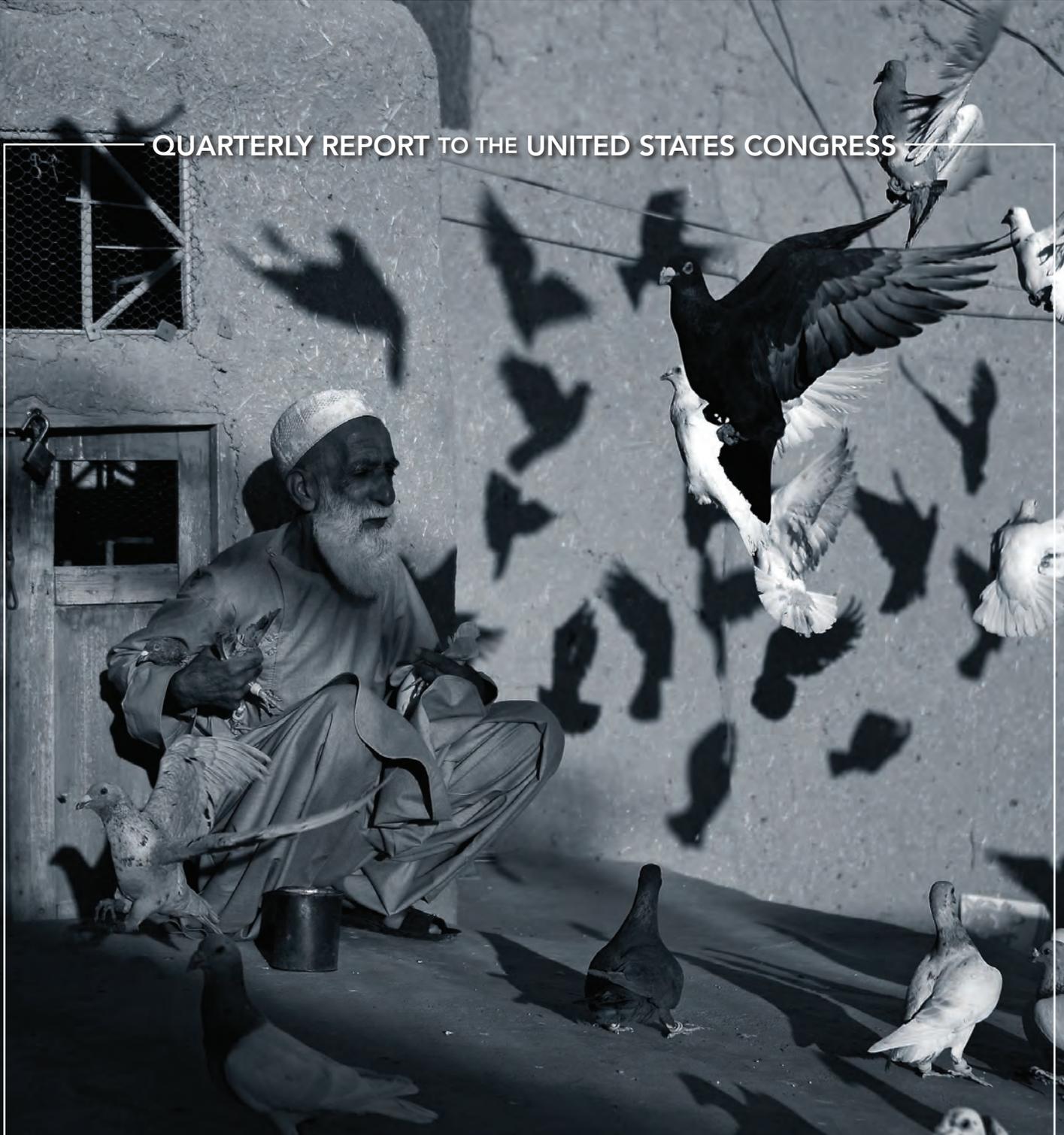


# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

JAN 30  
2019

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.

As required by the National Defense Authorization Act for FY 2018 (Pub. L. No. 115-91), this quarterly report has been prepared in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

Source: Pub.L. No. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008, Pub. L. No. 115-91, "National Defense Authorization Act for FY 2018," 12/12/2017.

(For a list of the congressionally mandated contents of this report, see Appendix A.)

### **Cover photo:**

An Afghan pigeon fancier sits as he feeds his pigeons flying from the rooftop of his home in Herat Province. (AFP photo by Hoshang Hashimi)





SPECIAL INSPECTOR GENERAL FOR  
AFGHANISTAN RECONSTRUCTION

I am pleased to submit to Congress, and to the Secretaries of State and Defense, SIGAR's 42nd quarterly report on the status of reconstruction in Afghanistan.

Like all SIGAR quarterly reports, this report is required by SIGAR's enabling legislation, which states that the agency shall keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of Afghanistan reconstruction programs, and submit a report to Congress on SIGAR's oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. As some data provided to SIGAR is classified or otherwise restricted from public release, SIGAR has since January 2015 also produced a classified annex to its public quarterly reports.

As this report went to press, U.S. Special Representative for Afghanistan Reconciliation Zalmay Khalilzad told the *New York Times* that after six days of talks, U.S. and Taliban officials have agreed in principle to the framework of a peace deal in which the insurgents would guarantee to prevent Afghan territory from being used by terrorists and that could lead to a full pullout of U.S. troops in return for larger concessions from the Taliban. SIGAR will report on these developments in its next quarterly report in April.

In November, SIGAR staff and I joined representatives of 61 national governments and numerous nongovernmental and civil-society organizations at the Geneva Ministerial Conference on Afghanistan. The conference, which took place midway between the last donor pledging conference in 2016 and one scheduled for 2020, presented an opportunity for donors to review Afghanistan's progress at meeting reform benchmarks. Section One of this report discusses the conference and its outcomes.

Section Two of this report highlights SIGAR's work in 2018, including several significant legislative actions taken by Congress to implement SIGAR's recommendations from audits and other reports. SIGAR criminal investigations also resulted in 17 formal charges, 17 convictions, 18 sentencing, criminal fines, restitutions, and forfeitures totaling \$6.6 million, civil settlements totaling \$294,800, and savings and recoveries for the U.S. government totaling \$266.8 million. In the past year alone, SIGAR has received three requests from Congress to examine timely and important reconstruction issues, including a request from the Senate and House Appropriations Committees to review the Afghan government's anticorruption efforts.

