



# SIGAR

Testimony

Before the Homeland Security and Governmental Affairs Committee (HSGAC) Subcommittee on Federal Spending Oversight and Emergency Management (FSO)

U.S. Senate

## Oversight of U.S. Spending in Afghanistan

Statement of John F. Sopko,  
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Chairman Paul, Ranking Member Peters, and Members of the Subcommittee,

I am John Sopko, the Special Inspector General for Afghanistan Reconstruction, or SIGAR. Thank you for inviting me to appear before the Subcommittee today to discuss our oversight work in Afghanistan and to summarize our view of the status of the reconstruction effort there.

To start, I would like to make four overarching observations:

1. SIGAR has reported on many signs of progress in Afghanistan reconstruction, but also continues to document a disturbing amount of waste, fraud, and abuse.
2. SIGAR and its other oversight colleagues have made a difference, identifying billions in potential savings, recoveries, and redirection of funds. SIGAR alone has identified more than \$2 billion of potential savings, and nearly 80 percent of our recommendations for improvements have been implemented or effectively addressed by the federal agencies we have audited.
3. SIGAR is working closely with the U.S. military, the U.S. Agency for International Development, Department of State, international donors, the Afghan government, and other entities to seek improvements in reconstruction.
4. Although overall the reconstruction effort in Afghanistan has had serious flaws, it has not failed and has improved over time. With continued refinement and oversight, it should be able to do an even better job of helping the Afghan people while promoting U.S. security and humanitarian policy objectives.

## **Costs and challenges of reconstruction**

The U.S.-led reconstruction effort in Afghanistan was launched shortly after our country overthrew the Taliban regime that had sheltered the 9/11 terror-attack mastermind Osama bin Laden. That effort is now in its seventeenth year.

During this time, the human cost of the struggle against Afghan insurgents and terrorist groups has led to more than 2,400 American military fatalities, about 1,100 among other members of the NATO-led Coalition, and tens of thousands of Afghan deaths.<sup>1</sup>

The financial costs appear in terms of federal spending. Congress has appropriated \$126 billion for Afghanistan reconstruction since Fiscal Year 2002.<sup>2</sup> As SIGAR reported in 2014, total appropriations for Afghanistan reconstruction, after adjustment for inflation, had

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<sup>1</sup> iCasualties.org, "Operation Enduring Freedom: Coalition Military Fatalities By Year," <http://icasualties.org/oef/>, accessed 5/2/2018.

<sup>2</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 62.

already exceeded the total of U.S. aid committed to the Marshall Plan for rebuilding much of Europe after World War II.<sup>3</sup>

That vast sum does not include the more than \$750 billion committed so far to U.S. military operations in Afghanistan.<sup>4</sup> So total financial costs for the U.S. military and reconstruction operations in Afghanistan are approaching \$900 billion, and the common expectation is that the United States will be involved there for years to come.

Reconstruction has proceeded along many lines. This has included rebuilding Afghanistan's national security forces, promoting the rule of law, fighting widespread corruption and the narcotics trade, improving public health and education, promoting respect for human rights, expanding electric and transportation infrastructure, and furthering economic development.

SIGAR has examined and reported on many projects and programs in all those areas and more. We have seen much good work done, but we have also seen and reported on far too many instances of gross incompetence, poor planning, sloppy execution, lack of follow-up, outright theft and corruption, and a basic lack of accountability for these many failures. Our quarterly reports have summarized audits, inspections, and special projects that involved, among other outrageous misuse of U.S. taxpayers' money:

- Purchasing nearly a half-billion dollars' worth of second-hand transport planes that were unusable in Afghanistan and were scrapped for \$32,000;
- Building a dry-fire range for Afghan security-force training that literally began dissolving when it rained;
- Constructing schools and clinics with unsafe walls and ceilings, unfinished and dangerous electrical systems, and no provision for the costs of supplying and sustaining them; and
- Paying for roads that soon deteriorate due to poor construction and failure to plan for repairs.

In some respects, these discoveries are not surprising. SIGAR's very first quarterly report, written in October 2008, observed that the U.S. effort to reconstruct and develop Afghanistan was "exceedingly difficult and complex." SIGAR noted the country had been devastated by decades of war, suffered from an ongoing insurgency, and had a complex tribal culture, a history of foreign domination, widespread illiteracy, and porous borders.<sup>5</sup> More recent reports have expanded the list of challenges to include slowing economic

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<sup>3</sup> SIGAR, *Quarterly Report to the United States Congress*, 7/30/2014, p. 5.

