

AFGHANISTAN: IS THE AID GETTING THROUGH?

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INVESTIGATIONS
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CONTENTS

| | Page |
|---|------|
| WITNESSES | |
| The Honorable Don Ritter, Chairman, Afghanistan-America Foundation [former Member of Congress] | 5 |
| Barnett R. Rubin, Ph.D., Director of Studies/Senior Fellow, Center on Inter- national Cooperation, New York University | 14 |
| Mr. Frederick D. Barton, Senior Adviser and Co-Director, International Secu- rity Program, Center for Strategic and International Studies | 24 |
| Amit Pandya, Esquire, International Development Consultant | 27 |
| Seth G. Jones, Ph.D., Political Scientist, RAND Corporation | 32 |
| LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING | |
| The Honorable Dana Rohrabacher, a Representative in Congress from the State of California, and Chairman, Subcommittee on Oversight and Inves- tigations: Prepared statement | 2 |
| The Honorable Don Ritter: Prepared statement | 9 |
| Barnett R. Rubin, Ph.D.: Prepared statement | 18 |
| Amit Pandya: Prepared statement | 30 |
| Seth G. Jones, Ph.D.: Prepared statement | 36 |

AFGHANISTAN: IS THE AID GETTING THROUGH?

THURSDAY, MARCH 9, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 8:06 a.m., in room 2172, Rayburn House Office Building, Hon. Dana Rohrabacher (Chairman of the Subcommittee) presiding.

Mr. ROHRABACHER. This hearing of the Oversight and Investigations Subcommittee is called to order, and I would like to welcome all of those who have managed to get up early enough to be here.

I don't think that this is the earliest hearing in the history of the Subcommittee, but it is certainly one of the earliest. So, we will make due.

I am glad that we are having this early hearing in order to have your testimony on the record before another hearing that will be held at 10 o'clock this morning.

And I wanted to make sure that, with Mr. Delahunt's prodding, we have on the record some hopefully constructive criticism of America's policies, and America's program, and how it is operating, in Afghanistan.

And so the purpose of the hearing is to hear testimony to determine the efficacy of our aid and reconstruction program in Afghanistan, and specifically to ascertain whether or not the strategy being pursued by the United States is wisely marshaling our national and worldwide assets, and whether the job that is being done in Afghanistan is a good job or not.

Witnesses will address their assessment of the situation in Afghanistan in light of their expertise, and of course we need to know your opinions of how we are doing, especially in light of the ongoing insurgency that seems to still be there, as well as the challenge of narcotics.

The Subcommittee is interested in the constructive approaches that can enhance the effectiveness of America's commitment to the people of Afghanistan. This hearing is not being held to try to tear something down, but instead to offer ways of improving the way that America is doing its business in that country.

We have a distinguished panel of witnesses, led by my former colleague, Don Ritter, who I served with in my first years in the Congress and is very well known to me and to us in the White House prior to my coming to the Congress.

Don has a long history not only in the support of the Afghan freedom fighters, who fought against Soviet troops, but also a long involvement with the Afghan people since then, and has tried to bring about a more peaceful and prosperous society there. He has traveled widely in Afghanistan, often at great personal risk. And we are very proud to have him with us today.

In addition, we have a panel of scholars, specifically Professor Barney Rubin of New York University; Dr. Rick Barton of CSIC (Center for Strategic and International Studies); Seth Jones of RAND Corporation; and Amit Pandya of the Center for American Progress.

All of these witnesses have something to contribute. I would respectfully ask all the witnesses to perhaps try to limit your remarks to your pithy 5 minutes, and then we will have a discussion. We may only have Congressman Delahunt and myself here, but we will have a discussion from this end, as well as a discussion back and forth on this.

So if you could try to make the points that you think we ought to understand, we will make that part of the dialogue today. I am interested in hearing our witnesses' reports about what has become of our USAID (United States Agency for International Development) projects, whether our money is being well spent, and where are the shortfalls, as well as, where are the strengths?

What is our long range plan to aid Afghanistan, what does the outcome look like now, and what is your estimate of what is going to be happening a year or 2 years from now?

We need to be sure that our plan is not an ad hoc procedure for that country, but a sustained, well thought-out plan for reconstruction—is that your assessment of what is going on there?

So we are looking very much for your analysis, but also perhaps your suggestions, of how we can set Afghanistan on a path to peace and prosperity. This is an important hearing, and an even more important endeavor for our country, and I want to thank each and every one of you for agreeing to be here this early in the morning, and agreeing to testify.

Your opinions are going to be part of the mix of the discussion today, and as I say, a few hours from now, Administration officials are going to be sitting in the seats you are in right at this moment. We will be using the information you present to us to challenge those people in our Government who are overseeing the policy. So with that said, Mr. Delahunt, would you like to offer an opening statement?

[The prepared statement of Mr. Rohrabacher follows:]

PREPARED STATEMENT OF THE HONORABLE DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

Good morning and welcome to hearing of the Committee on International Relations the Subcommittee on Oversight and Investigations. If this is not the earliest hearing in the history of this committee, it certainly is ONE of the earliest in years.

And I'm glad we're having it at this hour because this subject is important enough. The purpose of this hearing is being held to determine the efficacy of aid and reconstruction, specifically to ascertain whether the strategy pursued by the United States is wisely marshaling national and worldwide assets. Witnesses will address their assessment of the situation in Afghanistan in light of their particular expertise and the ongoing insurgency and narcotics challenges. The Subcommittee

is interested in constructive approaches that can enhance the effectiveness of US presence and expenditures.

We have a distinguished panel of witnesses, led by former colleague, Don Ritter, who represented Pennsylvania in Congress from 1979–1992. Don Ritter has business interests, extensive contacts in and has traveled widely to Afghanistan, sometimes at his own risk. Additionally, we have a panel of scholars: specifically, Professor Barney Rubin of NYU, Dr Rick Barton of CSIS, Seth Jones of the RAND Corporation and Amit Pandya of the Center for American Progress.

I am interested in hearing our witnesses' reports about what has become of our USAID projects, whether our money has been well spent and where major shortfalls are. What is our long-range plan for our aid to Afghanistan? We need to be assured that our plan is not an ad hoc procedure for the country but a sustained, well-thought out plan for reconstruction that will set the country on a path of peace and prosperity.

This is an important hearing and an even more important endeavor for our country. Thank you for agreeing to join me in this effort and I look forward to hearing from our witnesses. I now yield to Mister Delahunt for his opening statement.

Mr. DELAHUNT. Yes, I will be very brief, Mr. Chairman. First of all, let me begin by introducing to you and to our panel the most recent addition on the Democratic side to this Subcommittee, a friend of mine, and someone who is a serious Member, and who does her homework, and is one of the rising stars in the Democratic Caucus, and that is Betty McCollum from Minnesota.

I am really excited to have Betty on board. Today, it is really a remarkable day and event for me, at 8 o'clock in the morning to be here, and to agree with the Chair of the Subcommittee, my good friend from California.

I want to associate myself with his remarks. I think that there is a window of opportunity. One can review the headlines regarding Afghanistan, the problems that obviously beset that devastated nation.

And I think that I have a sense that we are going to—and I have read some of your testimonies; former Congressman Ritter and Dr. Rubin. I have not had a chance to review the testimony of the other panelists.

But I found it refreshingly honest, and informative, and thought provoking. I suspect at 10:30 that we will have what we all know to be the pablum, the party line, and that is unfortunate. And again I am not denigrating the panelists that will be presenting today to us.

But without oversight, and without aggressive oversight, and without demanding data and evidence, we are simply not doing our job. And I really do want to commend Dana Rohrabacher, because he has had a long term commitment, as I am sure that you are all aware, to Afghanistan.

He was right about Afghanistan and he was right about al-Qaeda long, long before anyone heard of, or had any in-depth engagement with the issues of Afghanistan, and subsequently al-Qaeda, and what tragically occurred on 9/11.

And it is a remarkable day because today is really the first day that we have done oversight. I mean, we have done a lot of hearings dealing with the United Nations, and they have been repetitive, and I think that they served a good purpose.

I usually am leading off, as Dana well knows, with a rant about the lack of oversight, and the fact that we have not done what we should be doing, in terms of oversight, in Iraq. You know, beginning with looking for that missing nine billion dollars.

But I will forego that today, because it is so remarkable to be here and doing something that I believe is constructive, is positive, and I have a sense that we are going to hear a very balanced view, and I know, given the commitment of this particular Chairman, that he will pursue your ideas.

I will support him, and we will try to make a difference if you believe and you can convince us that there is a better way, in terms of dealing with the issues confronting Afghanistan, and obviously the United States and our national interests, because I believe, as Dana does, that we have an obligation to these people.

We do have a moral obligation and we should not forget that. And with that, Mr. Chairman, Betty, do you want to say anything?

Mr. ROHRABACHER. I would be happy to recognize our new Member, and let me note that we have—there has been an agreement about an oversight hearing on Iraq, but it will be at 5:30 in the morning.

Mr. DELAHUNT. Actually, it is 3 o'clock.

Mr. ROHRABACHER. Ms. McCollum, would you like to make an opening statement?

Ms. MCCOLLUM. Mr. Chairman, to Ranking Member Delahunt, I just want to let you know—and Mr. Delahunt knows how hard I have tried to get on this Subcommittee, and Mr. Chair, it reflects the type of leadership and commitment that I have seen working with you.

We don't always agree on things, but the one thing I know we do agree on is getting to the truth and asking tough questions, and being respectful when we do it. So I really consider it an honor to be on the Subcommittee.

And the part about the rising star, yes, the sun is the closest planet, and the sun did come up this morning, and I made it up this morning, too. The only comment I would make is that I know that we are going to be hearing a lot of things today, and a lot of things tomorrow, but one of the tensions that I have had is with some of the women that have been hosted here by the Administration that have talked about progress in schools, and microenterprises, and other things like that.

If you look at the maternal mortality rate in Afghanistan since we have been there, and the child mortality rate in Afghanistan since we have been there, this is a place where truly keeping mothers alive and helping children survive is clearly a place in which hearts and minds are won, because you win the admiration and respect of families.

And I don't hear much talk about that, and I think we know why. There has not been success in that area. And so I think we quite often miss doing small interventions for little bits of money that make a huge difference in families' lives, and really do win the hearts and minds, as well as not doing the big interventions very well in my opinion, Mr. Chair.

Not to the ability that the United States could do them. So I look forward to hearing the testimony, and I want to thank you again, Mr. Chair, for having this oversight hearing, because if we are going to move forward as the great country we are, we have to look at the things that we do well, as well as the things that we don't

do well. And there are many opportunities for improvement, and so thank you, Mr. Chair.

Mr. ROHRABACHER. I think that was an excellent point, and what a great way to start the discussion, and start the hearing with that specific point that you brought up. Now, again, if you could—and, see, Don, now you are on that side of the table.

And I can remember Don saying this as well to people—if we could take this in 5-minute segments, and go to your main points, and get this done so we can have some dialogue on the positions, and actually between panel members, as well as back and forth. So, Mr. Ritter, or Dr. Ritter. Are you really a doctor?

Mr. RITTER. I am a Doctor of Science from MIT, yes.

Mr. ROHRABACHER. Isn't that fantastic.

Mr. RITTER. That kind of doctor.

Mr. ROHRABACHER. All right. Well, Dr. Ritter, formerly—

Mr. RITTER. In the Ranking Member's back yard.

Mr. ROHRABACHER. Congressman Ritter, Dr. Ritter, freedom fighter Ritter, you may proceed.

STATEMENT OF THE HONORABLE DON RITTER, SENIOR ADVISOR, AFGHAN INTERNATIONAL CHAMBER OF COMMERCE [FORMER MEMBER OF CONGRESS]

Mr. RITTER. Thank you, Mr. Chairman, Mr. Delahunt, Ms. McCollum, it is a great pleasure to be here testifying on this—I think it is an auspicious day. I think the Subcommittee has been quite intelligent in trying to balance off what they hear from the agencies, with people from what you call the private realm.

I represent in many ways the private business sector, and in addressing Ms. McCollum's issue, keeping young mothers who are dying in child birth, and keeping their children alive, the best thing that we can do for Afghanistan is to grow this economy in such a way that it comes up from the grass roots, and covers millions, and not thousands, that it covers villages, and not just cities.

Economic policy is perhaps the most ignored feature of the Afghanistan policy landscape, and I am here today as an architect of the Afghanistan International Chamber of Commerce, which is a USAID-supported effort.

As the senior advisor to this private sector voice, trying to compete with a government left over from Communist, Islamist, warlord, and monarchist times, someone who has invested heavily of my own personal fortune, as well as building companies across Afghanistan, this is where I am coming from.

I want to start off talking about security, because security is denominating the headlines. And security is making people very shy of doing anything else but fighting a war and dealing with security.

And yet I am here to say that, in my humble opinion, that if you check out the murder rates in Washington, DC, Los Angeles, Detroit, St. Louis, you might come up with murder rates that are higher than Kabul, Kunduz, Herat, and perhaps even Kandahar.

So what you see in the media is not exactly what you get, and that is the basis of kind of where I am coming from. Pundits are talking to each other. The evening news is talking to the front page

of the *Washington Post*, and the *New York Times*. I mean, Fox News is in the same boat as CBS on this.

Bombs are the greatest news since sliced bread when it comes to getting viewership, but that is not what is happening on the ground. You are looking at somebody who is working across the length and breadth of this country, who takes taxis all over the place, and who dresses not in an Afghan garb, but like I am dressed now.

And I find the people very friendly. The business community has discounted, ladies and gentlemen, most of these risks. The Afghan business community is used to risks. Think about it. Think about what they have been through.

And recently in the World Bank report, violence, mayhem, murder, all you see about Afghanistan daily, nightly, is way down on the list. I think number 14 out of 18 listed concerns. Let me get into this a little bit.

The World Bank survey talks about what the business community, which is out in the field, and whose employees, hundreds, thousands, are also subject to the same conditions. What are their priorities? Electricity, access to land, access to capital, decent roads and infrastructure.

They are concerned about the lack of legal structures, corruption, taxes. They are not so concerned about the Taliban and al-Qaeda. We are fighting a war, and we thank God for our great men and women in the armed services, because what they have done has confined this battle to mostly the more remote areas of this country.

Yes, there is an uptick in Taliban violence, and there is an uptick in al-Qaeda violence. We are seeing IEDs (Improvised Explosive Devices) and suicide bombers, but we don't see them as people out in the field, as fellow members of the business community.

It is worth repeating these priorities; access to electricity, capital, land, building our businesses. We are concerned with arbitrary government action. Believe me, the business community, including me, fears arbitrary actions by the government more than we feel al-Qaeda and the Taliban.

We fear stalling, and bribe seeking, and perhaps most of all, incompetence. I have often thought if I ever go down in Afghanistan, I am going to go down by the incompetence of the system, as opposed to a bullet. And I think that my colleagues in the business community feel the same way.

They fear unworkable rules and regulations imposed by 21st century society parachuted in out of the blue. As an environmentalist running an environmental policy institute for 10 years in this city, I was recently made aware of the United Nations environmental policy efforts to install a policy in Afghanistan, which is coming out of the United States and Western Europe.

It is 21st century stuff to be sure, but Afghanistan is in the 15th century. And they are talking about a major program, and this is just a thought as to how international organizations act with Afghanistan.

They are talking about a major new industrial permitting process. With permitting necessary, by all the relevant agencies, can you imagine the time before you can start building anything? Can

you imagine the tie up and the bureaucracy that would cause given the nature of Afghanistan, and the Afghan Government bureaucracy?

We are concerned about the Moustifyat, their IRS (Internal Revenue Service), and the Ministry of Commerce, charging a 20 percent tax rate in a country that needs to be a tax haven, and consultants comparing themselves with Hong Kong, Lebanon and the Baltic States. I mean, it does not work that way.

Afghanistan has no electricity basically. It has little infrastructure. That has to be a tax haven. But, okay, given that, we are concerned that they are trying to—that their incompetence or whatever is seeking to take a 20 percent tax on the gross venues of a business, even when it has not made a profit yet.

Take a 20 percent tax on the amount of investment that we bring in. These people have studied economics in the Soviet Union, or have not studied at all, but have been exposed to this kind of non-market economics, which does not know the difference between gross, net, profit, investment, or whatever.

This is what we are concerned about. Recently, a colleague of mine, who has built one of the largest housing developments in Kandahar, and they have been so successful to date, had their property invaded by Ministry of Defense forces claiming their land. There was no paper—no legal or court actions.

They came there with violence, with guns, and with threats, saying the land belonged to them. Where is the rule of law? The rule of law is critical in this country. The bottom line to the security issue is that our security is less concerned with the Taliban and al-Qaeda than it is with day-to-day struggles—and that is due, again, to the successes of our armed forces in confining these struggles mostly to the border regions east, to the southeast, and to areas in the south which are outside of the major cities.

Okay. Our assistance dollars. They would be much more effective if they were directed more toward Afghans. This is an overriding principle that has been swept under the rug. If the reality on the ground is something other than what we are getting in the media, and if our success is so dependent on improving the lives of the Afghan people, then the American people have a right to ask how are we doing on that front, especially the economic front.

How are the billions of dollars spent in rebuilding the country affecting social and economic progress? The answer is not good enough of the aid flowing into the country, only a fraction remains as the UN, and the United States agencies, big NGOs (non-governmental organizations), and foreign contractors, including the United States, of all shapes, sizes, and types, siphon off funds to pay for personnel and programs that positively dwarf what the Afghans are getting out of it.

In Kabul, the price of housing rivals Washington. The foreigners sop up the best employees, paying salaries and benefits totally unaffordable to Afghan companies. This is not new. It is one of the downsides of foreign aid.

And everybody is appreciative of the United States building roads, bridges, schools, hospitals, a new university and so on. The list is long. But the bang for the buck can be a lot bigger. We need to mentor, train, and upgrade.

