Special Inspector General for Afghanistan Reconstruction

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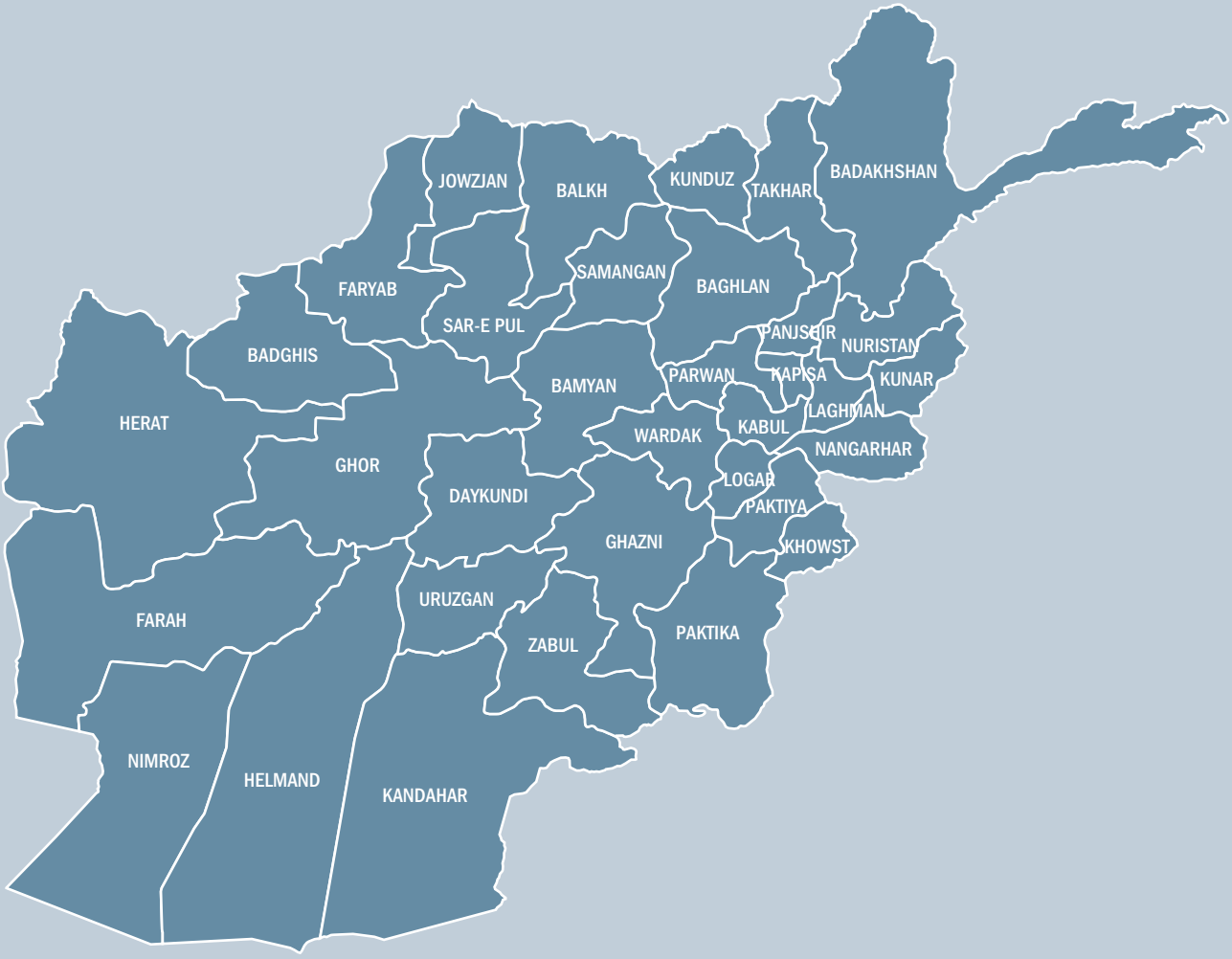
CORRUPTION IN CONFLICT:

LESSONS FROM THE U.S. EXPERIENCE IN AFGHANISTAN



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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.

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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.

U.S. Marine Corps photo

INTRODUCTION

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.

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 evolved, and the effectiveness of that response. The report identifies five main findings:

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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.

The report is laid out in seven sections. This section introduces concepts and issues that are important for understanding the story that follows, including a definition of corruption, recent trends in corruption and perceptions of it among Afghans, why corruption matters in conflict environments, and a framework for anticorruption efforts. The subsequent narrative sections are divided into three time periods: 2001 to 2008, 2009 to 2010, and 2010 to 2014. These sections chronologically trace how U.S. agencies viewed the corruption problem in Afghanistan, how they sought to address it, and obstacles encountered in doing so. The above five findings emerged from this historical narrative.

After a brief conclusion, the next section draws six important lessons to inform current and future U.S. reconstruction efforts and the final section provides recommendations for policymakers and practitioners—in Congress and the executive branch—to address corruption from the beginning of a contingency operation.

What Is Corruption?

To appreciate the threat of corruption, U.S. officials must have an accurate understanding of what corruption is and how it manifests itself in a given environment. This report uses a widely accepted definition of corruption, "the abuse of entrusted authority for private gain."[2] Where corruption permeates a state system, it is not merely a matter of individual malfeasance, but rather a larger, systemic problem. As the 2005 *USAID Anticorruption Strategy* highlighted, corruption in the public sector cannot realistically be addressed in isolation from corruption within political parties, businesses, associations, nongovernmental organizations (NGO), and society at large. The strategy also recognized "gray" areas of corrupt behavior, noting that "not all illegal activities are corruption, and not all forms of corruption are illegal."[3]

The above definition reflects the fact that people can engage in corrupt acts not only for personal gain, but also to benefit their families or a broader community.[4] This is particularly relevant to Afghanistan's kinship-based society, where the

gains from corruption often benefit not just an individual, but a family, clan, tribe, or ethnic group.

Table 1 defines the most common categories of corruption.

TABLE 1: CATEGORIES OF CORRUPTION

Category of corruption	Description
Bribery	The offering, promising, giving, accepting, or soliciting of an advantage as an inducement for an action which is illegal, unethical, or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards, or other advantages (e.g., taxes, services, donations, favors).
Clientelism	An unequal system of exchanging resources and favors based on an exploitative relationship between a wealthier or more powerful "patron" and a less wealthy or weaker "client."
Collusion	A secret agreement between parties, in the public or private sector, to conspire to commit actions aimed to deceive or commit fraud with the objective of illicit financial gain.
Embezzlement	When a person holding office in an institution, organization, or company dishonestly and illegally appropriates, uses, or traffics the funds and goods they have been entrusted with for personal enrichment or other activities.
Extortion	Act of using, either directly or indirectly, one's access to a position of power or knowledge to demand unmerited cooperation or compensation as a result of coercive threats.
Facilitation Payment	A small bribe, also called a facilitating, speed, or grease payment, made to secure or expedite the performance of a routine or necessary action to which the payer has legal or other entitlement.
Fraud	The offense of intentionally deceiving someone in order to gain an unfair or illegal advantage (financial, political, or other).
Grand Corruption	The abuse of high-level power that benefits the few at the expense of the many, and causes serious and widespread harm to individuals and society.
Nepotism	A form of favoritism based on acquaintances and familiar relationships, whereby someone in an official position exploits his power and authority to provide a job or favor to a family member or friend, even though he may not be qualified or deserving.
Patronage	A form of favoritism in which a person is selected, regardless of qualifications or entitlement, for a job or government benefit due to affiliations or connections.
Petty Corruption	Everyday abuse of entrusted power by public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments, and other agencies.
State Capture	A situation where powerful individuals, institutions, companies, or groups within or outside a country use corruption to influence a nation's policies, legal environment, and economy to benefit their own private interests.

Source: Transparency International, *Anticorruption Glossary*, http://www.transparency.org/glossary.

Experts often make the distinction between petty and grand corruption, though corruption can occur along a continuum between the two.[5] Petty corruption refers to smaller-scale, everyday abuse of power by low- and mid-level officials, for example, the requirement to pay a bribe for access to goods or services. Grand corruption involves "exchanges of resources, access to [economic] rents, or other advantages for high-level officials, privileged firms, and their networks of elite operatives and supporters."[6] Acts of grand corruption typically involve

large sums of money. For example, a senior official may receive a kickback in exchange for directing a lucrative government contract to a favored company. Grand corruption can also include the manipulation of policies, institutions, and procedures, enabling high-level officials to benefit at the expense of the public good; this is sometimes referred to as "political corruption."[7]

Systemic Corruption, a Dilemma for Anticorruption Efforts

Many Afghan and international observers have asserted that corruption in Afghanistan, by at least 2009, had become systemic, or pervasive and entrenched.[8] In 2010, U.S. Embassy Kabul reported that in a meeting with senior U.S. officials, Afghan National Security Advisor Dr. Rangin Dadfar Spanta said "corruption is not just a problem for the system of governance in Afghanistan; it is the system of governance."[9]

In such an environment, government leaders and private citizens who are connected at high political levels can seek to maintain their control over resources and levers of power through their abuse of entrusted authority. This poses a dilemma for any attempt to prevent or combat corruption: Tackling systemic corruption demands cooperation from political leaders whose dominance may rely on the very power structures anticorruption efforts seek to dismantle. These leaders thus have every reason to block reform; their interest lies in maintaining the corrupt system that benefits them, as well as larger identity groups with which they associate.

