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BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

ON

U.S. FOREIGN ASSISTANCE: WHAT OVERSIGHT MECHANISMS
ARE IN PLACE TO ENSURE ACCOUNTABILITY?

APRIL 10, 2013

Chairman Issa, Ranking Member Cummings, and members of the Committee, thank you for the invitation to discuss our perspective on challenges affecting the successful oversight of U.S. foreign assistance.

Corruption and complexity are fundamental challenges to any international assistance program, specifically those operations based on government-to-government transfers of funds to countries with unstable political climates, which, without explicit caveats to allow continued oversight activities, inherently limit the transparency of, accountability for, and accessibility to funds once control has been relinquished to foreign states. In a June 2011 report from the Senate Committee on Foreign Relations, Congress expressed concern over the potential threat of corruption amid the changing landscape of Afghanistan reconstruction and outlined that related U.S. direct foreign assistance projects should be “necessary, achievable, and sustainable.”¹ Your own Subcommittee on National Security, Homeland Defense and Foreign Operations, underscored this point with a followup hearing on the challenges of oversight in Iraq and Afghanistan on December 7, 2011. During that hearing, I had the honor to present our accomplishments in this area—more than \$200 million in questioned costs and funds put to better use, \$16.6 million in investigative recoveries, and 20 contractor suspensions during FY 2011²—as well as a preview of our detailed strategic plan to continue to monitor Department-funded programs in the region.

¹ Staff of S. Comm. on Foreign Relations, 112th Cong., Evaluating U.S. Foreign Assistance to Afghanistan 21 (Comm. Print 2011).

² Oversight in Iraq and Afghanistan: Challenges and Solutions Before the H. Comm. on Oversight and Govt. Reform, 112th Cong. 2 (2011) (statement of Harold W. Geisel, Deputy Inspector General, Department of State, Office of Inspector General).

In FY 2011, U.S. foreign assistance totaled \$32 billion,³ much of which was devoted to peace and security programs in Iraq, Afghanistan, and Pakistan, global HIV/AIDs prevention, and democracy promotion activities. Foreign assistance coordination among agencies and Department bureaus remains inadequate.⁴ OIG has found duplication among agency programs and staffing. In the Quadrennial Diplomacy and Development Review (QDDR), the Department and the United States Agency for International Development (USAID) recognized the need to better coordinate programs and established a goal of empowering the Chief of Mission to better oversee all agency activities.

Given rapidly changing relationships and events in frontline states and at other missions, the need exists to regularly evaluate programs. Changes in the bilateral relationship between the United States and Pakistan, coupled with pervasive corruption and a lack of absorptive capacity in many levels of government, a daunting security environment, and a shortage of secure office space and staffing, had contributed to a large pipeline of unspent assistance funding. OIG recommended the Department review all staffing plans, requests, and construction projects with an eye to scaling them back. The mission completed a rightsizing review and reduced its projected 5-year staffing numbers by 200 positions, required project-based or time-specified positions to be re-evaluated in a timely manner, and identified problems that would jeopardize the viability of current and proposed construction projects if changes occur in the scale of foreign assistance to Pakistan.⁵

³ FY 2011 Congressional Budget Justification for Foreign Operations.

⁴ *Inspection of Embassy Nairobi, Kenya* (ISP-I-12-38A, Aug. 2012); *Inspection of Embassy Pretoria, South Africa, and Constituent Posts* (ISP-I-11-42A, June 2011); *Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan* (ISP-C-12-28A, May 2012); *Compliance Followup Review of Embassy Kabul, Afghanistan* (ISP-C-11-53A, June 2011).

⁵ Embassy Islamabad compliance correspondence (12 MDA 25018).

Consistent with QDDR goals, the Department recently added program evaluation guidance to the *Foreign Affairs Manual*⁶ (FAM) to strengthen the way the Department measures performance. Additionally, to improve security and justice sector assistance, Department bureaus have started to develop Bureau Evaluation Plans in which they identify programs to be evaluated and the dates those evaluations will occur.

