



Prepared Remarks of
John F. Sopko
Special Inspector General for Afghanistan Reconstruction
“SIGAR’s Role in the Fight Against Corruption in Afghanistan”

International Anti-Corruption Academy
Washington, DC
January 24, 2018

Thank you for that very kind introduction. And thank you all for coming today. I especially want to thank Dean Kreutner for this invitation.

History of IGs and Introduction to SIGAR

I know some of you are familiar with both what an Inspector General is and what my agency, SIGAR, does, but many of you may not be. So while I certainly want to discuss the lessons in combatting corruption in foreign assistance programs that my agency has learned, I would first like to provide a little background on what IGs do and what SIGAR does, and why we’re different from other IG offices in the federal government.

For those of you who don’t know what an Inspector General is – let alone a Special IG – don’t feel bad. I’ve learned over the last five years that many senior U.S. government officials don’t know either. An inspector general is defined as “an official, as of a government department, whose responsibility is to investigate and report on that department.” The concept of an Inspector General is not a new one – most U.S. executive branch Offices of Inspectors General were created by Congress in 1978. But the history of IGs in the United States actually goes back almost exactly 240 years – to May of 1778, when George Washington convinced the Continental Congress to appoint a former Prussian military officer named Friedrich von Steuben to the new post of inspector general of the Continental Army during the Revolutionary War.

Despite limited English proficiency, Baron von Steuben standardized the Continental Army’s training, which included convincing soldiers of the need, for example, to start using their bayonets as weapons and stop using them as cooking skewers. Like many an Inspector General since, von Steuben noted “administrative incompetence, graft, and war profiteering,” and his inspections reportedly saved the financially stretched army hundreds of thousands of dollars. Von Steuben was also assigned a less illustrious task, which was to try and improve sanitation by relocating latrines – fortunately, I’ve

avoided that assignment so far in Afghanistan.

I mention all of this to highlight that when motivated and utilized properly, an Office of Inspector General can be a significant force for change. Few government employees, Congressional staff, journalists, and academics understand the impact that an effective IG can have on improving the government, and yes, even the conduct of wars.

In many ways, 2018 is the “year of the IG” here in the United States. It’s been 240 years since von Steuben’s appointment; it is 40 years since the passage of the Inspector General Act; and it is ten years since SIGAR’s creation was authorized.

Every executive branch agency has an IG – and like the other 70-plus Offices of Inspectors General, SIGAR issues audits, inspections, reports, and conducts both civil and criminal investigations. All of that work is intended to combat waste, fraud, and abuse of U.S. taxpayer dollars being spent on the reconstruction effort in Afghanistan, and improve government efficiency, which I know may sound like an oxymoron. We are the eyes and ears of the taxpayer.

But how does this apply to you? Most of you already know that the war in Afghanistan is our nation’s longest continuous military engagement. You may also know that it is the U.S. Agency for International Development’s largest development effort.

But more importantly, what our government has faced in Afghanistan over the past 16 years represents the type of conflict that the United States is likely to see more of in the decades to come. Conflict and reconstruction efforts in failed and weak states that lack institutions, where rule-of-law is non-existent, and that face massive corruption problems are what our government, other governments, and international organizations will have to contend with. These so-called contingency operations must be addressed as “whole of government” efforts among U.S. agencies, as well as take a “whole of governmentS” approach where the U.S. works with coalition partners.

In 2008, SIGAR was created because the U.S. Congress recognized that the effort in Afghanistan is a “whole of government” mission. Of course, by 2008, the United States and its partner nations had been undertaking reconstruction efforts in Afghanistan for nearly seven years following the removal of the Taliban regime. Before SIGAR’s inception, billions had already been spent on rebuilding Afghanistan, often with little or no documentation, assessment, or accountability.

Of course, the federal agencies involved in Afghan reconstruction – chiefly the Department of Defense, the Department of State, and USAID – have their own Offices of Inspector General. They do good work and I have great respect for their IG’s initiative and independence. But they also have global responsibilities and Congress

wanted an IG office focused entirely on the reconstruction of Afghanistan.

Why? Because Afghanistan is the largest reconstruction program in American history. At over \$122 billion and counting, the cost of Afghanistan reconstruction exceeds the inflation-adjusted cost of the Marshall Plan that helped rebuild Western Europe after World War Two – and that number grows by about six billion dollars per year.

