

SIGAR

Special Inspector General for
Afghanistan Reconstruction

OCT 30
2015

QUARTERLY REPORT TO THE UNITED STATES CONGRESS





The National Defense Authorization Act for FY 2008 (Pub. L. No. 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR).

SIGAR's oversight mission, as defined by the legislation, is to provide for the independent and objective

- conduct and supervision of audits and investigations relating to the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.
- leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of the programs and operations, and to prevent and detect waste, fraud, and abuse in such programs and operations.
- means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operation and the necessity for and progress on corrective action.

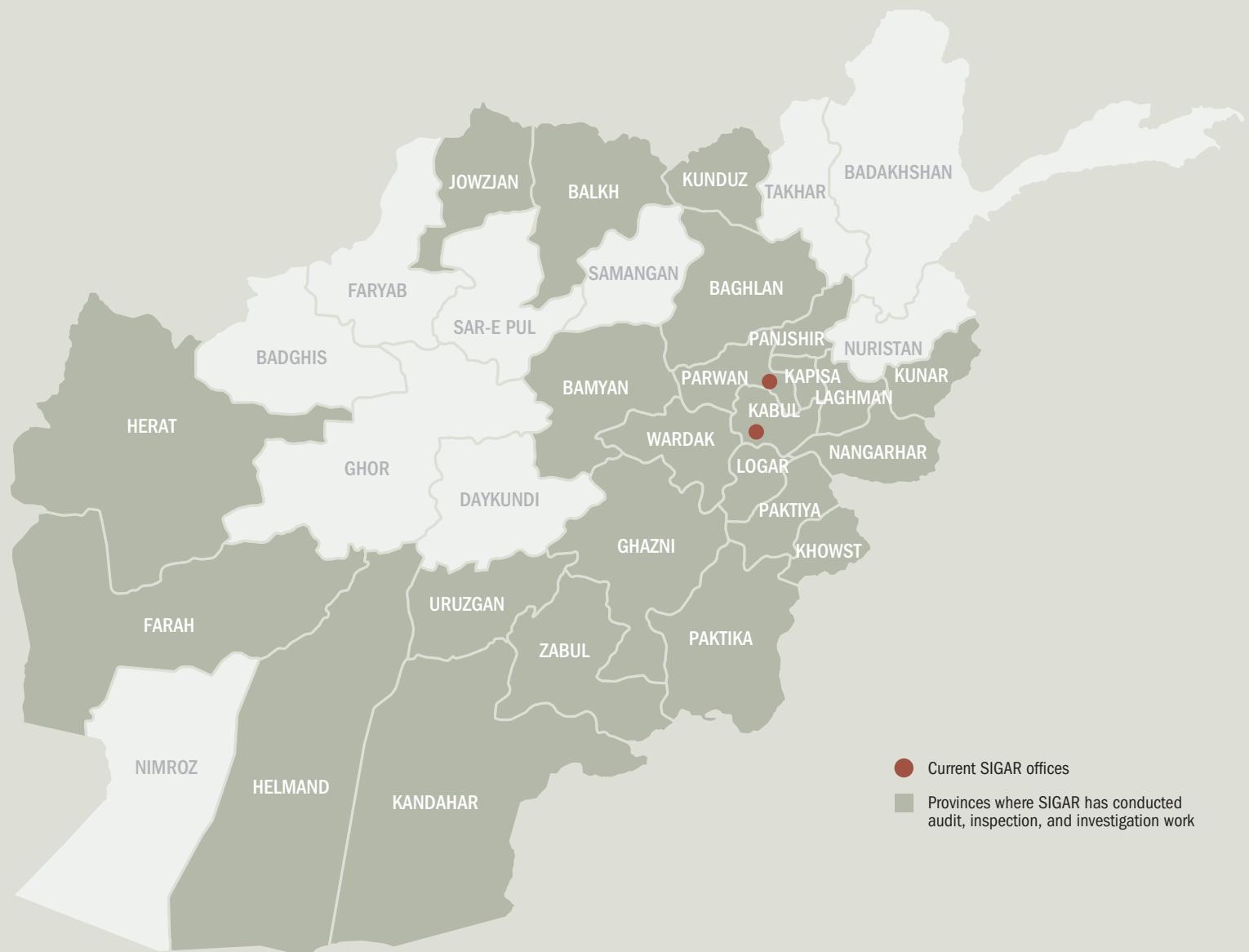
Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Source: Pub. L. No. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008.

(For a list of the congressionally mandated contents of this report, see Section 3.)

Cover photo:

More than 4,500 candidates competed for 600 slots in the National Military Academy of Afghanistan's class of 2015. (NATO Training Mission Afghanistan photo by Sarah Brown)





SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION

I am pleased to submit to Congress, and the Secretaries of State and Defense, SIGAR's 29th quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

This quarter Afghanistan's national-unity government completed its first year in office. The anniversary was marked by success as well as failure. At the request of the Afghan government, President Barack Obama announced in October that the United States would halt its military withdrawal from Afghanistan and keep the current U.S. force of 9,800 troops in place through most of 2016. On September 5, international donors welcomed the government's reform program at the Senior Officials Meeting in Kabul and reaffirmed their commitments to Afghanistan under a new framework called the Self-Reliance through Mutual Accountability Framework.

However, a major setback occurred on September 28, when the Taliban seized the city of Kunduz, the first provincial capital the insurgents had captured since 2001. Afghan forces have since retaken the city. Tragically, during the fighting, a U.S. aerial gunship, possibly at the direction of Afghan forces on the ground, fired on a Doctors Without Borders hospital, killing at least 22 people. The commander of the U.S. forces in Afghanistan, General John F. Campbell, has pledged a full investigation into the attack.