In situations where corruption is systemic, as in Afghanistan, it is important to acknowledge the false dichotomy of petty versus grand corruption. That framework, while useful for understanding different levels of corruption, can obscure the fact that corruption is vertically integrated. Petty corruption is directly linked to grand corruption, as powerbrokers at the top use state institutions (for example, the police, courts, customs, and procurement systems) to extract resources from the bottom.[10]

Tackling systemic corruption demands cooperation from political leaders whose dominance may rely on the very power structures anticorruption efforts seek to dismantle.

A key mechanism of this integrated structure is the purchase of public positions. Numerous reports and interviews note that often, "government employment is purchased rather than earned."[11] For example, a 2007 study by the Afghan NGO Integrity Watch Afghanistan (IWA) described a "bazaar economy" in which "every position, favor, and service can be bought and sold."[12] The study cited "the strong and interwoven spider web of illicit networks, which are closely collaborating from district to provincial and central level," and these networks' abilities to effectively block reform.[13] According to a former mid-level Afghan government official, ministers and deputy ministers sought to control access not to all positions, but to the most lucrative subordinate positions, such as certain posts in major cities, border security posts, and senior positions in provinces and districts that grow poppies or have mines.[14] This upward flow of money and power victimizes ordinary people, while enriching a few.

Measuring Corruption

Because corruption is often hidden behavior, it is difficult to measure in any country. In Afghanistan, this problem is magnified by the dearth of economic and other information, 30 years of conflict, and logistical, social, and cultural challenges to collecting reliable data or conducting methodologically sound surveys.[15] This report therefore relies on a combination of survey data, international indices, and interviews to attempt to understand the scope of corruption in Afghanistan.

Petty corruption is directly linked to grand corruption, as powerbrokers at the top use state institutions (for example, the police, courts, customs, and procurement systems) to extract resources from the bottom.

Available survey data provide imperfect but helpful indicators about Afghan perceptions of and experiences with corruption. Appendix C presents data from IWA, the Asia Foundation (TAF), and International Security Assistance Force (ISAF) surveys on experiences and perceptions of corruption. The data suggest that, since 2001, Afghans have consistently and increasingly perceived corruption as one of their biggest problems, rivaled only by insecurity and unemployment.

Various governance and business indices for Afghanistan also point to high levels of corruption. The World Bank's *Worldwide Governance Indicators* shows Afghanistan in the bottom 4 percent of nations for "control of corruption" from 2002 through 2013.[16] The World Bank's 2005 *Investment Climate in Afghanistan*, which identified key constraints to growth, reported "nearly 58 percent of surveyed firms cited corruption as a major or severe problem, just behind access to land and electricity. Firms reported paying an average 8 percent of sales as bribes, more than four times the average reported in neighboring Pakistan."[17] In addition, since 2011, Afghanistan has consistently ranked as one of the three most corrupt countries in the world in Transparency International's annual *Corruption Perceptions Index*. Table 2 illustrates these findings.

TABLE 2: AFGHANISTAN'S CORRUPTION RANKINGS

	World Bank	Transparency International
2001	-	-
2002	196 of 197	-
2003	195 of 199	-
2004	198 of 206	-
2005	203 of 206	117 of 159
2006	199 of 206	-
2007	205 of 207	172 of 180
2008	205 of 207	176 of 180
2009	208 of 210	179 of 180
2010	209 of 211	176 of 178
2011	209 of 212	180 of 183
2012	206 of 210	174 of 176
2013	206 of 210	175 of 177
2014	196 of 209	172 of 175
2015	-	166 of 168

Source: SIGAR analysis of World Bank data; The World Bank, "Worldwide Governance Indicators: Control of Corruption," The World Bank Databank, 2002–2014; Transparency International, "Corruption Perceptions Index," 2005, 2007–2015.

Note: The data reflect Afghanistan's international ranking among select countries. The number of countries included in these rankings changes from year to year based on the availability of reliable data.

Corruption Has Increased from Pre-2001 Levels

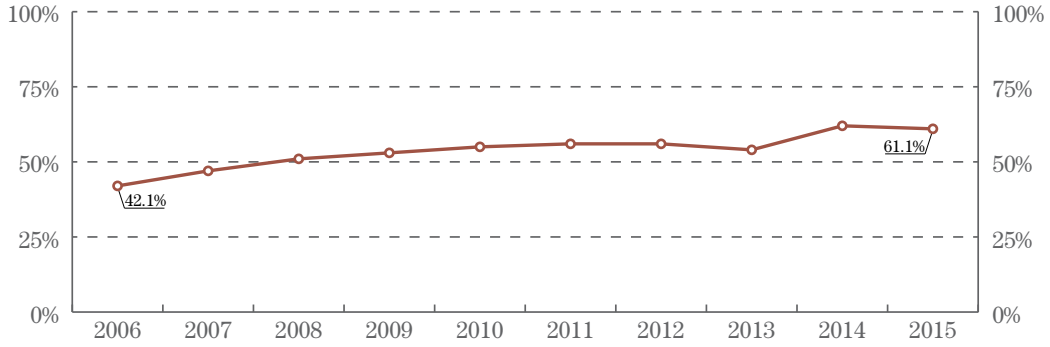
Corruption is not a new phenomenon in Afghanistan.[18] As a 2005 cable from U.S. Embassy Kabul explained, "Garden-variety corruption—the use of public office for private gain and the greasing of palms to secure delivery of government services—has been a hallmark of daily life here for many centuries. The highly informal and relationship-based nature of Afghan society, including a strong element of nepotism, has reinforced this."[19] Similarly, a 2007 joint paper on corruption in Afghanistan, prepared by several major donor organizations, stated that before 2001, "in practice, nepotism, patronage, and clientelism were widespread."[20]

Within this context, however, numerous international and Afghan reports—consistent with the survey data and indices described above—indicate that the scale of corruption in the post-2001 period has increased above previous levels.[21] The 2005 embassy cable asserted, "There is a general consensus that Afghan corruption has swelled to unprecedented levels since Zahir Shah's overthrow in 1973—and especially after the Taliban regime's rollback in 2001."[22] A 2009 assessment commissioned by the Organization for Economic Cooperation and Development (OECD) warned that "corruption has soared to levels not seen in previous administrations."[23]

There was also evidence of a shift in how Afghan society viewed corruption, from stigmatizing bribes to tacitly condoning them. Afghan business leaders told U.S. embassy officials in 2011 that bribery and corruption were "pervasive, accepted, and arguably even encouraged" at that time, whereas in previous years, greater shame had been attached to these behaviors.[24] Figures 1 and 2 illustrate the rise in perceptions of corruption in Afghanistan, according to TAF surveys.

Key drivers of corruption after 2001 have been continuing insecurity, weak systems of accountability, the drug trade, a large influx of money, and poor oversight of contracting and procurement related to the international presence.

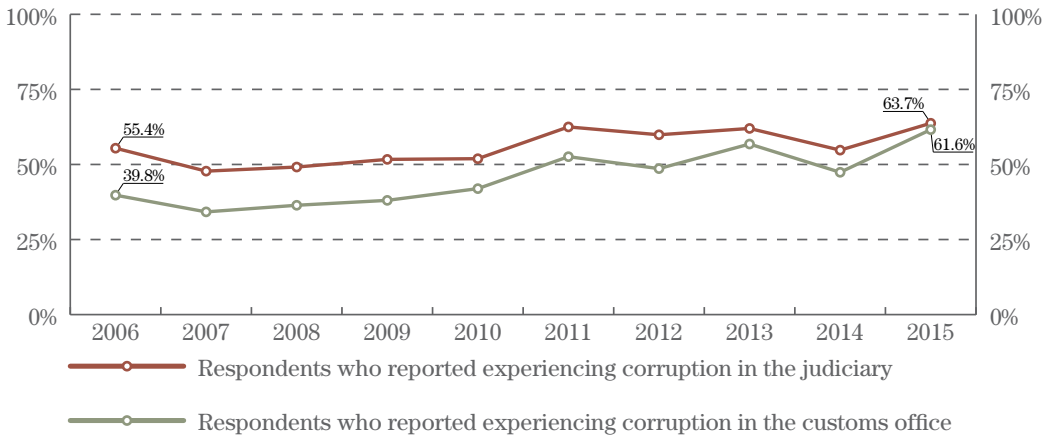
FIGURE 1: Share of respondents who said corruption was a major problem in daily life



Note: The survey question was, "Please tell me whether you think that corruption is a major problem, a minor problem, or no problem at all … in your daily life." The graph represents the respondents who reported that corruption was a major problem.