The United States Government agencies, by far the biggest contractor for goods and services, need to take the lead in upgrading the capacity of Afghan companies and their employees to do the required job in every situation possible, from construction, to products, to logistics, to services of all kinds.

The process needs to be accelerated and invested in 100-fold over the status quo. Well, when the United States entities answer that the Afghan companies don't have the skill, then let us teach them, train them, mentor them, in order to upgrade their output.

Invest in their technology, and their management, and their personnel. The current system, with some exceptions, is not doing that. One exception is the United States Army Corps of Engineers. They have a program to mentor and train some of the Afghan construction companies.

They have interest in bringing Afghan companies into the fold. They have a program especially designed for Afghan companies. Lieutenant General Karl Eikenberry is a model United States citizen in this regard, and hopefully at some hearing in the future, you can listen to him and get some of his ideas. We need to look closely at what he has accomplished and move forward and possibly build on it.

We can try and estimate how much aid stays in the country. Fifteen percent is the gut reaction of a lot of people. Fifteen percent of the total. When I mentioned this to Professor Ishaq Naderi, the chief economic advisor to President Karzai, he said, "Do you think it is that much, Don?"

Okay. We need to have congressional oversight, and we need to benchmark this figure. We need a process, a mechanism, whereby we look at what the amount is that stays. We have a combination of the agencies that are required to report back to Congress, benchmarking, and improving the number, the percentage of the amount of our taxpayer dollars that are staying in Afghanistan.

Congress must be involved. It cannot happen without Congress, because the agencies at this point are only responsible to themselves, and nobody wants to risk their career on putting out some numbers that may not look that great.

And they are some of the finest people that I have ever met. They are great people. They are trapped in a system that is to some extent dysfunctional. They generally stay in the country for a year, and they need to stay a lot longer. It is not acceptable.

Jack Kemp—and I am going to close with his quote. Jack Kemp, on *Meet the Press*, made this comment about Iraq, but it applies to Afghanistan as well. He said that, "My most serious problem is that there is no economic component to the war on terror. In other words, there is a need for a 21st century Marshall Aid Plan." He later alluded to the same idea when he talked about, "some economic component that will lead to jobs and an opportunity to better one's life and one's condition in life."

Members of Congress, thank you so much. There are a lot of other things that I talk about in my testimony—the problems with the government, such as price controls in what is supposed to be a market economy.

And if you have price controls on agricultural products, how in the world are you going to get value-added products coming out of

our big investments in “alternative livelihoods?” How are you going to get value-added products in the stores, when only the cheapest price-controlled products can survive? Market economy is a market economy. Price controls don’t go with a market economy.

And I end up where I talk about substitution of a major portion of aid with credit, building this market economy, something that the donors in London missed. They missed that when all they talked about was giving money to the Afghan Government, and funnelling a lot of the aid through the Afghan Government and the so-called Compact.

But that is real problematical, Members of Congress. It is a problem in distributing this aid, and it is similar to problems that we have, but in a different order, but credit, where is the credit. Thank you, Mr. Chairman.

[The prepared statement of Mr. Ritter follows:]

PREPARED STATEMENT OF THE HONORABLE DON RITTER¹, SENIOR ADVISOR, AFGHAN INTERNATIONAL CHAMBER OF COMMERCE [FORMER MEMBER OF CONGRESS]

RISK PERCEPTION AND SECURITY

Let’s start with risk or risk perception as I will put forth a different view of the security issue when it comes to reconstruction of the country and the rebuilding of its institutions. It is based on the fact that the perception of security risk of Afghans in Afghanistan is vastly different and far less than the perception of security risk we get in the media.

Policy analysts, like the media, get noticed when there’s bad news to report, when a crisis is occurring. This is a phenomenon not defined as left, right or center. Murder and mayhem enjoy equal opportunity coverage whether in Southeast, Washington, DC, Iraq or Afghanistan. Indeed when considering security or risk, we need to ask ourselves, what is the murder rate in DC or Detroit or LA compared to Kabul, Herat, Mazar, Kunduz, yes, even Kandahar in the south?

My gut reaction, someone else will have to gather the data, is that it is higher in those U.S. cities. I take taxis everywhere in Kabul while our Embassy folks are riding in armored vehicles. Maybe they need to but that’s not the Kabul that I and the Afghans see. They, in particular, are used to operating in far more dangerous situations than the present.

The coverage on Fox News of blood and guts resulting from the explosion of the day is likely to be equivalent to that of CBS. Similarly, the analyst or perhaps pundit or government official, whether conservative or liberal will also respond to the extreme behavior that he or she reads about in the papers or sees on TV. Most often, they are reading and responding to what other analysts or pundits have said about a problem or violent behavior.

Respected members of the Subcommittee, this is a luxury the private sector doesn’t have. Indeed the Afghan people don’t have it. That’s why we in the private sector are out and about doing business as usual.

An increase in Taliban violence is duly noted as is the arrival of suicide bombers from outside the country. They are mainly concentrated in certain areas of the south and in areas near to Pakistan. They are mostly a threat to our war fighters and sometimes to Afghan officials in those regions. *It’s not good but it will not stop the Afghan people from moving forward unless we stop the process for them.*

I’m not trying to be a Pollyanna but the American people need a lot more perspective on this security issue and the TV-driven media and the front pages of the newspapers, by virtue of what they all do for a living, are not helpful.

The World Bank Looked at priorities of Afghan businessmen and women and security as an issue didn’t show up!

The World Bank recently published a survey where members of the business community who were out and about in five major Afghan cities were asked what their greatest problems were. Electricity, access to land, access to capital, decent roads,

¹Dr. Ritter has more than 25 years experience working with Afghans and in Afghanistan. He is currently Senior Advisor to the Afghan International Chamber of Commerce, the primary independent voice in the development of a market economy in the country. He is also an investor and partner in numerous ongoing and developing businesses in Afghanistan, spending some 40% of his time there for the last three years.

lack of legal structures, corruption, capable labor force . . . , plus taxes, etc. Security did not appear on their list of concerns until way down the list and at that point the concern was not the Taliban but common crime that all businesses face in big cities! These people have employees and their employees have families. Surely if personal safety were threatened, these folks would feel it.

Indeed, I would feel it.

REAL FEARS—REAL RISKS:

The priorities of the business community, worth repeating, are access to electricity, land, the securing of capital for building their business, concerns with arbitrary government actions and a host of other issues. Believe me, the business community, including me, fears arbitrary actions by government officials, stalling, bribe seeking and perhaps, most of all incompetence and corruption in the government much more than they do a bullet or a bomb from the Taliban or Al Qaeda.

They fear rules and regulations imposed by 21st century societies on their backward nation that will make them diseconomic and dysfunctional. A recent example is UNEP's environmental policy creation that calls for an interministerial process of permitting industrial facilities before they can be built. Can you imagine the bureaucratic logjam that would occur in getting through the paperwork when the ministries really don't have the capacity to make those judgments? . . . and the fertile ground for corruption as businessmen and women seek to protect their investment and start working in a timely fashion . . . or more likely when officials ask for bribes?

Why wasn't the community of manufacturers brought into the process of formulating the regulations before concoction of that travesty on common sense? Where were our own policy-makers?

We fear Moustifiati (the Afghan IRS) and the Ministry of Finance taxing our gross, as opposed to our profit, or taxing our investment itself, at the already way too high for Afghanistan 20% rate! Some educated in Soviet economic do not know the difference. These are the dangers we experience, not bombs.

There are as well Afghan government officials who see the private sector as adversary to their authority or a source of deep pockets to be bilked. Just recently, a powerful Ministry descended upon the largest housing development in Kandahar and claimed that the land which had been ceded to the developers by the then Governor some three years previously, belonged to them. No court order, no papers, just guns, threats and violence.

This kind of action is far more threatening to the creation of Afghan wealth and jobs than the Taliban or Al Qaeda.

The U.S. must work with the GoA to educate, train and influence, and to prevent these travesties for the Afghan market economy to actually be real.

BOTTOM LINE TO THE SECURITY ISSUE:

The brave and competent men and women of the US armed forces along with coalition troops are responsible for us business people being there in the first place by confining the violence in large measure to more remote regions. First, they routed the Taliban and Al Qaeda and now, except in certain well known areas, the enemy is on the run. They mostly run back into Pakistan where they subsist miserably in caves. Sure, they can be lethal but the vast majority of Afghans and foreigners, let's guess 99%, are not exposed to their misdeeds. Thank you U.S. military!

AFGHAN PEOPLE'S REAL CONCERNS:

The American people need to know that Afghans are concerned with the same things that we are albeit at far lower standard of living. They would like to have a decent job, feed, clothe and house their families. I am talking about the 99%. They fear sickness, hunger, lack of a decent education for their kids and no work. The American people need to know that the Taliban and Al Qaeda are far from the minds of average Afghans.

To succeed in yet another "long twilight struggle", this time with a radical and distorted Islam alien to the Afghan people who are, in fact, strong Muslims, we need to give more hope and help to the people . . . we need to give it in a more direct fashion. That means helping them not only in reconstruction of the country but repair of the very fabric of society, thread by thread. Having invaded and protected it with our might, our blood, our treasure and our reputation, we now, like it or not, have a fair degree of ownership of the situation.

OUR ASSISTANCE DOLLARS CAN BE FAR MORE EFFECTIVE IF THEY ARE DIRECTED MORE TO AFGHANS:

If the reality on the ground is something other than what we are getting in the media and if our success is so dependent on improving the lives of the Afghan people, then the American people have a right to ask, how are we doing on that front, essentially the economic front? How are the billions of dollars spent in rebuilding the country affecting social and economic progress?

The answer is, not near good enough. Of the aid flowing into the country only a fraction remains as the US and UN Agencies, NGOs, and foreign contractors including U.S. of all shapes, sizes and types siphon off funds to pay expenses for personnel and programs that positively dwarf what Afghans get out of it. In Kabul, the price of housing rivals Washington, DC. The foreigners sop up the best employees paying salaries and benefits totally unaffordable to Afghan companies. This is not new, it is the down side of foreign aid.

Everyone is appreciative of the U.S. building roads, bridges, schools, hospitals, a new university and so on. The list is long.

MENTOR, TRAIN, UPGRADE

Yet the U.S. government agencies, by far the biggest contractor for goods and services, must take the lead in upgrading the capacity of Afghan companies and their employees to do the required job in every situation possible from construction to products to logistics to services of all kinds. That process needs to be accelerated and invested in a hundred fold over the status quo.

If the US entity's answer is that Afghan companies don't have the skill, then teach them, train them and mentor them in order to upgrade their output. Invest in their technology and their management. The current system, with exceptions, is not doing that.

One exception which could serve as a model to be copied is the US Army Corps of engineers program to require that their contractors have mentoring and training for the purpose of getting more Afghan companies and employees in on the US assistance dollar while building their capacity for the future.

They also have a pool of contracts which go only to Afghan companies. Contracts given to Chinese, Turkish, Indian and Pakistani companies *may* get a job done more rapidly and *may* have higher quality but then the foreign contractors leave, and their money leaves with them, and their skills leave. Taxes are not paid and participation in the new democracy is non-existent.

I will mention one name in this context, US Army Commanding Officer in Afghanistan, LTG Karl Eikenberry. He and his charges have this philosophy to involve real and qualified Afghan companies in direct contracts and work for the US Army, no middle men. They are working to upgrade companies with promise as well. We need to look closely at what he has actually accomplished and move it forward and possibly build upon it.

HOW MUCH AID STAYS IN THE COUNTRY?

Dear members of Congress, I submit that while we have come a long way from the Taliban times and nearly 25 years of ruination prior to 9-11, our assistance programs face a crisis in that the percentage of U.S. taxpayer dollars remaining in Afghanistan and helping to reconstruct the country is thought, felt and understood to be extraordinarily small.

Some people estimate 15%. When I mentioned that figure to NYU endowed professor and now Chief Economic Advisor to President Karzai, Ishaq Naderi, he responded with a smile, "Don, do you think it's that much"? Is it more or is it less, we don't know, but we need to put our heads together and find out where we are so that we can benchmark where we need to go and need to be in the future.

The amount that stays presently varies from program to program but everyone is pretty much accepting that dirty little secret.

GETTING DATA ON RETENTION OF AID RESOURCES AND SETTING UP A CONTINUOUS IMPROVEMENT PROCESS:

We need much harder and better information on the flow of these taxpayer dollars and then we need an overhaul of our basic policy and approach incorporating some form of interagency mechanism that is connected to Afghan reality, robust and responsive to meet periodically and create strategies to both promote and monitor improvement.

We need to set goals and benchmark progress towards those goals in a transparent process that invites in ideas and ways to increase the percentage of aid retained.

CONGRESS NEEDS TO BE INVOLVED:

Last but not least, we desperately need concerted Congressional and perseverant public oversight of the process. We need change now as we are running out of time, and the momentum of past practices is great.

AN ECONOMIC PILLAR TO U.S. POLICY IN AFGHANISTAN:

Ladies and gentlemen, security and governance, the two pillars of U.S. policy being implemented by the Departments of Defense and State, respectively, cannot be removed from the economic pillar, a pillar yet to be constructed. And while that is more and more being understood in both Defense and State and USAID as they try and address the issue, a break with past policies and practices may be necessary to get the desired results.

INCREASING TENURE OF USG PEOPLE IN COUNTRY:

Those working for the USG in Afghanistan are some of the finest men and women I have known and they are dedicated public servants and they did not create the policy framework within which they work. They are mostly in country for a year and when they truly get up to some sort of speed they are gone. They are cloistered most of the time in spartan living conditions within the U.S. embassy compound and they deserve our complete respect but they have limited opportunity to live the Afghan experience.

While our people show personal integrity and professional excellence, their perspective, understandably affected by short tenure and limited contact, is also limited—somewhat akin to touching an elephant blindfolded and the toucher being asked to identify the touched.

Stellar members of the USG's Afghan team have been assigned to Iraq. Tenure is a real problem and needs to be addressed . . . by Congress, if necessary. Other countries seem to keep their people on the scene for longer periods of time, why can't we? Can we really defend the idea of one year in such a complex country on policy grounds?

WHO HAS LEADERSHIP RESPONSIBILITY FOR THE ECONOMY?

There is no signal point of responsibility for building the economy, a market economy as stated in Article 10 in the Constitution. No one in our policy playbook has explicit duties to foment a vibrant, wealth-producing private sector. It is necessarily a secondary priority for war fighters, diplomats, USAID infrastructure builders and for that matter, the UN and the big NGOs.

That may be understandable but it is not acceptable if we are to do our best to win the war and build the country.

The economy is not presently a pillar in the established order of U.S. policy-making for Afghanistan because we are simply not set up for it in our government structures and aside from a very small program in the Commerce Department which has been swamped by Iraq demands, there is no high-level USG attention dedicated first and foremost to the economy, as there is to Defense and Diplomacy. Commerce could easily beef up its work to include matchmaking between Afghan and US firms but what is needed most is a powerful economic policy and development initiative based on growing Afghanistan's market economy.

Ambassador Zalmay Khalilzad, during his tenure in Afghanistan, saw a lot of these problems early on and tried, through the Afghanistan Reconstruction Group (ARG) in the Embassy and its ARG "Reachback" team over at the Pentagon, to grease the skids on speeding project funding and execution but ARG still did not, or perhaps could not, address the centrality of the economic issue and tightly interweave it with the issues of security and governance plus counter narcotics.

On Sunday, Jack Kemp, on Meet the Press made the comment—it was about Iraq, saying, "My most serious problem is that there is no *economic component* to the war on terror. In other words, there is no 21st Century Marshall Aid plan . . ." He later alluded to the same idea when he talked again about, "some *economic component* that will lead to jobs and an opportunity to better one's life, one's condition in life.

Please know that countering poppy growing is related to all three of those pillars, security, governance and the economy. We can all admit there is no counter narcotics success without success on the economic front no matter how much criminal justice and eradication efforts are made. In a country with 60 to 70% unemployed

ment, the poppy will remain the economy of choice for too many unless we build another economy that is reasonably competitive.

We need that economic pillar in our playbook and we need to creatively empower it *at no less effort than we do the security and the governance functions if we are to succeed.*

THE AFGHAN GOVERNMENT AND THE PRIVATE SECTOR:

The donor community has just signed a Compact in London with the Afghan government which the Afghan private sector supports. That agreement gives far more appropriating powers over donor funds to the Afghan government with supposed built-in safeguards to spend the funds wisely and spend them in Afghanistan and on Afghans. That's tricky to be sure but one surmises that no amount of corruption could rival the present institutionalized and legal outflow of assistance funds.

I personally think it's a good thing.

The GoA lack of capacity, admitted by them, to deal effectively with a market economy and its business community often leads to abuse of the principles of a market economy and the rights of the entrepreneur. For government officials, it's not just corruption; it's also the lack of basic understanding of modern economics on the part of those who serve as public officials. It is very important that the Compact have appropriate built-in safeguards.

PRICE CONTROLS IN A "MARKET ECONOMY":

Members of Congress may be surprised to find out that price controls still exist in stores in the major cities across Afghanistan. Prices of milk, eggs, cheese, bread, meat, fruits and vegetables and other consumables fall under the price control apparatus in each city. Several hundred of these enumerators are employed in Kabul to go out to stores and check on prices daily. They can close a place down if the store-owner doesn't comply. Corruption is rampant as store owners keep the enumerators at bay.

Here is an economic issue that is disastrous to bringing higher value-added, meaning higher-priced agricultural products that could compete with growing poppies to market. It is potentially devastating to the USG's USAID Alternative Livelihoods Programs in the south, east and north, designed at substantial cost to provide economic alternatives to poppy growing. How can one compete with poppies if the price of ones higher quality output is pushed down to the levels of lower quality products.

More than that, price controls repress entry into the market of new players and new Afghan products with varying prices and varying quality that could be found on the shelves in the stores in addition to low priced ones. This is one of the reasons why all higher-end or finished agricultural products are currently imported.

