



SIGAR

Statement for the Record

Committee on Appropriations,
Subcommittee on the Department of State,
Foreign Operations, and Related Programs

U.S. Senate

U.S. Reconstruction Efforts in
Afghanistan: Key High-Risk Areas to
Persist into Future

Statement of John F. Sopko,
Special Inspector General
for Afghanistan Reconstruction

April 9, 2019

Chairman Graham, Ranking Member Leahy, and Members of the Subcommittee,

This statement explains the FY 2020 budget request for the Special Inspector General for Afghanistan Reconstruction (SIGAR). The statement describes SIGAR's successes, challenges to accomplishing its mission, and steps taken to overcome or mitigate these challenges. In keeping with the agency's oversight mission, this statement also touches on key management and program challenges facing State, the United States Agency for International Development (USAID), and the Department of Defense (DOD) by noting areas of high risk that SIGAR has identified.

Since FY 2002, Congress has appropriated approximately \$132.3 billion to rebuild Afghanistan.¹ For FY 2020, the President has requested \$533 million in Afghanistan-related funding via the State Department budget.² The President has also requested more than \$4.8 billion in the Department of Defense (DOD) budget to train, equip, and sustain the Afghan National Security and Defense Forces (ANDSF).³ Another \$10.8 billion from previous years' reconstruction appropriations remains available for disbursement.⁴

SIGAR's mission is to ensure that all these funds are spent as effectively and efficiently as possible, and that they are protected from waste, fraud, and abuse. Our enabling legislation also directs SIGAR to keep Congress and the Secretaries of State and Defense informed on reconstruction issues and to offer recommendations for improvement.⁵

Embedded in State's overall request is SIGAR's FY 2020 budget request of \$52.9 million. The amount sought is \$2 million less than provided in each of the last two fiscal years. We believe the requested funding level is adequate to continue meeting SIGAR's congressional mandate. However, the \$2 million reduction does limit SIGAR's ability to adapt to the rapidly changing environment in Afghanistan. Should the U.S. increase its use of "on-budget" assistance (assistance channeled directly to the Afghan government or through multilateral trust funds), it will be vitally important that the ministries have strong accountability measures and internal controls in place. Oversight over those measures and controls will be equally important. SIGAR's experience reviewing bilateral and multilateral on-budget assistance and exposing waste, fraud, and abuse makes it uniquely qualified to review ministries and their ability to handle on-budget assistance. For example, at the request of President Ghani, SIGAR currently is conducting a financial audit of Afghanistan's electric utility, Da Afghanistan Breshna Sherkat (DABS). SIGAR also has a strategy in place for looking at the internal controls of other ministries if asked.

While the United States continues to support a peaceful resolution to the Afghanistan War, Taliban insurgents are still waging war, and foreign terrorist groups are making their presence felt. Personal safety and obstacles to travel remain key concerns. In other words,

¹ SIGAR, *Quarterly Report to the Congress of the United States*, 1/30/2019, p. 43.

² The White House, *Fiscal Year Budget 2020 Budget of the U.S. Government*, 3/11/2019, p. 72.

³ Department of Defense, *Justification for FY 2020 Overseas Contingency Operations Afghanistan Security Forces Fund*, March 2019, p. 6.

⁴ Data as of 12/31/2018. SIGAR, *Quarterly Report to the United States Congress*, 1/30/2019, p. 49.

⁵ Pub. L. No. 110-181, §1229.

the risk of waste, fraud, and abuse of reconstruction funds in Afghanistan has grown, even as the ability to exercise effective oversight is increasingly constrained.

Nevertheless, SIGAR continues to provide aggressive oversight of reconstruction projects and the use of U.S. funds, and has adapted to the more constrained environment by using innovative remote monitoring techniques, including using third-party inspectors to go where SIGAR employees cannot, employing Afghan nationals, and using geospatial monitoring.

FY 2020 Budget Request Highlights SIGAR's Unique and Critical Role in Overseeing Afghanistan Reconstruction Funds

SIGAR is the only inspector general with interagency authority to audit, inspect, and investigate the activities of *all* U.S. government agencies and international organizations that receive U.S. funding for Afghanistan reconstruction. As a result, SIGAR can conduct crosscutting reviews of State, USAID, DOD, and other agencies that are involved in reconstruction programs. In addition, SIGAR is the only oversight agency devoted *solely* to Afghanistan reconstruction, enabling it to examine reconstruction programs and issues in more depth while still producing timely and high-quality work. Further, SIGAR is truly independent. We conduct our oversight autonomously and report directly to Congress and to the Secretaries of State and Defense.

SIGAR currently has the largest oversight presence in Afghanistan, with more auditors, analysts, and investigators in country than any other agency. SIGAR has an authorized staff of 30 employees at U.S. Embassy Kabul and Bagram Airfield.⁶ These employees comprise auditors, inspectors, and investigators, plus management and support staff. In addition, five Afghan citizens support SIGAR's work in Kabul.

Most of SIGAR's deployed staff serve at least two years in country. This practice reduces annual turnover compared to other U.S. agencies and mitigates the risk of institutional memory loss. The deployed and local staff are augmented by SIGAR personnel from our Arlington, Virginia offices who frequently travel to Afghanistan on two- to eight-week temporary assignments.