Source: The Asia Foundation, *A Survey of the Afghan People*, Explore Data Tool, 2006–2015.

FIGURE 2: Share of respondents who had contacted government officials and reported experiencing corruption



Note: The survey question was, "Whenever you have contacted government officials, how often in the past year have you had to give cash, a gift, or perform a favor for an official?" The graph represents the sum of respondents who reported experiencing corruption in all cases, most cases, or isolated cases. People who had not contacted government officials were excluded from this data.

Source: The Asia Foundation, *A Survey of the Afghan People*, Explore Data Tool, 2006–2015.

Drivers within the State and Society

The Afghan people have suffered for decades in an environment of uncertainty, insecurity, grinding poverty, weak governance, and war. All of these factors can undermine the rule of law and enable corruption to flourish. A 2015 UK Department for International Development (DFID) study reviewed the empirical literature on factors contributing to corruption and concluded that corruption tended to be particularly strong in "neo-patrimonial systems" where:

- There is weak separation of the public and private spheres, which results in the widespread private appropriation of public resources.
- Vertical (e.g., patron-client) and identity-based (e.g., kinship, ethnicity, religion) relationships have primacy over horizontal (e.g., citizen-to-citizen or equal-to-equal) and rights-based relationships.
- Politics are organized around personalism or "big man" syndrome, reflected in the high centralization of power and patron-client relations replicated throughout society.[25]

Post-2001 Afghanistan embodies many of the factors identified by the DFID study: Lines are often blurred between public and private interests, as government officials engage in drug trafficking and cultivate their own patronage networks; social and political structures have historically been characterized by relationships based on language, tribe, region, and ethnicity; and the Bonn Conference in 2001 established a highly centralized state system in a country with historically weak capacity at the center.[26]

The Afghan government's 2008 *National Anti-Corruption Strategy* identified specific factors driving or enabling corruption, including weak institutional

capacity, legislative and regulatory frameworks, and enforcement; non-merit-based hiring; low salaries of public servants; and a dysfunctional judicial system.[27] Other factors included tribal rivalries and power struggles, the cash-based economy, expanding drug trade, and burdensome administrative procedures that presented many opportunities to extract bribes.

Many of these causes of corruption can also be seen as symptoms of corruption, acting and reacting in a harmful feedback loop. Weak governance allows opportunities for corruption to occur.[28] As corrupt networks grow more entrenched, its members resist the development of accountability systems that would strengthen governing institutions and threaten the corrupt practices upon which the network's survival depends. In addition, as corruption diverts resources away from the state, it undermines the ability of government to deliver goods and services to the public.

Ongoing uncertainty about security and limited economic opportunities created strong incentives for Afghans—particularly those within criminal patronage networks—to focus on the near-term. A "short-term maximization-of-gains mentality" developed, anticipating the eventual cessation of money flows from the international military and reconstruction effort.[29] This dynamic is described in academic literature as a collective-action problem: Participants try to maximize their self-interest when there is a shared expectation of corruption. In this frame, "individuals will opt to behave in corrupt ways because the costs of acting in a more principled manner far outweigh the benefits, at least at the individual level."[30]

Drivers Emanating from the International Intervention

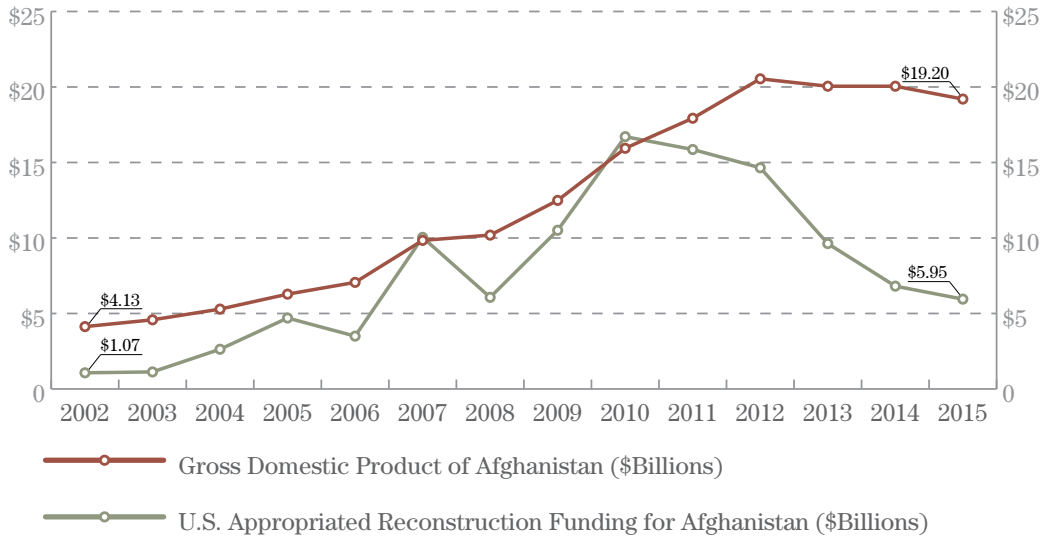
To understand why corruption became so pervasive and entrenched after 2001, it is important to also look at the international community's security and reconstruction efforts, which entailed an enormous influx of money, weak oversight of contracting and procurement practices, and short timelines.

After 2001, opportunities for corruption expanded as the amount of money in the economy grew from millions to billions of dollars. Many of those funds were licit, arriving via civilian and military contracts. At their peak in fiscal year (FY) 2012, DOD contract obligations for services in Afghanistan, including transportation, construction, base support, translation/interpretation, and private security, totaled approximately $19 billion, just under Afghanistan's 2012 gross domestic product (GDP) of $20.5 billion.[31] From FY 2007 to 2014, these contract obligations totaled more than $89 billion.[32] The full amount of these contracts was not spent in Afghanistan; for example, some portion of a contract with a U.S. firm would be injected into the U.S., not Afghan, economy. Nevertheless, these amounts indicate that huge sums, relative to the Afghan economy, flowed into the country.[33]

The inflows of foreign aid were also large compared to the size of the Afghan economy. As defined and tracked by the OECD, official development assistance (ODA) disbursed to Afghanistan rose from $2.1 billion in 2003 to a peak of $6.8 billion in 2011; Afghanistan's GDP was $4.6 billion in 2003, and $17.9 billion in 2011.[34] According to a 2009 OECD report, international assistance accounted for roughly half of Afghanistan's lawful economy.[35]

Figure 3 shows that U.S. appropriated reconstruction assistance often approached or exceeded Afghanistan's GDP.

FIGURE 3: U.S. Appropriated Reconstruction Funding Compared to Afghanistan's GDP



Note: Funds for most reconstruction accounts are normally disbursed one to five years after they are appropriated. U.S. appropriated reconstruction funding includes categories usually excluded in OECD's ODA reporting, such as military aid funded through the Afghanistan Security Forces Fund.

Source: SIGAR, *Quarterly Report to the United States Congress*, January 30, 2016, p. 187; SIGAR, *Quarterly Report to the United States Congress*, October 30, 2014, pp. 202-203; World Bank, *World Development Indicators: GDP at market prices (current U.S. dollars)*, World Bank Databank, accessed July 12, 2016.

In addition, illicit money flows increased after 2001 through the growth of the drug trade. State's Bureau of International Narcotics and Law Enforcement (INL) estimated Afghanistan's poppy cultivation increased nearly seven-fold between 2002 and 2014.[36] In 2005, the International Monetary Fund (IMF) attributed an estimated 40 to 60 percent of Afghanistan's GDP to narcotics.[37]

The influx of money from aid and military contracts was not always accompanied by strong oversight. Controls were sometimes insufficient to prevent embezzlement, bribery, fraud, and other forms of corruption—by both Afghan and international actors—that drained resources from the reconstruction effort.[38] As a former senior U.S. official described the problem:

> In a conflict environment, oversight is difficult, but our systems of accountability are also poor. So when you push large amounts of money through and there's no way to pull it back, it creates an incentive for corruption. The environment in which you are operating shifts and corrupt actors create ways to bleed the system for all it is worth, because they know the money will keep flowing no matter what they do, and they can make more by being corrupt than non-corrupt …. This is a

> dynamic we have to change if we want to use our money well and effectively achieve our goals. U.S. officials on the ground have to be appropriately authorized and encouraged to pull money back if it is not being used well, and these decisions need to be politically supported in Washington.[39]

Another former U.S. official recalled that the United States and donors "began working almost immediately with NGOs and other third parties and created a plethora of parallel institutions. This drove confusion and undermined the state. It also created vast opportunities for rent-seeking behavior on the part of NGOs and contractors."[40] Rent-seeking is a term of art used by economists and others to mean the accrual of personal benefits through actions in the political arena.[41]

U.S. and other international agencies were also under pressure to spend money quickly for three main reasons: Spending money was seen as its own metric of progress, large expenditures justified further appropriations from legislatures at home, and insecurity drove the need to do things quickly.[42] The 2011 final report of the congressionally mandated Commission on Wartime Contracting in Iraq and Afghanistan noted the risks of spending quickly. For example, the report cited a USAID agricultural program in southeastern Afghanistan that expanded within a few weeks from $60 million to $360 million, resulting in rampant waste and fraud.[43]

Why Should U.S. Policymakers Care About Corruption in a Conflict Environment?