THE GIANT PRIME CONTRACTORS: REFORM NECESSARY

For goods and services, the giant contractors that follow the U.S. military and government around are letting contracts on the basis of price only. That may maximize the profit for the U.S. prime but it promotes low quality and fly-by-night operations that respond to the stipulation for low-ball, low quality bids.

Middlemen with political connection are getting contracts and establishing new businesses without any track records based on one contract if it is large enough! That puts existing businesses with a record and reputation at a tremendous disadvantage. We should favor those who are serious about their business not quick buck artists that are gone when the contract runs out.

There needs to be a USG policy written into regulation where our U.S. prime contractors do business with established firms that can show their record and bona fides and not skew the market by creating new firms through middlemen with political influence.

There needs to be a policy where U.S. prime contractors like Halliburton seek some measure of quality as opposed to price only otherwise the goods and services will be junk and they will be provided by incompetents who are not engaged in real businesses, only something set up to milk a big contract for all it's worth.

But taking the lowest bidder also maximizes the profit that goes to the prime contractor who is generally not Afghan and then that money leaves the country as well. The result: Lost business for Afghans, junk performance for Americans and more money in the pockets of the foreign primes. This is happening across the spectrum of U.S. contracting and is not helpful to a long-term Afghan market economy.

By not strengthening companies which are in the market economy for the long haul, serving Afghans as well as foreigners, U.S. dollars boost a short-term solely contract-seeking, non-market situation.

FOREIGNERS BID UP PRICES:

The economy in Kabul is wildly distorted with government assistance agencies, the UN and well-heeled NGOs competing for land, buildings and personnel. Prices have been bid sky high for the private sector. These groups are constantly snatching the best and brightest of the Afghan work force from the private sector who in no way can match the western salaries with their hazard, hardship and other benefits added in.

There are three economies in Kabul: First is the foreign government and NGO economy; Second, is the contract and grant economy; and Third, is the market economy. Because of these distortions, Kabul has become less and less attractive as a place to do business if one is not related to the first two economies. Such is the damage to the market economy of current assistance policy.

SUBSTITUTION OF MAJOR PORTION OF AID WITH CREDIT: BUILDING A MARKET ECONOMY:

With all the difficulties in getting the foreign assistance programs to reach the Afghan people, the alternative is to reduce the size of the foreign footprint and its competition with the Afghan market economy by boosting the Afghan private sector potential directly and expanding credit to Afghan businesses to start, expand, employ, prosper and to repay the loans.

- Donors in London were willing to provide funds directly to the Afghan government which is problematic but they missed out on providing credit to the private sector.
- Donors could provide aid in the form of equity participation in local private banks and then use their equity position to influence lending for investment projects and to hasten the GoA's adoption of international standards on property rights and bank collateral rules.
- Enterprise Funds have had success in the NIS in post-Soviet times and Afghanistan may be ready for that approach.
- The Marshall Plan was a trust fund or revolving loan fund and it was successful in both rebuilding Europe and repaying the loans themselves.

That's what Jack Kemp was talking about when he referred to the lacking "*economic component*" of the war on terror.

Mr. ROHRABACHER. Thank you, Dr. Ritter. There are a couple of questions about Fernando DeSoto and some other people that I will ask you about later.

Dr. Rubin, you may proceed.

STATEMENT OF BARNETT R. RUBIN, PH.D., DIRECTOR OF STUDIES/SENIOR FELLOW, CENTER ON INTERNATIONAL CO-OPERATION, NEW YORK UNIVERSITY

Mr. RUBIN. Thank you very much. I believe this is approximately the 21st anniversary of my first testimony about Afghanistan, possibly before the two of you, at the Joint Commission that they had in January 1985.

Since approximately August, through the end of January, I spent most of my time in Afghanistan, where I was working with both Dr. Naderi, whom Don mentioned; that is, with the Afghan Government, and the Oversight Committee of the Cabinet, and with the United Nations, on the drafting of the Afghan National Development Strategy, the interim version.

I also worked with the UN and all the donors, as well as the Afghan Government on the drafting and negotiation of the Afghanistan Compact. I will come back to that. I would also like to say that like Don, I am a private investor in Afghanistan.

I have founded a company called Goldston, which is manufacturing essential oils, floral waters, and personal care and fragrance products from the natural products of Afghanistan. We thought if

you can grow flowers, and convert them into a highly profitable commodity, and export them, why not do it legally.

So that is what we are working on, and in a few months, we will have our first Afghanistan-based perfumes that are from orange flowers, roses, and other wild plants that we have collected, and which we can present to the Members of this Subcommittee.

Now, first, let me start with—and I should also say that I am not sure what level to pitch this. I could have a lot to say about the general way the Afghanistan operation has been conducted from the beginning—the balance of the various parts of it; political, military, economic.

If we could find those \$9 billion that we lost somehow in Iraq and get them to Afghanistan, it would have made a hell of an impact. Generally, my view is that the priorities after 9/11 were quite wrong.

But I will focus, and I will be happy to answer questions on those issues if you would like, but I will focus my remarks on specific forward-looking questions about Afghanistan. Now, Mr. Rohrabacher asked what I thought was a very key question. Is there a plan?

The answer is, yes, there is a plan. Here it is. This is only the summary of it. It is an interim plan. It is going to be changed. It has to be a rolling plan. It is not a Soviet 5-year plan that cannot be changed.

But this is the Afghanistan Compact, and it is the summary of the interim Afghanistan National Development Strategy. This is a declaration that was painstakingly negotiated with the good offices of the UN between the Afghan Government and the key representatives of the so-called international community, which is usually a meaningless, vacuous term.

But if you go to Afghanistan, it is one of the few places that I have been where you actually feel that there might be such a thing, because you have representatives of the major governments, the UN agencies, NATO (North Atlantic Treaty Organization), the World Bank, and so on, all working together for a common goal.

And their views are all represented in this. In addition, this plan is not just a foreign plan imposed on Afghanistan. It represents, and it is completely consistent with the plan that I helped the Afghan Government with, the interim Afghanistan National Development Strategy.

And I cannot say often enough that when I come to Washington, you get the impression that what is going on in Afghanistan sometimes is a bilateral operation, where the United States is doing something with Afghans. That is not the case.

This is the most completely multilateral operation that you will find anywhere in the world. That is part of what contributes to its legitimacy. The United States has been fully involved, and its leadership has been indispensable in making this multilateral operation work.

But it has been, and it is a multilateral operation, and it is an operation in which the Afghan Government is increasingly formulating the objectives, and is exercising leadership.

And I would urge the Members to look at or have their staff members look at this internationally agreed plan, in which the

United States played a big role, and we should support that plan. It reflects our goals. We should get behind that.

Now let me just say a few words about some major themes, and I will abbreviate them very much. First, I agree on the whole with Don's statement that what makes news generally tends to be the insurgent attacks. However, the insurgent attacks are extremely important.

The DIA (Defense Intelligence Agency), they are not all over the country, and we are operating in so-called eastern Afghanistan, Jalalabad, and Kabul, without any problems from the Taliban. Nonetheless, you cannot build a legitimate national government when the government and the international assistance providers do not have access to several of the most important provinces because of this growing insurgency.

Now, there are many reasons for the insurgency. One of the key things that needs to be settled there is Pakistan-Afghan relations. This is not a new issue. It goes back to 1947. And we need to have a coordinated and coherent plan, not just toward Afghanistan and toward Pakistan, but toward Pakistan-Afghan relations, which I do not see that we have.

The President's visit to the region actually badly aggravated the hostility between Pakistan and Afghanistan, which we see in the escalating war of words between President Karzai and President Musharraf. So we are going in the wrong direction there.

I will not say anything more about it now, but you are welcome to come back. Second, narcotics. I think that we have misunderstood and misinterpreted this policy and this problem.

Again, as part of the Afghanistan National Development Strategy, there is a counternarcotics policy, which is integrated into that strategy. Bear in mind that narcotics is about a third of the economy of Afghanistan. It is not only supporting criminals and terrorists. It is supporting a good proportion of the Afghan people, and enabling them to survive.

Now, we have to get rid of it because of its impact on governance, corruption, and terrorism, and so on. But if we try to get rid of it in a way that actually impoverishes people, the people that we need to win over, we will not succeed.

Therefore, the policy that they have is a long term plan. You cannot abolish a third of the economy of one of the poorest countries in the world in a couple of years using law enforcement in a country which has no law enforcement capacity.

It has to be mainly a development program, with governance targeted against the most corrupt officials and so on. I won't go into this in more detail, but there is now a coherent plan, and we should get behind it. I would respectfully ask Congress not to put short term benchmarks on counternarcotics for the Afghan Government.

This country is tied for last place with Sierra Leone and Arundhati in terms of its level of economic development. So we need to put a serious development effort there as Don was saying into, in particular, the rural areas over time, and the Afghan Government has a plan to do it, and we should support that plan.

Now, a lot of my discussion in the paper is actually about aid effectiveness. The main principle of making aid effectiveness is,

again, that it must support a coherent plan. You cannot just go around building schools, clinics, whatever, if there is no plan to operate them, if you don't have money to hire teachers, if you don't have security to enable kids to go to school.

And again I would disagree with Don's idea that somehow Afghanistan needs a smaller government. It needs a more effective government, but this is the smallest, weakest government in the world, and so they need taxes. They need taxes.

Mr. RITTER. I agree with that.

Mr. RUBIN. Then I misunderstood you. They need taxes. I totally agree that they need to rationalize their taxation system, but this government——

Mr. RITTER. That is the difference between Democrats and Republicans.

Mr. RUBIN. Well, how would we function if——

Mr. RITTER. No, we definitely need taxes.

Mr. RUBIN. Yes. This government collects 5 percent of the GDP (Gross Domestic Product) in taxes. That is the legal GDP. If you count the total GDP, it is even less. That is the lowest in the world of any country for which you have data. That means that Somalia might be less, but we are not sure. But it is less than Nepal, for instance.

So this country has the weakest government in the world. Based on their own revenue, they can buy everybody in the country a case of coke every year, and then they have nothing left over for defense and education.

So they need to enlarge their fiscal capacity. We need to support them in doing that, and of course, they need an economic base that they can tax to provide these basic public services, including the public services that are needed to reduced the maternal mortality rate, child mortality rate, nutrition, water supply, and all the other things that go into that.

And I will mention that there are specific benchmarks for doing all of those things in the Afghanistan Compact, backed up by concrete programs, which we need to get behind and fund. Now what that means for the way that we give aid is as follows.

At the moment, about 75 percent of the aid that is given to Afghanistan does not go through the government budget. Now, that means it is not going through some wonderful private sector either. It is still going through governments, but it just is not going through the Afghan Government.

It is being implemented directly by foreign governments, including USAID, through their own contractors and so on, which means that while there is some coordination mechanisms, the Afghan Government does not get credit for this. It does not build up the capacity of the Afghan Government. It is not part of a plan.

Now note that we are having a very important point. We are having an oversight hearing here, and I want to thank you for that. Oversight is one of the most important functions in democracy. Afghanistan has a new Parliament. That Parliament wants to engage in oversight.

When they ask the government what is happening to all the aid money, you know what the government says? We don't know, because they are not responsible for it. All the aid organizations are

responsible for it, and that is why you are getting a huge amount of demagoguery instead of real oversight.

So putting aid through the government budget is not just a matter of technical aid effectiveness. It is central to building democracy, because you cannot have democracy without oversight and public expenditure. I will end on that point. Thank you.

[The prepared statement of Mr. Rubin follows:]

PREPARED STATEMENT OF BARNETT R. RUBIN, PH.D., DIRECTOR OF STUDIES/SENIOR FELLOW, CENTER ON INTERNATIONAL COOPERATION, NEW YORK UNIVERSITY

Before the terrorist attacks of September 11, 2001, and all that followed, Afghans and the handful of internationals working on Afghanistan could hardly have imagined being fortunate enough to confront today's problems. The Bonn Agreement of December 2001 providing for the "reestablishment of permanent government institutions" in Afghanistan was fully completed with the adoption of a constitution in January 2004, the election of President Hamid Karzai in October 2004, and the formation of the National Assembly in December 2005.¹

On January 31 to February 1, 2006, President Karzai, United Nations (UN) Secretary-General Kofi Annan, and Prime Minister Tony Blair presided over a conference in London of about 60 states and international organizations that issued the Afghanistan Compact, setting forth both the international community's commitment to Afghanistan and Afghanistan's commitment to state building and reform over the next five years. The Compact supports the Afghan National Development Strategy (ANDS), an interim version of which (I-ANDS) the Afghan government presented at the conference.² The Compact provides a strategy for building an effective, accountable state in Afghanistan, with targets for improvements in security, governance, and development, including measures for reducing the narcotics economy and promoting regional cooperation.³ The Compact also prescribes ways for the Afghan government and donors to make aid more effective and establishes a mechanism to monitor adherence to the timelines and benchmarks.

During his visit to Afghanistan, India, and Pakistan in March 1–5, 2006, President George Bush praised Afghan successes, telling President Karzai, "You are inspiring others, and the inspiration will cause others to demand their freedom." He did so the day after the administration's own intelligence chiefs reported that the anti-government insurgency in Afghanistan is growing and presents a greater threat "than at any point since late 2001."⁴ Some Afghan officials say the world thus far has put Afghanistan on life support, rather than investing in a cure. Tally up the following conditions:

- An ever more deadly insurgency with sanctuaries in neighboring Pakistan, where leaders of al-Qaeda and the Taliban have found refuge;
- A corrupt and ineffective administration without resources and a potentially dysfunctional parliament;
- Levels of poverty, hunger, ill-health, illiteracy, and gender inequality that put Afghanistan near the bottom of every global ranking;
- Levels of aid that have only recently expanded above a fraction of that accorded to other post-conflict countries;
- An economy and administration heavily influenced by drug traffickers;
- Massive arms stocks despite the demobilization of many militias;
- A potential denial of Islamic legitimacy by a clergy that feels marginalized;
- Ethnic tensions exacerbated by competition for resources and power;
- Interference by neighboring states, all of which oppose a long term U.S. presence in the region;

¹Agreement on Provisional Arrangements in Afghanistan Pending the Re-Establishment of Permanent Government Institutions (Bonn Agreement), 2001. Available at http://www.auswaertigesamt.de/_www/en/infoservice/download/pdf/friedenspolitik/afghanistan/agreement.pdf.

²The Afghanistan Compact and the I-ANDS are available at www.and.s.gov.af.

³For this conceptual framework for peace building, see Barnett R. Rubin, "Constructing Sovereignty for Security," *Survival* 47, No. 4 (Winter 2005), pp. 93–106.

⁴Walter Pincus, "Growing Threat Seen In Afghan Insurgency: DIA Chief Cites Surging Violence in Homeland," *Washington Post*, March 1, 2006; p. A08

- Well-trained and well-equipped security forces that the government may not be able to pay when aid declines in a few years;
- Constitutional requirements to hold more national elections (at least six per decade) than the government may be able to afford or conduct;
- An exchange rate inflated by aid and drug money that subsidizes cheap imports and hinders economic growth; and
- Future generations of unemployed, frustrated graduates and dropouts from the rapidly expanding school system.

Making aid more effective, as agreed by the US and other donors in London, is key to addressing these challenges.

DOMESTIC RESOURCES OF AFGHANISTAN

Basic indicators of human welfare place Afghans among a handful of the world's most hungry, destitute, illiterate, and short-lived people. The country ranks approximately 173 out of 178 countries in the basic index of human development, effectively putting it in a tie for last place with a few African countries.⁵ Afghan women face the highest rates of illiteracy and the lowest standards of health in the world. Afghanistan has the youngest population in the world (an estimated 57 percent under eighteen years old) with few employment prospects in the offing.⁶

The livelihoods of the people of this impoverished, devastated country are more dependent on illegal narcotics than any other country in the world. According to estimates by the UN and IMF, the total export value of opiates produced in Afghanistan in 2005–2006 equaled about 38 percent of nondrug GDP, down from 47 percent the previous year due to growth of the nondrug economy. Much of the trafficking profits do not enter the Afghan economy, but even if only a third of trafficking income stayed in the country, the direct contribution to the domestic economy would amount to 15 percent of the total, with more attributable to the multiplier effect of drug-financed spending. The UN estimates that in recent years nearly 80 percent of the income from narcotics went not to farmers, but to traffickers and heroin processors, some of whose profits corrupt the government and support armed groups.⁷ The distribution of the proceeds of narcotics trafficking, not elections, largely determines who wields power in much of Afghanistan.

Afghanistan has one of the weakest governments in the world. The International Monetary Fund (IMF) estimates that the government revenue will total 5.4 percent of nondrug GDP in 2005–2006, less than any country with data. Furthermore the administration has difficulty disbursing the funds it has: the ten poorest provinces receive the smallest budgetary allocations, leading to nonexistent government presence and rampant security problems.⁸

The Afghanistan Compact requires the government to raise domestic revenue to over 8 percent of GDP by fiscal year 2011 and to be able to cover 58 percent of the recurrent budget with its own resources, compared to 28 percent in fiscal year 2005. Nonetheless, escalating costs of security and civil service reform will make these targets difficult to achieve.

The Coalition and Afghan government should support continuing fiscal reform, including ISAF and Coalition military deployments in support of control of borders (for revenue collection) and state banks (for expenditure). The government should rationalize the procedures for business taxation, abolish nuisance taxes, and find other ways to tax the expenditures of the international presence, as it has done through rent taxes. For instance, the government could tax non-work-related imports.

⁵ Along with Somalia, Afghanistan is one of two countries in the world unable to produce accurate enough data to be ranked in UN Development Programme's (UNDP) annual Human Development Report. Using available data, however, Afghanistan's *National Human Development Report 2004* estimated that Afghanistan would have ranked 173 out of 178, barely ahead of the African states of Chad, Mali, Burkina Faso, Sierra Leone, and Niger. UNDP, *Afghanistan: National Human Development Report 2004*, p. 18. See http://hdr.undp.org/docs/reports/national/AFG_Afghanistan/afghanistan_2004_en.pdf.

