



Prepared Remarks of
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“Best Practices for Protecting Future Assistance to Afghanistan”
University of Ottawa
Ottawa, Ontario, Canada
April 7, 2022

Thank you for the kind introduction Nipa. It is a real pleasure to be back, even if only remotely, to speak with all of you today.

As many of you may know, this is the third time I've had the privilege to be invited to speak at the Centre for International Policy Studies. I was scheduled to return in late March 2020 – but had to cancel just as we were all learning that social distancing is more than what happens when you realize your crazy uncle just showed up at the wedding.

When I first visited almost exactly five years ago, I shared my concerns regarding the perilous state of the Afghan security forces; the persistent, insidious corruption eating away at Afghan institutions; and how the Afghan government and its military were a house of cards – unsustainable without billions in international financial support.

In August, as we watched the Afghan military and government collapse live on TV, I found no solace in the fact that my agency's longstanding warnings about the shaky underpinnings of the Afghan government and military had been all too prescient. A tragedy truly befell the Afghan people on August 15th – one that's forcing many to now fight for survival as they face a humanitarian and economic catastrophe.

Last week, the UN made an urgent appeal of the donor community for billions in humanitarian aid for the Afghan people. \$2.4 billion was pledged – so international assistance dollars are still flowing. But sending money into Afghanistan is more complex than ever. It's vital that this money not fall into the hands of the Taliban. Massive assistance may be needed, but without placing conditions to ensure it gets to Afghans in need rather than benefit the Taliban, significant amounts will likely be lost to

waste, fraud, and abuse. Oversight must be an integral part of the aid distribution process from the minute funds leave donors' respective treasuries to the moment aid reaches its intended recipient in Afghanistan. I'll go into this in greater detail, but first, let me give you a little background about me and my agency.

Introduction to SIGAR

For the last ten years I have the honor of heading a little government agency with that tobacco sounding acronym called SIGAR – the Special Inspector General for Afghanistan Reconstruction. As one of over 70 Inspectors General in the U.S. federal government, it is my mission – and the mission of SIGAR's over 150 staff – to identify waste, fraud, and abuse in government projects and programs, while also recommending ways to improve government efficiency.

The reason Congress created SIGAR comes down to dollars and cents. To date, the U.S. government has appropriated over \$145 billion U.S. dollars for Afghanistan's reconstruction since 2001. That amount includes humanitarian assistance but does not include the amount the U.S. spent on warfighting which, according to the Department of Defense, amounted to nearly \$840 billion.

Over the past 13 years, SIGAR has issued over 700 audits and other reports making over 1,200 recommendations to federal agencies to recover funds, improve agency oversight, and increase program effectiveness, saving the U.S. taxpayer approximately \$2.3 billion. In addition, SIGAR's criminal investigations have resulted in 161 criminal convictions and over \$1.6 billion in criminal fines, restitutions, forfeitures, and civil settlements. Our work to date has resulted in approximately \$4 billion in U.S. taxpayer savings and recoveries. Lastly, SIGAR is the only Inspector General with a dedicated lessons learned program. We have issued 11 extensive reports on topics useful not only in Afghanistan but anywhere reconstruction or humanitarian work is undertaken in a post-conflict environment.

Canada and Afghanistan

As Canadians, you may be thinking that's all well and good if you're American, but why should I care? That is an excellent question. As the SIGAR, my focus is primarily on the United States, but I am required by law to look at international coordination and best practices regarding financial assistance to Afghanistan.

Like the United States, Canada has invested heavily in Afghanistan. In the last twenty years, Canada has provided over \$3.6 billion (Canadian) in stabilization, development and humanitarian assistance to Afghanistan. Over 40,000 members of the Canadian Armed Forces served in Afghanistan, nearly 1,900 were wounded and 159 lost their lives.

More recently, the Canadian government has announced \$143 million (Canadian) in assistance for Afghanistan in 2022.

Afghanistan's Humanitarian and Economic Crisis

Our respective governments' financial generosity is in response to the humanitarian and economic calamity that has befallen Afghanistan since the Taliban takeover.