<sup>4</sup> DOD Comptroller, "Estimated Cost to Each U.S. Taxpayer of Each of the Wars in Afghanistan, Iraq and Syria," [http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/Section\\_1090\\_FY17\\_NDAA\\_Cost\\_of\\_Wars\\_to\\_Per\\_Taxpayer-July\\_2017.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/Section_1090_FY17_NDAA_Cost_of_Wars_to_Per_Taxpayer-July_2017.pdf), July 2017. Estimates cover FY 2001 through the FY 2018 Overseas Contingency Operations budget request. DOD notes that "Estimated costs for Afghanistan include related regional costs that support combat operations in the U.S. Central Command area of responsibility."

<sup>5</sup> SIGAR, *Quarterly Report to the United States Congress*, 10/30/2008, p. 9.

growth, high unemployment, deep poverty flight of human and financial capital, constraints on institutional capacity and sustainability, and endemic corruption.

All of these issues recur in our reports over our agency's decade of oversight. Because the challenges of the Afghan setting were known or soon foreseeable 17 years ago, their persistence should be deeply troubling to this Subcommittee and the American taxpayer.

## **A word about SIGAR**

SIGAR's statutory mandate is to report to Congress and the Administration on the status of the reconstruction effort, and to offer recommendations for improvements.<sup>6</sup> Our creation in 2008 sprang from years of mounting dissatisfaction with the pace and robustness of progress in Afghanistan and the ability of then existent oversight bodies to address problems there.

The U.S. role in Afghanistan evolved from a purely military intervention in late 2001, to an international effort to provide security assistance, improve Afghan institutions, suppress narcotics production, offer humanitarian relief, and foster economic development, among other purposes. The United States threw itself into reconstruction with haste and hubris, with untested assumptions and unrealistic expectations, and with piles of cash and tight deadlines for spending it—too much, too fast, with too little oversight. The early years of the reconstruction effort therefore suffered from ad hoc, scantily staffed, and loosely coordinated initiatives with no dedicated oversight organization to watch for waste, fraud, and abuse.

To improve this situation, Congress created SIGAR in 2008. This is our 10th year of operation, and my sixth year as IG. We employ a staff of some 190 auditors, criminal investigators, analysts, and engineers. Most work at our home office in Arlington, Virginia, with many traveling to Afghanistan and other locations as work requires. About 30 SIGAR staff are stationed full-time at the U.S. Embassy compound in Kabul, where in mid-April they briefed staff representatives of the Chairman and the Ranking Member of this Subcommittee.

We welcome and encourage such visits from Members of Congress and their professional staff. From my personal experience as a former federal and state prosecutor, I can attest that first-hand observations of the daily work of federal civilian employees and military members, and of the Afghan setting, is the best way to support effective congressional oversight. The interaction with staff also helps us to improve the relevance and usefulness of our work and our means of reporting it. I would add that SIGAR also appreciates the

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<sup>6</sup> Public Law 110-181, Section 1229 (2008).

attention that lawmakers like Senator Paul, Senator Lankford, Senator McCaskill, and others have given to its work in their statements and reports.

The outcome of SIGAR audits, inspections, and investigations has been—so far—to identify more than \$2 billion of taxpayer money that can be, and often has been, saved, recovered, or put to better use.<sup>7</sup>

### SIGAR and the “Whole of Governments” Phenomenon

SIGAR’s mission resembles that of this Subcommittee and of your parent Committee on Homeland Security and Governmental Affairs. You are tasked with “studying the efficiency, economy, and effectiveness of all agencies and departments of the Government.”<sup>8</sup> Congress has directed SIGAR to do likewise for all federal entities involved in Afghanistan reconstruction. We are in fact the only Office of Inspector General authorized to examine all aspects of reconstruction, regardless of departmental or agency boundaries.

Like you, we are empowered to look at not only individual programs or practices but also at the broader “whole of government” and whole of “governments” approaches to national problems. This broader approach is particularly relevant in Afghanistan, and also for potential hot spots around the world, which national security advisors note will require “whole of government” approaches like witnessed in Afghanistan.

This “whole of government” phenomenon explains why during SIGAR’s first decade of reconstruction oversight in Afghanistan, we have audited, inspected, evaluated, and investigated programs of the U.S. Agency for International Development (USAID), and the Departments of Defense, State, Justice, Treasury, Commerce, Agriculture, and others.

It also explains why our work necessitated reviewing the use of U.S. reconstruction funds that are administered by international organizations such as the United Nations, NATO, the Asian Development Bank, and the World Bank.

Our work with the World Bank should be of particular interest to this Subcommittee’s hearing today due to the size of U.S. contributions involved, and also because of far-reaching implications for reconstruction in Afghanistan. In brief, the World Bank administers the multi-donor Afghanistan Reconstruction Trust Fund, or ARTF. Set up in 2002, the ARTF is a partnership between the United States, 33 other donors, and the Afghan government. Donations provide direct assistance through the fund to the Afghan government. As of

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<sup>7</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 19.

