**Statement for the Record**

**United States Agency for International Development**

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**Before the Senate Foreign Relations Committee**

**"The Transition in Afghanistan"**

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Chairman Menendez, Ranking Member Corker, and Members of the Committee, thank you for allowing me the opportunity to testify before you today to discuss the role of the U.S. Agency for International Development (USAID) in advancing U.S. Government policy through USAID's civilian assistance program during the transition in Afghanistan. It is an honor to appear before you today with Ambassador Dobbins.

USAID has been fully engaged in Afghanistan for 12 years, and during that time Afghanistan has made remarkable development gains in many sectors. This transition period is a pivotal moment for Afghanistan, in anticipation of which USAID has been planning and adjusting its programming to maximize sustainability and accountability.

I have been working on and in Afghanistan in both civilian and military capacities since 2002. In addition to having worked with the Afghan Constitutional Loya Jirga and the Afghan Emergency Loya Jirga, I have served as a representative of an international non-governmental organization, and as chief of staff of the U.N. Assistance Mission to Afghanistan. I bring these perspectives to USAID's work today.

Continued U.S. engagement is critical to Afghanistan's stability and to protecting the vital interests of our own country. Improving governance, creating economic opportunity, and supporting civil society are critical to solidifying our military gains and advancing our political

and diplomatic goals for Afghanistan and the region. In order to achieve these goals, USAID has reoriented its assistance program to lessen its stabilization work and place an even greater emphasis on long-term, sustainable development programming.

**USAID and Results**

After the fall of the Taliban regime, I saw firsthand an Afghanistan devastated by decades of conflict. The unprecedented investment by U.S. taxpayers and the international community, in partnership with the Afghans, has created transformational changes in Afghanistan that are reflected in the United Nation's 2013 Human Development Index. Afghanistan improved its score more than any other country in the index since 2000 on a percentage basis: a nearly 60 percent increase. Although Afghanistan had a very low starting point, the upward trends show powerful aggregation over a decade and strongly reflect areas of USAID investment.

Changes of this magnitude are not made overnight, especially in such a deeply traditional society and challenging operational environment. The results of international civilian assistance, led by USAID in concert with the broader U.S. Government, are significant, though fragile:

- Education: In 2002, there were only 900,000 Afghan children in school, and virtually none of them were girls. Today, nearly 8 million children are registered to attend school and more than one-third of them are girls.

- Health: Life expectancy has increased from 42 years to over 62 since 2001; the maternal mortality rate has declined by 80 percent from 1,600 deaths to 327 per 100,000 births; and child mortality decreased from 172 to 97 deaths per 1,000 live births.

- Energy: In 2002, only 6 percent of Afghans had access to reliable electricity. Today 18 percent do. In addition, USAID assistance has helped put the Afghan national power company (DABS) on a path to become fully self-sustaining. DABS collected $220 million from the sale of electricity in 2012, an increase of 67 percent from 2010.

- Mobile Technology: In 2002, there were few fixed telephone lines and making calls outside of Afghanistan required a satellite phone. Today, the combined phone network covers 90 percent of the Afghan population. 85 percent of women have access to a mobile phone. The telecommunications sector is Afghanistan's greatest source of foreign direct investment, largest remitter of taxes to the government, and biggest licit employer, providing jobs for 100,000 Afghans.

- Women: Today, there are over 3,000 women-owned business and associations; almost 20 percent of Afghans enrolled in higher education are women; and women are active participants in the Afghan political process, with three female Cabinet members of the Afghan Cabinet, 68 Members of Parliament (of the 249 seats), and three women vice presidential candidates.

**USAID Transition Strategy**

Over the last two years USAID has regularly reviewed and adjusted its programs to ensure that they advance the Administration's strategic objectives and are necessary, achievable, and sustainable. USAID's transition strategy is three-fold:

- Maintain and make durable the gains made in health, education, and the empowerment of women;
- Mitigate the economic impact of the drawdown through a robust focus on the agriculture sector, private sector development, the operations and maintenance of infrastructure investments, and the future potential of the extractives industry; and,
- Foster improved stability by supporting legitimate and effective Afghan governance, including the 2014 presidential election.

Operationally, USAID has adjusted its implementation model to improve sustainability and meet the challenges presented by the transition through:

- Focusing assistance in Regional Economic Zones (REZs) that cover major population centers and promote regional trade and economic opportunities;

- Developing a multi-tiered oversight strategy that, along with other monitoring and evaluation efforts, will continue to ensure adequate oversight over projects in the field, as field staff decrease;
- Transforming USAID's approach in Afghanistan to one of mutual accountability, ensuring alignment with Afghan priorities and promoting Afghan reforms; and
- Implementing USAID's 2011 Afghanistan Sustainability Guidance, which emphasizes the principles of (1) increasing Afghan ownership and capacity; (2) contributing to stability and confidence, and (3) effective and cost-efficient programming.