According to the United Nations, over 24 million Afghans – 59 percent of the population – require lifesaving assistance this year, a number that has increased by 30 percent since last year, and includes 23 million facing acute hunger.

The UN also reports that Afghanistan's Gross Domestic Product has contracted by 32 percent, the cost of basic household goods has increased by 40 percent, wages have sharply declined – if they're paid at all – and food now accounts for more than 80 percent of average household expenditures.

Why has this happened? It is true that a major drought – reportedly the worst in 30 years – has affected three quarters of Afghanistan's provinces. But the withdrawal of foreign development assistance and the cratering of Afghanistan's banking system are also culpable.

Prior to August, contributions from international donors financed approximately 80 percent of Afghanistan's public expenditures and kept the economy running. But when the Taliban marched into Kabul, donor assistance "marched out." What SIGAR had been warning and everyone knew to be the case became evident – Afghanistan was not financially sustainable without massive donor assistance – and it never had been.

International Donors Respond

As I previously mentioned, last week the UN, along with the United Kingdom, Germany, and Qatar, sponsored a pledging conference with a goal of raising \$4.4 billion in humanitarian assistance for Afghanistan, the largest appeal ever launched for a single country. Ultimately, only \$2.4 billion was pledged, including \$512 million from the U.S. government and nearly \$113 million from the Canadian government.

The call for \$4.4 billion was on top of the \$1.67 billion donors contributed in 2021 for humanitarian assistance programs, far exceeding the levels of previous years.

Additionally, the United Nations has announced a separate appeal for an additional \$3.6 billion to focus on sustaining health and education services, maintaining basic infrastructure and service delivery, with specific emphasis on the needs of women and girls.

The World Bank, for its part, has been debating what to do with funds remaining in the Afghanistan Reconstruction Trust Fund, or ARTF. Thirty-four countries donated a total of more than \$13 billion to ARTF since 2002, which provided the largest share of international contributions to the Afghan government's budget. The U.S. contributed over \$4.1 billion, and Canada provided roughly \$890 million to the ARTF.

The World Bank ceased ARTF disbursements when the Taliban took power. However, in recognition of Afghanistan's humanitarian challenges, ARTF donors authorized the World Bank to transfer \$280 million in ARTF funds -- \$180 million to the World Food Programme and \$100 million to UNICEF. And last month, the World Bank announced that it intended to provide \$1 billion of ARTF's remaining funds to UN agencies and international NGOs to "support the delivery of essential basic services, protect vulnerable Afghans, help preserve human capital and key economic and social services, and reduce the need for humanitarian assistance in the future." Six-hundred million dollars' worth of ARTF-funded programs intended to support the education sector has since been placed on hold following the Taliban's decision to bar Afghan girls from secondary schools.

When combined with a possible \$3.5 billion that may eventually become available from Afghanistan's frozen assets in the United States, there could potentially be over \$10 billion in new assistance for Afghanistan in the coming years. That is a lot of money. To put it in perspective, the U.S. spent only \$4.4 billion on humanitarian

assistance in Afghanistan over the past 20 years.

An Old Challenge in a New Environment

Continued funding to a Taliban-led Afghanistan at a time when there is a major war in the Ukraine, is anything but certain. Nevertheless, I fear we have seen this movie before – the impulse by donors to spend too much money, too quickly, in a country with too small an economy, with too little oversight. For twenty years that approach did not prevent the collapse of the Afghan state and it is my hope that the donor community has learned some lessons so that the Afghan people will be the true beneficiaries of ongoing assistance and not the Taliban or other miscreants.

Recall that from October 2001 to August 2021, the U.S. spent over \$145 billion on reconstruction activities in Afghanistan. During this time, the U.S. and many other governments had a constant presence on the ground in Afghanistan. The eyes and ears of the donor community were virtually everywhere – in constant communication with the presidential palace and with technical advisors embedded in Afghan ministries.

For example, SIGAR at one point had over 50 staff stationed throughout Afghanistan. Yet, even with that level of international presence on the ground, SIGAR estimated that approximately 30 percent of U.S. reconstruction expenditures we reviewed between 2009 and 2019 were lost to waste, fraud, or abuse.

