USAID
FROM THE AMERICAN PEOPLE

MEMORANDUM

May 31, 2014

TO: John F. Sopko
Special Inspector General for
Afghanistan Reconstruction (SIGAR)

FROM: Donald "Larry" Sampler
Assistant to the Administrator for
the Office of Afghanistan and Pakistan Affairs (OAPA)

SUBJECT: Response to the Inquiry Letter on USAID Non-Governmental Organizations (NGO) Vetting Reporting (SIGAR Inquiry Letter-14-59-SP)

REF: SIGAR-14-59-SP- Inquiry Letter- NGO Vetting dated May 15, 2014

Thank you for your inquiry regarding SIGAR's concerns about USAID's vetting process of non-government organizations (NGOs) in Afghanistan. We are aware that some NGOs will not apply for or receive USAID funding because of the vetting requirement. As your organization has noted, strong safeguards must be utilized in order to prevent the diversion of U.S. taxpayer dollars from their intended purpose. We believe that loss of these NGOs as potential implementing partners is a necessary, but unfortunate, consequence of our efforts to protect U.S. taxpayer dollars from waste, fraud and abuse.

Over three years ago, USAID determined that vetting is necessary to protect U.S. taxpayer dollars and to minimize the risk of inadvertent funding of malign actors. On several occasions, SIGAR has issued letters of concern about U.S. taxpayer funds going to malign organizations and individuals. With the support of Congress, USAID launched a vetting system in Afghanistan, focused on non-American organizations and key personnel. USAID has also taken into consideration the success of the vetting system employed in Afghanistan in the design and implementation of the agency-wide Partner Vetting System (PVS) pilot program. Congress underscored its support for partner vetting in the FY2014 Omnibus Appropriations bill (P.L. 113-76).

In the three years that the vetting process has been operational, USAID has prevented nearly $50 million from potentially falling into the hands of malign actors. USAID implementing partners, both for-profit contractors and NGOs, now conduct their work in compliance with the Afghanistan Mission Order on vetting. To date, there have been over 3,800 vetting requests, relating to approximately $2 billion in programs, of which 114 requests were determined to be

ineligible. Of these ineligible determinations, 29 were under assistance mechanisms and valued at $17.7 million.

While we understand that the use of the partner vetting process has resulted in some organizations choosing not to submit proposals for USAID funding in Afghanistan, we believe the national security imperative currently outweighs USAID's inability to work with these partner organizations.

Did USAID seek input from the NGO community in Afghanistan prior to implementing the current vetting process? If so, please describe the NGO input and the USAID response.

USAID has worked closely with representatives from InterAction, through numerous meetings both at the staff level and at senior levels, including with the Deputy Administrator. In some areas, we were able to be responsive to InterAction's concerns; for example, the revised vetting Mission Order exempts certain routine commercial transactions from vetting and provides for USAID/Afghanistan to use discretion to utilize different processes for urgently needed humanitarian assistance.

Has USAID considered using alternative vetting processes that can accomplish the same objective, but without requiring the NGOs to serve as a conduit for personal information? For example, under a "direct vetting" process, partners and NGO workers submit their personal; information directly to the agency through an Internet portal, bypassing the NGOs. If USAID has considered using direct vetting or some other vetting process, please explain why these alternatives were not adopted.

In regard to "direct vetting" for Afghanistan -- i.e. direct communication between USAID and proposed sub-recipients rather than through prime awardees -- USAID has carefully considered InterAction's request and has determined that it is not feasible at this time in Afghanistan for the following reasons:

- The prime awardee would not provide verification/validation of the accuracy of the submitted information by the sub-recipient, for example, whether the key personnel are the ones that the prime awardee is actually proposing.
- The Mission would have to increase staff considerably in order to be able to directly communicate with the sub awardees for purposes of obtaining missing information. This is not feasible at a time when the Mission has to reduce staff in Kabul.
- Particularly in Afghanistan, there are many smaller sub-awardees, with little or no proficiency in English and/or with no access to the internet and so would not be able to avail themselves of this process.

Is USAID aware of the NGO vetting processes used by our Coalition partners in Afghanistan? If so, how do those vetting processes differ from USAID's process?

USAID's process was established to provide maximum oversight and to ensure that USAID funding does not fall into the hands of malign actors. It is tailored to the resources (intelligence,

financial and staffing) that USAID has access to, or is available. We are not aware of vetting processes used by other Coalition partners.

Has USAID conducted an analysis, or is USAID aware of any analysis, of the possible consequences to NGO workers if the NGOs were to be incorrectly perceived as gathering intelligence for the U.S. government due to the current vetting process? Please provide your perspective concerning this potential problem.

USAID has three years of experience implementing the vetting program in Afghanistan as well as experience in West Bank/Gaza. We are not aware of analysis showing a relationship between the vetting program and security incidents against our implementing partners..

Is USAID aware of any instances in which NGOs have opted out of U.S. funded reconstruction activities in Afghanistan rather than comply with the new vetting process? If so, please describe each of these instances, including the dates, the nature of the project or program, and the amounts of reconstruction funding involved.

Some members of InterAction have stated they will no longer bid on USAID projects in Afghanistan because of the vetting policy. Recently, an international NGO informed USAID in writing that until a direct vetting compromise is implemented, they remain unable and unwilling to seek or accept USAID grants. Those NGOs that choose not to work with USAID because of vetting, simply do not seek out USAID funds so we are unaware of foregone applications for funds. We have only identified two instances in which NGOs opted out of programming rather than comply with the vetting requirements:

- February 2012: An International Disaster Assistance award from USAID's Food for Peace Office with an approximate value of $5 million for cash for work activities expired before it was implemented. The funds were de-obligated.
- July 2013: An agricultural development activity under the IDEA-NEW program.

cc:

Dr. Rajiv Shah
Administrator, U.S. Agency for International Development

William Hammink
Mission Director, U.S. Agency for International Development/Afghanistan