SIGAR issued a performance audit report this quarter, examining the multibillion dollar effort by the Department of Defense (DOD) to build the capacity of the Afghan Air Force (AAF) with UH-60 Black Hawk helicopters, including helicopter delivery, pilot training, and maintenance programs. SIGAR found that based on the current UH-60 delivery schedule, it is unlikely that enough pilots will be trained before all of the UH-60s are received. SIGAR also found that DOD currently has no maintenance training course to train Afghan personnel to maintain the UH-60s, 159 of which are scheduled to be delivered through 2023.

DOD estimates that the cost of contractor-provided maintenance will be over \$2.8 billion and is likely to grow the longer it takes to develop the AAF and the Special Mission Wing's maintenance capabilities. Additionally, having insufficient Afghan maintenance personnel will limit UH-60 operations because DOD policy bars U.S. contractors from working where there is no U.S. or Coalition control due to security concerns. According to the department, it is working to establish additional pilot training locations and has developed a proposed training plan that includes establishing a maintenance development center outside of Afghanistan that will focus specifically on training entry-level UH-60 maintenance personnel.

During this reporting period, SIGAR investigations resulted in federal indictments of five persons and one criminal information. Among those indicted were three senior executives at defense contracting firms,

including ANHAM FZCO, for defrauding the U.S. military in connection with an \$8 billion contract and for violating the Iran sanctions regime.

In addition, approximately \$2.2 million in savings to the U.S. government were realized, as well as \$140,000 in criminal fines, restitutions, and forfeitures. SIGAR initiated five new cases and closed 18, bringing the total number of ongoing investigations to 164. To date, SIGAR investigations have resulted in \$1.5 billion in criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost savings and recoveries.

SIGAR completed six financial audits of U.S.-funded contracts to rebuild Afghanistan. These financial audits covered a range of topics, including USAID's support to the Sheberghan Gas Generation Activity, USAID's Afghan Trade and Revenue Project, and the Department of State's support for corrections and national justice-system programs in Afghanistan. These financial audits identified more than \$3.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$418.5 million in questioned costs, plus interest, and other amounts payable to the U.S. government.

SIGAR also issued three inspection reports. These reports examined the construction, use, and maintenance of the Zarang Border Crossing Point, phase III of the Afghan National Army's Camp Commando, and phase III of the Marshal Fahim National Defense University.

SIGAR's Office of Special Projects issued four products, including two review reports on USAID-funded education facilities in Baghlan Province and CERP-funded bridges in Kabul, as well as two fact sheets on USAID's Stability in Key Areas Program.

This quarter, SIGAR's suspension and debarment program referred 10 individuals and 13 entities for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 928, encompassing 515 individuals and 413 companies.

My staff and I look forward to working with the 116th Congress to combat the waste, fraud, and abuse of U.S. taxpayer dollars in Afghanistan.

Respectfully,

A handwritten signature in black ink, appearing to read 'John F. Sopko', with a long, sweeping horizontal stroke extending to the right.

John F. Sopko  
Special Inspector General for Afghanistan Reconstruction

# EXECUTIVE SUMMARY

**This report summarizes SIGAR’s oversight work and updates developments in the four major sectors of reconstruction efforts in Afghanistan from October 1 to December 31, 2018.\* It also includes an essay highlighting developments from the Geneva Conference on Afghanistan held in November. During this reporting period, SIGAR issued 14 audits, inspections, reviews, and other products assessing U.S. efforts to build the Afghan security forces, improve governance, facilitate economic and social development, and combat the production and sale of narcotics. During the reporting period, SIGAR criminal investigations resulted in three arrests, federal indictments of five persons, one criminal information, three sentencing, one guilty plea, \$140,000 in criminal fines, restitutions, and forfeitures, and approximately \$2.2 million in savings to the U.S. government.**

## SIGAR OVERVIEW

### AUDITS AND INSPECTIONS

This quarter, SIGAR issued one performance audit, six financial audits, and three inspection reports.

The **performance audit report** examined the Department of Defense’s multibillion dollar effort to build the capacity of the Afghan Air Force to field UH-60 Black Hawk helicopters, including helicopter delivery, pilot training, and maintenance-contractor programs. SIGAR found that based on the current UH-60 delivery schedule, it is unlikely that enough pilots will be trained before all of the UH-60s are received. SIGAR also found that DOD currently has no maintenance training course to train Afghan personnel to maintain the UH-60s, 159 of which are scheduled to be delivered through 2023.

The **financial audit reports** identified more than \$3.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues.

The **inspection reports** found:

- Phase III construction and renovation work at the Afghan National Army Camp Commando generally met contract requirements, but there were several potential safety hazards including noncertified doors, counterfeit fire extinguishers, and obstructed emergency-exit corridors.
- All required construction and facilities at the Zarang border crossing point generally met task-order requirements, but 32 fire doors were noncompliant and several of the buildings constructed were neither used nor maintained.
- Phase III construction of the Marshal Fahim National Defense University generally met contract requirements and technical specifications, but building occupants are at risk from noncertified fire doors, lack of a wastewater treatment plant, and inadequate maintenance.

# EXECUTIVE SUMMARY

## SPECIAL PROJECTS

This quarter, SIGAR's Office of Special Projects issued two fact sheets on USAID's Stability in Key Areas Program in the East Region and West Region, and wrote two reviews expressing concerns with:

- potential structural issues at USAID-supported education facilities in Baghlan Province, and
- the lack of a budget for maintenance of CERP-funded bridges in Kabul.

## LESSONS LEARNED

SIGAR's Lessons Learned Program has four projects in development: U.S. and Coalition responsibilities for security-sector assistance; U.S. government support to elections; monitoring and evaluation of reconstruction contracting; and reintegration of ex-combatants.

## INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in federal indictments of five persons, one criminal information (a written accusation by a prosecutor that does not involve a grand-jury indictment), one guilty plea, three sentencing, and three arrests. In addition, approximately \$2.2 million in savings to the U.S. government was

realized, as well as \$140,000 in criminal fines, restitutions, and forfeitures. SIGAR initiated five new cases and closed 18, bringing the total number of ongoing investigations to 164. SIGAR's suspension and debarment program referred 10 individuals and 13 entities for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States.

**Investigations** highlights include:

- three senior executives at defense contracting firms indicted for defrauding the U.S. military in connection with an \$8 billion contract and for violating the Iran sanctions regime,
- a U.S. contractor indicted for a fraud scheme that resulted in deploying unqualified language interpreters in support of U.S. combat forces,
- a SIGAR investigation resulting in \$1 million savings for the U.S. government,
- a former U.S. Army Special Forces member pleading guilty to unlawful possession of illegal firearms,
- a U.S. contractor sentenced for the theft, sale, and illegal transport of U.S. government property, and
- a former U.S. contractor employee sentenced for transporting stolen money.