⁶ For population statistics on Afghanistan see the United Nations Children's Fund's country information on Afghanistan. Available at http://www.unicef.org/infobycountry/afghanistan_7982.html.

⁷ UN Office on Drugs and Crime and Government of Afghanistan Counter Narcotics Directorate, *Afghanistan: Opium Survey 2004*, pp. 75–76. See http://www.unodc.org/pdf/afg/afghanistan_opium_survey_2004.pdf.

⁸ Ashraf Ghani, Clare Lockhart, Baqer Massoud, and Nargis Nehan, "Public Finance in Afghanistan: The Budget as the Instrument of State-Building and Policymaking," in James Boyce (ed.), *Peace and the Public Purse: Building State Capacity after Violent Conflict* (New York: Center on International Cooperation, forthcoming).

Aid programs should assist the ministry of finance in establishing electronic tax payment, revenue tracking, and expenditure systems, compatible with the Treasury system already in place. Developing and funding of programs, including those sponsored by PRTs, through the Afghan budgetary process, rather than through independent donor mechanisms, is essential to developing a fiscally sustainable state.

ADMINISTRATION AND SERVICE PROVISION

The government has started reforms at the national level, but many ministries are still nonfunctional or corrupt. The provincial and district administrations, the face of government for most Afghans, are largely controlled by illicit or violent powerholders.

Afghanistan's weak administration has few if any effective controls over corruption, which has undermined support for the government. Some systems have been instituted to prevent the most important types of corruption, notably a system requiring transparent public bidding for procurement. Increasingly, however, ministries are sidestepping this procedure and signing sole-source contracts, many of which are then approved by the President in the interest of not delaying important projects. The Compact obliges the government to fight corruption without saying how.

The Afghan president should tell his cabinet that he will no longer sign sole-source contracts without exceptional circumstances and that all ministers found proffering such contracts will be sacked. International donors should invest in building the capacity of the Afghan government to draft proposals and process contracts so that transparent procedures do not lead to intolerable delays.

Among the measures taken by the Coalition and NATO to strengthen the administration has been the establishment of Provincial Reconstruction Teams (PRTs). The PRT terms of reference now state that they will "assist the Islamic Republic of Afghanistan to extend its authority, to facilitate the development of a stable and secure environment in the identified area of operations, and enable SSR and reconstruction efforts."⁹ In response to Afghan concerns that PRTs were building projects that the government had no budget to operate, the Coalition now reviews projects to align them with Afghan government priorities. But the Coalition's development activities are still not integrated into the coordination procedures of the civilian aid donors, nor are military officers the best development partners for local administration.

PRTs should be reconfigured to support governance and development more effectively, by including more political officers and development specialists from NATO member countries, a possible role for the EU. The development funds disbursed by PRTs should be subject to the same criteria for effectiveness as other assistance; those funds would be more effective if disbursements were accountable to provincial administration and elected councils, as through a trust fund.

FINANCING PRO-POOR GROWTH

All efforts to stabilize Afghanistan will fail if the licit economy does not expand fast enough to provide employment, incomes, and investment that more than balance the loss of incomes from opiates and provide a fiscal basis for expanding public services.

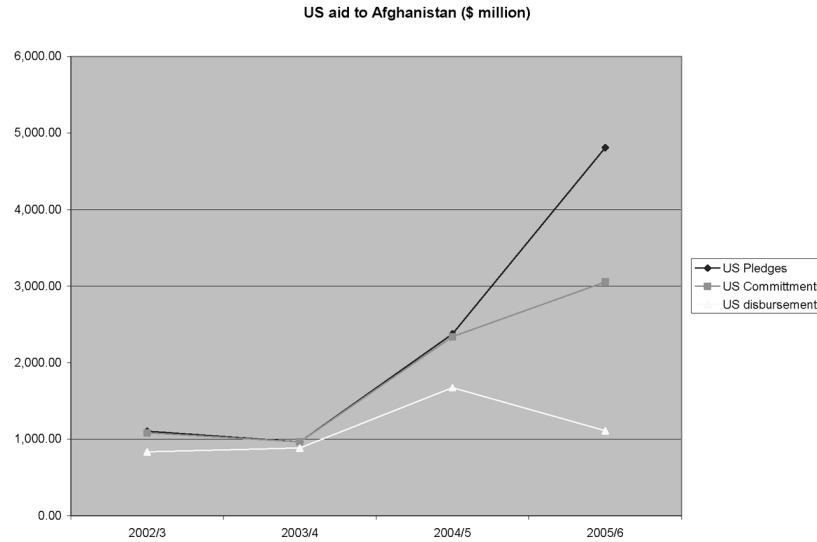
In 2004 the Afghan government estimated it would cost \$27.6 billion to achieve stabilization goals over seven years with disbursements over twelve years starting in 2004–2005; the I-ANDS tentatively revised this estimate upwards. Initially, the resources devoted to Afghanistan were modest. According to data collected by the RAND Corporation, during 2002–2003, Afghanistan was far below all Balkan operations, East Timor, and Iraq, and even below Namibia and Haiti. After this slow start, especially by the United States, funding for reconstruction is increasing toward the rate needed to meet the target of \$27.6 billion. The cost of delivery of assistance, however, has been higher than expected, and much of the increase in aid has gone to the security sector, which has cost far more than projected.

U.S. pledges of assistance rose dramatically in 2004–2005, as Presidential Special Envoy and Ambassador Zalmay Khalilzad presided over a program called "Accelerate Success," intended to build support for President Karzai during his election campaign. *Figure 1* also shows, however, that the United States was not able to match disbursements to its pledges and commitments.¹⁰ Instead, the pressure for

⁹ Islamic Government of Afghanistan, "Terms of Reference for the Combined Force Command and ISAF PRTs in Afghanistan," January 27, 2005.

¹⁰ A pledge is a promise of an amount; a commitment is a signed contract for a specific use of funds. Commitments lead to disbursements, which are deposits in to the accounts of trust

politically motivated quick results led to waste and failure to deliver on Afghans' expectations.¹¹ Other donors have experienced similar problems, but they are particularly severe for the United States.¹²



Source: Afghanistan Ministry of Finance

The Afghanistan Compact includes an annex on aid effectiveness. The Afghan government commits itself to transparency and accountability, to raising more domestic resources, and to improving its capacity to manage expenditure and implement programs. In return, the donors agree to: allocate their assistance according to ANDS priorities; provide “multiyear funding commitments or indications of multiyear support”; increase untied aid channeled through the government budget; build Afghan capacity; and report on aid in a way that enables the Afghan government to integrate aid into its national budget and reports on its use to the National Assembly.¹³

More than 75 percent of all aid to Afghanistan funds projects directly implemented or contracted by donors. This mode of delivery, while initially inevitable, is ultimately self-defeating. If prolonged, it undermines, not builds, the state. Enabling the state to provide services directly promotes legitimacy and responsibility; integrating aid projects into the budgetary process promotes sustainability. A government that cannot report to its parliament about public expenditure can hardly be called democratic, no matter how many elections it holds.

Three of the largest donors, however—the United States, Japan, and Germany—insisted on weakening these provisions. U.S. officials claim that the U.S. government’s fiduciary responsibility to taxpayers makes it difficult to channel money through the Afghan government’s budget. Like other donors, the United States cites the prevalence of corruption and lack of capacity in Afghanistan, which are valid concerns, though they do not prevent the United Kingdom from channeling aid through the budget. The argument of fiduciary responsibility, however, collapses under the weight of evidence of what the U.S. government actually does with much

funds or implementing agencies. Disbursed funds are turned into expenditures as projects are implemented, which can take years in some cases. Donors report on disbursement, which constitutes expenditure by the donor government, but not on final expenditure on development, which is of greatest interest to the aid recipient.

¹¹ See Carlotta Gall and Somini Sengupta, “Afghan Electorate’s Message: The Provinces Need Public Works and Restoration of Order,” *New York Times*, September 20, 2005.

¹² Data from the Ministry of Finance for aid through the end of calendar 2005 show that the United States had disbursed 36 percent of commitments for that year, compared to 58 percent for other donors.

¹³ The World Bank-administered Afghanistan Reconstruction Trust Fund supports the government’s recurrent and development expenditures. Trust funds managed by the UNDP provide support for SSR and counternarcotics.

of taxpayers' money in Afghanistan; it disburses it to U.S.-based contractors. These contractors spend a significant (and unreported) part of the funds setting up office. In at least one case their services were of such poor quality that the Afghan ministry they were supposed to help expelled them. Security regulations sometimes prevent U.S. contractors from implementing projects in the field and impose significant additional costs. Both the fiduciary responsibility to the U.S. taxpayer and the policy goals of the U.S. government would often be accomplished better by direct budgetary support to the Afghan government, combined with programs for capacity building.

International donors, and the United States in particular, should give aid in accord with the priorities of the ANDS. They should overcome legal and political obstacles to funding through the government budget by setting specific criteria for doing so. Congress should not undermine these efforts by insisting on U.S. contracting or earmarking.

REGIONAL DIMENSIONS OF RECONSTRUCTION

Afghanistan's development requires cooperation of this landlocked country with its neighbors, especially Pakistan and Iran, which provide outlets to the sea.¹⁴ Without confidence in regional security arrangements, neighboring countries may resist the economic and infrastructural integration that is indispensable for Afghanistan's future.

The United States and other donors should support regional economic cooperation, including in infrastructure, trade and transit, water use, energy, migration and manpower, and development of border regions, by establishing dedicated funding frameworks for regional economic cooperation in this region.

The United States and its allies, perhaps through NATO, should initiate high-level discussions to insulate Afghan economic development from conflict with Iran or concerns over the Coalition military presence.

ANNEX II—IMPROVING THE EFFECTIVENESS OF AID TO AFGHANISTAN

The international community has made a significant investment in the future of a democratic state of Afghanistan since December 2001. This Compact is an affirmation of that commitment. The Afghan Government and the international community are further committed to improving the effectiveness of the aid being provided to Afghanistan in accordance with the *Paris Declaration on Aid Effectiveness* (2005), recognising the special needs of Afghanistan and their implications for donor support.

Consistent with the Paris Declaration and the principles of cooperation of this Compact, the Government and the international community providing assistance to Afghanistan agree that the principles for improving the effectiveness of aid to Afghanistan under this Compact are:

1. Leadership of the Afghan Government in setting its development priorities and strategies and, within them, the support needs of the country and the coordination of donor assistance;
2. Transparency and accountability on the part of both the Government and the donors of the international assistance being provided to Afghanistan.

Under these principles and towards the goal of improving the effectiveness of aid to Afghanistan, the *Government will*:

- Provide a prioritised and detailed Afghanistan National Development Strategy (ANDS) with indicators for monitoring results, including those for Afghanistan's Millennium Development Goals (MDGs);
- Improve its abilities to generate domestic revenues through, *inter alia*, customs duties and taxes; and to achieve cost recovery from public utilities and transportation;
- Agree with donors, international financial institutions and United Nations agencies on the benchmarks for aid channelled through the Government's core budget and for the utilisation of such aid; and monitor performance against those benchmarks; and
- Provide regular reporting on the use of donor assistance and performance against the benchmarks of this compact to the National Assembly, the donor

¹⁴ See Barnett R. Rubin with Andrea Armstrong, "Regional Issues in the Reconstruction of Afghanistan," *World Policy Journal* 20 (Spring 2003), 1: pp. 37–48, and S. Frederick Starr, "A Partnership for Central Asia," *Foreign Affairs* (July/August 2005).

community through the Afghanistan Development Forum and the public at large.

The Donors will:

- Provide assistance within the framework of the Afghanistan National Development Strategy; programmes and projects will be coordinated with Government in order to focus on priorities, eliminate duplication and rationalise donor activities to maximise cost-effectiveness;
- Increasingly provide more predictable and multiyear funding commitments or indications of multiyear support to Afghanistan to enable the Government to plan better the implementation of its National Development Strategy and provide untied aid whenever possible;
- Increase the proportion of donor assistance channelled directly through the core budget, as agreed bilaterally between the Government and each donor, as well as through other more predictable core budget funding modalities in which the Afghan Government participates, such as the Afghanistan Reconstruction Trust Fund (ARTF), the Law and Order Trust Fund for Afghanistan (LOTFA) and the Counter-Narcotics Trust Fund (CNTF);
- Provide assistance for the development of public expenditure management systems that are essential for improving transparency and accountability in the utilisation of donor resources and countering corruption;
- Recognise that, because of the need to build Afghan capacity, donor assistance provided through the external budget will be designed in such a manner as to build this capacity in the Government as well as the private sector and non-profit sector;
- Ensure that development policies, including salary policies, strengthen national institutions that are sustainable in the medium to long term for delivery of programmes by the Government;
- For aid not channelled through the core budget, endeavour to:
 - Harmonise the delivery of technical assistance in line with Government needs to focus on priority areas and reduce duplication and transaction costs;
 - Reduce the external management and overhead costs of projects by promoting the Afghan private sector in their management and delivery;
 - Increasingly use Afghan national implementation partners and equally qualified local and expatriate Afghans;
 - Increase procurement within Afghanistan of supplies for civilian and military activities; and
 - Use Afghan materials in the implementation of projects, in particular for infrastructure;
 - Provide timely, transparent and comprehensive information on foreign aid flows, including levels of pledges, commitments and disbursements in a format that will enable the Afghan Government to plan its own activities and present comprehensive budget reports to the National Assembly; this covers the nature and amount of assistance being provided to Afghanistan through the core and external budgets; and For external budget assistance, also report to the Government on: the utilisation of funds; its efficiency, quality and effectiveness; and the results achieved;
 - Within the principles of international competitive bidding, promote the participation in the bidding process of the Afghan private sector and South-South cooperation in order to overcome capacity constraints and to lower costs of delivery.

These mutual commitments are intended to ensure that the donor assistance being provided to Afghanistan is used efficiently and effectively, that there is increased transparency and accountability, and that both Afghans and the taxpayers in donor countries are receiving value for money.

Mr. ROHRABACHER. Thank you, Dr. Rubin. And, Mr. Barton, you may proceed.

**STATEMENT OF MR. FREDERICK D. BARTON, SENIOR ADVISER
AND CO-DIRECTOR, INTERNATIONAL SECURITY PROGRAM,
CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES**

Mr. BARTON. Thank you very much, Mr. Chairman, and Congressman Delahunt, and Congresswoman McCollum, and thank you to your staff as well, and thanks to Barney, who has been working on this issue long before many of us were in many parts of the world. He certainly has been a steady force, and we have used his work liberally throughout.

To your key question, is the aid getting through? I think the straight answer is not as much as it could, or as it needs to. I would like to offer three major points, and then just give you a little bit of background in my 5 minutes.

The first question that I would have is whether the balance within the \$15 billion or so that the United States is spending there is appropriate. The second would be whether the priorities that we have are clear, and the third would be are we spending the money in the most effective way?

So this is based on my experience in about 25 of these places, where everything needs to be done, and we seldom make choices. We often times spend the money that we have available, as opposed to what is needed in the place.

And so I think that this is a good place for you to enter. What we did last year was to essentially go around the country and interview about sixteen hundred people. We hired and trained 12 Afghans. We did interviews in most of the provinces.

We then took all of the studies that had been used, and all the focus groups—there are very few polls of any value in the country. But our effort was to see how progress is proceeding from the view of the Afghan people, and I would say that they are optimistic. They are hopeful.

They have had really the best 3 years that they have had in the previous two decades. But they were also going through a series of changing expectations, looking for things that we are not that familiar with.

We were good at the war, and we were good at the humanitarian assistance, and we are good at building structures, and now we are in a different phase, where people are really looking for the direct improvement in their own lives.

They had seen much tangible progress, but now they are looking for something else, and this is going to be a harder step for us to take because it is really going to take a much more entrepreneurial approach, as I think both of the speakers have suggested, than our Government systems are really set up to deliver in this kind of setting.

What I would like to do is probably just jump to how we can get more value for our assistance, and put a few ideas before you. The first area that I would like to emphasize is in the general guidance category.

When you work in these post-conflict settings, because there is never enough money to do the job, and there are millions of things that need to be done, you have to have a much more integrated approach than we are used to.

So having the Defense Department do what it is familiar with, and the State Department do what it does, and USAID (United States Agency for International Development) do what it does, is not usually an effective way to move ahead. We have seen some pretty good integration and some efforts in Afghanistan, some path breaking efforts.

Some of them, such as the PRTs (Provincial Reconstruction Teams), likely have too heavy an overhead for a long term promise, but they have been effective, particular in areas where there is high risk.

But every choice that we make has to be able to deliver two or three results, or we are probably not making the right choice. We have to avoid the absorptive capacity trap. This is something that you hear many, many times, that there is not absorptive capacity.

This place is really the Sahara Desert. If it rained there for 3 years, there would still be a problem with water. So when you hear people saying there is an absorptive capacity problem, it is because we are used to working in a certain way, rather than the need being there, and there is a way to spend to meet that need.

You have to put the people first in many cases, because to have high expectations of a functioning, competent central government, that can barely get around the country, is really unrealistic.

Yes, we have to work on it, but we have to consider more direct forms of assistance to people than we have done up until now, and we also have to increase our direct assistance to the provinces, because when you go out to a place like Gazni, you see that if Gazni doesn't make it, it is like Ohio not making it, and you are not going to do very well.

And you are not going to do it all out of Kabul, and that has dominated our focus, whether it was through our Government or their government that we are spending the money. Then I think we also have to narrow the focus.

I am not typically a big fan of large infrastructure projects in highly fragile places, and the expense of the road project was way over the top. On the other hand, I believe in the final analysis that it was probably a good call, and that it is making a difference. It showed the Afghan people that you could in fact do something in these kinds of circumstances.

