



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

“Corruption: A Threat to the Rule of Law and Sustainable Peace in Afghanistan”
Case Western Reserve University School of Law
Cleveland, Ohio
June 23, 2020

Thank you very much for that kind introduction and to Dean Scharf for inviting me to speak today.

It is truly an honor to address my alma mater and discuss the work of my little agency with the tobacco-flavored acronym – SIGAR, that is with an ‘S’ not a ‘C’.

I am only sad that I cannot speak to you today in person since I always enjoy returning to Cleveland to marvel at all the improvements since I graduating 43 years ago, last month.

Those were challenging times for Cleveland. The Cuyahoga River had burned in 1969 and the city under the Boy Mayor was about to default.

More importantly for my later professional career, Cleveland was known as the bomb capitol of the Nation due to a decade-long war between rival factions to control organized crime in Ohio.

But, what I really remember about Cleveland back then, which I am happy to see has not changed, is the chance to get a corned beef sandwich about the size of a Rapid Transit car from Slyman’s or homemade pasta by the gallon at Guarino’s.

Just between us and my cardiologist, that is what I probably most miss from speaking to you remotely today and not in person.

Culinary memories aside, I promised Dean Scharf today to share some thoughts from my eight years as the SIGAR about America’s longest war; and especially some observations from my last trip there in early March just before the COVID epidemic shut down international travel to Afghanistan.

SIGAR 101

Before I do so, let me briefly explain my agency’s background; what we do; and

why we do what we do.

Congress established SIGAR in 2008; seven years after the attacks of September 11th led our country to invade Afghanistan, and after the U.S. had already spent billions of dollars trying to rebuild Afghanistan.

Why? Because Congress felt they needed an independent oversight office focused solely on protecting the billions of dollars being spent on Afghanistan's reconstruction in light of reports that much of the money was being wasted.

At \$137 billion and counting, Afghanistan has become the most expensive reconstruction project in U.S. history.

To put it into some context, that's more money than the entire Marshall Plan to rebuild western Europe after World War II and more money than we have spent anywhere in the world on development and reconstruction.

As an office of Inspector General, SIGAR has both audit and criminal investigative authorities much like the other 73 federal Offices of Inspectors General that you may have been reading about recently.

However, SIGAR is quite different from any other IG office.

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 answer solely to the President and Congress.

More importantly, SIGAR has cross-agency jurisdiction.

Unlike other federal inspectors general who can only look at the activities of the agency they are housed within, SIGAR has jurisdiction over any federal entity that spends a cent on Afghanistan's reconstruction.

Finally, unlike all but two other IG offices, SIGAR is temporary.

We will shut down 180 days after the amount of unexpended funds for Afghanistan's reconstruction drops below \$250 million.

At the moment, there is over \$9 billion in appropriated funds for reconstruction that have not yet been spent and more money is anticipated to be appropriated for the coming fiscal year.

I must add that 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 largess, Afghanistan remains one of the poorest, least educated, and most corrupt countries in the world, as well as one of the most violent.

To maintain our aggressive oversight efforts in the face of these dangers, SIGAR has augmented our 25 staff members permanently stationed in Afghanistan with satellite imagery, retained the services of Afghan non-governmental organizations (whose work we verify), and have hired Afghan nationals who can travel at less personal risk than more-obvious foreigners accompanied by massive security details.

But even with these additional resources, some places in Afghanistan remain inaccessible to not only SIGAR but also to the Afghan government and the U.S. military.

SIGAR's Accomplishments

Despite these challenges, SIGAR's accomplishments have been significant.

We have issued over 600 audits and other reports, made over 1,000 recommendations to U.S. government agencies, and identified over \$1.4 billion in savings from our audits to the U.S. taxpayer.

Our criminal investigators have conducted nearly 1,100 investigations, made 129 arrests and secured 147 guilty pleas and convictions. Their work has resulted in \$1.6 billion in criminal fines, restitutions, forfeitures, civil settlements, and other savings and recoveries for the government.

In total, the work of our nearly 200 auditors, analysts, engineers and investigators has saved the government over \$3 billion.

Afghanistan's Future

But enough about SIGAR. On February 29th, while I was in Afghanistan, the United States signed a peace agreement with the Taliban.

Among other provisions, the United States has pledged to reduce our military presence from roughly 13,000 to 8,600 within 135 days. Provided the Taliban meet their counterterrorism commitments, all remaining troops and, in addition, all U.S. non-diplomatic personnel are to leave the country within 14 months or approximately by May 2021.