When SIGAR was established in 2008, the agency created four directorates: (1) Audits and Inspections, (2) Investigations, (3) Research and Analysis, and (4) Management and Support. The Research and Analysis Directorate, originally known as Information Management, produces SIGAR's quarterly report to Congress and other publications. Management and Support provides human resources, budget, information technology, and other support to SIGAR's other directorates and to staff.

Since then, two additional units have been established. In 2012, SIGAR created its Office of Special Projects to examine emerging issues and deliver prompt, actionable reports to implementing agencies and Congress. The team conducts a variety of assessments and produces inquiry and alert letters, reviews, fact sheets, and other products.

⁶ The actual number of SIGAR staff residing in Afghanistan is usually fewer than 30, due to reassignments and normal turnover.

In late 2014, SIGAR established its Lessons Learned Program. While audits and inspections typically focus on the planning, execution, and outcome of particular programs and projects, the Lessons Learned more broadly documents U.S. reconstruction objectives, assesses results, and distills this knowledge into recommendations to improve reconstruction efforts in Afghanistan and in future contingency operations. Other federal agencies and the U.S. military also operate lessons learned units, but SIGAR's Lessons Learned Program is the only one established and positioned to extract and frame lessons from a whole-of-government perspective.

SIGAR's Work Continues to Improve the Effectiveness and Efficiency of Reconstruction Programs, and to Reduce Waste, Fraud, and Abuse of Funds

SIGAR's investigations, audits, and other work continues to have positive impacts on ongoing and planned reconstruction programs and agency operations. As of March 2019, SIGAR's audits and investigations work has identified some \$2.6 billion in savings and recoveries for U.S. taxpayers. These impacts take several forms. SIGAR does more than simply *identify* waste, fraud, and abuse. It can bring malefactors to justice, and recover money. SIGAR investigators are full-fledged federal law-enforcement officers with powers of search and arrest. Whether acting on their own or in coordination with other law-enforcement agencies, they have conducted investigations into cases of bribery, theft, smuggling, money laundering, and other offenses; have made arrests in Afghanistan and stateside; and have referred many Afghans to that country's prosecutors.

As of March 27, 2019, SIGAR had 168 ongoing investigations. At that time, the cumulative results of the SIGAR Investigations Directorate comprised 129 arrests, 174 criminal charges, 135 convictions, and 126 individuals sentenced. The cumulative total from investigations-related criminal fines, restitutions, forfeitures, civil-settlement recoveries, and savings to the government exceeds \$1.5 billion—the equivalent of 27 years' funding for SIGAR at current levels. Investigative work has also led to 928 referrals of companies and individuals for suspension or debarment to prevent them from receiving more U.S. contract awards; about 74% of these referrals led to suspension or debarment, not counting a small number of special-entity designations or administrative-compliance agreements.

From 2009 through March 2019, SIGAR had made 952 recommendations in its 333 published audits, alert letters, evaluations, and inspection reports. SIGAR has closed more than 86% of its recommendations. These recommendations have, among other things, strengthened contract oversight, management, and compliance; assisted in building and sustaining Afghan government capacity; and improved accountability for on-budget support. SIGAR audits and inspections have resulted in agencies recovering an estimated \$43 million and identified some \$1.1 billion that could be put to better use.

SIGAR's Lessons Learned Program has issued seven reports, including five reports covering corruption, Afghan security forces, private sector development, stabilization, and illicit narcotics. These reports identified 98 findings and lessons and made 78 recommendations to Congress and executive branch agencies. Some of these lessons and recommendations

have become public law, while others have garnered high-level interest from executive branch agencies. SIGAR will be publishing several more lessons learned reports in the coming months.

SIGAR also maintains professional and productive working relationships with DOD and its subcomponents and commands, and with State and USAID. In addition, SIGAR coordinates regularly with other inspectors general and the Government Accountability Office to ensure coverage of all aspects of the reconstruction effort and to avoid duplication of effort.

SIGAR Has Taken Steps to Overcome Challenges to Conducting Its Oversight Mission

In 2015, the Afghan government took on full responsibility for its own security, U.S. and Coalition forces switched from combat to a train, advise, and assist mission, and the Afghanistan's "Transformation Decade" aimed at achieving self-sufficiency in fiscal and security matters began. In this changed setting of heightened security precautions and reduced access to program and project sites, SIGAR has faced challenges.

To overcome these challenges, SIGAR has hired several Afghan engineers and analysts to assist with audit and inspection work. SIGAR has also signed a cooperative agreement with a well-respected Afghan civil-society organization to conduct site visits, including inspections and engineering assessments of U.S.-funded projects. This Afghan organization's work is subject to generally accepted government auditing standards (GAGAS), and to SIGAR's internal quality-control requirements.

In addition, SIGAR is continuing its financial audit program.⁷ Established in 2012, the program contracts with independent public auditing firms to perform financial audits of completed reconstruction contracts. SIGAR staff oversees the firms' conduct of these financial audits, from notification to final report. To date, SIGAR's financial audits have identified about \$425.3 million in questioned costs, interest, and other amounts payable to the U.S. government. Funding agencies had disallowed about \$26.6 million in questioned amounts, which are subject to collection. In some cases, when questioned costs are identified, SIGAR investigators review those costs and initiate criminal investigations if appropriate. At the request of President Ghani, SIGAR currently is conducting a review of Afghanistan's power utility, DABS.