To provide the level of oversight Congress demands, SIGAR employs about 200 auditors, analysts, engineers, and criminal investigators, with over 30 stationed in Afghanistan at any one time. SIGAR has more oversight staff based in Afghanistan than the Defense Department, State Department, and USAID combined.

SIGAR's Uniqueness

In creating SIGAR, Congress made us unique within the federal IG community in a few ways:

First, we are wholly independent. Of the over-70 federal IG offices, we are one of only two not housed within any federal agency or commission. We file our reports with Congress and the Secretaries of Defense and State, but overall, our agency is answerable only to the President and to Congress.

Second, our work focuses exclusively on reconstruction programs in Afghanistan, which are broadly defined to include building and sustaining the Afghan national security forces, promoting the rule of law, constructing schools and clinics, funding counter narcotics programs, and training and paying the salaries for Afghan soldiers, police, and civil servants.

Third, our mandate in Afghanistan extends across all federal departmental boundaries. We are the only IG with the power to look at the “whole of government” reconstruction effort in Afghanistan. That means that we have jurisdiction over virtually every dollar spent by the U.S. government in Afghanistan that isn't directly related to warfighting.

Fourth, SIGAR is a temporary federal agency – yes, there is such a thing. While we may have been around for nearly ten years, that's a function of the length of the reconstruction effort. When the amount of reconstruction funding appropriated by Congress, but not yet spent, drops below \$250 million, SIGAR will begin the process of closing its doors, much like the Special Inspector General for Iraqi Reconstruction, or SIGIR, did several years ago.

I came to SIGAR in July 2012 as a presidential appointee. Prior to that, I had served as a state and federal prosecutor working on organized crime, and also served as counsel for investigative committees in the U.S. House and Senate, was a deputy assistant

secretary at the Department of Commerce, and later a partner in an international law practice.

Prior to my current assignment, I thought I had seen everything in the way of organized crime, corruption, and other forms of waste, fraud, and abuse. But nothing in my career could have possibly prepared me for the size and scale of the challenge of wastefulness and corruption SIGAR has encountered in Afghanistan.

Carrying out oversight work in Afghanistan is very difficult, and the operating environment in Afghanistan is a much more challenging one that virtually any other IG office faces. The terrain and lack of transportation infrastructure is part of the problem, but the continuing violence is the predominant challenge. The U.S. government estimates that there are some 20 terrorist groups operating in Afghanistan, Pakistan, or both, and that number doesn't even include the Taliban insurgency.

Most U.S. civilian staff in Afghanistan are essentially confined to the U.S. Embassy compound for their entire tour of duty. Getting around to visit Afghan ministries or project sites requires the permission of the Ambassador, plus a security detail. U.S. personnel are not even allowed to be transported by ground vehicle for the 3.3 kilometer drive between the airport in Kabul and the U.S. Embassy – they have to be ferried by helicopter instead, at no small cost to the taxpayer.

The 90 percent drawdown of U.S. forces in Afghanistan since 2011 and the increased reach of the Taliban and other violent extremist groups have made travel both more difficult and more dangerous. I've personally witnessed the constraints increase over time during the three or four trips to Afghanistan I make each year.

To mitigate such difficulties, SIGAR has augmented its resources with satellite imagery, retained the services of Afghan non-governmental organizations, and hired Afghan nationals who can travel at less personal risk than more-obvious foreigners. Meanwhile, our Investigations Directorate has adapted to working in a conflict zone by regularly interacting with the U.S. military, Afghan government and civil society organizations, our coalition allies, the UN, INTERPOL, and NATO, to maximize our visibility into what's happening on the ground in Afghanistan on the other side of the Embassy walls.

SIGAR's Accomplishments

So what has SIGAR accomplished in Afghanistan? Since our creation in 2008, SIGAR has arrested 122 individuals and secured 116 convictions for defrauding the American taxpayer. Our auditors have saved nearly \$1 billion for the taxpayer, and since I became the SIGAR in 2012, our investigations directorate alone has recovered another \$1.2 billion in criminal fines, restitution, forfeitures, civil settlements, and U.S. government cost savings and recoveries. SIGAR has also issued over 300 audits, inspections, and other reports, including two lessons learned reports. And a number of our recommendations have been become law, thanks to Members of Congress who share our goal of improving the reconstruction effort.

