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**AFGHANISTAN IN TRANSITION:  
U.S. CIVILIAN PRESENCE AND  
ASSISTANCE POST-2014**

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A MAJORITY STAFF REPORT

PREPARED FOR THE USE OF THE

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## LETTER OF TRANSMITTAL

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UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC, October 27, 2014.*

DEAR COLLEAGUES: This report by the committee's majority staff examines the U.S. assistance and diplomatic approach to Afghanistan amid the security and political transitions taking place in the country. As we enter this new phase, it is critical that the United States reexamine its presence in Afghanistan to ensure that assistance is provided in the most efficient, cost effective, and sustainable manner possible.

The U.S. has sacrificed greatly in Afghanistan in terms of blood and treasure. Our policy and programming objectives moving forward should focus on sustaining the measurable developmental gains we have achieved, and ensuring that the new Afghan government effectively continues on a path of self-reliance and democratic development.

Later this year, international donors will meet with the new Afghan government to discuss assistance to the country. This report is meant to inform those deliberations and other engagements with the new Afghan government to combat corruption and bolster efforts to ensure that U.S. tax dollars are spent wisely. It is equally important that the benchmarks for strengthening rule of law and women's rights are reinforced by the Afghan government and the international community.

This report examines increasing accountability for U.S. assistance, refining the U.S. assistance approach, and creating a more robust U.S. diplomatic posture and civilian presence, and offers a series of recommendations for the U.S. Government as it engages the new government in Kabul and contends with the remaining security and development challenges across the country.

Sincerely,

ROBERT MENENDEZ,  
*Chairman.*



# **AFGHANISTAN IN TRANSITION: U.S. CIVILIAN PRESENCE AND ASSISTANCE POST-2014**

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## **EXECUTIVE SUMMARY AND RECOMMENDATIONS**

As the international community draws down its forces, Afghanistan will experience historic political and security transitions that will set the course for the country's future. The political unity government established by President Ashraf Ghani Ahmadzai and CEO Abdullah Abdullah creates a framework for progress, and both leaders must work to fully implement all elements of the deal. While the 2014 presidential election process was contentious and difficult, there is reason for optimism as the new Afghan government takes steps to establish credibility with its people and international partners. The immediate signing of a Bilateral Security Agreement with the United States was an important first step in the right direction, but many important challenges lie ahead.

The political and security transitions provide an important inflection point to reexamine how the U.S. resources its efforts in Afghanistan. This report examines increasing accountability for U.S. assistance, refining the U.S. assistance approach, and creating a more robust U.S. diplomatic posture and civilian presence, and offers a series of recommendations for the USG as it prepares to engage the new government in Kabul.

### **I. ENHANCED ACCOUNTABILITY FOR U.S. ASSISTANCE**

U.S. political support for assistance to Afghanistan has diminished in recent years, even though precipitous cuts in funding could have a destabilizing effect on the country. To maintain support for future funding, key accountability measures must be strengthened. The Tokyo Mutual Accountability Framework (TMAF), despite its shortfalls, provides a foundation for dialogue with the new Afghan government on reform and accountability for international assistance. The U.S. must now work with the new Afghan government to refocus the TMAF hard deliverables in ways that will best position Afghanistan to address its long term challenges. The U.S. should also condition a higher percentage of its funding: if done properly by ensuring Afghan buy-in, conditioning U.S. assistance can improve the accountability of our aid, strengthen reformers and institutions in the Afghan government and result in better development outcomes. Finally, increasing reports of abuses by the Afghan National Security Forces (ANSF) are a worrying trend. With fewer U.S. personnel on the ground and with tremendous amounts of U.S. assistance going to the ANSF, the U.S. must identify new ways to ensure that any security force abuses are properly investigated, documented, and prosecuted.

### *Recommendations*

- *Increase Incentives:* A higher proportion of U.S. assistance should be conditioned based on specific reforms by the Afghan government. The U.S. should make clear to the new government that the appointment process factors into how the U.S. allocates assistance.
- *Refocus Reform Priorities:* The U.S. has set aside \$100 million in a reform incentive fund for the Afghan government. The following reforms should be prioritized in conversations with the Afghan government:
  - *Enhanced Budgeting and Revenue Collection to include:*
    - ◊ Developing uniform and consistent methods to collect and report data on customs collection;
    - ◊ Fully deploying electronic payment systems at all customs collection locations; and
    - ◊ Swiftly implementing a value added tax and improving the transparency of contracts in legislation regulating the mining sector.
  - *Support for Women's Political, Economic, and Social Rights to include:*
    - ◊ Fully implementing the Elimination of Violence Against Women (EVAW) law and the National Action Plan for the Women of Afghanistan (NAPWA), as well as reforming laws that discriminate against women;
    - ◊ Committing to developing the capacity and empowering the Ministry for Women's Affairs (MOWA); and
    - ◊ Creating a more robust shelter system for Afghan women.
  - *Renew Efforts to Address Corruption and the Illicit Economy to include:*
    - ◊ Adopting pending anti-corruption legislation;
    - ◊ Appointing genuine reformers to positions within key ministries;
    - ◊ Recovering stolen Kabul Bank assets and prosecuting those responsible;
    - ◊ Strengthening the Afghan Monitoring and Evaluation Committee (MEC); and
    - ◊ Curbing poppy cultivation and production.
- *Security Assistance and Protecting Human Rights:* Robust U.S. support for the Afghan National Security Forces (ANSF) will be contingent on respect for human rights. The State Department's Bureau for Democracy, Human Rights and Labor (DRL) must be actively engaged at every step in the process of determining the suitability of security assistance recipients. Economic Support Fund assistance for Afghanistan should include at least \$10 million for DRL grants to Afghan organizations for conducting oversight of the security sector. Given the scale of assistance and concerns about robust oversight, this report also recommends an interagency review mechanism to address reported rights abuses.

## II. A REFINED U.S. CIVILIAN ASSISTANCE APPROACH

In 2011, the Senate Foreign Relations Committee majority staff released a report on civilian assistance to Afghanistan that called upon the USG to implement assistance programs that were necessary, achievable, and sustainable. This recommendation holds true today, and though the USG has taken a more strategic approach, several concerns remain. First, given Afghanistan's limited resources, sustainability of development projects is an ongoing and significant challenge. Second, a comprehensive interagency effort to assess lessons learned from stabilization projects must take place in short order. Third, there is an imperative to support the capacity of the Afghan government, but serious corruption continues to hamper progress and support for direct assistance to ministries. Fourth, with the military drawdown, it will be more difficult to monitor development projects. Finally, Afghanistan's future lies in good economic relations with its neighbors. While the U.S. Government is focused on a "New Silk Road" initiative to help build critical economic links between Afghanistan and its neighbors, there have been modest resources committed to this task, particularly in Central Asia.

### *Recommendations*

- *Sustainability:* The State Department and USAID should produce detailed plans for the sustainability of assistance programs in Afghanistan, without which Congress cannot make fully informed funding decisions. If there is not a clear plan for how program activities—especially infrastructure projects—can eventually be sustained by Afghans, USAID should not implement them.
- *Lessons Learned and Interagency Information Sharing:* There must be an interagency assessment of the efficacy of U.S. funded large-scale infrastructure projects and stabilization programs, including whether such programs achieved their stated goals, the challenges associated with civilian-military cooperation, and the unintended consequences of such programming in a conflict environment. The Department of Defense and USAID should also establish criteria whereby information on development projects implemented by the military can be safely transferred and included in the Afghan Info database.
- *On-Budget Assistance:* The U.S. must increase efforts to bolster the capacity of Afghan governing institutions through direct on-budget assistance to Afghan ministries. USAID should also enhance the capacity of government watchdog organizations that can further scrutinize the work of government ministries receiving on-budget assistance.
- *Tiered Monitoring:* The State Department and USAID should provide regular reports to Congress on the challenges of monitoring assistance programs in insecure environments. Programs that cannot be sufficiently monitored should be terminated.
- *The New Silk Road Initiative:* The State Department should invest more sustained senior level engagement and funding to realize the goals of the New Silk Road initiative, including uti-

lizing up to \$150 million in Afghanistan Economic Support Fund assistance to bolster economic connectivity between Afghanistan and its neighbors in the region. Planning for Fiscal Years 2015 and 2016 should be reviewed to ensure the dedication of adequate resources towards these objectives. The State Department and USAID should also look to better integrate the NSR initiative with its democracy and governance goals in the broader region.