SIGAR Has Updated the Areas of High Risk to the Success of the U.S. Reconstruction Effort in Afghanistan

In 2014 and 2017 SIGAR issued its *High-Risk List* to call attention to program areas and

⁷ SIGAR produces two types of audits: (1) financial and (2) performance. *Financial* audits evaluate completed reconstruction contracts and identify questioned costs, if any, resulting from significant deficiencies in the audited entity's internal controls related to the contracts, and any instances of noncompliance with contract requirements and applicable laws and regulations. *Performance* audits provide objective analysis of the effectiveness and efficiency of reconstruction programs, and make recommendations to improve performance and operations, reduce costs, and facilitate decision making by parties with responsibility to oversee or initiate corrective action for public accountability.

elements of the U.S.-funded reconstruction effort in Afghanistan that are especially vulnerable to significant waste, fraud, and abuse. In March SIGAR released the 2019 edition of the *High-Risk List*, which calls attention to areas of the U.S. reconstruction effort in Afghanistan that are at serious risk of waste, fraud, abuse, mismanagement, and even program failure. With negotiations underway that could lead to the end of America's longest war, this report differs from our prior two reports by identifying risks to the reconstruction effort that might persist or arise in the event of a hoped-for peace agreement.

The new *High-Risk List* focuses on program areas and elements of the reconstruction effort that are (1) essential to success; (2) at risk of significant and large-scale failure due to waste, fraud, or abuse; and (3) subject to the control or influence of the U.S. government. Applying these criteria, SIGAR identified eight high-risk areas:⁸

- Widespread Insecurity
- Underdeveloped Civil Policing Capability
- Endemic Corruption
- Sluggish Economic Growth
- Illicit Narcotics Trade
- Threats to Women's Rights
- Reintegration of Ex-Combatants
- Restricted Oversight

Three of these areas—economic growth, women's rights, and reintegration—are new to the *High-Risk List*. Additionally, the critical issue of sustainability appears as a facet of each high-risk area. Sustainability is a long-standing concern in reconstruction; shortcomings in finance, staffing, institutional capacity, technology and technical skills, political will, and other issues individually or in combination can undermine the Afghan government's ability to maintain programs once foreign support has decreased or withdrawn.

Widespread Insecurity

Since 2001, the main goal of the U.S. intervention in Afghanistan has been to prevent the country from reverting to a safe haven for al-Qaeda and other extremist groups that threaten the United States and other countries.⁹

With or without a sustainable peace settlement or a local or nationwide ceasefire between the Taliban and the ANDSF, Afghanistan will continue to need a security force to protect the Afghan population from internal and external threats, provide a policing function to respond to criminal activity, and control its borders. Any political settlement entails the risk that not

⁸ HRL 2019, p. 9.

⁹ DOD, *Enhancing Security and Stability in Afghanistan*, 12/2018, pp. 8–9.
SIGAR 19-32-TY

all subordinate groups will abide by an agreement made by their organization's leadership. The ANDSF will also continue to be constrained by capability and sustainability challenges. In a post-settlement environment, depending on the terms of an agreement, there may also be the challenge of integrating former Taliban fighters into the national security forces and society (see the reintegration section of this testimony). These issues could become more acute should international financial and military support decline sharply before, during, or after peace talks between the Afghan government and the Taliban.

According to DOD, Resolute Support (RS), and U.S. Forces-Afghanistan (USFOR-A), the ANDSF currently face critical capability gaps in key areas that hinder the force's effectiveness and readiness and may continue to do so in the future, including force manning; personnel accountability and pay systems; logistics and maintenance; institutional training; persistent threat from Islamic State; and stalemated control of districts, population, and territory.

Questions for policymakers

- What would the American contribution to any ongoing train, advise, and assist effort for the ANDSF be in a post-peace deal environment when the active insurgent threat to the ANDSF might be reduced or significantly diminished?
- If the United States were to drastically decrease its train, advise, and assist mission, how might DOD continue to ensure the ANDSF is capable of defending Afghanistan and ensure U.S. national security interests in the region are protected?
- In a possible post-peace deal environment, if the United States had a reduced role in training, advising, and assisting the ANDSF and/or providing less financial and military support to it, what would be the risks to the gains made in key areas, such as the expansion and improvement of the Afghan Air Force and the Afghan Special Security Forces?
- Are the various ANDSF components properly trained and equipped to function in peacekeeping and other roles required in a post-reconciliation environment? What type of future investment, financial and otherwise, would the United States need to make to ensure the ANDSF components function in these various capacities?
- In a possible post-settlement environment, how would former Taliban fighters be integrated into the ANDSF?
- Are U.S.-funded materiel (such as vehicles and aircraft) and computer-based technology programs (such as Afghan Personnel Pay System and CoreIMS) independently sustainable by the ANDSF? If not, what is the plan to address this, and what are the projected dates for when the ANDSF will be capable of sustaining them?