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."[44]

Policymakers should care about corruption because it can have devastating consequences for a state and society, threaten security and the rule of law, and undermine public trust in institutions. In Afghanistan, the erosion of state legitimacy weakened the government's ability to enlist popular support against the insurgency.[45] ISAF survey data suggest corruption was a catalyst for Afghans to support the Taliban; between 2010 and 2012, survey respondents ranked corruption as one of the "top three reasons why some Afghans choose to support the Taliban instead of the Government of Afghanistan."[46] Corruption also undercut the viability of the state itself, as government officials not only exploited their positions to extract resources from the population and foreign presence, but worse, repurposed state institutions to engage in organized crime, thus driving insecurity.[47]

Security sector corruption had particularly dire consequences. Corruption within Afghan security ministries and the Afghan National Security Forces (ANSF) undermined combat readiness and effectiveness, as well as cohesion of the army and police.[48] This "hollowing out" of security institutions had direct implications for U.S. and NATO policy in Afghanistan: The schedule to transition security responsibility from international to Afghan forces depended on the condition of

Afghan forces. Corruption undercut the readiness and effectiveness of both the Afghan National Army (ANA) and Afghan National Police (ANP).[49]

The U4 Anticorruption Resource Center at the Christian Michelsen Institute in Norway found that corruption within the security sector can lead to increased levels of crime and armed violence; the population feeling insecure, vulnerable, and distrustful of security services; the purchase of unnecessary equipment, which wastes resources that might have been used for legitimate purposes; and reduced operational effectiveness through poor equipment or inadequately trained staff.[50]

"The ultimate point of failure for our efforts … wasn't an insurgency. It was the weight of endemic corruption."

—Ambassador Ryan Crocker

Some reports suggest corruption has been a motivating factor for Afghans joining the insurgency.[51] The Taliban's annual Eid al-Fitr statements highlight government corruption, while other propaganda has attempted to capitalize on corruption and injustice as sources of alienation.[52]

Economically, corruption chokes growth by draining revenue from the national treasury, discouraging direct foreign investment, and distorting the terms of trade.[53] The USAID 2005 *Anticorruption Strategy* noted that "crony lending and weak supervision misallocate credit and may lead to banking sector collapse," a phenomenon that occurred in Afghanistan in 2010 with the near-collapse of Kabul Bank. [54] In addition, corruption creates uncertainty for firms regarding costs and the consistent implementation of the rule of law. Together, these effects erode the government's fiscal stability and chances for sustained economic growth. The World Bank's 2005 *Investment Climate in Afghanistan* stated corruption was "threatening to foreign investors or Afghans returning from overseas who do not have powerful patrons or understand the system."[55] Corruption also adds a financial burden on ordinary Afghans. It discourages the formalization and expansion of small-scale economic ventures because of fears of becoming visible targets for corrupt officials.

Abusive strongmen were sometimes legitimized and empowered through their appointments to positions of authority and responsibility by President Hamid Karzai. In such positions, they sought to consolidate their power base by rewarding their followers with government positions and gaining access to lucrative contracts connected to the military and aid agencies.[56] These men repressed rival groups and ordinary citizens through illegal land grabs, economic marginalization, and human rights violations.[57] In the instances where the Afghan state was seen as being in collusion with or controlled by these strongmen, the government was no longer viewed as an honest broker, but complicit in and the source of injustices.

By extension, because the international donor community, including the United States, supported the government, Afghans saw international actors as complicit

in corruption.[58] Afghans also witnessed the U.S. failure to adequately monitor contractors associated with the reconstruction effort. Corruption and waste drained away benefits that were intended to accrue to the Afghan population. Afghans knew this, and it undermined their faith in the international effort.[59]

Possible Reasons the U.S. Government Failed to See the Problem

This report traces the U.S. government's delay in grasping the extent of the corruption problem and its threat to the security and stability missions. The report does not explore in detail the reasons why bureaucracies get things wrong or fail to understand the consequences of their actions. Nevertheless, several factors help to explain why U.S. agencies took years to fully diagnose the threat of corruption:

- **Lack of access to accurate information:** Information deficits pose a perennial problem for policymakers and practitioners in conflict environments and are central to the principal-agent conundrum.[60] As one public administration scholar explained, "The principal seeks information from agents working on its behalf. The agents have incentives to hide information from the principal. In the Afghan context, the [U.S. government] is the principal and the agents are the myriad contractors [and] NGOs implementing projects on its behalf."[61] In a conflict zone where U.S. officials do not have the ability to access or physically monitor the majority of projects, contractors and NGOs can easily withhold information about, for example, the quality of construction and materials used, subcontractors employed, or protection payments made to armed groups.[62]
- **Organizational culture and institutional incentives to color field reports:** Especially where the U.S. government has invested significant political capital in the outcome of an intervention (for example, by deploying thousands of U.S. service members and civilians), U.S. officials face powerful incentives to positively color their assessments of the situation on the ground. Pressures to report success up the chain of command in a civilian or military bureaucracy often outweigh the demand for truth-telling or accounts of failures. Further, once significant financial or other investments have been made, U.S. agencies cannot recover sunk costs and may be reluctant to abandon a program or effort, even if it proves less successful than anticipated.[63]
- **Unrealistic expectations:** To many policymakers and practitioners, Afghanistan represented an unstable and insecure environment with complex cultural, historical, political, and social dynamics. These factors made it difficult to craft appropriate timelines and expectations for assistance programs. Adding to the complexity, U.S. officials were hamstrung by short tours, frequent staff turnover, and lack of mobility to actually engage with implementing partners. These challenges exacerbated problems that can affect any development effort, such as programs poorly suited to the environment, ill-considered attempts to transplant programs that are successful in other contexts, and "fast track" institution building, despite limited evidence of success.[64]

Together, these and other factors facilitated misperceptions about corruption in Afghanistan. The incentive structure did not encourage U.S. officials to report on waste, fraud, and abuse, or on weaknesses in oversight; there were "few incentives for spending less money more effectively over time." Nor were contractors or NGOs, who benefitted from the largesse of the security and state-building effort, incentivized to report such weaknesses.[65]

A Framework for Anticorruption Efforts

Anticorruption activities aim to prevent or control corruption. In Afghanistan, these efforts fell into two categories.

The first category consists of activities directed at the Afghan government and society to promote reform, accountability, and transparency. These include institutional reform and capacity building, improving judicial capabilities for investigations and prosecutions, improving financial oversight, and strengthening civil society organizations and the media. To work toward these objectives, State Department and other officials applied diplomatic pressure on the Afghan government and took some measures to condition the provision of aid on host government performance. DOD, State, USAID, Treasury, and Justice also pursued programmatic initiatives to move the anticorruption agenda forward.

The second category of anticorruption activities consists of those directed internally, that is, toward U.S. policies and practices. The focus here is on improving management of contracting systems and aid programs to ensure they do not contribute to corruption. In Afghanistan, DOD, State, and USAID took steps to try to ensure contractors and subcontractors, who were bidding on and implementing assistance programs and military contracts, were not engaged in bribe-taking, embezzlement, collusion, extortion, or other forms of corruption.

To be successful, work in either category must be grounded in an understanding of the nature and scope of corruption in a particular environment. Political economy and network analyses are crucial to revealing how corruption occurs. These analyses should look comprehensively at who is engaging in corruption; their family, business, and political ties and interests; the licit and illicit financial networks they use; the larger power structures that protect them; and institutional weaknesses and vulnerabilities. In Afghanistan, such analyses revealed a strong nexus of corruption, narcotics trafficking, criminality, and the insurgency. This complexity made the issue difficult to solve and required the close coordination of the military, diplomatic, development, and law enforcement communities.

ISAF Public Affairs photo

PART ONE

Failure to Fully Appreciate the Corruption Threat: 2001–2008

In the early years of the post-2001 U.S. reconstruction effort, some U.S. officials recognized corruption could undermine the Afghan state's legitimacy and drain resources from it. However, there was not sufficient appreciation for the threat corruption posed to the long-term U.S. goal of a peaceful, stable Afghanistan. With other pressing needs—to pursue al-Qaeda and the Taliban, prevent a humanitarian disaster, shepherd a political transition process, and begin basic reconstruction—anticorruption was not a top priority for U.S. policymakers and practitioners.

