



Special Inspector General for
Afghanistan Reconstruction

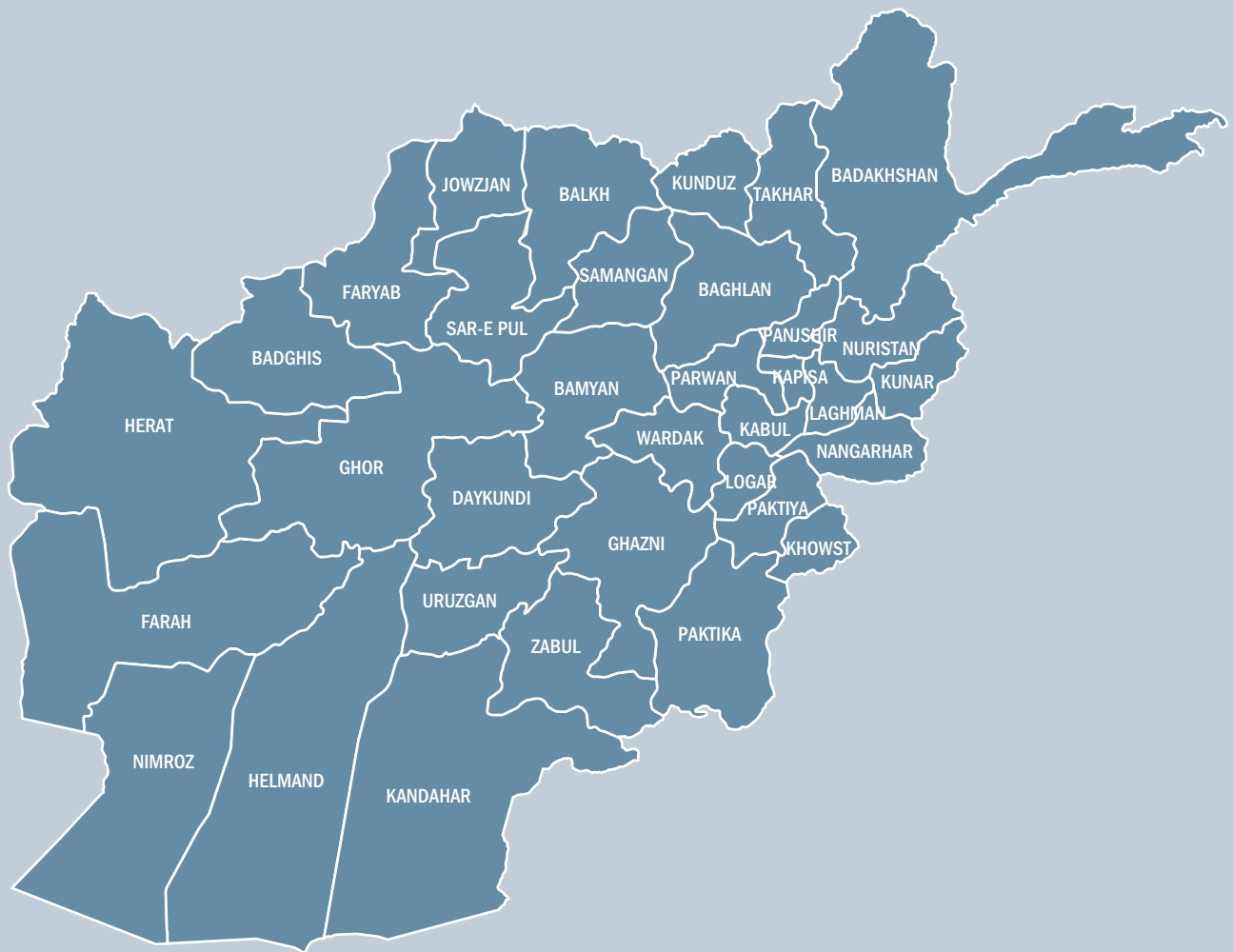
SEPTEMBER 2016



EXECUTIVE SUMMARY

The full report can be found on the SIGAR website at www.sigar.mil.

CORRUPTION IN CONFLICT: LESSONS FROM THE U.S. EXPERIENCE IN AFGHANISTAN





Special Inspector General *for* Afghanistan Reconstruction

Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan is the first in a series of lessons learned reports planned to be issued by the Special Inspector General for Afghanistan Reconstruction (SIGAR). The report examines how the U.S. government—primarily the Departments of Defense, State, Treasury, and Justice, and the U.S. Agency for International Development—understood the risks of corruption in Afghanistan, how the U.S. response to corruption evolved, and the effectiveness of that response. The report identifies lessons to inform U.S. policies and actions at the onset of and throughout a contingency operation and makes recommendations for both legislative and executive branch action.

