



Prepared Remarks of
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“Remarks at Center for International Private Enterprise”

Center for International Private Enterprise
Washington, DC
June 12, 2019

Thank you very much for that introduction. I want to thank CIPE for the invitation to meet with you all today. I am a long-time admirer of the important work that each of your organizations do all around the world.

Your efforts are desperately needed, and particularly in the country where my agency operates – Afghanistan. I know that many of you have worked there yourselves and may know SIGAR well. But I was asked by Frank Brown to take a few minutes for those of you who may not be as familiar with SIGAR to talk about what it is we do and how we do it.

Don't feel bad that you may not be acquainted with Inspectors General, in general, or Special Inspectors General, especially. You are not alone, I was surprised when I started this job about seven years ago how many diplomats and USAID and DOD officials also were unaware of the role of independent statutory IGs

SIGAR 101

Congress established my agency, with that tobacco-sounding acronym, SIGAR, in 2008, seven years after our now nearly 18-year military engagement in Afghanistan began.

By then, Congress felt it needed an independent oversight office focused exclusively on protecting the billions of dollars being spent on Afghanistan's reconstruction in light of numerous reports that money was being spent with little accountability or monitoring, and often was being stolen outright.

In part, Congress was concerned simply because of the vast amount of money being spent. Afghanistan has become the most expensive reconstruction project in U.S. history – more expensive than the entire Marshall Plan to rebuild Western Europe after World War II.

To date, the U.S. has appropriated nearly \$133 billion for reconstruction, and we

anticipate that American taxpayers will continue to contribute an additional \$5-6 billion each year for as long as the situation in Afghanistan remains fundamentally unchanged.

As an Office of Inspector General, SIGAR has both audit and criminal investigative authorities, much like the other 72 federal Inspectors General. However, SIGAR is unique in several ways.

First, we are wholly independent. Unlike every other federal inspector general office, we are not housed within any federal agency. We file our reports with Congress and the Secretaries of Defense and State, but we are basically only answerable to the President and to Congress.

Second, SIGAR, by statute, is the only U.S. agency that exclusively focuses on reconstruction programs in Afghanistan, which include training and equipping the Afghan security forces; constructing schools and clinics; funding counternarcotics programs; and training and providing salaries for Afghan civil servants, teachers, health care workers, and many others.

Third, SIGAR has cross-agency jurisdiction. Unlike other federal inspectors general who can only look at the activities of the agency that houses them, SIGAR has jurisdiction over any federal entity that has spent as much as a cent on Afghanistan's reconstruction.

While most of our work has focused on the Department of Defense, Department of State, and the U.S. Agency for International Development, we also look at programs funded by agencies not normally associated with such missions, like the Departments of Agriculture and Commerce, as well as international organizations that spend U.S. contributions for Afghanistan reconstruction such as the UN, World Bank, and Asian Development Bank.

Finally, unlike all but one other IG office, SIGAR is temporary. Our authorizing statute directs that we cease operations 180 days after the amount of unexpended funds for Afghanistan's reconstruction drops below \$250 million. At the moment, there is over \$10 billion that has been appropriated but not yet spent, and we anticipate appropriations for reconstruction to continue.

Nevertheless, our temporary status means that time is of the essence for our nearly 200 auditors, analysts, engineers, criminal investigators, and other professionals. In that regard, my only instruction from the White House when I was appointed in 2012 was to "fix it and fix it fast."

Roughly 25 members of my staff are permanently stationed in Afghanistan, working in a very challenging and dangerous environment far from home.

SIGAR has one of the toughest oversight tasks of any agency within the U.S. government. Even after nearly 18 years of U.S. and coalition military support and financial assistance, Afghanistan remains one of the poorest, least educated, and most corrupt countries in the world, as well as one of the most violent.

Despite the challenges we face in our work, SIGAR's accomplishments have been significant. Our audits and inspections directorate has issued over 300 products, made over 950 recommendations to U.S. government agencies, and identified approximately \$1 billion in savings to the U.S. taxpayer.

Our investigations directorate has conducted over 1,000 investigations, made 129 arrests and secured 135 convictions and guilty pleas.

In addition to putting people in jail, SIGAR's investigations directorate has secured roughly \$1.5 billion in criminal fines, restitutions, forfeitures, civil settlements, and other savings and recoveries for the government.

These numbers would also be considerably higher if the U.S. had an extradition treaty with Afghanistan which, sadly, we do not.