The ease with which a relatively small number of Taliban fighters overran Kunduz called into question the leadership and readiness of the Afghan National Defense and Security Forces (ANDSF). The United States has invested the lion's share of its reconstruction funding, some \$65 billion, to build up the Afghan army and police forces. As outlined in Section 3 of this report, SIGAR has repeatedly raised concerns about ANDSF capabilities and will continue to monitor closely their performance. News reports suggest that tensions over the misbehavior of the Afghan Local Police (ALP) contributed to the collapse of Kunduz's defenses. This quarter a SIGAR performance audit found that despite the Department of Defense's spending about \$470 million to help support the ALP, the ALP lack logistical support, oversight, and a plan for either disbanding the force or incorporating it into the Afghan National Police.

As a part of SIGAR's ongoing effort to assess the reconstruction effort, President Ashraf Ghani graciously agreed to be interviewed in September for this quarterly report. In a wide-ranging discussion, the president pointed to the development of the ANDSF as the greatest achievement of reconstruction and called for lifting rural incomes to drive out the narcotics trade. An edited transcript appears in Section 1 of this report.

SIGAR investigations achieved significant results once again in this reporting period. Investigations achieved cost savings to the U.S. government of approximately \$123.7 million; fines, forfeitures, and restitutions total over \$26.7 million. Additionally, there were two arrests, five criminal charges, seven convictions, and nine sentencing. SIGAR initiated 18 new investigations and closed 22, bringing the total number of ongoing investigations to 306. Savings to date from SIGAR investigations total over \$944.5 million.

SIGAR issued 17 audits, inspections, alert letters, and other products. One SIGAR performance audit found that the United Nations High Commissioner for Refugees and the Department of State are unable to independently verify the number of Afghan refugees

reported by the Pakistani and Iranian governments, and that the Afghan Ministry of Refugees and Repatriation has limited capacity to fulfill its obligations, despite international assistance. The Audits and Inspections Directorate also issued three alert letters this quarter. Two letters (one classified) expressed concerns about the fate of a command-and-control facility at Camp Brown. A third letter alerted DOD officials and U.S. military commanders of potential critical shortages of cold-weather gear for the ANDSF.

This quarter, SIGAR issued six financial audit reports. To date, SIGAR's financial audits have identified more than \$280.4 million in questioned costs and \$289,880 in unremitting interest on advanced federal funds or other amounts payable to the government. As of October 30, 2015, funding agencies had reached a management decision on 50 audits and are seeking recovery of over \$16.7 million in questioned amounts.

SIGAR published an inspection report that found that while a power-grid project at the Counter Narcotics Strip Mall in Kabul was completed within budget and met contract performance standards, the power grid was not tested and deemed operable until more than 18 months after its completion. This quarter, SIGAR's Office of Special Projects published its review of the Task Force for Business and Stability Operations' Downstream Gas Utilization project. The office also wrote to U.S. military commanders to request information about the necessity for, and potential wastefulness of, several recent procurements made on behalf of the ANDSF.

Additionally, the Office of Special Projects wrote two letters to the U.S. Agency for International Development (USAID) that reviewed operations at the Tarakhil Power Plant and stressed the importance of maintaining accurate geospatial information for USAID-supported health facilities. As part of its ongoing review of USAID-supported health facilities in provinces throughout Afghanistan, SIGAR also wrote to USAID to provide the results of recent site inspections conducted by SIGAR to verify the accuracy of USAID locational data and operating conditions at 23 USAID-funded public-health facilities in Herat.

SIGAR's suspension and debarment program referred 18 individuals and 12 companies for suspension or debarment from receiving U.S. government contracts. Three of these individuals were referred for suspension based upon criminal charges being filed against them for misconduct related to or affecting reconstruction contracting in Afghanistan. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 680, encompassing 361 individuals and 319 companies to date.

With the United States committed to spend billions in the coming years to help Afghanistan pay for its security forces and strengthen its institutions, my staff and I look forward to working with Congress and other stakeholders to provide fair and transparent oversight of the U.S.-funded reconstruction.

Respectfully,



John F. Sopko
Special Inspector General for Afghanistan Reconstruction

EXECUTIVE SUMMARY

This report summarizes SIGAR's oversight work and updates developments in the three major sectors of Afghanistan's reconstruction effort from July 1 to September 30, 2015.* It also includes a transcript of SIGAR's interview with Afghan President Ashraf Ghani. During this reporting period, SIGAR published 17 audits, inspections, alert letters, and other reports assessing the U.S. efforts to build the Afghan security forces, improve governance, and facilitate economic and social development. These reports identified a number of problems, including a lack of accountability, failures of planning, and construction deficiencies. The cost savings to the U.S. government from SIGAR's investigative work amounted to approximately \$150.4 million. SIGAR investigations also resulted in two arrests, five criminal charges, seven convictions, and nine sentencing. Additionally, SIGAR referred 18 individuals and 12 companies for suspension or debarment based on allegations that they engaged in fraud and nonperformance in contracts.

SIGAR OVERVIEW

AUDITS

SIGAR produced three alert letters, two performance audits, six financial audits, and one inspection.

The alert letters addressed:

- Concerns over the fate of a command-and-control facility at Camp Brown (SIGAR issued one unclassified and one classified letter)
- The potential critical shortage of cold-weather gear for the Afghan National Defense and Security Forces (ANDSF)

The performance audits found:

- The United Nations High Commissioner for Refugees and the Department of State (State) are unable to independently verify the number of Afghan refugees reported by the Pakistani and Iranian governments, and that the Afghan Ministry of Refugees and Repatriation has limited capacity to fulfill its obligations, despite international assistance.
- Despite the Department of Defense's (DOD) spending about \$470 million to help support the Afghan Local Police (ALP), the ALP lack adequate logistics support, oversight, and a plan for either disbanding the force or incorporating it into the Afghan National Police.