While our primary clients are Congress and the President, our work is closely watched in Afghanistan and by our coalition partners as well. I meet regularly with NATO officials and the diplomatic representatives of our coalition partners. Likewise, on nearly every one of my trips to Afghanistan, I meet with President Ghani, Chief Executive Abdullah, and numerous other Afghan ministers and policymakers. On my most recent trip, every Afghan official I met with was familiar with SIGAR's work and told me they use it to improve their own government's efforts. One Afghan general described SIGAR as the most feared and respected entity in Afghanistan after the U.S. military.

Lessons Learned Reports

One of the questions I've heard most often since become the SIGAR is what, taken cumulatively, does all of SIGAR's work ultimately mean?

To address that question, we followed the urgings of then-Ambassador Ryan Crocker and General John Allen, both of whom served tours in Afghanistan, and several Members of Congress to create a formal lessons-learned program that leverages SIGAR's unique ability to look at the entirety of the reconstruction effort in Afghanistan, make recommendations, and identify best practices.

We've published two reports so far, with more on the way. The first looked at the sources and extent of corruption in Afghanistan, confirmed that U.S. policy and practice rewarded some bad actors and fed corruption, and documented the lack of an interagency strategy between the Defense Department, State Department, and USAID to combat corruption as they went about rebuilding Afghanistan.

Our second lessons learned report, released late last year, focuses on the training of the Afghan security forces – perhaps the most important aspect of the reconstruction effort if the U.S. and our partners are ever to leave Afghanistan. We found that the United States was simply not prepared to conduct security-sector assistance on the

scale that Afghanistan required.

The new report discusses these and many other problems in great detail, and my staff and I were asked to brief the Chairman of the Joint Chiefs of Staff, as well as U.S. Central Command, U.S. Forces-Afghanistan, NATO, the U.S. Marine Corps, and National Security Council staff, as well as the European Union. General Dunford, the Chairman of the Joint Chiefs, testified before Congress that some of SIGAR's findings were not only considered, but included, in the final Afghanistan strategy that the administration released last year. This is a solid example of how extracting pertinent and actionable lessons from hard experience can help leaders work towards better results in the future.

Initiatives like our lessons learned reports act as what the military would call “force multipliers” for our individual, tightly targeted products looking at a specific project or program the U.S. has funded in Afghanistan.

Now that I have waxed and waned poetic about my little agency, and likely put half of you to sleep, I want to address the other matter I was asked to discuss here today – corruption.

Obviously, my focus is on Afghanistan, but many of the lessons and problems we've identified in Afghanistan apply anywhere where developed countries are trying to improve the lives of those living in less-developed countries. Sometimes, those countries, like the United States, are doing good work and making a positive difference. Sometimes we may be doing more harm than good, or at a minimum, we can certainly improve how our foreign assistance agencies do things.

And unfortunately, although those with vested interests in these efforts don't like to hear it, you cannot improve things without first identifying the problems. And one of the most serious problems in Afghanistan is corruption.

Corruption

Let me start with a broad discussion of corruption in Afghanistan – and the role of the international donor community, led by the United States, has had in both fueling it and combatting it.

To put it mildly, corruption was not always at the top of the U.S. agenda in Afghanistan. Not until 2009 – eight years into the reconstruction effort – did the U.S. government try to begin to understand the connections among a vast, interdependent web of corrupt Afghan officials, criminals, drug traffickers, and insurgents. At that time, a consensus emerged that corruption threatened our core goals. Corruption undermined the legitimacy and viability of the Afghan state, fueled grievances that strengthened the

growing insurgency, and sapped resources from the reconstruction effort.

The problem, then and now, was that combatting corruption required the cooperation and political will of Afghan elites whose power relied on the very structures that anticorruption efforts sought to dismantle. While President Ghani declared a “national jihad” on corruption, corruption is not just a problem for the system of governance in Afghanistan; it IS the system of governance. And since corruption is embedded in the state, it is difficult to root out without destroying the state in the process.

That said – as the former commander of international forces in Afghanistan, General John Allen, told the U.S. Congress – corruption, not the Taliban, is the existential threat in Afghanistan.