But we have to narrow the focus, and then we have to check the priorities, and I think what Barney was saying in particular about the anti-narcotics program is interesting. We have about \$15 billion a year, and we spend \$10 billion on our military, and we spend \$3 billion on their military, and \$2 billion, which is the toughest \$2 billion to get, we spend on everything else.

And about \$750 million of that is being spent on counternarcotics approaches, which have not proven to be wildly successful in other places. So we have a pretty big industry, and it is mostly our industry at work on this issue, and I think there are better ways. Barney has made some suggestions, and I would be happy to come back to this.

So four quick steps to take. The first one is that the safety has to improve. When you travel around the country, the police are basically who you see. It is great to have a new army, and it is important, but the police are not getting paid.

The key border crossings are still up and at risk and that is a good place to look at how you get a two for or a three for out of it. If you look at a key border crossing, it is a good test for the new army. It is a challenge to the warlords. It is a source of revenue, probably the most reliable revenue for the central government.

And it is maybe the best way to actually interdict the poppies, because this is a big place, and you can't get around, and a lot of those initiatives that are out there in the countryside are just not going to work.

The second point that I would make is that we need to stabilize a very tiny middle-class, because we have to give them a chance to make it and to be our anchor 10 years from now, and this is really a 10-year effort. Not because I mean 10 years, but because I mean a long time. This is a tough, tough place that is in a big hole.

I would start with paying for teachers, and paying for the women at the Women's Centers, and other key elements of the social change agenda. We visited five Women's Centers, and they were all reconstructed by the United States Government, and they were all quite impressive.

They all had extremely impressive women working there, and none of them were getting paid, and all of them were talking about what they would have to do if they didn't start getting paid fairly soon. Go back to Pakistan to teach, for example.

This is something that we don't like to do, and we say we don't pay salaries anywhere, but we are paying the entire Afghan army's salaries right now, and so thinking about some of the other elements of this society that might need pay is something that I think you might consider.

Again, it won't happen unless the Congress encourages it, because when you work at a place like USAID or the State Department, the golden rule is that Congress doesn't like to pay salaries. We are paying salaries in that neighborhood.

We are paying for most of the Afghan Government, and we have got to make sure that it reaches the teachers, and it reaches the people that are actually delivering the services, because if one thing is going to get people educated in that place, it is a few teachers. You can have all the beautiful buildings on earth, but they won't help without good teachers.

Finally, I would say in terms of focusing, let us think about the water. There are virtually no efficiencies in Afghanistan. The only thing that is 21st century there that I saw was the cell phones, and it was a pretty interesting development, and a lot of elements of it that are good models.

But as far as water, people get sick from the water, and the irrigation stinks—you have had droughts for 10 years. You have got to focus on it and make it work. There are some very interesting small hydro projects that the United States Government and others have helped to support. There are old hydro projects which need to be revived.

They are going to have to start working, and they are going to have to be part of this sort of coordinated plan that Barney and others have spoken about. So those would be the areas that I would focus in on, and I think we could probably make improvements.

Basically, this is a long haul, and I think we have got good leadership there. I think that the balance that Barney has spoken about is a solid balance, and there is hope, but as we say in our report, it is very much in the balance.

[No prepared statement was submitted by Mr. Barton.]

Mr. ROHRABACHER. Thank you very much. Mr. Pandya.

**STATEMENT OF AMIT PANDYA, ESQUIRE, INTERNATIONAL
DEVELOPMENT CONSULTANT**

Mr. PANDYA. Thank you, Mr. Chairman, and thank you Members of the Subcommittee. One of the advantages of being at the tail end of a panel is that most of the useful stuff has already been said, and so you can actually get all that you have to say in our allotted time.

I just wanted to clarify one thing. I actually am not associated with the Center for American Progress. I have published with them, but I don't represent them today, and so I speak for myself as someone with a long involvement in Afghanistan, and someone who continues to do work on the legal system today in Afghanistan.

In assessing effectiveness, it is important that we have a realistic sense of how chronically poor and insecure Afghanistan was for decades before the United States invasion, and how stubbornly those factors have persisted since.

Although there has been substantial progress in a constitutional system, and in a representative democracy, in the development of police, and the development of an indigenous military, the significance of those developments for the effectiveness of aid remains slight.

Afghanistan remains one of the poorest countries in the world, ranking near the very bottom of the UN's Human Development Index. Its literacy rate is below that of Sierra Leone, and Guinea-Bissau, and between one-third and a half of its neighbor, Iran.

There is a 4 in 10 probability that an Afghan newborn will not make it to the age of 40. One out of five children dies before the age of 5. Between 75 and 85 percent of Afghans have no reliable access to clean water, and a smaller number have access to sanitation.

As a result, approximately 85,000 children every year die from diarrhea. Fewer than 14 percent of births are attended by any type of skilled health worker, and as a result, a woman dies of pregnancy related complications every half-hour.

Even where there have been assistance initiatives that have posted records of success, such as improvements in the legal and judicial infrastructure, and institutional capacity, through, for example, courthouse construction, technical assistance to ministries and legal education, the reality remains that the majority of Afghans outside the cities, and many in the cities, remain untouched by them.

They avail themselves of the inconsistent patchwork of informal dispute resolution mechanisms based on ethnic or local custom, and embodied in the local jirga and shura. These are notable as much for injustice and inequity, particularly to women and local ethnic minorities, as they are for the provision of ready dispute resolution.

More than 2 million displaced people have been able to return to their homes in the last several years. However, approximately 3.4 million Afghans remain outside their country, around 3.4 million by the latest UN estimate are still outside.

Now, to some extent, I guess I disagree with Don Ritter on the importance of security in the overall aid effectiveness picture. I think that the uncertain security situation and the related uncertain reach of government authority poses a substantial constraint on the effectiveness of United States assistance.

The plain fact is that many of the government's enemies have opposed, undermined, and attacked aid programs and their implementers. We have seen often fatal attacks on UN workers, indigenous and expatriate, on bilateral aid workers, and on non-governmental aid personnel, on facilities, vehicles, et cetera.

And these not only undermine the effectiveness of the projects in question, but they have also more significantly I think inhibited planning and operations of prospective projects, and they have certainly increased costs, slowed implementation, and complicated attempts to monitor, evaluate, and assess effectiveness and accountability.

Infrastructure projects have been mentioned by a couple of the witnesses, and maybe I will sort of leave that to the questions if there is anything further to be said about it, although I do think it is very important, as Rick was suggesting, that we be very focused when we think about infrastructure, and focus on those elements of infrastructure that are likely to make a difference in the immediate future, because it is obviously something where one can lose focus and diffuse attention and resources rather quickly.

The difficulty of the security situation, to return to that for a moment though, is very much compounded, as Barney suggested, by the uncertain intentions and actors of Afghanistan's most influential neighbor, namely Pakistan.

And I just wanted to say a little bit more about some of the dimensions of why the United States needs to address issues of Pakistan policy toward Afghanistan. The Subcommittee, of course is well aware of the current, rather heated, controversy between the Presidents of the two countries.

Elements in the Afghanistan Government have alleged that Pakistani intelligence has not entirely ceased its pre-2002 practice of covert assistance to the Taliban. President Karzai has more modestly suggested that, at the least, he would like more cooperation from the Government of Pakistan in pursuit of Afghan rebel forces based in Pakistan.

Now, these are, of course, the very same forces that constitute a significant security impediment to the effectiveness of aid programs. General Musharraf, on the other hand, has spoken up in a somewhat piqued tone, to suggest that all these criticisms are part of a sinister anti-Pakistani agenda.

My opinion is that there is substance to Afghanistan's concerns, whether because of intentional actions by elements of the Pakistan Government seeking to hedge their political and strategic bets in Afghanistan, or because of intragovernmental divisions, or the President's incomplete control, and most probably a mixture of both.

But whatever the merits of that controversy, it is clear that part of the answer to aid effectiveness in Afghanistan is, as Barney suggested, to be sought in Pakistani policy, and particularly given our enormous influence over Pakistani policy, I think we have been decidedly woolly in the way that we have thought about it.

An equally significant impediment to aid effectiveness has been the persistence within Afghanistan's borders of the multiplicity of local armed groups, the so-called warlords. Despite the somewhat ambivalent and modest efforts of the Kabul Government, many of these warlords continue to function as nominal local and regional representatives of the Kabul Government, and as significantly, many continue to cooperate tactically with United States forces.

Many of these leaders have reinvented themselves as elected representatives, despite legal strictures on their running in the recent elections. I think that it is important on the one hand that we address this issue, but on the other hand, quite frankly I am a little bit pessimistic, because I think there are practical limits on Kabul's capacity to govern and on United States forces capacity to carry out military operations without them.

Both aid effectiveness and pervasive insecurity are obviously implicated in opium production. Although the GDP (Gross Domestic Product) has increased modestly, at least in the most recent past, the poor economic and social condition of Afghanistan's overwhelmingly impoverished population, coupled with stagnation of opportunity, has left many farmers with at least the compelling temptation, if not the absolute necessity, of growing poppies.

Meanwhile, the control of trafficking has supported primarily criminal enterprises, whose armed capacity and proclivity to illegal behavior, contributes to poor security. That is to distinguish that somewhat from insurgency, but also to recognize that there is a substantial amount of overlap, particularly because trafficking has also emerged more recently as a partial source of finance for insurgents of various stripes.

We should be clear that there is a distinction to be drawn between farmers and traffickers, and it is apparent that what we have here is a vicious cycle of insecurity and underdevelopment that is not susceptible to a one-dimensional solution.

But the appeal of aid programs will have to be very solid and very bright, which I think is highly unlikely under the current circumstances, if it is to have any hope of ending farmers' reliance on the dubious armed protection of traffickers.

And any realistic attempt to address obstacles to aid effectiveness must factor in opium production, because in some ways it is very much the key. It is the linchpin, I think.

In conclusion, let me just say that I think it is very important that as we think about aid effectiveness that we avoid facile conclusions about the failures of assistance.

The highly insecure and dangerous conditions in Afghanistan pose obstacles not only to effective assistance, but even to its meaningful measurement and evaluation. Political military policies are the key to the effectiveness of assistance, and reconsideration is long overdue of United States reliance on partners whose commitment to Afghanistan's security, stability, and prosperity, is highly dubious.

Whatever the short term military advantages of such partnerships of convenience, they cut against the sustainable pursuit of United States interests, and against Afghanistan's stability in the long run. Thank you very much.

[The prepared statement of Mr. Pandya follows:]

PREPARED STATEMENT OF AMIT PANDYA, ESQUIRE, INTERNATIONAL DEVELOPMENT
CONSULTANT

Mr. Chairman, members of the Subcommittee,

Thank you for the opportunity to testify on this very important subject. Given the substantive and symbolic importance of the effectiveness of US aid in Afghanistan to US security interests in the country, it is frankly shocking how little attention the topic has received from decision makers. This hearing is therefore timely and to be commended. We have seen much greater attention to the security and political dimensions of our involvement in Afghanistan. Yet aid effectiveness is an essential condition of success in these latter areas.

I shall focus today on the context for and constraints on effective assistance programs. I shall also focus on US assistance. This is not to deny the importance of the efforts of other donors and the international community as a collectivity, but rather to begin with what Congress has greatest influence and control over, and through what is within US control to work by means of positive example.

Two pervasive realities must frame our understanding of the effectiveness of US assistance. The scale of the development and humanitarian challenge in Afghanistan is enormous, even four and a half years after the overthrow of the Taliban and involvement of the international community. Furthermore, the daunting security environment constrains, and even vitiates, the international community's efforts to assist Afghanistan's reconstruction.

It is important that we have a realistic sense of how chronically poor and insecure an environment Afghanistan was for decades before the US invasion, and how stubbornly these factors have persisted since. Although there has been substantial progress in the gradual establishment of constitutional and representative political processes and of government authority, and the rudimentary development of indigenous police and military capacity, the significance of these for effective aid delivery has been slight.

Afghanistan remains one of the poorest countries in the world, ranking near the bottom of the UN's Human Development Index. Its literacy rate is below that of Sierra Leone and Guinea-Bissau, and between one-third and a half that of its neighbor Iran. While there have been advances in school enrollments, particularly for girls, since the invasion, these remain at below 40%. Life expectancy at birth in Afghanistan is 75% that of Pakistan's, well below the average for low income countries, and below the average for low human development countries and least developed countries. There is a four in ten probability that an Afghan newborn will not live to age forty. One out of five children dies before the age of five. Despite modest improvements, birth weight of Afghan babies has remained low and fairly stable over the period before and after the invasion, at around half of all newborns. Half of five year olds are stunted in their growth.

Between 75 and 85% of Afghans have no reliable access to clean drinking water, and a smaller number have access to sanitation. Approximately eighty five thousand children under five die from diarrhoea every year. Fewer than 14% of births are attended by any type of skilled health worker, and a woman dies of pregnancy related complications every half hour. It is to be noted that these samples of development indicators are the realities today, after several years of substantial international attention and intervention.

Even where there have been assistance initiatives that have posted records of success, such as improvements in legal and judicial infrastructure and institutional capacity—through courthouse construction, technical assistance to ministries and legal education—the reality remains that the majority of Afghans outside the cities (and many in the cities) remain untouched by them. Those avail themselves of the inconsistent patchwork of informal dispute resolution mechanisms—based on ethnic or local custom and embodied in the local *jirga* and *shura*. These are notable as much for injustice and inequity, particularly to women and local ethnic minorities, as for provision of ready dispute resolution.

We should note that there have been real accomplishments. Four million children have enrolled in school since the fall of the Taliban. Nearly forty percent are girls. Immunization has virtually eradicated polio. Five years ago polio caused disability in more people than land mines. A measles campaign has saved nearly 30,000 lives.

On the security and political fronts too, there have been real advances. Forty-five thousand Afghans have turned in their weapons and sought new job and trade skills, or support to start small businesses. Afghanistan has a constitution, and a president and parliament, more or less democratically elected.

More than 2 million people displaced from their homes due to continued conflict have returned. However, approximately 3.4 million Afghans remain outside the country. Less noticed health indicators, such as the fact that more than 2 million Afghans suffer from mental health problems, underline the ticking time-bomb presented by the volatile and potentially toxic interaction between the lack of human welfare and heightened social and political instability. An increase in conflict and extremism is a likely consequence.

Development advances, for instance in the status and welfare of girls and women, are often accompanied by heartbreaking setbacks: dozens of girls' schools burned, bombed or attacked, rapes, sex trafficking and forced marriage of women, illegal detentions and threats against women's rights activists, and illegal and armed seizure of homes and property.

The uncertain security situation and the related uncertain reach of government authority pose a substantial constraint on the effectiveness of US assistance. The plain fact is that many of the government's enemies have opposed, undermined and attacked aid programs and their implementers. Often fatal attacks on indigenous and expatriate aid workers, on UN and bilateral and non-governmental aid personnel, on facilities and vehicles, have not only undermined the effectiveness of the projects in question, but have also inhibited planning and operations of prospective projects, and have certainly increased costs, slowed implementation, and complicated attempts to monitor, evaluate and assess effectiveness and accountability.

Infrastructure projects have been particularly affected. These are precisely the types of initiative that redound most to the government's authority if successful, or to lack of it if unsuccessful. US assistance policy and programming recognizes that economic growth is unlikely in the absence of repaired and enhanced basic physical infrastructure. It is expected that improved infrastructure will benefit basic agriculture and industry. A more ambitious but less realistic goal is that such infrastructure could promote market integration, private investment, and international trade. This is less realistic simply because the larger human capacity and social context for this is not presently available, nor in prospect. That in turn highlights the extent to which aid effectiveness can also be hampered by unrealistic expectations, both by setting impossible targets and by diffusing policy attention and resources among an excess of activities.

Other important and more realistic goals of US infrastructure assistance include expanded transport networks through physical rehabilitation of roads and civil aviation, and sustainable and low cost power supply and expanded telecommunication services.

Assessments of the seriousness and threat posed by the overall security situation in Afghanistan seem to vary, showing some significant distinctions between the assessments of the Joint Staff and the Defense Intelligence Agency. This uncertainty complicates aid policy and planning. And this complexity is further compounded by the uncertain intentions and actions of Afghanistan's most influential neighbor Pakistan. The Subcommittee is of course well aware of the current, rather heated, controversy between the governments of Pakistan and Afghanistan. Elements in the Afghanistan government have alleged that Pakistani intelligence has not ceased its pre-2002 practice of covert assistance to the Taliban. President Karzai has suggested at the least he would like more cooperation from the government of Pakistan in pursuit of Afghan rebel forces based in Pakistan. These are of course part of the very Afghan insurgency that threatens the effectiveness of aid programs.

General Musharraf has himself spoken up, and in a tone of some pique, to suggest that these criticisms are part of a sinister anti-Pakistani agenda. My opinion is that there is substance to Afghanistan's concerns, whether because of intentional action by elements of the Pakistan government seeking to hedge their political and strategic bets in Afghanistan, or because of intra-governmental divisions and the President's incomplete control; most probably a mixture of both. Whatever the merits of this controversy, it is clear that part of the answer to aid effectiveness in Afghanistan must be sought in Pakistani policy, particularly given the enormous influence that the US should enjoy over it.

An equally significant factor is the persistence within Afghan borders of a multiplicity of local armed groups, the so-called "warlords." Many of these warlords continue to function as nominal local and regional representatives of the Kabul government, and many cooperate tactically with U.S. forces. Many such leaders have reinvented themselves as elected representatives, despite legal strictures against their running in elections. Many are responsible for extortion, human rights abuses and

other misbehavior. As a Security Council Mission noted a couple of years ago, "In too many areas, individuals and communities suffer from abuses of their basic rights by local commanders and factional leaders." Despite calls for their delegitimation, there have been practical limits to Kabul's capacity to govern, and to US forces capacity to carry out military operations, without them.