To increase efficiency and effectiveness, foreign assistance oversight in Southwest Asia is coordinated under the aegis of the Southwest Asia Joint Planning Group, an interagency coalition of OIGs that results in more effective oversight of U.S.-led efforts in the region by eliminating redundant oversight and maximizing the use of scarce taxpayer dollars. In November 2011, representatives from the Department of Defense (DOD), USAID, and the Department of State (Department) Offices of Inspector General joined the Special Inspector General for Afghanistan Reconstruction (SIGAR) to convene the Joint Strategic Planning Subgroup for Oversight of Afghanistan Reconstruction. Through an annual comprehensive oversight plan, the subgroup coordinates and manages oversight of Afghanistan reconstruction and allows the members to best leverage their limited resources.

According to SIGAR's October 30, 2012, quarterly report to Congress, the Department was responsible for approximately \$477 million (2.8 percent) of \$16.5 billion of U.S. Government funds spent on reconstruction programs in Afghanistan during FY 2012.⁷ In terms of government-to-government assistance, I believe USAID is the primary agency currently providing direct assistance to Afghanistan.

⁶ 18 FAM 300, "Program Evaluation Policy."

⁷ Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012.

OIG has substantially expanded its oversight during the past 3 years to support the transition from a military- to a civilian-led U.S. mission in Afghanistan. OIG has appropriately sized its oversight of those programs and expenditures proportionate to the involvement of other agencies.

Of the seven Department-managed programs currently operating in Afghanistan, the International Narcotics Control and Law Enforcement (INCLE) program, operated by the Bureau of International Narcotics and Law Enforcement Affairs (INL), received approximately \$324 million in FY 2012, roughly 68 percent of the Department's total appropriation for Afghan reconstruction that year.⁸ In light of the significant percentage of Department funding devoted to counternarcotics efforts in Afghanistan and the well-established link between the narcotics industry and insurgency support prevalent in the country, OIG's Middle East Region Operations Directorate (MERO) has already conducted several audits of INL programs and contracts.

In December 2009, OIG reported that "the Department of State lacks a long-term strategy and a clear end state for its counternarcotics programs in Afghanistan, which hinders planning and prevents an accurate assessment of effectiveness."⁹ OIG found impediments to adequate Department planning and oversight in the form of the Afghan Government's weak judicial system, internal corruption, economic uncertainty, financial fraud, religious conflicts, unstable security, and uncontrolled borders. OIG recommended that INL establish clearly defined and measurable performance objectives, milestones, and benchmarks for a comprehensive counternarcotics plan; and increase coordination and communication between appropriate embassies, bureaus, industry experts, Provincial Reconstruction Teams, and Afghan officials and local citizens to garner support, knowledge, and skill for collaborative counternarcotics efforts.

⁸ Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012

⁹ *Status of INL Counternarcotics Programs in Afghanistan* (MERO-A-10-02, Dec. 2009).

Although INL and Embassy Kabul concurred with OIG's recommendations and made progress toward implementation, the same external obstacles to the oversight of government-to-government funding persist.

To focus more closely on this specific area of risk, OIG has planned a FY 2013 audit of INL's Counternarcotics Program that will include review of the Good Performers Initiative (GPI), a component of the program that is designed to incentivize provincial governors' counternarcotics and supply reduction activities in Afghanistan. The *FY 2012 Operational Plan Verification Statement*, prepared by the Coordinating Director for Development and Economic Affairs (CDDEA) at Embassy Kabul, dated May 10, 2012, estimated \$10 million in planned funding for GPI.¹⁰ According to Embassy Kabul, the provincial governors are to receive a total of \$18.2 million in GPI funds for FY 2013; those payments were made on February 12, 2013. Additional plans for related FY 2014 audits currently are underway.