After its epiphany on corruption in 2009, the U.S. government sought to get a handle on the problem in Afghanistan. In 2010, the U.S. Embassy drafted an anticorruption strategy that contained far-reaching goals. In total, the U.S. set up 13 ad hoc U.S. and coalition entities to address different aspects of corruption including the U.S. role in exacerbating it. The United States has also helped the Afghan government establish no fewer than 11 Afghan anticorruption bodies, such as the Major Crimes Task Force, or MCTF, within the Ministry of Interior, and the Anti-Corruption Justice Center, or ACJC, whose mission is to go after high-ranking or otherwise powerful Afghans who have engaged in substantial corruption.

While not all of these bodies were in place at the time, the U.S. learned a powerful lesson in 2010 when it discovered that without a willing partner in the host government, many, if not all, of these efforts were largely impotent. In 2010, a key aide to President Karzai named Mohammed Zia Salehi was arrested for obstructing an investigation into a money transfer firm suspected of moving billions of dollars out of Afghanistan for crooked Afghan officials, drug traffickers, and insurgents. Although Salehi was captured on a wiretap soliciting a bribe, then-President Karzai ordered his release within hours of his arrest. U.S. law enforcement officials considered the Salehi case a test case for the Afghans’ willingness to prosecute high-level corruption. The fact that it backfired spectacularly demonstrated not only that the Afghan political commitment to fight corruption was absent, but that the Afghan political elite were willing to powerfully resist any U.S. push for accountability.

That message was reinforced when a second, even larger, scandal began to unfold. In September 2010, Kabul Bank, the second largest bank in Afghanistan, collapsed amidst publicity that the bank was insolvent. The bank had operated as a massive pyramid scheme; hundreds of millions of dollars had been fraudulently lent to fictitious companies, with no loan ever paid off. Two of the principal beneficiaries of the scheme

were then-President Karzai's brother, Mahmoud Karzai, and the then-First Vice President's brother, Haseen Fahim. Although 36 individuals were ultimately convicted in the nearly \$1 billion theft from the bank, few of the defendants fortunate enough to have political connections served jail time or had to repay significant portions of their ill-gotten gains.

Former President Karzai, it is safe to say, was not a willing partner in coalition efforts to combat corruption in Afghanistan – and frankly, the U.S. needed his assistance on so many other fronts, he had little reason to be.

When Ashraf Ghani became president of Afghanistan, the international donor community, including SIGAR, knew he had lambasted corruption on the campaign trail, but wondered whether he would “walk the walk” once he was in office, especially after enduring a fraught negotiation to secure his presidency, and upon assuming office needing to balance the interests and demands of a large number of power brokers.

A test of President Ghani came early on in his tenure. In 2014, SIGAR investigators discovered that four companies bidding on a nearly \$1 billion Ministry of Defense fuel contract funded by the U.S. government had colluded to fix their prices and rig their bids. Our investigation revealed that the companies prevented two competitors from submitting their own bids on time. When SIGAR briefed the case to President Ghani in February 2015, he immediately cancelled the Ministry of Defense contract, saving over \$200 million worth of U.S. taxpayer dollars in the process. He also ordered an investigation into the corruption allegations, fired involved government officials, and invited SIGAR to start attending the weekly meetings of the National Procurement Commission that he chairs and is where he and Chief Executive Abdullah personally review every major government contract. In the long run, reviewing contracts may not be the best use of a President's time, but it demonstrates a level of commitment to holding his ministries accountable.

While the law enforcement approach is a valuable way of tackling corruption, ultimately, while perhaps less exciting, there are broader preventative countermeasures that must be put into place to stop pervasive corruption that no amount of law enforcement resources could ever hope to recover after the fact.

But, before you can fix a problem, you have to admit you have a problem. As I noted earlier, the United States government and other donors starting making anticorruption efforts a larger priority starting around 2009. But while Afghanistan undoubtedly suffered from corruption prior to the beginning of the reconstruction effort, the international donor community, and particularly the United States, must own up to its own culpability in creating the corruption problem that continues to afflict Afghanistan

today.

Early on, in an effort to maintain a light footprint in Afghanistan, the U.S. partnered with abusive and corrupt warlords in efforts to defeat al-Qaeda and the Taliban government that provided al-Qaeda with protection. These individuals were then in a position to demand positions in the newly formed government, which enabled them to access the streams of cash from foreign donors that came pouring into a virtually non-existent economy, and in an environment with a dearth of judicial and legal structures to prevent abuse. Combined with limited oversight of funds by donors and in particular, the perverse incentive in the U.S. that rewards government officials by how much money they put on contract rather than how well that money is spent, money was sloshing around Afghanistan like a bathtub running over.

