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EFFECTIVE COUNTERINSURGENCY: HOW THE USE AND MISUSE OF RECONSTRUCTION FUNDING AFFECTS THE WAR EFFORT IN IRAQ AND AFGHANISTAN

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED ELEVENTH CONGRESS
FIRST SESSION

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MARCH 25, 2009

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EFFECTIVE COUNTERINSURGENCY: HOW THE USE AND MISUSE OF RECONSTRUCTION FUNDING AFFECTS THE WAR EFFORT IN IRAQ AND AFGHANISTAN

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, March 25, 2009.

The committee met, pursuant to call, at 10:00 a.m., in room 2118, Rayburn House Office Building, Hon. Ike Skelton (chairman of the committee) presiding.

OPENING STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Good morning. Today, the House Armed Services Committee meets to take testimony on Effective Counterinsurgency: How the Use and Misuse of Reconstruction Funding Affects the War Effort in Iraq and Afghanistan.

We are very fortunate to have three extremely qualified witnesses to help us here today: Stuart Bowen, Special Inspector General for Iraq Reconstruction (SIGIR); Major General Arnold Fields, the Special Inspector General for Afghanistan Reconstruction (SIGAR); and Jacqueline Williams-Bridgers, Managing Director for International Affairs and Trade at the Government Accountability Office, the GAO.

Recently, the United States has engaged in two counterinsurgency operations, Iraq and Afghanistan. And while the campaign in Iraq is winding down somewhat, we are expecting a new strategy that will reinvigorate our efforts in Afghanistan to be announced in the next few days. We, of course, all look forward to that. This makes today's effort so very, very important.

Both SIGIR and GAO have written and testified repeatedly about the problems in the U.S. efforts to rebuild Iraq. Among many other problems, at some point during the war in Iraq, the reconstruction effort suffered from poor financial controls, poor interagency coordination, which we are very concerned about in this committee, and a lack of strategic planning, which we have all been concerned about for some time.

While to some extent these problems were addressed over time in Iraq, we must ensure that the lessons that we learned there, at great expense, are not lost. So often we do not learn the lessons of the past, and we, on this committee, are very familiar with that.

To help ensure that we do not experience the same problems in Afghanistan that we did in Iraq, this committee, as part of the Fiscal Year 2008 National Defense Authorization Act (NDAA), created the position of the Special Inspector General for Afghanistan Re-

construction, or SIGAR. As the President will announce the new strategy shortly, it is our hope that SIGAR will help to take a critical look at the efforts in Afghanistan to ensure they are properly coordinated.

At the same time, many people have heard the concern that, in Afghanistan, we are faced with a proliferation of auditors that we did not face in Iraq when the SIGIR began its important work. I am hopeful that our witnesses will take the time to address the difficult trade-offs between full accountability on the one hand, and the flexibility needed in a war zone, and the coordination that we need between auditors, on the one hand, to ensure that we do not stifle creativity and the work product.

I would also like to note that many of the lessons learned in Iraq, as pointed out by the GAO and then SIGIR, may be applicable to the future as we consider ways to reform the interagency system. We reiterate the problems with the interagency system. We have done something on that in last year's bill. We hope to continue on work on that.

It is my hope that the testimony and discussion here today will help us understand these issues and problems and potential solutions. I appreciate the witnesses that we have. We realize you are the best at what you do, and we appreciate it very, very much.

With that, John McHugh, Ranking Member, please.

STATEMENT OF JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. MCHUGH. Thank you, Mr. Chairman.

And like you, Mr. Chairman, I certainly want to welcome our witnesses. I think your closing comments encapsulated their skills and their expertise very well. And we are truly fortunate today to have the benefit of their testimony as we go forward on this very important issue.

And let me, in that regard, Mr. Chairman, compliment you on holding this hearing. As you noted, sir, we hope that the product of today's efforts will help us as we prepare for the 2010 budget in the wartime supplemental spending bills which will be before us in pretty short order.

This committee spent a whole lot of time, rightfully so, and a whole lot of energy focusing on the allocation of reconstruction funding in both Iraq and Afghanistan. And in that process, we have used the good work of these fine people that have joined us here today, the GAO, the Inspector General for Iraq, and of course now the Inspector General for Afghanistan, as we have tried to implement their recommendations and their oversight findings into both our hearings as well as ensuing legislation.

As you noted, Mr. Chairman, one of the direct results of those experiences was, indeed, our efforts back in the 2008 Defense bill to create the Special Inspector General for Afghan Reconstruction, something that I think was both very wise and something we take great pride in.

As we look at the work of their assembled efforts, it seems that one indisputable conclusion has been revealed: more work needs to be done. And I know that sounds like we are stating the obvious,

but I don't think it is ever a fruitless effort to remind ourselves that we have much business before us.

And although we have been at this now for nearly a decade, as SIGIR Bowen's testimony reveals, we have not yet internalized effectively the difficult lessons that are out there for us to embody. And frankly, I am unsure if the fundamental problem is that we are simply bad at doing contingency relief and reconstruction, or we simply lack a policy to institutionalize the best practices for this kind of work. I hope it is the latter, but that is one of the primary reasons, of course, we are here today.

SIGAR and GAO's reports suggest we are too reliant on personalities and lack the organizational structures required for an expeditionary post-conflict reconstruction. They contend that we need to put an end to the culture of improvisation when managing contingency operations, exigencies of the battlefield notwithstanding.

If the problem is rooted in policy, then simply we on this panel and in this Congress need to act. The House and the Senate has appropriated some $48 billion for Iraq reconstruction since 2003 and $32 billion for Afghanistan since 2001, and a large slice of these funds has gone to the security sector.

In Iraq, we will continue to assist that nation with their security forces for the foreseeable future. At the same time, building up the Afghan national security forces is a vital element of our counter-insurgency there. In other words, this work is essential, and we cannot afford any longer the inefficiencies and waste that has riddled our past efforts. And toward that end, I am certainly interested in hearing from Inspector General (IG) Fields and how SIGAR has used the *Hard Lessons* from Iraq and applied them to Afghanistan. Where these lessons don't apply, I know we would all be interested in learning why and what steps we may be able to proactively take to avoid any pitfalls in the path ahead.

So a lot of interesting work behind us. A lot of interesting discussion I hope today. And again, I thank all three of you for being here.

And with a final word of appreciation to you, Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. Well, I thank the gentleman. We are off to an excellent start.

We, again, are very pleased with the panel, and we look forward to your testimony.

And without objection, each of your testimony will be entered in the record.

Stuart Bowen, you are on.

STATEMENT OF STUART W. BOWEN, JR., SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

Mr. BOWEN. Thank you, Chairman Skelton, Ranking Member McHugh, members of the committee, it is my pleasure to address the issue before the committee today, the use of reconstruction funds in contingency operations, in particular in Iraq, an issue I have been reporting on for over five years now.

Let me start by putting my comments in context. Six years ago this day, the United States forces were engaged in the bloodiest fire fight of the invasion, in the Euphrates Valley around Najaf.

Baghdad would fall two weeks later. Five years ago, I had just returned from my second trip to Iraq, having seen a deteriorating security situation and beginning the process of issuing my first quarterly report on a reconstruction program that had expanded tenfold from what had been planned to $20 billion, now $50 billion.

One year ago yesterday, a rocket attack on the Green Zone took the life of one of my auditors who was working on an audit of a significant contract regarding that $50 billion. That context sets an important tone for analyzing what happened in Iraq, and that is, security drove up the cost of everything.

I just returned from my 22nd trip to Iraq, and the security situation is much better there today than it was a year ago, much better than three years ago and five years ago. It still is not a safe place. It is still a dangerous place to work. I traveled out to Anbar to visit a project and to get their required significant security detail and major planning. But it is much safer today than it was.

There is another stark reality that has caused the misuse of U.S. taxpayer money in the Iraq reconstruction program, and it echos the point, Mr. Chairman, that you were making, and Ranking Member McHugh, about the need to learn our lessons regarding these contingency operations, and that is, the United States Government does not have an established framework for the management and execution of contingency, relief, and reconstruction operations.

I met with General Odierno, senior leadership in the embassy, and senior leadership in Multi-National Force—Iraq (MNF–I) during this latest trip. And they acknowledged to me, as virtually all the leadership did in the course of producing *Hard Lessons: Our Study of Iraq*, that reform is necessary to improve the management of contingency relief and reconstruction operations.

Hard Lessons addresses a number of points. It tells the story of a reconstruction program that was very narrow, that sought to do two things at the outset: namely, avert humanitarian disaster and repair war damage. That quickly expanded after the invasion concluded to a program that sought to touch every aspect of Iraqi society, and then expanded thereafter through the Iraq Security Forces Fund (ISFF) to rebuild the Iraqi Army and the police.

Fifty billion dollars later, what have we achieved? As *Hard Lessons* points out, on the infrastructure front, the United States program did not achieve the goals that it set for itself back in 2003. On the security side, after significant investment by the Congress, over $18 billion in the Iraqi Security Forces Fund, another $5 billion from other sources, the Iraqi Army is now a fairly capable force that has control of most of the provinces across the country and, by the end of May, will have control of all of them, according to the current schedule.

Those are the realities of the challenges of the $50 billion, and the lessons learned are significant. Chief among them, as I said, is the need to develop unity of command for the management of contingency relief and reconstruction operations, something that is not extant within our current system. The Department of Defense (DOD), the Department of State (State), the United States Agency for International Development (USAID) all agree that there has been weak communication regarding the execution of the recon-

struction effort, and that there needs to be reform. And I think that that reform should certainly come from the Congress, and there are several ways that it could go.

There are other important reforms that need to be carried out, including the development of wartime contracting rules that are more efficient to avoid waste; the need to emphasize the integration and development of soft programs for the projection of soft power, especially relevant in Afghanistan today; programs that are geared well to indigenous needs, which was not the case in Iraq. The program, as we have seen in our asset transfer audits, we haven't built exactly what the Iraqis wanted. And their complaints to us, in the course of our audits and in the course of our lessons learned reports, have been that it's not what they wanted; we didn't build to their need. Building to scale, especially in Afghanistan as we move forward, is essential, something that they can manage, that they have capacity to do.

And finally, the U.S. Government needs to develop human resources, management systems, information technology (IT) systems, other systems for executing such operations.

Let me close by saying that I met yesterday with a chief executive officer (CEO) of a contractor who did significant electricity work in Iraq in 2003, 2004, part of the Task Force to Restore Iraqi Electricity. He is now working in Afghanistan. He said, Mr. Bowen, I have read every one of your reports, and you are right, there was significant waste; that these large contractors, through subcontractors, caused the loss of significant taxpayer dollars.

But then he said, I want to tell you that the same thing is going on in Afghanistan now, that there is significant waste and that the lessons learned from Iraq are waiting to be applied effectively in Afghanistan.

With that, Mr. Chairman, thank you for your time. And I look forward to your questions.

[The prepared statement of Mr. Bowen can be found in the Appendix on page 37.]

The CHAIRMAN. Thank you very much. We are certainly, of course, so sorry about the loss of your auditor in Iraq. That is very, very, very sad.

Mr. BOWEN. Thank you, sir.

The CHAIRMAN. The Inspector General for Afghanistan now, General Fields.

STATEMENT OF MAJ. GEN. ARNOLD FIELDS, USMC (RET.), SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

General FIELDS. Mr. Chairman, Ranking Member McHugh, and members of the committee, I am pleased to be here for this hearing on reconstruction in Iraq and Afghanistan. This is a welcomed opportunity, our first since I was sworn in last summer, to discuss the establishment of the Office of the Special Inspector General for Afghanistan Reconstruction, or SIGAR for short, and, as well, our plans for oversight of reconstruction programs in Afghanistan as mandated by the Congress.

The nature and scope of U.S. reconstruction efforts in Afghanistan and Iraq have many similarities. However, as members of this

committee are aware, conditions in Afghanistan, from the standpoint of economic, geographic, demographic, and political, offer unique challenges to the feasibility and sustainability of reconstruction efforts.

Afghanistan remains a poor and undeveloped country after nearly three decades of warfare and economic neglect. My colleague, Stuart Bowen, recently identified lessons learned from the U.S. reconstruction effort in Iraq. SIGAR will be assessing how U.S. agencies are considering these lessons in planning and implementing programs in Afghanistan.

In my written statement, submitted for the record, I outline SIGAR's priorities in several areas, using some of the lessons learned as a framework for my discussion. Now I want to, one, highlight actions we have taken to begin providing oversight; and two, discuss one of the lessons learned in Iraq and how we will examine its applicability in Afghanistan.

Oversight is clearly an important and necessary function to ensure accountability over the use of U.S. taxpayer dollars. I want to mention four things we have done.

First, we have hired and continue to hire highly qualified people willing to work in Afghanistan. Today, we have 41 people as part of our team. As additional funding becomes available, SIGAR plans to hire additional personnel and increase our presence in Afghanistan.

Second, we are developing strategic plans to direct our work. We have commenced several audits, delivered two quarterly reports to the Congress, and established a hotline for reporting complaints. Over the next several months, we anticipate completing several reports containing analyses, observations, conclusions, and recommendations.

Third, we have established an office in our embassy in Kabul, Afghanistan, and we have secured space for personnel in three other locations in Afghanistan. We feel this is important to our work.

Fourth, we are working closely with our oversight colleagues to share our plans and coordinate, as required, in our authorizing legislation.

Now I would like to discuss one of the lessons learned in Iraq and how we will examine it in Afghanistan.

The United States Government's capacity to manage the contractors carrying out reconstruction work is an important issue. SIGAR plans to conduct a number of reviews on the use, oversight, and performance of contractors. And over time, we expect this work will lead to improved contracting and contract management processes. We have started an audit of U.S. agencies' management of reconstruction funds, projects, and contracts.

SIGAR is one of several audit entities responsible for oversight of contracts in Afghanistan. SIGAR plans to prepare the required comprehensive plan for audits of security contracts and other contracts. And this plan will be coordinated with other oversight entities, as appropriate.

In closing, SIGAR takes its responsibilities very seriously. We are unique in our position in as much as we can examine reconstruction programs and activities in Afghanistan across all U.S. agencies.

I appreciate the support the Congress continues to provide our office. And I certainly look forward answering your questions. Thank you.

[The prepared statement of General Fields can be found in the Appendix on page 43.]

Mr. ORTIZ [presiding]. Thank you, General.

STATEMENT OF JACQUELYN L. WILLIAMS–BRIDGERS, MANAGING DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. WILLIAMS-BRIDGERS. I thank you very much. GAO appreciates the opportunity to be here today to participate in this very important hearing.

The United States faces unique challenges in Iraq and Afghanistan. However, GAO's work has shown that success in both countries will depend on addressing common challenges. There are three: The first challenge is establishing and maintaining a basic level of security; second is building a sustainable economic foundation in each country; and third, holding the governments accountable to their political and economic commitments while building their capacity. These challenges underscore the need for the U.S. to chart comprehensive strategies to lay the groundwork for joint operational plans.

I would like to first address the challenges the U.S. faces in Iraq. In Iraq, many U.S.-funded reconstruction efforts took place in an environment of deteriorating security. Oil, electricity, and water projects were subject to insurgent attacks, which raised cost, caused delays, changed scopes, and denied central services to the Iraqi people. Although violence has declined in Iraq, security conditions remain quite fragile.

Iraq's oil resources provide a foundation for economic growth. With revenues from the world's third largest oil reserve, Iraq has accumulated a $47 billion surplus. However, Iraq's investment in its infrastructure has been limited, resulting in slower-than-anticipated reconstruction in that country.

The United States has held Iraq to its commitments to address political grievances among Sunni, Shi'a, and Kurd populations. It has passed some key legislative reforms and held several elections. However, the Iraqi Government still needs to enact other laws to define how the country's oil and gas revenues will be shared and how Kirkuk will be governed.

Finally, the Iraqi government's limited capacity to deliver services to its people weakens its legitimacy. Iraq's ministries lack personnel who can formulate budgets and procure goods and services.

Also, the Iraq Security Forces (ISF) have demonstrated limited capacity to provide security without coalition support.

Now let me turn to the challenges the U.S. faces in Afghanistan.

A lack of security in Afghanistan has put U.S.-funded development projects at risk. Concerns over security have delayed projects, increased cost, and, again, changed the scope and nature of the projects. Building the National Security Forces (ANSF) is central to the U.S. effort to establish security, but progress there has been slow.

The drug trade in Afghanistan is a significant challenge to security and has required a multifaceted U.S. counternarcotics program. Profits from opium production help fund the Taliban and other insurgent groups, and it contributes to the government's instability. Recent decisions, however, by DOD to change its rules of engagement in countering narcotics are a positive move.

As one of the world's poorest countries, Afghanistan is dependent on foreign aid now and for the foreseeable future. Afghanistan's National Development Strategy (ANDS), established with U.S. and international support, is significantly underfunded and may not be viable given the current levels of assistance. The Afghanistan Government's lack of capacity also hinders the country's ability to meet its economic and development goals. The ministries do not have the expertise to maintain U.S. and other donor-financed infrastructure and capital investments, nor can it deliver the essential services to its people.

I would like to turn now to the need for effective strategies in Iraq and Afghanistan.

As the Administration defines its strategy in Iraq and develops a new one for Afghanistan, it should consider the characteristics of an effective national strategy. Both strategies should clearly define the objectives for U.S. efforts, identify and mitigate any risk, estimate future costs, and coordinate all U.S. agency, international, and host-country efforts. For example, the U.S. strategy in Iraq should identify the security conditions that the United States expects to achieve to ensure that troops can be withdrawn responsibly. The strategy should also consider how the U.S. would respond if these conditions are not achieved.

The new U.S. strategy for Afghanistan should estimate what financial commitments the U.S. is willing to make to contribute to the Afghan National Development Strategy goals. It should also assess the risk to U.S.-funded investments if Afghanistan does not obtain the resources or develop the technical capacity to maintain them. And it should, importantly, address the external risk of regional influences, such as Pakistan.

This concludes my statement. I would be glad to take any questions that the committee may have.

[The prepared statement of Ms. Williams-Bridgers can be found in the Appendix on page 51.]

Mr. ORTIZ. Thank you so much.

I know that all of you at some time have criticized efforts in Iraq and Afghanistan for a lack of interagency planning for reconstruction. Can you elaborate for us what you would like to see in such planning? What agencies and actors should be involved? And what, if any, reforms are needed to ensure for this to happen? Maybe each of you can elaborate a little bit on that.

Mr. BOWEN. Yes, Mr. Ortiz, I will start. I think there does need to be reform to promote improved interagency integration, not just coordination, of contingency relief and reconstruction operations.

