

Afghanistan Contracts: An Overview
Ad Hoc Subcommittee on Contracting Oversight
December 17, 2009
Remarks by Deputy Special Representative for
Afghanistan and Pakistan Dan Feldman

Chairman McCaskill and Ranking Member Bennett:

Thank you for your invitation to appear before this subcommittee to discuss our efforts to enhance oversight and accountability for development and reconstruction contracting in Afghanistan. As you know, this is a complex topic with many agencies owning various aspects of it. The State Department's Office of the Special Representative for Afghanistan and Pakistan has a role in formulating broader policy, and then in reviewing and approving contracts, while our Embassy in Kabul and our USAID colleagues can speak more directly to the challenges related to implementation. Yet other colleagues can speak more closely to the situation in Afghanistan as it compares to Iraq.

As Secretary Clinton noted in her recent appearance before the Senate Foreign Relations Committee, the Obama Administration inherited an under-resourced civilian effort in Afghanistan. As a result, efforts since 2001 have fallen short of expectations. Over the past ten months, we have conducted a broader review not only of our assistance objectives, but also *how* we go about delivering our assistance programs. The result of this review is a new, more focused and effective assistance effort aligned with our core goal of disrupting, dismantling, and defeating al-Qaeda. Additionally, our assistance is increasingly implemented in partnership with the Afghan government and local Afghan implementing partners.

While we have not resolved all of the problems that we uncovered, I believe we now have a more robust system of review, management, and oversight in place that will deliver improved results over the next 12-18 months.

Let me briefly outline a few aspects of our new approach.

Goal of U.S. Assistance in Afghanistan

Our civilian assistance in Afghanistan aims to build the capacity of key Afghan government institutions to withstand and diminish the threat posed by extremism. Short-term assistance aims to deny the insurgency foot soldiers and popular support by focusing on licit job creation, especially in the agriculture sector, and improving basic service delivery at the national, provincial, and local levels; long-term reconstruction efforts aim to provide a foundation for sustainable economic growth.

To achieve these goals – and maximize the effectiveness of our assistance – we have pursued: (1) smaller, more flexible contracts; (2) decentralization; (3) increased direct assistance; and (4) improved accountability and oversight.

Smaller, More Flexible Contracts

We are shifting away from large U.S.-based contracts to smaller, more flexible reconstruction contracts with fewer sub-grants and sub-contracts that enable greater on-the-ground oversight. The premise behind this flexibility is simple: in a dynamic conflict environment like Afghanistan, we need to be able to adapt our programs as conditions change on the ground. These smaller contracts and grants will be managed by U.S. officials in the field, closer to the actual activity implementation, making it easier for those same officials to direct, monitor, and oversee projects to ensure the proper use of taxpayers' funds. In most cases, these contracts are implemented by local Afghan personnel. And if programs are not producing the anticipated results, our personnel now have increased authority to direct corrective actions.

Decentralization

USAID officials posted to regional civilian-military platforms bring with them funding and flexible authorities to enhance the responsiveness of programs and better coordinate local Afghan priorities. We have found that not only does a decentralized programming platform enhance development activities at the provincial and district level, but that it is also more cost effective. Moreover, decentralizing assistance makes it easier for local Afghans and U.S. officials in the field working with them to oversee and monitor the success of our programs and to prevent fraud.

Increased Direct Assistance

We are also decreasing our reliance on large international contractors and building Afghan institutional capacity by increasing our direct assistance through Afghan government mechanisms in consultation with Congress. This includes increased U.S. contributions to the World Bank administered Afghanistan Reconstruction Trust Fund, which includes the National Solidarity Program. To receive direct assistance, Afghan ministries must be certified as meeting accountability and transparency requirements. Support to the Afghan Civil Service Commission increases the professional skills and leadership within the Afghan government, enabling Afghans to increasingly assume responsibility for their country's economic development. Our goal is to have up to 40 percent of U.S. assistance delivered through local entities (Afghan government or local NGO) systems by December 2010 and to certify six of the core Afghan ministries in the same time period.

Improved Accountability and Oversight

At the start of our contracting review, Ambassador Holbrooke and Deputy Secretary Lew sat down and reviewed every major contract to ensure that they were aligned with the strategy that the President had announced in March 2009. They focused on ensuring that our new contracts introduced mechanisms to improve performance and significantly decreased the overall percent of multi-year contracts to U.S. entities. While Washington remains closely involved in the contract review process, Ambassador Tony Wayne – our Coordinating Director for Development and Economic Assistance in Kabul – now has day-to-day responsibility for reviewing each contract to ensure adherence to our national security goals.

Recognizing that the substantial international assistance to Afghanistan has the potential to contribute to corruption, we have deployed a sizable number of new direct hire contracting personnel to enhance oversight of programs as well as additional technical staff in the field to monitor program implementation and impact. USAID and Mission staff throughout Afghanistan are now reporting on a regular basis to Ambassador Wayne's office on implementation of programs. While this is a work in progress, we have already seen improved oversight capabilities resulting from the assignment of additional civilian personnel to ministries and PRTs – be they auditors, technical advisors, or Foreign Service Officers. Most importantly, all of our civilian personnel understand that it is their responsibility to identify and report on specific allegations of corruption for further investigation.

The Special Inspector General for Afghan Reconstruction's (SIGAR) is Congress' eyes and ears on the ground in Afghanistan, and we support its role in evaluating internal controls and implementation of assistance programs.

Conclusion

The Secretary and all of us who work on Afghanistan believe we have a duty to ensure that the resources provided by the Congress and the American people are used for the purposes intended and approved by the Congress. The reforms that we have implemented will, over time, decrease overhead and related costs for assistance programs, increasing the amount per dollar of U.S. assistance directly benefiting the Afghan people and Afghan institution.

Afghanistan is a complex, dynamic, and difficult operational environment, and that constrains our ability to sometimes provide the high level of oversight of projects that we would otherwise require. But we are making every effort to ensure that the required operational flexibility is matched with the highest dedication to accountability. And we are committed to taking the necessary corrective actions when a problem occurs.