<sup>8</sup> U.S. Senate Rule XXV.

December 2017, donors had contributed over \$10 billion to the ARTF; the United States has been the biggest donor, with \$3 billion channeled to the trust fund via USAID.<sup>9</sup>

Exactly what has been done with that \$3 billion is hard to say. A SIGAR audit report released last month explains that the World Bank is not transparent about its uses of donors' funds, and may not itself have full information about how that money is being spent. One of our startling conclusions was that the Bank does not require its monitoring agents to verify the existence of Afghans who receive salaries for teaching. In the course of the audit, USAID advised SIGAR that the World Bank cannot provide reasonable assurance that ARTF funding, which covers approximately 40 percent of all Afghan civilian expenditures, is reimbursing only proper government expenditures. SIGAR also found that the World Bank limits donors' access to information on how it monitors and accounts for ARTF funding, and does not follow its own policy to provide donors and the public with access to certain ARTF records. This lack of visibility and access to records means that large amounts of U.S. direct-assistance money may be at risk of waste, fraud, and abuse.

This audit further highlights the need for Congress to take a similar "whole of government" approach to oversight, for what we have found in Afghanistan may have implications elsewhere. As the United States and other donors face increasing security threats to development assistance around the world, there is a tendency to shift more monies to international organizations and trust funds such as the ARTF. SIGAR does not question that policy, but cautions that in doing so, federal agencies must insist on effective monitoring and accountability by the recipient international organizations.

## SIGAR Investigations

Less visible than our public reports, but also vital to our mission, the agents of our Investigations Directorate have been instrumental in developing criminal cases and referrals for suspension and debarment, as well as using their law-enforcement powers to make arrests. During the second quarter of FY 2018, SIGAR investigations resulted in one indictment, a guilty plea, three sentencing, two arrests, \$6,527,491 in restitutions, and \$264,563,451 in cost avoidance and recoveries to the U.S. government. To date, SIGAR investigations have resulted in 124 criminal convictions.<sup>10</sup> Cumulative criminal fines, restitutions, forfeitures, civil settlements, and recoveries total more \$1.5 billion.<sup>11</sup> We also have 199 ongoing investigations.<sup>12</sup> In addition, SIGAR investigations have supported

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<sup>9</sup> The ARTF discussion is based on SIGAR, *Afghanistan Reconstruction Trust Fund: The World Bank Needs to Improve How it Monitors Implementation, Shares Information, and Determines the Impact of Donor Contributions*, SIGAR 18-42 Audit Report, 4/2018, highlights pages.

<sup>10</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 42.

<sup>11</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 42

<sup>12</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 42.

referrals to proper authorities to consider suspending and debarring individuals and firms for fraud, corruption, and poor performance in Afghanistan. These referrals have so far led to 136 suspensions and 532 finalized debarments/special-entity designations of individuals and companies engaged in U.S.-funded reconstruction projects.<sup>13</sup>

In one major case, SIGAR investigators uncovered a bid-rigging scheme for a \$1 billion U.S.-funded contract to supply fuel to Afghan forces. When SIGAR reported this illegal scheme to President Ghani, he promptly cancelled the contract, fired those involved, and rebid the contract, saving U.S. taxpayers about \$200 million that otherwise would have accrued to the colluding vendors.<sup>14</sup>

All of this work and all of these reports are aimed, as Congress intended, to provide accurate, objective, and useful assessments of U.S. reconstruction programs, and to point the way to improvements. That leads us to the central oversight concern of today's hearing: what is the status of the reconstruction effort in Afghanistan?

To address that question, I will start with the issue that accounts for more than 60 percent of total appropriations for Afghanistan reconstruction: security.

### **Security: the necessary underpinning of successful reconstruction**

Congress has appropriated some \$78 billion since FY 2002 to support the security element of reconstruction. With a per capita income of about \$612 per year, Afghanistan's ability to fund a modern and effective security force is severely limited.<sup>15</sup> Therefore, U.S. funding pays nearly all the costs of recruiting, training, equipping, housing, transporting, and resupplying the Afghan National Defense and Security Forces, the ANDSF. Those forces comprise the Afghan National Army and Air Force, and the Afghan National Police.

Developing an effective and sustainable ANDSF is essential for the whole reconstruction effort. As SIGAR observed in the October 2008 quarterly report, "Successful reconstruction relies on a secure environment, effective governance, and economic development."<sup>16</sup> Unless the host nation can achieve and maintain a substantial level of security, insurgents and terrorists can degrade or neutralize improvements in other areas. They can—and have—shut down health clinics, interfered with schools, blocked highways, assassinated officials, blown

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<sup>13</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 46.

