

Testimony by Arnold Fields  
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Before the  
Subcommittee on National Security and Foreign Affairs  
Committee on Oversight and Government Reform

*Afghanistan and Pakistan: Accountability Community  
Oversight of a New Interagency Strategy*

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Chairman Tierney, Ranking Member Flake, Members of the Subcommittee:

Thank you for inviting me to appear before you today to discuss oversight of the U.S. government's new interagency strategy in Afghanistan and Pakistan. The Special Inspector General for Afghanistan Reconstruction (SIGAR) was established to provide oversight of U.S. funds made available for the reconstruction of Afghanistan. Therefore, I will discuss my office's audits, inspections, and investigations work on Afghanistan reconstruction, showing that SIGAR is ramping up its oversight. I will also describe how SIGAR coordinates its work with other oversight agencies.

Over the last year, SIGAR has grown from an office of 2 to an office of 46 and will continue to grow so that it can do the oversight that the Congress expects. We have established offices in Arlington, Virginia, and Kabul, Afghanistan, and have office space in three other locations in Afghanistan. We have hired auditors, inspectors, and investigators and are producing results.

While ramping up, we have watched closely as the U.S. government has developed a new, larger, and more aggressive policy in Afghanistan. We have also worked with other members of the oversight community to make sure that oversight work is coordinated and not duplicative, targets the highest priority areas, produces positive changes, and does not overburden the U.S. civilian and military personnel who are implementing the reconstruction programs.

The new U.S. strategy in Afghanistan seeks to expand and integrate civilian and military efforts to stabilize the country. Its top priority is to help the Afghan people build the capacity they need to provide for their own security and to govern effectively and transparently at the local, provincial, and national levels. The strategy calls for more money. The U.S. Congress has appropriated about \$38 billion to rebuild Afghanistan from fiscal years 2002 through 2009. The President's fiscal year 2010 budget request includes additional resources for Afghanistan which would bring U.S. funding for the reconstruction to about \$50 billion through fiscal year 2010. In addition, more than 70 other countries, the United Nations, the World Bank, the International Monetary Fund, and other international organizations have pledged more than \$25 billion for Afghanistan's reconstruction over the past seven years.

SIGAR has met regularly with senior U.S. government officials in both Washington and Afghanistan over the last several months as the new U.S. strategy has evolved. In Kabul, we

attend, as observers, the U.S. Embassy's weekly country team meeting, as well as meetings held by the rule-of-law working group, the executive working group, and the anticorruption working group. These meetings, and our ongoing audits and inspections, have helped us monitor the Administration's development of a new approach in Afghanistan, and we are using the information we receive as a basis to adapt and expand our oversight plans.

In developing our oversight plans, SIGAR has taken into account the evolving U.S. strategy, including the need to consider assistance from other donors and not just U.S.-funded programs. SIGAR has also considered the Afghanistan National Development Strategy, or the ANDS, which the U.S. government and the international community support. The ANDS established broad goals in three inter-dependent reconstruction pillars: Security, Governance, and Development. In addition to these three pillars, the ANDS identified six cross-cutting issues including regional cooperation, counter-narcotics, anticorruption, gender equality, capacity, and the environment. The new U.S. strategy affects each of these pillars and cross-cutting issues. As a result, SIGAR formulated its audits and inspections plans to target high priority areas that have the greatest impact on the broader goals set forth by the President.

I will now turn to our work, beginning with what we have done and what we are planning to do in the area of security. Although we have much more to do, this work shows that we are well on our way in ramping up to provide effective oversight of the expanding reconstruction programs in Afghanistan.

## SECURITY IS ESSENTIAL TO RECONSTRUCTION

The current security situation is neither conducive to building and repairing infrastructure, nor to developing Afghan government capacity to hold elections, provide justice, or meet the basic needs of the Afghan people. This is why U.S. policy focuses heavily on security. An essential part of the new strategy is to develop significantly larger Afghan military and police forces capable of providing security for the Afghan population. But training and equipping Afghan forces is expensive and these programs have not been very effective in part because they have been replete with accountability problems. A major emphasis of SIGAR's work will be on assessing the effectiveness of these security assistance programs and ensuring that accountability measures are in place.

A substantial portion of the U.S. reconstruction funds—some \$15 billion—has been allocated through the Afghanistan Security Forces Fund to train and equip the Afghanistan National Army and the Afghanistan National Police. The new U.S. strategy seeks to increase dramatically the number of Afghan troops and police. In response, SIGAR is devoting a large amount of its resources to the review of security issues.