The financial audits identified over \$1.2 million in questioned costs as a result of internal-control deficiencies

and noncompliance issues. These deficiencies and non-compliance issues included among other things, failure to follow competitive procurement procedures, purchase of materials from restricted sources, overcharging due to utilization of improper currency exchange rates, lack of sufficient documentation to support costs incurred, and billing for ineligible tax fines and penalties.

The inspection report of a U.S.-funded facility found:

- While a power grid project was completed within budget and met contract performance standards, the power grid was not tested and deemed operable until over 18 months after its completion.

NEW AUDITS AND INSPECTIONS

This quarter, SIGAR initiated two new performance audits which will assess effectiveness of the Commander's Emergency Response Program and the award, administration, and performance of Legacy research contracts. SIGAR also initiated five new inspections of the construction for the Afghan National Army's Ground Forces Command, Garrison Support Unit, and Army Support Command; Afghan 3rd Air Squadron

* SIGAR may also report on products and events occurring after September 30, 2015, up to the publication date.

EXECUTIVE SUMMARY

Special Mission Wing facilities in Kandahar; women's dormitories at Balkh University; Salang Hospital in Parwan Province; and Baghlan Prison.

SPECIAL PROJECTS

During this reporting period, the Office of Special Projects issued five products, including two reviews, two alert letters, and one inquiry letter addressing issues including:

- further SIGAR analysis on the underutilized Tarakhil Power Plant based on additional data provided by the U.S. Agency for International Development (USAID) and Da Afghanistan Breshna Sherkat
- USAID's response to SIGAR's inquiry letter last quarter regarding the accuracy of geospatial data for USAID-supported health facilities
- recent procurements, valued at more than \$630 million, made on behalf of the ANDSF
- results of SIGAR's site inspections of 23 USAID-funded health facilities in Herat Province
- SIGAR's final review of the Task Force for Business and Stability Operations' Downstream Gas Utilization project

resulted in a \$116 million savings to the U.S. government.

- A former U.S. Air Force officer was sentenced for making a materially false statement and violating the restriction on post-employment communications and appearances.
- Two U.S. Navy Reserve members received Admiral's Mast disciplinary action for dereliction of duties related to their involvement in culvert-denial systems contracts.
- Two U.S. military members pled guilty to bribery.
- A contracting officer pled guilty to charges of obstruction of a federal audit.
- An investigation and independent audits resulted in the termination of a program and a \$7.4 million savings to the U.S. government.
- A U.S. contractor was convicted following a bribery investigation.
- A former U.S. Army member was sentenced after pleading guilty to bribery of a public official.
- A U.S. Army Reserve member pled guilty to bulk-cash smuggling and theft of government property.
- A U.S. Army member was sentenced for receipt of gratuities.

INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in cost savings to the U.S. government of approximately \$123.7 million; fines, forfeitures, and restitutions totaled over \$26.7 million. Criminal investigations resulted in two arrests, five criminal charges, seven convictions, and nine sentencing. SIGAR initiated 18 new investigations and closed 22, bringing the total number of ongoing investigations to 306. SIGAR's suspension and debarment program referred 18 individuals and 12 companies for suspension or debarment.

Investigations highlights include:

- A federal judge handed down stiff sentences as a result of a bribery and fuel-theft conspiracy investigation.
- An investigation, which confirmed allegations that a contractor submitted a fraudulent bid package,

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“While we face daunting obstacles, we can also glimpse opportunities. The most encouraging sign we have had in some time is that the contentious and controversial 2014 elections in Afghanistan ultimately and nonviolently produced a National Unity Government that appears to be working. The leadership of President Ashraf Ghani and Chief Executive Abdullah Abdullah encourages me.”

—*Special Inspector General John F. Sopko*

1 INTERVIEW WITH AFGHANISTAN'S PRESIDENT



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SIGAR's director of research and analysis, Deborah Scroggins, interviews President Ashraf Ghani at the presidential palace in Kabul, September 2015. (SIGAR photo by Steven Mocsary)

INTERVIEW WITH THE AFGHAN PRESIDENT

INTERVIEW WITH PRESIDENT GHANI

In its January 2013 *Quarterly Report to the United States Congress*, SIGAR proposed seven key questions to guide policymakers evaluating current and future reconstruction projects in Afghanistan. Near the top of the list of questions was: Do the Afghans want the project and need it? In this spirit of seeking Afghan input to the U.S.-funded reconstruction, SIGAR's director of research and analysis, Deborah Scroggins, interviewed President Ashraf Ghani on September 7, 2015, at the Arg Presidential Palace in Kabul. Their discussion took place a day after the conclusion of the Senior Officials Meeting (SOM) to refresh the Tokyo Mutual Accountability Framework, the agreed-upon guidelines for international assistance to Afghanistan, and several weeks before the Taliban, in a major setback for the government, temporarily seized the provincial capital of Kunduz on September 28. An edited transcript of their conversation follows.

SIGAR: *I wonder if you can tell me what new commitments were made on the part of Afghanistan and the international community at the Senior Officials Meeting.*

President Ghani: First of all, before we begin, let me pay tribute to the American servicemen and women who have paid the highest sacrifice. Our relationship with the United States is in the nature of a foundational partnership. This has been cemented by the blood, and by the immense investment in resources. And we have a shared journey and a destiny. Also civilians: there have been a lot of U.S. civilians who have again paid the highest price in terms of loss of their life. So, please convey the deepest sympathy, empathy, and the thanks of a nation, a state, and of a president to the families who I'm sure are still grieving, as one always does.