The military drawdown has already begun, and from all accounts is on track to meet the first benchmark. But as General Kenneth McKenzie, head of U.S. Central Command said just two weeks ago, the Taliban have not yet met conditions for complete troop withdrawal by next May.

It appears as though our nation's longest war – at 18 years and counting – may be nearing its conclusion.

As I mentioned, I was in Kabul during the signing of the peace agreement, and while there was cautious optimism in my meetings with U.S. officials, Afghans, and the international diplomatic corps, there was also recognition that there is a long way to go and the process – as has been noted by both Secretary of State Pompeo and Secretary of Defense Esper – can be derailed at any moment.

Moreover, there was consensus that talks between the Afghan government and the Taliban on Afghanistan's future will be even more complicated than the recently completed U.S.-Taliban negotiations especially in light of recent revelations by the United Nations that the Taliban have not broken ties with Al Qaeda.

So, the bottom line is that even with signatures on an agreement, many risks to sustainable peace remain.

Now, as you probably have noticed, the vast majority of the press attention on Afghanistan has rightly focused on the loss of blood and treasure on all sides.

Over 2,300 American soldiers have lost their lives and over 20,000 more have been wounded in Afghanistan, and we cannot forget their sacrifice.

Nor can we ignore the tens of thousands of Afghan troops and civilians slaughtered over the last 18 years – many, unfortunately, as collateral damage from U.S. and coalition actions.

But the viability of the Afghan state does not depend upon bullets and bombs alone. To put it simply, without the financial support of the international donor community, the Afghan government cannot survive.

International donors provide approximately 75 percent of Afghanistan's total public expenditures, and the World Bank has estimated that between \$4.6 billion and \$8.2 billion of donor funding will be required per year through at least 2024 – and that is in a post-peace-settlement environment.

Why is the Afghan government so dependent upon donor support? Because

besides donor spending, there is not much that actually drives the licit Afghan economy.

With development funds pouring into the country and a large international military presence that amounted to a sizeable but impermanent fiscal stimulus, Afghanistan's economic growth rate averaged close to double digits for the first decade of reconstruction.

Since the 2014 security transition and drawdown of foreign troops, however, growth has been stuck in the low single digits.

The World Bank recently reported that Afghanistan's GDP growth in 2019 was 2.9%. That might not be bad in a developed economy, but it was the second lowest in South Asia, which, excluding Afghanistan grew by 5.2%.

And right now, it appears that the COVID-19 pandemic is dashing hopes for higher growth over the next several years.

A panel of experts convened by the Wilson Center last month predicted that the Afghan economy would contract sharply in 2020, perhaps by as much as 10%.

According to the IMF, "the pandemic is inflicting severe economic and social damage, with its depth and duration subject to great uncertainty."

Fifty-five percent of Afghans live below the poverty line, compared to 38% in 2012.

Sadly, that figure seems likely to grow as Afghanistan and the broader region continue to feel the effects of slower economic activity—the result of lockdowns and other measures implemented in an effort to mitigate the virus' spread.

Trade and transportation are being disrupted by intermittent border closures.

Remittances from Afghans working in adjacent countries are in decline, and household budgets are being stretched by rising food prices.

We do not yet know the full extent of the damage.

As my agency has repeatedly reported, despite receiving nearly \$35 billion in U.S. assistance for governance and economic development, Afghanistan's economy is floundering.

USAID and DOD have recently focused on growing Afghanistan's private sector

economy, but there are cautionary tales that have demonstrated how apparent success can quickly turn into abject – even dangerous – failure.

For example, as many of you have probably heard in the press, Afghanistan's minerals and other natural resources have long been considered its proverbial "goose that laid the golden egg." In 2010, the Department of Defense estimated, based on U.S. Geological Survey data, that Afghanistan held \$908 billion worth of mineral resources.

Obviously, if the Government of Afghanistan could turn those resources into jobs and export revenue – the economic outlook for Afghanistan would change dramatically.

In 2012, a recently formed Guernsey-based company called CENTAR convinced the Afghan government that it could help spearhead the effort to improve Afghanistan's economy through the extraction of its mineral resources.

The company was set up by an investment banker (and former British SAS officer) from JP Morgan who was initially invited to Afghanistan by a DOD-sponsored business task force.

Over \$30 million was invested in CENTAR, with the hopes of capitalizing on the extraction of Afghanistan's copper and gold reserves.

Despite extensive lobbying of both the Afghan and U.S. governments, CENTAR was not granted mining contracts until 2018, seven years after its formation.