SIGAR's first audit assessed the contract oversight capabilities of the Combined Security Transition Command-Afghanistan (CSTC-A). Combining USFOR-A, the Afghanistan government and U.S. coalition partners, CSTC-A is the joint command responsible for the management of U.S. programs to develop the Afghan National Army and Police. SIGAR's review of CSTC-A's management of a \$404 million contract for training and mentoring of the Afghan security forces found that, despite the importance of the training mission, CSTC-A did

not have the capability to ensure that U.S. funds were managed effectively and spent wisely. Because a lack of oversight increases the likelihood of taxpayer dollars not being used as intended, SIGAR recommended that CSTC-A strengthen its oversight capabilities. As a result of this audit, the Defense Contract Management Agency (at the request of CSTC-A) dispatched a team of contract specialists in July to conduct a review of the contract management and oversight for U.S.-funded CSTC-A contracts. This example demonstrates how a targeted audit immediately improved oversight of contracts that are critical to the U.S. mission in Afghanistan. Later this year, SIGAR will return to CSTC-A to review what it has done to strengthen contract oversight.

As the U.S. government expands funding to train and equip Afghan Security Forces, SIGAR is also expanding its oversight coverage. In early September, SIGAR initiated an audit to evaluate the capabilities of the Afghan security forces, including methods used to assess readiness and the reliability of capability ratings. At the end of this month SIGAR plans to begin another audit which will look at how the U.S. government accounts for the payments to Afghan Security Forces to ensure that salaries are not paid to ghost employees, as happened in Iraq. In October, we plan to commence a series of inspections of the \$45 million construction project at the Afghan National Police Support Facilities near Kandahar, later expanding similar inspections to other parts of Afghanistan. Finally, we have been approached by the International Security Assistance Force<sup>1</sup> in Afghanistan asking for our help in auditing various issues with the Afghan National Army and the Afghan National Police.

Because serious security problems exist throughout much of Afghanistan, the U.S. government employs security personnel through private contracts. In addition, contractors receiving U.S. funds employ security guards so that they can carry out construction and other projects. There have been reports including one received through our Hotline from a U.S. contractor that some of the security is provided by people connected to the Taliban and that U.S. reconstruction funds are flowing through those sources to the Taliban. Today, SIGAR has three auditors in Afghanistan reviewing how the U.S. government and reconstruction contractors are providing for contractor and project security. We are looking at how each U.S. agency contracts for its security needs and the degree of oversight it exercises over its contractors. Based on our preliminary work there are at least 14,000 private security contractors working directly for U.S. agencies. But the U.S. government does not know how many other persons are providing protection services to contractors working on reconstruction activities or who these people are. This is a major concern that needs extensive oversight. Over time, we expect our work to identify policy issues associated with private security contractors, as well as issues associated with specific contracts, such as contract management and contractor performance and compliance with requirements for transparency and accountability.

## GOVERNANCE AND ECONOMIC DEVELOPMENT

The U.S. strategy calls for increased investment in programs to improve governance and spur economic development, accompanied by a surge of civilian personnel. It also calls for greater

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<sup>1</sup> The International Security Assistance Force (ISAF) is led by NATO and supports the Afghan Government with military and security assistance.

Afghan participation in the reconstruction of their country. Since the President announced the new U.S. strategy, the Administration has focused on two governance issues. The first was supporting the Afghan effort to conduct credible presidential and provincial council elections. The United States viewed last month's elections, the first to be managed by the Afghans, as a key strategic event in Afghanistan. The second issue is corruption, which is seen as undermining every aspect of the reconstruction effort as well as the overall credibility of the Afghan government.

SIGAR is providing oversight in both these areas. We just completed an audit of the election process and we have launched an anti-corruption initiative that will assess the performance and capability of various Afghan government institutions at the national and provincial level to apply internal controls, mitigate risks of corruption, and improve accountability over U.S. and other donor funds. Today, I have two auditors looking at the capabilities and performance of Afghanistan's High Office of Oversight and what the United States and other donors are doing to strengthen it.

SIGAR is also assessing U.S. management controls and oversight of key programs, assessing coordination and effectiveness of development projects and program sectors, inspecting infrastructure construction and management of Provincial Reconstruction Teams, investigating criminal misconduct, and measuring Afghan perceptions.

#### Assistance to Elections

SIGAR has followed the election process closely and we provided an initial report to the U.S. Embassy in Kabul in July 2009. Our second report on the election process, which will be issued later this month, identified international assistance for Afghanistan's 2009 elections and the extent to which this assistance was used to strengthen the capacity of Afghanistan's Independent Election Commission.

U.S. and donor assistance for the elections was about \$485 million. The United States, a major donor, contributed over half – about \$260 million. SIGAR reported that the Afghan electoral institution faces significant challenges, particularly for the 2010 district and parliament elections, because it lacks expertise and resources to conduct future elections without continued international support. Sustainable electoral capacity is of key importance in lessening dependence on international aid for future elections. SIGAR is making recommendations to the U.S. Ambassador in Afghanistan to assist the Afghan government to jointly develop, with the United Nations and key stakeholders, an overall strategy and detailed plan for building and sustaining electoral capacity.