The chief players are the Department of Defense, Department of State, and the U.S. Agency for International Development. Other agencies play important but less significant roles.

The key is to ensure that there is, before the balloon goes up, so to speak, before we engage in a contingency, a well-practiced, well-

exercised, well-resourced, well-developed strategy for managing a contingency however it may unfold. And that has not been the case.

As *Hard Lessons* points out, the U.S. approach to contingencies since World War II has been chiefly ad hoc, and, indeed, Iraq was a sort of ad hocricy, inventing temporary organizations, like the Coalition Provisional Authority, like the Program Management Office, like the Iraq Reconstruction Management Office, none of which exists now but all of which had charge of billions and billions of U.S. dollars and tried to spend it as quickly as they could within the framework of their existence. That is no way to run a contingency operation.

There have been attempts, steps forward, significant steps forward, embodied first in NSPD–44 over three years ago that identified the importance of a Civilian Reserve Corps, but these solutions, to a certain extent, have been balkanizing themselves. The problem is one of balkanization, but the solutions haven't led to integration.

The DOD has moved forward with 3000.05, and Stability Operations is a big part of DOD's work. CJ–9 is an extraordinarily significant new creation. But over on the State side, there is the Reconstruction, Stabilization, Civilian Management Act, which was Title XVI of the NDAA last year, which puts huge responsibility in the Department of State for managing this same issue. They need to be integrated. And I think that that requires significant legislative analysis and new policy to bring the agencies responsible together.

Mr. ORTIZ. Anybody else that would like to respond?

General FIELDS. I would just like to add to what Mr. Bowen has said, first off, concurring with his commentary on the need for the interagency community to coordinate with each other. We find that in our early, not so much assessment, but observations regarding Afghanistan, that this is an issue in Afghanistan as well. But Afghanistan, we also feel, I will not say is more complicated than Iraq, but there are some uniquenesses associated with Afghanistan, particularly that which involves the international community. So as, on the one hand, we certainly support the need for interagency coordination and cooperation; there is also the need for international coordination and cooperation.

As this committee knows, the United States has invested already $32 billion in the reconstruction of Afghanistan. This is in addition to an overall $56 billion that the international community has invested in Afghanistan. The complications of Afghanistan, the period of time within which we would like to bring closure to this event, require the cooperation and coordination within the international community. We would like to see more of that.

And I would agree that, to the extent possible, before we engage in such matters, we should have reasonable, long-term agreement from the international community if they are to bring their wherewithal to bear upon a contingency as complicated as that we have undertaken in Afghanistan.

Thank you.

The CHAIRMAN [presiding]. Thank you, General.

Ms. Williams-Bridgers, did you have a comment on this?

Ms. WILLIAMS-BRIDGERS. Yes, just one brief addition. I concur with my colleagues' conclusions that there is a need for a coordinated interagency plan to be articulated. We believe, however, that some years ago, the National Security Council (NSC) did establish an interagency management system for planning and executing contingency operations under the Bush Administration.

In November of 2007, GAO published a review looking at national security reforms within the context of many independent commissions' recommendations calling for massive reorganization of government agencies and new structures to support security operations overseas. And what we said was that that national security system that had never been tested needed to be tested in a real-world situation. It has not. It certainly would have some value in looking at whether or not that particular system, developed for contingency operations as we are now facing, could be employed.

The CHAIRMAN. Thank you very much.

After I call on Mr. McHugh, we are under the five-minute rule. Mr. Ortiz asked the one question I wished to ask, so we will go to Mr. McHugh.

Mr. MCHUGH. Thank you very much, Mr. Chairman.

Let me start by noting, in my opening statement, I was remiss. I did not extend my admiration and appreciation to the brave men and women that work for you good folks.

Inspector Bowen mentioned the loss of life, but while those of us in this town perhaps too often think of these kinds of activities as folks just strolling around with pencils and pads and kind of creeping around corners and wearing green eyeshades, this has been, in the Iraqi experience and Afghan experience, at least in its early stages, a very dangerous undertaking.

Mr. Bowen, you were in my office a few weeks ago, and you specifically spoke of the casualties that were suffered in your ranks. I wonder, just for the record, if you could give us those figures here today.

Mr. BOWEN. Yes, as I said a year ago yesterday, one of my auditors, Paul Converse from Corvallis, Oregon, was killed in his trailer when a rocket impacted next to it. In 2007, I had five employees in Iraq wounded by hostile fire.

I am pleased to say that the move to the new embassy compound is a move to a much more secure environment, and coincident with that has come a very, very significant reduction in the threats around the embassy. The last two trips, I haven't heard any evidence of incoming fire.

Mr. MCHUGH. Well, let's hope that continues. But nevertheless, your good folks are at risk many, many times. And we deeply appreciate their service as well was the point of this discussion.

Mr. BOWEN. Thank you, Mr. McHugh.

Mr. MCHUGH. During the testimony we just heard, there was mention on several occasions about the new Afghan strategy that, as the chairman noted in his opening remarks, we would expect to be released perhaps as early as this week. And Ms. Williams-Bridgers, you mentioned as well that, in your estimation, this new Afghan strategy ought to estimate the financial commitments that the United States is willing to make and understand those parameters going in.

Let me ask a broader question just for curiosity's sake. Have any of your offices been consulted by the Administration or the Pentagon as this new strategy has been developed? Has there been any discussion that you are aware of to try to integrate some of these lessons we have learned into the new strategy?

Ms. WILLIAMS-BRIDGERS. Mr. McHugh, we have been asking to see the strategy as it is being developed because we do believe that, based on much of the work that we have done about what is necessary to be included in a strategy and what we have identified as shortcomings in our existing operations, that could be used. We have not yet been provided any drafts of that strategy.

What I would also say, though, is, in addition to a national strategy that would reflect on the skills and the expertise of the various agencies, what we would like to see is that that strategy would be used as a basis for then developing joint operational plans. That currently is absent. We have seen no evidence of a plan that would articulate what the specific roles and responsibilities and an integration of those roles and responsibilities by the various agencies. We know that a joint operational plan, as called for in military doctrine, would provide a good foundation then for developing sector-level plans, which each agency would then be responsible for.

So we think there is an order of business that needs to occur in development of better thinking about how to best use our resources, anticipate the cost, and plan for any mitigating strategies should the overall goals articulated in the national strategy not be achieved.

Mr. MCHUGH. I appreciate that.

General Fields, any opportunity for input from the SIGAR side of the equation?

General FIELDS. Thank you, sir. In direct answer to your question, we have not been specifically asked to advise on the new strategy that is eventually going to be formally announced. However, we have two reports that have been made available by way of having posted them on our Web. In our most recent report, and specifically in the letter that I prefaced a report by, sent to the Congress, we did identify some issues that we would hope that the Administration would take into consideration as they structure this new strategy.

One is a resounding or an echoing theme each time I have visited Afghanistan; one is the lack of participation by the very country in the reconstruction effort that we are trying to advance in the 21st century. The bottom line is the senior leaders of Afghanistan essentially complained to me about the fact that they are not being involved enough, or at least not to the capability that they feel they have, in the reconstruction effort, in the decision process, and so forth. I would hope that this is a measure that the Administration would take under consideration as it puts together this strategy.

More specifically, the government and the industries, if you will, of Afghanistan, would like to partake more in the contracting effort. This is something that I noted in Mr. Bowen's *Hard Lessons* that this, too, was an issue in Iraq. And it is one that we have yet to get completely correct as we address matters in Afghanistan.

One of our missions, and in fact our principal mission, is to conduct oversight. And we will look into matters like this where, sub-

sequent to the strategy, and even as we continue the work that we have been carrying on for the past few months, we will look into the extent to which there are opportunities for greater participation, for example, by the government and various entities of Afghanistan in their own reconstruction effort.

Thank you.

Mr. MCHUGH. Mr. Bowen.

Mr. BOWEN. Yes, Ranking Member McHugh. We did brief the embassy staff on lessons learned from Iraq and how they apply in Afghanistan, as well as President Obama's Deputy Chief of Staff.

Mr. MCHUGH. Great, well, I would simply suggest, as both the chairman and I mentioned in our opening comments, the main objective here is not to continue making the mistakes of the past. And to whatever extent you may or may not have been consulted, I was honored to get a call this week from the Secretary of Defense, and he assured me this would be a consultative process.

So I would hope, Mr. Chairman, we could use some of the findings of this hearing and our past hearings with respect to SIGAR and SIGIR to help evolve the best policy forward so that Afghanistan becomes something of a template, not for the next series of mistakes but for the next series of successes.

So, again, to all three of you, thank you for your effort.

And I will yield back, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Ortiz has an additional question.

Mr. Ortiz.

Mr. ORTIZ. General Fields, in your testimony, you stated that the future capabilities would be determined by the funding received. Your office identified a $7.2 million shortfall for the remainder of Fiscal Year 2009. What impact does the lack of funds have on your organization?

General FIELDS. Thank you very much, sir.

First, we appreciate the support that the Congress has thus far provided to SIGAR. We appreciate the oversight legislation that we are mandated to carry out, and we are proceeding accordingly.

The Congress has made available to us $16 million, which did come late into the year and late into the authorization that, in fact, stood up this organization called SIGAR. We have been using that $16 million to build our organization. We advanced to the Office of Management and Budget (OMB) late last summer, early fall, a work plan that would require $23 million to build our organization to a staffing of 90 personnel, with a principal slice thereof here in the United States, and a very good slice in Afghanistan. And as I said before, this is an important measure to have our staff located in the very environment in which they will carry out much of this mandate.

So we are, yes, sir, short the $7.2 million that we need to flush out our work organization to the 90, to conduct the audits, inspections, and investigations that we need to conduct, and to provide our staff at several locations in Afghanistan, where the cost is considerably higher, to maintain personnel, to pay them, to protect them, to move them, than they are here in the United States.

So we would certainly, sir, appreciate any support that the Congress might provide in helping us to obtain that additional funding

for this year and certainly in support of our 2010 budget that we are currently working with OMB and the Department of State on at this time.

Mr. ORTIZ. I would rather see that we put that money into your budget because I think, by doing that, hopefully we will be able to save money someplace else that might be misspent somewhere else.

I was going to ask just one more question of Ms. Williams-Bridgers. I know that your office has come up with some recommendations from GAO to DOD for them to implement certain suggestions. Have they done that?

Ms. WILLIAMS-BRIDGERS. With regard to?

Mr. ORTIZ. How to save money. Because this is one of the biggest problems we have: no accountability. We have seen that we still have not sent the 30,000 troops that are due in Afghanistan. And we already see that some of the suggestions that have been put before, we have not learned the lessons that we were supposed to have learned in Iraq. And I am pretty sure you gave some suggestions to Department of Defense.

Ms. WILLIAMS-BRIDGERS. Yes.

Mr. ORTIZ. Are they following through with some of your suggestions?

Ms. WILLIAMS-BRIDGERS. Yes, they are, in fact. And others we have not seen as much progress. But let me give you some examples of where we are seeing some progress.

One of the areas of highest risk of waste is in contracting. My colleague, Stuart Bowen, has alluded to the need for greater attention to contracting. Since 1992, GAO has identified contract management and contract oversight as a high-risk area. Billions of dollars have been spent over the years in the contracting arena. And increasingly, as we move toward a drawdown in Iraq, we will more than likely see an increase in our reliance on contractors to perform the services that DOD heretofore has provided.

In the past, we have cited specific concerns and made recommendations to DOD to improve their overall contract management capabilities, specifically by articulating and providing it to their contract officers' guidance and policy on how to management contracts, how to provide oversight, how to ensure that there are appropriate numbers of people in the field to oversight the activities that are undertaken by contractors, to provide specifically guidance to battlefield commanders on what their authorities are and their responsibilities are for ensuring that contractors deliver the activities in various field locations.

About three years ago, DOD began developing such guidance to improve their contract management capabilities. They still aren't where we believe they need to be. We are in the process now of reviewing use of contractors and various controls that DOD has since put in place. But we will continue to monitor that very high-risk area.

Mr. ORTIZ. Thank you very much, ma'am.

The CHAIRMAN. The gentleman from South Carolina, Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman.

Mr. Chairman, I am very proud and grateful today. At this hearing, we have two persons of distinguished South Carolina heritage, Inspector General Bowen and Major General Arnold Fields. And I

want you to know that General Fields is a role model for me. He has been an inspiration to the young people of the congressional district I represent. It would make you so proud. Each year we have the Hampton Watermelon Festival. And at the Watermelon Festival, the General comes in full dress Marine uniform. Despite the heat, he looks so strac. And he leads the singing of the Star-Spangled Banner. We could not have the festival if the General were not there.

So thank you, all three of you, for being here today. I want you to know what a distinguished pedigree we have with our persons here today.

I also am really grateful for your service in helping address problems in Iraq and Afghanistan. I visited Iraq nine times; Afghanistan seven times. I have had two sons serve in Iraq. My National Guard unit that I retired from served for a year, the 218th Brigade, in Afghanistan. I am so grateful that our service members have, I believe, successfully defeated the terrorists overseas to protect American families at home.

General Fields, I read your testimony. And I would particularly like to know your view of what the local Afghan government officials, tribal leaders, what their opinion is of reconstruction efforts.

General FIELDS. Thank you, sir. Thank you very much for the kind words. And I hope to see you at the Watermelon Festival as well.

Mr. WILSON. We can't have it unless you come, so——

General FIELDS. Well, Lord willing, and the creek doesn't rise, I will be there. Thank you, also, for your leadership.

Sir, in my capacity as Special Inspector General, I have just completed my third visit to Afghanistan, from which I returned, actually, last Thursday. Each time I have gone to Afghanistan, I speak and have spoken with senior leaders, or leaders in general, at all levels, first, our own United States leaders, our ambassador, our military commanders at the Four-Star level, and otherwise. I also meet with the government of Afghanistan at all levels, the ministerial level, the provincial level.

Most recently, on the 17th of this month, we were privileged to visit with President Karzai himself. We were very pleased that he would receive us and openly discuss a whole number of issues, one of which he presented himself, and that is the one that is sensitive and of interest to all of us, corruption.

I want to say that, in comparing lessons learned in Afghanistan and Iraq, I want to put up front that there is a common element among the lessons learned between Iraq and Afghanistan. The people of Iraq wanted, and to some extent still want, clean water, electricity, good roads, and a secure environment within which to live. If you ask the same question about needs to the Afghans, they will tell you the same thing. And every province I have thus far visited, I have met with either the governor of the province or the deputy governor of the province and any of his staff that he may have assembled. Inevitably, the top four to five issues about which they are concerned, water, medical, education, agriculture, and that the country is 80 percent agricultural, if you will. So there are very many similarities between Iraq and Afghanistan in that regard.

And I presume that when I make my next trip to Afghanistan in just a few weeks, I will hear the same request.

So they thank us for our contribution to Afghanistan, but at the same time, they help us to focus on the issues that are of greatest interest to them.

Mr. WILSON. Again, thank you very much for your service.

General FIELDS. Thank you, sir.

The CHAIRMAN. Dr. Snyder, the gentleman from Arkansas.

Mr. SNYDER. Thank you, Mr. Chairman.

I have several questions. And if you all can err on the side of brevity, then maybe I can get to more than one or two.

The first question I want to ask, Mr. Bowen, is to you. With regard to the man that you lost a year ago, Paul Converse, he was a civilian employee; is that correct?

Mr. BOWEN. That is right.

Mr. SNYDER. Are you satisfied, after the year has passed now, that from the time of his death, that both he and his family received the honors and support that they should have, given that, it has clearly come out, we did a report on this committee, that we have treated civilians differently than military people. Are you satisfied with how he and his family have been supported?

Mr. BOWEN. Yes, I am. I went out and visited them for a day, April 4, actually, last year and took a number of honors to them then. And the State Department awarded Paul the Thomas Jefferson Star posthumously, one of their highest civilian awards. And he also received medals from the Defense Department.

Mr. SNYDER. And in terms of financial support for his family, if we were to visit with his family, do you think they are satisfied with how he was——

Mr. BOWEN. He was not married. And I visited with his parents, and I think they were satisfied with the support they were given.

Mr. SNYDER. Thank you.

General Fields, you and Mr. Ortiz had a discussion about the inadequate funding. Are you in the mix for a supplemental request from the administration that should be coming up here in the next week or two or three?

General FIELDS. Thank you very much, sir. We have advanced to the Office of Management and Budget a formal request for the $7.2 million that we do need.

Mr. SNYDER. Through the supplemental?

General FIELDS. Yes, sir.

Mr. SNYDER. Thank you. We can watch for it.

Any time we, or the American people, hear the word "auditor," we all get pretty apprehensive in terms of the tedium. We have four written reports here: your book, *Hard Lessons* Mr. Bowen, that you and your staff put out, and then we have your report from SIGIR, the Special Inspector General for Iraq Reconstruction. This is a mandated report, correct?

Mr. BOWEN. Yes, sir. It is our quarterly report.

Mr. SNYDER. And then, General Fields, this is yours here, the Special Inspector General for Afghanistan Reconstruction. And then, of course, we are all used to the reassuring blue color of the GAO reports. I suspect none of the members here have read everything that is in these reports, but I think you all are talking about

something that is key to the national security of the country for the next couple, three decades, which is how to—you describe it, Mr. Bowen, the core problem is, how do we get at this issue of redevelopment?

At the end of this, on page 332 of your *Hard Lessons* book, you say, "An emerging lesson from Iraq is that when violence is pervasive, soft programs like those orchestrated by USAID and provincial reconstruction teams are especially important in advancing U.S. goals."

I note—and it may just have been in a summary statement, the reason why it is not there—you don't mention the CERP funds, the Commanders Emergency Reconstruction Program. While there has probably been mission creep in the use of those funds, I think most of us think that, for the most part, a lot of that money was well spent. Do you agree with that, that that is, in fact, probably should be considered more of a counterinsurgency fund than a reconstruction fund? Or how do the CERP funds fit into your overall evaluation?

Mr. BOWEN. They play a very important role, and they raise an important issue. First, they are covered in chapter 26, it is, "The rise of CERP." And I think that is a good way to describe how CERP evolved. It was used, initially, seeds funds, the money that troops found on the ground to do quick projects. Then Congress began funding it in 2005 with its own appropriation. And $3.5 billion later and five SIGIR audits later, the story is that the program has achieved many important goals in Iraq.

The challenges, as we have documented, are that, early on, there weren't good controls in place. The training wasn't there. Now "Money As a Weapons System" is standard reading for every person, every commander deploying to Iraq. And the training on contracting and the support for it within the brigades is significant. The Department of Defense has taken this on and I think has vastly improved what we initially looked at.