\* As provided in its authorizing statute, SIGAR may also report on products and events occurring after December 31, 2018, up to the publication date of this report. Unless otherwise noted, all afghani-to-U.S. dollar conversions used in this report are derived by averaging the last six months of exchange-rate data available through Da Afghanistan Bank ([www.dab.gov.af](http://www.dab.gov.af)), then rounding to the nearest afghani. Data as of December 21, 2018.

This highlight summarizes SIGAR's oversight work and its impact on reconstruction efforts in Afghanistan from January 1, 2018, to January 30, 2019

## LEGISLATIVE ACCOMPLISHMENTS

### **Human Trafficking Bill Endorses SIGAR Recommendations from Report on Child Sexual Assault in Afghanistan**

On January 8, 2019, President Donald J. Trump signed into law H.R. 2200, the Frederick Douglass Trafficking Victims Prevention and Protection Reauthorization Act of 2018, which includes provisions related to SIGAR's congressionally requested evaluation of child sexual assault by Afghan security forces:

- The bill requires the Departments of State and Defense to report, within 90 days, on the status of their implementation of the recommendations made in SIGAR's report entitled *Child Sexual Assault in Afghanistan: Implementation of the Leahy Laws and Reports of Assault by Afghan Security Forces* (SIGAR 17-47-IP).
- It also directs the Secretaries of State and Defense to report on the status of interagency efforts to establish effective, coherent, and discrete reporting by United States personnel on child sexual abuse by Afghan security forces with whom they train or advise, or to whom they provide assistance.

### **SIGAR Impact on FY 2019 Defense Authorization Law**

On August 13, 2018, President Trump signed the National Defense Authorization Act (NDAA) for fiscal year 2019 into law. The NDAA contains provisions based on recommendations from SIGAR's Lessons Learned Program report *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan* (SIGAR 17-62-LL).

- One provision of the NDAA requires that during the development and planning of a program to build the capacity of the national security forces of a foreign country, the Secretary of Defense and Secretary of State shall jointly consider political, social, economic, diplomatic, and historical factors, if any, of the foreign country that may impact the effectiveness of the program.
- Another provision modifies existing law regarding assessing, monitoring, and evaluating security-cooperation programs to require incorporating lessons learned from any security-cooperation programs and activities of the Department of Defense carried out on or after September 11, 2001.

## **SIGAR Impact on FY 2018 Defense Authorization Law**

In 2018, as a result of *ANA Proprietary Camouflaged Uniforms* (SIGAR 17-48-SP), Congress included Section 344 in H.R. 2810, the FY 2018 National Defense Authorization Act (NDAA), which requires the Secretary of Defense to determine whether there is a more effective alternative uniform specification for the Afghan National Army, the efficacy of the existing pattern compared to other alternatives, and the costs and feasibility of transitioning the uniforms of the Afghan military to a pattern owned by the United States.

## **AUDITS, INSPECTIONS, AND SPECIAL PROJECTS REPORTS ISSUED**

In 2018, SIGAR issued 46 products including nine performance audits and 11 inspections, which contained 23 recommendations and 11 recommendations, respectively. SIGAR's Office of Special Projects issued 16 review reports, five fact sheets, four alert letters, and one inquiry letter.

Of these reports issued in 2018, three were initiated by requests from Congress:

- 1. SIGAR-18-60-SP (July 17, 2018): Review Letter: Waste, Fraud, Abuse Uncovered by SIGAR.** Requested by Congressmen Walter B. Jones (R-NC), Timothy Walberg (R-MI), and Peter Welch (D-VT)
- 2. SIGAR 18-51-AR (May 31, 2018): Afghanistan's Anti-Corruption Efforts: The Afghan Government Has Begun to Implement an Anti-Corruption Strategy, but Significant Problems Must Be Addressed.** Requested by the House and Senate Committees on Appropriations
- 3. SIGAR 18-19-AR (January 4, 2018): DOD Task Force for Business and Stability Operations: \$675 Million in Spending Led to Mixed Results, Waste, and Unsustained Projects.** Requested by Senator Charles Grassley (R-IA) and then-Senator Kelly Ayotte (R-NH)

Additionally in 2018, as a result of SIGAR 17-48-SP (June 15, 2017): *ANA Proprietary Camouflaged Uniforms*, DOD completed a congressionally mandated cost/benefit analysis of uniform specifications for Afghan National Defense and Security Forces camouflage uniforms. This report was not publicly available at press time.



**President Donald J. Trump** signs the National Defense Authorization Act for FY 2018. (White House photo by Stephanie Chasez)



**ANA soldiers** wearing a proprietary forest-camouflage uniform in a snowy environment. (DOD photo)

## CONGRESSIONAL REQUESTS INITIATED

SIGAR initiated three audits in response to Congressional requests in 2018:

1. The Joint Explanatory Statement accompanying the FY 2018 Omnibus Appropriations Act (Pub. L. No. 115-141) directed SIGAR to update SIGAR's May 2018 report 18-51-AR, *Afghanistan's Anti-Corruption Efforts: The Afghan Government Has Begun to Implement an Anti-Corruption Strategy, but Significant Problems Must Be Addressed*, and to determine if the Afghan government is making progress toward achieving its anticorruption objectives.
2. On January 24, 2018, Senator James Inhofe (R-OK), the Chairman of the Senate Committee on Armed Services, requested that SIGAR update its May 2013 report 13-8-AR, *Taxes: Afghan Government Has Levied Nearly a Billion Dollars in Business Taxes on Contractors Supporting U.S. Government Efforts in Afghanistan*, to determine if unwarranted tax levies continue to be imposed by the Afghan government on U.S. government contractors.
3. On September 17, 2018, Senator Charles Grassley (R-IA) and Senator Dianne Feinstein (D-CA), the co-chairs of the Senate Caucus on International Narcotics Control, requested that SIGAR conduct a thorough review of the U.S. government's current counternarcotics efforts in Afghanistan.

## RESULTS FROM MAJOR SIGAR INVESTIGATIONS

### **Three senior executives at defense contracting firms indicted for defrauding the U.S. military in connection with \$8 billion contract and violating the Iran sanctions regime**

- On November 27, 2018, in the District of Columbia, ANHAM FZCO chief executive Abul Huda Farouki, his brother Mazen Farouki, and Salah Maarouf were indicted for defrauding the U.S. military in connection with an \$8 billion dollar DOD Subsistence Prime Vendor-Afghanistan contract, and for illegally transporting construction material through Iran. The investigation is ongoing.