In October, SIGAR expects to issue a report on the participation of women in the presidential and provincial council elections. Early next year we plan to complete a final report on the results and conduct of the August 2009 elections, including lessons learned.

## Afghan Internal Controls, Accountability, and Anti-corruption

The U.S. government has determined that strengthening Afghanistan's institutional ability to prevent corruption is a priority of the reconstruction program. The government of Afghanistan has also appealed to various U.S. government officials to help strengthen its capacity to establish internal controls and improve accountability, both of which are important deterrents to corruption. In fact, the President of Afghanistan and the Minister of Interior directly asked the Special Inspector General for help in this area. Because SIGAR believes that internal controls, effective anti-corruption measures, and strong accountability, together, are essential to the success of the reconstruction effort, we have launched a major initiative to review what the U.S. and other international donors are doing to build anti-corruption measures within the Afghan institutions. In addition, our work will assess the internal controls and accountability exercised by key Afghan governing institutions at the provincial and national level.

Earlier this month SIGAR began an audit of U.S. and other donor efforts to strengthen the capabilities of Afghanistan's High Office of Oversight.<sup>2</sup> This office coordinates and implements both the country's anti-corruption strategy and its administrative reforms. During the conduct of this and similar audits of other Afghan government institutions, we believe that our oversight will help inform Afghan officials of areas of deficiency in oversight and accountability. Although SIGAR will not conduct training, our audit process will help Afghan officials, as well as U.S. and other international donor personnel, to better understand the importance of internal controls, accountability, and strong anti-corruption measures.

In August, SIGAR issued the first in what will be a series of reports on aspects of U.S. efforts to deter corruption and strengthen the rule of law. This report found that insufficient funding and inadequate provision for utilities delayed construction of detention facilities urgently needed at the Counter-Narcotics Justice Center in Kabul. As a result, funds meant to build essential prison cells had not been used. This center, a critical component of the U.S. and Afghan counter-narcotics efforts, has exclusive nationwide jurisdiction over significant narcotics cases. Delays in expanding its capacity could adversely affect U.S. and Afghan government efforts to combat the illicit drug trade in Afghanistan. Both the State Department and the U.S. Army Corps of Engineers concurred with SIGAR's assessment and indicated they would work closely together to overcome obstacles so that construction of needed facilities can proceed.

### Management and Oversight of Key Programs

SIGAR is tackling this issue through a series of audits that assess management controls. SIGAR just issued a report on the Commander's Emergency Response Program (CERP) in Afghanistan, which is intended to fund primarily small-scale humanitarian and reconstruction programs at the local level. The Defense Department has provided \$1.6 billion for CERP projects in Afghanistan since 2004. SIGAR found that while the Defense Department has established procedures to

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<sup>2</sup> The High Office of Oversight (HOO) is an Afghanistan Government entity reporting to the President that oversees the implementation of the Anti-Corruption Strategy and coordinates the implementation of administrative procedural reform in the country.

ensure proper controls and accountability for CERP funds, those procedures have not been consistently implemented. In addition, the management of CERP has insufficiently focused on the monitoring of project completion and results, in favor of meeting the requirements for the obligation of funds. To improve the management of CERP and ensure sufficient oversight of funds, SIGAR has recommended that the Commander of USFOR-A develop a process to systematically collect and track information on CERP projects; implement a solution for centralizing CERP records; and develop a plan to address the management of large-scale projects of \$500,000 or higher. Our report will be issued this week.

### Coordination and Effectiveness of Reconstruction Programs

U.S. and other donor funds are essential to rebuilding Afghanistan. As the amount of funding increases, so does the importance of coordinating activities. Without an effective management information system or other means to provide a complete view of reconstruction efforts undertaken by the various entities operating in Afghanistan, there is an increased chance of duplication of efforts, conflicting ventures, and wasted resources. In July, we recommended that the U.S. civilian agencies and military commands work together toward developing an integrated management information system to provide a common operating picture of reconstruction programs and projects.

In addition to coordinating among U.S. agencies, the U.S. strategy calls for greater coordination and cooperation with the international community. This is one reason why we have initiated a series of audits of individual development sectors. In our first audit of this type, we are reviewing U.S. and other donor assistance to the energy sector and how effective it has been. Our report will be issued in October.

### Infrastructure Construction

Billions of dollars have been spent to construct roads and buildings in Afghanistan, and U.S.-funded construction continues in many parts of Afghanistan. We have hired engineers, inspectors, and auditors to work together to inspect the infrastructure projects to determine whether or not the construction meets articulated standards and that the facilities are being used as intended. Our initial observation is that there has been too little attention paid to sustainment of these projects following the handover. Our first infrastructure inspection of the Khowst Power Plant identified this as a concern and recommended that sustainment be considered for each contract going forward. Investing U.S. taxpayer dollars in projects that are not maintained will be wasteful and will not contribute to U.S. goals for Afghanistan.