One of the findings in SIGAR's lessons learned report on anti-corruption efforts in Afghanistan is that international donors must better assess how much foreign assistance a host country can reasonably absorb without completely distorting the economy. To picture the corruption problem, try to visualize pouring water on a sponge. At some point the sponge becomes saturated and water spills off to the side. In terms of foreign assistance, amounts provided to a country that are more than 15 to 45 percent of that country's annual gross domestic product are generally considered counterproductive. The country simply can't absorb that much money and ensure it isn't wasted or stolen. Now consider that on multiple occasions, U.S. assistance alone equaled one hundred percent of Afghanistan's GDP – more than double the high end of the recommendation, and American assistance was over the threshold of 45 percent of GDP every year from 2004 to 2013. Combined with poor oversight and contracting practices, this was a recipe for disaster. And both we and the Afghans are still suffering from this food poisoning that the international donor community cooked up.

While I could go on all day about the problems of corruption in Afghanistan – and at this point, some of you are probably fearing I will – I want to discuss one way to combat corruption before a dime is spent in any given country – and that is smart conditionality.

Smart Conditionality

By 2013, the U.S. government, particularly the U.S. military, recognized that it had to do something different about corruption in Afghanistan. Corruption previously may have seemed a theoretical problem or one that would have been nice to get rid of, but after the drawdown of American military forces, it became clear that corruption was eating the Afghan National Security forces alive. Never was this made clearer than when the 215th Afghan National Army Corps essentially disintegrated because of a combination of corrupt and predatory leadership and the “presence” of soldiers who only existed on

paper so someone could collect their paycheck, which overstated the Corps' strength ahead of a Taliban offensive in Helmand province. The U.S. and NATO missions no longer had the luxury of treating corruption as a side conversation – it now directly threatened the mission because the mission's success now depended on the performance of Afghan, rather than NATO, forces.

The leadership of the U.S. military assistance force in Afghanistan began to look at conditionality as one option to try to improve the Afghan's accountability for donor funds – something SIGAR had pushed for the entire U.S. government to do.

While conditioning aid was, at the time, a relatively new addition to the reconstruction effort, many of you know that conditionality itself is not a new concept. The basic definition of aid conditionality, of course, is that you try and incentivize behavior that you want, by either providing or withholding aid based on the aid recipient's actions.

While SIGAR has long been a proponent of conditioning aid to Afghanistan, the U.S. military told us that prior to 2013, the United States had no conditions on funds flowing to the Afghan security ministries. The urgent demands of war fighting and paramilitary policing had overtaken many other considerations and concerns. I'm glad to tell you that things have changed and that there are now conditions placed on U.S. assistance to the Ministry of Defense and Ministry of Interior.

But, and I cannot say this strongly enough, simply having conditions for aid does not guarantee desired outcomes or behavioral changes. As the World Bank said in a 2005 report, "more conditionality cannot compensate for weak government commitment or implementation capacity," – a statement especially applicable to Afghanistan.

In addition, conditionality cannot be fully effective without buy-in from a willing partner. The National Academy of Public Administration has stated that "governments will agree to almost anything," to obtain aid, but "whether they support it is another matter."

Leaders of recipient-nations may be focused on opportunities for the short-term control of funds and unconcerned about longer-term outcomes – think of a Minister who quickly wants to demonstrate his or her ability to get things done, and places less priority on whether donors may try and hold the Ministry accountable later.

Another challenge is that governments often construct compliance charades like enacting headline-grabbing, but ultimately unenforced, laws simply to check a box in their agreement with a donor. Such concerns led to Congress last year requiring SIGAR to evaluate and issue a report on the Afghan government's implementation of its own anticorruption strategy – Congress knew the strategy the Afghans committed to developing would likely end up on paper, but they continue to have significant concerns

about whether the Afghans will do anything to implement that strategy – and they will use our report, due in May, as one data point as they make future funding decisions.

There are also challenges from the donor side. Once aid flows start, the National Academy noted, political pressures may keep it flowing despite evidence of waste because “cutting off or slowing assistance can wreck or undo progress.” And ultimately, it becomes a self-fulfilling prophecy as aid agencies fail to enforce conditions, thereby undermining the credibility of conditionality, as Vassar College economist Christopher Kilby has noted.