### **Investigation results in more than \$264 million cost avoidance for U.S. government**

- A 2017 investigation into bribery allegations uncovered corruption with Afghan-based contractors and the award process of the USAID-funded

Da Afghanistan Breshna Sherkat (DABS) Ghazni-Kandahar Five Substations Project worth nearly \$135 million.

- As a result, in 2018, USAID ultimately deobligated all on-budget support to DABS for future and planned energy projects not yet awarded, worth nearly \$400 million.
- The \$264 million cost-avoidance amount represents the difference between the \$400 million in total deobligated funds, less the initial \$135 million in cost avoidance from 2017.

### **Former owner of marble-mining company convicted for defrauding the United States and defaulting on a \$15.8 million loan**

- On September 24, 2018, Adam Doost, the former owner of a now-defunct marble mining company in Afghanistan, was found guilty by a federal jury for his role in defrauding the Overseas Private Investment Corporation (OPIC), a U.S. government agency, and defaulting on a \$15.8 million loan. The investigation is ongoing.

### **Three high-ranking Ministry of Interior officials convicted and sentenced for embezzlement scheme**

- On September 26, 2018, the Anti-Corruption Justice Center (ACJC) Primary Court convicted a high-ranking MOI official, Major General Mohammad Anwar Kohistani, for misuse of authority and embezzling over 109 million afghani (approximately \$1.7 million), and sentenced him to 11 years in prison.
- Kohistani's co-conspirators, Mohammad Amin, MOI Procurement Officer at the Police Cooperative Fund, and Ghulam Ali Wahadat, MOI Deputy Minister, were convicted and sentenced to 13 months and to three years in prison, respectively.

### **Former U.S. contractor sentenced for failing to file tax returns**

- On January 10, 2018, in the Western District of Texas, Michael J. Badgett was sentenced to 12 months in a halfway house, followed by three years' supervised probation upon release, and was ordered to pay \$6.5 million (tax loss plus accrued interest) in restitution.
- Badgett had been the managing director of the Green Village, a secure housing complex in Kabul that served a number of U.S. government agencies and contractors. He failed to file federal tax returns for 2010, 2011, and 2012, during which time he had earned over \$14 million in taxable income in Afghanistan. The investigation is ongoing.

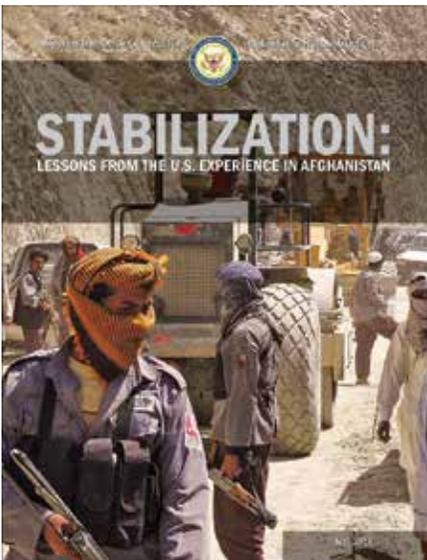
### **U.S. government contractor indicted for language-interpreter fraud scheme**

- On November 7, 2018, in the U.S. District Court of Maryland, Abdul Saboor Aman was indicted for conspiracy to commit mail and wire fraud, and for major fraud against the United States.



**Major General Mohammad Anwar Kohistani** on the day of his arrest. (MOI photo)

- Aman's employer was a subcontractor on a multimillion dollar DOD contract to supply qualified language interpreters to support U.S. and Coalition operations in Afghanistan. Aman allegedly circumvented procedures designed to ensure candidates for U.S. military language interpreters met proficiency standards, which resulted in unqualified interpreters being hired and later deployed. The investigation is ongoing.



## LESSONS LEARNED REPORTS ISSUED

SIGAR's Lessons Learned Program issued three reports in 2018 on topics including:

### 1. ***Stabilization: Lessons from the U.S. Experience in Afghanistan*** (May 24, 2018)

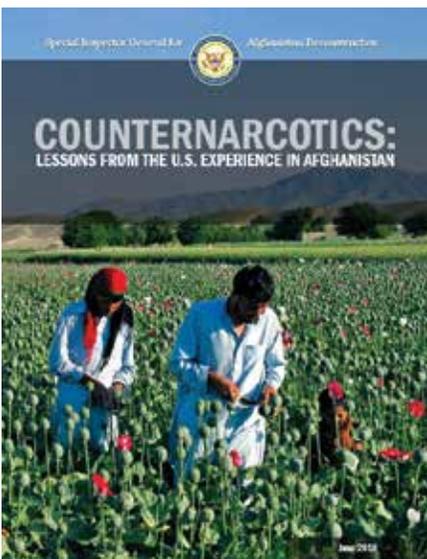
SIGAR's analysis revealed that the U.S. government overestimated its ability to build and reform government institutions in Afghanistan as part of its \$4.7 billion stabilization efforts. The report found the stabilization strategy and the programs used to achieve it were not properly tailored to the Afghan context, and that successes in stabilizing Afghan districts rarely lasted longer than the physical presence of Coalition troops and civilians. Following publication, report team members contributed to—and were recognized in—the 2018 interagency *Stabilization Assistance Review*. In addition, the team briefed senior officials at DOD, State, USAID, and UNDP, as well as House and Senate committee staff.

### 2. ***Counternarcotics: Lessons from the U.S. Experience in Afghanistan*** (June 14, 2018)

SIGAR's analysis revealed that no counternarcotics program led to lasting reductions in poppy cultivation or opium production. Eradication had no lasting impact, and was not consistently conducted in the same locations as development assistance. Alternative-development programs were often too short-term, failed to provide sustainable alternatives to poppy, and sometimes even contributed to poppy production. After the publication of this report, the team briefed congressional staff and senior officials in the UN Office on Drugs and Crime. In addition, the Senate Drug Caucus wrote a letter to SIGAR in September 2018 requesting an inquiry into current counternarcotics efforts.

