

Testimony for the Record

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Chairman Chabot and Ranking Member Ackerman, it is a pleasure to be here before you today to discuss the Afghanistan and Pakistan portion of the Fiscal Year 2012 budget request and how it seeks to advance United States National Security interests in the whole of South Asia. My name is Larry Sampler and I am the Principal Deputy Assistant to the Administrator & Deputy Director of the Office of Afghanistan & Pakistan Affairs (OAPA) at USAID. For the purposes of this testimony I would like to focus my remarks on: the vital link between development and national security; the oversight protocols USAID in Afghanistan and Pakistan have instituted in order to carry out the President's foreign policy goals; and, how this Fiscal Year 2012 request seeks to build upon existing work in these countries in order to ensure the sustainability of our efforts.

NATIONAL SECURITY

By improving global stability, our foreign assistance helps keep America safe. As Secretary of Defense Gates, Joint Chiefs Chairman Admiral Mullen, and General Petraeus have all emphasized to the Congress, we need a fully engaged and fully funded national security presence, including the core components of our nation's civilian power: the State Department and USAID.

This year, for the first time, the President's budget designates a portion of USAID funding for Afghanistan to a separate account called the Overseas Contingency Operation Account. This transparent approach distinguishes between temporary war costs and our enduring budget in an effort to consolidate Defense, State, and USAID war costs.

In the most volatile regions of Afghanistan, USAID works side-by-side with the military, playing a critical role in stabilizing districts, building responsive local governance, improving the lives of ordinary Afghans, and ultimately helping to pave the way for American troops to return home.

For example, we're helping to improve agricultural yields in the Arghandab Valley to provide real alternatives to poppy production. As a result, farmers shipped the first agricultural exports out of Kandahar in 40 years. The USG also supported Afghan traders in exporting agricultural produce to new markets with improved shipping methods. In FY 2010, for the first time in Afghan history, fresh grapes were transported overland to Delhi using refrigerated containers. Pomegranates are now exported to Dubai directly from Kandahar airfield. In addition, 40 tons of raisins were exported to the European market under the "exceptional fair trade" status, and pomegranates again using refrigerated containers were for sale in Tajikistan, India, Canada, Holland and Germany.

In Northwest Pakistan, a stronghold for Al Qaeda and the Pakistani Taliban, USAID staff and partners undertake enormous personal risk administering over 1,400 small scale development projects. In the Malakand province, they are helping rebuild 150 schools so children there can become productive members of their economy.

OVERSIGHT AND ACCOUNTABILITY

Central to all of our efforts in Afghanistan and Pakistan is an understanding of the critical importance of oversight and accountability. These are areas on which USAID's leadership has focused intensively, as they represent key parts of our Agency's reform agenda and our team's approach in both countries. Accountability in the provision of development assistance must continue to be among USAID's highest priorities in Afghanistan and Pakistan. We recognize that we face formidable challenges in both countries as we strive to meet the highest standards of accountability. Let me give you examples of key initiatives we have put into place this year:

Afghanistan:

USAID has developed the Accountable Assistance for Afghanistan initiative (A³) to ensure that proper procedures are in place to help protect assistance dollars from waste and fraud, or otherwise being diverted from their development purpose. This includes investigating unsubstantiated reports that a portion of USAID's development funds in Afghanistan is being extorted by the Taliban. As a result, USAID is enhancing its safeguards for development assistance in the following five categories:

- Award Mechanisms – Utilize assistance awards that provide the most visibility on projects costs, such as cost-reimbursable contracts, and limited layers of subcontracts..
- Partner Vetting – Conduct background investigations on non-U.S. companies and key personnel working on USAID projects.
- Financial Controls – Enhance controls on project funds, such as electronic funds transfers and audits of locally incurred costs.
- Project Oversight – Perform additional project oversight in high-risk areas, utilizing multiple monitoring techniques and delegating more oversight authority to USAID field staff.

Concurrent to these efforts, we are addressing oversight and accountability through our ongoing efforts to increase our civilian footprint and to revise our contracting practices. Over the last 18 months, USAID has increased our staffing footprint throughout Afghanistan to approximately 305 Americans and 170 Afghans as of December 2010. Of that number, approximately 60 percent of our American staff are located outside of Kabul, as are many of our Foreign Service National personnel, who represent increased Afghan capacity and the continuity of USAID's mission.

Our field staff serve on Provincial Reconstruction Teams (PRTs), District Support Teams (DSTs), and in Regional Platforms, bringing with them a wide variety of skills, including backgrounds in law, financial management, auditing, and contracting. Despite high levels of insecurity, we are taking steps to ensure that our staff gets out frequently to assess performance against a set of established targets. Being based in the field allows these personnel to monitor and oversee USAID interventions in their regions and keep activities aligned with Afghan priorities. We are grateful for the Congress' support in appropriating the resources necessary to increase our presence on the ground to ensure better oversight and accountability.

Consistent with the Agency's broader procurement reform agenda, we are working to decrease our reliance on large, multi-year agreements and are instead shifting to implement an increased number of smaller and more flexible agreements that are often shorter in duration. In many instances, these smaller agreements are managed outside of Kabul by our field-based staff who are closer to the actual implementation and provide a higher degree of monitoring and oversight to project progress as well as the use of funds.