SIGAR is currently completing draft reports for agency comment of five infrastructure inspections. These include a \$6.6 million road project, and a series of four different school projects. We will release these reports in the fall.

SIGAR has just completed a site visit of the Kabul Power Plant and Switchyard and has three inspectors who are reviewing the development of contract requirements, including involvement of Afghan government officials, contractor compliance with contract terms and specifications,

and whether or not the Afghans have the capacity to maintain the facility, which represents a major investment of U.S. taxpayer funds.

### Management of Provincial Reconstruction Teams

The U.S. strategy relies heavily on Provincial Reconstruction Teams (PRTs) to improve governance and development throughout the country. Under the new strategy, additional U.S. civilian personnel will be sent to work at the PRTs. SIGAR is inspecting the management and operational capabilities of these teams. We will issue reports on these inspections next month. SIGAR auditors will also assess the effectiveness of the PRT concept in bringing governance and development to the provinces. This oversight by our inspectors and auditors will enable SIGAR to assess the impact of the civilian surge on governance and economic development over time.

### Criminal Misconduct

Identification, investigation, and prosecution of fraud, waste, and abuse are integral components of SIGAR's oversight mission. SIGAR, in concert with the federal law enforcement community, through the International Contract Corruption Task Force, is aggressively pursuing allegations to ensure that the United States achieves maximum results on criminal, civil, and contractor debarment remedies. SIGAR is committed to maximizing recoveries to the United States and cost avoidance. Between SIGAR and the Task Force partner agencies, there are approximately 24 agent investigators in Afghanistan. SIGAR investigators have initiated over 30 criminal inquiries 25 of which are active cases. At least 35 federal prosecutions have been opened against either individuals or contractors. One recent investigation resulted in the conviction of two Afghan-Americans offering bribes related to fuel shipments. Another case, related to logistics support, has resulted in cost avoidance for the United States of over \$4 million. As investigations increase, we expect convictions, recoveries, and contractor debarments to increase.

### Afghan Perceptions

The U.S. strategy includes the development of a communications plan to reach out to the Afghan public as part of the counter-insurgency effort. SIGAR recognizes that how Afghans perceive reconstruction is critical to the success of the new U.S. strategy. We are currently developing a poll designed to elicit Afghan views of the U.S. and international effort to rebuild their country. The survey results will supplement our oversight work to better focus the reconstruction effort.

### COORDINATION OF OVERSIGHT

The Inspectors General community is acutely aware of the need to coordinate our work to avoid duplication, reduce demands on the agencies operating out of the U.S. Embassy and the PRT's and elsewhere, while also ensuring broad oversight. SIGAR is a member of the Southwest Asia Joint Planning Group (SWAJPG) as well as the Pakistan/Afghanistan subcommittee of the SWAJPG that coordinates oversight activity in Afghanistan and Pakistan. In addition, SIGAR notifies the Inspectors General community and the Government Accountability Office in advance of the scope and objectives of our planned audits and inspections. This process has proved very effective and enabled SIGAR to alter the objectives and scope prior to starting work,

based on information from other oversight institutions on their ongoing and planned work. This has avoided duplication of work.

### SIGAR IS ACHIEVING RESULTS

We are a new organization. SIGAR received its initial funding about a year ago. Our mission is difficult and dangerous as much of our work is conducted in a war zone. It has taken time to establish our offices and hire the people who are capable and willing to do this work. Notwithstanding, we have made huge strides and we are producing results. As of September 4, 2009, we have issued four quarterly reports required by our legislation, and five audit and inspection reports--each with recommendations for change. Another two draft reports are at U.S. agencies for comment. We have over 12 ongoing audits and inspections and we expect to issue five or more reports before the end of this month. SIGAR's investigative work has resulted in over \$4 million in cost avoidance and incarcerating 2 people; and our investigators are working 25 active cases. We have 19 staff in Afghanistan asking questions, developing evidence, and writing reports. And we have a Hotline in the U.S. and Afghanistan so that people can report allegations of fraud, waste, and abuse.

But our impact is more than just this. U.S. agencies in Afghanistan and in Washington and their civilian and military personnel know we are looking at the reconstruction programs—how the programs are managed, if they are effective, and if they are subject to waste and corruption. The Afghan Government also knows that we are on the scene. This presence, we believe, has a deterrent effect.

My office is currently providing oversight of many of the priority issues that the U.S. government has identified as central to its new strategy. We believe that robust oversight is essential for the successful implementation of reconstruction programs in Afghanistan and we are working hard to provide it.

I welcome your questions.