By mid-decade, that began to change. Aid programs and military contracts were increasing, the drug economy was expanding, and security had deteriorated. In 2005, U.S. Embassy Kabul reported that corruption was "a major threat" to Afghanistan's future, and fighting corruption was "fundamental to the success of U.S. policy in Afghanistan."[66] In 2006, a high-level DOD briefing assessed corruption was feeding a "crisis in governance" and proposed a strategy for strengthening Afghan governance.[67] Despite these calls, however, there was no cohesive, consistent response to corruption; U.S. anticorruption efforts lacked sustained political commitment, strategies, expertise, and resources.

A central conundrum was that fighting corruption required the cooperation of Afghan elites whose power relied on the very structures that anticorruption efforts sought to dismantle. These elites included warlords, returned members of the Afghan diaspora, and other powerbrokers whom the United States supported to achieve security and stability goals. The United States thus strengthened corrupt elements of the system at the same time it sought to control them. U.S. officials also failed to recognize the extent to which massive inflows of money related to military and aid contracts, paired with weak oversight and contracting practices, were drivers of corruption.

A Focus on Counterterrorism, Political Transition, and Reconstruction

Operation Enduring Freedom and the U.S. Engagement with Warlords

The United States' immediate post-9/11 imperative was to defeat al-Qaeda and deny it the chance to regroup.[68] The initial stages of the military campaign in Afghanistan, Operation Enduring Freedom (OEF), were designed for a light U.S. footprint; officials worried that a large-scale military operation would provoke popular resistance and could turn into a quagmire.[69] U.S. leaders also believed that counterterrorism goals could be pursued by using limited numbers of ground troops, combined with airpower and partnering with Afghan forces.[70] Further, the Pentagon did not have logistics in place for an immediate, large-scale deployment of U.S. troops.[71]

In 2001, a U.S. military partnership with Afghan warlords—local and regional strongmen who commanded private militias, some of whom were collectively known as the Northern Alliance—was a logical consequence of OEF's intentionally light footprint and need for proxy fighting forces. Warlord militias constituted the organized, friendly armed forces available at the time.[72] With approximately $1 billion to fund operations, the CIA channeled money, food, ammunition, and other means of support to the warlords and their militias.[73] Small teams of joint CIA and U.S. special operations forces worked closely with the militias to kill and drive out al-Qaeda and the Taliban.[74]

The Northern Alliance militias had been fighting the Taliban for years. At the same time, however, the warlords and their men had committed horrific human rights abuses against fellow Afghans, especially during the ruinous civil war from 1992 to 1996. Human Rights Watch and Amnesty International had each documented indiscriminate attacks on civilians, intentional targeting of civilians, murders, abductions, rapes, forced labor, and looting of homes.[75] According to a 2004 survey by the Afghan Independent Human Rights Commission (AIHRC), 94 percent of Afghans surveyed thought that it was very important or important that people responsible for injustices were held accountable. The AIHRC made recommendations for bringing abusers to justice and removing them from government service.[76]

In addition to human rights atrocities, the warlords were also involved in fundamentally corrupt behaviors. They had survived 20 years of conflict by engaging in drug trafficking, arms smuggling, land grabbing, and illegal

checkpoints, activities which they conducted with impunity in the absence of a recognized central government. In the post-2001 era, these same activities proliferated and became prime examples of corruption.[77]

Bonn and Post-Bonn: Warlords and Strongmen Gain Power in the Nascent State

Two months after OEF began, the international donor community and Afghan leaders convened in Bonn, Germany, to decide the immediate political future of Afghanistan. The warlords' relationships with U.S. forces afforded many of them and their proxies seats at the negotiation table.[78] In addition, warlord commander Marshal Mohammed Fahim's forces had taken control of Kabul.[79] This gave the mainly non-Pashtun group of warlords political leverage at Bonn.

A profound dilemma emerged for the U.S. government as warlords began to acquire significant political power in the nascent Afghan state: Should the United States support political accommodation of the warlords to reduce the risk of armed rebellion, or keep warlords out of government because, once inside, they might interfere with the emergence of a legitimate, functioning state?[80] When Hamid Karzai formed an interim government at the end of 2001, he appointed many regional warlords to senior positions in the central government and the subnational administration. Scholar Antonio Giustozzi assessed that of the first 32 provincial governors appointed in 2002, "at least twenty were militia commanders, warlords or strongmen. Smaller militia commanders also populated the ranks of the district governors."[81] The United States and its international partners, despite concerns about past crimes and abuses by these men, largely supported the appointments.[82]

The U.S. National Security Council (NSC) was engaged on the issue of keeping potential opponents to the Afghan central government in check, as was President Karzai. Declassified documents and interviews suggest the NSC pursued a set of policies referred to as the "warlord strategy."[83] According to a former senior DOD advisor, "The warlord strategy [was] essentially to engineer a series of deals with the warlords in which they would agree to demobilize their private armies in exchange for some kind of political role in the government—provided they would operate by the rules of the new Afghanistan."[84] In these early years, many warlords who had been previously identified as human rights abusers attained high-level posts: Marshal Fahim as Defense Minister, Ismail Khan as Minister of Energy and Water, Gul Agha Sherzai as Minister of Urban Development Affairs and two provincial governor posts, and others.[85] These posts entrenched "their power and ability to use the state—and the international donor community—to extract resources for their patronage networks."[86]

A senior DOD advisor recounted how a crisis brewed in October 2004 as former Northern Alliance commanders began conspiring against Karzai. According to the advisor, U.S. Ambassador to Afghanistan Zalmay Khalilzad met with several warlords and told them that "if they were acting against the Bonn process," the U.S. government would not work with them. Khalilzad negotiated a governance agreement securing the warlords' commitment to the demobilization, disarmament, and reintegration (DDR) process.[87]

Yet, despite the attempts to co-opt the warlords, the DDR process failed to defang them.[88] Warlords largely maintained their military power through which they continued to terrorize the population, engage in illegal land grabs, and set up illegal checkpoints, thus preventing the Afghan state from establishing a monopoly on the use of force.[89] A former UN official recalled that many warlords created private security companies and maintained their militias as part of these companies, which U.S. and NATO troops then employed. Private security forces were also in high demand by construction and transportation contractors employed by international entities. As private companies, the armed militia forces were not under the jurisdiction of the Ministry of Defense and the DDR process did not apply to them.[90]

In the 1990s, the Taliban had partly been motivated by, and drew their initial popular support from, the goal of restoring order and ending the corrupt and predatory behavior of warlord rule.[91] As the insurgency gained steam after the first years of OEF, the Taliban again employed this rallying cry against the Karzai administration, and the warlords and commanders who were associated with it.[92] Michael Semple, a former UN official in Afghanistan and deputy to the European Union (EU) Special Representative in Afghanistan, noted the Taliban "fed upon [the coalition's] mistakes … and our failure to rein in the alienating practices of the people in the mid-level of the new establishment."[93]

The problem of malign powerbrokers serving in government was compounded by the 2005 parliamentary elections. An Afghanistan Research and Evaluation Unit (AREU) report highlighted how warlords and criminals were legitimized by their election to the National Assembly. The report noted the National Assembly included "40 commanders still associated with armed groups, 24 members who belong to criminal gangs, 17 drug traffickers, and 19 members who face serious allegations of war crimes and human rights violations."[94]

The U.S. government applauded Afghanistan on the success of its elections. And yet, according to the AREU report, local media reporting suggested a widespread perception among Afghans that the elections were "marred by weak candidate vetting, fraud, and intimidation."[95] The gap between U.S. praise and the public's perceptions suggests the U.S. government either poorly judged the elections or was reluctant to point out their flaws.

In addition to the warlords, a newer class of politically connected strongmen emerged. These men were not field commanders or former mujahedin, but rather gained power and wealth through their connection to the international community, especially the United States. They mobilized their own militias and commanded strong loyalty from the army or police, while benefiting from access to foreign militaries and aid agencies. At the same time, these strongmen strengthened their links to the drug trade, smuggling, and criminal networks.[96] One scholar described the cycle:

> Political access gave privileged entry to bid for contracts from the foreign militaries, donors, international aid organizations, and the government, or to obtain a government license for

> businesses that served the international presence. Windfalls from contracts financed the politics of patronage that further enhanced the power and status of the agents involved and bought further access.[97]

One oft-cited example is Ahmed Wali Karzai, President Karzai's half-brother and a leading member of the Karzai family, who built a "powerful empire" in Kandahar Province by developing control and influence over private security forces, contracting firms, and real estate.[98] Wali Karzai formed alliances with strongmen who controlled transit routes and commercial and military networks. Through his access to the administration in Kabul, which appointed provincial and district officials, he was able to dominate Kandahar's provincial and local government. The result was "the local population [saw] the government as an exclusive oligarchy devoted to its own enrichment and closely tied to the international coalition."[99]

Ahmed Wali Karzai illustrates the perceived tradeoffs between security, stability, and accountability. Multiple journalists reported he had been a paid CIA asset for years. Despite his suspected involvement in the opium trade, land grabbing, and other illicit activities, he was deemed a vital security partner. There was reportedly little appetite within the CIA to hold him accountable, lest doing so jeopardize this critical relationship.[100]

In summary, political accommodation likely helped to neutralize some warlords. But many experts and U.S. officials acknowledge that this early and sustained support for warlords was ultimately damaging to long-term peace and stability in Afghanistan. By legitimizing warlords with political and financial support, the United States helped to empower a class of strongmen at the local and national levels who had conflicted allegiances between their own power networks and the Afghan state.[101] Indirectly, the United States helped to lay a foundation for continued impunity of malign actors, weak rule of law, and the growth of corruption. Although U.S. agencies recognized the dangers of aligning with warlords, they did not fully appreciate the risks this posed to the mission in Afghanistan.