On the most practical level, it is virtually inconceivable that the United States, or any other donor, would withhold financial support for items like fuel, guns, and bullets that are critical to the success of the Afghan security forces.

This is where smart conditionality comes in. While we may not be able to take away guns or bullets – we can take away training and foreign travel opportunities for senior military or government officials. In perhaps the largest-scale example, at one point, the U.S. military in Afghanistan estimated there were tens of thousands of “ghost” or non-existent personnel on the rosters of the Afghan National Army and Afghan National Police. The U.S. military, which previously had simply taken the Afghan Ministries of Defense and Interior at their word about the number of troops that donors needed to provide salaries for, decided that it would insist that all ANA and ANP personnel would have to be biometrically enrolled to ensure a soldier or policeman by that name actually existed before they would provide any funds to cover the salary for that name on the roster.

As of January 1 of last year, salaries are paid only to Ministry of Defense and Ministry of Interior personnel correctly registered in the U.S. military’s biometric system. As of July of last year, the U.S. military estimated that 10,000 Ministry of Defense personnel had yet to be biometrically registered, and approximately 41,000 Ministry of Interior personnel had yet to be registered.

These individuals may well exist and simply not have been registered yet – but if they do exist, the Ministry of Defense and Ministry of Interior now have the incentive to get them enrolled – and if they don’t exist, the U.S. taxpayer is no longer paying their salaries. And this is not chump change we’re talking about – between January and November of last year, the U.S. military estimated that approximately \$59.5 million had been withheld from the Afghan government that would have previously been provided.

While I’ve spent a significant amount of time talking about how conditionality, and smart conditionality, apply to the Afghan security forces – these concepts are applicable to

any aid project, at any level. Whether it's a nationwide education program or a village water well – aid agencies can and should place conditions prior to implementing assistance projects – and must have the fortitude to enforce those conditions if necessary.

Stupid Bureaucrat Tricks

If you had heard of SIGAR before today, odds are it's because you've seen a headline about some project undertaken by the U.S. government in Afghanistan that suffered from poor planning, poor execution, or both. In some cases, trying to divine what the original initiator of the project was thinking simply boggles the mind. While many of these projects didn't suffer from corruption per se, they did suffer from the corruption of a proper planning process and, in many cases, pure reason and common sense. And unfortunately, these stumbles, to put it charitably, have cost the U.S. taxpayer significant sums of money and in some cases, put lives at risk.

- One of the most mind-boggling reconstruction failures that SIGAR has uncovered was the Defense Department's purchase of 20 G-222 transport planes that had been retired by the Italian Air Force. The U.S. purchased them for \$468 million in an effort to quickly provide the Afghan Air Force with medium airlift capability.

But even after extensive refurbishment, the aircraft were plagued with fuel leaks, in-flight engine shutdowns, electronic component failures, and other critical problems. Despite spending nearly half a billion dollars on the aircraft, the 20 were permanently grounded, with American pilots describing them as "death traps." In fact, the U.S. had to bring in elite test pilots to get them to Afghanistan, because regular U.S. airmen refused to fly them.

Because they were unfit to fly, 16 of the aircraft languished on the tarmac at Karzai International Airport in Kabul until they ultimately were turned into scrap metal, which was sold to local Afghans for \$32,000. With the airlift requirement still unmet and nearly half a billion already spent, the U.S. then had to go out and purchase four C-130 aircraft to provide to the Afghan Air Force.

- Then there's the case of the wonderfully equipped 64,000-square foot military command facility in Afghanistan that was finished just as U.S. Marines were completing a long-planned withdrawal from the base it was built on. The building, a \$36 million command-and-control facility, was built over the objections of multiple Marine generals on the ground because a rear-echelon military official decided it wouldn't be prudent to not spend money that had been

provided by Congress. The building was never occupied and the base has long been deserted.

- In perhaps the most expensive failure, the U.S. has spent over \$8.5 billion on counter narcotics programs in Afghanistan since 2002. This has been a rip roaring success, though not the one U.S. government officials presumably had in mind. Despite all that funding to combat narcotics over the past 16 years, Afghanistan's total area under opium cultivation and potential opium production reached an all-time high in 2017, no pun intended. According to the UN, cultivation increased by 63% from just 2016 to 2017, and production increased by 87% year over year. Considering it is estimated that the Taliban receives up to 60 percent of its funding from the narcotics trade, this is obviously a major failure.