The challenge, though, as you are implying, is, how does that integrate in the contingency relief and reconstruction environment with the expenditure by USAID and Department of State of economic support funds, which accomplish similar small projects? And I ran into it last November in Hillah, when the Provincial Reconstruction Team (PRT) director said, I wish I had known about this CERP project, a courthouse that was being built that didn't get finished because the Iraqis are asking me to finish it. And that was sort of an on-the-ground, eye-opening revelation about the difficulties in different departments managing different funding streams, pursuing similar reconstruction goals. It is not so much a criticism of CERP; it is another argument for the need for reforming the U.S. approach to managing contingency operations.

Mr. SNYDER. Thank you.

The CHAIRMAN. I thank the gentleman.

Before I call on Mr. Wittman, Mr. Bowen, let me ask you, in light of the fact that you had five of your folks injured a year ago and that you just lost one just a week or so ago and reflecting on your book, I think it is on page 331, you state that security is necessary for large-scale reconstruction.

The CHAIRMAN. How do we judge when there is enough security? Can you always afford to wait before what you think is sufficient security before beginning reconstruction? Tell us about this whole effort.

Mr. BOWEN. It is an excellent point, Mr. Chairman.

The CHAIRMAN. It is a bothersome one.

Mr. BOWEN. You are absolutely right. It is not an absolutist measure. The frank reality is that Copenhagen Contractors (CPH) pushed forward an enormous infrastructure program building large power plants and wanted to build five $200 million water-treatment facilities as the countryside exploded in a civil war.

Now, as was ultimately realized in 2007, an effective counterinsurgency strategy scales its reconstruction plan to fit the environment that it faces. Clear, hold, and build was sort of a precursor, excuse me, to what sort of became the counterinsurgency strategy. There wasn't enough of build in 2006 as part of that, and part of that was that the civil war that was unfolding was really too much for any reconstruction really to move forward.

So the challenge is that security is a prerequisite to the success of long-term development and larger-scale reconstruction, but as counterinsurgency doctrine explicates that right alongside military power must come the projection of soft power that is thoughtfully and strategically and tactically targeted to the countryside and the difficulty therein.

The CHAIRMAN. I thank the gentleman.

Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman, members of the panel. Thank you so much for joining us today. We appreciate you taking the time to coming and enlightening us about the issues in Iraq and Afghanistan.

Ms. Williams-Bridgers, just a question. The GAO studied the efforts to build security forces in both Iraq and Afghanistan and has specifically pointed to a lack of mentors and equipment in Afghanistan. I was wondering if you could enlighten us about those shortages and give us a little bit of the details about what those shortages would mean.

Ms. WILLIAMS-BRIDGERS. I would be glad to, Mr. Wittman. Thank you very much for the question.

DOD has said they are critically short of the mentors and trainers that they need to build the capacity of the Afghan National Police (ANP) as well as the Afghan National Army (ANA).

With regard to the Afghan National Army, they said that they had about one-half of the mentors that they need in order to effectively train the Army personnel.

And with regard to the police, DOD has reported that they have about one-third of the number of trainers that they need to effectively train the police.

That said, we have noted some progress in the overall capacity-building efforts of both the police and the Afghan National Army, but it is the police that the DOD reports as being in critical need of additional attention, given that about 34 units are now considered somewhat capable, either fully capable or capable with coalition support of operating there in Afghanistan.

With regard to the Afghan National Army, it is about 44 units.

This represents a discernible increase in the capabilities of both of those security forces.

Mr. WITTMAN. You speak of that increased capacity and capability. It still seems, though, to be lacking in some areas. Can you tell us, how do you see that as affecting the counterinsurgency fight there, and where do you think we would need to be to be totally effective in our counterinsurgency effort there?

Ms. WILLIAMS-BRIDGERS. I think it is totally critical to the counterinsurgency efforts, and it speaks well of Mr. Bowen about what level of security is good enough, and it also speaks to what we have all alluded to earlier as the need for strategic planning and operational planning that speaks to what are the conditions that we expect to see in terms of the capacity of the police to step forward so that we can then begin this responsible withdrawal. I don't have the exact number. That is something that we would like to see articulated in a strategy. What are the conditions in terms of the level of security that we expect to see? What are the conditions in terms of the level of capacity that we would expect to see? And if we cannot achieve either of those conditions, what, then, is our next step; what then is our alternative strategy?

Mr. WITTMAN. Thank you.

I want to ask all members of the panel, in the context of that answer, what measures do you think Congress can take along those lines of both the capacity and capability efforts there and also the counterinsurgency efforts there? What efforts do you think Congress would need to take to address those issues?

Ms. WILLIAMS-BRIDGERS. May I begin quite directly? I think the Congress needs to have strategic plans, clearly articulated roles responsibilities. What are the conditions that you expect to see? What are the metrics that are expected? What are the cost requirements, and as importantly in the case of Afghanistan, because we are the principal contributor to goals that are established in the Afghan National Development Strategy, goals which clearly prioritize infrastructure first, security second and at a huge cost.

The goals in the outyears of what is identified in the Afghan National Security Strategy anticipate an $18 billion shortfall in the amount of available funding from all sources, the international community, mostly foreign aid. We know that Afghanistan doesn't have its own resources, and in the security sector, it is a key area of the shortfall.

I don't have the number readily available, but I can provide that to you, but security is one of those areas that is going to suffer the greatest amount of revenue shortfall in terms of achieving the goals that are clearly now established, at least in the existing Afghan National Development Strategy.

But I want to add, we have not seen a U.S. strategy, the complementary strategy, for what we anticipate doing, given this national government strategy.

General FIELDS. Thank you, sir.

I concur with my colleague, and I would add that one of the measures that the Congress can take, and, in fact, in my case, and I will say our cases, you have taken, you have established oversight entities that are independent, that report directly to the Congress, and can advise by way of various mechanisms those in senior posi-

tions capable of making pivotal decisions when it comes to the reconstruction of any entity, in my specific case Afghanistan.

I want to cite and add additionally to what Jackie has said regarding what I believe to be the report surfacing on the issue of weapons accountability and matters like that. I have read that report, and we are looking into matters associated with this particular issue, and I might add that the Department of Defense inspector general is already looking into that matter.

But I want to specifically say that we, first off, need to be appropriately funded, and then where the gaps exist, then we need to fill the gaps.

I noted in the GAO report that in terms of training, since this is a fund that falls under my charge—in terms of training, only 68 percent of the trainers, in reference to the Afghanistan National Security Forces (ANSF), are available to carry out their work. In addition to that, only 50 percent of the mentors are available.

During my recent visit, having heard and read the report regarding the weapons issue, I discussed this matter with the senior leaders in Afghanistan, and they reiterated some of these matters that may have contributed to what is believed to be either unaccounted for or missing weapons at this point in time.

Your oversight goal collectively, and, in my case, Afghanistan, is to help uncover matters like this, report them in a timely way to the Congress, and respectfully ask the Congress to act accordingly. Thank you.

The CHAIRMAN. Thank you.

Mr. Marshall.

Mr. MARSHALL. Thank you, Mr. Chairman.

Part of this is going to be personal testimony, but I will start by saying I really appreciate what you are doing. It is critically important to our ability as a Nation to deal with issues like this in the future.

I have made some 15 trips to Afghanistan and Iraq. My first was with Ike Skelton. He was then Ranking Member. He is now Chairman. We were briefed by Bremer and Sanchez and their team sitting across the table in the Green Zone, and I had decided, as a new Member of Congress I was just going to pretty much shut up and listen. And I pretty much stuck to that the first two days of the trip until we were given a description of how the $18.4 billion was going to be spent, and I couldn't resist raising my hand and asking whether or not there was any contingency for security issues. And the response—just to show how naive we were, the response was, you cannot plan for that. And my rejoinder was, you may not be able to plan for it, but you can count on it. That is what is going to happen. You are not going to be able to spend that money the way you proposed.

My impression is that we grossly underused and did not give appropriate authority to the Corps of Engineers, and that we would be far wiser, with regard to any large projects, to forget about contractors for the most part and let the Corps handle this directly. They are actually trained to deal with security issues at the same time that they do construction.

And the CERP funds are terribly important to effective counterinsurgencies. I am really pleased about that. I am pleased there will be a institutionalization of that.

Vic Snyder and I had to send a letter to the Secretary, when there was a gap in the CERP funds, and the commanders in Iraq were crying for those CERP funds. It meant lives from their perspective. Couldn't get it, but we had the $18.4 billion sitting over there that we couldn't spend because we weren't competent to do that. So we had the money over there, and we couldn't provide the CERP funds. We were really incompetent.

I would like to talk about reconstruction teams in Afghanistan. In my view, it should not be called reconstruction. You should just get rid of that lingo here. They should be provincial redevelopment teams, not reconstruction teams. Reconstruction assumes there is something there to start out with that needs reconstructing.

My first visit was in Christmas of 2003 with Pete Schoomaker to Gardez. I was very impressed, thought this was exactly the right thing to be doing.

Essentially they look the same now as they looked then; or at least the last time I visited, they look the same now as they looked then.

With hindsight, we obviously should have created a university, if necessary funded a university, in the capital to train Afghanis to do—Afghans to do what we have Americans trying to do in these PRTs. It is less expensive, it is safer, and it accomplishes the goal of showing some reasonable presence by the Afghan Government instead of us being the face of development.

So by calling them provincial development teams, I would change the composition as rapidly as possible. By now there should be very few Americans in those teams. After five or six years, they should be almost entirely Afghan driven, and they should be Afghan faces throughout the country, probably more of them.

The challenge of Afghan First, you know, Iraq First, Afghan First, is that the central government is corrupt and incompetent. Where Iraq is concerned, they didn't have the capacity, but, you know, there are some corruption issues. But we didn't think it was major corruption problems. They just didn't have the capacity to deal with large amounts of money getting them out. So Afghanistan, no capacity, corruption, and incompetence. Somehow we need to do that, but it needs to be an Afghan face throughout the development of the country, and I would like your comments about that.

Ms. WILLIAMS-BRIDGERS. A comment. I think you are exactly right, and you have hit a very key point here. These are two very different environments, and our assumptions must be different, given the environments that we are dealing with.

With Iraq you have an educated populace, and in Afghanistan you have a 70 percent illiterate population.

Iraq is considered almost a middle-income country, $4,000 per capita, and Afghanistan substantially less than $500 per capita to start with.

One of the key concerns expressed by DOD about the capacity of the personnel that they are training is that they would not be able to—this is the Afghan National Security Forces—would not be able to exercise command, control; would not have the capacity to per-

form the logistics; would not have the capacity to perform the intelligence and data gathering.

Mr. MARSHALL. If I could interrupt, in my last visit I found out that we have Afghan doctors who are serving as clerks to U.S. Army units instead of being out there providing medical services to the Afghan people. That is how skewed all of this is.

And I am sorry I don't have more time. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman.

First of all, a question on Iraqi reconstruction. I think that there was a GAO report that came out last summer that at that time, at least, talked about the surplus in the Iraqi budget, and I think the question was raised, given our economic situation and given theirs—and I know since that time, obviously, there has been a decline in the price of oil, which is the basis for the financing of their government—but, I mean, at what point will the American taxpayer say enough is enough?

Ms. WILLIAMS-BRIDGERS. You are quite right. We did report last summer and have updated our figures. It is captured in the report that was just issued today. We estimate the Iraqi budget surplus to be $47 billion. This reflects a somewhat—reduction of the last estimate of up to $77 billion surplus that we previously reported, and that is due to the declining oil prices.

However, what this surplus largely represents is an inability, a lack of capacity of the Iraqi Government to spend and execute its budget. There is no doubt that the Iraqi Government has the resources to cover what they anticipate this fiscal year to be deficit spending. We believe that even with their projected deficit that they anticipate incurring, that they can more than cover it with the surplus that we have.

The Congress has even recently recognized the need to increase the incentives to the Iraqi Government to spend more of their money. This was realized in legislation that the Congress enacted last year calling for the Iraqis to match dollar for dollar their spending to U.S. spending under the economic support funds.

We are concerned, sir, that the Department of State, who is charged with reporting to the Congress on the Iraqis attendant to this requirement for dollar-for-dollar matching, that the State Department is merely looking at Iraq's reflection in their budget of their commitment to spend, but is not actually tracking their expenditures in this dollar-for-dollar matching program, in this incentives-management program. So we think this is an area that Congress needs to pay particularly close attention to in order to achieve the kind of cost-sharing arrangement that the Congress intended.

Mr. COFFMAN. Thank you.

To the other Members, and if you could address how critical is—when I served in Iraq in 2005 and 2006 with the United States Marine Corps, at this point in time how critical are the reconstruction dollars to moving the political process forward in Iraq?

Mr. BOWEN. The era of spending U.S. dollars for significant reconstruction is past. There is about $5 billion to put under contract of the roughly $50 billion. Most of that is Iraq Security Forces

Fund (ISFF) money, and most of that is being used to train, equip, provide logistics to the Iraqi Army and the Iraqi Police.

CERP still does some significant reconstruction work, but most of it, a vast majority of the reconstruction money, has been spent. The burden is on the Iraqis now. So the issue is the cost-sharing requirement, and we have an audit coming out in the next month that will provide you insight and analysis on the success and failures of that cost-sharing process. Again, it is a challenge, an integration; it is a challenge in interpretation of the statutes. It is a challenge to getting Iraqis to seriously shoulder their long-term development and the burden of their own nation.

General FIELDS. Thank you, sir.

Let me comment on the issue of capacity. Iraq and Afghanistan are on different ends of the spectrum when it comes to capacity. There are limited resources in Afghanistan. There is no oil or any material such as that to help support the economy of Afghanistan, so there is no surplus. The international community is largely financing the reconstruction of Afghanistan and other elements of its development at this point in its history.

We do need to build a capacity, however, and in so contributing, we need to involve the Afghans more in the process. And I would add that in reference to the previously asked question or comment regarding the participation or the level there of Afghans in the PRT, I could only agree with that.

At the same time, I would also encourage the contribution that the Congress has made to CERP as an expedient mechanism that the Commander can use to contribute to the overall reconstruction efforts.

In my most recent visit to Afghanistan, I visited two PRTs, and I have previously visited Gardez, in fact; but most recently, a PRT in Kunar Province, Asadabad, and the PRT up in the Panjshir Valley. Both are well-led PRTs, both lack the participation of the Afghans in the process, and both shared with me the significance of CERP.

But I want to make a key point to this committee that the PRTs' commanders—both of them are U.S. commanders—tell me that we have essentially, through process and bureaucracy, taken the "E" out of "CERP", the emergency aspect of it, such that it takes too long to work the process to get the money down to the level at which it might be executed, which is the PRTs, and CERP is a principal funding mechanism for the PRTs.

So I am asking that there be consideration for relief, whatever might be offered in that regard, to streamline the process by which CERP arrives at the commander for execution.

The CHAIRMAN. Mr. Bowen.

Mr. BOWEN. Yes, sir.

The CHAIRMAN. Our committee has authorized some $40 billion for reconstruction in Iraq. In your professional opinion, based upon your review and investigation, how much or what percentage of that has been wasted?

Mr. BOWEN. Yes, Mr. Chairman, I remember we had this discussion previously, and I said I would come back to you, and that time is now, with respect to the waste.

The Iraq Relief Reconstruction Fund (IRRF), as you know, has been the primary vehicle for spending on reconstruction, and we have had oversight of that fund for four years, full oversight. And my estimate, based on 135 audits that we have conducted and 135 inspections, is about 15 to 20 percent of the funds, or $3 to $5 billion, was wasted.

And I told you I was visiting with a contractor yesterday who was talking to me about this issue, waste in Iraq, and he echoed exactly what we have been saying in our reports, and that is that the United States chose the wrong contracting vehicle to carry out this mission.

You remember in April of 2004, we let 12 $500 million reconstruction contracts, cost plus. I called them open checkbook, I think, at the hearing two years ago because cost plus covers everything. Your subcontractor messes up, that is okay. We pay for it. Your second subcontractor messes up, okay, we pay for it.

The Khan Bani Saad prison, 40 minutes north of Baghdad, $40 million down the tubes, no prisoner will ever be housed there, and what are the consequences? Are we going to be able to hold persons for that? No. Why? Because of the selection of this vehicle for carrying out reconstruction in a war zone.

Cost-plus contracts, I think, is a huge lesson learned from Iraq, and they need to be reformed. The National Defense Authorization Act (NDAA) took some important steps to reining in contractor abuses last year, this committee did, but more needs to be done, and frankly, the $3 to $4 to $5 billion that is lost, and I am speaking conservatively, was lost because chiefly, one, we chose the wrong vehicle for the wrong environment, and contractors took advantage of it.

The CHAIRMAN. Your testimony is that the 15 to 20 percent of the $48 billion has been wasted as a result of the reasons you just gave?

Mr. BOWEN. Excuse me, of the $21 billion in the Iraq Relief Reconstruction Fund. The other large fund, $18 billion in the Iraq Security Forces Fund, is a different animal. We just had oversight of that for a year.

The CHAIRMAN. Then let us go back.

Mr. BOWEN. Yes.

The CHAIRMAN. Fifteen to twenty percent of what fund?

Mr. BOWEN. Of the Iraq Relief Reconstruction Fund.

The CHAIRMAN. And how much was that?

Mr. BOWEN. Twenty-one billion.

The CHAIRMAN. So 15 to 20 percent of the $21 billion, as opposed to the $48- figure I gave you; is that correct?

Mr. BOWEN. Yes, sir

The CHAIRMAN. Ms. Shea-Porter.

Ms. SHEA-PORTER. Thank, Mr. Chairman.

Mr. Bowen, I would like to talk a little bit more about contractors and some of the what you call lessons we have learned or didn't know at the time. Are you being a little soft by saying these are lessons? Is this something that should have been pretty obvious at the outset?

Mr. BOWEN. Well, as I have briefed, Ms. Shea-Porter, over in Iraq just three weeks ago when I was there, these are lessons, but

I opened my briefing with some of them, and they are self-evident. They really should be axioms.

It is not difficult, I think, to understand that you need a secure environment to carry out large-scale reconstruction, but a large-scale reconstruction plan continued to move forward in the context of an exploding insurgency.

It wasn't until Ambassador Negroponte got on the ground, looked at the situation, looked at the investment, and saw huge discontinuity between the two that he put the brakes on it. Unfortunately, he put the brakes figuratively. The meter was still running on each of those contracts. And as our audits pointed out, the overhead cost the taxpayers hundreds of millions of dollars in waste.