We also devote significant resources to pursuing suspension and debarment of contractors and others who defraud the U.S. government, securing nearly 700 suspensions and debarments to date. I am told by both my staff and friends in the contracting world that this is an exceptional number for an agency of our size and shows not only the problems we face but also the aggressive strategy we have embarked upon since I took over as the SIGAR.

SIGAR is also the only inspector general office with the authority to conduct "whole of government" lessons learned reports that look at the entirety of U.S. reconstruction efforts in Afghanistan – something that former general John Allen who was our supreme commander in Afghanistan and former ambassador Ryan Crocker reminded me of when they suggested SIGAR had the unique opportunity to help our government learn from the "whole of government" reconstruction effort in Afghanistan.

At their encouragement, a number of years ago I created our lessons learned program which issues reports unlike any other reports that SIGAR or other Inspectors General release. Most of our lessons learned reports take at least two years to complete, are the result of comprehensive reviews of thousands of federal records – many of which are not publicly available – as well as interviews of former and current U.S. government personnel. The reports are peer-reviewed by independent, external subject matter experts, and provided to the relevant agencies involved for comment prior to publication. These reports not only tell the history of our reconstruction efforts in

specific areas of interest, but also try to develop best practices and procedures for working not only in Afghanistan but also in other fragile states around the world.

Our first lessons learned report is directly related to our subject today – U.S. anti-corruption efforts in Afghanistan. It was issued first because almost every expert we talked to advised us corruption was one of – if not the most – critical issue we faced in Afghanistan.

We've also issued lessons learned reports on reconstructing the Afghan national security forces; private sector development efforts; stabilization activities; and counternarcotics. In the coming weeks, we'll be releasing two additional reports – one on how the U.S. military and NATO work – or don't work – together in Afghanistan; and a report on past reintegration efforts which we hope will prove useful should a peace agreement be reached in Afghanistan.

Other lessons learned reports are underway, including what we believe will be a very important report on U.S. efforts to advance women's rights in Afghanistan, as well as one on monitoring and evaluation of reconstruction programs in fragile states like Afghanistan that face serious security problems.

Lastly, in March, SIGAR issued its latest High-Risk List, identifying for Congress the key threats to the reconstruction effort. While we issue our High-Risk List at the beginning of every new Congress, this year's was unique as we not only identified risks to the current reconstruction effort, but also risks that might arise because of, or in spite of, the implementation of a peace agreement that ends the war.

As many of you might imagine, one of the risks we identified is the endemic corruption in Afghanistan, which I will now turn to.

Early U.S. Anti-Corruption Efforts

It is no secret that Afghanistan is one of the most corrupt countries in the world. While Afghanistan prior to September 2001 certainly was a corrupt country, SIGAR's work has found that the reconstruction effort undoubtedly exacerbated Afghanistan's corruption problem.

The injection of billions of dollars into the Afghan economy by international donors led by the United States, when combined with the limited ability of the Afghan government to expend funds, poor donor oversight and contracting practices, and institutional incentives to spend money quickly, increased corruption in Afghanistan.

Donors simply spent too much, too fast, in too small an economy, with far too little oversight. While the West berates Afghanistan for being, according to

Transparency International, the sixth-most corrupt country in the world, it unfortunately had help getting there. The nearly \$133 billion the U.S. alone has appropriated for reconstruction flooded the Afghan economy, not to mention the over \$700 billion spent on warfighting or funds provided by coalition partners and other donors. This largesse had serious unintended consequences that we still must address today.

Our report noted that most development economists agree that the generally accepted amount of foreign aid a country's economy can absorb is 15 to 45 percent of that country's gross domestic product. Afghanistan, with a relatively small economy, would be able to safely absorb a number towards the bottom of that range. Foreign assistance beyond that amount spills over into the illicit economy like water running off the sides of a saturated sponge.

By 2004, aid to Afghanistan from just the United States consistently exceeded the 45 percent limit and totaled more than 100 percent of Afghanistan's GDP in both 2007 and 2010. Unsurprisingly, this distorted the Afghan economy, fueled corruption, and bought a lot of real estate outside the country for the lucky Afghan who fed at the development trough. I should note that our report only looked at US contributions, and not the additional money that our allies and coalition partners have also pumped into the Afghan economy over the last 18 years.