But I hope that time will heal and that what we are committed to, and the SOM embodies, is to honor those sacrifices through the creation of institutions, processes, and systems that would bring the type of transformation that the United States was instrumental in first bringing to Europe, and then to northeast Asia. One needs to remind oneself that U.S. assistance in the



The Afghan flag flies over the Arg, the presidential palace in Kabul. (DOD photo by Cherie Cullen)

INTERVIEW WITH THE AFGHAN PRESIDENT

past has a lot of lessons of success that we need to draw upon to see how, in the current challenges, we can work together.

On the part of Afghanistan, our key message [to the SOM] was that we are a government that can draw a balance sheet. Meaning that all that we've inherited and our challenges, our problems, our constraints, our obstacles will be confronted honestly, systematically, and methodically. As far as reforms are concerned, we will lead, articulate, design, and implement, because it is we who must own the process. So that our dialogue has really become enormously productive because it's not a dialogue of the deaf or one of mutual incomprehension.

Compared to the past years, I think what characterized the SOM was the constructive nature of the conversation. There's no blame game, because we as the Afghan government would not engage in a blame game, and once you own the problem, it becomes very easy for your partners to help you. And that's the spirit. The related issue was that we presented [as] a team, not an individual. The reform effort is not mine. It is that of a very competent cabinet, of a group of very dedicated men and women across [government]. I catalyze, lead, and orchestrate, but the sustainability cannot come from a person-centered, leader-centered agenda. It must be much broader, much deeper, to take hold. And because of that I'm very direct about issues of legacy. Whether I am in this chair two days or two terms, it's a bounded period. What we will be measured by is what we leave for others in terms of opportunities and not problems. So our fundamental focus is on that.

Economy has become a major focus for us, and again, fundamentally, because our message is one of self-reliance. Even if we didn't have the violence or corruption or poverty, our balance of payments, or the imbalance of payments, to be more precise, is a recipe for disaster. When you export the royal sum of \$400 million, and there's a gap of \$8 billion to \$12 billion in imports, you simply cannot do this. So the shift here is, our first message is productivity. You take Afghanistan's assets, some of which again have been very generously created the last 14 years through U.S. assistance, and that of our other partners, the utility is very low. If you take our factors of production, whether it's people, land, or water, or transport, it's very low. Our mineral resources, one of the richest in the world, are hardly utilized.

So creation of productivity becomes the key good, because without productivity, you cannot measure growth, and you cannot measure whether it's structural or just episodic. And here our message is that the consumption-funded era of growth is over. We need to create a productive economy that then can serve as the basis of sustainability. How to pay for our security forces, how to pay for our women's empowerment, how to put our children in school, etc. And this means we have to go towards a pathway that delivers. So then the question becomes: what's the unit that moves the economy? And the unit that moves the economy is the firm, the firm and enterprise. It's not individuals. Individual entrepreneurship is phenomenal

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in Afghanistan because as inheritors of the Silk Road, you know, we thrive on networks, but that's not what measures productivity. We have to focus on formation of enterprises, because competitiveness is measured by your firms. Firms compete in a regional economy, in a national economy, and a global economy.

When I was finance minister, I was instrumental in creating the telecom sector. We had 100 mobile phones, we now have over 22 million. Why? Because the rules of the game were very clear. First [we issued] two licenses, after three years, another two licenses, so that profitability could be ensured. The private sector needs to make money, legitimate money. Consumers need to have reliable services and those services need to become cheaper, not more expensive, and without competition, we can't do this. And the government has to have revenue. All of these were satisfied in the telecom sector. We have four firms. The smallest is worth an estimated \$500 million, the larger ones are over \$1 billion. This is what we want to replicate now across a number of core sectors so that we can ensure that there is change, structured, meaning that the sectors change and that you can compete and create new types of jobs because taxes are key to citizenship. No taxation, no representation. But we have representation without taxation, the opposite of [Washington] D.C.'s slogan! Because again, you know, when assistance was generously provided, it weakened the obligation, and now we need to ensure that taxation and representation go together.

SIGAR: *And do you have a plan for that?*

President Ghani: Of course, yes, a very detailed plan on how to organize our budget. So our third message was, our budget was a bottom-up series of compromises. So no one said "no" to anybody, and that they could spend [the funds within their budget]. There are over 100 countries on earth that cannot spend [all of their budget]. This didn't have a name, so I named it, I called it the expenditure constraint, and in the United States, also there are departments that are known for their inability to spend money, both at the federal level and at the state level. So the key is not just to be able to acquire the money. One has to be able to spend it, and spend it properly, which means that priorities need to be very clearly articulated because money is always limited, no matter how rich a country.

So then you have to have clear priorities, and clear priorities must be derived from a policy process which can prioritize. Because of this, the presidency in Afghanistan is changing from an individual-centered institution to a series of councils. What in the United States took place from World War II until recently, in terms of creating the institutions of the presidency, what was the National Security [Council], and the National Economic Council and others, we are doing simultaneously. And this would allow us



These cell-phone dealers in Paktika Province are part of Afghanistan's growing telecommunications sector. (Photo by Andrya Hill for Afghanistan Matters via Wikimedia Commons)

INTERVIEW WITH THE AFGHAN PRESIDENT

to focus and then prioritize, and on this basis, they will be delivered. And also the focus can shift on building systems and processes.