With these parameters in mind, USAID works in coordination with the U.S. Government interagency and the Afghan Government to review and revise USAID's Afghanistan portfolio. For example, in consultation with the Government of Afghanistan in 2012, USAID substantially downscaled a five-year, $32 million agricultural faculties program found to be duplicative of efforts by another donor.

Sustaining the development gains made over the past decade will require continued reforms by the Afghan Government. USAID is active in promoting these necessary reforms in coordination with our international partners through the Tokyo Mutual Accountability Framework (TMAF). As part of TMAF, USAID has established a bilateral incentive fund to encourage action on key reforms. Funds will be released as the Afghan Government meets certain thresholds of progress on the key TMAF indicators.

For instance, as a result of the Afghan government's progress in meeting commitments related to the upcoming elections, USAID is preparing to release $15 million (out of the $75 million in incentive funds for this year) through the World Bank's Afghanistan Reconstruction Trust Fund (ARTF). The Afghanistan Ministry of Finance is now working with other Ministries to undertake agreed reforms to ensure that the remaining $60 million of U.S. incentive funds for this year are focused on Afghan priorities. In addition, the United States coordinates closely with the Afghan Government and other donors to prioritize reform objectives and coordinate other incentive programs, including those that are part of the ARTF.

Throughout this transition, USAID continues to closely coordinate with the Departments of Defense and State and other relevant agencies. For example, USAID has placed Liaison Officers with both the International Security Assistance Force (ISAF) Joint Command and the Special Operations Joint Task Force to advise these commands on the design and implementation of development projects. USAID has two representatives on the Department of Defense's Commanders Emergency Response Program board, and these positions ensure the Agency's visibility on proposed military development projects and synergies of such projects with USAID's programming. USAID also participated in the Department of State-led "Transfer of Tasks" exercise, which helped to inform the U.S. Embassy and USAID Mission on how to responsibly transfer development-related activities undertaken by ISAF to other U.S. Government entities or to the Afghan Government. Throughout this process, USAID has drawn on lessons learned from the Iraq experience to help navigate the transition period.

**Oversight and Accountability**

USAID places the highest priority on ensuring that American taxpayer funds are used wisely, effectively, and for their intended purpose. While many of the issues in Afghanistan are unique to that country, monitoring projects in very challenging environments is something the Agency has been doing for years in many places around the world.

In addition to the usual oversight USAID undertakes in every country where it works, USAID's Accountable Assistance for Afghanistan initiative (known as A3) focuses on four areas:

1. Award Mechanisms – We rely less on large agreements and have increased the number of smaller and more flexible agreements. We are also utilizing assistance awards that provide the most visibility on project costs, such as cost-reimbursable contracts and limiting layers of subcontracts to two.

2. Partner Vetting – The USAID Mission established a Vetting Support Unit in February 2011. The unit conducts checks on non-U.S. companies and non-U.S. key individuals for prime contractors, sub-contractors, grant recipients and sub-grantees to determine whether or not they

are associated with known malign entities or individuals. We have kept $41.5 million from being awarded as a result of our vetting process.

3. Financial Controls – We are enhancing controls on project funds, such as using electronic funds transfers in lieu of cash payments, using independent financial 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.

4. Project Oversight – USAID uses a multi-tiered monitoring approach that includes, as appropriate, independent monitoring contractors; observation by U.S. Government staff; reporting by implementing partners, local non-governmental organizations and civil society; and use of technological tools, such as time- and date-stamped photos. By using multiple sources of monitoring data, USAID can compare information received from separate sources to ensure the greatest degree of oversight possible.

USAID will terminate projects, or specific activity sites within projects, if the Agency determines that adequate oversight is not possible or adequate development progress is not being made. In designing the Afghanistan monitoring strategy, USAID incorporated lessons learned from its use of third-party independent monitoring in challenging environments across the world, including Colombia, Iraq, Pakistan, and South Sudan, as well as from the USAID Office of Inspector General (OIG) and U.S. Government Accountability Office (GAO) audits, as well as public feedback.

USAID has also developed a new unit at the Mission, the Implementation Support Team, which is responsible for providing an additional layer of critical review and analysis for the many streams of monitoring information and for providing USAID leadership with alternative courses of action for addressing challenges with project implementation. In addition, USAID is continuing its close coordination with other donors to share best practices and expertise on monitoring.

USAID also has a rigorous system of oversight for its "on-budget" programming with the Afghan Government. This means that USAID conducts assessments to ensure that each Afghan ministry or entity has systems in place to manage on-budget assistance. To date, USAID has assessed thirteen ministries, but has limited its on-budget assistance to six ministries, subject to stringent safeguards.

