



Prepared Remarks of
John F. Sopko
Special Inspector General for Afghanistan Reconstruction

**“Afghanistan Reconstruction: Enduring Challenges
for the New Administration and Congress”**

The Center for Strategic and International Studies
Washington, DC
January 11, 2017

Tony, thank you for that very kind introduction and for all your work on Afghanistan and on behalf of our nation's security. I also want to thank my old colleague and friend, John Hamre, and, most importantly, all of you for taking the time to attend today's release of our High-Risk Report.

Introduction

On Friday, January 20, President-Elect Trump will be sworn into office as President of the United States. Any inauguration day is remarkable and historic and this one will be no different.

But in Afghanistan, it will simply be another Friday. Another Friday where more than 8,400 U.S. servicemen and women will be working to train, advise, and assist the Afghan National Defense and Security Forces. Another Friday where thousands of our diplomatic personnel and contractors will be supporting the mission in Afghanistan. Another Friday where the Afghan security forces will struggle to supply and equip its troops in the field. Another Friday in Afghanistan where, unfortunately, corruption will be widespread and rampant and where many Afghans will turn to the Taliban for justice and protection from the avarice of corrupt officials. Another Friday where the U.S. and its allies will pay the salaries of Afghan police, soldiers, teachers and civil servants who do not exist. Another Friday where Afghans and our personnel alike will face threats from terrorists and the Taliban. And another Friday where the U.S. will spend millions of dollars attempting to get the Afghan government to stand on its own two feet.

Ladies and gentlemen, we have been undertaking reconstruction efforts in Afghanistan since 2002. To date, more than \$115 billion of U.S. taxpayer money has been spent, sometimes wisely – too often not. Another seven and a half billion dollars has been

appropriated but not yet spent, and international donors have pledged to provide financial support to Afghanistan and its security forces through 2020. The United States has estimated its support will remain at or near current levels — about \$5 billion per year.

High-Risk List

In 2014, SIGAR issued its first High-Risk Report for the incoming Congress identifying areas we felt they should pay special attention to when evaluating the reconstruction effort in Afghanistan. Now that two years have passed, we felt it was important to update the list to help inform the new Congress and Administration of the most pressing reconstruction challenges in 2017 and beyond.

As much as I wish I could say much has improved in Afghanistan over the past two years – I cannot. Although there have been some successes which I will mention today, a lot more still needs to be done.

The High-Risk Report that we release today outlines eight key areas of concern. They are:

- (1) Capacity and Capabilities of Afghan Security Forces
- (2) Corruption and the Rule of Law
- (3) Sustainability
- (4) On-Budget Support
- (5) Counternarcotics
- (6) Contract Management
- (7) Oversight; and
- (8) Planning and Strategy

While all eight high-risk areas represent matters that could fatally undermine the reconstruction mission in Afghanistan, I want to focus today on the critical nexus between Afghanistan's security sector, corruption, counternarcotics, on-budget assistance, and sustainability.

Positive News

Let me start though, with a bit of positive news. Compared to two years ago when we released our first High-Risk Report we now have an encouraging track record with President Ghani and Chief Executive Abdullah that demonstrates their commitment to do the right thing for their country. Both have been cooperative with the U.S. government and SIGAR's efforts to prevent waste, fraud, and abuse of U.S. taxpayer money in Afghanistan.

Second, I want to highlight the strong and well informed leadership of the commander of the Resolute Support mission, General John Nicholson who, while ably leading our soldiers and the NATO-led coalition in Afghanistan, is also insisting on major reforms from the Afghan government. He knows that such reforms are necessary for the Afghan security forces to win and is also aware that the patience of the United States is growing short for such reforms to be implemented. And in both regards, he is vigorously conveying those messages to the Afghan military and their leadership.

Major General Richard Kaiser, who heads the Combined Security Transition Command – Afghanistan, and his deputy, Major General Paul Ostrowski, also deserve credit for starting to enforce the conditions we've ostensibly had in place for years on the money and materiel we provide the Afghan government.

It's a talented and qualified team which, combined with the tireless work and historical knowledge that Ambassador Michael McKinley provided over the last three and half years, has made a positive difference to the situation in Afghanistan. Unfortunately, Ambassador McKinley left just before Christmas to take a new posting and I can only hope that his permanent successor will bring as much expertise and continuity to the efforts as he did.

Security

But all is not positive. The most basic challenge that bedevils Afghanistan today is continued insecurity. For any country to function, it needs to do at least two things:

- (1) Provide for the security of its people; and
- (2) Pay for that security and the other non-security needs of its people.

Right now, unfortunately, Afghanistan has problems doing both.

To combat the Taliban and other threats, the United States has provided more than \$64 billion since 2002, including \$3.45 billion in fiscal year 2016 alone, to support the Afghan National Army, the Afghan National Police, and the Afghan Air Force.