Ms. SHEA-PORTER. I wanted to talk about those taxpayers. People in New Hampshire say to me, where are the indictments? Who is looking, and is there ever going to be anybody who has to pay for this? And so I am asking you is there ever going to be anybody who has to pay for what has been done to the American taxpayer?

Mr. BOWEN. To date we have achieved 15 indictments from our investigation. We have 77 open cases. Another five indictments will be coming down from—based on our arrests. I have increased my investigator staff over the last year by 40 percent to address exactly this issue.

For whatever reason, whistleblowers have been more forthcoming over the last year. Our caseload has increased just in the last 4 months from 52 cases to 77, and that is reflective, I think, of perhaps people feeling more safe in Iraq to talk to us, and also because of our more robust results on the investigative side.

So, yes, I am committed to making 2009 the year of success in SIGIR investigations.

Ms. SHEA-PORTER. Is there anything we can do for you to make that possible? The American public wants accountability. We want accountability, and I think we also want to make sure that it is not just a lesson learned because they think that people in charge understood those lessons quite well. I think there has to be some way to rebuild the confidence of the American public as we go forward and do our work in Afghanistan.

Mr. BOWEN. I think there are important steps to take in light of what *Hard Lessons* teaches, and it is what I said in my opening statement. The United States does not have a coherent, well-developed policy for managing contingency relief and reconstruction operations. I think that is an issue for the committee to take on.

It is not just DOD, it is not just State, it is a continuum of operations that moves from conflict to development in a contingency. The reality is we ad hoc'd it, and we have ad hoc'd it for decades in this area, critical area, protecting U.S. interests abroad.

We know who protects our interests abroad preconflict, the State Department settled; conflict, DOD settled. They both do a great job. Contingency operations, it is not clear, and it is ad hoc in each case.

So I think that there are several solutions. Let me just list them real quick. One would be to create a sort of Federal Emergency Management Agency (FEMA)/United States Trade Representative (USTR)-type contingency operation office within EOP, the Executive Office of the President, where the Director of Contingency Op-

erations would regularly prepare, develop the Civilian Reserve Corps, develop the Information Technology (IT) systems, develop the contracts, develop the personnel process, so that you are ready. Or put either—as the NDAA presumed to do in the Reconstruction Stabilization Civilian Management Act last October, put the State Department in charge. But DOD needs to be integrated. Or, as DOD is already moving well down the road in 3000.05, Stability Ops takes the lead.

But the key is achieving integration and preparation and doctrine beforehand so that it doesn't get invented in offices like the Program Management Office no one had ever heard of. The Coalition Provisional Authority (CPA), Iraq Reconstruction Management Office (IRMO), Project and Contracting Office (PCO), all of these, this alphabet soup of agencies that are gone, but had charge. And it is difficult to hold them responsible, hold them accountable. They don't exist anymore.

Ms. SHEA-PORTER. Thank you. And I have one other question, if any of you would like to answer this.

When I went to Iraq last time, we were using contractors to guard the bases. And some of the contractors in this particular group were from the continent of Africa, and I didn't even think that they even understood English, never mind understood what I thought they needed to know in order to properly defend our troops there.

Is there a risk, an inherent risk, of having people besides Iraqis or U.S. soldiers defending and protecting our bases, and have you looked at any of those contracts?

Mr. BOWEN. I think there is a risk, and you are right. The Peruvian guards that worked for Triple Canopy that guarded the palace didn't speak English. I experienced that personally.

I was walking out of the palace in August of 2007, very hot day. The alarm ran off. I jumped in the bunker with several Peruvian guards, and we weren't able to communicate about what was going on.

The reality is that is part of how the contracting works. They find the least expensive subcontractor. And that was an issue that was raised by the Chief Executive Officer (CEO) who I talked to yesterday is look down at the subcontractor level, that we hired a bunch of contracting entities that made a lot of money as they subcontracted at a much lower rate.

And so I think there is—we continue to do security contract reviews, and we have several that are coming out this quarter under the 842 plan.

Ms. SHEA-PORTER. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Loebsack.

Mr. LOEBSACK. Thank you, Mr. Chairman.

While it is at once frustrating to be so late in the question and answer (Q&A) session, while at the same time I learn a lot from my colleagues from the panel, so it is a good position to be in many ways.

The first question to Mr. Bowen. Do you think it is possible that the only way we can get beyond sort of an ad hoc approach to all

of this is for us as a country to accept the fact that we may, in fact, have to engage in nation-building?

Mr. BOWEN. Mr. Loebsack, that is a great point. It raises the issue, the—managing contingency relief and reconstruction operations, how we do it falls within a spectrum. At one end is no nation-building whatever. At the other end is colonialism. These are impossible options.

The place where the United States should find itself is here in the center of this continuum, in a suitable, appropriately funded, well-structured, developed doctrine for executing contingency relief and reconstruction operations. Where you achieve unity of command, that is the core issue in, I think, in Iraq and Afghanistan.

There are a number of commanders who control different pots of money, and frequently the color of that money and who the departmental reporting officials are shape this strategy rather than an overarching strategy where one person is in charge so that you achieve unity of purpose. So that the answer is the history of the last 40 years show that we are going to engage in contingency operations, call it some form of nation-building. It is not out at this end of the spectrum, but we have to prepare, as we were a little bit close to this side in 2003.

Mr. LOEBSACK. I really want to thank all three of you for your wonderful testimony, and many of my colleagues have raised really wonderful points prior to my asking you some questions. Certainly the whole idea of interagency coordination and cooperation is one that is so frustrating for, I think, all of us, for sitting here and looking back on what happened in Iraq and what may be happening in Afghanistan as well.

And I want to thank you, Ms. Williams-Bridgers, because I was going to ask, well, who is really responsible for that? You brought up the National Security Council (NSC), and that is sort of the logical place for this. I hope that the current NSC is, in fact, taking into account not only your study, but some of your recommendations as well.

I want to thank Mr. McHugh, then, for raising the point, too, as to whether this Administration has consulted with any of you or not.

If we are going to have the most rational foreign policy we possibly can, we have to learn from our mistakes. There is absolutely no way around it.

I do have one question. I guess it is for General Fields and for Ms. Williams-Bridgers, related to Afghanistan. There is a *Washington Times* article published this morning, and it states that at one point road projects accounted for 70 percent of Commander's Emergency Response Fund (CERP) funding, exceeding the capacity of the Army Corps of Engineers, and leading to an 18-month backlog at the same time the Afghan Health Minister was allegedly told there were no funds available for urgent humanitarian needs.

This also goes to the issue of soft power that you have mentioned that I think we all agree has to be an integral part of whatever strategy we adopt with respect to Afghanistan.

Major General Fields, is SIGAR looking into who authorized the use of such a high percentage of CERP funds for road construction at this point?

General FIELDS. Thank you, sir. We have several audits ongoing as we speak. And, in fact, I made the decision several months ago, well in advance of the article of which you speak and about which I am aware, to look into CERP. In my frequent dialogue with the Congress overall, we receive occasional vectors of interest to the Congress, and one of those has been the issue of CERP.

So we have been planning for some time to look into CERP, and we are in the midst of that as we speak, and I am not at this point in time prepared to arrive at conclusions or findings upon which any decisions can be made, certainly.

Mr. LOEBSACK. Can we go back to an original question that was asked of you as to whether your budget—how much did you say you requested from the Office of Management and Budget (OMB)?

General FIELDS. Sir, for this year, fiscal year 2009, we actually requested $23.2 million.

Mr. LOEBSACK. Was any of that accepted at this point by OMB?

General FIELDS. Sir, we have in our bank, if you will, at this point $16 million, and we have been spending that since about October of last year. And that amount of money is now down to at or about $11 million, and we still have the rest of the year to go. And without the $7.2 additional to flesh us out to that $23.2-, we will not be able to bring aboard the robust staff that is commensurate with the robust mandate that the Congress has imposed upon us.

Mr. LOEBSACK. Thank you. I hope it is included on the budget, then. Thank you very much.

Thanks to all of you, Mr. Chair.

The CHAIRMAN. Susan Davis.

Mrs. DAVIS. Thank you, Mr. Chairman. Thank you to all of you.

I wanted to follow up with the discussion of the extent to which we put the Iraqi face, the Afghani face engaged wholeheartedly in this effort. And I wanted to just talk about the faces of women for a second. And I am wondering to what extent you believe that there has been a conscious, a significant effort to engage women in this redevelopment, reconstruction, in the community.

And one of the issues I just want to point to quickly is I think today's *Washington Post*, a representative from Mercy Corps, a nongovernmental organization (NGO) with programs in Afghanistan, suggested that those lines between United States Agency for International Development (USAID) and the State Department have been so blurred.

And the question really is—I would like to talk about been the faces of women and their involvement—but to what extent we have had success, depending on whether it is a U.S. agency that has been involved or the military in some of these programs; what difference does it make in terms of the response, the public opinion that is generated in this area, and to what extent do you think women's voices have been ignored and/or really engaged in this effort?

Ms. WILLIAMS-BRIDGERS. I will start. Unfortunately, none of our work has focused specifically on the attention that is given to women as part of our overall strategy. I do know in the Afghan development strategy, for example, there is specific reference to a goal, desire, to enhance the educational achievements of women

and incorporation of women into society, but I have not looked at that specifically. Our work has not spoken to that issue specifically. However, we do know that generally when you look at investments in developing countries, that investment in women is often a pivotal investment focus for returns on economic growth and economic development in countries.

So certainly it is an important issue, but one that we just have not done any work to specifically address.

Mrs. DAVIS. Mr. Bowen.

Mr. BOWEN. Yes. Ms. Davis, page 46 of our quarterly report talks about the Daughters of Iraq program that has incorporated women into the security programs, sort of a parallel to the Sons of Iraq.

Also the Joint Contracting Command-Iraq/Afghanistan (JCC-I) chief, the major contracting arm for the Department of Defense, has, through its Iraqi First program, gives preference to women-owned businesses. So there are—those are two substantive initiatives.

As a general matter, USAID's programs have reached out to the women's community across Iraq for a number of years and continues to develop at the grassroots level, using an Iraqi face.

Chapter 26 in *Hard Lessons* really underscores that story, how USAID, through its partner organizations, developed this Iraqi face through its programs to both address the security problem, but also to make the outreach more effective.

Mrs. DAVIS. What I would hope, perhaps, as we continue to look at these issues and really to understand the role that the grassroots is playing, is that we would be asking specifically those questions with data to back that up in terms of leadership, in terms of responsibility that is given in those communities, because I think the women that we have had an opportunity to speak with—and several of us will be trying to focus on that specifically in Afghanistan—is that they haven't necessarily been at the table, and we know that in terms of building that civil society, it is really critical.

So I think if we have that as an accountability measure, and we ask the question, how many are around the table, then I think it begins to filter through. We know the capability is there, that is not the issue, but it is whether or not they are really asked and whether or not anybody thinks it is important. I would hope that we could do that.

And just to follow up on that second question, it doesn't matter who is doing the redevelopment, reconstruction project in terms of public opinion, whether or not it is, you know, pseudomilitary versus civilian. What do we know about that?

Mr. BOWEN. Yes, it does matter. And, indeed, many reconstruction projects around Iraq, they are purposefully given through subcontracting an Iraqi face. A U.S.-funded project, frankly, there is no evidence on the face of the project that the source of funds is the U.S., and that is purposefully done for security reasons.

The CHAIRMAN. Mr. Kissell. We have votes scheduled very shortly. As I understand, we have Mr. Ellsworth, Mr. Massa after Mr. Kissell, and I believe everyone will have had a chance to do the first round.

If there is an opportunity for the second round, if there is time for it, fine. But probably not.

Mr. Kissell.

Mr. KISSELL. Thank you, Mr. Chairman. As I sit here— and thank you all for your testimony. And I am going to probably say a few things that are on my mind before I ask my question.

I read a book recently, and it was about a gentleman whose life had not gone real well, and he made the statement that history can repeat itself, but you have to try real hard to make the same mistakes over and over again.

As I listened to the testimony today, I couldn't help but to go back to that statement I hear about that we didn't build the things that they wanted in Iraq, we are not building the things they want in Afghanistan. We have spent $32 billion in reconstruction in Afghanistan, but, as Mr. Marshall pointed out, reconstruction from what? We really don't have anything to show there.

We hear that we don't really have the procedures in place, the accountability in place. It looks like we are repeating history by making these same mistakes.

And one of the first things I went to, as being a new Congressman, we were, as rookie Congressmen, challenged by a general that had been in Iraq, would we have the courage to stand up as Congressmen and address the tough issues of the day? And I asked the general, I said—because it seems like we have had a history of people that were associated firsthand with the problems that we are talking about today who did not discuss those problems until they were out of the position they were in, then came back to us and said, oh, listen to the problems we had. And I asked the general, were the people firsthand, and knowledge of what is taking place, forthcoming to us in a way that we could understand and deal with the issues, and he said, no.

So my question to each of you, as we look towards trying not to make the same errors again in Afghanistan that we know we made in Iraq, do you all feel that you have the authority, responsibility, obligation to present information to us—I think you can tell the atmosphere here is very receiving—so that we can see when things are not going right and have a chance to do something about it before it becomes so far in our rear-view mirror, we say how did that happen?

Mr. BOWEN. Mr. Kissell, that is exactly the philosophy behind my organization that has driven my auditing, trying to do real-time audit, so to speak, so that the managers on the ground know what is going on, and they can adjust course and improve it.

But there are two issues you raised. One is strategic solutions and tactical solutions. The strategic solution is that we need to reform our government's approach to contingency operations. That is going to take some time because it is introducing a new framework for preparing. But there are tactical solutions, lessons learned in Iraq that should become lessons applied in Afghanistan, that could make a difference and save taxpayer dollars and promote the success of our mission.

One is develop new wartime contracting rules, rules that are more effective, that are designed to execute rapidly on the ground, and something that we have talked about in our reports for a number of years.

Two is to take advantage of the civilians who have achieved experience in Iraq through provincial reconstruction teams (PRTs) and others, and bring that expertise and understanding to bear on the ground in Afghanistan.

Three is to take the tactical lesson from Iraq to build to scale to what the capacity of the country is. That is not what is happening in Iraq. It is not what has been happening in Afghanistan. Afghanistan is much, much lower abilities, much lower absorptive capacity for investment.

Any investment has to be aimed at their absorptive capacity. We build above that, you lose it because they can't sustain it. And we are going to have an audit coming out in a month on asset transfer that underscores the real waste that occurs when you build beyond capacity, that the assets don't transfer, that they don't make a long-term difference.

So strategic solutions, tactical solutions, I think those are both areas for the committee to grapple with and engage and implement resolutions. The big one is how to manage these for posterity.

Ms. WILLIAMS-BRIDGERS. Mr. Kissell, I would say, yes, we do have the responsibility. We do understand our obligation to report on what we have learned that has worked, as well as what we have not. These hearings provide an excellent forum for us to do that.

With the new Administration we reached out to provide them the information based on what we have learned, and not the outstanding recommendations that have never been addressed in our mind and fully implemented. But I think we need to continue to have the support of Congress to get the access to the documents that allow us to render judgments of what works and what does not.

The CHAIRMAN. I thank the gentleman.

In contrast to your comment, Mr. Kissell, about history repeating itself, my fellow Missourian Mark Twain once said, history doesn't repeat itself, but it sure rhymes a lot.

We have two more, and we should break. I think we can get them both in before we go vote, Mr. Ellsworth and Mr. Massa.

Mr. Ellsworth.

Mr. ELLSWORTH. Thank you, Mr. Chairman. Thank you all for being here today. This is of great interest to me.

I have heard our distinguished Chairman refer to himself as a simple country lawyer many times, and as a simple county sheriff in a previous life, this is very disturbing to me.

There is a young man in the fourth row, blue shirt, glasses. Sir, would you hold the book up you carried in? *Flimflam* is the title. And I get the distinct impression we are getting a lot of flimflam, not from you all, but from what is going on over there. Doesn't matter how many times I have been to Iraq and Afghanistan. I keep getting this report from people about what is going on there.

I guess my question is that, you know, what are the things that we are doing that they don't want? Who has the authority to pull the plug and say, these things are going so wrong, why doesn't somebody pull the plug, and we write those policies and write those procedures. Instead of going and continuing the bad behavior while—and keep spending the billions of dollars, let's do food,

water, medicine, and shelter, and then write the policy, and then come back and do it.

Those are the things they need. That is what your polls have showed. They want water, they want food. If we are building roads, it is like buying a bunch of new Sony TVs and nobody having cable or an antenna and not getting anything.

So why don't we do the things we need? Who has got that authority, and why aren't we beating on somebody's desk to say, pull the plug and let's step back a little bit and just do the things we need? And that would be my first question.

Mr. BOWEN. Well, Mr. Ellsworth, I would just say in Iraq that lesson has been learned. The failure I was speaking to was the failure of the original plan that built beyond expectations. I think, though, that it is still applicable in Afghanistan. And the key is to build not to just what they want, but also what they can do to their capacity. For example, the Fallujah wastewater treatment plant that I visited last August, what they wanted was something that ultimately is proving a little bit beyond their capacity.

So it is a balancing act. It is a tough issue.

But the reality is that we are contracting chiefly with Iraqi firms now, and we are choosing projects chiefly by working through the Provincial Reconstruction Development Councils and the PRTs, and that means that the selection of projects today is wiser. Unfortunately, it is also when the money has run out.

Mr. ELLSWORTH. But, you know, we talked about the waste, that I think it was $70-something million for the prison because it essentially fell apart because of water and that. And we built that prison, but it is my understanding, correct me if I am wrong, that the police forces weren't built up. The jails, the court system—we didn't have lawyers, judges, anything. Other legs of the stool didn't exist. So we build this prison out there somewhere, and there was not rule of law or a way to put people in prison.

Mr. BOWEN. That is right.

Mr. ELLSWORTH. Who thinks of that? What common sense—that is not Missouri or Indiana common sense. I said, the flimflam.

Mr. BOWEN. The Khan Bani Saad is a poster child for bad project management, all of these issues we are talking about. The Iraqis, when it finally came to turn it over to them, the Deputy Minister of Justice said, no, we are not going to take it. It is not finished. We don't want it, we never wanted it. And they refer to in Diyala Province as "the whale."

Mr. ELLSWORTH. General Fields, you said some of the Afghans want to partake in more of the process, and they should. I want to be assured that they want to partake in the process of what they need and not just in the profits and the corruption. I know the corruption is pervasive. Every time I have gone over there, they have told me that.