For "on-budget" assistance, USAID utilizes multiple levels of protection to mitigate risks before disbursing any funds. These measures may include, but are not limited to, requiring the Afghan Ministry of Finance to establish non-commingled, separate bank accounts for each project with USAID; disbursement of funds only after USAID has verified that the ministry has achieved a performance milestone or USAID has verified accrued costs; an annual audit by a USAID OIG-approved firm; substantial involvement and oversight by USAID staff in procurement processes; independent management, monitoring and evaluation of services; and technical assistance to increase the capacity of ministries while addressing any vulnerabilities or weaknesses identified in the assessments. All "on-budget" assistance requires compliance with USAID accountability and oversight procedures, including site visits to ministries by USAID staff or independent contractors, as well as regular reporting. Ministries are required to fully comply with the mitigation measures prior to and throughout the disbursement process. If Afghan ministries fail to adhere to these measures, the agreements are subject to immediate suspension or termination.

For example, USAID has worked closely with the Ministry of Education to assess its financial management systems, implement extensive mitigation measures for the risks these assessments identified, and audit their progress and monitor results. USAID negotiated a stringent series of preconditions and financial controls pursuant to the launch of a $27 million textbook printing program, part of the Basic Education, Literacy, and Technical Vocational Education and Training Project. The specific steps USAID required to mitigate these risks included use of a non-commingled separate bank account from which all project disbursements are to be accounted for; an annual audit including quarterly audit testing of all project disbursements under the agreement by an OIG-approved certified public accounting firm; and USAID involvement and mandatory clearance of the textbook procurement cycle for each separate procurement undertaken under the agreement. USAID subsequently obligated a total of $20 million towards the agreement, and to date $11.7 million has been disbursed.

Finally, audits provide useful oversight and discipline, and complement and reinforce USAID's own efforts to ensure U.S. tax dollars are used effectively and efficiently. There are currently over 100 on-going audits of USAID programs in Afghanistan. In fiscal year 2013, the GAO, USAID OIG, and Special Inspector General for Afghan Reconstruction (SIGAR) completed over 65 financial and program audits in Afghanistan.

Oversight is a process that requires continual re-examination and the ability to adjust to new circumstances as they arise. Although there are inherent risks in doing business in a country like Afghanistan, we work hard to ensure taxpayer dollars are adequately protected while carrying out a vital component of the U.S. Government's national security policy.

**Afghanistan 2014 Elections: USAID's Role**

A credible, transparent, and inclusive electoral process is central to the U.S. Government's transition strategy and critical to Afghan stability and democratic development. Afghanistan has made significant progress, with support from USAID, towards holding elections in April 2014: two key election laws were passed over the summer, marking the first time the Parliament directly approved the electoral process. Commissioners to the Independent Electoral Commission (IEC) and the Independent Electoral Complaints Commission (IECC) have been appointed through a consultative process, and have proceeded to implement responsible plans for conducting polls for the April 5 vote. Candidates registered for the Presidential and Provincial Council elections in an orderly fashion, and the final candidate lists were prepared after complaints were addressed by the appropriate Afghan institutions. In short, there has been significant progress on multiple elements of the necessary electoral machinery, pointing toward a timely and credible election this spring.

USAID, in coordination with partners in the U.S. Government and the international community, remains focused on supporting an inclusive and democratic process by supporting Afghan electoral authorities and by building the capacity of democratic stakeholders in Afghanistan to participate in a robust and informed way. USAID is the lead donor to the IEC and IECC through

the United Nations Development Programme (UNDP) ELECT II basket fund, which provides expert advice and mentoring to the IEC and funds key election procurement, training, and logistics. USAID is also funding IECC activities through the UNDP ELECT II basket fund. In addition to the electoral authorities, USAID supports independent domestic observers, civil society, media, and political parties, helping them appropriately engage in the democratic process.

USAID is supporting the participation of women in all aspects of the electoral process: promoting the hiring and training of female polling staff; promoting public outreach to women voters by civil society and public officials; and enhancing the ability of women candidates to campaign effectively.

Despite many existing and potential challenges, Afghans have demonstrated through every stage of the election planning process that they see a successful election as the only acceptable option to decide the leadership of their next government. The U.S Government, through USAID and other departments, is providing across-the-board support to help ensure this happens.

**Conclusion**

USAID always keeps in mind the enormous sacrifices made by Americans to build a secure and stable Afghanistan, and we fully understand the need for constant vigilance, particularly during this delicate transition period.

Throughout our efforts, we are applying important lessons from the past twelve years in Afghanistan, as well as from other high-risk environments in which USAID has worked. Weaning Afghanistan from unsustainable levels of assistance is necessary for us, and essential for them, and we are making tough decisions and prioritizing investments that have the greatest potential for long term sustainability. As USAID navigates through the 2014 transition period, we are committed to expending every effort to safeguard taxpayer funds and ensure that the remarkable development progress in Afghanistan is maintained and made durable.

Denying Al Qaeda a chance to rebuild in Afghanistan remains America's primary mission in that country, and the programs implemented by USAID are essential elements to the success of that goal, particularly through the transition period.

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 that you may have.