I can go on, but to get to the last part: Poverty eradication requires job creation, and the largest lesson of the New Deal [in the United States in the 1930s] was jobs, because without a government role, at this moment in terms of creating a stimulus package that can create employment, our gains in other areas would be subject to jeopardy.

And when you do reforms, [you realize]: those who benefit, benefit in the medium term. But those who lose, lose in the short term. And the losers, in systems that are corrupt, or patronage-ridden, or otherwise manipulated, are organized. The majority wishes change, but their voice is weak. So what we need to make sure is that in this process, three numerical majorities that are minorities economically and politically, really become our focus: women, youth, and the poor. Because those are the ones that will ensure stability, legitimacy, and prosperity. And without focusing on those majorities, their distinctive needs, aspirations, but also the immense problems they confront, one cannot create the bonds of citizenship that are fundamental.

SIGAR: *I wonder if you can talk a bit about what you think the successes and failures have been of the U.S.-funded reconstruction effort.*

President Ghani: Well, first, there was no paradigm for Afghanistan.

SIGAR: *How is that?*

President Ghani: The United States had plans for every eventuality. You know, the Pentagon has plans for every possible threat. There was no plan for a threat emanating from Afghanistan. This [the 9/11 attacks] literally was unthinkable. You know when you talk, as I've had to, to safety experts in Europe; I still remember, you know, one of those vivid images: a very, very distinguished member of [the New York City] mayor's advisory board in 2002 telling me repeatedly, we didn't figure that, because again it wasn't conceivable, that narrative. So there, when you have an unprecedented phenomenon, the first part is improvisation, because it cannot be part of a systematic [plan]. Second, without U.S. assistance, where we were and where we are, this platform could not have been created.

So, first, what's the success? Afghanistan didn't have any armed forces. All our military and police installations were totally destroyed. In the Ministry of Defense in 2000—I returned at the end of 2001, after 26 years, and I became national security advisor and national economic advisor very quickly, and then finance minister in June of 2002—no ministry had chairs. At our Ministry of Defense, there was nothing. There was not a single army barrack that had facilities.

QUARTERLY HIGHLIGHT

DR. MOHAMMAD ASHRAF GHANI

Mohammad Ashraf Ghani was born in Logar Province, Afghanistan, in 1949. He completed his primary and secondary education in Kabul, where his father was a senior official under King Mohammed Zahir Shah. In 1973, he earned his bachelor's degree from the American University in Beirut. After winning a government scholarship to study at Columbia University, he left for New York in 1977. When pro-Soviet Union forces came to power in 1978, most of the male members of his family were imprisoned and he was stranded in the United States.

After earning his Ph.D. in anthropology at Columbia in 1983, he was invited to teach at the University of California, Berkeley, and then at Johns Hopkins University. In 1991, Ghani joined the World Bank as its lead anthropologist, advising on the human dimension to economic programs. He served for 11 years, initially working on projects in East Asia, but moving on to articulating the Bank's social policy, reviewing country strategies and conditionality, and designing reform programs.

Following the ouster of the Taliban in 2001, Ghani was asked to serve as special advisor to Ambassador Lakhdar Brahimi, the UN Secretary-General's special envoy to Afghanistan. In that capacity, Ghani returned to Afghanistan and worked on the design, negotiation, and implementation of the Bonn Agreement, which outlined the transition to a new government based on popular consent. President Hamid Karzai appointed him Minister of Finance in 2002.

As Finance Minister, Ghani issued a new currency; computerized treasury operations; institutionalized a single treasury account; adopted a no-deficit financing policy; introduced the budget as the central instrument of policy; centralized revenue; reformed the tariff system and overhauled customs; and instituted regular reporting to the cabinet, the people of Afghanistan, and international stakeholders as a tool of transparency and accountability.

After the election of President Karzai in 2004, Ghani was appointed chancellor of Kabul University. In 2005,



President Ghani presented Afghanistan's new reform plan at the December 2014 London Conference of aid donors. (UK Department for International Development photo)

he co-founded the Institute for State Effectiveness, an organization which aims to help governments and their international partners build more effective, accountable systems of government. He co-authored the book *Fixing Failed States: A Framework for Rebuilding a Fractured World* in 2008.

In 2009, Ghani ran for president, placing fourth. In 2010, he served as chairman of the Transition Coordination Commission, which was responsible for the transfer of power from International Security Assistance Force (ISAF) troops to the Afghan National Defense and Security Forces (ANDSF).

Ghani ran for president a second time in 2014. No candidate won more than 50% of the vote, so a runoff election was set between him and his nearest rival, former Foreign Minister Abdullah Abdullah. On September 22, Ghani was declared the winner of the highly contentious election with 55.27% of the vote. On September 29, 2014, he was sworn in as president, while Abdullah was sworn in as chief executive of a new government of national unity.

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SIGAR: *And now?*

President Ghani: And now we have 345,000 [personnel in] security forces. There are six army corps, plus the Capital Division. Every single one of them has facilities that stand out in comparison to the region. All this is generously given to us by the United States. Others have contributed, but relatively, the lion's share is coming [from the United States]. We have a security training academy in Kabul; one part of it is created courtesy of Britain, based, affiliated with Sandhurst [the British military academy]. In other words, this again is a success in creation of a system that will underwrite the future generations, because all the training that takes place is not episodic; it's not just for today. It lays down the foundation of generations to come.

We didn't have any equipment. The police had no guns, nor did the army. We created an army, the first division of Afghan national army... And when they took their first parade to Kabul, citizens were crying and embracing them... So a basis for stability has been created.