Underdeveloped Civil Policing Capability

With the possibility of a peace settlement coming into view, and based upon SIGAR's work to date, there is no comprehensive strategy for how the United States and Coalition partners

will align its nationwide police advising mission to support Afghan rule of law and civil policing.¹⁰ Following a political settlement, Afghan police, rather than the army, are likely to be *the* element responsible for everyday security and will serve as a direct link to the Afghan government in local communities. The underdeveloped civil policing capabilities of the Afghan National Police (ANP) thus present a risk to long-term stability of the Afghan government.¹¹

Unlike the Afghan National Army (ANA), a significant share of ANP personnel costs are paid through the UN-administered Law and Order Trust Fund for Afghanistan (LOTFA), to which the United States has historically been the largest contributor, although not in FY 2018. The LOTFA mechanism relieves some financial pressure on the United States by spreading the ANP funding burden to the Coalition.¹²

SIGAR's 2017 lessons learned report, *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan*, found that police development was treated as a secondary mission for the U.S. government, despite the critical role that ANP was intended to play in implementing rule of law and providing static, local-level security nationwide. SIGAR also found that the United States lacks an institutionalized capability to develop foreign police forces in a high-threat environment.

SIGAR's quarterly reports track ANP reconstruction metrics, some of which seem to show that the ANP has sustained itself or even improved in important areas such as organizational structure, the number of security incidents involving the ANP, personnel strength, and personnel accountability since SIGAR's last *High-Risk List* was published in January 2017. Challenges, of course, remain in all of these areas.

SIGAR is scheduled to initiate a new lessons learned report in 2019 focused on the development of the ANP and a civil policing function in Afghanistan.

Questions for policymakers

- Given the lack of U.S. emphasis on civil policing in Afghanistan since 2001, what is the U.S. strategy for coordinating with allies and the Afghan government to implement professional civil policing?
- The Afghan government generated approximately \$2.5 billion in domestic revenues in FY 2018. Currently, ANP sustainment costs for FY 2019 are about \$1.1 billion, of which the Afghan government is scheduled to contribute \$207 million from its domestic revenues (the rest of ANP sustainment costs are covered by the U.S. and Coalition nations). In a post-reconciliation environment, how can the ANP be sustained at a cost of \$1.1 billion a year?

¹⁰ SIGAR, *Reconstructing the Afghan National Defense and Security Forces: Lessons From the U.S. Experience in Afghanistan*, SIGAR 16-62-LL, 9/2017, viii-ix, pp. 122–123.

¹¹ SIGAR, *Reconstructing the Afghan National Defense and Security Forces: Lessons From the U.S. Experience in Afghanistan*, SIGAR 16-62-LL, 9/2017, viii-xix; SIGAR conclusion based on analysis of available data sources, 3/2019.

¹² SIGAR, *Quarterly Report to the United States Congress*, 1/2019, p. 68.

- U.S., Afghan, and Coalition officials and researchers have accused the ANP of multiple types of corruption, including corruption related to narcotics trafficking and reconstruction contracting.¹³ In a post-reconciliation environment in which the drawdown in U.S. and Coalition advisers makes oversight even more challenging, how will the U.S. government and Coalition partners ensure that continued security assistance is not directed to corrupt ANP officials?
- In a post-reconciliation Afghanistan, what is the U.S. strategy for facilitating the rule-of-law—including ANP warrants and arrests—in remaining high-threat districts?
- As part of a peace agreement and efforts to reintegrate the Taliban, what role in civil policing might former Taliban play?

Endemic Corruption

Corruption remains an enduring risk to the U.S. mission in Afghanistan. SIGAR’s September 2016 Lessons Learned Program report on corruption found that corruption substantially undermined the U.S. mission in Afghanistan from the very start. SIGAR concluded that failure to effectively address the problem means U.S. reconstruction programs, at best, will continue to be subverted by systemic corruption and, at worst, will fail.¹⁴ Despite many anticorruption efforts, the problem persists. According to DOD, “corruption remains the top strategic threat to the legitimacy and success of the Afghan government.”¹⁵

As of January 2019, the Department of Justice (DOJ) reported some progress by Afghanistan’s Attorney General in pursuing major crimes as a result of the U.S. Embassy demanding accountability. However, in a January 2019 report covering July–September 2018, DOJ said the Afghan government is still slow to prosecute corruption cases and has a poor record of prosecuting powerful and influential actors.¹⁶

In January 2019, State said the U.S. Embassy’s new corruption-related Compact benchmark priority for the Afghan government is to increase transparency at Afghan special courts, the Anti-Corruption Justice Center, the Counter Narcotics Justice Center (CNJC), and the Justice Center in Parwan (JCIP). The U.S. Embassy continues to emphasize such anticorruption measures as executing warrants, prosecuting high-profile corruption cases, and collecting on Kabul Bank cases.¹⁷

In the security sector, the Combined Security Transition Command-Afghanistan (CSTC-A) said corruption remains pervasive throughout the Afghan security forces. This corruption, they added, harms the battlefield effectiveness of the Afghan security forces by diverting resources meant for fighting units and by creating negative perceptions of the Afghan

¹³ *The Atlantic*, “Our Man in Kandahar,” 11/2011; United Nations Office on Drugs and Crime, *Afghanistan’s Drug Industry: Structure, Functioning, Dynamics, and Implications for Counter-Narcotics Policy*, 11/2006, p. 102.