### III. ROBUST U.S. DIPLOMATIC POSTURE AND CIVILIAN PRESENCE

Through these transitions, the U.S. must maintain a robust diplomatic and assistance presence in the country, despite being hindered by bureaucratic structures that could impede policy goals. U.S. implementing agencies continue to face the loss of institutional knowledge due to a high turnover rate among diplomats and aid workers and the loss of critical Afghan expertise due to the Special Immigrant Visa program. In addition, while the State Department touts the importance of regional economic integration and development through the New Silk Road initiative, Afghanistan and Pakistan remain bureaucratically separated from the South and Central Asia Bureau at the State Department and the Asia Bureau at USAID. Finally, the USG's long term vision for engagement in Afghanistan and the broader region remains unclear—maintaining support for sustained U.S. engagement requires that the administration clearly state and make the case for U.S. interests in Afghanistan and the broader South and Central Asia region.

#### *Recommendations*

- *Communicating the Policy:* The U.S. Government should clearly state the critical national security interests in Afghanistan to the American public and work to generate support for continued robust engagement. The USG should work to reassure Afghanistan and our allies in the region that the U.S. remains committed to the security and economic prosperity of South and Central Asia.
- *Personnel:* The State Department and USAID should institute staffing measures that ensure more continuity in diplomatic and assistance engagements, including more incentives for diplomats and aid workers to serve extended tours.
- *Special Immigrant Visas:* As the drawdown of U.S. troops continues, the State Department should accelerate the SIV process to prevent any unnecessary backlog of applicants. The U.S. Congress should expand the number of Special Immigrant Visas offered to Afghan staff that have worked for the U.S. and extend the program through the end of 2016. Future authorizing legislation on SIVs should also allow for newly arrived SIV recipients to work in the U.S. for the State Department, USAID or other agencies working to support U.S. interests in Afghanistan. The USG should identify creative ways to ensure that SIV recipients' knowledge and expertise is captured to ensure continuity of effort.
- *Promoting Regional Integration:* The State Department should continue its efforts to integrate the Office of the Special Rep-

representative for Afghanistan and Pakistan into the Bureau for South and Central Asian Affairs and USAID's Office of Afghanistan and Pakistan Affairs into the Asia Bureau.

#### INTRODUCTION

*A stable, democratic, and secure Afghanistan is a U.S. national interest; it will be a bulwark against al Qaeda and other dangerous extremist groups and a partner in the effort to prevent those groups from using Afghanistan to plan and launch attacks against our people and our allies ... [who have participated in] a truly extraordinary international civilian campaign to help heal the scars of decades of war and years of life under a system of government that made the cruel commonplace.—Ambassador James Dobbins, former U.S. Special Representative for Afghanistan and Pakistan (SRAP)<sup>1</sup>*

In 2014, Afghanistan is experiencing political and security transitions that will mark an inflection point in the country's history and the international community's role. Decisions made during these transitions and beyond will impact Afghanistan's security, politics and development for decades to come. In the 1990s, U.S. disengagement from Afghanistan proved disastrous for the country, the region and the international community. Today, the U.S. must avoid making the mistakes of the past and take steps to ensure the strength and sustainability of U.S. assistance spending, diplomatic posture, and regional strategy.

These goals will resonate through the country's political and security transitions and the U.S. has a strong base of accomplishments upon which to build. Afghanistan has made substantial development progress since 2001 in education, health, and infrastructure. According to the Afghan government, 7.3 million students are attending school, more than one third of whom are girls, compared to only one million children in 2001, almost all of whom were boys.<sup>2</sup> Life expectancy has increased from around 40 to 60 years old, and infant and maternal mortality rates have been cut in half. Since 2001, Afghanistan's GDP increased from \$2.4 billion to more than \$20 billion today.<sup>3</sup> From 2001-2012, Afghanistan had the highest Human Development Index (HDI) growth in the world, which combines measures of education, health, and income. Largely due to the progress made in these key areas, the Afghan people broadly support continued engagement with the U.S. and the international community. The strength of this support will be a significant bulwark against Afghanistan again becoming a safe haven for extremist groups.

Democratic institutions have also made strides in Afghanistan since 2001, and Afghanistan now lays claim to vibrant civil society groups and an independent media sector which could never exist under Taliban rule. Organizations representing the rights of Afghan women have been particularly effective in advocating for social change, though they have a long road ahead. And the 2014 presidential election, while deeply flawed, demonstrated the determination of the Afghan people to participate in the democratic process. Afghanistan's democratic institutions are still fragile and

vulnerable to fraud and abuse, but its civil society groups are well positioned to advocate with the new administration for more political space and an enhanced role in the years to come. Following this contentious election process, both President Ghani and CEO Abdullah have a responsibility to bolster democratic institutions in the country and build trust with the Afghan people. To that end, President Ghani should work closely with Dr. Abdullah on the full implementation of all elements of the political unity deal brokered by Secretary Kerry in August 2014. As part of its oversight responsibilities, the Senate Foreign Relations Committee will monitor the implementation of this agreement as it considers future assistance.

Afghanistan still faces significant institutional challenges that could roll back the considerable progress made. A stubborn insurgency will continue to threaten security, and the capacity of the Afghan government to provide goods and services remains very weak. The economy will likely face significant budget shortfalls in the coming years, due to a decline in revenue collection and a diminished international presence. As security costs increase, the Afghan portion of the budget dedicated to development efforts will likely decrease. Illicit poppy cultivation and opium production is on the rise. Perhaps most challenging, corruption remains rampant: Transparency International ranks the country as one of the most corrupt in the world. Amid these challenges, the U.S. relationship with Afghanistan deteriorated significantly towards the end of President Hamid Karzai's term, which has eroded support in the U.S. for continued engagement.

Critical to a successful transition in Afghanistan is maintaining support in the U.S. for a sustained diplomatic, assistance and security engagement with the new Afghan government. The administration should clearly state U.S. interests in Afghanistan and make a strong public case for the importance of remaining focused on the region. Amid competing interests around the world, sustained senior level attention to the region will be critical to safeguarding hard-fought gains throughout the transition.

Those gains have been made possible through the sacrifices made by the U.S., our coalition partners and the Afghans over the last 13 years. The Afghan and American people owe a profound debt of gratitude to our armed forces, diplomats and aid workers who have been instrumental in Afghanistan's positive trajectory. The U.S. has lost more than 2,300 servicemembers in Afghanistan and many thousands more have returned home with grievous injuries, both visible and invisible. The State Department, USAID and their partner organizations have lost more than 400 people. We honor the memory of those who made the ultimate sacrifice in Afghanistan, the sacrifices made by their families and those who will bear the lifelong wounds of war.

## I. ENHANCED ACCOUNTABILITY FOR U.S. ASSISTANCE

*As resources become more limited, prioritization and improving efficiency and effectiveness of aid in order to maximize the benefits of development outcomes become crucial.—Joint report of the Government of Afghanistan and the international community<sup>4</sup>*

Given ongoing budget constraints in the U.S., it is unlikely that assistance for Afghanistan will increase in the coming years, making the accountability of funds even more important. A strong and clear framework for accountability can both ensure that U.S. taxpayer funds are spent wisely and bolster support for continued assistance. This requires a more focused use of existing accountability tools like the TMAF.

### *The TMAF as a Mechanism for Incentivized Assistance*

In 2012, international donors and the Afghan government agreed to the TMAF, which included a pledge by donors to provide \$4 billion per year from 2012-2015 and to sustain assistance at or near the same levels of the past decade through 2017. In return, the Afghan government agreed to benchmarks related to democracy and governance, public finance and revenue generation, and economic development.<sup>5</sup> At the center of the TMAF agreement was a commitment by the international community to provide a higher percentage of funding directly to the Afghan government, or “on-budget.” On-budget funding helps the ministries develop administrative capacity and pay for operations, personnel, and development initiatives.<sup>6</sup>

In 2013, the U.S. announced the U.S.—Afghanistan Incentive Fund,<sup>7</sup> which incentivized up to \$175 million in funding through the World Bank Afghanistan Reconstruction Trust Fund’s “recurrent cost window.”<sup>8</sup> In early 2014, the U.S. released \$15 million after it assessed that Afghanistan had completed benchmarks on electoral reforms, and another \$15 million in recognition of the Afghan government’s adoption of a provincial budgeting policy, which will be essential for the sustainability of decentralization efforts. Lack of progress in the areas of rule of law, human rights, women’s rights, and public and commercial finance resulted in the U.S. withdrawing \$45 million from the incentive fund, to be reprogrammed for use in other U.S. assistance programs in the country.<sup>9</sup> By reducing the amount of funds available for on-budget assistance, the U.S. demonstrated the consequences of the lack of progress made by the Afghan government. The remaining incentive funding has been set aside pending discussions with a new Afghan government on reform priorities.