### 3. ***Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan*** (April 19, 2018)

SIGAR analysis revealed that Afghanistan's early economic gains were largely due to foreign spending and were not sustainable. Optimistic

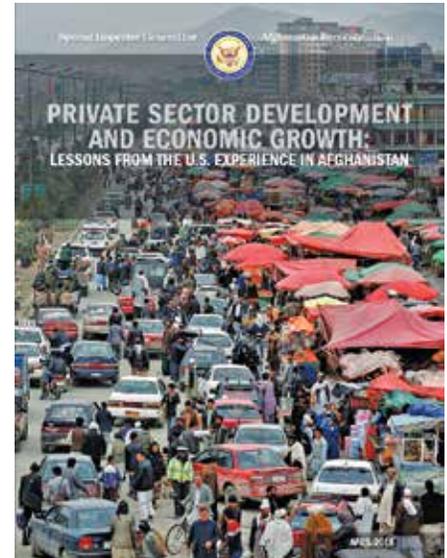


predictions of progress did not reflect the reality of Afghanistan's economic and security environment, the capacity of institutions, its relations with its neighbors, or the impact of corruption. Moreover, the U.S. government and other stakeholders failed to understand the relationships between corrupt strongmen and powerholders, and the speed at which Afghanistan could transition to a Western-style market economy.

## SIGNIFICANT AWARDS

On October 17, 2018, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) recognized SIGAR for exceptional work on three reports:

1. **Glenn/Roth Award for Exemplary Service** for excellence in responding to Congressional queries about Afghan assault violations, resulting in enacting legislation to ensure better reporting of incidents, which may help to safeguard Afghan children (SIGAR-17-47-IP)
2. **Award for Excellence, Special Act**, for excellence in identifying lessons learned during the 17-year, \$70 billion U.S. security-sector assistance program in Afghanistan (SIGAR-17-62-11)
3. **Award for Excellence, Evaluations**, for outstanding analysis in identifying mismanagement of a \$60 million power system in Afghanistan that provided no tangible benefits to one million Afghans and wasted U.S. taxpayers funds (SIGAR 18-37-IP)



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“Uncertainty has haunted us Afghans for decades. But over the past four years, we have turned around, looked it in the eye and dealt with it. This kind of earnest reckoning has allowed us to forge a critical path to reform amidst a multidimensional war.”

—*Afghan President Ashraf Ghani*

# 1 TALES OF TWO CITIES



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**Photo on previous page**

Aerial views of Geneva, Switzerland (left), and Kabul, Afghanistan (right).  
(UN photos by Jean-Marc Ferré and Fardin Waezi)

## TALES OF TWO CITIES

### GENEVA AND KABUL

In late November 2018, officials from 61 national governments and representatives of various nongovernmental and civil-society organizations gathered at the former headquarters of the League of Nations in Geneva, Switzerland, for a ministerial-level conference on Afghanistan. Cosponsored by the government of Afghanistan and the United Nations Assistance Mission-Afghanistan (UNAMA), the conference was, in UNAMA's words, "a crucial moment for the government and international community to demonstrate progress and commitment, and maintain the momentum for elections and opportunities for peace," and also to measure Afghanistan's reform and development results midway between the pledging conference of 2016 for aid donors and the next one in 2020.<sup>1</sup>

The choice of setting was logical—and a stark contrast to Kabul. Geneva is home to the European headquarters of the United Nations, some 20 international organizations, and permanent missions of more than 160 countries. Tranquil and prosperous, set in a neutral country that has not engaged in fighting for more than 200 years, Geneva describes itself as "the city of peace."<sup>2</sup>

In Kabul, on the other hand, bombings and attacks by gunmen have repeatedly struck military and police outposts, Afghan and foreign-government facilities, and civilian gatherings. Kabul is the capital of one of the



**After responding to a bomb explosion** in Kabul in April 2018, Afghan security forces scatter as a second bomb explodes. (Voice of America photo)

# TALES OF TWO CITIES

poorest countries on Earth—and a country whose past four decades have included 10 years’ violent occupation by the Soviet Union, the brutal 1979 murder of U.S. Ambassador Adolph Dubs, a civil war, and a U.S.-led intervention that ousted the Taliban regime and that is now in its 18th year.

As a tragic reminder of the realities on the ground in Afghanistan, while Geneva conference participants—including Afghan President Ashraf Ghani and other senior officials—went through their second-day program on November 28, an insurgent attack on the compound of a British security firm that helped guard the British embassy in Kabul killed at least 10 people and wounded 19 others.<sup>3</sup> Just a week before the Geneva conference opened, a bomb had exploded in a crowded religious gathering near Kabul’s international airport, killing at least 55 people and wounding at least 96 others.<sup>4</sup> Earlier in 2018, other mass-casualty bomb attacks in Kabul alone had killed nearly 150 people and wounded more than 200 others.<sup>5</sup> Across Afghanistan, the United Nations reported that fighting cost Afghan civilians dearly in 2018: 2,798 deaths and 5,252 injuries between January 1 and September 30, 2018.<sup>6</sup>

For all their contrasts in peace and prosperity, Kabul and Geneva might be on different planets. And the generally upbeat and encouraging rhetoric of the Geneva proceedings stood in stark contrast to some sobering facts.

## RECONSTRUCTION AND RESULTS

Since the 2001 U.S.-led military intervention in Afghanistan ousted the Taliban regime for harboring terrorists, and since an international conference in 2001 established a new government in Afghanistan, the international community has directed many billions of dollars to improving Afghanistan’s security and its social and economic well-being.

The United States alone has appropriated \$132 billion since fiscal year 2002 for Afghanistan’s reconstruction, with programs including building schools and clinics, supporting electrification and other infrastructure, promoting alternative livelihoods for farmers currently growing opium poppy, and training Afghan civil, police, and military personnel.<sup>7</sup>

In addition to U.S. contributions, 10 international donors’ conferences between 2003 and 2016 resulted in total aid pledges of some \$83 billion. An October 2016 donors’ conference in Brussels pledged an additional \$3.8 billion in development aid annually from 2017 to 2020.<sup>8</sup> The United States has not made specific pledges for these years, but has indicated it intends to maintain levels of assistance comparable to recent years’ level of \$4 billion to \$5 billion (not counting costs for U.S. military operations in Afghanistan).<sup>9</sup>

Afghanistan has made progress, but the results are mixed, and the outlook is still sobering. SIGAR quarterly reports to Congress have carried news of improved health care, literacy, electrification, opportunities

# TALES OF TWO CITIES



**A machine gun** and rocket-armed MD-530 Cayuse helicopter flies over Kabul. (U.S. Air Force photo by Capt. Jason Smith)

for women, and other gains. Addressing other important points, the International Monetary Fund reported in December that “Afghanistan’s policymakers have continued to make progress implementing reforms in a highly challenging environment,” with international partners facilitating “important reforms in the fiscal, financial, and governance areas, including strengthening the resilience of the country’s institutions.”<sup>10</sup>