<sup>14</sup> SIGAR, *Quarterly Report to the United States Congress*, 1/30/2017, pp. 4-5.

<sup>15</sup> IMF, *Staff Report For The 2017 Article IV Consultation And Second Review Under The Extended Credit Facility Arrangement, And Request For Modification Of Performance Criteria*, 11/21/2017, p. 36.

<sup>16</sup> SIGAR, *Quarterly Report to the United States Congress*, 10/30/2008, p. 9.



up electric-transmission towers, extorted money from citizens, and potentially weakened popular support for the government by staging bloody terror bombings of innocent civilians.

The current security situation in Afghanistan is not the one envisioned by the international London Conference of 2006, which accepted the original version of the Afghanistan Compact prepared by the Afghan government. One benchmark in that compact was, “All illegal armed groups will be disbanded by end-2007 in all provinces.”<sup>17</sup>

That did not happen in 2007, and still has not. Taliban insurgents and assorted terrorist groups remain active in Afghanistan. For the past couple of years, a phrase often used to characterize the security situation there is “an eroding stalemate.”<sup>18</sup> The Pentagon has told us that Afghan forces’ battlefield performance is improving, and that Afghan and Coalition air strikes, augmented by special-forces operations and other support, have inflicted heavy losses on adversaries. But Afghan government casualties have also been large, and the Afghan government has recently asked DOD not to release those figures publicly.<sup>19</sup>

Through its congressionally mandated quarterly reports, SIGAR has been able, however, to report some data essential for the public to understand the current security situation in Afghanistan and the progress of our reconstruction efforts there. One set of data involved government-versus-insurgent control of the Afghan population. As of January 31, 2018, about 65 percent of Afghanistan’s estimated 32.5 million people lived in areas under Afghan government control or influence. Insurgents controlled or influenced areas containing 12 percent of the population. The remaining 23 percent of the population lived in contested areas. In the same period a year ago, insurgent control or influence was exerted over 9.2 percent of the population, so the recent increase to 12 percent may be significant.<sup>20</sup>

The other data set attracting special attention by analysts is SIGAR’s reporting of a significant decline in the actual strength of the ANDSF over the last year. In the most recent unclassified figures that U.S. Forces-Afghanistan (USFOR-A) provided to SIGAR, the ANDSF stood at a total of 296,409, nearly 36,000 fewer personnel than reported in January 2017.<sup>21</sup> This is well below the 352,000-personnel goal agreed upon years ago by the

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<sup>17</sup> Government of the Islamic Republic of Afghanistan, *The Afghanistan Compact (2005)*, Annex I, “Benchmarks and Timelines,” quoted in SIGAR, *Quarterly Report to the United States Congress*, 10/30/2008, p. 94.

<sup>18</sup> A 2016 Washington Post story attributed the phrase to “a senior administration official,” Washington Post, “An ‘eroding stalemate’ in Afghanistan as Taliban widens its offensive,” 10/14/2016. Besides appearing in various commentaries, the phrase made its way into a UN report last summer: UN Secretary-General, *Special report on the strategic review of the United Nations Assistance Mission in Afghanistan*, 8/10/2017, p. 4.

<sup>19</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 79.

<sup>20</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 86.

<sup>21</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, pp.93, 112. The most recent ANDSF figures did not include civilians, while the 2017 figures did include them.



international donors—mainly the United States—who bankroll the ANDSF as part of reconstruction.

Military effectiveness, of course, is not purely a matter of numbers. And as U.S. military officers point out, insurgents have not been able to capture and hold high-profile objectives like provincial or district capitals. But even a brief capture, such as the Taliban's September 2015 taking of the northern city of Kunduz for nearly two weeks can plant doubts about the government's ability to maintain security.<sup>22</sup> While government forces must defend many points, insurgents can pick and choose targets, avoiding pitched battles with more heavily armed opponents if they wish.

Whether the current security situation in Afghanistan is in stalemate or not, the President's new South Asia strategy, with troop additions to bolster the train, advise, and assist mission in support of the ANDSF, and with the intent to pressure the Taliban to seek a political solution, may change that. Time will tell, and SIGAR will continue to fulfill its duties to report as best it can on the security situation there.

However, I can say that insecurity in Afghanistan has definitely complicated life for USAID and State Department reconstruction efforts, as well as for oversight agencies like SIGAR, just as it has for nongovernmental organizations, international aid missions, and Afghan citizens. Reconstruction from severe and widespread damage is difficult even in a developed setting like post-hurricane New Orleans, New Jersey, or Puerto Rico. Reconstruction in one of the world's poorest countries is a heavier lift. And rampant violence that targets our reconstruction workers and projects compounds the difficulty.