Donor countries and Afghan officials have committed to meeting before the end of 2014 to review the TMAF, and the U.S. must clearly state that assistance will be subject to increased scrutiny. The TMAF need not be completely renegotiated, but the incentive structure should be strengthened and funding should be tied to improving Afghanistan’s capacity to collect revenue, enhance women’s rights, address corruption and stem the illicit economy, and protect human rights. USAID should also enhance the capacity of non-gov-

ernmental watchdogs that can scrutinize the work of government ministries receiving on-budget assistance.

*Improving Afghanistan's Capacity to Budget and Collect Revenue*

The Afghan government will face severe fiscal shortfalls for many years to come and will require long-term support from the international community. Overall, the incoming government should work to establish realistic plans for budgeting that include prioritizing expenditures and improving budget execution. The government should also prioritize revenue collection as a means towards bolstering the country's long term economic stability, while also building the confidence of the international community.<sup>10</sup> Early in its tenure, the incoming government can take four immediate steps to improve revenue collection: First, it should fully deploy electronic payment systems at all customs collection locations. Second, it should develop uniform and consistent methods to collect and report customs data. Third, it should work to improve the transparency of contracts in current law regulating the mining industry and pass legislation establishing a value-added tax (VAT). Any relevant U.S. assistance programs should support these revenue generation objectives and provide technical assistance to the government, where possible.<sup>11</sup>

Customs revenue collected by the Afghan government accounts for nearly 50 percent of the country's overall revenue, but the process is riddled with corruption, especially at key border crossings.<sup>12</sup> While corruption at customs collection points is difficult to quantify, USAID and Afghan customs officials estimate that a significant reduction in corruption could potentially double Afghanistan's customs revenue, essentially increasing overall government revenue by one-third.<sup>13</sup>

The U.S. has spent at least \$198 million to develop the capacity of the Afghan government to assess and collect revenue.<sup>14</sup> A key component of one USAID program to increase customs revenue is the technological capability to electronically transfer custom fees, which improves efficiency and diminishes the possibility for corruption. According to a 2014 report by the Special Inspector General for Afghanistan Reconstruction (SIGAR), the employment of this electronic payment system has been "delayed, due in part, to a proposal by an Afghan official to allow only one Afghan bank to process all of the electronic customs payments."<sup>15</sup> Despite a decline in customs collection in recent years, the Afghan government has not yet moved forward with this critical technology.

SIGAR has also raised concerns about the reliability of the revenue data produced by the Afghan Customs Department (ACD), including the lack of consistent data related to border closures, which compounds Afghanistan's revenue challenges and creates more opportunities for corruption. The U.S. should prioritize the above issues with the new Afghan government.

Increased revenue collection will not immediately solve Afghanistan's fiscal challenges, and the country will continue to be reliant on the international community for assistance. Nevertheless, if the new Afghan government cannot show a strong political commitment to revenue collection in its first year, then the U.S. taxpayer

should not be expected to contribute the same levels of robust funding.

*Enhancing Women's Political, Economic, and Social Rights*

Afghan women are concerned that hard-fought gains for their rights and freedoms will erode as the international community draws down troops or as the Afghan government negotiates a peace deal with the Taliban. With respect to women's rights, the TMAF focused only on the implementation of the Elimination of Violence Against Women (EVAW) law and the National Action Plan for the Women of Afghanistan (NAPWA). The relevant benchmark required the Afghan government to publically report on incidents of violence against women across the country. The government did not meet the deadline in releasing the report so the U.S. withdrew \$15 million in incentive funding.

In determining funding incentives, the U.S. should prioritize efforts which seek to protect the most vulnerable women in Afghan society, ensure that women are actively engaged in the political process, and guarantee that their perspectives are taken into account in the peace and reconciliation process. Lasting peace and prosperity in Afghanistan will require an inclusive political settlement which not only respects the rights of women, but also includes them as active participants in the process. Similarly, any TMAF benchmarks regarding women's rights should be negotiated in close consultation with women leaders in Afghan civil society.

The U.S. and other international donors should pressure the incoming Afghan government to make substantial and measurable commitments to supporting women's political, economic and social rights in Afghanistan. First, international donors should reiterate the importance of the full implementation of the EVAW law and the NAPWA, as well as amending or repealing laws that discriminate against women. Second, the international community should tie funding to measurable gains in the capacity and empowerment of the Ministry for Women's Affairs (MOWA). With provincial offices spread across the country, MOWA is well placed to represent and protect the interests of women at the local level, but it remains weak relative to other government ministries. Finally, although the State Department's Bureau for International Narcotics and Law Enforcement supports Afghanistan's most vulnerable women through funding of women's shelters, more should be done to ensure stable, predictable, and long-term assistance for shelters, perhaps through incentivizing a portion of funding based on improving the capacity of shelters, increasing their number, and ensuring that they are performing their expected duties.

*Renewed Efforts to Address Corruption and Stem Afghanistan's Illicit Economy*

*The great challenge to Afghanistan's future isn't the Taliban or Pakistani safe havens or even an incipiently hostile Pakistan. The existential threat to the long-term viability of modern Afghanistan is corruption. For too long we've focused our attention solely on the Taliban as the existential threat to Afghanistan. They are an annoyance compared to the scope and the magnitude of corruption*

*with which (Afghanistan) must contend.*—Former ISAF Commander General John Allen<sup>16</sup>

The influx of security and development funds into Afghanistan after 2001 helped create an environment susceptible to corruption. While decreased levels of international funding and enhanced U.S. accountability measures may mitigate the impact of corruption, the new Afghan government should address corruption through legislation, personnel appointments, and capacity building.

First, the government should adopt long delayed anti-corruption legislation which the U.S. established as a benchmark for its Incentive Fund. The U.S. should again tie assistance to this benchmark, and if the new government fails to achieve it, the U.S. should use those funds to bolster the work of anti-corruption Afghan civil society groups.

Second, the incoming government must appoint genuine reformers to positions within key ministries; these reformers can be empowered by strong TMAF requirements which they can use to advance reforms. The new government will indicate its degree of seriousness in tackling corruption with these appointments.

Third, the new government has taken steps to address the Kabul Bank scandal which resulted in the theft of nearly \$900 million. The government should continue this focus, work to recover lost funds and prosecute those responsible.

Fourth, the government should bolster its own internal capacity to confront corruption. The government auditor, the Monitoring and Evaluation Committee (MEC), should be enhanced with political and financial support from the Afghan government and continued financial and capacity-building assistance from the international community.

Afghanistan's illicit economy and drug trade will significantly hamper its political and security transitions. SIGAR has expressed concern that the international community's military and civilian drawdowns will result in a loss of "critical manpower at precisely the time that poppy cultivation and drug trafficking is expanding."<sup>17</sup>

The drivers and consequences of this illicit economy could serve to shatter the fragile gains that Afghanistan has made over the years. Given the growing scale of this problem and diminishing resources, the U.S. faces extreme odds in making progress in countering narcotics. This has been a very sensitive issue to confront in the past given the impact that eradication can have on poor Afghan farmers. There was little mention of counternarcotics in the original TMAF negotiations. But this issue should be addressed in new TMAF negotiations, and the U.S. should take the lead in tying assistance to efforts by the new government to confront the illicit economy.

#### *The Afghan National Security Forces and Protection of Human Rights*

In recent years, the ANSF has made steady progress in recruitment and in its ability to conduct operations against insurgents. During the 2014 election season, the ANSF were instrumental in protecting voters and candidates from insurgent attacks. Continued robust international security assistance is essential to the viability

of the Afghan state and the U.S. should abide by its pledged commitments.

But the U.S. must also maintain the highest standards in ensuring that security assistance recipients do not violate human rights. With the NATO drawdown, international forces will have diminished opportunity to mentor and monitor the work of ANSF troops in the field. Alongside this drawdown, the United Nations and international human rights organizations have expressed concerns about reports of rights violations by elements of the ANSF.<sup>18</sup>

The Afghan Local Police (ALP), which were stood up by the U.S. military and mentored by U.S. Special Forces, deserve special scrutiny. In 2013, the United Nations reported that 121 civilian casualties, as well as documented cases of torture, were attributed to the ALP. Working with the Ministry of Interior, which has jurisdiction over the ALP, the U.S. should propose measures to integrate ALP units and functions into the Afghan National Police.