When you look at our special forces, they have no match in the region. I think one could say that without exaggeration, not because others are not brave or trained, but because ours train with the very best, which is that of the United States Special Forces, and because we have had, unfortunately, immense combat experience. So our armed forces today are a tribute to this partnership. Look at last year this time, every, almost every single pundit was predicting that the Afghan security forces would not be able to take the withdrawal of 100,000 NATO ISAF [International Security Assistance Force] troops. And of course those pundits proved right about certain other locations, like Iraq, but the Afghan security forces have held, against immense threats, the integrity and the independence and the sovereignty of this country. This was inconceivable without that very significant investment that has taken place.



Afghan National Army soldiers patrol in the mountains of Khowst Province.
(U.S. Army photo)

SIGAR: *What about failures? What have been some of the failures of this reconstruction effort?*

President Ghani: The failures have been inadvertent. They have been consequences of needing to work under pressure of time. The military engagement was conditional; President Obama defined very carefully, as commander-in-chief of the United States, the boundaries of engagement. And logically the U.S. Army pulled off almost a miracle. In terms of supply-chain management, this, I think, will become a case study for decades to come, because [of] the speed with which the surge, you know, the [2009] scaling up took place, the supply routes that were created and others.

But on the civilian side, to scale up meant very different things, and the skills necessary for that sort of thing, because there was no preparation for that, were problematic, so that needs careful evaluation. For instance,

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USAID [the U. S. Agency for International Development] had all the intentions, but it did not have capacity because in the 1970s, '80s, and '90s, all its capacity had been systematically taken away. So it had become an organization that could manage contracts, but could not mobilize directly the way it had done in the past. And the legacy of those decisions had consequences: so prices rose very significantly. On average, a USAID official was responsible for a minimum of \$30 million in projects. So, these were challenges in contract management and others in a place where institutions were weak and ownership was low. It put a lot of burdens on the civilian staff and the embassy and USAID and others. Because we were dealing with emergencies, system-wide focus, processes, sustainability—those were issues that took a backseat, and now we are focusing very clearly on those.

SIGAR: *What about the Western efforts to empower women and give them a larger role in society? Do you think those have been on target or would you like to see a different kind of focus?*

President Ghani: First of all, this is a value we completely believe in. Our women experienced gender apartheid at the end of the 20th century. We have a long history of women's empowerment in this country and have had very strong women historically, and particularly in the 20th century. In the 1960s, when I was in school, women came into their own, teachers, doctors, engineers, etc. ... And in 1992, when the communist-backed government failed, the majority of the professors at Kabul University were women, as were the students. But then came a very strong gender apartheid that pushed them back. Our women desire participation, desire inclusion, and are emerging.

And one of the key achievements, again, has been that there is enormous capacity among the women. I had the honor of nominating the first woman to the supreme court of Afghanistan. Unfortunately, she lost [parliamentary confirmation] by eight votes. But I interviewed every head of provincial appellate courts, 34 of them; she stood head and shoulders above all of them. I did not appoint her because she was a woman; I nominated her because she was the most competent. And now we will [work] massively for placing women in senior positions; not because they are women, which is important, but because they are competent. ...

The area where I would like to see a lot of shift is the economic empowerment of the women. Economic empowerment of women cannot come through contract-based consultants, because their incentives are very different. Key here is to make sure that a woman's work transforms from unpaid work to paid work; that their value changes, that we focus initially on those areas where women [already] have a major role in the economy, but where they are marginalized. For instance, horticulture here is totally a women's activity. Textiles has been a women's activity. Jewelry could



The former Taliban government restricted much of women's participation in Afghan life, including education. In this late-1950s photo, women take part in a biology class at Kabul University. (Photo for the Afghan planning ministry, accessed via Wikimedia Commons)

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Women sew bed sheets at a woman-owned Kabul factory. (NATO Training Mission-Afghanistan photo by Lieutenant Russell Wolfkiel, U.S. Navy)

become—could become, has been, but could become—much more significant. We've been weak in these areas. There has been a lot of talk, very nice glossy brochures, but not the substantive part. All help is appreciated, please don't misunderstand me, but the focus needs to be ... Just to give you an illustration, if 40, 20 of the top department stores and the chains in the United States could be persuaded to do two things: Sell a brand, help us develop a brand, made by Afghan women and market it. Develop the marketing links; it would do an unbelievable amount of good, and then the assistance could be channeled towards building those chains, because that sort of chain becomes sustainable. But if you're transferring a cash transfer or, you know, doing a training course, [they're] all valuable in their own right, but without a systemic focus, it doesn't hold. And this is where I'd like the dialogue to focus. But it is precisely again because now we do have the educated women, the skilled women, and the entrepreneurial talent. The Afghan woman is a manager because she always has to make very hard choices, [such as] who to feed.

SIGAR: *You have called for a jihad against corruption. Can you tell me what your government is doing to fight corruption?*

President Ghani: Sure. First of all, on the second day in office, we took on the Kabul Bank. [The failure to rightly prosecute individuals responsible for the collapse of] Kabul Bank had become a symbol of governmental impotence and a face of entrenched interests and a face of, and a symbol of, the refusal of a government to own its problems. Now all the legal proceedings have been completed, we are realizing money—I think there have been crises from saving and loan associations in the United States, in Mexico, in Pakistan, in other countries—I think we are going to make history by making sure that public money is recovered. We have recovered over \$228 million, \$50 million of it very recently. And [it was] completed in record time, in six months, all the court process from the primary court to the Supreme Court was complete, and now we have a commission for bad debt collection.