Now consider the current situation. No country has recognized the Taliban regime as a legitimate government. Many of their leaders are sanctioned as terrorists and donors are at pains to declare that assistance will not benefit the Taliban. Moreover, donor governments have few, if any, personnel on the ground. The risks of waste, fraud, and abuse – and the possibility of assistance benefiting the Taliban are significantly greater than just eight months ago.

I would argue that if assistance is to be provided, then it must be done with eyes wide open and that there should be no illusion that its provision will – or can possibly be risk-free.

Best Practices for Protecting Assistance to Afghanistan

In an effort to leverage SIGAR's 13 years of experience and apply it to current circumstances, we developed ten best practices to help donors protect taxpayer funds

while addressing the desperate plight of the Afghan people. I will spare you the recitation of all ten – they can be found on our website, www.sigar.mil, and in our Quarterly Report published on January 30th. But let me discuss a few of particular relevance.

First, it is critical that any organization receiving donor funding is fully transparent, so the donor knows where the money went and how it was used. It is becoming clearer with every passing day that much of the international assistance to Afghanistan will be channeled through a handful of multilateral organizations, particularly the UN.

Donors must make it clear that the provision and amount of assistance provided to organizations like the UN, World Food Program, the International Red Cross, and their partners is conditioned on access by the donors and their independent oversight agencies like SIGAR to their books of account, vetting procedures, monitoring and evaluation protocols, and safeguards against corruption and diversion of funds.

Unfortunately, SIGAR's experience is that monitoring and evaluation of projects is easier said than done. We previously expressed concern about the level of oversight the UN Development Programme was conducting over the Law and Order Trust Fund for Afghanistan, or LOTFA. The head of UNDP at the time intimated to our auditors that UNDP was not obligated to undertake full oversight of LOTFA expenditures. In addition, UNDP was not very helpful in assisting SIGAR in conducting our own oversight, despite significant U.S. contributions to the fund. SIGAR has had similar difficulties in the past with other organizations, including the World Bank, in gaining access to records.

On a positive note, Canada's own Deborah Lyons, the current UN Secretary-General's Special Representative for Afghanistan and head of UNAMA, has proactively reached out to SIGAR in recent months to coordinate efforts, seek our counsel on best practices to protect donor funds, and utilize SIGAR's partner vetting capabilities. I have spoken to her and her senior staff on a number of occasions since August and feel confident she offers a breath of fresh air when it comes to oversight and transparency.

The next best practice is that third party monitors are necessary, but donors must be diligent in evaluating them. Aid providers like the UN and the World Bank have long used third-party monitors to report on programs in aid-recipient countries. There is nothing inherently wrong with third-party monitors. Prior to last August, SIGAR used local third-party monitors in Afghanistan because they could travel more freely than U.S.

government personnel. But donors and agencies must assure the accuracy and effective use of a third-party monitor's reporting.

SIGAR recently issued an evaluation of the World Bank's management of ARTF, which was a follow-up to a similar audit completed in 2018. While the World Bank had responded to some of our previous recommendations, our auditors found lingering problems with the World Bank's use of third-party monitors. Most critically, our auditors found that while the World Bank took some steps to address SIGAR's recommendations to conduct performance evaluations and independent performance reviews of its third-party monitors, the completion of independent reviews was infrequent and not useful for donor decision making. One donor told SIGAR that the World Bank focused more on project implementation than on project monitoring.

In the ten years I've served as the SIGAR, I've felt that third-party monitoring has usually been an afterthought. A program proposal is developed, and when someone asks about oversight, they announce that they'll hire third party monitors. The UN, USAID, and other donors must hire monitors who know what they're doing, verify their work on a regular basis and ensure the entire process is transparent with records available to donors and independent oversight agencies like SIGAR.

This is important since many donors in the past appeared content to funnel their assistance through the UN or World Bank and then wash their hands of the difficult business of conducting effective oversight and monitoring.

I warn you, this attitude creates a single point of failure. Effective monitoring and evaluation must be "baked into" humanitarian assistance programs with adequate resources and personnel assigned to oversee the massive amounts of funding they are responsible for.