On the other hand, the IMF notes, “The unrelenting insurgency, compounded by a devastating drought and political uncertainty during the electoral cycle, is hurting confidence, investment, private sector development, and job creation,” and with inflation-adjusted economic growth running at about the rate of population growth, there is little room for progress in raising living standards.<sup>11</sup>

The most recent CIA *World Factbook*’s assessment released in December 2018 is equally grim: “Despite improvements in life expectancy, incomes, and literacy since 2001, Afghanistan is extremely poor, landlocked, and highly dependent on foreign aid. Much of the population continues to suffer from shortages of housing, clean water, electricity, medical care, and jobs. Corruption, insecurity, weak governance, lack of infrastructure, and the Afghan Government’s difficulty in extending rule of law to all parts of the country pose challenges to future economic growth.”<sup>12</sup>

The Congressional Research Service’s December 2018 update of its Afghanistan background report offered similar cautionary notes: “The Afghan government faces broad public criticism for its inability to combat corruption, deliver security, alleviate rising ethnic tensions, and develop the economy.”<sup>13</sup>

Anthony H. Cordesman, a former official with the Departments of State and Defense, and now a senior analyst with the Center for Strategic and International Studies, suspects that Afghan gains have been neutralized

by other factors: “Flight to the cities, rising poverty, massive unemployment, corruption at every level, divisions between power brokers and de facto warlords, a brain drain to other countries, and growing dependence on a narco-economy all offset the areas where Afghanistan is making civil progress.”<sup>14</sup>

It was in this setting that the Geneva conference participants, like those in earlier conferences, reviewed Afghan progress against agreed-upon benchmarks, and laid down new markers for the future.

## RECURRING CONFERENCES

The 2018 Geneva conference marked a key point in Afghanistan’s 2015–2024 “Decade of Transformation” effort to achieve national self-reliance, falling halfway between the international donor nations’ funding conferences of 2016 and 2020.

Leading up to the Geneva conference, in July 2018, Afghanistan had agreed to make particular progress on six benchmarks involving conduct of elections, reducing corruption, reforming the security sector, meeting other benchmarks set by the International Monetary Fund, furthering private-sector development, and completing plans for implementing the country’s National Priority Programs for peace, governance, and development.<sup>15</sup>

As the end-of-conference communiqué from UNAMA noted, “Participants acknowledged progress in many of the reform areas” undertaken by the Kabul government. However, they also “expressed concern that the benchmarks on anti-corruption, and on elections with respect to its [sic] technical conduct, have not been met fully, and requested a renewed focus on these important benchmarks.”<sup>16</sup>

UNAMA’s communiqué also reported that participants “agreed that much still needs to be done, including: enhancing inclusive economic growth; reducing poverty; creating employment; fighting corruption; empowering women; and improving governance, rule of law and human rights.”<sup>17</sup>

Looking to those desired improvements, the participants issued a Geneva Mutual Accountability Framework (GMAF) detailing 24 “short-term deliverables” for 2019–2020 grouped into six major areas: security and political stability; anticorruption, governance, rule of law, and human rights; fiscal sustainability, public finance, and commercial banking; development planning and management; private-sector development and inclusive growth; and development partnerships and aid effectiveness. Specific deliverables include hiring more female lawyers and judges, adopting performance indicators, establishing 15,000 self-help associations, and setting up a call and complaint center for government services.<sup>18</sup> As with earlier conferences, expectations and benchmarks were not tied to any explicit financial consequences for nonattainment.

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Despite published accounts of difficulties in Afghanistan—including, for example, SIGAR’s recurring reporting on high security-force casualties, a general stalemate after 17 years of fighting insurgents, and institutional problems of capacity and corruption—and despite the conference communiqué’s expressions of concern over unmet benchmarks and inadequate progress, the overall official tone of the proceedings was positive. Consider, for example, the area of private-sector economic development in Afghanistan.

## BUSINESS IMPROVEMENTS WITH AN OVERLOOKED CAVEAT

President Ghani and other Afghan officials attending the Geneva conference made repeated references to their country’s rise in the rankings of the World Bank’s most recent *Doing Business* report.

A World Bank news release on October 31, 2018, proclaimed “Afghanistan is a Top Improver with Record Reforms to Improve Business Climate.” The country rose from 183rd-lowest among 190 countries to 167th in the report for 2019, reflecting “substantial progress” from five reforms implemented in 2017 to improve starting a business, getting credit, protecting minority investors, paying taxes, and resolving insolvency.<sup>19</sup>

The news release continued with a comment from Shubham Chaudhuri, World Bank Country Director for Afghanistan. “Given the exceptional challenges of conflict and violence in the country,” he said, “the government’s resolve to improve the business climate for private enterprise is doubly commendable,” adding “We look forward to continuing to record Afghanistan’s successes in years to come.”<sup>20</sup>

Afghanistan officials at the Geneva conference were understandably pleased with the World Bank’s glowing notice of their work, and repeatedly called attention to it. However, the *Doing Business* rankings reflect comparative standings for pro-growth regulations and procedures, and do not measure actual business growth and expansion. Further, given the ranking’s focus on commerce, they omit consideration of some larger issues that weigh heavily on Afghanistan and suggest that future successes depend upon much more than sensible rules and efficient procedures.

The World Bank itself emphasizes that point in a separate document, “Common Misconceptions About *Doing Business*”:

*Misconception #1: Doing Business ranking is a comprehensive measure of business environment:*

*Doing Business* does not measure all aspects of the business environment that matter to firms or investors—or all factors that affect competitiveness. It does not, for example, measure security, macroeconomic stability, corruption, labor skills of the population, underlying quality of institutions and infrastructure or the strength of the financial system.<sup>21</sup>



Afghan President Ashraf Ghani speaks at the Geneva conference. (U.S. Mission Geneva photo)

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**Conferees gather** in a meeting room at the UN's Geneva Conference on Afghanistan. (U.S. Mission Geneva photo)

As SIGAR has repeatedly documented in its reports to Congress, Afghanistan is notably insecure: the U.S. State Department continues to instruct visitors to its website, “Do not travel to Afghanistan due to crime, terrorism, civil unrest, and armed conflict. . . . Travel to all areas of Afghanistan is unsafe.”<sup>22</sup> SIGAR staff, like others based at the U.S. Embassy in the heart of Kabul, are forbidden to travel in country without armed escorts, and cannot even get to the international airport a few miles away except by taking an expensive ride on an Embassy helicopter.