Eradication of the opium crop, of which Afghanistan provides 80 percent of the world's supply, did increase by 111% from 2016 to 2017, but just 750 hectares were eradicated, while 328,000 hectares were under cultivation. To say it's a drop in the bucket may be one of the greatest understatements of all time.

- Another program committed about \$6 million to transport a handful of rare Italian goats to Afghanistan and build support facilities for them so that they could breed with Afghan goats to improve domestic cashmere quality. Unfortunately, the project was poorly planned and managed, many of the Italian goats contracted a disease from the Afghan goats and ended up dead, and the expatriate project director quit in frustration.
- Then there was the \$28 million the Defense Department wasted on procuring uniforms for the Afghan National Army that had a camouflage pattern more befitting a forest than largely arid Afghanistan. Apparently, U.S. military officials showed an Afghan general a website, from which he picked a pattern simply because he liked it, and the officials at the time thought it unwise to challenge his decision even though the camouflage was unsuitable for Afghanistan's terrain and was not one of the patterns already owned by the U.S. military.
- You wouldn't think a landlocked country like Afghanistan would need a Navy, but the United States bought it one. Fittingly, the Defense Department doubled down on its conceptual error and never deployed the patrol boats to Afghanistan, which is how we found the \$3 million worth of equipment sitting in a warehouse down in Yorktown, Virginia, collecting dust.

- Then there is the case of the melting buildings. The U.S. government paid to construct a “dry fire range” for the Afghan National Police, designed to look like an Afghan village to allow the ANP to simulate police search and clearance exercises. Unfortunately, when SIGAR inspected the facility, we found that the contractor didn’t follow the specifications required by the contract and substituted clay bricks for bricks composed mostly of sand, which were presumably cheaper. And because the bricks were made of sand, when it rained, the buildings essentially melted, rendering them unusable. Literally, \$500,000 down the proverbial drain.
- And finally, one of the worst examples of U.S. government decision-making SIGAR has uncovered would almost be funny if it weren’t so deadly serious. The U.S. Army Corps of Engineers spent \$1.57 billion to construct nearly 2,000 arch-span type buildings for the Afghan National Army. Unfortunately, at least 1,600 of them did not meet International Building Code standards because the Corps used substandard foam insulation, which just happened to also be highly flammable.

SIGAR raised significant concerns with the Corps of Engineers and recommended they replace the dangerous insulation. Initially they indicated they would do so, but just months later, SIGAR was provided a memo authored by a Major General in the Corps who authorized the transfer of all the buildings to the Afghan National Army, because, in his view, the risk was acceptable. His rationale was that because the “typical occupant populations for these facilities are young, fit Afghan soldiers and recruits who have the physical ability to make a hasty retreat during a [fire],” the buildings were, essentially, safe.

I wrote back stating that I was “very troubled by such logic, which seems to argue that fire hazards for a building are somehow remediated by the youthful speed and vigor of the occupants,” and noted that because many of the buildings were meant to be used as infirmaries and sleeping quarters, that the assumption of fitness and alertness may have been overstated.

One wonders if the general would deem his own logic acceptable if the buildings were to be used by American soldiers and not Afghan ones.

I highlight these failed projects to demonstrate that as much as we talk about corruption – which is the most insidious threat that faces not only Afghanistan, but many developing countries, sometimes donor nations, obviously including the United States,

are also our own worst enemy. None of these projects or decisions could have instilled much confidence in our Afghan government interlocutors, let alone the average Afghan citizen. And SIGAR has found example after example of projects and programs that were ill-thought out, poorly executed, suffered from poor oversight – or sometimes were afflicted by all three problems.

While the primary mission of any Inspector General is to protect the taxpayer, the fact remains that if our government does a disservice to the U.S. taxpayer in Afghanistan, odds are it's also doing a disservice to the mission in Afghanistan. SIGAR, contrary to what some may say, does support the mission in Afghanistan, and that is why, as long as we can, despite the significant obstacles we face in our day-to-day work, we will continue to highlight waste, fraud, and abuse in the Afghanistan reconstruction effort. We will also continue to work with our domestic and international partners to combat corruption both by Afghans and by Americans, and attempt to identify and memorialize the lessons learned from 16 years of hard experience in Afghanistan so that the next time, maybe our government can do this a little better.

Thank you very much and I look forward to your questions.