#### State's movement restrictions and support charges raise impediments

It is difficult and dangerous to move around in Afghanistan, and the steep drawdown in U.S. forces since 2014 has sharply reduced the availability of military transport and security support. I have seen this problem first-hand on my 19 trips to Afghanistan over the past six years.

SIGAR has responded to the security constraints on travel in several ways. We have used remote sensing data like satellite imagery to monitor some projects. We employ some Afghan nationals who can move about without attracting hostile attention. We have also partnered with an Afghan nongovernmental civil society organization to augment our data collection.

I must tell you, however, that SIGAR and other U.S. agencies working in Afghanistan are increasingly restricted by the highly risk-averse policies of the State Department, which has statutory control over the movements of U.S. civilians overseas. Although State's own policy

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<sup>22</sup> SIGAR, *Quarterly Report to the United States Congress*, 10/30/2015, pp. 86-87.

requires balancing the risks and benefits of allowing movement in dangerous areas, department leadership adopted a deeply restrictive posture that effectively confines federal employees to the Embassy compound for much of the time.

In addition, State Department policies have imposed a tremendous financial burden on agencies such as SIGAR that operate in Afghanistan. The burden has two parts. First, State is the service provider for ICASS, the International Cooperative Administrative Support Services system. ICASS charges for administrative and support services to agencies working at more than 250 U.S. embassies and consulates.<sup>23</sup> SIGAR is billed for services it uses at Embassy Kabul. Unfortunately, ICASS charges have soared, even though our staff count of 30 in Kabul is the same as it was in 2009. ICASS charges consumed 1.2 percent of SIGAR's budget in 2009, have risen to just under 15 percent in this fiscal year, and are expected to reach 18 percent in FY 2019—nearly a fifth of SIGAR's entire budget.<sup>24</sup>

The second part of the cost burden consists of State's Embassy Air fees for every employee who makes the roughly three-mile trip from the Embassy to Kabul International Airport. This fee is for helicopter expenses since SIGAR staff, like all Embassy personnel, are forbidden to travel by road to the airport. This trip is a key component for anyone travelling to or from Afghanistan as well as elsewhere in the country or even part of Kabul city. A one-way Embassy Air flight, recently costing \$1,350, is expected to increase to \$2,252; by comparison, Emirates Airline will fly an economy-class passenger from Kabul to Dulles International and back for \$1,846.<sup>25</sup> As Embassy Air cost increases take effect, it will literally be cheaper to fly half-way around the world and return to Kabul than to travel three miles from Embassy Kabul to the Kabul airport.

I am happy to report that Ambassador John Bass, the new ambassador in Kabul, is working with us on this matter. Nonetheless, SIGAR's budget, as well as budgets of other civilian agencies working in Kabul, is under heavy pressure from these costs, which inevitably limits our resources to perform oversight.

I cannot predict when or whether success will come in Afghanistan. But I can tell you that if State's movement restrictions and prohibitive ICASS and air-movement charges continue on their recent trajectory, both the reconstruction and the oversight effort will likely suffer because no one will be able to afford to operate there. State is properly concerned with safety, but in my opinion, it is improperly weighing concern for safety above concern for mission success. We are cautiously optimistic that under the new Ambassador in Kabul and

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<sup>23</sup> State, "What is ICASS?" information page at [icass.gov/what-is-icass](http://icass.gov/what-is-icass), n.d., accessed 5/6/2018.

<sup>24</sup> SIGAR Management & Support Directorate, internal predecisional budget slide, 4/2018.

<sup>25</sup> SIGAR Management Support Directorate, email, 5/4/2018; Emirates Air, quoted price for one adult, economy ticket KBL-IAD-KBL round trip starting 6/1/2018, via [fly4.emirates.com/CAB/IBE/SelectPrice.aspx](http://fly4.emirates.com/CAB/IBE/SelectPrice.aspx), accessed 5/6/2018.

the new Secretary of State, this situation will improve. We deeply appreciate their cooperation to date and their willingness to consider our concerns.

Bearing in mind that security remains the fundamental challenge in Afghanistan, both for the country's future and for the conduct of effective reconstruction oversight, I will move on to some other aspects of SIGAR's work.

### **Common problems in reconstruction programs**

SIGAR has audited or examined scores of programs and project sites. Some keep good records, monitor and evaluate their progress, correct deficiencies, and meet their performance and budget targets. That fact testifies to America's good fortune in having many skilled and dedicated federal civilian employees, military personnel, NGO staff, and contractors working in the difficult and dangerous setting of Afghanistan. They deserve our thanks.