In an effort to make projects more manageable and to improve program oversight, in some cases we have moved from larger contracts to smaller contracts, which are more focused programmatically as well as regionally based. For example, one five-year IQC signed in 2006 with a ceiling of \$1.4 billion for infrastructure covered roads, power, and vertical structures. This has now been broken into three separate programmatic areas (dams, transportation, and vertical structures) with up to 12 possible IQC award holders. We intend to do similar in upcoming stabilization programs. Finally, I think it is important to note that through a Mission Order in September 2010, USAID/Afghanistan has re-delegated programmatic and administrative authorities to the field. This enables USAID to improve its oversight capacity and place project managers closer to where projects operate.

Pakistan:

Given the many challenges present in Pakistan today, USAID/Pakistan vets all applicants for assistance for technical capacity, risks of financial misconduct, and terrorist financing before awarding funding. USAID also conducts pre-award assessments of government and non-governmental organizations that do not have a proven track record managing USG funds. Our pre-award assessments examine their organizational and management structures to determine if systems are in place that will lead to the transparent and accountable use of USG funds. Where weaknesses are found, USAID helps them meet accountability requirements before funds are released.

In USAID/Pakistan we also have put in place a solid monitoring and evaluation structure, in order to track progress and measure results. Still, recognizing that there can never be enough oversight in an environment marked by internal strife and displacement, natural disasters, terrorist activity and corruption, the Mission has worked to increase staffing levels and institutional support to strengthen monitoring and evaluation, auditing, contracting, and financial management oversight capabilities of local implementing partners.

Vetting: USAID/Pakistan carries out reviews and vets all potential recipients of USAID funding for technical capacity, quality, cost effectiveness, and applicability to USG objectives. In addition, prior to awarding a grant or contract, the agreement or contracting officer makes a “responsibility” determination as to whether the recipient of the funds meets required business and ethical standards. The pre-award assessments, discussed in more detail below, are important parts of the responsibility determination for local awards. USAID/Pakistan checks all contract and grant recipients issued by the Mission against the USG Excluded Parties Listing System (EPLS) and the list of suspected terrorists designated as “Specially Designated Nationals and Blocked Persons” by the Office of Foreign Asset Control (OFAC) of the Department of Treasury. Further, many grants and contract instruments provide USAID/Pakistan with the authority to approve sub-recipient awards. Such provisions allow the Mission to make responsibility determinations and vet the sub-grantees and sub-contractors that are often the ultimate recipients of USG funds. Finally, all agreements and contracts include provisions that prohibit the funding of terrorism.

Pre-award Assessments: USAID/Pakistan continues to use a number of additional tools to ensure proper monitoring and evaluation of USG assistance, including conducting pre-award assessments of Pakistani organizations. The assessments examine organizational and management structure, accounting, financial management systems, internal controls, technical capabilities, and quality assurance capabilities, as well as the organizations’ policies, procedures, and practices for effective and efficient management of USG resources. If the results of these assessments show that there are mitigating risk factors, pre-disbursement and post-disbursement conditions are built into the awards and agreements made with these organizations, to ensure remediation of relevant issues and reduction of risk for USAID/Pakistan.

Since FY 2009, USAID/Pakistan has completed 81 pre-award assessments of Pakistani governmental and non-governmental organizations, and will undertake additional assessments as needed for future awards. USAID/Pakistan has also placed staff from private accounting firms (themselves separately vetted) with many of its implementing partners, in order to ensure successful implementation of financial policies and procedures.

Monitoring and Evaluation: USAID/Pakistan adheres to the following standard procedures in the monitoring of its activities to ensure proper use of US foreign assistance:

- Implementing partners are required to maintain accurate and constructive performance management plans (which identify goals and targets) from which they report quarterly on their progress.
- Activity managers and implementing partners perform spot checks of activities to monitor progress.
- USAID/Pakistan is using qualified third-party services to: provide verification of monitoring data reported by our implementers and Government of Pakistan partner entities; monitor projects in hard-to-reach remote and insecure areas; conduct baseline, midline and end-line surveys to capture information on program results; maintain and manage a mission-wide management

information system; and train implementing partners to enter all monitoring data into this system. An inventory of ongoing evaluations will be maintained, used for coordinating evaluation efforts, and timed to provide input into strategic planning decisions.

- In addition, USAID/Pakistan has established a Monitoring and Evaluation Working Group to help institutionalize performance management and use of evaluation for program design and strategic planning.

As exemplified by USAID's monitoring and evaluation of 2010 flood relief efforts, USAID/Pakistan employs a variety of methods to conduct oversight in this highly insecure environment. First, when the security environment permitted, USAID staff visited targeted flood relief project sites. USAID provincial teams in Peshawar, Karachi and Lahore also visited projects and assessed progress in their regions as much as security allowed. Finally, USAID used a third party monitoring effort for flood relief, working through trusted local Pakistani firms in Sindh, Balochistan, KP and Punjab to verify, monitor and document flood relief progress. These partnerships made it possible, in an extraordinary operating environment, for USAID to receive first-hand accounts of project challenges and successes.