Currently, U.S. security assistance to Afghanistan is provided through the Department of Defense (DoD), not the State Department (as is normal practice).<sup>19</sup> U.S. planners do not expect to transition security assistance in Afghanistan from the DoD to the State Department in the near future. While the complications associated with such a transfer of responsibilities are prohibitively high at the moment, the State Department should regularly brief Congress on how and when this transfer will eventually take place. The uniqueness of the current arrangement necessitates a pro-active role by the State Department's Bureau of Democracy, Human Rights and Labor (DRL) in ensuring that statutory human rights vetting of the ANSF is rigorous and held to the highest standards.

If found complicit of serious human rights violations, American support for the ANSF could diminish significantly and rapidly. The USG should therefore take several steps to enhance oversight of the ANSF.

First, the U.S. should stress to the new Afghan government that continued robust support for the ANSF is contingent on respect for human rights, a commitment that the Afghan government made at the Chicago NATO conference in 2012. The ANSF should take measurable steps to improve internal accountability by strengthening the capacity, independence, and power of its Inspector General (IG). The U.S. could be instructive in sharing techniques and expertise from its own IGs working at different levels in Afghanistan, especially SIGAR and the DoD's IG.

Second, DRL should be actively engaged in determining the suitability of security assistance recipients and assisting DoD with its extended vetting efforts.<sup>20</sup> Given the scale of assistance and concerns about robust oversight, this report also recommends an inter-agency review mechanism to address reported rights abuses.

Finally, to maintain the highest standards of human rights vetting, the U.S. will need more sources of information and more "eyes-on" the ANSF. In many countries, domestic civil society watchdog organizations are able to play this critical role. Afghanistan's civil society has proven its ability to conduct oversight of the parliament, advocate for women's rights, and observe elections. In the future, U.S. assistance to Afghanistan should include at least

\$10 million for DRL to provide grants to Afghan organizations to conduct oversight of the security sector.

## II. A REFINED U.S. CIVILIAN ASSISTANCE APPROACH

The USG's civilian assistance transition strategy seeks to reinforce and expand gains made in health, education, women's empowerment, agriculture, infrastructure, governance, and private sector development.<sup>21</sup> With these goals in mind, the U.S. assistance approach in Afghanistan should be refined in six key areas: sustainability, capacity-building, lessons learned and information sharing, oversight, and regional integration.

### *Sustainability of U.S. Investments*

In 2011, Senate Foreign Relations Committee (SFRC) majority staff produced a report that analyzed U.S. assistance in Afghanistan and recommended a re-evaluation of the performance and impact of stabilization programs in conflict zones as well as an enhanced focus on the sustainability of U.S. assistance programs. The report also emphasized that U.S. assistance programs should be necessary, achievable, and sustainable. In large measure, the State Department and USAID have taken on the recommendations laid out in the 2011 SFRC report, but several concerns remain, especially regarding sustainability.

According to the World Bank, the United States, and other international donors fund more than 60% of the Afghan national budget as well as several reconstruction projects that operate off-budget. The IMF and the World Bank estimate that Afghan maintenance of donor-supplied infrastructure—roads, buildings, utility, and equipment—will cost 15% of Afghanistan's GDP.<sup>22</sup> In some circumstances, local authorities lack the ability to keep projects running and revenue shortfalls may force Afghanistan to abandon some development initiatives.

For example, according to SIGAR, the operation and maintenance costs for a USAID program called Partnership Contracts for Health Services, which helps fund hospitals, clinics, and other medical facilities, far exceed what the Afghans can sustain. It remains unclear how these costs will be covered in light of diminishing assistance levels, though the Ministry of Public Health is reportedly working with the World Bank to develop operations and maintenance policies and budgeting, as well as asset registries.<sup>23</sup>

USAID has taken significant measures to promote sustainability in its programming, including the June 2011 "Administrator's Sustainability Guidance for USAID in Afghanistan." In addition, the FY14 foreign operations appropriation law requires that the Secretary of State certify, prior to the obligation of funding, that funds are used in accordance with this guidance. According to USAID, all major infrastructure projects are subject to a sustainability audit.<sup>24</sup>

Certain U.S. assistance projects, such as infrastructure for hydroelectric power and electrical grids, have helped put Afghanistan on a path towards self-sustainability. The Afghan national power company, DABS, collected \$220 million from the sale of electricity in 2012, an increase of 67 percent from 2010. According to USAID, for the first time in 70 years, DABS was able to contribute \$25 million to the government's coffers to help fund the national budget.<sup>25</sup>

Yet concerns in other program areas remain. According to a recent State Department IG report, “most current International Narcotics and Law Enforcement programs cite the goal of building sustainable Afghan capacity, however, the degree to which sustainability is incorporated into program design and performance measures vary considerably.”<sup>26</sup> According to the IG, a range of factors—including political will, management systems, finances, and human capacity—are not always included in planning programs. The 2011 SFRC majority staff committee report on Afghanistan highlighted significant concerns about the sustainability of INL programming. INL should renew its efforts to implement sustainable programming, in accordance with the USAID sustainability guidelines.

The importance of sustainability has only grown with the draw-down of U.S. military and civilian personnel, a decrease in assistance funds, and domestic fiscal constraint. During this period, the USG must increase its focus on sustainability to ensure that U.S. investments are not lost and that Afghans can and will maintain the important gains made. The State Department and USAID should produce detailed plans for the sustainability of assistance programs in Afghanistan, without which Congress cannot make fully informed funding decisions. If there is not a realistic plan for how program activities—especially infrastructure projects—can eventually be sustained by Afghans, USAID should not implement them.

#### *Direct “On-Budget” Government Assistance*

On-budget assistance is an essential element in building the sustainability and capacity of the Afghan government to administer to the needs of its citizens. Yet, given the high U.S. standards for disbursing funds and the low capacity of the Afghan government, this type of assistance is very difficult to implement. For example, at the prompting of the Government Accountability Office (GAO), USAID conducted independent evaluations of 16 individual ministries to assess their suitability to receive U.S. funding. Only seven ministries were found eligible and received on-budget assistance.<sup>27</sup>

On-budget programming has not been without controversy. In January 2014, SIGAR issued an audit of on-budget funding provided to Afghan ministries and asserted that USAID had not required the ministries to address most of the risks identified through USAID’s evaluations.<sup>28</sup> While SIGAR acknowledged that USAID had measures intended to mitigate some risks associated with on-budget assistance, it expressed concern that these measures did not address all of the most serious problems. USAID responded that the ministry weaknesses highlighted in the SIGAR audit were not addressed by USAID risk mitigation measures because they were not relevant to USAID funding streams and the implementation of relevant programs.

Upon review of the USAID evaluations and the SIGAR audit, SFRC majority staff found that USAID had developed a sufficient system to deliver assistance while taking steps to implement safeguard measures and mitigate against the effects of institutional weakness. Nonetheless, significant concerns remain about the capacity of Afghan ministries to absorb assistance. For example, the

World Bank found that only three Afghan ministries with development budgets of more than \$50 million (the Ministries of Health, Finance and Rural Development) were able to execute more than 20 percent of their budgets.<sup>29</sup> As a result, there are significant pipelines of direct on-budget U.S. funding from past years that remain unspent.

Ministerial capacity to disburse development funds will continue to be a significant challenge in the years to come, and the U.S. should not lower its oversight standards in providing on-budget assistance. There have been positive examples where USAID has shifted course based on capacity concerns. For example, USAID decided to discontinue elements of its on-budget assistance to the Afghan Ministry of Agriculture, Irrigation and Livestock (MAIL) when the ministry determined that it did not have the capacity to process the funds. Implementing assistance too quickly can sometimes do more harm than good by distorting local economies and facilitating corruption.

The U.S. should continue to increase the capacity of Afghan governing institutions through a gradual and calibrated expansion of direct on-budget assistance. Given the complexities associated with this type of assistance, USAID should provide regular reports to Congress regarding on-budget programming, ministry by ministry. USAID should also make every effort to address the capacity weaknesses identified by SIGAR within the Afghan ministries that receive assistance.