¹⁴ SIGAR, *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, 9/2016.

¹⁵ DOD, *Enhancing Security and Sustainability in Afghanistan*, 6/2018, p. 38.

¹⁶ SIGAR, *Quarterly Report to the United States Congress*, 1/30/2019, pp. 130–131.

¹⁷ SIGAR, *Quarterly Report to the United States Congress*, 1/30/2019, p. 132.

government, undermining the Afghan government's legitimacy and reconciliation efforts.¹⁸

Questions for policymakers

- What are reasonable expectations for Afghan government anticorruption-related results given competing challenges of regime stability and reform?
- In the event of a peace settlement, how could the U.S. government restructure its reconstruction assistance and programs to promote compelling anticorruption programs in Afghanistan? Does that calculus change for an Afghan government that includes the Taliban?
- What will be the impact of fewer international troops and reduced assistance on the ability of the Afghan government to fight corruption?
- Are reform benchmarks so vague and/or bland that they have no meaningful impact against rampant institutional corruption?
- Should the United States consider imposing financial penalties or other consequences should Afghan reform benchmarks not be met?

Sluggish Economic Growth

The U.S. government's current Integrated Country Strategy (ICS) for Afghanistan states that no U.S. efforts in Afghanistan—including the fundamental objective of preventing further attacks by terrorists on the U.S. homeland—can be sustained without a growing licit Afghan economy.¹⁹ While a sustainable peace agreement could boost business confidence and investment, and therefore improve growth prospects substantially, peace also carries its own set of challenges.²⁰ Despite its centrality to U.S. objectives—and its continued importance even if a peace agreement is reached—licit economic growth remains relatively low and Afghanistan remains heavily reliant on donor support. This raises questions about whether Afghanistan will be able to achieve the long-term stability and economic self-reliance that are key reconstruction goals.²¹

In its 2018 Lessons Learned Program report on private sector development and economic growth, SIGAR found that despite significant U.S. effort, estimated poverty, unemployment, and underemployment had not been reduced substantially; further, corruption had

¹⁸ CSTC-A is tasked with training, advising, and assisting the Afghan security institutions. SIGAR, *Quarterly Report to the United States Congress*, 1/30/2019, p. 134.

¹⁹ State, *Integrated Country Strategy: Afghanistan*, 9/27/2018, pp. 2–3.

²⁰ International Monetary Fund, *Fourth Review under the Extended Credit Facility Arrangement, Request for Modification of Performance Criteria, and Request for Extension and Rephasing of the Arrangement*, 11/20/2018, p. 8.

²¹ IMF, *Fourth Review under the Extended Credit Facility Arrangement, Request for Modification of Performance Criteria, and Request for Extension and Rephasing of the Arrangement*, 11/20/2018, p. 24; USAID, "Economic Growth – Afghanistan," 9/2018, <https://www.usaid.gov/afghanistan/economic-growth>, accessed 9/14/2018; Government of Afghanistan, *Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership*, 12/2014, p. 4.

undermined the legitimacy of the Afghan state.²² Moreover, despite near double-digit growth over the first decade of reconstruction, the Afghan government faced a substantial budget shortfall in 2014 when international military expenditures in country declined rapidly as U.S. and Coalition forces drew down.²³ Ultimately, SIGAR determined, economic gains in the first decade of reconstruction were heavily subsidized by donor support and therefore unsustainable.²⁴

While a lasting peace agreement could fundamentally improve Afghanistan's prospects, its greatest economic challenge today remains identifying sustainable sources of growth, according to the World Bank.²⁵ Additionally, a peace agreement is unlikely to immediately overcome the many enduring barriers to economic growth. These include limited skilled labor, the lingering effects of near-continuous conflict over multiple decades, deficits in physical and institutional infrastructure, heavy reliance on foreign donor support, and widespread corruption.²⁶

Questions for policymakers

- How will U.S. economic development programming adjust to a potential peace settlement?
- If a sustainable peace settlement is reached, how will economic development programming simultaneously support the reintegration of former fighters, the possible return of Afghan refugees from Pakistan, and the large number of returnees from Iran?
- To what extent will current Afghan laws, rules, regulations, and policies concerning economic growth continue to apply if a peace agreement materializes?
- Are current interventions to increase Afghanistan's economic growth positioned to have a sustained impact after they end?
- What would the economic effects be of a drawdown of U.S. military and civilian personnel from Afghanistan?

The Illicit Narcotics Trade

Since 2002, the United States government has provided \$8.9 billion to thwart narcotics

²² SIGAR, *Private Sector Development and Economic Growth – Lessons from the U.S. Experience in Afghanistan*, 4/2018, viii–ix; SIGAR, *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, 7/2016, p. 75.

²³ U.S. Institute of Peace (USIP), *What Can Be Done to Revive Afghanistan's Economy?*, 2/2016, pp. 3, 8; SIGAR, *Quarterly Report to the United States Congress*, 1/30/2019, pp. 149, 153.

²⁴ SIGAR, *Private Sector Development and Economic Growth – Lessons from the U.S. Experience in Afghanistan*, 4/2018, viii.