All too often, however, SIGAR discovers problems. You will find examples of these problems in abundance on SIGAR's website at [www.sigar.mil](http://www.sigar.mil). Our reports have called attention to costly, useless, or dangerous practices including:

- Touting dollars spent as a metric of success, or counting outputs like training courses held or school books purchased rather than documenting actual outcomes of activity;
- Lack of adaptation to relevant circumstances in Afghanistan, such as ethnic rivalries, patronage networks, and cultural practices;
- Poor coordination among U.S. agencies, rather than a whole-of-government approach that avoids duplication and gaps, aligns efforts toward intended results, and strives for sharing information and best practices;
- Failure to specify details of required work and performance measurement;
- Failure to enforce contract terms, maintain good records, conduct site visits, and obtain timely defect corrections, and ensure completion before paying vendors;
- Failure to assess Afghans' ability to operate programs and sustain them after handoff;
- Illegal acts like soliciting bribes, taking kickbacks, or stealing money and supplies; and
- Failure to hold individuals or firms accountable for poor performance.

To give you an example, in 2013, we inspected a U.S.-funded school for training teachers in Sheberghan, Afghanistan. The Sheberghan teacher-training facility was incomplete four years after construction started because two successive contractors engaged by the U.S. Army Corps of Engineers, USACE, had abandoned the project. Among other problems, the electrical system was not finished and the wiring did not meet required code standards,

posing a risk of electrocution and fire. In addition, the building's well was drilled near its sewage system, potentially creating health risks. These concerns were not hypothetical: Afghans were already using the unfinished and unsafe building. Inexplicably, however, USACE had paid both contractors and released them from their contractual obligations—even though neither had performed the required work. SIGAR's report noted “a disturbing trend” of USACE failures to hold contractors accountable.<sup>26</sup>

Other U.S.-funded reconstruction work addresses a threat that injures and kills people in Afghanistan and in many other countries while also providing a major cash resource for the insurgency: opium-poppy cultivation. Afghanistan has long been the world's leading producer of opium, and since FY 2002, the United States has committed about \$8.8 billion to a variety of counternarcotics programs there. But as SIGAR's latest quarterly report notes, the total area of Afghan land under opium-poppy cultivation increased by 63 percent during the 2017 growing season from the year before, and raw opium production jumped by an estimated 88 percent. This might suggest some serious shortcomings in the U.S. approach to counternarcotics programming that need addressing. In response to a SIGAR inquiry, however, USAID said it will not plan, design, or implement any new programs addressing opium-poppy cultivation.<sup>27</sup> I will mention here that SIGAR's Lessons Learned Program will soon be issuing a comprehensive review of the counternarcotics effort in Afghanistan, complete with findings of fact, broad-based lessons, and recommendations for the future.

Another example involves Da Afghanistan Breshna Sherkat, or DABS, the national electric utility. This past fiscal quarter, USAID moved nearly \$400 million of previously on-budget power sector funds off-budget, meaning its use would no longer be controlled by DABS. USAID had determined that DABS lacked the capacity to adequately manage on-budget assistance and oversee construction projects. In addition, USAID will not fund any DABS projects whose construction is not already under way, and plans to return millions to the U.S. Treasury. The action will, however, delay expansion of Afghanistan's power system.<sup>28</sup>

The expansion of the electric power grid in Afghanistan, where most people have no electrical service, has also been delayed due to poorly planned and executed programs by the U.S. Army Corps of Engineers. For example, a USACE contract awarded to an Afghan firm to extend the Northeast Power System, NEPS, provided for a “NEPS III” project to design and build two transmission lines and a connecting substation. SIGAR inspectors found that NEPS III has been built, but that USACE mismanagement of the contract has resulted in the U.S. government spending almost \$60 million on a project that is not operational because land-

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<sup>26</sup> SIGAR, *Sheberghan Teacher Training Facility: U.S. Army Corps of Engineers Paid Contractors and Released Them from Contractual Obligations before Construction Was Completed and without Resolving Serious Health and Safety Hazards*, SIGAR Inspection 13-9, 7/2013, “What SIGAR Found” highlights page.

<sup>27</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, pp. 59, 61.

<sup>28</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 58.

acquisition and right-of-way issues have not been resolved, and because the contract did not provide for permanent connections to a power source. It gets worse. The NEPS III facilities may be structurally unsound and pose a risk to Afghans who live near transmission towers and lines, or work in the new substation.<sup>29</sup>

A different kind of risk and a different kind of waste sits literally across the street from the U.S. Embassy in Kabul. Construction of the Marriott Kabul Hotel and Kabul Grand Residences was supported by \$85 million from the federally sponsored Overseas Private Investment Corporation, or OPIC. In late 2016, SIGAR issued an alert letter pointing out that the site appeared to be neglected and abandoned by the Afghan contractor, and that OPIC had not conducted direct inspections or obtained independent progress reviews before disbursing funds, resulting in a significant loss of U.S. taxpayer dollars. SIGAR also noted that an abandoned building overlooking the U.S. Embassy presented a security threat. Taxpayers' losses from the apparent fraud against OPIC were increased by the need for State to pay for guarding the empty shell across the street.