The second issue was procurement, contracts. If you speak to [Major General Todd] Semonite, [at the time of the interview] commander of the Combined Security Transition Command-Afghanistan (CSTC-A), he will inform you that in the security area alone, we have secured a savings of \$500 million. Every single contract, in terms of food, supplies, and others in the Ministry of Defense, was overhauled. Every Saturday, I chair a national procurement council and now we have a full agreement with CSTC-A that [when necessary], we order the renegotiation of these contracts. We've saved tens of millions of dollars, again, in terms of this. But the core of it is that everything now is becoming legal, because the smallest part of our procurement law is being enforced. People are not being allowed to get away

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with first authorizing a project and then saying the budget must be allocated. It's a legal process, it sends signals, and you can see that [the impact] is cascading down.

SIGAR: *What about the attorney general? You have not yet appointed an attorney general.*

President Ghani: The attorney general was changed [from] the previous one, about whom there were a lot of allegations. The sequence of reforms was, first, in the security area, I retired 62 generals in the Ministry of Defense alone. Ten more have been recently retired.

The second area was governance, to be able to get a cabinet, and, in terms of the cabinet, we've succeeded in bringing a totally new generation, competent, capable both of leadership, management, and teamwork, governance. We then focused on the Supreme Court, because now we have [former Deputy Minister of Justice Sayed Yousuf Halim] our best legal mind, with immense experience and not a whiff of corruption, who spent three decades in our Ministry of Justice and was the author of the most significant [legislation] because he led the legislative department, is now the Supreme Court [Chief Justice].

Now we will be turning in earnest toward the overhaul of the attorney general's office. But because so much has to be [set up]—there's a term coined by a business professor, it's called the catalytic mechanism, meaning that oxygen and hydrogen will not produce water unless there is iron. Iron doesn't do anything but makes it possible as a catalyst. I see my leadership role, one of my leadership roles is to serve as a catalyst for change. But this, to serve as a catalyst, you really need in-depth knowledge and understanding and sequencing. So for our first year, as we approach [the anniversary], I think our record is good but not brilliant, because again we've had to fight the war.

SIGAR: *The United States has spent \$8.4 billion on counternarcotics efforts and yet Afghanistan continues to break records for producing opium. What needs to change?*

President Ghani: What needs to change is first we need to understand the problem. There are four drivers of narcotics: producers, processors, traffickers, and consumers. The illicit global economy is about \$1.2 trillion a year. ... Narcotics, whether heroin or cocaine, provide an immense part of this. The bulk of the profit goes to the traffickers, and there are empirical studies [that show that] our failure has been not focusing on agriculture and on job creation. Narcotics is a very large part of a very small economy.

The growth of the economy, a system that would be suitable to Afghanistan, was not the focus. You cannot carry a war on drugs because,



Pedestrians and cars mingle on a busy street in front of Kabul Bank. (Photo by Brian Hillegas via Wikimedia Commons)

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Afghan Uniformed Police members unload confiscated opium poppy for burning in Nimroz Province. (U.S. Marine Corps photo)

again, if you look at the literature on Latin America, Central America, and particularly Mexico, there are lessons and the lesson that is fundamental, [is that] those are failures. ... The drug war there or the drug wars, because they have been fought over a very long time, the jury judges them to be problematic. Where success has been has been in Thailand, because the Golden Triangle [where drug production had been centered] shifted. And there the key issue was job creation.

Studies were done some years back by the U.S. Embassy [in Kabul], and it showed that in order to deal with narcotics successfully, we need 40,000 kilometers of road to integrate the economy nationally and regionally. Now, that is just beyond U.S. support. You know, we need a global alliance to be able to deal with this very systematically. The bulk, where does the bulk of the heroin go? Europe, Russia, Iran, and now expanding into China and India.

But the other part of it is now we really have a serious addiction problem ourselves, 3.5 million [citizens addicted]. So people were in denial here, they said—particularly false religious justification was provided that “Yes, it’s forbidden in Islam—because it is—but we are selling it to foreigners.” Now look at the news, it’s their children and children of their children that are addicted. So, we need a revolution in agriculture. U.S. assistance to Taiwan and to South Korea is the model, and to Japan. We need, and this is my message, we need to invest in agriculture and bring about that fundamental change to create the type of jobs because our most labor-intensive, the most well-paid, labor-intensive job is \$4 a day. At the height of poppy harvesting, they are paying \$16 to \$18 a day and, even more striking, they are paying the women, not just the men.

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SIGAR: *That's a big gap. Special Inspector General John F. Sopko has often said that the United States has helped Afghanistan build an army and a police and a government that it can't afford. Donor grants make up around 60% of the budget here. What is your plan to wean Afghanistan off of donor assistance and to build the economy?*

President Ghani: Well, first, fundamentally is that I agree that a key criteria of independence is not [simply] to have an army and a civil service; the key criteria is to be able to pay for it. So what we are focusing on is to create the self-reliance, because in today's structure, it's not autonomy. You cannot build autarky. The economy comes out of connectivity.

So what are our assets and how do we intend to utilize them? Our first asset is our location. All roads between Central Asia and South Asia lead to us. We also are in, now in a very good position to connect to China with which we have a 40-mile border—that's significant—also to West Asia, to the Gulf Region. This is fundamental because connectivity would transform and would bring very, very significant revenue and the jobs structure of services. [The year] 1869, the United States created its economy when the railways were joined [between the Atlantic and Pacific coasts]. Before that it was a geographic space, then it became a continental economy.