They need to partake in the process of what they need to run it, but we just can't keep throwing these billions of dollars of good money after bad. On your next trip I would love to go with you. I don't know when you are headed out, but if it is on a break, I would love to, and continue this kind of talk with the folks over there, and build some common sense back into this system that represents all of our districts.

And I will—if you got a comment, I will wind up my questions.

General FIELDS. Sir, we welcome you and your staff to travel with us. We, at least I personally, make at least quarterly visits to Afghanistan, and that frequency may increase as we get more deeply into our work.

In reference to the involvement of the Afghans in reconstructing their country, I have seen work executed by contractors solely of Afghanistan, and the quality of the work has been good. I can cite a provincial police facility in Helmand Province that I visited during January. In fact, it is the only picture that I elected to put in our January report to the Congress because it is profound; not the picture per se, but the fact that there is capability, capacity in Afghanistan. We, in our early observations, feel that there is more of this capacity there than we have otherwise encouraged to participate in the reconstruction effort.

The CHAIRMAN. I thank the gentleman.

Mr. Massa.

Mr. MASSA. Thank you, Mr. Chairman, and thank you for the hard work you are doing in representing so many people who report to you, often in dangerous conditions.

We have had several very informative, strategic questions. I would like to shift and just ask a very, very specific and perhaps impassioned plea, and I will be brief.

From firsthand experience I know that dealing with large numbers of contractors, hundreds of millions if not more dollars of government-furnished equipment, often very durable communication equipment and other items, have been delivered to these the contractors and deployed in the field in both Iraq and Afghanistan. I know from firsthand experience that equipment is largely, at this point, undocumented and potentially lost in the field.

As we shift focus in Iraq and redeploy our forces, I would, with the strongest possible recommendation, ask that you would consider deploying a very small number of personnel to do whatever possible to find, document, either write off or recover as much of this government-furnished equipment as possible and return it to the United States, where people in my district, like firefighters and emergency medical technicians and others, could put this equipment to incredibly important use in a very, very harsh economic time in our country.

So please take that for the record. I would be very appreciative if you could get back to me, this committee, or any responsible party with anything you might do to be able to recapture—and it may be a small fraction—maybe tens of millions, but I know you all know $1 million is still a lot of money, especially back where I come from.

Again, thank you for your service, and thank you for your patience to my long question.

The CHAIRMAN. I thank the gentleman very much. We certainly appreciate your excellent testimony, your appearance here today. It has been very informative, and we wish you continued success in your hard work as you perform your duties and advise us. Thank you very, very much.

We are adjourned.

[Whereupon, at 11:57 a.m., the committee was adjourned.]

A P P E N D I X

March 25, 2009

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 25, 2009

FOR OFFICIAL USE ONLY
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COMMITTEE ON ARMED SERVICES

Statement of

Stuart W. Bowen, Jr.

Inspector General

Office of the Special Inspector General for Iraq Reconstruction

at a hearing on

"Effective Counterinsurgency: How the Use and Misuse of Reconstruction Funding Affects the War Effort in Iraq and Afghanistan"

before the

Committee on Armed Services

United States House of Representatives

March 25, 2009

Chairman Skelton, Ranking Member McHugh, and Members of the Committee:

Thank you for the opportunity to present the perspective of the Office of the Special Inspector General for Iraq Reconstruction (SIGIR) on the use of U.S. reconstruction funding over the past six years in support of the war effort in Iraq.

Since its inception in January 2004, SIGIR has reported on how the use and misuse of reconstruction funds has affected the war effort in Iraq, including the counterinsurgency effort.

Our most recent publication – *Hard Lessons: The Iraq Reconstruction Experience* – provides a detailed history of the consequences of the failure to plan, the failure to adapt promptly and effectively, and the failure to establish or implement an effective system for managing contingency relief and reconstruction operations. Beginning in 2003, the use of U.S. reconstruction funds was guided by a series of ad hoc decisions. Funds were used in ways that changed constantly – responding to the ever-changing security environment in Iraq – and they usually failed to meet

the needs at hand, in part because the resources necessary for managing their proper expenditure were unavailable or inadequate to the task. These shortfalls resulted in substantial waste and missed opportunities.

Hard Lessons traces the pervasive waste and inefficiency in the largest nation-building program in history, revealing the mistaken judgments, flawed policies, and structural weaknesses that led to enormous shortfalls. Unless Congress and the Administration develop a reformed approach for managing reconstruction activities in a contingency environment, including new contingency contracting rules, the mistakes of Iraq stand to be repeated in the expanding effort in Afghanistan and in future contingencies.

The U.S. approach to reconstructing Iraq originated in the fall of 2001, when the President and Secretary of Defense fashioned the war plan according to a "liberation" model in which U.S. troops would depart shortly after the fall of Saddam Hussein. Warnings from post-conflict experts that an extensive rebuilding effort should be a key part of our strategy went unheeded, and a war was planned with limited regard for its aftermath. The post-invasion breakdown in public order led to a huge expansion in the program that ultimately saddled the American taxpayer with an enormous obligation that continues to this day.

Hard Lessons reveals how U.S. officials laid plans to modernize every aspect of Iraqi society, from the banking system to traffic laws. In so doing, they overreached, pursuing transformational goals for their own sake instead of using the reconstruction program to meet Iraq's immediate security and economic needs. Although the program significantly corrected its course in 2007, the core problem was – and still is – that the United States government lacks an accepted doctrine for how to rebuild a failed state and a structure capable of mobilizing resources on the required scale.

Unless the expanding Afghanistan program draws upon the lessons learned in Iraq, substantial waste of taxpayer dollars will occur. To date, $32 billion has been appropriated for Afghanistan, with little oversight. The Special Inspector General for Afghanistan Reconstruction, created in 2008, is moving forward, and he is unsurprisingly uncovering problems similar to those we found in Iraq.

SIGIR has made *Hard Lessons* available to the Congress, the Administration, and to the public. It is our best and most complete response to questions about the effect of reconstruction on the war effort in Iraq. In a contingency operation, a well-planned, properly resourced, and effectively managed relief and reconstruction program is a prerequisite to an effective counterinsurgency campaign. *Hard Lessons* makes it clear that the original reconstruction effort in Iraq was not part of a well-planned counterinsurgency strategy.

The original reconstruction plan – developed in 2002 and early 2003 – envisaged a very narrow program that would focus on repairing war damage and averting humanitarian disasters. That plan was quickly superseded by a much larger vision, embodied in the occupation executed by the Coalition Provisional Authority. The CPA envisaged a $20 billion reconstruction effort – ten times larger than the originally planned investment – and the amount we have appropriated for Iraq to date ($50 billion) is about 25 times greater than what we originally anticipated.

Before the initial U.S. reconstruction efforts in Iraq had an appreciable effect, a lethal insurgency erupted derailing much of what had been planned. The CPA's strategy did not focus on security – it focused on big infrastructure projects. But a lack of security in 2003-2004 significantly slowed the reconstruction program. The situation that dominated Iraq through 2005-2006 was ameliorated only after a substantial military and civilian surge in 2007, deploying many more troops and new counterinsurgency tactics – such as "Money as a Weapons System" – that suppressed the insurgency and allowed the balance of the U.S. reconstruction effort to proceed in a relatively more secure environment.

In retrospect, the failure to adapt the reconstruction effort earlier to a counterinsurgency strategy that eventually worked is responsible in part for the considerable waste of reconstruction resources that occurred.

Before the 2007 counterinsurgency program, SIGIR had pointed out – in Lessons Learned reports and many individual audits and inspections – steps to improve the operation of the reconstruction program. For example, from 2004-2006, SIGIR recommended that:

- tours of duty for those engaged in reconstruction should be lengthened to avert constant turnover
- additional contracting officers and staff should be more widely deployed across Iraq to improve quality assurance
- the award-fee process should be tightened to reduce waste and provide real performance incentives to contractors
- a heavier emphasis should be placed on developing the capacity of the Iraqi government to operate successfully the reconstruction projects the U.S. was undertaking so they continue to operate once transferred to Iraqi control
- contracting programs like the Commander's Emergency Response Program should be institutionalized

Most of these recommendations were effectively implemented by agency management or departmental leadership. We also have seen commendable success evolve from the recommendation that contracting focus more on awards to Iraqis with the substantial growth of the Iraqi First program managed by the Joint Contracting Command – Iraq/Afghanistan. SIGIR's call for more support for training and deploying a civilian reserve corps to assist in post-conflict contingencies added impetus to the effort that led the Congress to pass the Reconstruction and Stabilization Civilian Management Act, which this Committee included in last year's NDAA. But our work still is turning up program weaknesses: an upcoming SIGIR audit will reveal that our asset-transfer and asset-sustainment recommendations have still not been effectively implemented.

The Iraq program failed to satisfy a first principle for successful reconstruction contingencies – ensuring sufficient security. In fact, the United States undertook complicated public works projects in very unstable places like Fallujah in 2004 and Basra in 2005. This led to an enormous waste of resources as projects could not progress due to unsafe environments but contractors were still being paid.

Taken as a whole, the U.S. reconstruction program has not met the goals set by the CPA in 2003 on the infrastructure front but has made great strides toward meeting them on the security front, after an enormous increase in funding for the Iraq Security Forces Fund.

The shortfalls on the reconstruction side stem, to a significant degree, from the lack of a system within the U.S. government for managing contingency relief and reconstruction operations. The lack of a good management framework meant that there were ineffective lines of authority and accountability among and between military and civilian organizations. This led to a lack of unity of command and weakened the program's unity of effort.

Hard Lessons lays out a series of principles and recommendations that, if implemented, could enhance future contingency relief and reconstruction operations. Of the many lessons to be drawn from Iraq reconstruction, the most compelling speak to the need to develop an agreed-upon doctrine and structure for contingency relief and reconstruction operations so that the U.S. is ready when it next must intervene in a failed or failing state. Chapter 27 of our report provides the following lessons:

- Executive authority below the President is necessary to ensure the effectiveness of contingency relief and reconstruction operations.
- Security is necessary for large-scale reconstruction to succeed.
- Developing the capacity of people and systems is as important as bricks and mortar.
- Soft programs serve as an important complement to military operations.
- Programs should be geared to indigenous priorities and needs.
- The U.S. government should develop new wartime contracting rules that allow for greater flexibility.
- Uninterrupted oversight is essential to ensuring taxpayer value in contingency operations.
- The U.S. government needs a new human resources management system for contingency operations.

- The U.S. government must strengthen its capacity to manage the contractors that carry out reconstruction work in contingency relief and reconstruction operations.

- Diplomatic, development, and area expertise must be expanded.

In closing, SIGIR's work shows that reform is necessary. It should focus on developing unity of command for contingencies so that, in a future contingency, the United States does not again lose unity of effort as it did in Iraq. Achieving systemic integration – not merely leadership coordination – should be the goal of this reform effort. A failure to act would leave future reconstruction contingency efforts vulnerable to the same shortfalls and weaknesses that were experienced in the Iraq.

The Administration and the Congress must act to reform and transform our government's inadequate structure for planning and executing contingency relief and reconstruction operations. A new structure needs to be created, just as this Committee recreated defense management through the Goldwater-Nichols Act in 1986. This reform could be more challenging than Goldwater-Nichols because it involves more than one cabinet agency. But the scope of the challenge should not deter the effort.

Mr. Chairman and Members of the Committee, let me close by thanking you on behalf of my colleagues in Iraq and in the United States for the strong support you have given us as we strive to accomplish our challenging mission under difficult circumstances.

Statement of Arnold Fields
Special Inspector General for Afghanistan Reconstruction
before the

House Armed Services Committee

Hearing on "Effective Counterinsurgency: How the use and misuse of reconstruction funding affects the war effort in Iraq and Afghanistan"

25 March 2009

Mr. Chairman, Ranking Member McHugh, and Members of the Committee:

I am pleased to be here today for this hearing on the use and misuse of reconstruction funding and the effect it has on the war effort in Iraq and Afghanistan. I would like to thank you for the opportunity to discuss the efforts underway by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to enhance oversight of reconstruction efforts in Afghanistan in a number of important areas. Government and outside experts have identified issues and challenges with respect to reconstruction activities in Afghanistan and Iraq. For example, the Special Inspector General for Iraq Reconstruction (SIGIR), in his book "Hard Lessons: The Iraq Reconstruction Experience," has identified a number of lessons learned. Some of these lessons may apply to reconstruction activities in Afghanistan. The agencies that are implementing programs should examine these lessons to determine if they are applicable to reconstruction activities in Afghanistan. In the course of our oversight, SIGAR will examine how the agencies have considered these lessons in the planning and implementation of their programs for Afghanistan. Today, I would like to focus my discussion on the establishment of SIGAR and our plans for providing oversight in key areas.

I have taken three trips to Afghanistan since my appointment as Inspector General and I just returned from my most recent trip. I have met with senior U.S., Afghan, and NATO civilian and military leaders, including leaders at many levels involved with Afghanistan reconstruction. I continue to move SIGAR's oversight work forward through dialogues with U.S. and international officials whose work and leadership are pivotal to the reconstruction agenda in Afghanistan. Based on these discussions and my observations, I am convinced that SIGAR is well positioned to fulfill its significant and important oversight role for the billions of dollars provided in assistance to Afghanistan. We anticipate completing several products containing analysis, observations, conclusions, and recommendations over the next several months.

SIGAR's Structure for Oversight

Congress has emphasized that uninterrupted oversight is essential to ensuring taxpayer value in reconstruction. I am pleased to inform the Committee that SIGAR has established offices in Washington, D.C. and at the U.S. Embassy in Kabul; begun audits and inspection activities; issued two quarterly reports; and established a hotline for reporting of potential waste, fraud, and abuse. In addition, during my third and most recent visit to Afghanistan we secured space for personnel at Kandahar Air Field, Bagram Air Field, and the Combined Security Transition Command Afghanistan (CSTC-A) located in Kabul. SIGAR is in the process of assembling an experienced and capable staff, which as of today consists of 41 personnel. As funding becomes available, SIGAR plans to hire additional auditors, inspectors, investigators, and support staff, for a total workforce of 90. SIGAR's presence in Afghanistan will grow from 7 to 32 personnel by the end of this year, given sufficient funding. In addition to the SIGAR personnel in Afghanistan, we currently have 3 auditors, temporarily on loan from SIGIR, stationed in Afghanistan. As SIGAR has taken action to establish its operations in Afghanistan, other oversight agencies such as Inspectors General from the Departments of Defense (DOD), State, and the U.S. Agency for International Development (USAID) have also taken steps to increase their oversight presence in Afghanistan in the coming months. We are working with these oversight agencies to provide a mechanism through which the oversight is coordinated and carried out to ensure sufficient and uninterrupted oversight, without placing undue burden upon those organizations responsible for implementing reconstruction programs in Afghanistan.

SIGAR is well positioned to examine the reconstruction programs and activities in Afghanistan across all U.S. agencies.[1] SIGAR's mission is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations of the use of taxpayer dollars and related funds and by keeping the Congress and the Secretaries of State and Defense informed of reconstruction progress and weaknesses. In fulfilling its mission, SIGAR will work to:

- improve management and accountability over U.S. funds administered by U.S. and Afghan agencies and their contractors;
- prevent fraud, waste, and abuse by identifying weak internal controls and investigating potential corruption and other wrongdoing;
- provide a mechanism by which complaints and issues can be reported in Afghanistan, the United States, and internationally for further review, referral and/or investigation;
- improve effectiveness of the overall reconstruction strategy and its component programs;

[1]Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the United States government that involves the use of amounts appropriated, or otherwise made available for the reconstruction of Afghanistan with any entity to: (1) build or rebuild physical infrastructure Afghanistan, (2) establish or reestablish political or societal institutions of Afghanistan, (3) provide products or services to the people of Afghanistan, or (4) provide security or other support functions to facilitate Afghanistan reconstruction efforts.

- provide accurate and balanced information, observations, and recommendations to decision-makers;
- strengthen U.S. government oversight by identifying oversight weaknesses and working with responsible oversight institutions to overcome the weaknesses;
- improve contracting and contract management processes, and
- otherwise, advance U.S. interests in reconstructing Afghanistan.

SIGAR has developed a strategic plan for audits, which establishes the initial mission and goals for the work to be conducted in 2009 and identifies how SIGAR will address tasks detailed in the enabling legislation. This plan describes the categories of work that we plan to conduct and serves as a starting point for decisions on audit priorities. For example, one area of focus will be on internal controls and accountability for reconstruction programs managed by U.S. agencies. This work would identify control weaknesses and vulnerabilities to corruption created by these weaknesses. The Commanders Emergency Response Program (CERP) is one program that has received significant funding and SIGAR has started an audit to review the controls and accountability of funds for this program.

SIGAR will revise its list of priorities as work progresses and in response to events and new oversight needs. Later this year, SIGAR will prepare a compendium of potential audit work. This compendium will serve as a list of potential audits to be conducted by SIGAR and will be used to facilitate SIGAR's coordination efforts with the community of Inspectors General and the Government Accountability Office (GAO).

The enabling legislation that established SIGAR anticipated the need for interagency coordination.[2] This is indeed important as the Inspectors General for the DOD and State, USAID, and several others also have responsibilities for auditing contracts, programs, and projects in Afghanistan. SIGAR understands the importance of coordinating oversight related to Afghanistan reconstruction. SIGAR is working with its counterparts to share plans and align audits, inspections, and anticipated investigations. I am confident the Inspector General community will be able to successfully coordinate the extensive amount of oversight demanded by the U.S. efforts in Afghanistan. SIGAR is now and will continue to meet with the relevant Inspectors General to discuss and determine what forums are needed to ensure coordination of oversight.

Oversight of Key Issues in Afghanistan

SIGIR has identified 13 lessons learned from the U.S. reconstruction effort in Iraq under three broad categories: (1) principles for contingency relief and reconstruction operations, (2) organizing the interagency system for contingency relief and reconstruction operations, and (3) contracting mechanisms and human resources in contingency relief and reconstruction operations. I suspect that the lessons in these three areas may be applicable to efforts in

[2]See National Defense Authorization Act for Fiscal Year 2008 (NDAA for FY2008), Public Law 110-181, Section 1229(f)(4).

Afghanistan, but their specific relevancy needs to be determined. SIGAR, as part of its oversight, will be assessing how U.S. agencies are considering these lessons in planning and implementing programs in Afghanistan.