#### *Lessons Learned and Interagency Information Sharing*

Alongside the military surge, stabilization programming in the form of small-scale, quick-impact projects rapidly increased. Because of the urgent need for these programs, a baseline assessment was not conducted, making evaluation of project results difficult. The 2011 SFRC majority staff committee report asserted that too much aid could have a destabilizing effect on the local economies of these communities. While stabilization programming may have had a short-term impact in some cases, there is scant evidence that these projects won over local populations over the long-term.<sup>30</sup>

USAID is conducting a study to better understand the impact of stabilization programming and how lessons learned can be applied to future programming in unstable environments. Unfortunately, the assessment does not extend to all government agencies that have implemented stabilization assistance in Afghanistan. Without a comprehensive and centralized assessment, the USG will not have a clear picture of the impact of its programs, nor will it have a comprehensive set of lessons learned that could be applied in the future.

USAID and all other U.S. assistance providers, including the DoD, should conduct an interagency assessment on the efficacy of all U.S. stabilization programs in Afghanistan (including the Commander's Emergency Response Program) to determine whether they achieved their stated goals. This assessment should also examine the challenges associated with civilian-military cooperation and the unintended consequences of such programming in conflict environments.

Beyond stabilization programming, the USG can improve information sharing on its full complement of development initiatives in Afghanistan. Proper planning, monitoring, and evaluation of future programs needs to be done with a clear and complete understanding of U.S. assistance programs implemented since 2001, including those conducted by the military. USAID stores data related to its programs in the *Afghan Info* database, which captures various tiers of data and initial analysis.<sup>31</sup> *Afghan Info* also serves as a useful tool for facilitating interagency cooperation and information sharing. The Department of Commerce, the Department of Agriculture, and several State Department bureaus and offices, including International Narcotics and Law Enforcement, Political Affairs, Public Affairs, Rule of Law and Population and Resource Management, have contributed to the database.<sup>32</sup>

Yet USAID's IG found that, due to concerns about security classification levels, *Afghan Info* does not include data related to DoD assistance programming.<sup>33</sup> As a result, there is no way to ensure that future USAID assistance decisions take all past DoD efforts into account. While recognizing that interagency communication and coordination already occurs between the two agencies at some level, DoD and USAID should still establish criteria whereby DoD assistance programming data can be safely transferred and included in *Afghan Info*.

#### *Monitoring Program Implementation*

The drawdown of U.S. military forces and civilian personnel combined with the tenuous security environment in Afghanistan will impact the ability of the U.S. to monitor and evaluate projects. Corruption and low government capacity heighten the importance of, and make more difficult, sufficient oversight of U.S. assistance. USAID has taken several measures to enhance oversight of its programs in Afghanistan, including the Accountable Assistance for Afghanistan (A3) initiative, which seeks to ensure that development funds are not diverted to nefarious actors. It has also established a tiered monitoring system to verify the implementation of development projects that, for security reasons, cannot be physically monitored by U.S. personnel.<sup>34</sup>

USAID has experience conducting monitoring and evaluation in insecure environments with little or no U.S. security presence. USAID asserts that its current tiered monitoring program in Afghanistan is similar to those used in other countries like Colombia, Iraq, Pakistan, and South Sudan.<sup>35</sup> Yet Afghanistan poses a unique set of challenges: its assistance levels are higher than any other country, it is one of the most corrupt countries in the world, and parts of the country remain active conflict zones. As a result, SIGAR has expressed serious concern about programs which fall outside areas that can be directly monitored by U.S. personnel.<sup>36</sup>

The State Department and USAID should provide regular reports to Congress on the challenges posed by indirect monitoring of assistance programs and on the methodology of such monitoring. The tiered monitoring system<sup>37</sup> is a creative method, but also creates significant risks and will be subject to ongoing scrutiny by Congress. In a time of shrinking budgets, programs that cannot be

sufficiently monitored should be paused until security conditions improve or, in other cases, closed down completely.

The State Department's policy on monitoring and evaluation directed agencies to establish "specific trip wires for deciding when projects should be postponed, put on hold or terminated."<sup>38</sup> Congress should be fully briefed on these "trip wires" and any ongoing challenges related to program monitoring. USAID should also regularly brief Congress on programs they have postponed, paused, or terminated because of poor monitoring conditions. USAID should similarly inform Congress of its efforts to coordinate with other international donors on tiered monitoring efforts.

USAID works in a very difficult environment in Afghanistan. While it should be held to the highest standards of accountability, operating in a conflict environment is inherently and uniquely risky. USAID cannot be expected to operate completely risk-free programs. However, USAID should regularly inform Congress on the nature of the risks involved to help it determine whether the costs are worth the benefits.

#### *New Silk Road Initiative*

The New Silk Road (NSR) is an ambitious and worthwhile initiative to help Afghanistan build better economic interconnectivity with its neighbors. Countries in South and Central Asia have significant barriers to inter-regional trade which the NSR hopes to overcome. The NSR's long-term vision comes amid substantially increased investment and engagement in the region by China and Russia. In recent years, China has made large investments in infrastructure in Central Asia, particularly in the energy sector. Russia has also increased its engagement in Central Asia through the launch of the Eurasian Customs Union and has increased defense ties with several countries. The NSR's proposed North-South trade routes complement growing East-West connections across Eurasia, creating additional economic opportunity for Central Asian states. While progress has been made with limited resources, more robust U.S. diplomatic and financial investment in Central Asia is needed to make substantial progress towards an Afghanistan that can freely trade with its neighbors. There are also significant opportunities for the USG to facilitate economic connections between Pakistan and Central Asia via Afghanistan, particularly on energy and trade issues, which can help promote needed stability in Pakistan and the greater region.

Between FY2010 and FY2014, the State Department asserts that it leveraged more than \$2 billion from international financial institutions and donors "including the Asian Development Bank and the World Bank, in support of energy transmission lines, hydropower plants, and energy-sector reforms."<sup>39</sup> Notably, the U.S. has dedicated \$15 million to supporting the CASA1000 regional electricity project, which will result in the export of much-needed electricity from Central Asia to Afghanistan and Pakistan.<sup>40</sup> Afghanistan and Pakistan recently signed a pricing agreement paving the way for CASA1000 to move forward. In September 2014, the State Department and USAID reprogrammed an additional \$15 million in funds appropriated for Afghanistan to focus on projects that enhance regional economic connectivity. The NSR initiative

has improved customs and border operations and corresponding legal frameworks throughout the region, easing the cost and time associated with transporting goods. It has also enhanced people-to-people ties, particularly among business people.<sup>41</sup>

While these efforts have clearly yielded some initial results, the administration could do more to bolster its commitment to the NSR initiative. First, it should dedicate more sustained senior level engagement with other governments to break the diplomatic logjams that inevitably emerge among the countries of South and Central Asia. In addition, there should be more interagency cooperation across the Afghanistan, Pakistan, and Central Asia directorates, as well as the National Security Council.

Second, the U.S. administration should review its FY 15 and FY 16 planning to ensure that adequate resources are requested for the NSR Initiative. In the FY 14 appropriations law, Congress authorized the State Department to use up to \$150 million in Afghanistan Economic Support Fund assistance to bolster economic connectivity between Afghanistan and its neighbors in the region. Given the low U.S. assistance levels in Central Asia, the administration should follow the guidance of this authorization and invest more funding in the NSR initiative. Additional funding appropriated for Pakistan could also support regional economic initiatives to connect Pakistan to Afghanistan and Central Asia, which would directly support U.S. national security interests in Pakistan.<sup>42</sup>

While primarily a tool to build economic connectivity within the region, the State Department and USAID should also look to further integrate the NSR initiative with its democracy and governance goals, particularly in Central Asia. As the potential of Central Asian markets increases, international investors will increasingly demand legal frameworks that are fair, transparent, and enforceable. The NSR initiative should coordinate with USAID's Rule of Law programming in these countries. Alongside this push to enhance economic interconnectivity, the USG should also do more to develop the capacity of domestic NGOs and watchdog organizations capable of holding their governments accountable. Second, the USG should expand efforts to connect civil society groups in the region, especially businesswomen and non-governmental organizations that promote women's rights and empowerment.

### III. ROBUST U.S. DIPLOMATIC POSTURE AND CIVILIAN PRESENCE

The U.S. continues to face significant challenges in conducting diplomacy and providing assistance in Afghanistan, ranging from an insecure environment, corruption in Afghan governing institutions and limited Afghan government capacity to reform and implement development programs. These challenges will likely grow throughout this critical transition period, which will only increase the need for sustained diplomatic engagement, vigorous oversight, renewed focus on strategic objectives, and commensurate resourcing in terms of personnel and assistance funds. To face these challenges, the USG should consider several measures with respect to its U.S. civilian staffing, Afghan employees, and bureaucratic structure.