SIGAR and other oversight bodies and donors have also reported on Afghanistan’s widespread and endemic corruption, low levels of literacy and vocational training, poor infrastructure, and limited access to credit. These and other constraints in Afghanistan can be expected to factor into the hopes and plans of both domestic and foreign business operators and investors.

Nonetheless, such troubling considerations had little role to play in the conference’s first-day panel on private-sector development. As a preview document on UNAMA’s website put it, “By unleashing the private sector’s potential to accelerate economic growth, the Afghan government can make great strides in addressing the mounting poverty, rising unemployment, and donor dependence.”<sup>23</sup>

Carrying on that line of thought, the panel moderator called attention to the World Bank’s citing Afghanistan as one of the “top 10 reformers” in its business-climate rankings, before introducing Afghan President Ashraf Ghani for opening remarks.

President Ghani delivered a speech about business challenges and opportunities in Afghanistan. He began by noting that a new air corridor for trade has enabled exports of 300 tons of pine nuts to China, with proceeds

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that boosted women's income and encouraged reforestation. The \$2 million cost for setting up the air corridor, he said was "catalytic," offering an avenue for increased exports to India, China, and other countries. He also said Afghan farmers should form alliances to bargain with processors, and firms should pay more attention to customer relations, packaging, and marketing. He called for a coherent strategy and a program orientation, rather than multiplying individual projects, and said new mining and hydrocarbon laws would help develop the country's enormous natural resources.

"We are open for business," he said, and looking to develop partnerships. He did not, however, discuss Afghan private-sector issues in the context of the concerns excluded from the *Doing Business* rankings.<sup>24</sup>

But others have noted the toll that insecurity takes on prospects for growth. Despite Afghanistan's progress in making reforms, a World Bank overview of the country issued the week before the Geneva conference reported that "Economic recovery is slow as continued insecurity is curtailing private investment and consumer demand. . . . Poverty has increased amid slow growth, security disruptions to services, and poor agricultural performance."<sup>25</sup> In late October, an IMF review noted that ratios of private investment to gross domestic product had been declining in Afghanistan since 2004: "This indicates that political instability has not been conducive to attracting private investment."<sup>26</sup>

The conference panel on the Afghan private sector closed with remarks by U.S. Ambassador to Afghanistan John R. Bass. The Ambassador said "The United States very much wants Afghanistan to succeed" as a stable, peaceful, democratic country that can ensure its territory is not a platform for terrorists, adding that economic development is a vital part of that process. Afghanistan's reforms and new laws are all "really vital changes," he added, and an improved business climate gets attention.<sup>27</sup>

But Ambassador Bass followed these words of encouragement with a caution that "sustaining that attention and translating that attention into actual investments that produce employment are going to depend heavily on forthcoming reforms related to operating business and, I would say, also on a key piece which has not been mentioned here today: . . . an investment in improving legal education, court administration to ensure that the promise that is inherent in these new legal frameworks actually turns into results for individual businesses."

He noted surveys indicating that many Afghans are obliged to pay bribes of some sort in their daily life, and argued the problem of corruption also extends to the life of businesses:

When people hear 'anticorruption efforts in Afghanistan,' they tend to think about public-sector corruption, but I think it's fair to say that access to credit and the responsiveness and interest of . . . public lenders or private investors to provide that access to credit is going to depend upon those prospective investors' confidence that there is a solid dispute-resolution framework,



**U.S. Ambassador to Afghanistan** John Bass speaks at a panel held during the Geneva conference. (U.S. Mission Geneva photo)



**Flags of UN member nations** line the approach to its European headquarters in Geneva. (U.S. Mission Geneva photo)

and a solid way to ensure that the legal framework in place in theory is actually in place in practice.

Afghanistan, he concluded, needs to strengthen the rule of law and be committed to dealing with corruption in the public sector, in access to credit, in dispute resolution, and other areas that affect development, as well as the prospects for peace.

## **WRESTLING WITH THE ELECTION PROCESS**

Afghan elections were another focus of the Geneva conference. Fair and effective elections are widely thought to be an important means of establishing government legitimacy and in bolstering public support for governing institutions. So it is no surprise that UNAMA's conference communiqué reports that "Participants welcomed the holding of the first Afghan-led parliamentary elections . . . in October 2018 and praised the significant number of citizens who voted despite intimidation."<sup>28</sup> The intimidation wasn't restricted to voters: according to UN Secretary-General Antonio Guterres, nine candidates were killed preceding the election; the Taliban claimed responsibility for two of the killings.<sup>29</sup>

While the elections did go forward, UNAMA's communiqué continued, "Participants also noted that organizational, technical and security difficulties hindered voting, and underlined the importance of addressing these and other shortcomings, including initiating legal processes if necessary, to

ensure progress in electoral management. Participants called for effective preparations of presidential and other foreseen elections in 2019 to ensure maximum transparency, credibility, participation, and security.”<sup>30</sup>

A former U.S. Ambassador to Afghanistan was less restrained in his characterization of the country’s 2018 provincial elections for members of the lower house of parliament. After a return trip to Afghanistan, Ronald Neumann, now president of the American Academy of Diplomacy, said:

If the Afghan security services performed credibly with significant casualties to demonstrate their efforts and the people performed well and bravely, the Afghan government largely failed them. Despite four years to prepare and promises from President Ashraf Ghani and Chief Executive Officer (CEO) Dr. Abdullah Abdullah, the administration of the elections was a disaster. The administration of the [Afghan] Independent Election Commission was a shamble. Voting lists were missing or delivered late with citizens scrambling to find the correct polling place. No one was immune from the chaos. In Kabul, the one place where decent organization should have been possible, even CEO Dr. Abdullah had to wait half an hour for election officials to find his name on the voting list. A former governor of Kabul told me of having to go to four different locations to find his name on the voting rolls.<sup>31</sup>

As the governance discussion in Section 3 of this report recounts in some detail, the October provincial elections were marked by violence, voter-identification failures, ballot issues, security-driven delays, and other problems. These were troubling portents for the presidential and district-level elections originally scheduled for spring 2019 but now delayed. A fair and efficient presidential election could be especially important, as the previous balloting in 2014 produced such a flood of claims of irregularities and corruption that a U.S.-brokered deal was struck to make that year’s two bitter rivals—Ashraf Ghani and Abdullah Abdullah—partners in a government power-sharing arrangement.