Civilian and Military Contracting: Establishing Perverse Incentives

Three factors explain how U.S. money helped to fuel corruption in Afghanistan: the enormous influx of money relative to the size of the economy, weak oversight of contracting and procurement, and short timelines. Although these factors intensified after 2008 as more money and people flowed into the country, the structure of the problem emerged in the 2001 to 2008 period.

Many former U.S. officials and experts who spent time in Afghanistan point to systemic problems with the way assistance was delivered. A former senior U.S. official described how a USAID office in Kabul did not have the capacity to manage many small projects because each one took as much time as one large project. The result was that large contracts went to large contractors, who subcontracted to smaller companies, who subcontracted to Afghan NGOs, who subcontracted to local contractors.[102] The former official claimed that the

overhead for each of these levels absorbed 20 percent of the budget, and provided a hypothetical situation to explain further:

> The local engineer hired to implement the project knows his incentives. Everyone is under pressure to spend money, so he can inflate his budget. He can get second-rate materials because no one will check the work (or he can likely pay off inspectors). He will hire family to do the work. He, and every other contractor, is graded not on quality but on how many schools he builds, because … this is the metric demanded in Washington. Therefore, he has little incentive to coordinate with local communities, other donors, or the local government. Just get the schools built so he can get the next contract. In addition, he doesn't know how long the money will continue to flow, and he has many people in his family and community depending on him and telling him that it is his responsibility to make money now to support the rest of them when things go bad again. So, even for honest contractors, the incentives are for expensive, shoddy, uncoordinated, quickly built schools. And that is often what we got.[103]

In an interview for this report, Ambassador Ryan Crocker lamented the effects of an overwhelmingly large amount of assistance, amid pressures to spend quickly:

> I always thought Karzai had a point, that you just cannot put those amounts of money into a very fragile state and society, and not have it fuel corruption. You just can't …. You need to have corruption framing everything you propose to do, in terms of development and reconstruction, and to overcome the instinctive American urge to do a whole lot and to do it tomorrow, to understand that if you try to do that, not only are there fundamental capacity questions … but that you will inevitably be fueling large-scale corruption."[104]

Another former U.S. official spoke to the same problems. Kirk Meyer, who served in Afghanistan for five years and directed a counterterrorist finance cell, said that by the time a local contractor received money to build a project, he "didn't have enough money to build the road, plus pay the Taliban, plus pay the corrupt officials who usually took about 20 percent of every development project. So basically, the contractors didn't build the projects or they built them shoddily, and because the projects were in contested areas, nobody verified whether they were built."[105]

From 2001 to 2008, these dynamics characterized an aid delivery and contract system that would later be overwhelmed by even higher levels of assistance, and by greater political pressure to spend quickly and demonstrate progress.

Emerging But Insufficient Appreciation for the Corruption Threat

Reviews of planning documents from 2001 to 2004 and interviews with former officials suggest there was inadequate appreciation within DOD, State, and USAID

for the long-term threat that corruption posed to U.S. goals in Afghanistan.[106] Security, political stability, and immediate reconstruction needs took priority over the slow, iterative work of building good governance and the rule of law, including combating corruption. This was partly a function of the Bush administration's aversion to "nation-building," as the administration looked to the UN and other donors to take on the responsibility of shaping a new post-Taliban social order and public institutions.[107] One senior U.S. official recalled the perceived tradeoffs between security objectives and anticorruption, saying that U.S. agencies did not want to aid and abet corruption, but national security was the higher priority. He recalled a pragmatic willingness to work with unsavory powerbrokers in order to pursue U.S. counterterrorism objectives, with the assumption that eventually, the United States would hold the malign powerbrokers to account—only that rarely, if ever, happened.[108] Similarly, a former senior State official said, "If you want to get bad guys, you work with anyone and everyone to help you do that—even if they fundamentally act against your economic goals."[109]

Nevertheless, there is evidence that some U.S. officials were attuned to the threat of corruption. According to a senior Treasury official and two USAID representatives who served in Kabul, their agencies harbored early concerns about the risks of not addressing corruption in Afghanistan.[110] In addition, the Afghanistan Freedom Support Act of 2002 authorized programs "designed to combat corruption and other programs for the promotion of good governance."[111] It was several years, however, before U.S. agencies developed programs geared specifically toward reducing corruption.

By mid-decade, Provincial Reconstruction Teams (PRT) in Afghanistan were reporting sporadically on police corruption, illegal police checkpoints, extrajudicial killings, and local warlords maintaining private militias while serving in government positions. There were also reports on warlords' links to the drug trade, smuggling, and criminal networks.[112] Embassy Kabul reported on Afghan police who were unable to pursue politically connected individuals and complex power struggles among provincial officials and militia commanders.[113]

In 2005, the embassy voiced louder concerns. A cable entitled "Confronting Afghanistan's Corruption Crisis" summarized the embassy's assessment:

> Several factors have turned Afghan corruption in recent years from a customary practice into a major threat to the country's future. Many of our contacts fear that narcotics could be the factor that causes corruption to spin out of control. They also see international aid and necessary USG/Coalition engagement with some unsavory figures as perpetuating the problem …. In the short term, President Karzai must take the moral high ground by removing corrupt officials …. The U.S. Mission is already taking steps to fight corruption …. The stakes are high, since fighting corruption is fundamental to the success of U.S. policy in Afghanistan.[114]

The cable explained that some Afghans "imagine that the U.S. government and coalition could use their considerable influence more forcefully to deal with corrupt Afghan officials and their wrongdoing."[115] Similarly, one of Ambassador Ronald Neumann's main recommendations to Washington at the end of his tenure in 2007 was to push "the Afghan government harder on issues of corruption and good governance."[116]

DOD officials also became more attuned to corruption as a threat to the success of counterinsurgency operations in 2005 and 2006. Ambassador Neumann reported that, during a December 2005 visit to Kabul, Secretary of Defense Donald Rumsfeld noted that "Afghanistan was plagued by corruption and bad governance."[117] In the summer of 2006, a senior DOD official was tapped to review U.S. policy in Afghanistan and assessed that corruption was feeding a "crisis in governance."[118] The official briefed Rumsfeld that corruption was now a security issue:

> Enormous popular discontent is building against corrupt and ineffective governance, undermining Karzai's political standing, weakening the legitimacy of the new political order, and creating a vacuum of power in the south and other areas that the Taliban can exploit.[119]

The official claimed that a consensus existed "among key Afghan leaders and international officials on the nature of the problem." The brief given to Rumsfeld described current reform efforts and further actions needed to monitor the performance of local and national government bodies and prosecute "selected bad actors—abusive police chiefs, spoilers, and officials involved in the drug trade—as an example to others." The brief also called for the United States to assume a "de facto lead role" in mobilizing a comprehensive judicial reform program.[120]

Shortly thereafter, in December 2006, the U.S. Army issued Field Manual 3-24, *Counterinsurgency*, known as the COIN manual. This publication explicitly aimed to offer principles and guidelines for forces fighting insurgencies in Afghanistan and Iraq.[121] The manual stated, "The primary objective of any COIN operation is to foster development of effective governance by a legitimate government."[122] It repeatedly warned that corruption threatens counterinsurgency efforts by eroding public trust in the host nation government and thus undermining the state's legitimacy. The doctrine detailed several historical examples where corruption had posed a serious and even fatal threat to COIN efforts: Chiang Kai-shek's counterinsurgency against Mao Zedong in China, the British counterinsurgency in Malaysia, and the U.S.-trained South Vietnamese military.[123] In addition, the COIN manual noted that weak oversight could undermine the mission, calling for commanders to "supervise contracted personnel to ensure they do not undermine achieving COIN objectives."[124]

At USAID, concerns about corruption in Afghanistan also rose during this time. In 2004, the agency undertook a comprehensive assessment of Afghan corruption, which the embassy described as informing USAID anticorruption programming.[125] In early 2005, USAID headquarters articulated a new strategy to

combat corruption globally, which included incorporating anticorruption activities across the agency's work.[126] In parallel, USAID's mission in Afghanistan noted that "government institutions at all levels are weak … and are tainted by high levels of corruption."[127]

During the 2001 to 2008 period, U.S. agencies frequently viewed corruption in the context of the drug trade, which was seen as the insurgency's main funding source.[128] Some Afghan officials themselves engaged in trafficking and accepted bribes at transit points, or were pressured to limit or stop interdiction and eradication operations.[129] State's 2005 *International Narcotics Control Strategy Report* expressed confidence that "most officials" at the national level were not engaged in the drug trade, but that drug-related corruption at the subnational level was pervasive.[130] Just two years later, however, State's counternarcotics strategy for Afghanistan identified narco-corruption at all levels of the Afghan government and called for greater anticorruption efforts, including U.S. assistance to the Afghan Attorney General's Office.[131] U.S. law enforcement agencies largely addressed corruption as one aspect of counternarcotics activities.