The fighting season in Afghanistan has largely concluded for this year, the year of "survival" as President Ghani has called it, but what were the results?

According to the Defense Department's latest report on operations in Afghanistan, "the [Afghan security forces] are generally capable and effective at protecting major population centers, preventing the Taliban from maintaining prolonged control of specific areas, and at responding to Taliban attacks." The Taliban made clear that their goal for 2016 was to take a provincial capital – something they did not achieve despite several major attempts.

But let's think about that for a second. This is a reportedly 320,000 strong force, and it is basically playing whack-a-mole following the Taliban around Afghanistan. The DOD report reiterates this point by noting that the vast majority of the Afghan National Army has little offensive maneuverability, so the best spin the Afghan security forces can put on their activities is that they are able to re-take strategic areas after they temporarily fall. We may be defining success as the absence of failure. At a minimum, they're playing defense and are not taking the fight to the Taliban.

This is not for lack of brave Afghans. More than 5,000 Afghan security personnel were killed in action in the first eight months of 2016 alone. So what does this mean to our new Administration and Congress?

Leadership

My agency, along with many other observers of the situation believe the insidious combination of corruption and poor leadership is the root cause of the problem. For example, The New York Times recently reported that the Afghan security forces have over 1,000 generals – more than in the entire U.S. active-duty military. Oddly, the Afghans don't have many colonels.

Undoubtedly some of these generals deserve the epaulets on their uniforms – but others bought their positions, and others received them through either ethnic or family patronage networks. Whatever the reason, it does not make for an effective fighting force. General Nicholson's predecessor, General John Campbell testified last February that leadership was the biggest challenge facing Afghan national security forces.

When the Afghan 215th Corps in Helmand disintegrated in late 2015, the Resolute Support mission oversaw an effort to overhaul its leadership. The corps' failure, which seemingly caught everyone by surprise, was in large part due to the number of non-existent, or, "ghost," soldiers on its payroll and a resultant overestimation of its capabilities. In July of this year, General Nicholson indicated that all the senior Afghan military leadership in Helmand had been replaced, and a new commander was in charge of the 215th Corps. Just three months later, Resolute Support announced that the 215th Corps Commander had just been replaced again.

This is not to blame our military – they're working with what they have. But it is troubling that the commander hand-picked to clean up the security forces' act in Helmand had to be replaced so soon after his appointment.

As the DOD report I cited earlier states, "poor leadership and leader accountability, lack of casualty and martyr care, lack of timely and accurate pay, and inadequate living and working conditions," all contribute to [security force] personnel leaving their

assignments. When commanders act in this way, how can we be surprised when 75 percent of all personnel losses in the [Afghan security forces] are due to soldiers simply going AWOL?

Corruption

Corruption and poor leadership go hand in hand in Afghanistan. General John Allen, the former head of the International Security Assistance Force in Afghanistan, highlighted this problem when he testified before the Senate in April 2014 that corruption – not the Taliban – was the existential threat to Afghanistan. Reinforcing the point, his successor and the current Chairman of the Joint Chiefs, General Joseph Dunford, commissioned a study that determined that “corruption directly threatens the viability and legitimacy of the Afghan state.”

As SIGAR’s 2016 lessons learned report on U.S. anti-corruption activities in Afghanistan confirmed, the U.S., contributed mightily to the problem by dumping too much money, too fast, into too small an economy, with too little oversight. And we did so with too little understanding of Afghan political and social realities which led us to making false assumptions about what was possible in the unrealistic timeframes we tended to establish. We, and the Afghans are now dealing with the consequences.

Afghan commanders often pocket the paychecks of “ghost soldiers” for whom the U.S. is paying salaries. The number of ghost soldiers is significant, likely reaching into the tens of thousands.

On my visit to Kabul over Christmas, I was encouraged to hear that, as of this month, Afghan security forces are being paid based on a DOD-developed verification system, known as AHRIMS (Afghan Human Resources Information Management System) that relies upon ID cards embedded with biometric information being registered daily to measure attendance. Historically, there has been at least a 15-20% difference between what has been self-reported by the Ministries of Defense and Interior versus the number of personnel actually registered in AHRIMS.

SIGAR has been monitoring AHRIMS deployment in recent years, and it is well past time for its full implementation and to base U.S. funding on the numbers actually reported in the system to the Combined Security Transition Command and not rely on the largely unverified numbers formerly provided by the Afghan ministries.

There is also evidence that the Taliban have instructed their field commanders to simply purchase U.S. supplied weapons, fuel, and ammunition from Afghan soldiers because to do so is both easier and less expensive for the insurgents. Fuel purchases by the Afghan security forces are also another area of significant concern. Poor contract

administration by the Afghan government has provided suppliers with opportunities to substitute lower grade fuel for the Afghan security forces and/or to provide less fuel than ordered while selling the amount skimmed off the top on the open market tax free. This, and the widespread use of counterfeit customs exemption forms, deprives the government of significant tax revenue.