²⁵ USIP, *What Can Be Done to Revive Afghanistan's Economy?*, 2/2016, p. 3; World Bank, "The World Bank in Afghanistan," no date, <https://www.worldbank.org/en/country/afghanistan>, accessed 9/14/2018.

²⁶ Asian Development Bank, Chair's Summary of Meeting of the Board of Directors, "Country Partnership Strategy Afghanistan, 2017–2021—Achieving Inclusive Growth in a Fragile and Conflict-Affected Situation," 10/31/2017; SIGAR, *Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan*, 4/2018, ix; World Bank, *Afghanistan Poverty Status Update Progress at Risk*, 5/2017, p. 7; USIP, *Afghan Economic Policy, Institutions, and Society Since 2001*, 10/2015, p. 6.

production and trafficking in Afghanistan. Yet Afghanistan remains the global leader in opium cultivation—a distinction it has held since the late 1990s, according to opium-cultivation data from the United Nations Office on Drugs and Crime (UNODC).²⁷ The illicit opium trade hinders the Afghan government’s efforts across numerous sectors, including security, governance, and economic and social development.²⁸

A SIGAR lessons learned report published in June 2018 found that U.S. counternarcotics programs have not resulted in long-term reductions in opium poppy cultivation or production. The findings in SIGAR’s lessons learned report prompted the Senate Caucus on International Narcotics Control to request that SIGAR conduct a thorough review of the U.S. government’s current counternarcotics efforts in Afghanistan. That review is ongoing.

Addressing Afghanistan’s illicit drug trade appears to have fallen off the international agenda since 2017. In September 2018, the State Department informed SIGAR it was no longer developing a stand-alone U.S. counternarcotics strategy for Afghanistan that had previously been under review. According to State, counternarcotics efforts are now interwoven into the Administration’s South Asia strategy.²⁹ USAID said it will no longer design or implement programs to address opium poppy cultivation.³⁰ DOD does not have a counternarcotics mission in Afghanistan, but until recently has pursued a counter-threat-finance mission.³¹ In February 2019, DOD reported that the counter-threat-finance campaign ceased at the end of 2018.

Questions for policymakers

- Given the poor performance of many U.S. counternarcotics programs over the past 17 years, can the U.S. government support effective counternarcotics programs after a peace accord?
- Can capacity-building programs strengthen Afghan government institutions to prevent the country’s collapse into a narco-state?
- How would a potential peace accord with the Taliban impact opium cultivation and production in Afghanistan?
- Will counternarcotics operations targeting insurgent groups be carried out during a ceasefire or after a peace settlement?
- Which tools are the most effective in curbing opium cultivation and battling the narcotics trade? How can existing tools be improved or new ones devised?
- Which type of economic programs will provide the most employment opportunities for farmers and discourage opium cultivation?

²⁷ Funding as of December 31, 2018. UNODC, *2006 World Drug Report, Volume I: Analysis*, p. 57.

²⁸ GIROA, *Afghanistan National Development Strategy 1387–1391 (2008–2013)*, p. 42.

²⁹ State, INL, response to SIGAR data call, 9/21/2018.

³⁰ USAID, OAG, response to SIGAR data call, 3/20/2018.

³¹ DOD, USFOR-A, response to SIGAR vetting, 7/13/2018; DOD, response to SIGAR vetting, 7/16/2016.

- How can U.S. agencies better coordinate counternarcotics efforts in Afghanistan in order to achieve U.S. goals and objectives?

Threats to Women's Rights

Improving the quality of life and the status of Afghan women has been a key goal of the United States and the international donor community since 2002. The United States has committed at least \$1 billion for gender-related programs in Afghanistan and spent another \$1 billion on programs for which the advancement of women was a component.³² Since the Taliban regime was overthrown in 2001, millions of Afghan women have voted, and some women now occupy prominent positions in Afghan society. Sixty-three women are members of parliament (out of 320 seats); 68,000 women are instructors in schools and universities; 6,000 women serve as judges, prosecutors, defense attorneys, police, and soldiers; about 10,000 women are doctors, nurses, or other health care professionals; and 1,150 women entrepreneurs have invested \$77 million in their businesses.³³ Nonetheless, in 2018, the United Nations ranked Afghanistan 153rd out of 160 countries for gender equality—despite a constitution that nominally protects women's rights.³⁴

The prospect of a peace agreement with the Taliban raises new concerns about the sustainability of the gains Afghan women have made over the past 17 years. Some experts believe that a precipitous withdrawal of U.S. forces could lead to the deterioration of political and economic freedoms, however limited, currently enjoyed by women in Afghanistan.³⁵ Official Taliban statements involved in the peace negotiations confirm such risks. For example, despite some signals the Taliban may be open to more liberal policies regarding women, the Taliban's chief negotiator called the current Afghan constitution (providing the same rights to men and women) an obstacle to peace and demanded a new Afghan constitution based on "Islamic principles, national interests, historic pride, and social justice."³⁶

Questions for policymakers

- What can the United States do to ensure that women's rights, as currently enshrined in Afghan law, are protected in a post-peace agreement environment in which the Taliban may become part of the Afghan political system?
- In talks with the Taliban, how is the United States promoting "the meaningful participation of women in mediation and negotiation processes seeking to prevent,

³² SIGAR, *Quarterly Report to the United States Congress*, 10/30/2016, p. 3.