As former U.S. Secretary of Defense Robert Gates put it, "For all our handwringing and hectoring on corruption we seemed oblivious to how much we were contributing to it and on a scale that dwarfed the drug trade. Tens of billions of dollars were flooding into Afghanistan from the U.S. and our partners and we turned a blind eye or simply were ignorant of how regularly some portion was going to payoffs, bribes, and bank accounts in Dubai."

The U.S. government's historical inclination to believe that throwing more money at a problem inevitably leads to better results exacerbated the corruption challenge. Reconstruction efforts in Afghanistan were derailed as money spent – rather than the outcomes of those expenditures – became the metric of success.

Unfortunately, all of our reports have repeatedly noted that government agencies are very good at measuring inputs – usually the amount of money spent on something. And agencies are decent at measuring outputs – for example, how many clinics were built or soldiers trained. But SIGAR has seen little, if any, focus on the outcomes of projects and programs. Measuring inputs and outputs alone cannot tell you if a clinic is staffed, has medicine, is connected to the electrical grid or has fuel for its generators, has access to clean water, and is being used by the local community. But no individual or agency in Afghanistan ever seems to be held accountable for successful outcomes –

only on whether they expended their appropriated funds before the next appropriation cycle begins.

At the request of Congress, my staff calculated the total dollar amount of waste, fraud, and abuse uncovered by SIGAR since our inception through the end of 2017. We were very conservative in our response, limiting our review to only SIGAR's 766 products and investigations, covering approximately \$52.7 billion of the \$126 billion the U.S. had spent on reconstruction in that time period. Of that nearly \$53 billion, SIGAR developed a strict analytical framework which identified that up to \$15.5 billion, or roughly 29 percent, could be classified as waste, fraud, abuse, or failed whole-of-government efforts.

We think this is conservative and is largely a result of the demand from Washington to spend, spend, spend, combined with an inexplicable lack of strong agency oversight and safeguards to protect taxpayer funds.

On a more positive note, I am pleased to say that USAID, at the direction of Administrator Mark Green, has been making remarkable efforts to reverse this trend and has diligently "racked and stacked" USAID's programs to eliminate those that are no longer delivering results for the taxpayer. Administrator Green has also been an important partner for SIGAR, most recently by extending his support for a joint USAID OIG and SIGAR investigation into the American University of Afghanistan which revealed gross mismanagement of over \$60 million of taxpayer funds. We are greatly encouraged by his efforts to increase the effectiveness of USAID programs in Afghanistan while protecting hard earned taxpayer funds.

Current Anti-Corruption Reform Efforts

SIGAR's lessons learned report on U.S. anticorruption efforts in Afghanistan also found that the U.S. did not always prioritize anticorruption efforts in Afghanistan because of a long-standing aversion to "nation-building." Even though one of the main objectives in Afghanistan has always been a stable security environment, the early failure to prioritize good governance and the rule of law contributed to the pervasiveness of corruption and undermined security goals.

Corruption undermines security because it fuels grievances against the Afghan government and gives material support to the Taliban insurgency. It also erodes the state's legitimacy and weakens its ability to enlist popular support against the insurgency.

And now the U.S., its coalition partners, and the Afghan government, are left to try and put the proverbial genie back into the bottle. But the challenge is immense. The

most recent Asia Foundation survey found that 84 percent of Afghans identified corruption as a “major problem,” and almost 70 percent said it is a problem in their daily lives.

Corruption has inhibited the effectiveness of the Afghan security forces, which prolongs the need for U.S. forces to remain. As recently as two years ago, there were reports that 40 to 50 percent of the individuals on the payroll of the Afghan security forces in violent Helmand province didn’t actually exist. It was suspected that the salaries of those “ghost soldiers” were flowing to personal bank accounts of corrupt officers.

While President Ghani removed the local commander when the news broke, U.S. forces in Afghanistan remain extremely concerned about “ghost soldiers,” despite new U.S.-funded biometric verification systems. In addition, SIGAR has an ongoing investigation into “ghost police,” paid through an UN-administered trust fund. My investigators continue to uncover evidence that corrupt leaders within the Afghan National Police continue to falsify attendance records in order to pocket paychecks for police that departed long ago or never existed in the first place.

Current anti-corruption reforms underway by the Afghan government have an uneven track record of success at best. But SIGAR is doing our part to try and assist where we can.