In FY 2012, Congress awarded the second largest portion of the Department's Afghan reconstruction appropriations, approximately \$87 million,¹¹ to humanitarian efforts in the form of the Bureau of Population, Refugees and Migration (PRM) Migration & Refugee Assistance (MRA) program. In a July 2011 MERO report¹² on reintegration assistance for refugees returning to Afghanistan, OIG found that the Department's partnership with the United Nations High Commissioner for Refugees (UNHCR) and other nongovernmental organizations had been generally successful in providing medical examinations, cash stipends, and shelter materials to returning refugees. However, OIG further stated that "[b]ecause of the Afghan Government's inability to provide adequate assistance to returnees, the international community mainly bears

¹⁰ Department of State, *FY 12 Operational Plan Verification Statement*, May 10, 2012.

¹¹ Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012

¹² *PRM's Reintegration Assistance Program for Refugees Returning to Afghanistan* (MERO-I-11-10, July 2011).

the burden.”¹³ OIG identified an example of this inequitable distribution in the poorly administered Afghan Government’s Land Allocation Scheme, originally designed to award land plots to returning refugees. Citing mismanagement and failure to achieve intended goals, the UNHCR withdrew financial support from the program and attempted to supplement the absence of land awards with its own infrastructure projects and revenue generating programs. As land disputes and security concerns continue to jeopardize the delivery of assistance to returnees, PRM is often forced to enlist third-party proxies, which further complicate our ability to comprehensively monitor direct funds.

The third largest portion of the Department’s FY 2012 appropriations for Afghan reconstruction was dedicated to the Nonproliferation, Antiterrorism, Demining, and Related (NADR) programs, an estimated \$65 million¹⁴ (9 percent) of the total \$711 million¹⁵ NADR allocation from the Department’s FY 2012 foreign assistance budget. The fourth largest portion of the Department’s remaining security program in Afghanistan, International Military Education and Training (IMET), received approximately \$1 million¹⁶ of the Department’s total FY 2012 IMET appropriation of \$106 million.¹⁷ In a February 2013 report on key oversight issues in Afghanistan, the Government Accountability Office (GAO) anticipated that the Department would only require \$56 million in combined FY 2013 budgetary requests for NADR, IMET, and Voluntary Peacekeeping funds.¹⁸ The GAO report expressed renewed concern that “high levels of corruption” in the Afghan Government continue to threaten U.S. and international assistance, but the report also highlighted positive steps taken by the Afghan Government to improve

¹³ Ibid.

¹⁴ Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012

¹⁵ Department of State, *Fiscal Year 2012 Agency Financial Report*.

¹⁶ Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012

¹⁷ Department of State, *Fiscal Year 2012 Agency Financial Report*.

¹⁸ U.S. Government Accountability Office, *AFGHANISTAN—Key Oversight Issues* (GAO-13-218SP, Feb. 2013).

accountability after the 2012 Tokyo Conference, including presentation of the “anticorruption decree enumerating specific actions that the Afghan Government will take to improve governance and the rule of law.”¹⁹

Despite the limitations in continuous monitoring of funds transferred to foreign governments and managed by third-party entities, OIG’s Office of Inspections (ISP), in its 2011 Compliance Follow-up Review (CFR) of Embassy Kabul,²⁰ found that the embassy’s CDDEA provided extensive “oversight and coordination of an enormous assistance program and a complex civilian-military planning process.” The CDDEA’s oversight role, including the establishment of a unit to monitor program development and tighten financial controls, had considerable positive impacts, both in cataloging the myriad assistance programs and in identifying weaknesses and overlaps of the many U.S. agencies operating in Afghanistan. OIG found that the CDDEA successfully embodied the Department’s vision for chiefs of mission to serve as “Chief Executive Officers” of a multilateral organization, as outlined in the QDDR, a blueprint to elevate civilian capacities in foreign development and to improve the Department’s deliverable results through focused and measurable collaboration.²¹ However, unresolved questions linger surrounding chief of mission authority and oversight responsibilities over direct assistance programs largely implemented by other agencies. In response to OIG recommendations, the embassy reported on a number of actions taken to clarify and improve oversight and managerial roles of various offices and agencies dealing with foreign assistance. We are planning to conduct another inspection of Embassy Kabul in the next fiscal year.