Last year, a U.S. Institute of Peace analyst warned, “There is, however, grossly insufficient time to make meaningful improvements given that the 2019 presidential election is scheduled for April 20 and the slow pace of electoral decision making and reform. In any case, the highly consequential presidential election may turn out to be problematic and disputed, which could precipitate a crisis that would undermine peace efforts and political stability.”<sup>32</sup>

Evidently mindful of such possibilities, Afghanistan’s Independent Election Commission (IEC) said on December 30, 2018, that the 2019 presidential election would be delayed, moving from April 20 to July 20. IEC Chairman Gula Jan Abdul Bade Sayad said, “April will be very difficult because of the harsh winter and transporting election materials, security, and the budget issues.” President Ghani, who is expected to seek a second five-year term in office, had previously insisted that the election would go

ahead in April. But a spokesman for the presidential palace said the government welcomed the decision by the IEC.<sup>33</sup>

The Geneva conference hopes and concerns for the 2019 elections are linked to another overriding issue for Afghanistan and its international providers of reconstruction funding, troops, and security assistance: peace.

## A LONG, TORTUOUS SEARCH FOR PEACE

The Geneva conference communiqué records that “Participants agreed that peace is essential for sustainable development” in Afghanistan. “There is a new opportunity to seek peace,” they declared, “in particular in light of . . . the government’s [February 2018] offer to the Taliban of talks without pre-conditions.” After commenting that peace required more reforms, broad consensus, and full participation by Afghan women, the conference predicted national and regional benefits from “Afghan-led and Afghan-owned peace processes.”<sup>34</sup>

The Kabul government agrees. “Talks should be Afghan-led and Afghan-owned,” a presidential aide said. “It is important that the Taliban acknowledge this fact.”<sup>35</sup> Similarly, Ambassador Bass has said, “The only red line [for negotiations] is that the Taliban has to talk to the Afghan government and the Afghan people.”<sup>36</sup>

Here again, however, facts on the ground seemed to be at odds with conference aspirations.

On December 30, 2018—the same day that the Afghan IEC announced its three-month delay in the presidential election—the Voice of America service reported that the Taliban had rejected the Kabul government’s offer to meet for peace talks in Saudi Arabia in January.

The United States and other interested countries have been in contact with the Taliban to explore the possibility of peace in Afghanistan. A Taliban spokesman in Pakistan said, “We will meet the U.S. officials in Saudi Arabia in January next year and we will start our talks that remained incomplete in Abu Dhabi. However, we have made it clear to all the stakeholders that we will not talk to the Afghan government.”<sup>37</sup>

According to NBC News, as the Geneva conference was wrapping up, Ambassador Zalmay Khalilzad “told reporters in Kabul that it was up to Afghans to decide whether to postpone the elections but he added that it would be ideal to arrive at a peace agreement before the [now-delayed] April vote.”<sup>38</sup> As evidenced by the Taliban statement, that ideal may be elusive.

SIGAR’s observers at the Geneva conference came away with the impression that although nearly all of the Afghans present were pleased with the prospect of peace, many were concerned about the consequences of such a treaty, especially if it led to U.S. and Coalition disengagement. President Ghani touched on the possible consequences of such a decision in his opening remarks at the Geneva conference: If neither peace nor the

In an interview with the *New York Times* published on January 28, 2019, U.S. Special Representative for Afghanistan Reconciliation Zalmay Khalilzad summarized six days of talks in Doha, Qatar, with the Taliban on peace in Afghanistan, saying the United States and Taliban “have a draft of the framework that has to be fleshed out before it becomes an agreement.” Further, “the Taliban have committed, to our satisfaction, to do what is necessary that would prevent Afghanistan from ever becoming a platform for international terrorist groups or individuals.” However, he said the “details need to be worked out.” He clarified what the framework does not include, saying “there are a lot of reports that we have discussed an interim government: No, I have not gotten into any of that discussion.” He also clarified that “I have not entered into what [a final settlement] could look like with the Taliban—they would like to talk to me about it, but I have not.”

Source: Khalilzad, Zalmay, (@US4AfghanPeace), “1/3 After six days in Doha, I’m headed to #Afghanistan for consultations. Meetings here were more productive than they have been in the past. We made significant progress on vital issues,” 1/26/2019, <https://twitter.com/US4AfghanPeace/status/1089194660218785792>; *New York Times*, “U.S. and Taliban Agree in Principle to Peace Framework, Envoy Says,” 1/28/2019.

reform agenda were completed, he said, “an abandonment of Afghanistan by both international and regional partners” could follow, and “Untold misery and pain would be the outcome.”<sup>39</sup> Ghani also predicted that “a political deal made amongst elites but disguised as a peace agreement,” absent reforms and decade-of-transformation goals, “would most likely be short-term, and God forbid, followed by a renewal of a cycle of conflict and disunity.”<sup>40</sup>

Even if a peace deal were achieved, the costs of assistance to Afghanistan could still be substantial. Donors including the United States are already pledged to provide billions in assistance for years ahead. In addition, President Ghani told the Geneva conferees, Afghanistan needs increased assistance to relieve “immense humanitarian suffering” from a drought that has created crisis or emergency conditions for 11 million Afghans. Further, he said, rising temperatures have accelerated the drought cycle from every 30 years to every two to five years, so Afghanistan needs additional assistance from international partners to improve warning systems, water management, and access to global environmental resources.<sup>41</sup>

## WHAT DOES GENEVA MEAN FOR KABUL?

The tales from the two cities of Geneva and Kabul reflect a tension between polite reviews, amicable discussions, aspirations, and roadmaps for progress at the conference as opposed to the gritty realities facing officials in Kabul.

Long-time Afghanistan scholar William Byrd of the U.S. Institute of Peace notes that the Geneva conference confirmed some progress by Afghanistan, reaffirmed donor aid commitments, and produced new benchmarks to guide further reforms.

However, he adds, “Geneva did not address some important issues, at least in its official public meetings, and left unanswered questions. These include the risk that the upcoming presidential election will produce another divided political landscape, the uncertain possibility of a peace process getting underway, the problematic security situation, the regional geopolitical undercurrents, and the confluence of these different factors.”<sup>42</sup> Whether and how the disconnects between the perceptions in Geneva and the realities in Kabul will be reconciled or resolved is unclear. In that respect, Geneva’s outcome resembles those of predecessor conferences. Nevertheless, SIGAR, like other oversight agencies, stands ready and able to separate the rhetoric from the reality while protecting U.S. citizens’ investment in what has become our country’s longest war.

“We cannot lose track of the fact that fraud can—and does—kill, which is why we at SIGAR do what we do.”

*—Inspector General John Sopko*