

**Opening Statement of Chairman Jason Chaffetz
Subcommittee on National Security
“U.S. Direct Assistance in Afghanistan: Ensuring
Transparency and Accountability”
February 13, 2013**

Good morning and welcome to today’s hearing: “U.S. Direct Assistance in Afghanistan: Ensuring Transparency and Accountability.”

I would like to welcome Ranking Member Tierney, Members of the Subcommittee, and members of the audience to this Subcommittee’s first hearing of the 113th Congress. I look forward to working with all of you during this Congress.

Today’s proceedings continue the Subcommittee on National Security’s oversight of the approximately **\$100 billion** of U.S. taxpayer dollars spent to support reconstruction efforts in Afghanistan.

A few weeks ago, the Special Inspector General for Afghanistan Reconstruction – also known as SIGAR – released a report titled, “Afghan National Army: Controls Over Fuel for Vehicles, Generators, and Power Plants Need Strengthening to Prevent Waste, Fraud, and Abuse.”

This report provided the Secretary of Defense with an update on SIGAR’s continuing audit of the Afghan National Army’s logistics capability for petroleum, oil, and lubricants, also known as POL (pronounced: P-O-L).

From fiscal years 2007-2012, the Department of Defense has provided approximately \$1.1 billion in funding to purchase petroleum, oil, and lubricants for the Afghan National Army. In fiscal year 2013, the U.S. government will purchase \$343 million dollars more in POL.

However, SIGAR has found the Department of Defense does not have accurate or supportable information on:

- How much U.S. funding is in fact needed for ANA fuel;
- Where and how the fuel is actually used; and
- How much fuel has been lost or stolen.

Despite the lack of records and justification for fuel purchases, the Department of Defense proposes to **increase** funding for POL. From fiscal year 2014 to fiscal year 2018, the Department plans to provide **\$2.8 billion**, or about \$555 million dollars worth of POL per year.

But instead of the Department of Defense purchasing the fuel for the Afghan National Army, this Administration plans to give one-third of that amount – approximately **\$1 billion** – directly to the Afghan government.

Many similar direct assistance efforts in Afghanistan by the U.S. government – both previous and ongoing – have resulted in rampant waste, fraud, and abuse – and even tragedy.

For example, during the 112th Congress, this Subcommittee held a hearing to examine the mismanagement, theft, and human suffering at the Dawood National Military Hospital in Afghanistan. For years, Afghan officials pilfered nearly \$175 million dollars in cash and medical supplies. Legitimate pharmaceuticals were replaced with counterfeits. Wounded Afghan soldiers were made to suffer – and in some cases die – without proper medical care.

This was a U.S. taxpayer-funded program operated by the Afghan government.

Direct assistance from the U.S. to Afghanistan comes from both the Department of Defense and the U.S. Agency for International Development, also known as USAID. USAID has

embarked on an effort to significantly boost the amount of funding that goes directly to foreign governments and non-U.S. organizations. The agency's stated objective is "to strengthen the local actors and institutions that are ultimately responsible for transforming their countries."

Without the necessary planning and safeguards, programs like those envisioned in USAID Forward all too often result in funneling grants directly to unaccountable and often corrupt foreign governments.

For instance, in Afghanistan, following a 2010 agreement with international donors, U.S. direct assistance, most of it from USAID, tripled from \$665 million in 2009 to \$2 billion in 2010. Yet, the U.S. Government Accountability Office has identified a variety of severe weaknesses in accountability measures for these funds.

Meanwhile, we have a number of reports detailing unbridled corruption in Afghanistan. In one such case, the New York Times recently reported that Kabul Bank, one of the largest commercial banks created in the wake of the Taliban, lost an estimated \$900 million to fraud and highly questionable lending practices.

Despite these known challenges, since February 2012 – as Mr. Sopko’s written statement points out – the “United States was disbursing more than 40 percent of its aid funds to the Afghan government in the form of direct assistance.”

We continue to provide direct assistance worth billions of taxpayer dollars to the one of the most corrupt nations in existence, with little or no effort to ensure transparency or proper accountability measures. And this has broader implications too.

The limited accountability of POL import controls increases the risk that U.S. taxpayer-funded fuel purchases are violating U.S. economic sanctions with Iran.

The American taxpayer deserves better.

In his State of the Union last night, the President announced the upcoming withdrawal of 34,000 troops from Afghanistan. With the removal of US troops approaching, it becomes even more imperative that we implement better accountability measures for US funding that is headed directly to the Afghan government.

Mr. Sopko, you recently noted, referring to visiting reconstruction projects in Afghanistan, that “even in Kabul we cannot get the protection we need.” You’ve also mentioned that “reconstruction projects exist with no U.S. oversight.” Today, I would like your testimony to also focus on how the withdrawal

of troops will affect our oversight of reconstruction efforts in Afghanistan as it relates to U.S. direct assistance.

I want to thank Mr. Sopko for being here and for his continued work with this Committee. I look forward to his testimony.

I now recognize Ranking Member Tierney for his opening statement.