Oddly, the two contracts – one for copper and one for gold – were signed at a ceremony at the Afghan Embassy in the United States, even though CENTAR did not appear to have any American investors.

At the time—and as many others have before—CENTAR claimed that the "development of Afghanistan's mineral deposits would be truly transformative for the country."

Unfortunately, the celebrations did not last long, as the Afghan government cancelled the contracts little more than a year later, claiming CENTAR had not met its contractual obligations.

According to the *Financial Times*, as of last month, CENTAR was almost out of money and shareholders were meeting to decide the company's future.

CENTAR's fate may not be the end of this tragic story, however. The *Financial Times* reported that the company's heavy drilling and extraction equipment was now in the hands of Taliban forces who were mining gold to financially support the insurgency.

While we have not confirmed this part of the story, even CENTAR, in a letter to its shareholders, noted that “the Taliban have established their own ministry of mining in Qatar, with their own people on the ground collecting revenues and operating mines nationally, which has led to a profitable mining industry.”

CENTAR’s letter apparently noted that its mine in Badakhshan Province had turned out to be a great success – unfortunately just for the Taliban, and not for CENTAR or the Afghan government and its people.

This is just one example of many efforts to jumpstart the Afghan economy that not only failed, but also in many cases, backfired – and many of those efforts were underwritten or otherwise supported by USAID or the Department of Defense.

Nevertheless, the effort to strengthen Afghanistan’s economy is a logical and necessary undertaking, but without taking on the 600-pound gorilla in the room, efforts to sustain any gains from those efforts will be doomed to failure.

The Corruption Challenge

Who is that 600-pound gorilla? I thought you would never ask.

It is, of course, corruption. Transparency International’s most recent Corruption Perceptions Index ranks Afghanistan as tied for 173rd out of 180 countries, ranking it less corrupt than only Yemen, Syria, South Sudan, and Somalia.

SIGAR investigations have identified corruption at virtually every level of the Afghan state – from salaries paid by international donors for Afghan soldiers and police who do not really exist – to theft of U.S.-military provided fuel on a massive scale – to price-fixing of billion dollar contracts, to hundreds of Afghan contractors and subcontractors who ripped off the U.S. taxpayer based upon sole source contracts steered by corrupt or inept officials.

Independent surveys highlight that most Afghans report having to deal with corruption on an almost daily basis – often in the form of a bribe to a government official to get something the government should otherwise be providing, such as access to health care, justice, or education.

But, let me be perfectly clear here, corruption in Afghanistan is not just a criminal justice issue. Systemic corruption in Afghanistan goes beyond that. As we noted in our 2016 Lessons Learned report, corruption is a strategic threat to our entire mission in Afghanistan.

It is the most insidious threat the Afghan government faces because it saps the support of citizens who are trying to go about their daily work, feed their families, and live free of fear and intimidation.

It also is used by insurgent groups to undermine government support and garner recruits to their cause.

Additionally, it also acts as an extreme disincentive for the private sector investment that Afghanistan so desperately needs in a post-peace environment, when donors will likely reduce or eliminate their financial support to the government.

As Ambassador Ryan Crocker, who re-established the U.S. Embassy in Kabul soon after 9/11 and again led the embassy from 2011 to 2012, told my staff, “the ultimate point of failure for our efforts... wasn’t an insurgency. It was the weight of endemic corruption.”

Excising the rot of corruption from the Afghan state has been and will continue to be a massive undertaking.

While I cannot compare my own life experience to that of someone who has grown up in Afghanistan, I do know from firsthand experience that fighting corruption takes blood, sweat, and tears.

As you have heard, as a young attorney, I investigated and prosecuted the deeply entrenched tentacles of organized crime in Ohio.

If the heartland of Ohio can suffer from corruption during my professional lifetime since graduating from Case Western, then we know what a challenge combating it is in a country like Afghanistan that has struggled through decades of war and economic instability.

As a newly appointed young, honest and western-educated Afghan Minister once asked me, “How do I fight corruption when everyone in my ministry is corrupt.”

That was a tough question and I don’t know if I gave him the right answer.

Unfortunately, I am not certain anyone else in our government has either.

Yet fighting corruption is the key to creating the economic environment necessary to attract the private investment needed to grow Afghanistan’s economy.

Businesses will not invest if there is no transparency and are not assured that any grievances they have will be fairly addressed by legal and judicial systems that

respect and enforce the rule of law.