Our analysis reveals that corruption substantially undermined the U.S. mission in Afghanistan from the very beginning of Operation Enduring Freedom. We found that corruption cut across all aspects of the reconstruction effort, jeopardizing progress made in security, rule of law, governance, and economic growth. We conclude 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.

SIGAR began its lessons learned program, in part, at the urging of General John Allen, Ambassador Ryan Crocker, and others who had served in Afghanistan. This report and those that will follow comply with SIGAR's legislative mandate to provide recommendations to promote economy, efficiency, effectiveness, and leadership on policies to prevent and detect waste, fraud, and abuse, as well as to inform Congress and the Secretaries of State and Defense about problems and deficiencies relating to reconstruction and the need for corrective action.

Unlike other inspectors general, Congress created SIGAR as an independent agency, not housed inside any single department, and it is thus able to provide independent and objective oversight of Afghanistan reconstruction projects and activities. SIGAR is the only inspector general focused solely on the Afghanistan mission, and the only one devoted exclusively to reconstruction issues. While other inspectors general have jurisdiction over the programs and operations of their respective departments or agencies, SIGAR has jurisdiction to conduct audits and investigations of all programs and operations supported with U.S. reconstruction dollars, regardless of the agency involved.

Because SIGAR is the only inspector general with the authority to look across the entire reconstruction effort, it is uniquely positioned to identify and address whole-of-government lessons learned. As *Corruption in Conflict* has done, future lessons learned reports will synthesize not only the body of work and expertise of SIGAR, but also that of other oversight agencies, government bodies, current and former officials with on-the-ground experience, academic institutions, and independent scholars. Future reports will focus on other key aspects of the reconstruction effort and will document what the U.S. government sought to accomplish, assess what it achieved, and evaluate the degree to which these efforts helped the United States reach its strategic goals in Afghanistan. The reports will contain recommendations to address the challenges stakeholders face in ensuring efficient, effective, and sustainable reconstruction efforts, not just in Afghanistan, but in future conflict zones.

SIGAR's lessons learned program comprises subject matter experts with considerable experience working and living in Afghanistan, aided by a team of experienced research analysts. In producing its reports, SIGAR also uses the significant skills and experience found in its Audits, Investigations, and Research and Analysis Directorates, and the Office of Special Projects. I want to express my deepest appreciation to the research team that produced this report, and thank them for their dedication and commitment to this project. I also want to thank all of the individuals—especially the agency officials, academics, subject matter experts, and others—who provided their time and effort to contribute to this report. It is truly a collaborative effort meant to not only observe problems, but also to learn from them and apply reasonable solutions to improve future reconstruction efforts.

I believe the lessons learned reports will be a key legacy of SIGAR. Through these reports, we hope to reach a diverse audience in the legislative and executive branches, at strategic and programmatic levels, both in Washington, D.C. and in the field. By leveraging our unique interagency mandate, we intend to do everything we can to make sure the lessons from the United States' largest reconstruction effort are identified, acknowledged, and, most importantly, remembered and applied to reconstruction efforts in Afghanistan, as well as to future conflicts and reconstruction efforts elsewhere in the world.

A handwritten signature in black ink, appearing to read 'John F. Sopko', with a long, sweeping horizontal stroke extending to the right.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

EXECUTIVE SUMMARY

This report draws important lessons from the U.S. experience with corruption in Afghanistan since 2001. These lessons are relevant for ongoing efforts in Afghanistan, where the United States will remain engaged in coming years and continue to face the challenge of corruption. The United States may also participate in future efforts to rebuild other weak states emerging from protracted conflict. It is vital that anticorruption lessons from Afghanistan inform and improve these efforts.