Asia in the next 20 years is going to become a continental economy. Afghanistan's connectivity is absolutely central to this, so we are focusing both on the software which is transit agreements, trade agreements, infrastructure agreements, and the hardware which is infrastructure. So if you want to do this now it requires the financial instruments and the resource mobilizations to build the infrastructure. Roads, railways, pipelines, transmission lines, because we are transferring power from central Asia, airports which the United States has helped build very generously, canals, highways, and dams.

Our second asset is water. Every day the climate change gets worse. If there are two degrees of warming, some of our neighbors are going to face very serious issues of desertification. Our water is fundamental. We have not managed our water; only 10% of our water is managed through 1960s technology. All the rest is managed through the technology of 2,500 years ago that we [Afghans] invented. And again, what the U.S. did in Taiwan and South Korea are examples that this can really be done, water can be harnessed. The productivity of water will be immensely transformative.

Our third asset is land. We have only half of the land under cultivation that we had in 1978. So land and water bring about rural stability and an ability to participate. Our balance of payments, at least \$4 billion, is in foodstuffs. We should be exporting. We could transform this to a \$2 billion net export.

Then there is our mining. I hired the U.S. Geological Survey because first nobody believed me when I was finance minister, and they said there is nothing but rocks in Afghanistan—Ashraf is crazy. Now nobody is saying I

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am crazy. Thirty percent of our natural wealth has not only been surveyed from the air, it has been mapped from the ground because we had the previous Soviet Russian data. That is estimated at \$1 trillion to \$3 trillion. So we have the potential to become the largest producer of copper in the world and of iron. We have 14 of the 17 rare earth materials. With our lithium reserves, we are described as the “Saudi Arabia of lithium.” [We have] old, precious stones, and others. Then there is oil and gas. Our gas is not fantastic at this moment, but the news improves every year. So we have a substantial wealth in this country; our tragedy is we are a wealthy country inhabited by poor people.

Then there is money. A lot of money was made when you had 150,000 NATO ISAF troops and with them were around 400,000 contractors. It created immense jobs in the transport sector and the construction [industry]: we have thousands of millionaires in dollars. But the investment climate has not been appropriate. They spend a lot of money on conspicuous consumption. Some weddings cost \$20 million. . . .

And then there's our human capital. As I said, there are highly educated women, men, and our children, young people, went literally from refugee camps to the best Ivy League and West Coast universities, as well as the rest of the world. When you put this together, this country can become a viable economic proposition, and that's what would then provide [the revenues for the state].

This is one part, the second is efficiency. We were given a level of luxury that [we cannot afford.] We need to economize so efficiency becomes extraordinarily important. For instance, food to the army and police. I'm reorganizing the entire supply of food to the army and the police so it supports Afghan firms. Almost all the products that were consumed by the army and police were imported. Nobody had figured out how to do this. Now, in the coming weeks, we will be organizing an extraordinarily efficient system of quality control so that a soldier, a policeman—my client is the individual serviceman and policeman—he or she needs to know that what she or he is eating is standard quality and a source of nourishment. This requires organizing the system and we are doing this. In every aspect of our security expenditure, we are focusing on economizing.

And third is, your previous expenditures have given us the platform now to complete in the next years because up to 2017, President Obama and Congress have generously committed [to continue providing assistance], and the next year we will be discussing commitments, that the expenditure is efficient and spent on long-term sustainability, which means certain core functions, how they are performed, would be revisited. For instance, vehicle repairs. You know, vehicle repairs were given in contracts to firms, I think one was called No Lemon, ironic name, that was a \$250 million contract, if I recall. But, you know, vehicles needed to be hauled 100 miles or more to be repaired. Creating these workshops within our army and police

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would be immense savings. So every single function, every core function is being revisited and we are looking at economizing.

And the last issue is of course to increase tax payments and a system of contributions. So again in terms of civilian expenditures for instance, in 2002, an average kilometer of road cost about \$180,000 to \$220,000 to build. On the Ring Road [a 2,200-mile, two-lane road connecting Afghanistan's major cities], it rose to \$2.2 million per kilometer because the Kandahar road was built because President Bush generously made a commitment that the road would be finished [at record speed] before the election of 2004. [That cost per kilometer] just became the norm: from being the exception, it became the norm. And then costs kept rising and nobody was in charge. Now we have a full plan, not just how to build infrastructure, but how to build it efficiently, effectively and cost-effectively. . . .

The key is a virtuous circle. Government expenditure must become a stimulus for productivity. The formation of firms must take place in a manner where they both build an incentive and the willingness to pay the taxes and to train the people and all of us can join forces so that the image, what we inherited. . . .

On every global index, Afghanistan did not figure high, and that's the challenge, to change our place because these indices are important for benchmarking, for measuring effort and for judging one's self. And that is exactly what we are doing; we launched our first 100-day plan with the cabinet. Now it's the end of its delivery, and that's why SOM was a success. Now in the second 100 days we will be bringing provinces and ministries together, so that the goals are clear, the strategies are clear. The delivery needs to be in such a manner that gains public trust, yours and ours, because the American taxpayer is a stakeholder in Afghanistan and I acknowledge that openly and that's why I'm speaking—I had the honor of addressing the Joint Session of Congress—I thank the American taxpayer because it's her hard-earned money that we need to account for and this is why we talk about accountability, about mutual accountability, and about a compact and a partnership.

SIGAR: *Mr. President, this has been absolutely fascinating and I could go on all day, but I'm getting signals that I think our time has run out. Thank you so much.*

President Ghani: Unfortunately, I have to run a country. Otherwise I would be delighted to talk to you (laughs).

“I thank the American taxpayer because it’s her hard-earned money that we need to account for and this is why we talk about accountability, about mutual accountability, and about a compact and a partnership.”

—Afghan President Ashraf Ghani