This was a concern with ARTF. Donor representatives our auditors interviewed felt the number of World Bank staff assigned was insufficient to manage ARTF's portfolio. It was also a problem SIGAR documented with U.S. contracting officers who were required to manage too much money with limited resources. The result was they too often focused on the amount they put on contract and not whether contracts met their objectives.

This brings me to the third, and, final, best practice I want to discuss, which is that donors should seek smart opportunities to condition aid. All donors have priorities

they want to advance in Afghanistan beyond providing financial assistance. For many donors, including the United States and Canada, protecting the rights of Afghan women and girls, has been a longstanding policy goal. The Taliban's return to power has caused great concern about the future of gender equality efforts.

Even when international donors were working with the prior Afghan regime, SIGAR found imposing conditions on financial assistance generally failed because the conditions lacked credibility. Afghan officials knew donors would not withhold assistance that the Afghan government desperately needed.

Certainly, the situation has changed – there is no longer a recognized Afghan government to prop up. Yet will donors be willing to withhold desperately needed assistance to pressure the Taliban to live up to their human rights obligations?

The first test of the donors' resolve may have arrived. On March 23rd, the Taliban barred Afghan girls from secondary schools. That decision resulted in a wave of condemnation, including a joint rebuke from nine foreign ministers, including those of the United States and Canada. Additionally, the U.S. cancelled meetings with Taliban representatives in Doha that reportedly were scheduled to address critical economic issues, including the independence of the Afghan central bank and the printing of Afghan currency – key matters of economic concern.

Since currency shortages have been a driver of Afghan inflation, one wonders whether the Taliban regretted their decision about girls' education when their plane to the talks in Doha never landed in Kabul. A State Department spokesperson stated that “[the U.S.] has made clear that we see this decision as a potential turning point in our engagement.” Matters could not have improved much when just days later, the U.S. State Department was forced to express “alarm and deep concern” over the Taliban's decision to prevent broadcasters from airing international news programming.

Taliban decision-making regarding the operation of Afghanistan's central bank also raises concerns. Many – including the U.S. Special Representative for Afghanistan – have argued that sustainable improvement in Afghanistan's economy requires a recapitalized Afghan central bank, while emphasizing the need for the bank to operate independently from the Taliban regime, be led by technocrats, and have its work overseen by a third party. Yet the Taliban chose to appoint a former Taliban military leader sanctioned by the U.S. as a global terrorist as the central bank's number two official, demonstrating little desire to acknowledge donor concerns. Even if the Taliban

didn't so blatantly flaunt donor demands, the strict controls donors have suggested for the central bank have been known to fail before – as was the case with Kabul Bank, whose collapse just over a decade ago was one of history's work banking crises – and this time the funds would benefit the Taliban rather than corrupt officials.

The question remains whether international donors will continue to have both the will to impose conditions on financial assistance to Afghanistan and the capacity to target those conditions so that they do not harm the Afghan people. How this situation is resolved may educate the Taliban on just how seriously they need to take donor pressure and conversely, inform donors about how willing the Taliban are to make concessions.

The Oversight Imperative

In the often tragic history of Afghanistan, August 15th marked yet another turning point. On that day, the Taliban discovered that governing a country is more difficult than winning a war.

Despite the Taliban's resumption of power, there has been great desire by the donor community to ensure that the Afghan people receive necessary assistance to survive the current calamity. Significant financial assistance is likely needed, but much too much will be lost to waste, fraud, and abuse – and end up bolstering Taliban pocketbooks – if donors fail to prioritize oversight. Are we so naïve that we think the Taliban are somehow immune from avarice and the temptations of corruption and therefore need not be strictly monitored?

Will such oversight be more difficult than it was prior to last August? Undoubtedly. Will it be impossible? No. International donors have experience providing financial assistance in countries with unpalatable political circumstances. The question is whether there will be the will to insist on aggressive oversight and the courage to pull the plug if funding is compromised.

Let me conclude with the ultimate lesson I have learned from my service in Afghanistan – namely, even with the best of intentions, beware of spending too much money, too fast with too little oversight. To do so now in the face of starving Afghans may be the cruelest outcome of our 20-year experience there.

Thank you and I look forward to the discussion.