Limited U.S. Efforts to Address Corruption

In this early period, DOD, State, USAID, Treasury, and Justice undertook few initiatives focused explicitly on fighting corruption. Yet several efforts—in the areas of financial management, institutional reform, and law enforcement—addressed broader issues of governance and the rule of law and were relevant to later, more deliberate attempts to fight corruption.

U.S. Development Assistance

Establishing a functioning public financial management system in Afghanistan was a relatively early reconstruction goal.[132] The aim was to institutionalize a set of measures necessary to maintain a stable and effective financial environment.[133] This included providing technical assistance and training to the Ministry of Finance (MOF) and establishing internal controls at the Central Bank (Da Afghanistan Bank or DAB).[134]

In 2003 and 2006, respectively, USAID and Treasury began providing technical advisors to DAB's Financial Supervision Department (FSD).[135] The FSD was responsible for "ensuring the health of the banking sector by controlling the issuance of licenses" and "regulating Afghanistan's commercial banks and other financial institutions."[136] Other USAID programs aimed to incorporate transparency, the state of "being open in the clear disclosure of information, rules, plans, processes and actions," when helping to stand up Afghan ministries and other institutions.[137]

USAID's *Afghanistan Strategic Plan 2005–2010* articulated the agency's policy approach to corruption in Afghanistan for the first time. It identified ongoing measures to combat corruption and noted these would "ultimately weaken warlords, leading to increased security in the regions."[138] The measures included support to civil society and media; strengthening banking supervision, land titling and tenure procedures, and oversight institutions; training prosecutors; improving democratic processes; encouraging private sector competition; and civil service

reform.[139] Other programmatic efforts included reducing the chances for corruption in the levying and collection of customs revenue at border crossings by streamlining the valuation of imports.[140]

The strategic plan, however, mainly described existing efforts that had broader goals than anticorruption, for example, good governance, civil society and media development, and economic growth. The plan appeared to fit existing programs within the anticorruption agenda. It reflected a technical approach to anticorruption and failed to address two fundamental aspects of the corruption problem: how U.S. contracting and procurement in Afghanistan had set up perverse incentive structures that created opportunities for corruption and the deeply political nature of corruption in Afghanistan. As a result, the document did not consider how better oversight of U.S. assistance might reduce corruption or the extent to which technical anticorruption efforts could succeed if the Afghan government itself did not cooperate in such efforts.

Diplomatic Pressure

By mid-decade, State, DOD, and USAID began to grapple more with the problem of corruption. Embassy Kabul worked with international partners to lobby Karzai "to remove a number of key officials implicated in corruption and other wrongdoing."[141] This was an area of important but uneven progress.[142] For example, the president and chief executive officer of Afghan Telecom, Afghanistan's state-owned communications company, was fired in part due to corruption charges that centered on a fuel contract for a corporate vehicle fleet.[143] In a 2006 briefing for Secretary Rumsfeld, a senior DOD official noted that Lieutenant General Karl Eikenberry, commander of Combined Forces Command-Afghanistan, had "worked successfully with President Karzai to appoint better governors in Zabul, Uruzgan, and Helmand Provinces, and the new appointees have performed better and improved security conditions."[144]

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On the other hand, U.S. and international insistence on replacing corrupt officials backfired in some cases. For example, President Karzai had granted the Helmand provincial governorship to Sher Mohammed Akhundzada, whose clan had aligned with Karzai while Karzai and his family were in exile in Pakistan. Akhundzada took an inclusive approach to governance, distributing key security offices across tribal lines to ensure broad-based support.[145] But under Akhundzada, the provincial police acted as little more than a militia controlled by him, facilitating a large narcotics network in the central Helmand River Valley and abusing the local population.[146] In late 2005, U.S. forces allegedly found a large stash of

opium when they raided the governor's compound.[147] The international donor community, particularly the UK, with U.S. support, demanded the removal of Akhundzada. Karzai complied and, careful to avoid alienating a powerful clan, appointed Akhundzada to the Upper House of Parliament. The abrupt removal of Akhundzada from Helmand triggered political instability in the province and allowed the Taliban to emerge even stronger than before.[148] Thus, the outcome was that a likely narcotics trafficker gained a seat in Parliament and the insurgency regained a foothold in the province.

Uruzgan Provincial Governor Jan Mohammad Khan, commonly known as JMK, presents an example of a similar policy backfire. At the insistence of the Dutch, JMK, who was accused of corruption and involvement in the drug trade, was removed from his governorship.[149] But JMK was then made advisor to President Karzai and remained a major powerbroker in the province.[150] Moreover, JMK was replaced by his nephew, Matiullah Khan, who became a close ally of U.S. forces, and whose actions and policies were arguably no different than those of his uncle.[151]

In some cases, corrupt or abusive powerbrokers were nominally marginalized but continued to exert influence and damage reform efforts. The 2006 briefing for Secretary Rumsfeld noted a trend of "former governors and police chiefs who have used militias or other devices to undermine their reform-oriented successors."[152]

Legal and Institutional Reform

In this early period, the international donor community's anticorruption efforts centered on helping GIROA build a legal and institutional framework for anticorruption and devise a national strategy to address the problem. Donor countries, including the United States, but often with European allies and multilateral organizations in the lead, lent political and technical support for reform within GIROA.

In late 2003, President Karzai established the General Independent Administration for Anticorruption (GIAAC) to create and implement the government's anticorruption policy. Its mandate included investigation of corruption, which created a conflict over jurisdiction with the Attorney General's Office (AGO). The GIAAC struggled because it lacked a clear mandate, political support, and institutional capacity.[153] Then in 2006, Karzai's appointment of Izzatullah Wasifi—who had been convicted in the United States on drug charges—as director of the GIAAC catalyzed concern about the Karzai administration's lack of seriousness on corruption. Donor pressure eventually led to Wasifi's transfer to another government position; the GIAAC simply dissolved.[154] In mid-2008, the High Office of Oversight and Anticorruption (HOO) was established as the successor to the GIAAC, but it too struggled under poor leadership, lack of political support and independence, and limited resources.[155]

In his 2004 inauguration address, Karzai vowed to "root out corruption [and] stop the abuse of public funds."[156] The same year, GIROA signed the UN Convention against Corruption (UNCAC), a major international agreement that defined norms and standards to which each signatory must adhere.[157] Nevertheless, genuine

Afghan leadership on the issue was elusive; GIROA failed to take concrete steps to combat corruption.[158] One anticorruption expert on Afghanistan characterized the dynamic: "Donors would push the Afghan government to do something about corruption. GIROA would say, 'Yes,' but then turn around and say, 'You need us, so don't push.'"[159]

In the security sector, the U.S. Forces-Afghanistan (USFOR-A) Combined Security Transition Command-Afghanistan (CSTC-A) began working with the Ministry of Interior (MOI) in 2006 on a reform plan for the MOI and ANP.[160] CSTC-A implemented a new training and equipping program for 62,000 national and border police.[161] Yet, there were setbacks. As Karzai leaned more heavily on powerful former warlords, he agreed to 14 senior police appointments suggested by Marshal Fahim, all 14 of whom were connected to criminal networks. This severely undermined the reform program at MOI and illustrated how robust U.S. reform efforts could be virtually undone by Afghan political leaders.[162]

These tentative institutional reform efforts were thus stymied by a lack of Afghan political commitment, weak capacity, and strong incentives for officials to continue to engage in corrupt behavior.[163]

Law Enforcement and Oversight

Law enforcement efforts to combat corruption moved forward primarily in the context of counternarcotics. Established in 2005, the Criminal Justice Task Force (CJTF) was a joint operation of the Afghan Ministries of Interior and Justice, the Supreme Court, and the AGO, coordinated by the Ministry of Counternarcotics. The United States, UK, UN Office on Drugs and Crime (UNODC), and other donors supported the unit. The CJTF was created to prosecute mid- and high-level drug-related cases, but its mandate was soon expanded to include narcotics-related corruption cases.[164] State's INL funded U.S. Department of Justice (DOJ) prosecutors to mentor and train Afghan prosecutors at the CJTF, which was later also known as the Counternarcotics Justice Center (CNJC).[165]