*Civilian Staffing*

The Administration's FY2015 appropriations request includes \$961 million to support embassy and consulate operations. As of August 2014, the State Department plans to maintain diplomatic facilities in Kabul (embassy) Mazar-e-Sharif and Herat (consulates), Kandahar (a regional diplomatic facility) and Bagram (a liaison office with the DoD and NATO) to include nearly 700 direct hires, as well as 1,100 locally-employed staff and 3,400 contractors.<sup>43</sup> The U.S. diplomatic and assistance presence will only grow in importance with the drawdown of U.S. troops, heightening the need for sufficient levels of staff and infrastructure, as well as maintaining continuity and institutional knowledge.<sup>44</sup> State Department diplomats generally serve one-year deployments with the option to extend; USAID has maintained the same practice. The resulting frequent turnover of U.S. personnel in Kabul has created challenges in the quality of analytic reporting<sup>45</sup> and in establishing and maintaining relationships critical to diplomacy and development efforts. Anecdotal reports from U.S. officials indicate that by the time an officer gets a firm handle on their position, it is already time for them to move on.

To address the loss of institutional knowledge and expertise, the State Department IG recommended that the USG expand off-shoring and outsourcing of certain responsibilities, as well as increase the use of more long term "temporary duty" staff (officials who temporarily leave their U.S.-based jobs for stints abroad).<sup>46</sup> The State Department and USAID should also consider enhanced incentives for those who agree to deploy for two or more years. Incentives could include additional financial bonuses or expanded shelter-in-place benefits (allowing families to remain at the diplomat's last overseas post). This is not a new challenge to the Foreign Service but is one that continues to bedevil U.S. contingency operations. The State Department and interested parties within the foreign service, including the American Foreign Service Association, should cooperate in developing a plan to address this issue. The OIG also recommends establishing a pilot program that would allow eligible family members at other overseas posts to apply for short-term employments at Embassy Kabul.<sup>47</sup>

The State Department should also conduct a review on how it retains staff knowledge and captures lessons learned. Due to security concerns, some departing American staff do not overlap with their successors in Kabul and do not have the chance to personally transfer tasks and knowledge. The USG should consider requiring that departed U.S. staff dedicate some time in their new post to regularly communicating with their successor in Afghanistan to ensure a smooth transition. This effort should include creative use of technology to record lessons learned.

*The Special Immigrant Visa (SIV) program*

The SIV program in Afghanistan provides visas to Afghan nationals and their families who are under threat because of their work for the U.S. military, State Department, USAID or U.S. contractors. The SIV program is critically important to protect Afghans who have worked and sacrificed to advance U.S. interests in Afghanistan, and the U.S. has a profound obligation to ensure the

security of these courageous individuals and their families. In 2009, Congress passed the Afghan Allies Protection Act, authorizing up to 7,500 Special Immigrant Visas. There was a significant backlog of thousands of applicants over the course of this program, which has only recently begun to be addressed by the State Department.<sup>48</sup> In July of 2014, the U.S. Congress voted to expand the number of SIVs by 1,000 in FY14 and the measure was signed into law. Congress should extend the program through the end of 2016 and expand the overall number of SIVs available to 4,000 per year.<sup>49</sup> The USG should also consider further reforms to streamline the overall SIV process while still maintaining high security standards. As the drawdown of U.S. troops continues, the State Department should accelerate the SIV process to prevent any unnecessary backlog of applicants.

The GAO reports that a majority of USAID's foreign national staff have applied for SIVs.<sup>50</sup> Coupled with the high rotation rate of U.S. personnel in Afghanistan, the loss of locally-employed staff has also diminished the USG's institutional knowledge of development programs, relationships with local actors, and understanding of Afghan culture.

At a time when U.S. implementers are not as able to deploy to the field, local Afghan expertise is needed more than ever to assist U.S. efforts. The State Department should take further steps to ensure that institutional knowledge of outgoing SIV recipients is better captured.

First, U.S. employees rotating to Afghanistan should be able to easily identify and communicate with Afghans who had previously worked on their portfolios but have since relocated to the United States under the SIV program.

Second, future authorizing legislation on SIVs should also allow for newly-arrived SIV recipients to work in the U.S. for the State Department, USAID or other agencies working to support U.S. interests in Afghanistan.

Third, the U.S. Embassy in Kabul must also take steps to maintain institutional knowledge among its Locally Employed Staff (LES). The State Department reports that it works to ensure overlap among incoming and outgoing LES and uses Portfolio Continuity, an IT-based program which seeks to maintain institutional knowledge.<sup>51</sup> While essential, this system cannot compensate for the critical relationships and experience accumulated by seasoned and experienced Afghan staff. The Embassy should make every effort to connect outgoing and incoming LES members by video-conference or telephone to ensure institutional knowledge is maintained and there is continuity of effort.

*Promoting Regional Connectivity: The New Silk Road Initiative; Office of the Special Representative for Afghanistan and Pakistan (SRAP); and USAID's Office of Afghanistan and Pakistan Affairs*

In 2009, the Office of the Special Representative for Afghanistan and Pakistan was formed to lead diplomatic and development efforts in both countries. At the time of the military and civilian surge into Afghanistan, and an increased emphasis on government-to-government ties with Pakistan, this arrangement was a worth-

while and important indication of American commitment to the region.

The U.S. administration has repeatedly asserted that the long-term economic sustainability of Afghanistan will be determined by its enhanced integration within the region, driven by the New Silk Road initiative. The USG's foreign policy bureaucratic structures should reflect this assertion. The FY 14 Appropriations law called for the State Department to begin planning for the reintegration of Afghanistan and Pakistan into the SCA bureau. The State Department and USAID should continue to normalize the diplomatic and assistance approach to Afghanistan and Pakistan by reintegrating both countries into the SCA bureau at the State Department and the Bureau for Asia at USAID.<sup>52</sup> Given the strategic importance of both countries and their significant aid packages, this change should not mean precipitously diminishing the level of senior engagement associated with both countries. However, to achieve the administration's overarching objective of regional integration, the State Department and USAID need better bureaucratic alignment.

In recent months, several steps have been taken to improve communication and coordination between the SRAP office and SCA, including "dual hatting" senior officials in both places as well as increasing regular interaction among those at a working level. These efforts are welcome, and the State Department should continue this glide path toward full integration of SRAP in the SCA Bureau.

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## Notes

<sup>1</sup> Ambassador James Dobbins Testimony before Senate Foreign Relations Committee, December 10, 2013.

<sup>2</sup> USAID Response to question from SFRC staff, September 15, 2014.

<sup>3</sup> World Bank Development Indicators  
<http://databank.worldbank.org/data/views/reports/tableview.aspx#>

<sup>4</sup> Joint report of the Government of Afghanistan and the international community presented at the January 2014 Special Joint Coordinated Monitoring (JCMB) meeting. Full report can be found here:  
[http://www.embassyofafghanistan.org/sites/default/files/documents/Special%20JCMB\\_Joint%20Report\\_28%20Jan%202014.pdf](http://www.embassyofafghanistan.org/sites/default/files/documents/Special%20JCMB_Joint%20Report_28%20Jan%202014.pdf)

<sup>5</sup> The TMAF benchmarks cover five main areas of focus:

- Area 1: Representational Democracy and Equitable Elections
- Area 2: Governance, Rule of Law and Human Rights
- Area 3: Integrity of Public Finance and Commercial Banking
- Area 4: Government Revenues, Budget Execution and Sub-National Governance
- Area 5: Inclusive and Sustained Growth and Development

Within each area, the TMAF charted out a series of specific goals and 16 indicators. The Joint Coordinating and Monitoring Board (JCMB), the main group of international donors, agreed to meet on a regular basis to measure progress against the TMAF indicators. These indicators ranged from the relatively subjective (ensure respect for human rights for all its citizens) to the very detailed (improve budget execution to 75% by 2017).

<sup>6</sup> TMAF donors have committed to increase incentive funding provided through mechanisms like the Afghanistan Reconstruction Trust Fund (ARTF) to 10 percent by 2014, and up to 20 percent by 2024.

<sup>7</sup> The U.S. also supports incentive programs offered by multilateral institutions including the Incentive Program of the Afghanistan Reconstruction Trust Fund, and conditions included in the Expanded Credit Facility provided by the International Monetary Fund.