For the last eight years, the United States, nearly 50 other nations, and several multilateral organizations, have undertaken a challenging and costly effort to stabilize Afghanistan and prevent the nation from becoming a safe haven for terrorists or devolving into a failed state. Since 2001, the United States has appropriated over $32 billion in reconstruction assistance to help reconstruct and secure Afghanistan. The conditions in Afghanistan—economic, geographic, and demographic, and polticial—offer unique challenges to the feasibility and sustainability of reconstruction efforts. Afghanistan is a poor, largely rural and ethnically and linguistically diverse nation with limited natural resources and lacking the current means to generate legitimate revenue. For example, in 2007, Afghanistan's per capita income was estimated to be about $300 per year, excluding income from illicit drug production and trafficking, according to the World Bank. In another example, Afghanistan's population is mostly uneducated—with a reported illiteracy rate of 70 percent, according to development indicators reported by the World Bank and United Nations.

Experts agree that the war in Afghanistan, similar to the war in Iraq, will not be won by military force alone. The consensus is that an integrated U.S., international, and Afghan effort is needed to meet the developmental, economic, security, and other needs of the Afghan people.

Today, I would like to use the lessons identified in U.S. reconstruction efforts in Iraq as a framework for discussing some of the key issues SIGAR intends to examine in Afghanistan. I am going to discuss SIGAR's plan for oversight in selected areas: providing for security for reconstruction, including Afghan priorities in reconstruction programs, improving the capacity of personnel and systems, developing integrated management structure, and strengthening oversight of contractors and contracts.

Reconstruction Success Tied to Security

In Iraq, SIGIR found that security is necessary for large-scale reconstruction to succeed and that a successful reconstruction program requires a balancing of security, political, and economic interests. Reconstruction efforts in Afghanistan are taking place in a complex, challenging, dangerous, and inhospitable environment. During my visits to Afghanistan, security has been widely cited as a limiting factor to the success of reconstruction efforts. Over the last eight years, the United States and international partners have spent billions of dollars to provide economic growth, develop the infrastructure, and train the Afghan security forces. However, the security situation in Afghanistan has deteriorated significantly in recent years. In February 2009, President Obama announced an increase of U.S. troops for deployment to Afghanistan to combat the increasing security risks and help secure the area for reconstruction activities.

Security is arguably the most important pillar of the *Afghanistan National Development Strategy* (2008-2013) and to the U.S. and international reconstruction efforts in Afghanistan.[3] Supporting the improvement of Afghanistan's military and police is critical to the advancement of reconstruction programs. The work of various Inspectors General and GAO indicates there are significant problems in this area. For example, GAO recently reported significant accountability concerns for weapons provided to Afghan national security forces.

Programs to support and train Afghan military and police forces account for the largest portion of reconstruction funds. Billions of U.S. dollars have been made available for equipping, supplying, and training of the Afghan military and police, largely funded through the Afghan Security Forces Fund. According to GAO, the United States has provided nearly $17 billion for the training and equipping of Afghan National Security Forces, and DOD and State plan to request additional funds for these purposes. Military aid to Afghanistan is likely to increase as the United States and international partners work to build the size and capability of Afghan forces so they can assist in securing the country for reconstruction. Due to the size of the military and police aid programs, SIGAR will begin its audit work in this area with a broad survey to identify audit issues and priorities, and possible inspection work. In the meantime, SIGAR auditors are working with staff from the DOD Inspector General to coordinate our efforts and stay informed of these issues.

Incorporating Priorities and Needs of the Afghan People

SIGIR reported that reconstruction programs should be geared to indigenous priorities and needs to ensure long-term success. A recent report from the Center for Strategic and International Studies (CSIS) has noted that the restoration of civil order depends on the belief and commitment of the vast majority of the population.[4] The Afghan government has two important documents that identify their priorities and needs: the *"Afghanistan National Development Strategy (2008-2013)"* and the *"Afghanistan Compact"* (2006), which establishes the framework for international cooperation. Senior officials of the Government of Afghanistan have expressed a strong desire for greater involvement and authority in the reconstruction of their country. These are matters of interest expressed directly to me during each of my visits to Afghanistan. I believe the degree of involvement of the various levels of the Afghan government in the reconstruction effort is a matter for oversight attention.

Development is one of the three pillars of the *Afghanistan National Development Strategy* and, after security, receives the largest amount of funding and attention from the United States and the international community. SIGAR plans to conduct a series of comprehensive audits of

[3]The three pillars of the Afghanistan National Development Strategy are: Security; Governance, Rule of Law, and Human Rights; and Economic and Social Development.
[4]Center for Strategic and International Studies, *Afghanistan & Pakistan on the Brink: Framing U.S. Policy Options*, February 2009.

reconstruction efforts by multiple agencies that focus on specific development sectors. SIGAR audits will examine U.S. and international donor strategy to support the sector, identify what funds have been provided and how they have been used, whether programs within the sector are well coordinated, whether programs are achieving desired results, and what challenges exist. Where appropriate, SIGAR will use the *Afghanistan National Development Strategy* and the *Afghanistan Compact* as a basis for assessing program effectiveness and progress. SIGAR also plans to conduct inspections of selected specific infrastructure projects in these sectors to identify if the construction was completed on time, within budget, and according to specifications. These inspections will support the audits in these sectors and may lead to SIGAR investigations when fraud or abuse are suspected. SIGAR has begun its first comprehensive audit in this area focusing on the energy sector.

Developing Sufficient Capacity in People and Systems

For Iraq, SIGIR reported that developing the capacity of people and systems is as important as bricks and mortar reconstruction. Governance is another of the three pillar of the *Afghanistan National Development Strategy*. Senior officials from the Government of Afghanistan have expressed to me their belief that the institutions and people of Afghanistan have the capacity to effectively participate more fully in the management and implementation of reconstruction contracts. However, their level of participation needs to be governed by their ability to exercise good stewardship and accountability for management and implementation responsibilities. Based on my trips to Afghanistan, I believe developing the capacity of people and systems is an important element for ensuring the sustainability of the reconstruction programs.

Sufficient capacity in Afghan institutions can allow the Afghan people to take a larger role in overseeing and sustaining reconstruction activities. The involvement of the Afghan institutions depends, in part, on their financial management capabilities and accountability procedures. SIGAR intends to conduct audits of the internal controls exercised by key Afghan ministries to assess their procedures for managing reconstruction activities funded by the United States and identify U.S. efforts to develop their capabilities. Due to the importance of the Afghan elections, SIGAR plans to conduct its first audit in the area of capacity development on the efforts to help Afghanistan run free and fair elections. SIGAR will follow this audit with a series of audits regarding the development of capacity, including a comprehensive audit of activities in the education sector, the judicial sector, and efforts to develop the capacity of oversight entities in the Afghan government.

Integrated Management Structure for Effective Interagency Efforts

SIGIR reported that an integrated management structure is necessary to ensure effective U.S. interagency reconstruction efforts. At least 6 agencies and departments fund U.S. reconstruction efforts in Afghanistan. Based on my visits, I fear there are major weaknesses in strategy among the participating agencies. Although SIGAR has not conducted an in-depth

review of reconstruction strategies, there is a broad consensus that reconstruction efforts are fragmented and existing strategies lack coherence. However, working groups at various levels have been established to address coordination issues. For example, the Integrated Civil Military Action Group was formed to coordinate civilian and military reconstruction activities in Afghanistan. In addition to the audits of various segments of the reconstruction program, SIGAR plans to conduct audits of strategy, planning, and management issues associated with the overall reconstruction effort.

Our work will assess the tools used by U.S. agencies, the international donor community, and the Afghan Government to plan, manage, and oversee reconstruction as a whole. As with much of the work in other areas, SIGAR is highly qualified to review and assess the overall management of reconstruction because, similar to the GAO, SIGAR has the authority to audit activities across agency boundaries. SIGAR has already begun its first audit in this area, conducting an assessment of U.S. government information systems used to track and provide data and management information to decision-makers.

Strengthening U.S. Government Oversight of Contracts

In Iraq, SIGIR concluded the United States government should strengthen its capacity to manage the contractors carrying out reconstruction work in contingency relief and reconstruction operations. As called for in SIGAR's enabling legislation, SIGAR plans to conduct a number of reviews on the use, oversight, and performance of contractors as well as perform focused contract audits. SIGAR will assess contractor performance and agency oversight of the contractor, including identification of weaknesses in performance and management. This work will also examine compliance with contracting procedures and assess whether the United States is getting value for funds expended. Over time, we expect this work could lead to improved contracting and contract management processes. Work may also generate leads for inspections of specific infrastructure projects completed under these contracts as well as for criminal and civil investigations. When evidence of potential criminal activity is discovered, SIGAR will investigate the matters, which may lead to referrals for the prosecution of the offenders. SIGAR has begun its first audit in this area to assess the performance and oversight of reconstruction contracts in Afghanistan with the Louis Berger Group.

SIGAR is just one of the audit entities with responsibilities for oversight of contracts—GAO; Inspectors General for the Departments of Defense and State; and for USAID; and several other audit agencies share these responsibilities. Authorizing legislation assigns to SIGAR the task of preparing comprehensive plans for audits of security and other contracts that SIGAR and other Inspectors General will perform.[5] SIGAR intends to play a lead role in ensuring contracts receive adequate audit coverage, but expects the audit coverage of specific security and other contracts will be conducted by SIGAR or one of several other Inspectors General. SIGAR will identify contracts warranting more oversight based on input from other Inspectors General and GAO, information received in our Afghanistan offices, and hotline reporting. SIGAR expects to

[5]See NDAA for FY2008, Public Law 110-181, Section 842.

complete the required comprehensive plan for audits of security and other contracts later this year.

Conclusion

SIGAR's oversight mission is important because of the extensive investment by the United States of more than $32 billion for the reconstruction of Afghanistan. SIGAR takes its responsibility seriously to provide prompt and effective advice and recommendations to those managing Afghanistan's reconstruction. Our goal and mandate is to promote effectiveness and efficiency and prevent waste of taxpayer dollars. I am pleased that Ambassador Wood and General McKiernan have welcomed SIGAR's presence by providing support in Afghanistan. I believe SIGAR can and will make important contributions to the success of the ongoing development of Afghanistan reconstruction. SIGAR plans to carry out the mission Congress has assigned with vigor and efficiency to ensure effective oversight and timely reporting, thereby helping with the ultimate success of the Afghanistan reconstruction program.

Our future capabilities will be determined by the level of funding we receive. SIGAR has received sufficient appropriated funds (totaling $16 million) for initial startup but needs additional funding in order to fully implement the oversight mandated by the Congress. SIGAR has identified a $7.2 million shortfall for the remainder of fiscal year 2009. The additional funding is essential to allow us to continue to hire the staff needed to meet our oversight responsibilities.

The staff I have hired is willing to serve in the highly hazardous environment, a description by which Afghanistan is currently characterized. They are a dedicated group of professionals, many of whom could be working in much safer and more stable environments. Instead, they have volunteered to serve our country in these challenging times. I am proud of them and honored to serve as their leader.

Thank you for this opportunity to discuss the efforts SIGAR has underway to fulfill its oversight responsibilities, particularly in view of this committee's interest in the use and misuse of reconstruction funding. I appreciate the funding support the Congress continues to provide our office, allowing for us to grow to meet our oversight mandate and challenges ahead. I look forward to answering any questions the committee may have.

United States Government Accountability Office

GAO

Testimony
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IRAQ AND AFGHANISTAN

Security, Economic, and Governance Challenges to Rebuilding Efforts Should Be Addressed in U.S. Strategies

Statement of Jacquelyn Williams-Bridgers
Managing Director, International Affairs & Trade

GAO-09-476T

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Highlights

Highlights of GAO-09-476T, testimony before the House Armed Services Committee

March 25, 2009

IRAQ AND AFGHANISTAN

Security, Economic, and Governance Challenges to Rebuilding Efforts Should Be Addressed in U.S. Strategies

Why GAO Did This Study

From fiscal year 2001 through July 2008, Congress provided more than $808 billion to the Department of Defense (DOD) for the Global War on Terrorism, including military operations in Iraq and Afghanistan. Moreover, since fiscal year 2003, about $49 billion has been provided to U.S. agencies for reconstruction and stabilization in Iraq and $32 billion for similar efforts in Afghanistan since fiscal year 2002. In February 2009, President Obama announced a new U.S. strategy for Iraq and plans to develop a new comprehensive strategy for Afghanistan.

This statement is based on GAO's extensive body of work—more than 150 products since 2003—examining U.S. efforts in Iraq and Afghanistan.

What GAO Recommends

Since 2003, GAO has made recommendations to DOD, the Department of State, the U.S. Agency for International Development, and other agencies to improve the effectiveness and efficiency of U.S. efforts in Iraq and Afghanistan. In particular, GAO has recommended that the U.S. government develop detailed and updated strategies and operational plans to guide these efforts. The agencies have efforts under way to implement some of these recommendations.

What GAO Found

While U.S. efforts face unique circumstances in Iraq and Afghanistan, success in both countries depends on addressing three common challenges: (1) establishing and maintaining a basic level of security, (2) building a sustainable economic foundation, and (3) holding governments accountable for political commitments and building their capacity to govern. These challenges underscore the need for comprehensive U.S. strategies that optimize U.S. strategic interests, host country priorities, and the international community's resources and expertise.

In Iraq, much U.S.-funded reconstruction took place prior to July 2007 in an environment of deteriorating security. Oil, electricity, and water projects were subject to insurgent attacks and threats, which raised costs and caused delays. While violence has declined, security conditions remain fragile, according to DOD. Iraq's oil resources provide a foundation for economic growth. However, Iraq's investment in infrastructure has been limited, despite budget surpluses. The government's limited capacity to deliver services poses a challenge as well. The United States has held the government to commitments to pass key legislation and hold elections, but further progress in reconciliation, such as legislation to share oil and gas revenues and resolve claims over disputed territories, is needed.

In Afghanistan, a lack of security has put U.S.-funded infrastructure projects, development of Afghan security forces, and other efforts at risk. Projects have been delayed and costs increased. The drug trade helps finance the Taliban and other insurgents and contributes to instability. Given Afghanistan's poor economy, the country's development will depend on foreign assistance. The Afghanistan National Development Strategy, established with U.S. and international support, is underfunded and may not be financially viable. The Afghan government's lack of capacity also hinders the country from meeting its development goals. The ministries do not have the personnel with the expertise to maintain U.S. and other donor-financed infrastructure projects, and corruption exacerbates this problem.

As it further defines and develops its strategies for Iraq and Afghanistan, the Administration should incorporate characteristics of an effective national strategy. Both strategies should clearly define the objectives of U.S. efforts and measures to assess progress; identify risks; estimate costs; and integrate U.S., international, and host country efforts. For example, the strategy for Iraq should clarify what conditions the United States expects to achieve to ensure that troops are drawn down responsibly. The U.S. strategy for Afghanistan should estimate the cost of helping the country implement its development strategy. It should also assess the risk to U.S. infrastructure investments if Afghanistan does not obtain the donor assistance and technical capacity to maintain them. Finally, U.S. strategies should guide the development and implementation of interagency operational plans and sector level plans.

View GAO-09-476T or key components. For more information, contact Jacquelyn Williams-Bridgers at (202) 512-3101 or williamsbridgersj@gao.gov.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss challenges to rebuilding Iraq and Afghanistan and the importance of comprehensive U.S. strategies and plans to guide these efforts. U.S. efforts in Iraq and Afghanistan include building or repairing infrastructure needed to provide electricity, water, and other essential services; developing security forces; and strengthening government capabilities.

The Bush Administration established high-level goals—or desired end states—for U.S. involvement in Iraq and Afghanistan. In Iraq, U.S. efforts were aimed at ensuring that no safe haven for terrorists exists and fostering a peaceful, united, stable, and democratic country, well integrated into the international community, and acting as a full partner in the war on terror. In Afghanistan, the United States has sought to eliminate a safe haven for terrorists and gain a reliable, stable ally in the war on terror that was moderate and democratic, with a thriving private sector economy, capable of governing its territory and borders, and respectful of the rights of all its citizens. In February 2009, President Obama announced a new U.S. strategy for Iraq and stated that his administration was developing a new comprehensive strategy for Afghanistan.

My statement today is based on GAO's extensive body of work examining U.S. efforts in Iraq and Afghanistan. Since 2003, we have issued more than 150 products related to these two countries, and currently have additional work ongoing in both. We have conducted extensive on-the-ground work in both countries, involving our office teams in Iraq and multiple field visits. Our reports incorporate and analyze information from and meetings with Iraqi and Afghan officials; U.S. officials in Iraq, Afghanistan, and Washington, D.C., including the Departments of Defense (DOD), State (State), Justice, Energy, and the Treasury (Treasury); the U.S. Agency for International Development (USAID); the Army Corps of Engineers; the Defense Intelligence Agency; and the Drug Enforcement Administration. In addition, we obtained and analyzed information from representatives of coalition military forces and commands, including the U.S.-led Multinational Force-Iraq (MNF-I) and the NATO-led International Security Assistance Force (ISAF), and international organizations, including the United Nations (UN), the International Monetary Fund, and the World Bank. Our work was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable

basis for our findings and conclusions based on our audit objectives. A list of GAO reports and testimonies related to these topics can be located at http://www.gao.gov/docsearch/featured/oif.html. For further information relating to our work on Iraq and Afghanistan, go to http://www.gao.gov/media/video/gao-09-294sp.

Background

In Iraq, a U.S.-led coalition undertook military operations in 2003 and removed the ruling Ba'ath regime from power. Since then, Iraq has formed a constitutional government, and the United States has led efforts to stabilize and rebuild the country. The United States has employed numerous strategies and plans to address the security and reconstruction needs of Iraq since late 2003. In January 2007, to address the high levels of violence, the Bush Administration announced *The New Way Forward* strategy. The documents that comprise this strategy and the phase that follows clearly state the importance that the administration placed on continued U.S. support for Iraq, but only articulated goals and objectives for the near-term phase that ended in July 2008. Under a November 2008 security agreement between the United States and Iraq,[1] the United States must withdraw all of its forces by the end of 2011, unless the two countries mutually agree to extend the deadline.

In Afghanistan, U.S.-led coalition forces forcibly removed the Taliban regime from power in 2001 in response to its protection of al Qaeda terrorists that attacked the United States. Less than 2 months later, the UN established a framework for a new Afghan government. Since then, Afghanistan has formed a constitutional government. Both the United States and the international community have important roles in stabilization and reconstruction efforts. In 2008, the Afghan government, with the support and cooperation of the United States and others in the international community, finalized the 5-year Afghanistan National Development Strategy, defining the vision, principles, and goals for the country's development. In the final days of the Bush Administration, DOD issued a report to Congress that included

[1] *Agreement Between the United States of America and the Republic of Iraq on the Withdrawal of United States Forces from Iraq and the Organization of Their Activities during Their Temporary Presence in Iraq*, Nov. 17, 2008. The agreement took effect Jan. 1, 2009.