While in Kabul, last month, officials with the Combined Security Transition Command told me they plan to move fuel "off budget." This would retake control of U.S. fuel procurement for Afghan security forces out of Afghan hands and ramp up the command's role in contract administration, both actions which could help curb the abuses.

This will remain an area of particular concern, however, even with these reforms. There are reports that when fuel reaches the front lines, some commanders refuse to go on patrol so that they can save fuel which they then sell on the open market. Multiple credible sources have told our staff in Afghanistan that a significant portion – perhaps as much as half -- of U.S. purchased fuel is siphoned off at various stages of this compromised system, wasting U.S. taxpayer dollars and handicapping Afghan security forces.

Narcotics and Corruption

Another security challenge that must be addressed is the bleeding ulcer that is the narcotics trade. Resolute Support estimates that as much as 60 percent of the Taliban's funding comes from poppy production and cultivation, which of course is converted into opium. To date, the United States has spent roughly \$8 billion to fight the narcotics trade in Afghanistan.

Unfortunately, we have little to show for it. The Coalition is not directly engaged in combating the poppy problem, despite the fact that poppy proceeds and taxes are a major source of Taliban funds. The most recent report by the United Nations Office of Drugs and Crime, issued in October, stated that in a year's time, opium production in Afghanistan rose by 43 percent, and the amount of territory producing opium grew by 10 percent.

Afghanistan is continuing to grow poppy at near record levels. Compounding this problem, eradication efforts, which the United States has supported financially, dropped by 91 percent from 2015 to 2016.

Policy-makers should ask themselves, if we are worried about illicit oil sales funding ISIS terrorists in Syria and Iraq, why we are not more concerned about this key source of funding for the Taliban – funding which is only serving to prolong America's longest

war?

Sustainability

While the Taliban are raking in profits from the poppy trade and other illicit sources, the lack of financial sustainability of the Afghan government is another fundamental threat to the Afghan state that, if not addressed, will undermine efforts to fight corruption and improve the security situation. In addition, this problem also presents significant threats to the U.S. taxpayer.

As I mentioned earlier, a government must be able to protect its citizens and pay for its security and other basic needs. Afghanistan simply cannot afford to do so and will not be able to in the near future. The Defense Department estimates that Afghanistan will not be able to pay for even its security forces on its own until 2024 – and many think that optimistic. In addition, Afghan government revenues only cover just over 50 percent of government expenditures. Given recent depreciation of the Afghan currency, the negative effect on the Afghan economy of the American military withdrawal, and a demographic youth bulge that, as we saw last year, drove many Afghans to try to reach Europe as refugees, future prospects look bleak. In the meantime, every American taxpayer in this room is helping to make up the difference – to the tune of up to \$5 billion a year.

On-Budget Assistance

Another area our High-Risk Report highlights the challenge of protecting “on budget” assistance to the Afghan government. On-budget assistance, which includes government-to-government, or direct assistance, are funds provided directly to and managed by the recipient government in an effort to improve its capability to manage and oversee funds.

The Obama Administration pledged that eventually 50 percent of all U.S. assistance to Afghanistan would be provided on-budget. Unfortunately, the ability of Afghan ministries to manage such funds is a long way from being adequate, and given that Afghanistan is ranked by Transparency International as the third-most corrupt country on the planet, it appears to be a situation that all but encourages fraud and abuse. Should it be any surprise that we continually hear about the palatial mansions of Afghan ministers and civil servants as well as the spectre of ghost teachers, doctors, soldiers, and police? And with every report, Afghan citizens lose more patience with their own government, tempting some to join or support the insurgency.

The Combined Security Transition Command is responsible for monitoring funds provided to the Afghan Ministry of Defense and Afghan Ministry of Interior to support the

Afghan National Army and Afghan National Police, respectively. Despite the fact that DOD places conditions on these funds as to how the Afghans are to spend and manage them, there are severe challenges to tracking the money once it is transferred to the Afghan Ministry of Finance.

It's not just SIGAR that's concerned; just last month, the DOD Inspector General's office issued a report looking into the protection of on-budget assistance provided by DOD in Afghanistan and found that "U.S. direct assistance funding continues to be vulnerable to waste, fraud, and abuse."

To General Nicholson's credit, he is enforcing conditions placed on the funds, for example by retaking control of all fuel purchases paid for by the U.S. and implementing additional measures to ensure that fuel destined for major Afghan forward operating locations arrives in good order. These kinds of steps should be encouraged and followed by other U.S. agencies in Afghanistan.