In one significant example, shortly after President Ghani assumed his current position, a SIGAR investigation uncovered a price-fixing scheme among four Afghan fuel providers that would have inflated the cost of a nearly \$1 billion Ministry of Defense fuel contract paid for by the United States by \$250 million. When we took our investigative findings to President Ghani, he immediately cancelled the contract, removed five high-ranking military members and one civilian advisor at the Ministry of Defense, and established the National Procurement Commission to oversee all major Afghan government contracts, and at which SIGAR has observer status.

Unfortunately, fuel theft continues to be a significant problem facing the U.S. train, advise, and assist mission. SIGAR’s investigations team is currently working with the U.S. military in Afghanistan to combat fuel theft, identify best practices to prevent it in the first place, and encourage the military to employ those preventative measures.

Additionally, at the direction of the House and Senate Appropriations Committees, SIGAR has been asked to conduct an ongoing assessment of the Afghan government’s implementation of anti-corruption commitments it made at the 2016 Brussels Donor Conference. Our first assessment identified numerous weaknesses,

such as a lack of independence in key Afghan anticorruption institutions, including the Anti-Corruption Justice Center and the Major Crimes Task Force, or MCTF. We found, for example, that MCTF detectives often received calls from Afghan parliamentarians, former ministers, and other politicians warning them against making arrests of politically powerful and connected individuals.

Our next assessment will be issued later this year, and we are concerned that the Afghan government may simply be “checking the box” on their commitments by creating institutions, and then failing to properly resource and support them politically.

Not long ago, the U.S. Department of Justice attaché in Kabul officially described Afghanistan as having “a largely lawless, weak, and dysfunctional government,” citing the number of corruption cases languishing due to the lack of political will – rather than the capacity – of the Afghan government.

While Afghan anti-corruption efforts have thus far been insufficient, the donor community does have leverage. For example, the Afghan government has no real obligation to cooperate with the SIGAR’s Congressionally-mandated anti-corruption assessments – but they do. Undoubtedly, they realize the importance of Congressional appropriators when over 70% of their public expenditures are funded by international donors.

For example, when SIGAR completed the initial work on our first report, we found that only two of the required twenty benchmarks the Afghan government was supposed to have met by that point had been completed. However, after we shared the draft report with the Afghan government for comment, another twelve benchmarks were suddenly completed.

Were it not for the U.S. Congress inquiring – and SIGAR assessing the Afghan government’s follow-through on its international commitments – then it is likely few, if any, of those benchmarks would have been met at all.

The Role of the Private Sector

Finally, I was asked to discuss ways the private sector could play a role in anti-corruption efforts in Afghanistan. Admittedly, it is not an area SIGAR has spent a great time looking into – our job is to audit and investigate government agencies, grantees, implementing partners, and contractors.

However, I think we all do ourselves a disservice when we assume government has all the answers – even in an environment as complex, difficult, and dangerous as Afghanistan’s. As the man whose 1982 speech in Westminster led to the creation of the National Endowment for Democracy – President Ronald Reagan -- once intimated –

saying “we’re from the government and we’re here to help,” may sometimes may be as much a threat as solace.

The private sector, for example, seems to recognize the importance of outcomes much more than the government does, for instance. And private firms are usually far less likely to simply throw money at a problem without paying attention on whether there is actually any return on investment.

Conflating development work with profit-making obviously can lead to unfair comparisons, but I think there is a lot the government can learn from business and labor that would lead to better results in complex and challenging environments. One of the most significant examples in Afghanistan is its mobile phone network, which was set up without much, if any, support from foreign donors. Domestic demand was there – private funding was secured – and now the network reaches much of the country, even if occasional deals have to be reached with the Taliban to shut down certain towers at night.

Of course, USAID asserted when I first started my job that they had much to do with that sector’s success, but SIGAR found the case to be quite the opposite. One of the most ubiquitous industries in Afghanistan thrived in spite of – not because of – U.S. government assistance.

Conclusion

In conclusion, much progress has been made in Afghanistan, but there is still a long, long way to go – and a significant amount of work remaining on SIGAR’s plate. You and your organizations likewise have important work to do in Afghanistan and other fragile states around the world.

As the saying goes – we can’t want it more than they do, but in all my travels to Afghanistan, I do believe the prospects for a bright future are there. We must recognize, however, that the Afghan government cannot survive financially or militarily without continued external assistance, and with those donor funds comes the dual risk of losing money to corruption, as well as contributing to fostering corruption by distorting the economy.

To that end, all of us in this room must do our part to ensure that we are part of the solution, and not part of the problem.

Thank you and I look forward to your questions and comments.