When U.S. military forces and civilians entered Afghanistan in 2001 in the aftermath of the 9/11 attacks, they were immediately faced with the difficult task of trying to stabilize a country devastated by decades of war and poverty. Against that background, the U.S. government did not place a high priority on the threat of corruption in the first years of the reconstruction effort. By 2009, however, many senior U.S. officials saw systemic corruption as a strategic threat to the mission. Ambassador Ryan Crocker, who re-established U.S. Embassy Kabul soon after 9/11 and again led the embassy from 2011 to 2012, concluded in an interview for this report that “the ultimate point of failure for our efforts ... wasn’t an insurgency. It was the weight of endemic corruption.”¹

This report examines how the U.S. government—primarily the Departments of Defense (DOD), State, Treasury, and Justice, and the U.S. Agency for International Development (USAID)—understood the risks of corruption in Afghanistan, how the U.S. response to corruption evolved, and the effectiveness of that response. The report identifies five main findings from which we draw lessons and recommendations to improve current and future contingency operations:

1. Corruption undermined the U.S. mission in Afghanistan by fueling grievances against the Afghan government and channeling material support to the insurgency.
2. The United States contributed to the growth of corruption by injecting tens of billions of dollars into the Afghan economy, using flawed oversight and contracting practices, and partnering with malign powerbrokers.
3. The U.S. government was slow to recognize the magnitude of the problem, the role of corrupt patronage networks, the ways in which corruption threatened core U.S. goals, and that certain U.S. policies and practices exacerbated the problem.
4. Even when the United States acknowledged corruption as a strategic threat, security and political goals consistently trumped strong anticorruption actions.
5. Where the United States sought to combat corruption, its efforts saw only limited success in the absence of sustained Afghan and U.S. political commitment.

In the early years of the reconstruction, DOD, State, and USAID did not fully appreciate the potential for corruption to threaten the security and state-building missions in Afghanistan. The United States was focused on pursuing al-Qaeda and the Taliban, shepherding a political transition process, and meeting reconstruction needs. The United States partnered with warlords and their militias to pursue its counterterrorism mission. When these strongmen and other elites gained positions of power in the Afghan government, they often engaged in rampantly corrupt activities. The U.S. government also failed to recognize that billions of dollars injected into a small, underdeveloped country, with limited oversight and strong pressures to spend, contributed to the growth of corruption.

By 2005, U.S. agencies were alarmed by worsening corruption, yet their concerns did not translate into coherent, sustained action. Meanwhile, Afghan government efforts to fight corruption were half-hearted. The dilemma was that combating corruption required the cooperation and political will of Afghan elites whose power relied on the very structures anticorruption efforts sought to dismantle.

In 2009, innovative efforts by the Afghan Threat Finance Cell (ATFC), a U.S. unit formed to track and stop terrorist financing, revealed an interdependent web of connections between corrupt Afghan officials, criminals, drug traffickers, and insurgents. U.S. civilian and military leaders became increasingly concerned that corruption was fueling the insurgency by financing insurgent groups and stoking grievances that increased popular support for these groups. There was also recognition that the U.S. government was contributing to corruption through its partnerships with malign powerbrokers and limited oversight of its contracts. In response, anticorruption became a key element of U.S. efforts in Afghanistan. The United States created or supported many entities—such as the Combined Joint Interagency Task Force Shafafiyat, Task Force 2010, and the Government of the Islamic Republic of Afghanistan’s (GIROA) Major Crimes Task Force—to better understand corrupt networks, prevent U.S. money from funding the enemy, and build Afghan institutional capacity to tackle corruption.

This surge in awareness and activity came up against the reality of entrenched criminal patronage networks that involved high-level Afghan officials. Two major events in 2010—the arrest on corruption charges and subsequent release of an aide to President Hamid Karzai, and the near-collapse of Kabul Bank due to massive fraud by politically connected bank shareholders—demonstrated both the extent of corruption and the weakness of Afghan political will to stop it.

From 2010 onward, U.S. agencies saw corruption as a serious threat to the mission in Afghanistan. The United States continued to support Afghan institutional reform and capacity-building, pressed for judicial actions and better financial oversight, pursued limited forms of aid conditionality, and strengthened civil society organizations and the media. U.S. agencies also improved contractor vetting and prevented at least some U.S. funds from reaching insurgent groups via corruption. While these efforts had some success, they were not unified by an overarching strategy and were largely tactical.

At the same time, the U.S. government was pursuing other high-level goals, including the transition of security responsibility from the coalition to Afghan forces, a strategic partnership agreement (SPA) and a bilateral security agreement (BSA) with the Afghan government, and political reconciliation with the Taliban. U.S. officials had to make difficult judgment calls on how much political capital to invest in pressing the Afghan government on corruption while trying to maintain access to the Karzai administration to move other important priorities forward. Often, policymakers perceived tradeoffs between fighting corruption and making progress on these other goals.