"a description of the comprehensive strategy of the United States for security and stability".[2]

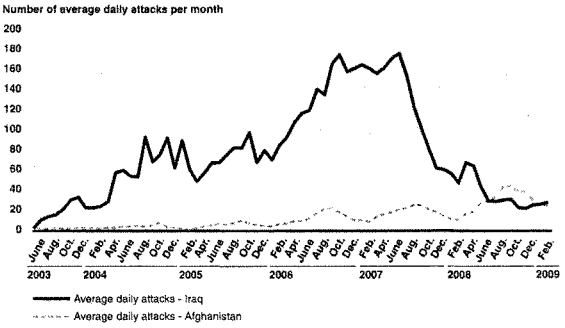
The United States faces fundamentally different economic situations in its effort to rebuild Iraq and Afghanistan. (See app. I for comparative information on the two countries.)

- By 2003, Iraq's infrastructure had deteriorated due to neglect from the previous regime, international sanctions, and years of conflict. However, Iraq's economy is based on the world's third largest oil reserves, and, with a per capita income of about $4,000, it is classified as a middle income country by the World Bank. Iraq has a population of 29 million, about 74 percent of which is literate, and life expectancy at birth is 70 years. The country has a network of roads, railway service, and 19 airports with paved runways over 1,000 feet. About 67 percent of Iraq's population is urban. The country consists predominantly of broad plains, and it has access to the Persian Gulf.
- By 2001, almost 3 decades of war and years of drought had destroyed Afghanistan's government, judicial and economic institutions, and its infrastructure. Afghanistan has very limited accessible natural resources and with a per capita income of about $800 is classified as a low income country. It has a population of 33 million, approximately 28 percent of which is literate, and life expectancy at birth is 45 years. The country has limited paved roads, no railway, and four airports with paved runways over 1,000 feet. About 24 percent of Afghanistan's population is urban. Afghanistan has a land area about one-third larger than Iraq and is predominantly mountainous and land-locked.

The level of insurgent violence has changed drastically in both Iraq and Afghanistan during the past several years, as illustrated in figure 1. In mid-2008, the number of enemy attacks per month in Afghanistan first surpassed that of Iraq. As of February 2009, attack levels were slightly higher in Iraq than Afghanistan.

[2]DOD, Report to Congress in Accordance with the 2008 National Defense Authorization Act (Section 1230, P.L. 110-181), *Report on Progress toward Security and Stability in Afghanistan* (Washington, D.C.: Jan. 2009).

Figure 1: Enemy-Initiated Attacks in Iraq and Afghanistan Per Month, May 2003 through February 2009



Source: GAO analysis of Department of Defense data.

As of January 2009, the United States had about 144,000 troops in Iraq as part of MNF-I. According to DOD and MNF-I officials, the United States plans to reduce the number of combat troops to about 128,000 by September 2009. This troop drawdown would represent two combat brigades and their support units, reducing the number of U.S. brigades from 14 to 12.

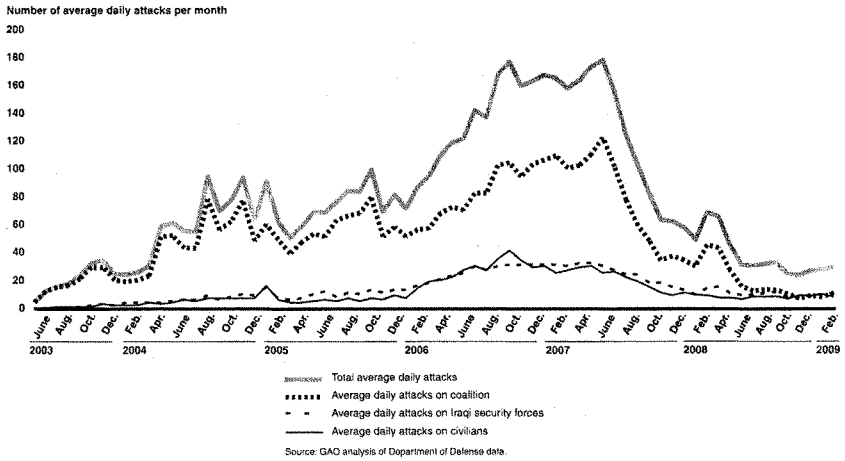
The United States had about 32,800 troops in Afghanistan as of January 2009, including 13,900 deployed to the NATO-led ISAF and 18,900 deployed to U.S.-led Operation Enduring Freedom efforts. According to DOD officials, an additional 17,700 U.S. troops will be deployed to Afghanistan, most of them under ISAF command.

U.S. Reconstruction Efforts in Iraq Faced Security, Economic, and Governance Challenges

Establishing and Maintaining a Basic Level of Security Is Essential for Progress in Reconstruction

At the outset of the U.S. reconstruction effort in Iraq, the United States assumed that it would face a permissive security situation that would enable reconstruction to progress quickly and steadily. However, a lack of security, among other factors, undermined U.S. efforts to restore essential services—oil production, electricity generation, and water treatment—to a standard acceptable to and accessible by all Iraqi citizens. Since 2003, U.S. agencies have provided about $10 billion for reconstruction activities in the oil, electricity, and water sectors. Most U.S. reconstruction funds were spent in the deteriorating security environment that existed in Iraq prior to July 2007. Numerous security problems resulted in delays in the design and execution of projects, increased the cost of providing security services for contractors and sites, and reduced scopes of work. In the oil sector, insurgents attacked oil pipelines, destroyed other key infrastructure, threatened workers, compromised the transport of materials, and hindered project completion and repairs. In the electricity sector, insurgents repeatedly sabotaged major transmission and fuel lines, cutting power to various parts of the country. Moreover, poor security has prevented the successful implementation of long-term training programs for Iraqi citizens to create the local capacity needed to operate and maintain U.S.-funded projects. Figure 2 illustrates the number of enemy-initiated attacks in Iraq since May 2003.

Figure 2: Enemy-Initiated Attacks Per Month in Iraq, May 2003 through February 2009



Source: GAO analysis of Department of Defense data.

Although the security situation remains fragile, according to DOD, violence has decreased significantly over the past 2 years: enemy-initiated attacks decreased from a peak of about 180 per day in June 2007 to about 30 per day in February 2009. Security gains have largely resulted from (1) the increase in U.S. combat forces that allowed a change in tactics and the adoption of counterinsurgency techniques, (2) the creation of nongovernmental security forces such as Sons of Iraq, and (3) the Mahdi Army's declaration of a cease fire.

To help achieve security in Iraq and facilitate the eventual drawdown of U.S. troops, the United States has provided about $22 billion since 2003 to develop Iraqi security forces and transfer security responsibilities to the Iraqi government. Further, the Iraqi army and police forces nearly doubled in size from about 320,000 personnel in January 2007 to just over 600,000 in October 2008. Although many Iraqi units are leading counterinsurgency

operations, DOD reports that only about 10 percent of all Iraqi army units are deemed capable of performing operations without coalition assistance.[3] Several factors have complicated the development of capable Iraqi security forces, including the lack of a single unified force, sectarian and militia influences, continued dependence on U.S. and coalition forces for combat support, and Iraqi training and leadership shortages.

Despite a Substantial Budget Surplus, Iraq Has Spent Few Resources on Reconstruction Projects Necessary for Economic Growth

The United States had assumed that, after an initial U.S. investment in restoring Iraq's infrastructure, Iraq and the international community would take financial responsibility for Iraqi reconstruction. However, the Iraqi government's spending on infrastructure for the oil production, electricity, and water sectors has not been adequate to meet the needs of the Iraqi people for essential services.

With large oil reserves, Iraq possesses the resources to finance its own reconstruction. Nevertheless, although Iraq has generated budget surpluses since 2005, it has spent small percentages of its capital investment budgets on needed infrastructure projects. As table 1 illustrates, from 2005 through 2008, Iraq generated an estimated $164 billion in cumulative revenues, primarily from crude oil export sales, but spent only about $117 billion. As of December 2008, Iraq had amassed an estimated cumulative surplus of about $47 billion.

Table 1: Iraqi Revenues, Expenditures, and Surpluses, 2005-2008

(Billions of U.S. dollars)	2005	2006	2007	2008	Total 2005-2008
Total Revenues	$24.1	$32	$39.9	$67.8	$163.8
Ministry of Finance Expenditures	17.6	22.8	26.6	49.3	116.5
Surplus	6.5	9.2	13.3	18.3	47.3

Source: GAO analysis of CBI and IMF data and the Iraqi Ministry of Finance's budget.

Note: GAO previously projected that Iraq could have a cumulative surplus of between $67 billion and $79 billion by the end of 2008. The revised estimate presented here reflects the impact of declining oil prices and increased spending by the Iraqi government during the second half of 2008.

[3]See DOD, Report to Congress in Accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), *Measuring Stability and Security in Iraq* (Washington, D.C.: Dec. 2008).

The international community has offered Iraq almost $12 billion in loans to help finance reconstruction projects. As of January 2009, Iraq had entered into agreements to borrow only about one-third of this amount. In addition, international donors have provided about $5.6 billion in bilateral or multilateral grants. To help Iraq attract foreign investment, some official creditors have forgiven loans taken under the previous regime. Treasury officials estimate that Iraq's debt to foreign creditors has shrunk from about $120 billion at the end of 2004—an amount almost 5 times the size of Iraq's economy at the time—to between about $49 and $77 billion in January 2009.

Despite its substantial budget surplus and international assistance, Iraq has not spent the resources it set aside for reconstruction efforts essential to its economic recovery. As table 2 indicates, Iraq has spent about 12 percent, or $2 billion, of the $17.2 billion it allocated for reconstruction activities in the oil, electricity, and water sectors. In contrast, U.S. agencies have spent almost 90 percent, or $9.5 billion, of the $10.9 billion Congress made available for investment activities in these sectors since fiscal year 2003. Moreover, Iraqi ministries have consistently spent far higher percentages of their operational budgets, which include employee compensation, than they have of their investment budgets, which include infrastructure construction costs.

Table 2: U.S. and Iraq Allocations and Spending for Selected Sectors (U.S. dollars in billions)

		U.S. Government		Government of Iraq	
	Investment Needed	March 2003–October 2008	March 2003-June 2008	2005-2008	2005-2008
Sectors		Allocated	Spent[a]	Allocated	Spent[a]
Oil	25-75[b]	$2.7	$2.5	$10.8	$0.7
Electricity	27-54[c]	5.3	4.8	5.2	0.8
Water resources	14[d]	2.9	2.2	1.3	0.6
Total	**$66-143**	**$10.9**	**$9.5 (87%)**	**$17.2**	**$2.0 (12%)**

Source: GAO analysis of Iraq Ministry of Finance budgets and expenditures and State, DOD, USAID, and Treasury data.

Note: The Iraqi figures refer to investment expenses that include capital goods and capital projects. The sums may differ from totals due to rounding.

[a]This refers to funds disbursed by U.S. agencies and funds expended by the respective Iraqi ministries.

[b]Investment needed in the oil sector to achieve a production target of 6 million barrels per day, according to the Ministry of Oil.

[c]Investment needed in the electricity sector to provide reliable electricity across Iraq by 2015, according to the Ministry of Electricity and U.S. government officials.

[d]World Bank estimate.

Oil exports account for about 90 percent of Iraq's revenue, and the government's ability to fund reconstruction efforts and provide essential services to its population depends, in part, on sustaining and increasing oil production and exports. In the preliminary 2009 Iraqi budget, the Iraqi government projects a budget deficit of $16 million, in part due to lower expected oil revenues. According to Treasury, Iraq's cumulative budget surpluses would sufficiently cover this deficit.

Ensuring Political Commitment and Improving Government Capacity Are Critical

To promote national reconciliation and unify the country, the Iraqi government committed in 2006 to address political grievances among Iraq's Shi'a, Sunni, and Kurd populations. In 2007, the Bush Administration pledged to hold the Iraqi government to this commitment, with some results. Since September 2007, after considerable debate and compromise among Iraq's political blocs, the Iraqi government has enacted five of seven laws intended to promote national reconciliation, including de-Ba'athification reform, amnesty, provincial powers legislation, and two election laws. In addition, the Iraqi government has successfully held five elections since 2005, including provincial elections in January 2009, intended to address Sunni concerns about lack of representation on Provincial Councils.

Nonetheless, the Iraqi government still has key political commitments to meet. In particular, it has not enacted hydrocarbon legislation, which would define the sharing of oil and gas revenues for all Iraqis and could promote international investment. Further, Iraq has not completed a constitutional review or mandated processes to deal with claims over disputed territories, especially oil-rich Kirkuk, where political tensions remain high, according to a December 2008 DOD report.[4] Nor has Iraq passed a law to demobilize militias.

The success of the Iraqi government's efforts to increase its legitimacy and counter the insurgent threat depend, in large part, on its ability to expand oil exports and provide essential services, such as electricity and clean water, to all Iraqi communities. However, capacity problems have limited the Iraqi government's progress in meeting the need for these services. For example, based on U.S. and UN reporting, inadequate operating and maintenance practices and the lack of skilled technicians inhibit an effective electrical infrastructure. As a result, although improvements have

[4]See DOD, *Measuring Stability and Security in Iraq*.

been made, Iraq continues to experience electrical shortages despite billions of dollars invested.

Iraq's government faces several challenges in building its capacity to govern. Its ministries have significant shortages of personnel who can formulate budgets, procure goods and services, and perform other vital ministry tasks. U.S. mission assessments have noted the Iraqi government's limited capacity to provide services to the Iraqi people due to weak technical expertise, limitations in managers' skills, and an inability to identify and articulate strategic priorities, among other factors. Also, despite measures to strengthen the Inspectors General and other Iraqi anti-corruption entities, corruption is pervasive in the ministries. In 2008, Transparency International ranked Iraq 178 out of 180 countries on its Corruption Perception Index—worse than its 2005 ranking. According to a December 2008 DOD report, this corruption is an impediment to reconstruction and stabilization.[5]

The United States has altered its approach to Iraqi government capacity development over time. Since 2005, multiple U.S. agencies have led individual efforts to improve the capacity of Iraq's ministries without having an overall integrated strategy. In 2007, the U.S. strategy for Iraq emphasized the need to build capacity in Iraq's ministries and help the government execute its capital investment budgets. In response, U.S. capacity development efforts shifted emphasis to helping Iraqi ministries overcome their inability to spend their capital investment budgets. In June 2008, State and Treasury created a new Public Financial Management Action Group to help integrate and coordinate U.S. government assistance to improve budget execution. Also, State has hired a contractor to develop a strategic planning document for ministry capacity development in Iraq.

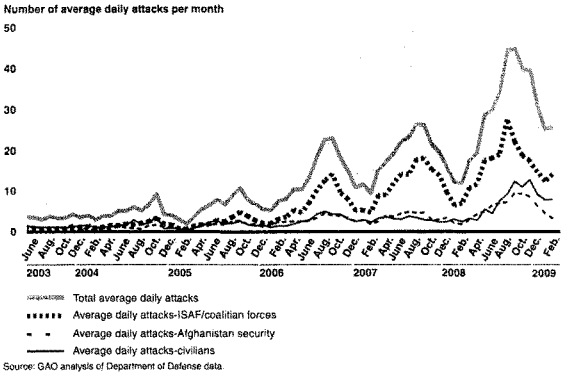
[5]See DOD, *Measuring Stability and Security in Iraq.*

U.S. Efforts in Afghanistan Face Security, Economic, and Governance Challenges

As Security Situation Worsens, U.S. Focuses on Building Afghan National Security Forces and Combating Narcotics Trafficking

Security and stability in Afghanistan have deteriorated in the past 3 years. In the first several years of the war, Afghanistan was relatively stable and secure and attacks by Taliban insurgents on U.S. soldiers were rare. However, since 2006, the insurgency has reasserted itself, resulting in an escalation of violence, especially against U.S. and coalition forces. As illustrated in figure 3, enemy attacks on civilians as well as Afghan and coalition forces increased from an average of about 5 per day in January 2006 to around 25 per day in February 2009.

Figure 3: Enemy-Initiated Attacks Per Month in Afghanistan, May 2003 through February 2009



Source: GAO analysis of Department of Defense data.

Insurgents have increasingly used improvised explosive devices and focused on infrastructure projects as their targets. This violence has had deleterious effects on U.S. and allied security and support operations as

well as reconstruction efforts in Afghanistan. For example, DOD and State officials have reported that the efforts to train Afghan National Security Forces (ANSF) are hindered by inadequate force protection and a shortage of personnel. Furthermore, according to USAID, a wide range of development programs, including road reconstruction and power generation, faced significant cost increases and were delayed or abandoned due to a lack of security.

Since 2002, the United States has provided about $18 billion for the development of ANSF, which are comprised of the Afghan National Army and the Afghan National Police. This has been a keystone effort in achieving the long-term security that would allow the drawdown of U.S. and allied security forces. However, progress has been relatively slow. According to DOD, as of December 2008, only about 18 army units and 18 police units were considered fully capable of performing their missions. We previously reported that ANSF development efforts face a number of significant challenges, including:

- Addressing shortages in staff to train and equip the ANSF;
- Improving the recruitment and retention of ANSF personnel, especially for leadership and specialty skill positions, such as those involving logistics, medical support, and engineering;
- Completing the retraining of the Afghan police to address corruption and improve professional standards;
- Developing the ability of ANSF units to fully safeguard and account for weapons and sensitive equipment.

Counternarcotics in Afghanistan has been another key U.S. undertaking to achieve a secure environment. Afghanistan provides over 90 percent of the world's opium, which is refined into heroin. This drug trade helps fund the Taliban and other anti-government groups and has undermined the Afghan government's effort to address internal security problems, build political stability, and establish legitimate economic growth and the rule of law. Since 2002, the United States has provided nearly $3 billion for counternarcotics programs. State, DOD, USAID, and Department of Justice components, including the Drug Enforcement Administration, have supported poppy eradication, interdiction, justice reform and prosecution, public information, and alternative development.

Since 2005, poppy cultivation has become more localized. Dramatically reduced in northern Afghanistan, it has greatly increased in the south. In 2008, 98 percent of Afghanistan's opium was cultivated in 7 of its 34

provinces, all in the south, where many of the insurgent attacks occur. One province, Helmand, accounted for 66 percent of the total. USAID's Alternative Development Program has had mixed results so far. Although it exceeded targets for providing alternative employment and agricultural training to Afghans in traditional poppy-growing regions, it fell short of its goals for reducing the number of hectares devoted to opium poppy production between 2005 and 2007, according to USAID's Office of Inspector General.