Justice and Law Enforcement Efforts

As I said before, the United States and other donor nations contributed mightily to the explosion of corruption in Afghanistan, and as such, we have a responsibility to try and help the Afghans address it. One recent positive step has been the establishment of the Anti-Corruption Justice Center. The Justice Center was launched with the full support of both President Ghani and CEO Abdullah, and with financial and technical backing from the UK and other donor partners. U.S. support for the Justice Center to date has been limited to financial and technical support provided by Resolute Support. The Justice Center is designed to handle high-profile corruption cases, and is supported by a group of vetted and mentored police, prosecutors and judges who, along with their families, are protected against the political and physical dangers inherent to their work.

To date, a few prosecutions have taken place – the first was of a general in the Attorney General's office who was found guilty of taking a bribe worth the equivalent of a little over \$700. Other government bodies, including the parliament, as well as Afghan civil society organizations, want the Justice Center to go after more politically powerful and corrupt officials, as does SIGAR.

Our new Administration and Congress should ask if it is finally time to stop talking about combating corruption and time for the Afghan government to start prosecuting senior officials who are either corrupt or feel they are above the law. Time will tell whether the Justice Center is a successful and sustainable effort to root out corruption and not another Potemkin village designed to placate the donor community. We seriously hope it is successful but will continue to monitor its progress and provide assistance where

appropriate.

SIGAR, for its part, is encouraged by its successful work with President Ghani, the Attorney General's office, and others to leverage our unique law enforcement presence in Afghanistan to help the Afghan government. The close cooperation with President Ghani and his government has been one of the most positive changes from two years ago when we issued our first High Risk Report.

For example, SIGAR uncovered a major fuel contract fraud case that led President Ghani to cancel the contract and save roughly \$200 million in U.S. taxpayer money from being wasted. SIGAR also undertook a criminal investigation last year that uncovered bid-rigging on a \$99 million road construction contract being issued by the Afghan government, but funded by the U.S., which was canceled after SIGAR presented its findings to President Ghani.

We have also provided information that has assisted the Afghan Major Crimes Task Force and other Afghan agencies to make a number of successful arrests of corrupt Afghan officials. We are also the only U.S. oversight agency invited to sit in on the weekly meetings of the National Procurement Council where senior Afghan officials, headed by President Ghani, personally review each major government contract individually. And SIGAR is the only non-Afghan entity that has officially been granted a presidential decree from President Ghani allowing access to Afghan records related to the Kabul Bank fiasco that may allow for future prosecutions.

Unfortunately in the nearly five years I've been traveling to Afghanistan, I first witnessed the United States put in way too much, way too fast. More recently, I've watched the U.S. remove way too much, way too fast. Policy makers both in Congress and the new Trump Administration should take note of this.

Fortunately, General Nicholson and his team are attempting to address some of the capability gaps that have emerged as the U.S. has scaled back, especially in areas such as fighting corruption. One action that would help would be to re-establish the Afghan Threat Finance Cell, whose mission was to intercept and disrupt any funding that supported the Taliban. SIGAR's anti-corruption lessons learned report found that the Threat Finance Cell effectively uncovered connections between corrupt officials, criminals, drug traffickers, and insurgents. Unfortunately, as our military forces withdrew and U.S. law enforcement agencies significantly scaled back their presence pursuant to a State Department directed effort to "right-size" the embassy and U.S. presence, the Threat Finance Cell was shuttered.

We are encouraged by General Nicholson's efforts to try and rebuild some of the

mission's past capacities in these areas and hope that the new Administration and Congress will support such efforts and conduct a thorough assessment of resources and personnel to ensure they are sufficient to meet our military, law enforcement, and civilian objectives in Afghanistan

Conclusion

With a new President and Cabinet assuming office, we cannot be sure what direction Afghanistan policy will go. Incoming officials no doubt realize, as does the current Administration, that the choices are not easy ones and the outcomes are not guaranteed. Withdraw, and the democratic government may well fall. Stay, and continue what we have been doing and we may be faced with what General Dunford has described as a stalemate. Or develop, along with our Afghan and coalition allies, a new and better strategy that builds upon our successes and avoids many of the failures SIGAR and others, such as Dr. Cordesman and CSIS, have pointed out over the years.

These are some of the policy decisions that must be considered by the new Administration and Congress. But whatever they decide to do, it is likely to take many years and cost a significant amount of money that will need to be much better protected and spent much more effectively than it has been in the past.

Just as robust oversight of federal expenditures is critical here in the United States, whether purchasing a new presidential plane or a new fighter aircraft, aggressive oversight must be mission critical for reconstruction programs in Afghanistan. Fifteen years in, there is no reason we should be seeing the problems we continue to witness and document in our nearly 250 reports from SIGAR.

My hope is that the High-Risk Report we are issuing today, and the examples I have provided, will help guide Congress and the Administration as we move into 2017 to ensure a strong, better, and more effective reconstruction effort in what has become America's longest war.

Thank you.