Laws are essential, but laws are mere words if they are not backed by the will on the Afghan government's part to provide even-handed and aggressive enforcement.

Because of SIGAR's long experience investigating corruption in Afghanistan, the Congressional Appropriations Committees gave us an unprecedented task for an IG office – to assess the Afghan government's anti-corruption strategy and its implementation.

Our first assessment was publicly issued in 2018, and the appropriators have since requested annual updates.

What we have found is that the Afghan government, in an attempt to please international donors, has been very good at "checking the box" and putting anti-corruption policies on paper and creating related institutions, without resourcing them.

SIGAR's assessment findings were reinforced in a report issued by the United Nations just last week. The UN confirmed that the Afghan government has yet to prove that anti-corruption laws are equally enforced across all offenders regardless of wealth and power. They found that powerful, politically-connected Afghans often act with impunity, making it difficult for the Afghan government to demonstrate a true commitment to curbing corruption.

And, because corruption in Afghanistan is deeply entrenched at all levels of power across the country, the UN's report also made clear that unraveling such deep networks of corruption takes time. The UN says that the Afghan government's two-year strategy implementation has been met with a lot of skepticism because of its short timeframe.

While political will is always difficult to measure, some practical examples that we should be seeing if the Afghan government was serious about combating corruption would include:

- The extradition of suspects from overseas;
- The arrest, trial, and imprisonment of powerful individuals engaging in corruption;
- Significant output from anti-corruption courts;
- The recovery of stolen assets;

- Proper resourcing of anti-corruption institutions; and
- Transparency in contracting;

Unfortunately, we have found little, if any, evidence of efforts to take those steps – something confirmed in a series of frank discussions I had with our embassy and military officials as well as other donor country embassies on my last trip to Kabul.

For example, as of last January, there were over 6,500 outstanding arrest warrants for corruption-related offenses and the Afghan government could not provide us with a timeline for completing those arrests.

The Afghan government had recovered less than one percent of the financial penalties issued by the country's top anti-corruption body – the Afghan Anti-Corruption Justice Center, and there was a 22 percent decline in the number of individuals prosecuted by the Justice Center between 2018 and 2019.

Disappointment with the Afghan government continues to this day in light of recent information SIGAR uncovered that one of the masterminds behind the failure of the largest Afghan bank is under consideration to oversee a major Afghan government agency.

While the Afghan government may be able to get away with paying lip service to the UN and the rest of the donor community about its anti-corruption commitments, the private sector – which cares far more about its own bottom line than it cares about Afghanistan's future – will not overlook Afghanistan's failure to tackle the corruption challenge.

Afghanistan's leaders must come to realize that in the end, private sector investment will matter far more to their country's future than international donors, because after 18 years of war, foreign governments, including the United States, are growing weary of paying Afghanistan's bills.

As many foreign ambassadors to Afghanistan told me on my last trip, the patience of their parliaments back home and the voters that elect them is not endless, even if it seems the war is.

Conclusion

The one certainty about Afghanistan is constant uncertainty.

This is true not only about the U.S.-Taliban deal, but also about the negotiations between the Afghan government and the Taliban, which – if you are Afghan – are far

more important.

Unfortunately, for Afghanistan, uncertainty deters private sector investment more than anything else – and corruption greatly adds to that uncertainty. Whatever the outcome of the intra-Afghan negotiations, whoever assumes the mantle of leadership in Kabul will inherit a weak economy, waning donor interest, and the inability to attract private sector investment unless and until corruption is taken seriously and properly addressed.

USAID, the World Bank, and other donors must continue to prioritize efforts to help the Afghans attract private sector investment, including through public-private partnerships.

On my most recent trip, I saw firsthand that such partnerships with entities like Afghanistan's main utility provider may eventually result in positive outcomes for the Afghan economy.

Although it is always dangerous to predict the future in Afghanistan, let me conclude with a little prognostication.

If the rampant corruption that has contaminated Afghanistan is not dealt with, then private sector growth will not materialize, and the donor community will eventually tire of coming to Afghanistan's rescue.

When that occurs, the country's economy and government could well collapse and a return to civil war, the rise of new or reenergized fundamentalist movements, or the full transformation of Afghanistan into a narco-state could result.

While I am just a simple country lawyer whose roots are here in the Buckeye State, in my humble opinion, the U.S. and its coalition partners must not forget the cancerous effect of corruption.

Otherwise, peace will be short-lived as it becomes evident that it will be unsustainable without an Afghan economy freed from the shackles of endemic corruption.

With that warning, I thank you and look forward to your questions.