Over the past 12 months, the Mission has increased staff levels to add activity, financial and contracts managers to meet the increasing management burden and to ensure adherence to a high standard monitoring and evaluation responsibilities. The USAID Office of Inspector General established its office in Islamabad in 2010 and as of February 2011, has 12 staff. Currently, 62 staff in Pakistan are involved in auditing, contracting, and financial management oversight capabilities, the vast majority of which have been added within the last year.

SUSTAINABILITY:

Afghanistan

Guided by the Afghanistan/Pakistan Annual Review of December, USAID's FY 2012 budget request supports the two thrusts of U.S. national security objectives and transition in Afghanistan: 1) attaining stabilization goals; and 2) establishing the basic key conditions to make investments sustainable. Toward the first priority, in areas in which the security lead has not yet transitioned to Afghans, our focus will be to establish the conditions that will support stability through programs to generate employment, resolve disputes, involve the population in their local governance, and provide basic services in key population centers.

Toward the second priority, in locations where the security lead has transitioned to Afghans, our focus will be on foundational investments that can maintain stability while beginning to drive growth and sustain legitimate governance. Highlights of these investments include the strategic (re)prioritization of resources in the energy sector; continued support for education and health; and increasing the capacity of public and provide institutions in Afghanistan to generate revenues, drive growth, and sustain development efforts.

I would like to take a moment to address each of these briefly:

- Energy: Our investments are working to develop a modern national energy grid and accompanying infrastructure to fuel productivity and economic growth. Efficient energy will: accelerate investment in the agricultural and extractive sectors; fuel private sector growth and productivity; and, facilitate value-chain production. All three of these outcomes will generate revenue and employment which will directly contribute to stability in the country.
- Health: Our investments in health directly support USAID stabilization goals and development objectives by increasing the share of the population that has access to social services, building human capital, and promoting a healthier population and workforce.
- Education: USAID's education programs work to assist the government to develop the human capital for economic growth. USAID's FY 2012 education assistance will continue to build Afghan educational and training capacity, as well as promote marketable skills training and community based education.
- Capacity Building: To build the capacity of G1RoA to manage finances effectively, deliver governance and essential basic services the Afghan people, and increasingly assume leadership for ongoing assistance, the 2012 budget request will continue expansion of on-budget assistance in pursuit of the U.S. and international community's goal of providing 50 percent of development assistance directly through the Government of Afghanistan.

Pakistan

U.S. civilian assistance to Pakistan is critical to maintaining and deepening a long-term strategic partnership that the U.S. is forging with the people and government of Pakistan. Our commitment to seek \$7.5 billion for civilian assistance to Pakistan over five years, FY 2010 – FY 2014, reflects a sustained commitment to cooperation based on our mutual goals and values, including building a more secure, prosperous, and democratic Pakistan for its people.

In December 2009, we submitted to Congress a Civilian Assistance Strategy that still guides U.S. assistance to Pakistan. Its key objectives included addressing the country's most critical infrastructure needs; helping the Pakistani government address basic needs and provide improved economic opportunities, especially in areas most vulnerable to extremism; and strengthening Pakistan's capacity to pursue economic and political reforms that reinforce stability.

Recently, USAID and the Department of State reaffirmed their commitment to the U.S. civilian assistance strategy in Pakistan, and further prioritized and focused efforts to streamline implementation and maximize effectiveness. Within the larger strategy, we will focus U.S. efforts and resources on the following four priority sectors: energy; economic growth including agriculture; stabilization; and the social sector (specifically education and health). While democracy and governance is not specifically included as a separate sector, the four priority sectors are built on a foundation of cross-cutting attention to inclusive and effective democratic governance.

The U.S. has adapted its assistance in Pakistan to strengthen partnership and build the capacity of local institutions. We accomplish this by consulting extensively with the Government of Pakistan on priorities

and channeling a portion of our resources directly through Pakistani institutions, putting in place robust accountability measures to ensure the proper use of the funds.

CONCLUSION:

We recognize fully the challenges we face in Afghanistan and Pakistan. Problems of limited capacity, corruption, narco-activities and their corrosive effect on governance exist. And for our part, there are issues related to diminishing resources, the pending military draw-down, contracting oversight, and the placement and protection of our civilian staff in the field. But these are calls to exercise care and diligence, and to explore ways to do better with fewer resources. They are not reasons to abandon our vital national security interests nor the hard work and sacrifices made thus far. We're not here only because we want to improve the lives of Afghans and Pakistanis.

Finally, in closing, I know that some among you are military veterans; and, as I do whenever I speak in public, let me thank you for your service. But I want to also recognize and thank the hundreds of civilians who have served and are currently serving in frontline countries on the other side of the world. Many of them live and work side-by-side with fellow countrymen in the military, sharing the same hardships, the same separations from loved ones, and the same risks. These young men and women – all of them, whether in uniform or not – deserve the best that our government and our agency can do to support them as they do their jobs to represent the best of America to the rest of the world.

It is indeed 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.