In December 2008, acknowledging that global and regional terrorists finance their activities with drug money, DOD changed its rules of engagement for U.S. forces in Afghanistan, allowing DOD greater involvement in counternarcotics, and ISAF has also expanded its role. We have recently initiated a review of U.S. counternarcotics efforts in Afghanistan to assess their impact on the drug trade, security, and economic development.

Given Weak Economic Conditions, Afghanistan Is Highly Dependent on Sustained Foreign Development Assistance

Afghanistan is one of the world's poorest countries and ranks near the bottom in virtually every development indicator, including life expectancy; literacy; nutrition; and infant, child, and maternal mortality. Nearly three decades of war and extended drought have devastated Afghanistan's infrastructure, economy, and government. Furthermore, Afghanistan's prospects for growth are severely limited by weak economic factors, such as low government revenue, high rates of inflation, and limited access to credit for most Afghan citizens.

Given these circumstances, Afghanistan will be highly dependent for the foreseeable future on foreign aid to achieve its economic development objectives, which the Afghan government has articulated in its Afghanistan National Development Strategy. However, this strategy does not appear financially viable, given the country's fiscal constraints, without additional foreign aid. As table 3 below shows, Afghanistan's planned expenditures for economic development exceed anticipated revenues, including both domestic revenues and donor contributions; this shortfall is expected to increase over time. Donor assistance accounts for about 90 percent of Afghanistan's total funding during the 2008-2009 budget year, but this assistance is expected to decline to about 70 percent of total funding by the 2012-2013 Afghan budget year.

Table 3: Overall Funding and Expenditures for the Afghanistan National Development Strategy by Budget Year, in Millions of U.S. Dollars

	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Total funding	**7,400**	**6,064**	**6,165**	**6,009**	**5,819**	**31,457**
Domestic revenue	887	1,104	1,351	1,611	1,911	**6,864**
Total donor assistance	6,513	4,960	4,814	4,398	3,908	**24,593**
Total expenditures	**7,903**	**9,286**	**10,236**	**11,038**	**11,637**	**50,100**
Total shortfall	**503**	**3,222**	**4,071**	**5,029**	**5,818**	**18,643**

Source: Afghanistan National Development Strategy.

The United States and other international partners have undertaken numerous infrastructure and development projects with the Afghan National Development Strategy as their guiding document. As of December 2008, the United States has provided nearly $9 billion for economic and social development projects. However, the Afghan government lacks the resources and capacity to sustain these projects. For example, as we reported in 2008, although the United States and its international partners have constructed a vital network of new roads in Afghanistan to support trade and economic growth, the Afghan government did not establish a sustainable maintenance program.[6] Hence, for the foreseeable future, the Afghan government will have to rely on technical and financial assistance from the international community to maintain the roads. To be effective over the long term, infrastructure programs will need to be designed and implemented with an accompanying stream of operational and maintenance funding.

USAID has reported some notable successes in basic education and health development in Afghanistan. In 2008, according to USAID, more than 6 million children attended school in Afghanistan, including almost 2 million girls, compared with less than 1 million children and no girls under the Taliban. In September 2008, 80 percent of the population had access to health care, up from 8 percent in 2001. If sustained, these types of improvements have the potential to help bolster Afghanistan's long-term economic development.

[6]See GAO, *Afghanistan Reconstruction: Progress Made in Constructing Roads, but Assessments for Determining Impact and a Sustainable Maintenance Program Are Needed*, GAO-08-689 (Washington, D.C.: July 8, 2008).

Limited Government Capacity Impedes Afghanistan's Ability to Meet Reconstruction Objectives

The Afghanistan National Development Strategy established a comprehensive set of objectives, which include bringing about peace and security, eliminating corruption, developing the economy, increasing the participation of women, and ensuring appropriate care of the environment, among others. To help achieve these objectives, the Afghan government has committed to a broad range of social, economic, and government reforms, with the United States contributing nearly $2 billion since 2002 for democracy, governance, and rule of law assistance.

A lack of Afghan capacity in almost all aspects of governance remains a major constraint to fulfilling reform commitments and achieving the objectives of the Afghan National Development Strategy. Afghanistan's history of limited availability of education and essential services has resulted in a widespread lack of literacy and job skills, which poses problems for Afghan government ministries in recruiting qualified government personnel, such as police, prosecutors, investigators, and trained administrative staff. Often, even senior Afghan officials lack basic computer skills, according to U.S. officials, making it difficult to use modern management systems. U.S. and UN officials have noted a lack of literacy among some senior provincial government officials. Moreover, according to U.S. officials, retention of trained Afghan staff has been difficult for government ministries, which must compete with the international donor community for trained staff.

As a result, Afghanistan lacks the capacity to sustain and maintain many programs and projects put in place by donors. For example, as we reported in 2008, a fragmented institutional organization within the Afghan government was a factor impeding the establishment of a sustainable road maintenance program.[7] In addition, USAID's Inspector General found that, for a U.S.-funded project to establish urban water and sanitation systems, Afghan system operators were not adequately trained. In addition, the cognizant Afghan ministries did not have adequate plans in place to ensure financial and operational sustainability. According to U.S. officials, most major official development programs include capacity building, and USAID has noted overall improvement among government ministries and institutions in recent years, particularly in the Ministries of Finance, Education, Public Health, and Rural Rehabilitation and Development. However, none was rated by USAID as capable of achieving its mission without assistance.

[7]See GAO-08-689.

Afghanistan's capacity problems are exacerbated by corruption, a significant problem in the country. In 2008, Afghanistan was ranked 176 out of 180 countries on Transparency International's Corruption Perception Index—worse than its 2005 ranking. According to the Afghanistan National Development Strategy, the causes of corruption in Afghan public administration can be attributed to a variety of factors, including weak legislative and regulatory frameworks and limited enforcement; nontransparent personnel policies and low wages for public officials; and the availability of illegal profits through the opium trade. Furthermore, the sudden influx of substantial amounts of donor money into a system already weak from poorly regulated procurement practices increases the risk of corruption and the waste of resources.

U.S. Efforts Should Be Guided by Comprehensive U.S. Strategies and Operational Plans

In February 2009, President Obama outlined a new strategy for Iraq consisting of three parts: (1) the responsible removal of combat brigades, (2) sustained diplomacy on behalf of a more peaceful and prosperous Iraq, and (3) comprehensive U.S. engagement across the region. According to DOD, the United States plans to reduce the number of troops in Iraq to about 128,000 by September 2009 and to no more than 50,000 by the end of August 2010. In Afghanistan, President Obama announced plans to deploy 17,000 additional troops and indicated that he intends to send more. He also announced plans to develop a new U.S. strategy for Afghanistan.

In clarifying its new U.S. strategy for Iraq and developing a new strategy for Afghanistan, the Administration should consider several desirable characteristics of an effective national strategy that we identified in previous reports.[8] These include discussion of the strategy's goals, objectives, and measures; risks and threats; future costs and resources needed; roles and responsibilities of U.S. government agencies; and integration with international organizations and host governments.

- *Goals, objectives, and measures.* Given the significant challenges in both Iraq and Afghanistan, the Administration should clearly articulate the overall objectives for U.S. efforts, such as the security, economic, and

[8]See GAO, *Rebuilding Iraq: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals*, GAO-06-788, (Washington, D.C.: Jul. 11, 2006); *Combating Terrorism: Evaluation of Selected Characteristics in National Strategies Related to Terrorism*, GAO-04-408T (Washington, D.C.: Feb. 3, 2004); and *Defense Management: Comprehensive Strategy and Periodic Reporting Are Needed to Gauge Progress and Costs of DOD's Global Posture Restructuring*, GAO 06-486C (Washington, D.C.: May 26, 2006).

political conditions it expects the countries to achieve with U.S. assistance. Further, the Administration should measure progress in achieving those conditions. For Iraq, the Administration has emphasized the importance of a responsible drawdown of U.S. forces but has not yet defined this term.[9]

- *Risks and threats.* U.S. strategies should assess potential vulnerabilities, such as internal and external risks to security, economic, and governance conditions in Iraq and Afghanistan. Furthermore, the Administration should consider how to mitigate and address these risks and threats. For example, the strategy for Iraq should consider how the United States would respond if it does not achieve the conditions for a responsible drawdown consistent with the security agreement between the United States and Iraq. The strategies should also assess the risk that the Iraqi and Afghan governments will not be able to maintain U.S.-funded infrastructure investments due to a lack of financial resources or technical capacity, particularly in Afghanistan, where the national development plan is not financially viable without donor assistance. For Afghanistan, the U.S. strategy should address risks posed by neighboring countries that can profoundly influence security and stability—particularly Pakistan. The Administration should also develop strategies to minimize those risks. In February 2009, we recommended that the United States establish a comprehensive plan for countering terrorist threats in Pakistan that have tended to destabilize Afghanistan.[10]
- *Future costs and resources.* U.S. strategies should indicate the funding resources needed to achieve their objectives, as well as the troop levels the United States expects to commit and the length of time it expects to provide these resources. For example, the costs of drawing down U.S. forces in Iraq and ramping them up in Afghanistan will be considerable but have not been fully estimated. In addition, the U.S. strategy for Afghanistan should estimate the cost of helping Afghanistan meet the goals of the Afghanistan National Development Strategy.
- *U.S. agency roles and responsibilities and integration with international organizations and host governments.* A wide variety of U.S. agencies and international organizations have significant roles in Iraq and Afghanistan, including DOD, the Departments of State, Treasury, and

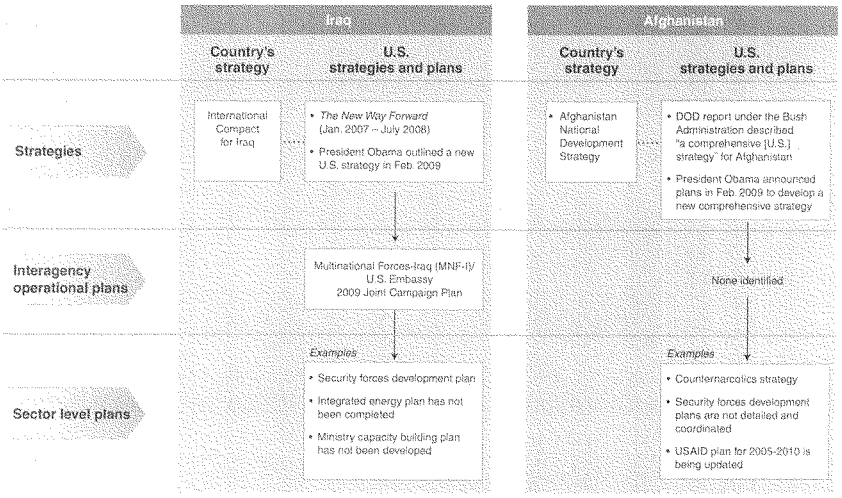
[9]See GAO, *Iraq: Key Issues for Congressional Oversight*, GAO-09-294SP (Washington, D.C.: March 24, 2009).

[10]See GAO, *Combating Terrorism: The United States Lacks Comprehensive Plan to Destroy the Terrorist Threat and Close the Safe Haven in Pakistan's Federally Administered Tribal Areas*, GAO-08-622 (Washington, D.C.: Apr. 2008).

Justice, USAID, the UN, and the World Bank. Comprehensive U.S. strategies should discuss mechanisms and approaches for integrating and coordinating their efforts. On a U.S. interagency level, these mechanisms should help ensure that roles and responsibilities are clearly defined and that all the elements of U.S. national power, including military, diplomatic, intelligence, law enforcement, economic, and development assistance, are focused effectively on achieving U.S. objectives. Furthermore, in clarifying the U.S. strategy in Iraq, the United States needs to consider how to transition from a predominantly military presence to a civilian one as U.S. forces draw down. On an international level, the role, responsibilities, commitments, and activities of all the organizations involved, including the host governments themselves, should be clearly defined and coordinated to prioritize the spending of limited resources and avoid unnecessary duplication.

U.S. national strategies guide the development and implementation of operational plans. However, to date, U.S. government agencies have not developed a comprehensive set of plans for U.S. operations in Iraq and Afghanistan. See figure 4 for a depiction of existing U.S. strategies, operational and sector plans for Iraq and Afghanistan, and gaps we have observed.

Figure 4: U.S. Strategies and Plans for Iraq and Afghanistan



Source: GAO analysis of State, DOD, and USAID data.

For Iraq, the United States established an interagency plan—the MNF-I/U.S. Embassy Joint Campaign Plan—for the implementation of U.S. efforts in Iraq. According to DOD, the United States is pursuing efforts along five lines of operation: political, security, economic, diplomatic, and rule of law. As the Administration further defines the new U.S. strategy for Iraq, the 2009 Joint Campaign Plan should also be revised and link the administration's high-level strategic objectives to the objectives of tactics and activities on the ground. In accordance with U.S. military doctrine and consistent with the U.S. strategy, the updated plan should clearly articulate the end state for U.S. military operations and the conditions to be achieved for drawing down troops.[11] State, DOD, USAID, and

[11]See GAO-08-234SP.

Department of Justice officials we met with did not provide us a comparable interagency operational plan for Afghanistan.

The United States has developed a number of operational plans at the sector level to guide U.S. efforts, such as an interagency counternarcotics strategy for Afghanistan. However, plans are still needed in other key areas. For Iraq, we recommended that State lead the development of an integrated energy plan as well and a plan for building ministry capacity.[12] For Afghanistan, DOD and State have not developed coordinated and detailed plans for building and sustaining the ANSF. Without these plans, Congress cannot readily assess progress of these efforts or conduct necessary oversight.[13] This is particularly important given the challenges facing the ANSF development effort, its estimated cost of $2 billion per year, and the recent decision to increase the Afghan army from 80,000 to 134,000 troops.

Conclusions

Since 2003, GAO has made recommendations to DOD, State, USAID, and other agencies to improve the efficiency and effectiveness of their efforts in Iraq and Afghanistan. Our recommendations address the wide range of security, economic development, and governance challenges that these agencies face. In responding to these challenges, we have recommended that the U.S. government develop detailed and comprehensive strategies, interagency operational plans, and sector plans to guide its efforts. These strategies and plans should be updated as circumstances change to reflect new considerations of U.S. strategic objectives and interests, projected costs, risks, and other vital factors.

Mr. Chairman and members of the committee, this concludes my prepared statement. I will be happy to answer any questions you may have.

[12]See GAO, *Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk*, GAO-08-117 (Washington, D.C.: Oct. 2007); and *Rebuilding Iraq: Integrated Strategic Plan Needed to Help Restore Iraq's Oil and Electricity Sectors*, GAO-07-677 (Washington, D.C.: May 15, 2007).

[13]See GAO, *Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces*, GAO-08-661 (Washington, D.C.: June 18, 2008)

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Appendix I: Comparative Information on Iraq and Afghanistan

Indicator	Iraq	Afghanistan
Area	166,858 sq. miles (about twice the size of Idaho)	250,001 sq. miles (slightly smaller than Texas)
Border countries	• Iran • Jordan • Kuwait • Saudi Arabia • Syria • Turkey	• China • Iran • Pakistan • Tajikistan • Turkmenistan • Uzbekistan
Terrain	Predominantly broad plains	Mostly rugged mountains
Population	About 29 million	About 33 million
Ethnic groups	• Arab: 75% to 80% • Kurdish: 15% to 20% • Turkoman, Assyrian, or other: 5%	• Pashtun: 42% • Tajik: 27% • Hazara: 9% • Uzbek: 9% • Aimak: 4% • Turkmen: 3% • Baloch 2% • Other 4%
Religions	Shia Muslim: 60%-65% Sunni Muslim: 32%-37% Christian or other: 3%	Sunni Muslim: 80% Shia Muslim:19% Other: 1%
Languages	• Arabic • Kurdish (official in Kurdish Region) • Turkoman • Assyrian (Neo Aramaic) • Armenian	• Afghan Persian or Dari (official): 50% • Pashto (official): 35% • Turkic languages (primarily Uzbek and Turkmen): 11% • 30 minor languages (primarily Balochi and Pashai): 4%
Urban population as percentage of total population	67%	24%
Type of government	Parliamentary democracy	Islamic republic
Administrative divisions	18 governorates (or provinces) and 1 region (Kurdistan Regional Government)	34 provinces
Political Stability[a]	0.5 percentile	1.4 percentile
Corruption Perception Index (CPI)[b]	1.3; Iraq is ranked 178 out of 180 countries	1.5; Afghanistan is ranked 176 out of 180 countries
Gross domestic product (GDP) in billions of U.S. dollars (official exchange rate)	$93.8	$12.9
GDP purchasing power parity (PPP), in billions of U.S. dollars	$113.9	$26.3
GDP per capita (PPP)	$4,000	$800

Indicator	Iraq	Afghanistan
Domestic revenue as percentage of GDP[c]	75.9%	7%
Grants as a percentage of government revenue[c]	2.1%	135.7%
Literacy (age 15 and over can read and write)	74% (male: 84.1%; female: 64.2%)	28% (male: 43.1%; female:12.6%)
Life expectancy at birth	69.9 years	44.6 years
Infant mortality rate	44 deaths/1,000 live births	152 deaths/1,000 live births
Average daily enemy-initiated attacks[d]	About 30 in February 2009: high of about 180 in June 2007	About 25 in February 2009: high of about 45 in Sept. 2008
U.S. forces[e]	144,100 troops	32,800 troops
Reconstruction and other assistance, in billions of U.S. dollars[f]	$26.24	$13.88
Assistance for development of security forces, in billions of U.S. dollars[f]	$22.47	$17.98

Note: Data source is the CIA 2008 World Factbook unless otherwise indicated.

[a]World Bank World Wide Governance Indicators, 2007. The political stability and absence of violence indicator measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. Countries are ranked on a percentage basis from 0 to 100.

[b]Transparency International Corruption Perceptions Index, 2008. This index measures the perceived levels of public-sector corruption in a given country and is a composite index, drawing on different expert and business surveys. The 2008 Corruption Perceptions Index scores 180 countries on a scale from zero (highly corrupt) to ten (highly clean).

[c]International Monetary Fund, 2007/2008 and GAO calculations.

[d]Defense Intelligence Agency, January 2009.

[e]DOD; data as of January 2009.

[f]GAO analysis of funding reports from Departments of State, Defense, and the Treasury; Army Corps of Engineers; USAID; and the Special Inspector General for Iraq.

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