Thousands have died, including civilian bystanders, in factional fighting between these groups since the fall of the Taliban, as well as deliberately at their hands as they engage in coercion. This has undercut the credibility and authority of Kabul among ordinary Afghans. It has also added to the challenges of reconstruction by causing internal displacement of populations, and undermining efforts to repatriate Afghan refugees.

Both aid ineffectiveness and pervasive insecurity are implicated in opium production. Although GDP has increased modestly, at least in the most recent past, the poor economic and social condition of Afghanistan's overwhelmingly impoverished population, coupled with stagnation of opportunity, has left many farmers with at least the compelling temptation, if not the necessity, of growing poppies. Meanwhile, the control of trafficking has supported primarily criminal enterprises, whose armed capacity and proclivity to illegal behavior contributes to poor security. Trafficking has also been a source of finance for insurgents of various stripes, as it was for many US-supported *mujahideen* against the Soviets. We should be clear that there is a distinction to be drawn between farmers and traffickers. It is apparent that what we have here is a vicious cycle of insecurity and underdevelopment that is not susceptible to one-dimensional solution. The appeal of aid programs will have to be solid and bright in order to substitute for farmers' reliance on the dubious armed "protection" of traffickers. Any realistic attempt to address obstacles to aid effectiveness must factor in the importance of opium production.

Optimists will note that there was a slight diminution in opium production between 2004 and 2005. This is true enough, but it is also the case that with brief variations the trend has been upwards for the last decade, and that the upward trend has continued since the US invasion. Even the lower 2005 figure reflects a 20 increase over 2003, and approximately the same increase over 2000, the last year of Taliban rule. Moreover, because of higher yields per acre and higher prices per kilogram, the income per hectare actually increased in 2005, as did income of opium growing families, and total value and profits diminished only modestly.

CONCLUSION

Facile conclusions about failures of assistance should be resisted. The highly insecure and dangerous conditions in Afghanistan pose obstacles not only to effective assistance, but even to meaningful measurement of effectiveness. Moreover, political-military policies are the key to effectiveness of assistance. Reconsideration is long overdue of US reliance on partners whose commitment to Afghanistan's security, stability and prosperity is highly dubious. Whatever the short term military advantages of such partnerships of convenience, they cut against the sustainable pursuit of US interests and Afghan stability in the long term.

Mr. ROHRABACHER. Thank you very much. Dr. Jones.

STATEMENT OF SETH G. JONES, PH.D., POLITICAL SCIENTIST, RAND CORPORATION

Mr. JONES. Thank you, Mr. Chairman, Congressman Delahunt, and Congresswoman McCollum. I want to begin by at least quickly outlining my background in Afghanistan. I have been there a number of times over the last year with United States military forces, including special operations forces, United States Army forces, looking at the counterinsurgency campaign, looking at the reconstruction of the Afghan national army, and the Afghan national police, and to some degree looking at the criminal justice system, and United States efforts and other efforts, Italian efforts, to rebuild the criminal justice system.

We have also at RAND done analysis of other United States operations in Germany, Japan, Somalia, Haiti, and other cases where we have rebuilt countries. So I have also to some degree brought some of that data here. I want to begin by noting that I believe

that 4½ years after the overthrow of the Taliban regime that we are actually at a very important crossroads here.

I think there was some initial success in establishing security, at least in 2002 and 2003. There were initial successes in rebuilding economic, educational, social, and to some degree fiscal infrastructure, and of course there were some successes in holding elections, at the Presidential and the Parliamentary levels.

But I think we are at an important crossroads, as I noted earlier, in a number of sectors, and I want to make three key arguments here. The first one is that I do believe—and we seem to have some mixed views on the panel here—but I believe the security environment has notably deteriorated in Afghanistan, especially in the east and south.

And especially if you look at the sophistication of insurgents, and the use of remote denominators, and IEDs, and the use of suicide attacks—I believe this is troubling. Second, I think institution building—this is more than just providing technical assistance—has been challenging, especially dealing with issues of corruption, including within the Afghan Government.

And then, third, I believe these problems have negatively impacted the ability of the United States, USAID, the State Department, Defense Department, and others, to help get aid through and establish sustainable changes in the long run.

I want to begin by talking about the security environment. I have seen it on a number of occasions, and have been subject to mortar attacks. We have compiled probably the most comprehensive, quantitative dataset of attacks at RAND that I have seen, at least unclassified.

And I believe, first of all, that as Mao once said, that the gorilla must move among the people as a fish swims in the sea. So that means for us that winning support of the local population, the Afghan population, is actually a key element here of defeating the insurgents, destroying their support base, and building a peaceful, viable Afghanistan that is economically viable as well.

I think just to put some, I would say, data on our security discussion here, I think the quantitative and qualitative data that I have seen shows a stark increase in two things. One is the number of insurgent attacks, in the east and south in particular; and, second, is their lethality, and especially in 2005.

And again this data, I think, is the most comprehensive that I have seen at least unclassified. September, October, November, December 2005 were the four most violent months in Afghanistan since the United States overthrew the Taliban regime. That is measured in the number of attacks and the lethality of those attacks.

As I said earlier the increased sophistication of IEDs with remote triggering, remote triggering devices, and the use of suicide attacks, including what we have seen at some levels of cooperation between Iraqis and Afghan groups—along these lines, this presents to me at least a troubling trend.

These include the Taliban, and Hayek, and the foreign jihadists. We are talking about al-Qaeda, but also a number of Arabs, Chechins, and others that we have seen. And these as I said earlier are along a number of fronts along the Pakistani border.

The northern front, which is up in Nangarhar and Nuristan, which is largely Hayek controlled territory; the central front, which is largely al-Qaeda controlled territory in the center; the Taliban, that is Kandahar, Uruzgan, Helmand, and others; and in the southwest, these are drug organizations in Helmand.

I think there are a couple of reasons why the security situation has deteriorated to some degree. Several have alluded to it here. First, is the use of Pakistan as a sanctuary for insurgents, and as a support network. We can talk about that later, but I support what most people have said here.

Just as a note. Research on past insurgencies has noted that well established infrastructure and base areas ensure that those insurgencies cannot be quickly defeated. We learned this lesson in Vietnam and in neighboring areas, and also in El Salvador, in United States assistance against the Salvadorian Government against the FMLN (Farabundo Marti National Liberation Front).

Second, I believe there has been little improvement in the effectiveness of Afghan National Police, and United States assistance in that category has not really improved the effectiveness of the police force in dealing with these issues.

So in that area, United States assistance could be improved, and I think the move from the Department of State, especially INL (Bureau for International Narcotics and Law Enforcement Affairs), to the Defense Department, while there are some concerns with having military-trained police, was probably overall a good move. I don't believe the police assistance was going in the right direction there.

I would also say that in opinion polls that the security still remains, according to all of the opinion polls that I have seen, the most significant concern for Afghans. When looking at what are their most significant concerns, security continues to remain at the top.

And I think that has an important impact on assistance. Now, as Rick and others have mentioned, and as their CSIS work notes, many and most do believe it is going in the right direction, but security still remains a significant concern.

And if I could just mention one thing, that if based on this information the security environment is indeed deteriorating, I think the United States downsizing of its forces is—at least I question the logic of why we are downsizing if the security environment is worsening.

And I believe that United States military forces are the best in the world, including the special operations forces in Afghanistan. I have less confidence in the ability of NATO forces to take over some of these areas, especially in the south, and in the Helmand province.

I think the deteriorating—and I am going to link this now to aid and try to wrap up quickly for you here, but I think the deteriorating security situation and key institutional challenges have had an impact on allowing assistance to [a] get through, and [b], to make an important impact.

I think on the education front there have been successes. I am not going to go into details. I could talk about them. Also, in some

degree, on the political front, and in the elections, and so there have been clear successes.

I think the Afghans' central Government is currently extremely weak, if you paraphrase Max Faber. It does not exercise a monopoly of the legitimate use of violence throughout the country, and I want to highlight two areas where I think reform could be better focused and handled.

The first is on the justice system, especially the criminal justice system, which I think continues to face fairly severe problems. In general, in a country like Afghanistan, the data is not particularly good on how you would measure how effective the justice system is.

But if you look at World Bank data, it suggests that Afghanistan's rule of law is one of the least effective in the world. And that has, in my view, a significant impact on dealing with security issues, on drugs.

My question is how can we get a handle on drugs. Barney and others have mentioned the importance of not punishing farmers by focusing too much on eradication or interdiction, and I wholeheartedly agree with that.

I would also say that it is going to be impossible, in my view, to get a good handle on the counternarcotics issue without a viable justice system that can prosecute criminals. The Italians are the lead nation for the justice system, but I think at this point, long after Bonn, we need to rethink United States assistance in general to the justice system, because I think this is actually very, very critical to success on assistance, and in the long run, it also impacts, as several others have said, economic viability.

And the second, and I am not going to go into more detail on this because Barney and others have touched on this, is the drug trade. I think that while the British Government is the lead nation for counternarcotics, efforts by USAID, State, INL, the Drug Enforcement Agency, and the Department of Defense, have so far been somewhat inadequate in dealing with the counternarcotics issue.

In conclusion, I would like to actually state two things, but I want to begin or a couple of comments, but I want to begin by noting—

Mr. ROHRABACHER. Can you make sure it is a summary, please?

Mr. JONES. Yes, it is. This will be less than 1 minute. As the 9-11 Commission report concluded, a failure to stabilize Afghanistan would decrease the security of the United States if it then became a failed state and a safehaven for terrorists and criminals. That is the 9-11 Commission report.

I do not believe that we are over that hurdle yet. I want to focus on four things, and again these are just points. I am not going to elaborate. One is Pakistan, and as several others have noted—the importance of Pakistani-Afghans relations, the importance of border crossings and border areas, and keeping them in Pakistan and out of Afghanistan.

And also working with the Pakistanis and pressuring them more on dealing with the sanctuaries in Pakistan. Second, is the justice system, and more than just technical assistance or infrastructure. This is also building institutions.

And then, third, is the United States military component, which I think is actually quite critical, both the strike operations and also the political realm. And I think actually that I would suggest that based on the environment, our role and level should be increasing rather than decreasing, because that is the nature of the environment there. Thank you.

[The prepared statement of Mr. Jones follows:]

PREPARED STATEMENT OF SETH G. JONES, PH.D., POLITICAL SCIENTIST, RAND CORPORATION

Four and a half years after the overthrow of the Taliban regime in Afghanistan, the United States stands at an important crossroads. After initial success in establishing security; helping rebuild Afghanistan's economic, education, social, and physical infrastructure; and holding presidential and parliamentary elections, the situation in Afghanistan has deteriorated in a number of sectors. I would like to make three major arguments. First, the security environment has significantly deteriorated in Afghanistan, especially in the east and south. Second, institution-building has been extremely challenging, especially with corruption in the Afghan government. Third, these problems have negatively impacted the ability of the U.S. to "get aid through" and establish lasting changes.

I. THE SECURITY ENVIRONMENT

Mao Tse-Tung famously argued that "the guerilla must move among the people as a fish swims in the sea." Winning the support of the local population is a key element in defeating insurgents and destroying their support base. It is also important in rebuilding a country devastated by several decades of civil war. In part, this means ensuring the safety and security of the population.

Unfortunately, the security situation in Afghanistan has notably deteriorated over the last year. Quantitative and qualitative data that I have collected shows a stark increase in (1) the number of insurgent attacks and (2) their lethality in 2005. Indeed, September, October, November, and December 2005 were the four most violent months in Afghanistan since the United States overthrew the Taliban regime. The Taliban, Hezb-i Islami, and foreign jihadists have increasingly shifted their strategy from targeting coalition forces to attacking softer targets. Examples included Afghans organizing or assisting in elections, NGO workers, and Afghan citizens believed to be cooperating with coalition forces or the Afghan government. Attacks have occurred throughout the country along four fronts:

- Northern Front: HIG (Nangarhar, Nuristan)
- Central Front: Foreign Jihadists, including al Qaeda (Khowst, Gardez, Paktia)
- Southern Front: Taliban (Kandahar, Oruzgan, Helmand)
- Southwestern Front: Drugs organizations (Helmand)

There are several reasons why the security situation has deteriorated, especially in the east and south. First, insurgents use Pakistan as a sanctuary for conducting attacks and recruiting new members. This means that the most unstable provinces are those close to the Afghan-Pakistani border. Insurgents have used Pakistan as a staging area for offensive operations, and U.S. intelligence sources have identified known, suspected, and likely insurgent border crossing points along the Afghan-Pakistani border. A significant portion of the Afghan insurgency's military and political leadership is based in Pakistan. Research on past insurgencies shows that those with well-established infrastructures and base areas, which can operate in protective terrain, cannot be quickly defeated. Second, there has been little measurable improvement in the effectiveness of the Afghan National Police in countering insurgents or organized criminal groups.

II. TRANSLATING ASSISTANCE TO CAPACITY-BUILDING

The deteriorating security situation and key institutional problems have a serious impact on allowing assistance to (a) get through and (b) make an important impact.

I would like to begin, however, by noting that there has been some success from assistance provided by USAID, the Defense Department, and the State Department. For example, USAID has helped improve the education system, which began in 2001 from a low baseline. Roughly 97% of girls did not attend school. Approximately 80% of schools were either damaged or destroyed over the course of the Taliban rule. And

only 32% of school-age children were enrolled. USAID has distributed textbooks, school supplies, and training materials, and has built or refurbished nearly 500 schools. USAID has also helped train over 65,000 teachers and built a women's dormitory at Kabul University. There has also been some political progress in Afghanistan. The 2004 presidential elections and 2005 parliamentary elections provided an important opportunity for the Afghan population to elect its political leaders. It was also a critical step in encouraging democracy to take root.

However, the Afghan central government is still weak. To paraphrase Max Weber, it does not exercise a monopoly of the legitimate use of violence throughout the country. I would like to identify two key areas where US assistance has not gotten through.

The first is the *justice system*. Afghanistan's justice system continues to face severe problems. Measuring the effectiveness of the justice system is problematic in the absence of reliable data. However, World Bank data suggests that Afghanistan's rule of law is one of the least effective in the world. This data measures the extent to which populations have confidence in, and abide by, the rules of society. It includes perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts.

There have been several challenges to improving the justice system. First, the Afghan central government's inability to decrease the power of warlords and exert control over the country has impacted justice sector reform. Warlord commanders, who have been allowed to maintain de facto control over areas seized following the overthrow of the Taliban regime, established authority over local courts. The factional control of courts has led to intimidation of centrally-appointed judges. Second, the international community (including the US) and the Afghan government have been unable and sometimes unwilling to address widespread and deep-rooted corruption. Corruption is endemic in the justice system, partly because unqualified personnel loyal to various factions are sometimes installed as court officials. The Supreme Court and Attorney General's Office have been accused of significant corruption. The World Bank concludes that Afghanistan is one of the most corrupt governments in the world; only Haiti and Equatorial Guinea had lower corruption rankings in 2002. A corrupt judiciary is a serious impediment to the success of Afghanistan's ability to establish a viable rule of law, since it cripples the legal and institutional mechanism designed to curb corruption.

The second is the *drug trade*. This reflects a failure among key U.S. departments involved in counternarcotics: State INL, Drug Enforcement Agency, and Department of Defense. It also reflects a failure among NATO allies—especially Britain—as well as the Afghan government.

With some assistance from State INL, the Afghan government established an Afghan Central Poppy Eradication Force in May 2004 to carry out centrally directed, forced ground eradication across the country. The Central Poppy Eradication Force conducts manual eradication of poppy crops within areas approved by the government of Afghanistan. State INL also implemented some programs to strengthen the criminal justice and corrections sectors in order to improve Afghan capacity to enforce laws. Since justice reform is a long-term process, the United States, United Kingdom, and other donors supported Afghanistan's establishment of a Counternarcotics Vertical Prosecution Task Force in late 2004 to move expeditiously against narcotics criminals through the Afghan justice system. This program included initial training of a select group of judges, prosecutors, and police in counternarcotics issues; increasing the Afghan government's capacity to manage narcotics cases; and constructing a secure court and detention center to hold and try drug offenders. In addition, the Drug Enforcement Agency has played a role in counternarcotics assistance, though with minimal impact. Finally, the Defense Department has largely stayed out of the counternarcotics business, though they have conducted some interdiction operations.

The cultivation of opium poppy remains a significant problem in Afghanistan. Acreage cultivation figures are difficult to estimate, but United Nations data suggests that the drug trade remains one of Afghanistan's most serious challenges. Poppy cultivation rose from approximately 74,045 hectares in 2002 to 131,000 hectares in 2004, and then dipped slightly to 104,000 in 2005. The income of Afghan opium poppy farmers and traffickers is equivalent to roughly 40 percent the gross domestic product of the country, which includes both licit and illicit activity. Afghanistan's share of opium poppy production is also 87 percent of the world total. The drug trade is a major source of revenue for warlords, insurgents, and criminal organizations operating in Afghanistan's border regions, as well as members of the Afghan government. This contributes to security problems by strengthening the power of non-state actors at the expense of the central government.

III. CONCLUSION

Afghanistan stands at an important crossroads. One of the most critical variables is time. The United States should have learned this lesson when it abandoned Afghanistan in 1989 following the withdrawal of Soviet forces. The country soon became a safe haven for international terrorist groups. This mistake cannot happen again. As the 9/11 Commission Report concluded, a failure to stabilize Afghanistan would decrease the security of the United States if it again became a failed state and a safe haven for terrorists and criminals. While the responsibility for rebuilding the country ultimately depends on Afghans themselves, international efforts—especially US efforts—are critical. The Taliban, HIG, and foreign jihadists are betting that the West doesn't have the political will to remain in Afghanistan for the long run. Proving them wrong is the key challenge.

Mr. ROHRABACHER. Thank you very much, and a thank you to all of our witnesses. It is now 9:15, and we are out of here at 10 o'clock, which gives us plenty of time to go into some detail about the issues that you have raised.