With the unfinished building still derelict in late 2017, SIGAR issued a follow-up inquiry letter asking State about its plans. State replied that it had effectively taken control of the building and blocked access.<sup>30</sup> As in other cases of contracting in Afghanistan, the waste of money and the security risk might have been avoided if the funding source, in this instance OPIC, had adequately monitored performance on the site and verified the contractor's invoices. I understand that staff members of this Subcommittee inspected the hotel-and-residence project during their recent trip to Afghanistan and got a first-hand look at the extent of the waste and fraud at that site.

### **SIGAR: making a difference**

In addition to reporting on problems, investigating criminality, and proposing recommendations, SIGAR takes a strong proactive approach to foster improvements to the reconstruction effort.

For example, concerned about the DABS electric utility's capacity to manage donor funds, SIGAR discussed the need for greater transparency of the utility with President Ghani in February 2018. As a result of that discussion, SIGAR and DABS signed a memorandum of understanding that allows SIGAR to review DABS's use and management of past and current

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<sup>29</sup> SIGAR, *Afghanistan's North East Power System Phase III: USACE's Mismanagement Resulted in a System that Is Not Permanently Connected to a Power Source, Has Not Been Fully Tested, and May Not Be Safe to Operate*, SIGAR Inspection 18-37-IP, 3/2018, "What SIGAR Found" highlight page.

<sup>30</sup> SIGAR, inquiry letter to Secretary of State Rex Tillerson and Ambassador John Bass, SIGAR 18-15-SP, 12/11/2017, p. 1. A PDF of the letter and State's response are posted at [www.sigar.mil](http://www.sigar.mil).

donor funds to improve internal controls. We expect to begin that review in the summer of 2018.<sup>31</sup>

Likewise, SIGAR worked with President Ghani to obtain all of the bank records related to the 2010 near-collapse of the Kabul Bank, the country's largest. Nearly a billion dollars was essentially stolen from the bank by its top executives.<sup>32</sup> SIGAR investigators, along with Department of Justice attorneys, are currently reviewing this vast store of material to attempt to recover assets for the Afghan government and bring any wrongdoers to justice.

SIGAR interacts in other ways with the government of Afghanistan. Our Investigations Directorate, for example, works closely with the country's attorney general on criminal cases, and one of our investigators has appeared as witness in an Afghan criminal trial—the only U.S. law enforcement agent to do so.

SIGAR also has access, via State and USAID, to AFMIS, the Afghan Financial Management System. This permits us to do deep-dive analysis of budgetary operations and track the uses of U.S. aid dollars.

At President Ghani's invitation, a SIGAR observer attends the weekly meetings of the National Procurement Council. President Ghani established the body to increase oversight of large contracts. Our attendance enhances our visibility into Afghan use of U.S. support funds, and allows our representative to answer any questions from the council on the spot.

I and other members of SIGAR have also discussed with President Ghani his deep interest in tackling Afghanistan's longstanding problems with corruption. He is well aware that unchecked corruption undermines government legitimacy and effectiveness, and risks alienating the international donors who provide funds for 60 percent of the country's operating budget. We also maintain good relations with Chief Executive Dr. Abdullah Abdullah, who is also committed to improving his fellow citizens' wellbeing through reform and development.

SIGAR is also working with President Ghani and with other Afghan officials to carry out a new oversight task assigned to us by Congress. As you know, the House and Senate Appropriations Committees directed SIGAR to assess the Afghan government's progress toward developing and implementing a whole-of-government anticorruption strategy. This was a requirement of the 2016 Brussels Conference on Afghanistan. SIGAR will report its findings in an audit report by May 31, 2018. Additionally, the Committees' FY 2018 joint explanatory statement calls upon SIGAR to conduct a second audit of the Afghan government's progress against corruption over the next year.

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<sup>31</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 170.

<sup>32</sup> SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 158.