Although the lack of Afghan cooperation on anticorruption stymied many U.S. efforts, the United States could have more aggressively brought pressure to bear upon GIROA and politically connected individuals. Faced with systemic corruption, the U.S. government generally failed to use more aggressive tools such as the revocation of visas, strict conditionality on aid, and prosecutions of corrupt Afghan officials with dual U.S. citizenship.

It is impossible to know whether such steps might have generated more Afghan political commitment to address corruption or whether they would have reduced Afghan cooperation on other U.S. objectives. What we do know is, the Taliban continue to pose a security threat, corruption remains a source of profound frustration among the population, and the National Unity Government has struggled to make headway against corruption.

Lessons

The U.S. government can learn vital lessons from its experience with corruption in Afghanistan. This report identifies six lessons to inform U.S. policies and actions at the onset of and throughout a contingency operation.

1. The U.S. government should make anticorruption efforts a top priority in contingency operations to prevent systemic corruption from undermining U.S. strategic goals.
2. U.S. agencies should develop a shared understanding of the nature and scope of corruption in a host country through political economy and network analyses.
3. The U.S. government should take into account the amount of assistance a host country can absorb, and agencies should improve their ability to effectively monitor this assistance.
4. The U.S. government should limit alliances with malign powerbrokers and aim to balance any short-term gains from such relationships against the risk that empowering these actors will lead to systemic corruption.
5. U.S. strategies and plans should incorporate anticorruption objectives into security and stability goals, rather than viewing anticorruption as imposing tradeoffs on those goals.
6. The U.S. government should recognize that solutions to endemic corruption are fundamentally political. Therefore, the United States should bring to bear high-level, consistent political will when pressing the host government for reforms and ensuring U.S. policies and practices do not exacerbate corruption.

Recommendations

To address corruption risks to U.S. strategic objectives in current and future contingency operations, SIGAR recommends the following legislative and executive branch actions.

Legislative Recommendations

1. Congress should consider enacting legislation that makes clear that anticorruption is a national security priority in a contingency operation and requires an interagency anticorruption strategy, benchmarks, and annual reporting on implementation.
2. Congress should consider enacting legislation that authorizes sanctions against foreign government officials or their associates who engage in corruption.
3. Congress should consider requiring DOD, State, USAID, and other relevant executive agencies to establish a joint vendor vetting unit or other collaborative effort at the onset of any contingency operation to better vet contractors and subcontractors in the field.

Executive Branch Recommendations

4. The NSC should establish an interagency task force to formulate policy and lead strategy on anticorruption in contingency operations.
5. At the onset of any contingency operation, the Intelligence Community should analyze links between host government officials, corruption, criminality, trafficking, and terrorism. This baseline assessment should be updated regularly.
6. DOD, State, USAID, and the Intelligence Community should each designate a senior anticorruption official to assist with strategic, operational, and tactical planning at headquarters at the onset of and throughout a contingency operation.
7. DOD, State, and USAID should each establish an Office for Anticorruption to provide support, including advice on anticorruption methods, programming, and best practices, for personnel in contingency operations.
8. The President should consider amending Executive Order 13581, which authorizes the listing of transnational criminal organizations on Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Nationals list, to include individuals and entities who have engaged in corruption and transferred the proceeds abroad.
9. In international engagements related to contingency operations, the U.S. government should bring high-level political commitment to bear against corruption to ensure anticorruption is a priority from the outset for the host government and international and regional partners.
10. The State Department should place a high priority on reporting on corruption and how it threatens core U.S. interests, consistent with new anticorruption initiatives by the department and recommendations in the 2015 Quadrennial Diplomacy and Development Review (QDDR).
11. DOD, State, USAID, Treasury, Justice, and the Intelligence Community should increase anticorruption expertise to enable more effective strategies, practices, and programs in contingency operations.



The National Defense Authorization Act for FY 2008 (P.L. 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR).

SIGAR's oversight mission, as defined by the legislation, is to provide for the independent and objective

- conduct and supervision of audits and investigations relating to the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.
- leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of the programs and operations, and to prevent and detect waste, fraud, and abuse in such programs and operations.
- means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operation and the necessity for and progress on corrective action.

Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Source: P.L. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008.

**SIGAR
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FRAUD, WASTE, OR ABUSE MAY BE REPORTED TO SIGAR'S HOTLINE

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All voicemail is in Dari, Pashto, and English.

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DSN: 312-664-0378
All voicemail is in English and answered during business hours.

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By Web submission: www.sigar.mil/investigations/hotline/report-fraud.aspx

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