In terms of establishing a rule of law in Afghanistan, it has been 4 years now, or 4½ years, or almost 5 years, since the departure of the Taliban. I would just ask very quickly how you would grade the United States' effort in establishing the rule of law. A, B, C, D, and F for failure, and A for the best. Just very quickly. Don.

Mr. RITTER. I would say it is a fairly low grade but I am not sure that it is our fault.

Mr. ROHRABACHER. Would you say D?

Mr. RITTER. Our effort has not been so bad. It is a problem as to where the Afghans start from—to get to a "rule of law" is a 10-year task.

Mr. ROHRABACHER. All right. But our success in doing this has not been—you don't want to give it a grade?

Mr. RITTER. It is not a high grade.

Mr. ROHRABACHER. It is not a high grade, but you don't want to give it a low grade either?

Mr. RITTER. They have tried.

Mr. ROHRABACHER. Dr. Rubin, what do you say? You have to grade this paper, and what are you going to give it?

Mr. RUBIN. I would give it—well, we have had great inflation where I teach.

Mr. ROHRABACHER. Well, I will tell you that we have had great inflation here as well.

Mr. RUBIN. I would say D.

Mr. ROHRABACHER. D?

Mr. RUBIN. May I just say that at the beginning, the Administration's position was still that we don't do nation building. That is why the Italians are the lead nation, because they did not want to take it on. They did not see the importance of it. And there is an important decision point coming up, and I want to bring it to your attention.

Mr. ROHRABACHER. Yes, sir.

Mr. RUBIN. Under the Constitution, the Supreme Court in Afghanistan is the head of the entire judiciary administratively, as well as in terms of its judicial function. Under the Constitution, President Karzai has to appoint an entirely new Supreme Court within 30 days after the first working session of the Parliament.

Therefore, that date is coming upon us soon, and the character of his appointments will be extremely important for the prospect of reforming the entire justice system.

Mr. ROHRABACHER. I am glad that you brought that to our attention, and that is something we should look at, because without rule of law, I am assuming from your testimony that without rule of law that we are not going to have any prosperity or stability. What about you, Mr. Barton?

Mr. BARTON. I am known as one of the easier graders at the Woodrow Wilson School at Princeton, but I would just say, looking at our own rating here, it is one of the five pillars. It was the lowest rated by the Afghan people in our work.

And it is well into the danger zone, and so that would have to make it a D. But you can't blame the people for doing it. I know that when I was talking to the woman who was running that program in Kabul for the United States Government, she had a \$5 million budget, and she was quite optimistic. She thought she could make a difference.

And her \$5 million was taken away to fight narcotics that year, and that was clearly not enough money. I would love to come back and talk about the approach that we make in these places and on these issues.

Mr. ROHRABACHER. All right. Mr. Pandya.

Mr. PANDYA. I think that one has to really give two grades, because there is one question, which is the question of the legal system as a whole, which depends on previous Afghan conditions and current Afghan political conditions, and those are very significant constraints.

So if we are grading the overall state of the legal system, it is probably not much higher than a D. That said, if we are grading assistance efforts, I would have to give it a very high grade, because I think that given the adverse circumstances that we have been working in, we have done very, very well.

In fact, the GAO (Government Accountability Office) noted that one of the few sort of unambiguous successes of our assistance efforts was at least the court construction program, and I think that we have seen that the efforts that have been undertaken since then in the form of legal system reform have in fact been fairly successful.

Mr. ROHRABACHER. Okay. So you are giving it a high mark compared to where it was and to where it is?

Mr. PANDYA. And I am giving us a high mark for our assistance efforts, as opposed to the results of those assistance efforts.

Mr. ROHRABACHER. All right. Now, as compared to—and let me ask you to grade it for its potential, as compared to what we have accomplished, and what we could have accomplished, had we done everything right. Would we still get high marks, low marks, or what do you think?

Mr. PANDYA. Well, I think that there is actually a very, very deep sociological problem here, which is that the formal legal system is a very, very small part of the lives of most Afghans. I think that most Afghans rely for dispute resolution on completely parallel systems of justice, and I think that is ultimately the greatest obstacle to success.

Mr. ROHRABACHER. So the potential actually wasn't as high because traditions were not growing consistent with that.

Mr. PANDYA. Right.

Mr. ROHRABACHER. So you still give it high marks, and you are talking a B maybe?

Mr. PANDYA. Yes, but I am not an academic, and so I am not very good at grading.

Mr. ROHRABACHER. All right. Well, sometimes you are probably better than academics.

Mr. PANDYA. I think that we have done very well under the circumstances, but I think ultimately the question is, how significant a reach is the formal Afghan legal system going to have in the short term?

Mr. ROHRABACHER. And Dr. Jones?

Mr. JONES. I would grade the performance of the justice in Afghanistan as somewhere along the D line. I would grade the performance of our coalition partners as somewhere along the same, about a D.

I would grade our assistance efforts as probably a little bit higher. But as others have said, we are starting from nothing.

Mr. ROHRABACHER. Okay. So let me summarize then from what you are telling me, that we are not doing too well in establishing a criminal justice system, but it is not because of a lack of trying, because this, in and of itself, compared to other parts of the world, is an enormously difficult job.

And so for intent, we get pretty high marks, and for results, we are getting pretty low remarks. In terms of competency, have we been competent in this effort?

Mr. PANDYA. I believe we have, Congressman.

Mr. ROHRABACHER. And I am talking about us now. I am talking about the United States Government, have we been competent in our approach, and in how we have tried to establish the rule of law. Yes, sir?

Mr. RUBIN. The technical people who have been tasked with doing this have been on the whole quite competent. The problem has been at the policy level, that we did not take that as an important part of our mission for many years.

Mr. ROHRABACHER. Okay. So have we been competent in—well, we have not been competent because we did not place a high enough value on that?

Mr. RUBIN. Well, in general—while the military effort is indispensable, the balance has not been there.

Mr. ROHRABACHER. Okay. We have noted your admonition to us to watch these court appointments that are coming up. I can tell you that I will be watching very closely, and I think a lot of people here, after your tipping us off to this, will realize that this is very significant.

The court appointments will let us judge whether or not the Afghan Government itself is serious about establishing a rule of law.

Mr. RUBIN. And one other point.

Mr. ROHRABACHER. Yes.

Mr. RUBIN. Just to bear in mind that this is a very sensitive issue, because as you know, Afghanistan is an Islamic Republic. The learned clergy have been pushed out of power very much by this operation. They had all the jobs under the Taliban.

The Judiciary is the only area of the government that they still control, and the Chief Justice, while he is extremely reactionary,

ignorant, and corrupt, nonetheless has helped the President, and has stated that the current government and the United States presence is consistent with Islam. And he has pressured a lot of the clergy to go along with that. Therefore, the President is hesitant to upset him. So there are some very delicate political issues here.

Mr. ROHRABACHER. Well, that is a yes. Let me note that as per Fernando DeSoto, which I mentioned to Don, makes it very clear that you can't have the type of progress that we need to see in third-world countries until at the very least you have a title that is respected and protected by law.

If you do not have that title, you will not have any dramatic increase in a standard of living, because much of human progress is based on people's ownership and improving property, and being able to use it for credit, et cetera, which can't happen unless that is recognized by honest government, as well as of course disputes, and you can't have a functioning system without someone who is there to settle disputes.

And also you can't have stability without a criminal justice system, which we understand permits people to operate freely from coercion from their neighbors. So am I actually getting a message here, and correct me if I am wrong, that in terms of this element, are we doing as much as could have been expected, or should we be doing much, much more? The fact that we are not doing more is a black mark on our operation, and then I will let Mr. Delahunt take over.

Mr. PANDYA. I think that one really does have to separate it out as Barney did in-part into policy and implementation. But I think there is also this intermediate question of design, and how we design our programs.

Without going into too much detail, it seems to me that as we are thinking about some of the issues that you just described, Mr. Chairman, and that DeSoto talks about, that as we are thinking about the prospect of some form of security, legal security, and dispute resolution, that we have to recognize that the reality for most Afghans is that those results are accomplished by means of parallel institutions.

Now we have a couple of choices as we think about program design. We can think about ignoring that and say, well, that is backward, that is bad, et cetera, which it probably is, by the way. It is probably very far from the norms of the Universal Declaration on Human Rights.

But with that said, we can either ignore it, try and construct another system, and then prevail somehow with the other system that we construct. Or we can recognize that there is this parallel system out there, and seek some degree of reform, some degree of convergence, some degree of harmonization, between the formal legal system and these informal community legal systems.

Mr. ROHRABACHER. You can make the grand old man of the village the judge?

Mr. PANDYA. Well, I don't think it would be that simple, because I think it would very much depend on other fundamental norms that are now sort of internationally required, as well as recognized and respected.

But I think that there is a way to think about development of legal systems, which brings people along, and reforms existing mechanisms so as to see a convergence between formal and informal systems. So this is just an example. I am not necessarily—

Mr. ROHRABACHER. What you are giving me is an answer that says that it takes a lot of finesse, a lot of interpersonal relationships, where there is a lot of skill on our side, in terms of evolution, and I am not sure that any bureaucracy, whether it is a State Department bureaucracy, or any kind of bureaucracy, may be up for that. Go right ahead, and then we are going to move on to Mr. Delahunt.

Mr. RITTER. Thanks, Mr. Chairman. Mr. Chairman, we are going to have problems with the legal system, and we are going to have problems with security for a long time to come. I am here to say that the bottom line for all of our efforts is going to be whether we improve the lives of the people of Afghanistan in a broad way.

Economic growth, legal economic growth, is the key to this lock, and I am here to say that we do not have an economic policy pillar. We have a defense and security pillar, and you heard all about it today.

We have a governance pillar. You heard about it all today. Where is the economy of Afghanistan in all of this? When you have a private sector that is ready, willing, and able, but you can't get monies through the foreign-run aid programs because of security issues, you can put resources into the system, into the private sector-based economy.

You can create credit mechanisms. You can work with the private sector. The Afghan Government, as a channel for all of our assistance, is very problematic, and hopefully we will build in safeguards within the Compact so that problems don't arise in the Afghan system of distribution as they have risen and in our own. The best way to do it is to put money directly into the private sector of the economy, into the economy in the villages, as well as into the cities. And we have not been successful with that. We need an economic pillar to balance, to integrate.

Governance, security, and the economy are intimately linked. We do not have that third component, and hopefully out of these hearings with this Subcommittee, economic policy can take its place at the highest level of our own interaction with the situation there. Thank you, Mr. Chairman.

Mr. ROHRABACHER. Don, you would agree that in order to have that economic growth that you do have to have established a rule of law that would permit that?

Mr. RITTER. If you work only in series, and if you wait for the rule of law, especially as we define it, you will be waiting a long time. You need to chew gum and walk at the same time.

Mr. ROHRABACHER. All right. Thank you very much. One last comment, and then Mr. Delahunt.

Mr. DELAHUNT. I think that Dr. Rubin and Mr. Barton can both make their comments.

Mr. ROHRABACHER. Okay. That is fine.

Mr. DELAHUNT. It is very informal and it is before 10 o'clock.

Mr. RUBIN. In fact, the Afghan Compact and the Afghan National Development Strategy have three pillars, which are, one, se-

curity; two, governance, rule of law, and human rights; and three, economic and social development, and each of them is considered to be equally important.

In the Afghanistan Compact—and I just want to say this again, because let us not reinvent the wheel. There are specific benchmarks for rule of law. It says that by the end of 2010 the legal framework will be put in place. By the end of 2010, functioning institutions of justice will be established.

Because of the importance of what you mentioned, Mr. Congressman, about land title, and Mr. DeSoto's theories, there is a benchmark on land registration. There has to be a registration of land titles, with dates, and times and so on. Originally we said when it had to end, but we know from experience that it will never end. But it has to get underway.

So all these things are there. I think that part of your oversight, if I may suggest, should be to be sure that our Government is seized of these things, which were negotiated with them, and that the Congress supports them adequately as they need to be supported.

Mr. ROHRABACHER. Okay. Are you giving us a D in achieving those goals, those guidelines?

Mr. RUBIN. D.

Mr. ROHRABACHER. I thought you gave us a D?

Mr. RUBIN. Yes, a D, and I have given that so far, but what I am saying is that we fully discussed all these problems very frankly among the donors, with the Afghan Government, and the UN in Kabul, and we gave these same low grades, which are even lower perhaps, because it is harder to make it look nice when you are actually there.

And therefore there is a plan already in place is what I am saying. Of course, it can be improved and strengthened, but what we need to do—and this plan takes into account the failing grades that we gave before. But what we need to do is support this plan and make sure that it is implemented.

Mr. BARTON. I think a couple of things that happened in these places, and one of the things that worries me is that we don't appreciate the context, and what we are really trying to do here is to create some predictability in a place that is going to be highly unpredictable for a considerable number of years.

And that basically means that when you are looking at the justice system that we could do well by having a few more straight-shooting sheriffs, and a few more circuit-riding judges. You have to have some tangible evidence of some justice being delivered somehow for some time.

And if you look at most of our justice building programs, they are quite ambitious in terms of their long term construction, but they are not particularly effective in terms of delivering some sign of progress.

And effectively what you are doing in these places is that you are just trying to give people the sense that things are getting a little bit better all the time and heading in the right direction. Eventually you will get a takeoff, and I think the plan really does that.

But delivering on the local level, which generally means when we stopped and talked to the police as we drove around, the police are

basically doing everything. If there is a problem, they go out and they adjudicate it, and they intercept it, and they adjudicate it, and they tell people, don't do it again, and if you do it again, you are going to get in trouble.

And so they are handling the entire system. That seems okay. I mean, when you see that, you think that is about as good as it is going to get. I don't see that kind of understanding or appreciation in that context in a lot of these exercises. It does not mean that I disagree with the longer term ambition, but you have got to deliver in the short term as well.

Mr. JONES. I was going to make just one quick comment along these lines, and this is based on at least my analysis of past United States cases—Haiti, the Balkans. I think one lesson that the United States has not entirely learned is that when it comes to resources, we tend to spend a lot of money on building police, building army forces and soldiers, and have high levels of commitment, and those are important.

But if we look at the case of Haiti, we spent a lot of time doing that sort of activity and not a lot building the justice system. This had huge implications on people languishing in pretrial detention facilities.

And so I would just suggest here, and I have not seen the current fiscal year budget, but I know from past budgets in Afghanistan that we have a tendency to provide significantly more resources to the security component at the expense of other areas.

So I think that is one indication of how committed we are to these areas as well, and if we are spending sufficient levels of resources in, say, the justice sector.

Mr. ROHRABACHER. We will have a second round of questions for the panel, but I would now pass the questions on to Mr. Delahunt and Ms. McCollum. So go ahead.

Mr. DELAHUNT. Well, I just again want to state that this has been a wonderful seminar. I only wish that other Members were here to listen to be educated. We need it. I am just going to make some observations because I see that we have maybe 25 minutes until 10 o'clock, and I want to give Congresswoman McCollum ample opportunity to ask her questions.

I think what I am hearing is that we went there with—and by the way, I want to, for the record, indicate that I supported our military action in Afghanistan. I think it was appropriate, and I think it was necessary. But we really went there without a plan, without a policy.

And I think that we were probably inhibited, because the reality is that we are engaging in nation building. And at the time, nation building was not a concept that was embraced. In fact, it was rejected by the Administration.

And I remember, and I think it was Secretary of State Powell making an observation to the President in the run up to Iraq, it was reported in, I think, Bob Woodward's book, that you are going to own it. Well, we own Afghanistan. We own it in the sense of that moral obligation that I referenced earlier.

But I think we are getting there, but I don't think we have fully embraced the fact that we are engaged in nation building. That is

what we are doing, Mr. Chairman. We are doing it. And I think again the question is, are we doing it right?

You know, probably the most welcome news that I heard today was the testimony of Dr. Rubin about this as a multilateral effort. It would appear that some of the problems are a lack of coordination. Obviously as we have listened to your testimony, the issue of security, with the exception of Congressman Ritter, seems to be paramount to all of you.

And I am not saying that it is not paramount, or the concern that you have, Don. But government presence in all of Afghanistan is important. The relationship with Pakistan really deserves our attention and our focus. It is not discussed, by the way, in the United States Congress.

And let me just go on for a while, because I am really energized by the fact that we are doing something that is real here today. You know, at 10:30, we will hear from Administration officials, and I am sure that we will hear some good things, and I am sure that they will be accurate.

But what a benefit to have a realistic assessment in a way that I think can guide us. You know, I think it is important to note that the reality is, and let me give you my input for your future reflection—that this Subcommittee is probably the only venue that will be available in terms of—and I am going to rely on Chairman Rohrabacher.

As I indicated earlier, he does have a history here. I know that he has a commitment to Afghanistan, and I applaud him for again having this hearing. I suspect that it was difficult for him, because there appears to be within this institution a reluctance to lay it right out there, it being the unvarnished assessment that I think is necessary so that we can move forward in a constructive way. But I hope that the Chairman persists.

You have provided us with so much—a plethora if you will—information and provocative observations, and I think solid recommendations, that we as a Subcommittee have as many hearings on these issues as we did on the need to reform the United Nations.

And if we do, we will have 10 to 15 hearings, and I believe that this Subcommittee can become an advocate with input from people like yourselves, that will assist in hopefully not allowing us to repeat what the United States did back after the Soviet Union left. We left and look what happened. Look what happened.

We turned our back on Afghanistan, and we used them for a worthy goal, which was to defeat the Soviet Union, a remarkable achievement. But then we forgot about Afghanistan, and allowed it to become a venue where those who certainly had profound animus toward the United States, were allowed to become a haven for al-Qaeda and for others.

So I am just really pleased that this remarkable event of a hearing, oversight hearing on Afghanistan, occurred. I want to let the Chairman know that I will get up at 5 o'clock in the a.m. to do it again, because I think that it is really that important.