³³ USIP, *Afghanistan Talks: No Women, No Peace*, 3/1/2019.

³⁴ United Nations Development Programme, *Human Development Indices and Indicators 2018 Statistical Update*, p. 40; UNDP, "Gender Inequality Index (GII)," no date, <http://hdr.undp.org/en/content/gender-inequality-index-gii>, accessed 3/4/2019; *The National Interest*, "Afghan Women are In Charge of Their Own Fate," 2/27/2019.

³⁵ Center for Strategic and International Studies (CSIS), *Finishing Strong: Seeking a Proper Exit from Afghanistan*, 2/2019, pp. 1, 5.

³⁶ Alemarrah, "Complete Transcript of Speech Delivered by Delegation of Islamic Emirate in Moscow Conference," 2/5/2019.

mitigate, or resolve violent conflict” and the “physical safety, economic security, and dignity of women and girls” as called for in the Women, Peace, and Security Act of 2017 (Pub. L. No. 115-68)?

- How can DOD, State, and USAID better track the outcomes of gender advancement programming in Afghanistan, determine any causal connection between U.S. gender programming and those outcomes, and become better stewards of U.S. taxpayer dollars spent on these programs?

The Challenge of Reintegration

The U.S. and Afghan governments agree that the best way to ensure lasting peace and security in Afghanistan is to achieve reconciliation and a sustainable political settlement with the Taliban.³⁷ While current estimates for the number of active Taliban fighters vary, the nominee for commander of U.S. Central Command, Lieutenant General Kenneth McKenzie Jr., put the figure at 60,000 fighters.³⁸ If a comprehensive peace agreement is reached, these ex-combatants will need to transition to a sustainable livelihood and peacefully reintegrate into Afghan society. There may also be efforts to demobilize and reintegrate members of other illegal armed groups.

Successfully reintegrating these tens of thousands of former fighters into society—a complex and long-term process with social, economic, political, security, and humanitarian dimensions—will be critical for Afghanistan to achieve lasting peace and stability.³⁹

The mixed record of reintegration efforts undertaken in dozens of countries since the late 1980s suggests that similar efforts in Afghanistan will likely face significant challenges.⁴⁰ SIGAR assesses that the nature and extent of those challenges will depend largely on the peace process itself, its level of inclusivity, trust among the parties, the degree to which reintegration issues are decided in an agreement or deferred, and numerous other factors. For example, a weak economy with few job opportunities would complicate reintegration. Ongoing insecurity, political uncertainty, poor social cohesion within a population traumatized by decades of war, and weak governance and rule of law will probably pose serious challenges to reintegration efforts.⁴¹ Further, donor fatigue regarding Afghanistan could be a concern.

SIGAR is currently making a thorough investigation of reintegration issues for a forthcoming Lessons Learned Program report to be published later this year.

³⁷ SIGAR, *Quarterly Report to the United States Congress*, 7/30/2018, p. 112.

³⁸ DOD, “Advance Policy Questions for Lieutenant General Kenneth F. McKenzie Jr., USMC, Nominee for Commander, United States Central Command,” 12/4/2018, p. 9.

³⁹ UNDP, *Practice Note: Disarmament, Demobilization, and Reintegration of Ex-combatants*, 2011, p. 11.

⁴⁰ UK Foreign & Commonwealth Office, “Reintegration and Reconciliation in Conflict: Experience and Lessons,” July 2016, p. 2.

⁴¹ UN, *Operational Guide to the Integrated Disarmament, Demobilization and Reintegration Standards (IDDRS)*, 2014, pp. 33–34.

Questions for policymakers

- What lessons can be gleaned from prior reintegration initiatives in Afghanistan?
- What transferable lessons can be gleaned from reintegration initiatives in other countries, such as Colombia, Sierra Leone, Somalia, and El Salvador?
- Should the international community encourage Afghan negotiators, during a potential peace process, to include the reintegration of ex-combatants as a focused area of discussion?
- If a reintegration program were established, what entities would be responsible for designing, implementing, and funding it, and what role would the United States play in reintegration efforts?
- Do donors have the appetite to commit to a series of long-term, post-conflict reintegration activities, and the ability to effectively implement such activities?
- Will a future peace agreement include details regarding the integration of former insurgents into state security forces?
- How should U.S. agencies adjust current assistance and programming to ensure that these are conducive to potential reintegration efforts?
- Can sufficient employment be created in the licit rural economy in order to encourage reintegrees to return to rural areas, rather than migrate to already overstressed urban centers?