<sup>8</sup> The recurrent cost window is an on-budget funding mechanism that provides the Afghan government with some flexibility in covering budget shortfalls in paying salaries or covering operational costs. Specific budget line items associated with this

mechanism are the most visible elements of U.S. assistance in Afghanistan that is tied to tangible macro-level reforms implemented by the Afghan government. USAID also has stringent conditions built into bilateral on-budget assistance provided to Afghan government ministries. The reforms required under these programs however are narrower in scope, relevant to the specific ministry and do not have the same macro-level reach of the conditionality attached to the TMAF hard deliverables.

<sup>9</sup> The U.S. also tied \$15 million in funds to Afghanistan passing mining legislation, which it did. However, the legislation missed the April 2014 deadline set by the U.S., and it was not determined that the law met international standards, as required by the deliverable, so the funding was not released. This funding was reprogrammed to activities that enhance regional economic connectivity.

<sup>10</sup> After years of steady and incremental progress, revenue collection by the Afghan government has steadily declined over the past few years: 11% of GDP in 2011, 10.3% of GDP in 2012 and 9.6% of GDP in 2013. The State Department cites a number of factors which contributed to this downturn, including a slowdown in economic growth, the early collection of some 2013 taxes in 2012 and rent-seeking by officials who engaged in “corrupt behavior as they contemplated the possible loss of their government positions post-election.” (Response by Special Representative James Dobbins to a Question for the Record submitted by Senator Robert Menendez, December 10, 2013) The World Bank blamed the shortfall on “leakages and weakness in administration, particularly in customs.” These recent shortfalls in revenue collection will require the Afghan government to raise revenues by 1% of GDP from 2015-2018 in order to meet its fiscal targets. (World Bank, Afghanistan Economic Update, October 2013.

[http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/10/24/000442464\\_20131024131051/Rendered/PDF/820120WP0WB0Af0Box0379855B00PUBLIC0.pdf](http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/10/24/000442464_20131024131051/Rendered/PDF/820120WP0WB0Af0Box0379855B00PUBLIC0.pdf)

<sup>11</sup> Afghanistan has made revenue commitments through several international mechanisms. The TMAF includes benchmarks that call for revenue to be 17% of GDP by 2025. Afghanistan has also committed to reform its customs collection practices to align with the World Customs Organization’s Revised Kyoto Convention and to comply with required steps to gain admittance into the World Trade Organization. The international community should continue to hold Afghan officials accountable for these commitments.

<sup>12</sup> SIGAR Report: “Afghan Customs: U.S. Programs Have Had Some Successes, but Challenges Will Limit Customs Revenue as a Sustainable Source of Income for Afghanistan.” April 2014.

<sup>13</sup> *Ibid.*

<sup>14</sup> USAID has funded at least three programs that seek to improve Afghanistan’s capacity to improve revenue collection, including two Trade Accession and Facilitation for Afghanistan programs (TAFA I and TAFA II). These programs generated some success—for example, improvements in the efficiency at key customs locations resulted in savings of \$39 million for the Afghan government and importers. Currently, USAID supports the Afghan Trade and Revenue Project (ATAR) which seeks to improve Afghanistan’s ability to collect revenues by focusing on the collection of taxes and customs fees. This program works to develop the capacity of the Ministry of Finance and the Ministry of Commerce and Industry “to improve customs and border procedures, use improved procedures and technology to reduce corruption, complete Afghanistan’s accession to the WTO and build fiscal capacity.” (SIGAR Report: “Afghan Customs: U.S. Programs Have Had Some Successes, but Challenges Will Limit Customs Revenue as a Sustainable Source of Income for Afghanistan.” April 2014.)

<sup>15</sup> SIGAR Report: “Afghan Customs: U.S. Programs Have Had Some Successes, but Challenges Will Limit Customs Revenue as a Sustainable Source of Income for Afghanistan.” April 2014.

<sup>16</sup> U.S. Senate Foreign Relations Subcommittee hearing “A Transformation: Afghanistan Beyond 2014” April 30, 2014.

[http://www.foreign.senate.gov/imo/media/doc/Allen\\_Testimony.pdf](http://www.foreign.senate.gov/imo/media/doc/Allen_Testimony.pdf)

<sup>17</sup> Testimony of John Sopko, Special Inspector General, Afghanistan Reconstruction, before the U.S. Senate Caucus on International Narcotics Control Hearing on “U.S. Counternarcotics Efforts in Afghanistan,” January 15, 2014.

<http://www.drugcaucus.senate.gov/hearing-1-15-14/SIGAR%20John%20F%20%20Sopko.pdf>

<sup>18</sup> In February 2014, the UN Assistance Mission in Afghanistan (UNAMA) issued a report which expressed concerns about credible reports of human rights violations by some Afghan security forces during their ground operations in 2013. UNAMA received credible reports of beatings of civilians, property destruction and theft of personal property, including motorcycles, money, jewelry and valuable items. (UNAMA, Afghanistan Annual Report 2013 Protection of Civilians in Armed Conflict, February 2014)  
[http://unama.unmissions.org/Portals/UNAMA/human%20rights/Feb\\_8\\_2014\\_PoC-report\\_2013-Full-report-ENG.pdf](http://unama.unmissions.org/Portals/UNAMA/human%20rights/Feb_8_2014_PoC-report_2013-Full-report-ENG.pdf)

<sup>19</sup> The State Department is usually the lead implementer of security assistance in order to ensure that such programs are aligned with U.S. foreign policy priorities and that program recipients are vetted in accordance with human rights requirements in U.S. law.

<sup>20</sup> The Consolidated Appropriations Act, 2014 (P.L. 113-76), contains a provision extending the prohibition on any support or training where a gross violation of human rights occurred to “any training, equipment, or other assistance for the members of a unit of a foreign security force if the Secretary of Defense has credible information that the unit has committed a gross violation of human rights.”

<sup>21</sup> The administration’s total FY 2015 foreign assistance request for Afghanistan is \$1.595 billion, a 29% reduction from the FY 2013 appropriation. According to the administration, this request keeps the U.S. on track to meet commitments made at the 2012 Tokyo donors’ conference, but adjusts for a new implementing model due to fewer staff, uncertain security environment and a shift to more technical assistance. In March 2014 congressional testimony, USAID laid out a transition strategy that includes the following elements:

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

<sup>22</sup> SIGAR Quarterly Report to the United States Congress, July 30, 2014, pg 6.  
<http://www.sigar.mil/pdf/quarterlyreports/2014-07-30qr.pdf>

<sup>23</sup> Response by Special Representative James Dobbins to a Question for the Record submitted by Senator Robert Menendez, July 11, 2013

<sup>24</sup> Response by Special Representative James Dobbins to a Question for the Record submitted by Senator Robert Menendez, July 11, 2013

<sup>25</sup> USAID Frontlines Publication, January/February 2014  
<http://www.usaid.gov/news-information/frontlines/energy-infrastructure/powering-afghanistan>

<sup>26</sup> State Department Office of Inspector General “Inspection of Embassy Kabul, Afghanistan”(ISP-1-14-22A) August 2014

<sup>27</sup> USAID Assistant Administrator Donald Sampler outlined the layers of protection to mitigate the risks associated with providing on-budget assistance. These measures include:

- requiring the establishment of a non-commingled, separate bank account for each project with USAID;
- disbursement of funds only after USAID has verified that the ministry has achieved a performance milestone or USAID has verified incurred costs;
- an annual audit by a USAID OIG-approved firm;
- substantial involvement and oversight by USAID staff in procurement processes;
- independent management, monitoring and evaluation of services; and
- technical assistance through other projects to increase the capacity of ministries while addressing any vulnerabilities or weaknesses identified in the assessments

(U.S. House Oversight and Government Reform Hearing April 3, 2014) USAID also provides technical assistance to ministries to develop the capacity of ministry officials and staff.

<sup>28</sup> SIGAR 14-32 Audit Report “Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries’ Ability to Manage Donor Funds, but Concerns Remain” January 2014.

<sup>29</sup> World Bank, Afghanistan Economic Update, October 2013

[http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/10/24/000442464\\_20131024131051/Rendered/PDF/820120WP0WB0Af0Box0379855B00PUBLIC0.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/10/24/000442464_20131024131051/Rendered/PDF/820120WP0WB0Af0Box0379855B00PUBLIC0.pdf)

<sup>30</sup> Alongside the military drawdown, stabilization programming has diminished significantly in scale, but will remain in some form for the coming years. USAID has also expanded the scope of stabilization to include more focus on local decision-making and governing bodies. Today's USAID stabilization programming is perhaps better characterized as 'democracy and governance' programming.