¹⁹ Ibid.

²⁰ *Compliance Follow-up Review of Embassy Kabul, Afghanistan* (ISP-C-11-53A, June 2011).

²¹ Department of State, “The First Quadrennial Diplomacy and Development Review (QDDR): Leading Through Civilian Power,” <<http://www.state.gov/s/dmr/qddr>>, accessed on Mar. 29, 2013.

Similarly, ISP's May 2012 Compliance Followup Review of Embassy Islamabad²² found that the U.S. mission in Pakistan faces the challenge of programming more than \$2 billion in annual funding for development and security assistance programs, a challenge made more daunting by the unpredictable security environment and by insufficient capacity and pervasive corruption at all levels of government. Given the prevalence of institutional weaknesses and corruption and the complexity of expansive multilateral networks of assistance, there is a consensus within the mission to move away from an artificial target of Government-to-Government programming. The U.S. mission has taken a pragmatic approach, only programming significant resources through Government of Pakistan institutions that have demonstrated implementing capacity. Where that capacity does not exist, the U.S. mission relies more heavily on nongovernmental institutions, civil society organizations, and the private sector, increasingly exploring public-private partnerships.

In late 2009, Embassy Islamabad created an assistance coordinator position, with the rank of minister counselor, to oversee all civilian assistance. The coordinator is one of two senior positions in the embassy above a section/agency chief that reports directly to the ambassador. OIG found that the coordinator and his office competently oversee USAID and the refugee affairs office. The realities of the extremely large aid program and the complex politics of the U.S.-Pakistani relationship require extensive oversight, yet the assistance coordinator in Islamabad does not have full supervisory powers over all assistance and economic entities, as the CDDEA has in Kabul.

An inspection team recently returned from Iraq and is preparing a report that will address management and oversight of U.S. assistance programs there.

²² *Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan* (ISP-C-12-28A, May 2012).

OIG's Office of Investigations (INV) has also made significant contributions to the successful oversight of reconstruction programs in Afghanistan. During FYs 2011–2013, to date, INV has completed 20 productive investigations related to fraud, waste, and abuse in Afghanistan reconstruction programs, recovering \$7.6 million of a total \$26.9 million (28 percent) in mismanaged funds. Further, 32 of 81 (39.5 percent) suspensions and debarments processed by INV during FYs 2011–2013, to date, resulted from thorough investigation of suspicious Department-funded contracting activities in Afghanistan.

Since former Secretary of State Condoleezza Rice appointed me as Deputy Inspector General in June 2008, it has been my pleasure to lead an organization of excellent oversight professionals in pursuit of the most relevant concerns in the most volatile environments at the most critical times. Our work speaks for itself, but, among other achievements, our audits, inspections, and investigations have resulted in a number of deficient senior officials leaving their posts, have identified waste in places such as Kabul, Baghdad, and Islamabad, and have identified close to a billion dollars in monetary savings. In a February 2013 report, the Congressional Research Service noted that, despite our best efforts to preserve the integrity of international assistance, “[p]ersistent challenges to effective evaluation include unclear aid objectives, funding and personnel constraints, emphasis on accountability for funds, methodological challenges, compressed timelines, country ownership and donor coordination commitments, security, and agency and personnel incentives.”²³

As evidenced through our inspections, audits, and investigations, enduring obstacles to direct U.S. assistance—such as government corruption in unstable regimes and complicated and redundant multilateral networks—may continue to plague our efforts, but I am confident that

²³ Marian L. Lawson, Congressional Research Service, *Does Foreign Aid Work? Efforts to Evaluate U.S. Foreign Assistance* (R42827, Feb. 13, 2013).

moving forward, with sustained congressional support, we are eager and well-prepared to attack those systemic challenges in furtherance of our mission to promote “effective management, accountability, and positive change” in the international community.

Once again, thank you, Chairman Issa, Ranking Member Cummings, and members of the Committee, for the opportunity to appear before you today. I would be pleased to take any questions you have at this time.