Restricted Oversight

Oversight of the U.S. reconstruction effort in Afghanistan, already difficult, may become even more challenging if substantial numbers of U.S. military and civilian personnel withdraw following an Afghan peace settlement.⁴² Accessing reconstruction project sites and programs in Afghanistan is already difficult due to deteriorated security. Site access would continue to be challenging should a potential peace agreement not actually lead to a cessation of hostilities—a possible outcome about which several experts have written in recent months.⁴³ Moreover, a reduced footprint for U.S. agencies operating in Afghanistan could exacerbate ongoing problems with contract oversight, such as spotty compliance, documentation and accountability, as well as institutional memory loss.⁴⁴

Since 2002, the United States has provided nearly \$14.6 billion in on-budget assistance to the Afghan government. This includes about \$9.2 billion to Afghan government ministries and institutions, and about \$5.4 billion to three multinational trust funds—the World Bank’s

⁴² SIGAR, *Quarterly Report to the United States Congress*, 1/30/2019, pp. 9–10, 69, 80, 148, 169, 179.

⁴³ CSIS, “Afghanistan as Vietnam Redux: Bomb, Declare Peace, and Leave?” 1/17/2019, p. 7; Brookings, “The U.S.-Taliban negotiations breakthrough: What it means and what lies ahead,” 1/29/2019.

⁴⁴ SIGAR, “Challenges to Effective Oversight of Afghanistan Reconstruction Grow as High-Risk Areas Persist,” Statement of John F. Sopko for the Senate Committee on Appropriations, Subcommittee on the Departments of State, Foreign Operations, and Related Programs, 2/24/2016, p. 14.

Afghanistan Reconstruction Trust Fund (ARTF), the United Nations Development Programme's Law and Order Trust Fund (LOTFA), and the Asian Development Bank's Afghanistan Infrastructure Trust Fund (AITF).⁴⁵

SIGAR's experience shows that as the United States provides more reconstruction funds on-budget, whether through bilateral transfers or disbursement via multilateral trust funds, it will be vital that Afghan ministries have strong accountability measures and internal controls in place because external visibility into the use of funds is likely to shrink. Oversight of those measures and controls will be equally important.

In Afghanistan's conflict setting, where rules are not rigorously observed and documentation is often incomplete and unverifiable, having personnel physically present and able to move about the country is essential for effective oversight. Otherwise, it is difficult to determine whether training is effective, equipment is operable, clinics are stocked with medicines, schools are open, or buildings are safe and functional.

Questions for policymakers

- What levels of U.S. military and civilian personnel would best protect U.S. on- and off-budget funds to the Afghan government should a peace settlement be reached?
- If more (or most) U.S. assistance to the Afghan government moves on-budget as a result of a negotiated peace settlement, whether through bilateral transfers or disbursement through multilateral trust funds, what are the best oversight mechanisms to make the waste, fraud, and abuse of U.S. reconstruction funds more difficult, and more likely to be spotted?
- Have agencies taken appropriate steps to use third-party monitors, remote sensing, increased access to Afghan documentation and officials, or other tools to maintain acceptable levels of oversight, and have they reported the limitations of these methods to Congress? How will a possible reduction of U.S. military and civilian personnel after a potential peace agreement affect agency oversight plans?
- How can Congress and U.S. implementing agencies focus their oversight on reconstruction program outcomes rather than on easy measures of activity or outputs? How will a possible reduction of U.S. military and civilian personnel after a potential peace agreement affect this?
- When reviewing U.S. military and reconstruction footprints in conflict areas, how can the U.S. government ensure sufficient number of qualified, experienced, and certified contract officers and technical representatives are deployed, especially in high-risk missions like Afghanistan?

⁴⁵ SIGAR, *Quarterly Report to the United States Congress*, 1/30/2019, p. 47.
SIGAR 19-32-TY

Conclusion

No one disputes that after 40 years of war, peace would be a blessing for the long-suffering people of Afghanistan. And no one knows at this point what the specific terms of an acceptable peace deal would look like. But as the topical sections of SIGAR's 2019 *High-Risk List* indicate, even a broadly popular agreement might present risks to Afghanistan's reconstruction and to its long-term viability as a nation-state.

If large-scale withdrawals of U.S. operational and oversight personnel occur, the stewardship of U.S. taxpayer funds and achievement of reconstruction goals could suffer. If widespread corruption is not adequately addressed, the effectiveness of programs, the perceived legitimacy of the Afghan state, and the willingness of donors to continue their assistance could all suffer. If economic development stalls, accommodating new entrants to the labor force, including returning refugees and former government and insurgent fighters, could prove a daunting task. If women's rights and progress are not respected, and if the rule of law is not upheld, equitable and effective governance could fail. And if new security arrangements do not provide for fair and effective policing while standing ready to quash any resurgence of terrorism, then all other aspects of reconstruction could ultimately fail.

As discussions progress, members of the U.S. Congress and of executive agencies should consider the "day after" a peace agreement and be on the alert for unexamined assumptions, overlooked details, unintended consequences, concealed agendas, and other issues that could turn a wished-for peace deal into another sort of conflict.

An opportunity for peace exists. How it is embraced, shaped, and nurtured will determine if Afghanistan is to avoid further decades of conflict that might result in it once again becoming a danger to the international community. As Congress considers ways to reduce or avert these dangers, we at SIGAR stand ready to assist in any way we can.

Thank you for the opportunity to submit a written statement for the hearing record. SIGAR shares your commitment to protecting U.S. funds from waste, fraud, and abuse and is committed to assisting Congress, U.S. agencies, and other stakeholders by continuing to provide aggressive and independent oversight of the reconstruction effort, and by offering recommendations and lessons based on that work.