<sup>31</sup> USAID Written Response to SFRC Majority Staff Question, December 2013

<sup>32</sup> *Ibid.*

<sup>33</sup> USAID reports that "there are interagency coordination mechanisms currently in place like the Deputies-level Executive Working Group, regular field level coordination and close cooperation between working level project teams at USAID, State and the Department of Defense (DoD) that ensure development-type projects implemented through the Commander's Emergency Response Program (CERP), Afghanistan Infrastructure Fund (AIF), and Task Force for Business Stability Operations (TFBSO) are coordinated and not duplicative." (USAID Written Response to SFRC Majority Staff Question, December 2013)

<sup>34</sup> According to USAID, some of the approaches used under A3 include:

1. Limiting the number of sub-contracting tiers;
2. Implementing a robust vetting system of non-U.S. companies and key individuals, at both the prime and sub-contractor level, and establishment of the Vetting Support Unit;
3. Enhancing financial controls on project funds, such as using electronic funds transfers in lieu of cash payments, using independent audit firms to verify appropriate usage of funds, reviewing of recipients' claims prior to payment, and performing 100% audits of locally incurred costs; and
4. Implementing robust oversight of all USAID projects in Afghanistan through a five-tiered monitoring approach, encompassing monitoring information gathered from USAID and other U.S. Government staff, USAID implementing partners, other donors, Afghan civil society and beneficiaries, as well as independent monitoring contractors.

(<http://oversight.house.gov/wp-content/uploads/2014/04/USAID-Donald-Sampler-Testimony.pdf>),

<sup>35</sup> U.S. Senate Foreign Relations Committee hearing "The Transition in Afghanistan" December 10, 2013 [http://www.foreign.senate.gov/imo/media/doc/Sampler\\_Testimony.pdf](http://www.foreign.senate.gov/imo/media/doc/Sampler_Testimony.pdf)

<sup>36</sup> John Sopko letter to Secretary John Kerry, October 10, 2013 [http://www.sigarmil.com/pdf/alerts/SIGAR\\_14-4-SP.pdf](http://www.sigarmil.com/pdf/alerts/SIGAR_14-4-SP.pdf)

<sup>37</sup> USAID's current monitoring and evaluation program is broken out into five tiers of entities that can be involved in data collection process to include:

- Tier 1: USG representatives
- Tier 2: Implementing Partners
- Tier 3: Government of Afghanistan representatives and other donors from the international community
- Tier 4: Civil society groups and beneficiaries
- Tier 5: Independent Monitoring Contractors

In March 2014, USAID issued a Request for Proposals to conduct a remote monitoring program to evaluate whether programs in the field have been implemented. The RFP calls for the use of several monitoring methods, including third party monitors, time-stamped photographs, use of Global Positioning Systems (GPS) technology and other forms of data collection. USAID has established an Implementation Support Team (IST) in Kabul "to centralize and analyze project performance and security information relevant to USAID activities." The IST will integrate security and portfolio-level monitoring data, provide monitoring data and facilitate relationships between the Afghan government and other donors with the USAID Contracting Officer Representatives (COR) and Agreement Officer Representatives (AOR) who manage day to day oversight of programs. Based on the integration of this information the IST will be able to make programmatic recommendations to decision-makers for current and planned projects. (USAID presentation for Senate Foreign Relations Committee staff, February 2014)

<sup>38</sup> Response by Special Representative James Dobbins to a Question for the Record submitted by Senator Robert Menendez, July 11, 2013

<sup>39</sup> Response to Question for the Record by Deputy Assistant Secretary Fatema Sumar, April 30, 2014

<sup>40</sup> The U.S. has spent more than \$1.7 billion on energy programs in Afghanistan since 2010 and has helped add 1,000 megawatts to Pakistan's power grid. Source: <http://www.state.gov/p/sca/ci/af/newsilkroad/>

<sup>41</sup> Some people-to-people regional initiatives include USAID's Central Asia Trade Forums, the Central Asia and Afghanistan Women's Economic Symposium (WES) and the South Asia Women's Entrepreneurship Symposium (SAWES).

<sup>42</sup> The State Department and USAID have committed \$24.3 million in regional Central Asia Economic Support Fund assistance from FY 12-FY14 for programs that increase trade and investment, improve transit, advance cooperation on energy trade, promote effective natural resource management, and support civil society exchanges. USAID has also leveraged bilateral resources from the Regional Economic Cooperation (REC) project in Central Asia, the Afghanistan Trade and Revenue (ATAR) project and Pakistan Trade Project (PTP) to contribute to connectivity efforts. Source: Response to Question for the Record by Deputy Assistant Secretary Fatema Sumar, April 30, 2014.

<sup>43</sup> GAO Briefing for Congressional Committees. "Afghanistan: Status of U.S. Planning for Post-2014 Civilian Presence" August 2014

The OIG reported that, "The Foreign Service staffing process optimally requires U.S. missions to make staffing decisions one year in advance, which means Embassy Kabul has to establish much of its summer 2014 Foreign Service positions in mid-2013 based not on actual post-2014 programs and operations but based on its own assumptions and resulting transition plans." ("Audit of the Department of State and Embassy Kabul Planning for the Transition to a Civilian-Led Mission in Afghanistan" U.S. Department of State Office of Inspector General, (AUD-MERO-14-15) December 2013)

<sup>44</sup> In 2011, Embassy Kabul began planning for the 2014 security transition with two offices which were consolidated into a single "Transition Office" in May 2013. Seeking to learn from the challenges posed during the rushed transition in Iraq, the State Department said that it purposefully sought out veterans of the Iraq transition to fill key positions in the Department and at USAID overseeing the transition process in Afghanistan. (Ambassador James Dobbins "Question for the Record" Response following Testimony before Senate Foreign Relations Committee, July 11, 2013.) This effort involved a State Department led "Transfer of Tasks" exercise which "helped to inform the U.S. Embassy and USAID Mission on how to responsibly transfer development-related activities undertaken by ISAF to other U.S. Government entities or to the Afghan government." As this "right-sizing" initiative continues, Congress will monitor the planning associated with the necessary office and residential space for the U.S. Embassy in Kabul to ensure that it appropriately correlates with the amount of personnel in country. ("Audit of the Department of State and Embassy Kabul Planning for the Transition to a Civilian-Led Mission in Afghanistan" U.S. Department of State Office of Inspector General, (AUD-MERO-14-15) December 2013)

<sup>45</sup> State Department Office of Inspector General "Inspection of Embassy Kabul, Afghanistan"(ISP-1-14-22A) August 2014

<sup>46</sup> *Ibid.*

<sup>47</sup> State Department Office of Inspector General "Inspection of Embassy Kabul, Afghanistan"(ISP-1-14-22A) August 2014

<sup>48</sup> According to the State Department, more than 9,000 SIVs have been issued to Afghans in FY 2014, including over 3,400 to Afghan principle applicants and over 5,600 to their family members.

<sup>49</sup> Background and history on the SIV program can be found on the State Department's website: <http://travel.state.gov/content/visas/english/immigrate/types/afghans-work-for-us.html> as well as the Iraqi Refugee Assistance Project: <http://refugeerights.org/>

<sup>50</sup> U.S. House of Representatives Subcommittee on National Security, Committee on Oversight and Government Reform, Statement of Charles Michael Johnson, Jr. Government Accountability Office, March 13, 2014 <http://www.gao.gov/assets/670/661700.pdf>

<sup>51</sup> Response to Question for the Record for Secretary John Kerry, April 8, 2014

<sup>52</sup> While the principle deputy in SRAP is dual-hatted as a Deputy Assistant Secretary in the Bureau of South and Central Asia Affairs (SCA), it is unclear of this has led to enhanced policy coordination.

#### IN RECOGNITION

U.S. and Afghan civilian personnel have operated in a very dangerous and challenging environment in Afghanistan. These individuals should be commended for their courageous work and sacrifices made in support of the U.S. mission and national interests. Since 2001, at least 435 individuals working for USAID partner organizations have been killed and at least 768 have been wounded. U.S. civilian agencies have lost three direct-hire American personnel in violent attacks: USDA Foreign Agricultural Service Advisor Steven Thomas Stefani, IV; USAID Foreign Service Officer Ragaei Said Abdelfattah; and State Department Foreign Service Officer Anne T. Smedinghoff. These individuals and their Afghan and international partners who have lost their lives embodied the values, courage and determination needed to make Afghanistan a better place. The committee honors their work and their sacrifice.