This is so critical, because as the 9–11 Commission said, if we don't address this issue, and allow Afghanistan to slip back into

the status of a failed state, we are going to be right back where we are, and we just simply can't go there.

So Afghanistan is a critical issue, in terms of our national security interests, and also I would suggest in terms of what we are about as a nation, and that is to aggressively support democracy, and aggressively support those societies in a way that is respectful, and thoughtful, and allow them to prosper, particularly given the devastating experiences that have occurred for decades there.

I am going to just ask one question. One, what can we do, and what are your recommendations in terms of what the United States Congress can do as it relates to the bilateral relationship between Pakistan and Afghanistan?

And I noted with some surprise that none of you referenced the influence of Iran in Afghanistan. Is it a problem? What are the Iranians doing? It has become a very high profile, hot issue here in Washington.

If this was a hearing on Iran, that press bench over there wouldn't have one solitary figure. I can guarantee you. The place would be loaded. C-SPAN would be in here, and things would really be cracking. So if you could just give me your input.

Mr. ROHRABACHER. Let us give everybody 1 minute so that Ms. McCollum will also have a chance to move forward, because we have to be out of here at 10 o'clock. You each have 1 minute to answer that question.

Mr. RITTER. I was recently in Herat near the time of the cartoon wars, and I was told that Iran messed around a little bit, but the bottom line, however, is that Iran is really active in Iraq, and some of the things that are happening in and around the western border of Afghanistan are actually positive in the sense that electricity is coming in from Iran.

Iran has helped to build a road in from their own border, which is important, because there is a lot of trade. But if they are messing around, it is kind of down to a dull roar at the moment.

Mr. ROHRABACHER. Okay. Dr. Rubin.

Mr. RUBIN. From the Afghan Government's perspective, Iran is a good neighbor, and Pakistan is a bad neighbor, and they wonder, suppose if Iran had built nuclear weapons secretly and proliferated nuclear weapons, harbored the Taliban and al-Qaeda, and was the source of suicide bombers that were constantly coming over the border into Afghanistan? Would we say that President Mahmoud Ahmadinejad was one of our leading allies on the war on terror? So they are somewhat puzzled by this.

The Government of Iran has told me that their view is that the stabilization of Afghanistan is their highest priority in Afghanistan, and that even if the United States attacks them, they will not react in Afghanistan. If the United States attacks them from Afghanistan, they might reconsider that in attacks from Afghanistan.

So we should be wary of anyone who is trying to sell intelligence or reports that Iran is trying to destabilize Afghanistan. It is not.

Mr. ROHRABACHER. All right. Mr. Barton.

Mr. BARTON. I think that the people in Afghanistan have a healthy skepticism about their two neighbors. They were not that impressed by how their own people were treated as refugees in those two countries.

And so as a result, they are not really looking to their neighbors for that much other than sort of the trade and other things that might happen. So I think that is a healthy spot. I am going to Pakistan tomorrow for the next 2½ weeks to look at the issue of whether United States assistance is really addressing the key concerns in the region, and in Pakistan, in terms of whether the country will fall apart.

And I think it is pretty clear to see from the interviews that we have done here over the last couple of months that there is not a particularly strategic focus in United States policy that takes in this kind of issue as well as it should.

Mr. ROHRABACHER. Mr. Pandya.

Mr. PANDYA. Well, even were Iran as bad an actor in Afghanistan as Pakistan, we have no influence with Iran, of course, which I guess is a bit of a truism. But on Pakistan, I am not at all insensitive to Pakistan's own security concerns with Afghanistan, which date back decades, and it is a complicated history.

And I think that were I a Pakistani, I would certainly be looking at the prospect of an uncertain United States commitment; and in fact, quite frankly, a detrimental United States involvement in Afghanistan in the long run.

So I am not insensitive to Pakistan's own concerns. That said, it is quite clear that for the time being that Pakistan plays at best a very ambivalent role in relationship to Afghanistan's security.

And in answer to your question specifically about what we should do, it seems to me that we could start very modestly by simply acknowledging that this is a problem, and acknowledging it, I think, not only in private, which I know that we do, but beginning to raise the heat of public acknowledgement as well.

Because I think that there is a real perception that as long as the Musharraf regime is able to count on the public perception of United States support, it has essentially what it wants in relationship to the international community.

And so to me that is the real key. I think the key is beginning to call a spade a spade, and if anyone should say that this is undiplomatic behavior, I believe that General Musharraf has opened the door now by going public with his pique at the Government of Afghanistan.

Mr. ROHRABACHER. Dr. Jones.

Mr. JONES. On the first question on Iran, I do not believe that Iran is a major negative player in Afghanistan. When it comes to the insurgency, I have seen almost no evidence of a serious detrimental role played by Iran.

I think if anything the Iranian Government's role in relationship with the Afghan Government is actually fairly decent. So it is not undermining, in my view, the security situation.

Mr. ROHRABACHER. Well, that is the first time that I have heard decent and Iran in the same breath for about 10 years now. And did you want to add something to that?

Mr. JONES. I just wanted to say that on the Pakistan issue, I think what is needed from the Afghan and the United States side is to encourage Pakistan to conduct a sustained campaign against these insurgents, because this is not just when President Bush is

visiting the region that you conduct some activity, but something that is more sustained.

Mr. ROHRBACHER. The Chairman, after Ms. McCollum has her time, will have a final comment on Pakistan. Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chair. There are so many things that we could talk about, and I really appreciate the diversity of the testimony that was before us today, and Mr. Chair, this is probably one of the few, if not the only, hearings where I have seen such depth and the diversity.

And I really want to—and I am very sincere about this—to thank you for holding what I consider to be a real Subcommittee meeting. I would like to, in my limited time, kind of go back and focus on something that the World Bank actually has in one of their documents, and that was alluded to a couple of times.

That is, I am going back to basics: Water, electricity, access to health care. You gave ratings for the judicial system. I am a former teacher, and a tough grader, but I have not had the ability to have as much information in front of me on Afghanistan as you folks do.

So as far as infrastructure—and I am not talking about skyscrapers, or anything like that. But infrastructure—sewer, water, electricity—could you give us a grade on that? And on the delivery of basic health care systems, I think it is great that we have immunized children, but you go in and do that once—that is not sustaining basic health care.

I am talking about I had mentioned before, child mortality rates, and part of that could be addressed by water. Mr. Ritter

Mr. RITTER. I think on those scores, I think we have probably been pretty successful. I think we could have been 10 times more successful had we enlisted more Afghans in building some of these schools, hospitals, health care facilities. The deficiencies in the electricity are legendary. There is a great deficiency in land access, and titling has only begun.

Ms. MCCOLLUM. Sir, we have kind of gone over those things, and I have an extraordinarily—look at the clock—limited amount of time.

Mr. RITTER. I would say good grades. I would say reasonably good grades, but they can do 10 times better in the future as the Compact takes hold, and as the Afghans start building all these structures, they will get a lot more done.

Ms. MCCOLLUM. Mr. Rubin.

Mr. RUBIN. We have had a policy for many years in our foreign assistance in not building infrastructure. I am glad that we have started to overcome that. The United States has focused mainly on large scale infrastructure, which is necessary, but we also need to put in place more community-based and provincial-based infrastructure, especially for the management of water and the generation of electricity.

And I will just add that that is key to any successful counter-narcotics plan, because that is what will make agricultural productivity and agricultural marketing improve.

Ms. MCCOLLUM. Thank you.

Mr. BARTON. I think we have actually done okay in this area. I mean, it is still a gray zone. It is probably a C-plus or a B-minus for a fairly tough grader. But I think that the people have felt im-

provement. It is just hard to imagine how far they have had to travel.

When you go to that country in the middle of the winter, and in 2 weeks, you do not go into a single building that has central heating, and no one has reliable electricity, and the cell phone is the only thing that is working, you realize, okay, we have a problem here.

And when you see somebody walking across the landscape, it reminds you of your grandmother's stories; that is what that person is going to do today. They are going to walk from their house to someplace to do almost nothing, and walk home, and that is going to be their whole day.

So there are very few efficiencies in this place, and I think the locally-driven projects, like the small hydro projects, make a whole lot of sense, because they give people one light bulb, or 3 hours of something during that day, and that starts to give them a little bit of efficiency. But we spend a tiny, tiny percentage of our money in these projects. This almost barely registers if you see what goes into that kind of work.

Ms. MCCOLLUM. Thank you. Mr. Pandya.

Mr. PANDYA. I would have to say that is quite a wide range of activities that I think you have described, but I would have to say that the record is very mixed, and in fact the GAO report basically says that the record was quite varied.

And one of the points that it makes is that, particularly in gender equity measures of impact of assistance, it was in fact even less successful. So I think we would have to say that there are a variety of factors, and I am not sure there is any one factor to be faulted here.

But it is not at all clear to me. For instance, one of the things that the GAO looked at was school house construction. I am sure you saw in the *Washington Post* that the number actually constructed for a variety of reasons, including security, was minuscule compared to the number that we set out to construct.

And even where there have been actual concrete accomplishments, like the building of schools for girls, for instance, there have been setbacks quite frankly of attacks on schools that are being built for girls.

So even where we have actually seen where we have overcome the obstacles, we then get back to the issues of it all basically being wiped away by the various factors that we described.

Ms. MCCOLLUM. Thank you.

Mr. JONES. I think that the United States—and this really is in particular a multilateral effort among NGOs (non-governmental organizations), donor states, and international organizations, has been okay. It has varied across the sectors.

There are still problems. When I was in Kabul in December, for example, I had electricity for only a couple of hours a day in my quarters. I think the one key question is we have certainly provided assistance in areas like health care.

We actually have a major RAND study coming out on health care in Afghanistan and several other countries. But I think the question that is still open is how much of this is actually sustainable, and how much of this is just coming from NGOs, and donor states,

and international organizations, in giving assistance and helping to rebuild.

How much of this has actually improved the capacity of the Afghan Ministry of Health, and health systems, to actually do it itself, and I am actually less convinced that we have been as successful in that category.

Mr. PANDYA. May I just add one thing, which is that actually the indicators, I think, are really the best evidence that you have. The indicators have been fairly stagnant. So whether it is in maternal mortality, infant mortality, life expectancy, literacy, or what have you, the stagnancy of those figures I think may be actually the most reliable answer to your question.

Mr. BARTON. One reason that we did this study is because the data in these places is absolutely unreliable, and the antidotes are totally rumor-filled. And we are trying to develop a model that would have some value that you could then index as progress, because the people who want to say it is going well, say that, and the people who think it is going awful want to say that.

So we tried to create some sort of a measure that would allow us to go back in these places. The problem with the data in Afghanistan is that they have not had 30 years of data. So when you start with any data, it is pretty much unreliable.

And then you start to get some data that is reliable. So I don't know that I would go there as my first way of measuring what is going on. But what we heard on the ground is that people are still—they are seeing some progress, but they think it is very much in the gray zone, and they know that they cannot make it on their own.

I do not really think this is about nation building. I think this is about nation jump-starting, and if we do that, we give the people a chance, and that is really what they want.

They don't expect us to save them, but they would surely like an opportunity.

Mr. RUBIN. If I may, I don't think it is about nation building exactly. It is about state building. Afghans are a nation, and it is about state building, and I thank Seth for using the words sustainability. That is the key question, and if we want to make this sustainable, we need to put more money through the government budget, and enable them to build capacity.

When I talk to the government about this, they always say Congress will not let them. So I don't know what they are talking about, but I hope that you will address that. The key to sustainability is to put more money through the government budget so the government can plan.

Mr. ROHRABACHER. Which government?

Mr. RUBIN. The Afghan Government. In particular, through the World Bank's Afghanistan Reconstruction Trust Fund.

Ms. MCCOLLUM. So that they can watch it.

Mr. RUBIN. The government's—like the United Kingdom, for instance, and it would be worth looking at their experience, but they have put a considerable amount of money through that. There is very close monitoring and benchmarking of all those expenditures.

They have not found money disappearing, but there is slowness in expenditure, just as we have slowness in disbursement because of all of those problems.

Mr. ROHRABACHER. With the indulgence of my colleagues, before we move——

Mr. RITTER. Mr. Chairman, could I make a comment on sustainability?

Mr. ROHRABACHER. Well, I want to get to this point. This is an important point right here, and we only have a couple of minutes left. Do you all agree with that assessment that the government, the Afghan Government, is honest enough that we should be putting more of our resources directly into that government in order to accomplish an end, rather than doing it——

Ms. MCCOLLUM. Mr. Chair, if I could.

Mr. ROHRABACHER. Sure.

Ms. MCCOLLUM. I think the key to what Dr. Rubin is talking about is the World Bank has programs in which it works in harmonization with other donors to give the Administration, and now the World Bank is even focusing more on Parliament, an opportunity to do oversight, monitoring, and accountability.

And it is almost like a dual system. So you are giving it to the government to manage, but there is teachers, and mentors, and oversight people with every single step of it. And if you don't create the ability to do that, the government does not feel the success. It does not learn how to manage, and it does not realize that donors are going to be watching for accountability.

And so, Dr. Rubin, not to take words out of your mouth, and if I have misrepresented it, please let me know, but I belong to a group of parliamentarians, and we try to monitor World Bank projects.

And sometimes the World Bank can't go into the countries and do that, but you see the possibility of doing more of this for the electricity projects and for the water projects, and then they start employing Afghans.

Mr. RUBIN. With your permission, what I am talking about is that I think Afghanistan is not ready for us to put billions of dollars directly into their treasury. What we do is put money into a trust fund, which is managed by the World Bank.

The Afghanistan Government undertakes expenditures, and they have to produce the kind of documentation that is required by all the donors who sit on the board of this fund in order to get those reimbursed for eligibility.

That, in-turn, builds their capacity to report on their expenditures to their own Parliament. So it is very much a democracy building thing, as well as capacity building. But when we ask our Government, they say that Congress—when I talked to USAID, they said that Congress will not permit them to do that.

Now, we are not saying that the Afghan Government is good enough. They are not good enough, and they will be the first people to tell you that. This is an exercise precisely to build their capacity, to benchmark them, and give them incentive, because if you tell them that you will never put money through their budget, they have no incentive.

If you tell them that we will put money through your budget if you meet these benchmarks, then they have something to come up to, and they are willing to work hard to do that.

Mr. RITTER. Mr. Chairman, I want to agree with Congresswoman McCollum's analysis here. When we start thinking of the Afghan Government in the future, we can't just think of the Administration in Kabul.

We have had essentially a Kabul Government that has tried to reach out. We now have a Parliament and the Parliament has extremely limited resources, but there are some marvelous people in the Parliament.

You hear about warlords and the mullahs, but there are some great people in the Parliament, with intellectual capacity, and we need to empower the Parliament and think of the government not just as the Administration in Kabul, but as involving the Parliament as well.

The bottom line to sustainability is a market economy that works for the Afghan people. If they can't produce, and if it is all transfusions coming from abroad, and it is all government and to the military, it is not going to fare well. Thank you, Mr. Chairman.

Mr. ROHRBACHER. I think with that, we are going to probably come to an end of the hearing. I would invite all of you to stay for the next hearing, which is at 10:30 in this room, and we will hopefully bring up many of the points that you have brought up today to those witnesses who will be testifying who are representing our Government.

If you will indulge me for just one or 2 minutes and let me just say that I do have a long history in Afghanistan, and when you mentioned, and Congresswoman McCollum mentioned water, I remember hiking through Afghanistan, and literally being on the edge of personal catastrophe for a lack of water at a certain point where we thought there would be water.

And it almost meant grown men dying, including people who were in my party. Other times, I remember a journalist who was with us at the Battle of Jalalabad, the very last battle in 1988, who was not dissimilar to you, a very active woman, heavily involved, and she died. She died because she drank bad water, and they could not get her to help in time, and it was a very horrible death.

And what is significant is that it was 1988, and the war was going on with the Russians, and there was all sorts of misery and suffering going on, and water, even then, in the midst of that, was such a significant factor.

And today, all these years later, all this time later, the Afghan people are still seeing their children and their families dying in the same way that journalist died and other people were dying back in 1988 because of water.

After billions and billions of dollars that have gone in, we still have this mortality rate, and I have three children at home, and I will tell you that your words were really true. There would be nothing that I would be more grateful for, with three children, is to know that someone would come to help to save my children from drinking bad water and dying in front of my face.

And it is a horrible death for a little baby, and so we need to organize ourselves—we, the decent people of the world, owe a debt

to the people of Afghanistan for helping us end the Cold War, for siding with us once we had been attacked, and overthrowing these people that were using their country as a base to attack us.

And they were the ones that liberated Afghanistan. We didn't. We didn't do the fighting. We had a couple of hundred troops there. But we owe this great debt, and it behooves us to be more efficient, and more effective than what we have been.

Although I would think that I would give us high grades for intent, but I don't give us high grades after hearing the testimony today. I don't necessarily give us high grades for accomplishment, even though you have admonished us to keep in mind the magnitude of the task of overcoming Pakistan and that situation, and overcoming the very tradition of the people.

And we have not at all talked about overcoming the drug problem, which is again something that our Government has not even addressed really. The fact is that we have never seriously addressed the drug problem at all. We have put that on the backburner.

So let us hope that we can recommit ourselves and the testimony today will inspire those of us in Congress, but also other Americans who read this testimony, or see it on their TV screens on C-SPAN or whatever, and let us hope that stimulates a national discussion of how to get the job done in Afghanistan, because unless we do, it is going to hurt us.

It will hurt us in the end if we don't do what is responsible, and we don't do it as efficiently and as effectively as we can. So I would like to thank all of you for stimulating this very interesting discussion.

And this is the kind of discussion that I believe that Members of Congress should have with each other, and with experts from the outside, frank and open discussion, and come up with some ideas, and stimulate a commitment to getting things done, and doing it effectively, and getting the best use of our dollars there, and our commitment there. So thank you all, and this hearing of the Subcommittee is adjourned.

[Whereupon, at 10:11 a.m., the Subcommittee was adjourned.]

