes in all countries with which we work, we have developed the Accountable Assistance for Afghanistan initiative (A3) to further protect assistance dollars from being diverted from their development purpose. Through A3 USAID has enhanced its safeguards for development assistance in the following four categories:

- Award Mechanisms – We are utilizing assistance awards that provide the most visibility on project costs and limiting layers of subcontracts.
- Partner Vetting – We are conducting security checks on non-U.S. companies and key personnel potentially working on USAID projects. We have completed over 400 vetting requests and through vetting, kept \$17.6 million from being awarded to parties associated with malign actors.
- Financial Controls – We are enhancing controls on project funds, such as using electronic funds transfers in lieu of cash payments, using third party monitors to verify appropriate usage of funds, ensuring close review of recipients/contractor's claims prior to payment, and performing audits of locally incurred cost.
- Project Oversight – We are performing additional project oversight in high-risk areas, utilizing multiple monitoring techniques and delegating more oversight authority to USAID field staff. In order to move our staff closer to project implementation, we have deployed almost 60 percent of our direct hire staff outside of Kabul. We have instituted formal training for field staff serving as On-Site Monitors to ensure that staff know how to look for signs of fraud, waste, and abuse. The lessons learned from these initiatives are also carried forward to other areas of our programming, so that we maintain a steady vigilance in the use of our tax payer monies.

We are engaging in financial management training with our Afghan partners at all levels – so that they better understand the importance of regular reporting and their fiscal responsibilities as highlighted by the award mechanisms and general accounting and project management principles. USAID is also supporting efforts to promote the development of a professional Afghan civil service, which is helping to raise their skill level; modernizing, institutionalizing, and harmonizing administrative systems across the ministries; and supporting a system for civil service training within the Afghan government. In the long term, this will improve accountability and reduce opportunities for corruption.

Concurrent to these efforts, we are addressing oversight and accountability by revising our contracting practices. Consistent with the Agency’s broader procurement reform agenda instituted by USAID Administrator Rajiv Shah, we are decreasing our reliance on large agreements and have increased the number of smaller and more flexible agreements. In many instances, these smaller agreements are managed outside of Kabul by our field-based staff, providing a higher degree of monitoring and oversight as they are closer to the actual implementation sites. An example of this is RAMP UP, a democracy and governance project, which was awarded as four separate contracts for the North, East, South and West to allow for greater flexibility and differing needs between the regions, and to allow the Contracting Officer’s Representative to be placed in the field.

Furthermore, as we concentrate more of our assistance dollars directly through the Afghan government (known as “on-budget” assistance), we are tailoring our oversight to help ensure the highest degree of accountability. USAID does not currently work with every ministry. Rather, USAID requires and conducts assessments to ensure that each Afghan ministry or independent institution has the systems required to manage the on-budget assistance. Technical assistance is provided to address any vulnerabilities or weaknesses identified, prior to the provision of any funding. In addition, USAID negotiates specially tailored controls into each on-budget agreement, and contracts for third party technical assistance and capacity building to further enhance controls and procedures at recipient agencies. Each of our on-budget agreements include pre-award disbursement conditions as well as conditionalities that must be met throughout the period of the activity. The primary method of disbursement under the on-budget agreements are on a reimbursable basis for costs incurred or for specific achievement of milestones. Each on-budget agreement also requires an annual third-party audit of the agreement activity to ensure that costs incurred were appropriate under the program terms. Program plans and reporting mechanisms are also strictly enforced.

As you know, there are multiple, independent oversight bodies that also review our programs, including the Government Accountability Office, whose representatives testified today, as well as the Special Inspector General for Afghan Reconstruction (SIGAR) and the USAID Inspector General. Collectively these entities have completed 50 audits of programs in Afghanistan for Fiscal Year 2011. These financial and performance reviews complement and reinforce our own efforts to ensure U.S. tax dollars are used effectively and efficiently. In fact, USAID initiated the Accountable Assistance for Afghanistan program to better respond to and correct problems identified during audits. USAID welcomes the oversight and discipline imposed by audits, including those initiated at our request.

## **MOVING FORWARD**

At the recent NATO Summit in Chicago, world leaders reaffirmed the partnership with Afghanistan, sending a clear message to the Afghan people that as they stand up to take responsibility for their own country, they will not stand alone. On July 8 in Tokyo, we expect consensus on a concrete frame for mutual accountability with the Afghan government that will include measurable outcomes and set conditions for assistance going forward. For our assistance to be effective, the government will have to meet certain benchmarks. These commitments are essential to maintaining security, and economic and political stability through the transition and into the next decade. The affirmation of security support made in Chicago is essential, just as is the upcoming Tokyo donor conference in assuring the Afghan people and government that the international community will not hastily cut support as they plan their future.

## **CONCLUSION**

We recognize the sacrifices made by Americans to provide security and stability in Afghanistan, and we also fully understand the need for constant vigilance. We are under no illusions about the challenges we face in Afghanistan. Every day our staff and our partners are under threat. In fact, since 2003, 387 people working for USAID partner organizations in Afghanistan have been killed and another 658 wounded.

Security increases our costs, and we must expend significant effort to safeguard taxpayer funds. Problems of limited capacity, corruption, narco-activities and their corrosive effect on governance exist. But these call for exercising care and diligence – they are not reasons to abandon our vital national security interests nor the hard work and sacrifices made thus far. Our mission of defeating al Qaeda and denying it a chance to rebuild remains critical, and the programs implemented by USAID are essential elements to the success of that goal.

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 you may have.