SIGAR's work has also produced helpful action by U.S. officials.<sup>33</sup> Last summer, Secretary of Defense James Mattis took note of a SIGAR report that DOD had spent as much as \$28 million unnecessarily by purchasing camouflage uniforms for the ANDSF that used a proprietary pattern that involved extra fees, and had not been shown to be any more effective than standard patterns. In addition, the pattern chosen was designed for a woodland setting, while only about 2 percent of Afghanistan is forest.<sup>34</sup> Secretary Mattis fired off a memo to his DOD under secretaries citing the SIGAR report and saying wasteful spending actions "connect directly to our mission and budget situation." He instructed them that "Cavalier and casually acquiescent decisions to spend taxpayer dollars in an ineffective and wasteful manner are not to recur."<sup>35</sup>

We have also been encouraged by the welcoming attitude of senior U.S. military officers to our work. The U.S. military made use of our Lessons Learned Program report on security-sector assistance to Afghanistan in crafting the new South Asia strategy. I and my staff briefed General Dunford, the Chairman of the Joint Chiefs, as well as the Commandant of the Marine Corps, the head of Central Command, and General John Nicholson, the commanding general in Afghanistan, among many others. SIGAR staff were also asked to serve on a Joint Chiefs' panel reviewing the last 15 years of effort in Afghanistan.<sup>36</sup>

Another DOD response to SIGAR reports has been action by the Combined Security Transition Command—Afghanistan to resume control of fuel-purchase funds for the Afghan Ministry of Defense and to impose added conditionality on direct financial assistance to the ministry.

Other encouraging steps include:

- I met recently with USAID Administrator Mark Green, who told me that USAID is weighing the comparative successes of its Afghanistan programs to identify areas for improvement and to weed out ineffective programs. SIGAR has long urged agencies to perform such "rack and stack" reviews. As noted earlier, USAID will also be pulling back on-budget assistance where the risks of mismanagement are too high.

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<sup>33</sup> Unless otherwise noted, comments in the remainder of this section are based on meeting remarks by Special Inspector General Sopko at SIGAR headquarters, 5/3/2018.

<sup>34</sup> SIGAR, *Afghan National Army: DOD May Have Spent Up to \$28 Million More Than Needed to Procure Camouflage Uniforms That May Be Inappropriate for the Afghan Environment*, Special Projects report SIGAR-17-48-SP, 6/2017, pp. 2-3, 8.

<sup>35</sup> Secretary of Defense James Mattis, "Our mission and stewardship responsibilities," memorandum to DOD under secretaries, 7/21/2017, pp. 1-2.

<sup>36</sup> John F. Sopko, "Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan," prepared remarks for the United States Institute of Peace, Washington, DC, 4/19/2018, p. 2.



- Ambassador Bass and Administrator Green are offering suggestions for new research studies by SIGAR's Lessons Learned Program, and DOD has incorporated some of SIGAR's Lessons Learned work into the new Afghanistan strategy.
- Senior U.S. military officers including General John Nicholson, commander of U.S. and NATO forces in Afghanistan, are working with SIGAR on its recommendations for bolstering the train, advise, assist mission there.

All of these developments are good news for the U.S. reconstruction effort, and show that active oversight can do more than hold a rear-view mirror up to mistakes and failures. That is an important function, but it is equally important to use that learning to bring about change that saves money and yields better results.

## **Conclusion**

The overall results of the reconstruction effort in Afghanistan have been decidedly mixed. But judging the effort against the unrealistic assumptions and expectations of 2002 and the surge of 2009 would be both harsh and unproductive.

Afghanistan reconstruction is a work in progress—and slow progress at that. But there has been progress, including lower maternal and infant mortality, increased school enrollments, better-trained judges and judicial staff, increased opportunities for women, better tools for ministries' financial management, new systems to confirm identities among the security forces and voters, and increased attention to the aid restrictions of the Leahy Laws for Afghan security units that commit gross violations of human rights.

Great obstacles remain, the insurgency standing at the forefront, accompanied by poverty, illiteracy, corruption, lack of capital and infrastructure, and uneven application of the rule of law. But I believe, on balance that the reconstruction effort in Afghanistan can provide genuine support of the avowed U.S. policy that the country must not again be a launching pad for terror attacks against the United States.

That support requires our implementing agencies to do a better job of planning, overseeing, monitoring, and imposing accountability for misconduct and incompetence. Doing that job better requires that U.S. agencies take realistic views of the scope of possible impacts and the time required to achieve their goals. It is also incumbent on them to remain aware of and sensitive to realities on the ground, and that they are ready to be honest to Congress and the American taxpayer by acknowledging failures and challenges and redirecting resources to build on successes. All of that work requires continuing extensive oversight, for which SIGAR is the chief source in Afghanistan.

SIGAR does not make national policy or advocate for changes in that policy, but we can and will persist to the utmost, for as long as it takes, in striving to improve the work of

reconstruction, and in presenting the facts and our recommendations to Congress and the Executive Branch for improving reconstruction in Afghanistan.

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