To address corruption by U.S. and other non-Afghan nationals, U.S. law enforcement agencies and military investigators stood up the International Contract Corruption Task Force (ICCTF) in 2006.[166] This body coordinated investigation and prosecution of contract fraud, with the goal of building cases that could be prosecuted in U.S. courts.[167] The FBI also sent a legal attaché to Kabul to address leads within the FBI's jurisdiction.[168]

By the end of this time period, there was increasing concern about waste, fraud, and abuse of U.S. reconstruction funds. Congress created the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) in 2008 to provide independent and objective oversight of U.S. reconstruction activities in Afghanistan.[169]

Donors Begin to Consolidate Thinking on Anticorruption, But Still Face Obstacles

At the London Conference in 2006, donors and GIROA agreed to the "Afghanistan Compact," which for the first time provided the Afghan government with

measurable benchmarks and target dates for anticorruption steps. These included ratification of the UN Convention against Corruption and national legislation that conformed to international norms and standards as outlined therein; review and reform of oversight procedures relating to corruption; reforms of key justice sector institutions; and more arrests and prosecutions of drug traffickers and corrupt officials.[170] Other benchmarks were set for the professionalization of the security forces and disbandment of illegal armed groups; reform of the civil service, elections, and judicial sector; improvements to the land registration system and settling land disputes; protection of human rights; improved financial management at the national and provincial levels; and supervision of banking. The compact also laid out benchmarks for transparency and accountability to improve aid effectiveness by both the Afghan government and international donor community.[171]

The compact benchmarks were highly ambitious, given Afghanistan's development challenges and a deteriorating security situation.[172] The compact lacked prioritization and likely reflected unrealistic expectations of donors eager to demonstrate progress and a host government anxious to comply. The benchmarks also embodied the dilemma around anticorruption: They covered many areas of reform, but largely depended on the political commitment of Afghan leaders who had a vested interest in maintaining the status quo. By 2008, the lack of Afghan progress toward meeting the initial benchmarks elicited frustration within the donor community.[173]

The 2009 OECD report noted that in London, some donors had advocated for "concrete anticorruption benchmarks" in the compact, but the United States and UN supported the Afghans' preference for softer benchmarks.[174] Other former U.S. officials and international experts supported this observation that anticorruption in Afghanistan was still not a high priority for the United States, despite growing concern about corruption's impact.[175]

After the 2006 London Conference, donors focused on helping the Afghan government devise a comprehensive strategy to fight corruption. The World Bank, Asian Development Bank, DFID, UN Development Program (UNDP), and UNODC collaborated to write "Fighting Corruption in Afghanistan" in 2007.[176] The paper identified modest signs of progress, including GIROA's recognition of corruption as a critical issue, some progress in public administration, better fiduciary standards and improved management of state assets, initial efforts to establish checks and balances on executive power, streamlining of administrative processes, and some efforts to prosecute corruption cases.[177] The paper suggested a broad roadmap for action against corruption, highlighting the need for greater commitment by GIROA to fight corruption; a clearer institutional framework for anticorruption; better understanding of the context, problems, actors, and dynamics of corruption in Afghanistan; corruption assessments for key sectors, agencies, and functions; cross-cutting reforms; a national anticorruption strategy; and a harmonized approach by the international donor community, while ensuring GIROA leadership.[178] The roadmap helped to inform the Afghan government's anticorruption strategy within the larger *Afghanistan National Development Strategy* (ANDS), a multi-sectoral development plan for 2008 to 2013.

At the same time, Karzai formed a high-level government committee chaired by Chief Justice Abdul Salam Azimi and tasked it with identifying the root causes of corruption and providing recommendations.[179] The committee's final report, released in mid-2008, provided detailed administrative steps each ministry could take to reduce its vulnerability to corruption.[180] However, an Afghan anticorruption expert said that the recommendations were seen as an antiquated, bureaucratic response to a problem of a different nature and scale.[181]

Despite increasing donor attention to corruption issues, poor coordination and competing political priorities of donor countries hampered efforts. The lead nation approach devised in 2002 provided a division of labor for donor countries, but also fractured the reconstruction effort and enabled donors to pursue their own, sometimes divergent, priorities.[182] The 2009 OECD report assessed that anticorruption efforts to date had succeeded in establishing some consensus around the corruption problem and setting specific benchmarks, but in terms of concrete impact, had amounted to little more than window-dressing.[183] Donor responses to corruption were also constrained by poor message unity and the challenge of the sheer number of international players.[184] Donors' calls for anticorruption commitments by the Afghans were not always "communicated with clear expectations of concrete actions."[185]

Summary: Obstacles to Advancing an Anticorruption Agenda

In the first seven years of the reconstruction effort, the U.S. government did not view anticorruption as a top priority; rather, counterterrorism, political stability, and reconstruction objectives took precedence. By virtue of its military alliances and political support, the United States inadvertently helped to empower malign powerbrokers. Once in government, these individuals strengthened and expanded their patronage networks. In an environment of weak rule of law, they could engage in the drug trade and other criminal enterprises. Meanwhile, surveys indicated that the Afghan population was alienated by an increasingly corrupt government, which in turn undermined popular support for the state, as well as for the international actors backing the state.

There was an inherent tension between ambitious plans for a technocratic, capable state governed by the rule of law, and the approach the U.S. government and President Karzai pursued of a "messy mix" of "unsteady formal institutions, influenced if not dominated by powerful informal rules and organizations."[186] This mix stemmed from the lack of a national monopoly on the use of force and the resources to impose one. The international donor community's inability to impose and enforce the rule of law made the fight against corruption a steep climb.

By 2006, the international donor community was trying to chart a path forward for preventing and combatting corruption. Though donors acknowledged a few signs of progress by GIROA, many people thought that progress paled in the face of Afghanistan's corruption challenge and the lack of meaningful Afghan political commitment to tackle the issue.[187]

While certain individuals and offices within the U.S. government took an interest in corruption, U.S. agencies did not pursue anticorruption as a top priority in Afghanistan. In later years, as greater resources were devoted to the mission overall, U.S. officials would develop a more sophisticated understanding of the links among corrupt government officials, the drug trade, criminals, and insurgent groups—and come to appreciate corruption as a strategic threat. Together, the increase in resources and deeper understanding of corrupt networks would prompt greater U.S. efforts to combat corruption in Afghanistan.

White House photo

PART TWO

A Call to Action: 2009–2010

U.S. attention to corruption in Afghanistan surged in 2009 and 2010 as U.S. officials became increasingly concerned about three issues: (1) Corruption was fueling the insurgency by financing insurgent groups and reinforcing grievances that led to greater popular support of the groups, (2) corruption was undermining the legitimacy of the Afghan state, and (3) the United States itself was contributing to corruption through limited oversight of its aid and military contracting, and by partnering with malign powerbrokers. As a result of these insights, as well as increased numbers of personnel and resources dedicated to Afghanistan, anticorruption became a key element of U.S. activities in the country. A flurry of strategies for tackling corruption were drafted, and several U.S. and ISAF entities were formed to better understand the nexus of corruption, drugs, crime, and insurgency; prevent terrorist financing; and improve oversight of U.S. contracting. These efforts, however, were not unified by a comprehensive strategy.

This surge in awareness and activity came up against the reality of entrenched criminal patronage networks that involved high-level Afghan officials who did not share U.S. objectives. Two major events in 2010—the arrest on corruption charges and prompt release of a key Karzai aide, and the near-collapse of Kabul Bank due to massive fraud by politically connected bank executives—demonstrated

that Afghan leaders were not committed to fighting corruption. These events also called into question the scope of U.S. leverage over the Afghan government. U.S. officials had to weigh how much political capital to invest in anticorruption efforts, while trying to maintain access to the Karzai administration to move other U.S. priorities forward.

A New Strategy and Reinvigorated Counterinsurgency Effort

As President Barack Obama took office in January 2009, U.S. policymakers were shifting their attention from Iraq to Afghanistan; the Afghan insurgency had gained strength.[188] The rise in Afghan insecurity had occurred despite a near-doubling of U.S. military forces between late 2004 and late 2008 (from 18,300 to 32,500).[189] Over the same four-year period, coalition troop numbers had increased from 8,500 to 31,400, and Afghan security forces (army and police) had grown from 57,000 to about 148,000.[190] With 155 fatalities, 2008 also marked the deadliest year for U.S. forces in Afghanistan.[191] The new administration immediately initiated an interagency review of U.S. policy in Afghanistan and Pakistan that aimed to integrate U.S. policy toward the two countries and better address the terrorist threat emanating from the region.[192]

At the unveiling of the new Afghanistan-Pakistan (Af-Pak) strategy in March 2009, President Obama reiterated that the core goal of the United States was to "disrupt, dismantle, and defeat al-Qaeda in Pakistan and Afghanistan, and to prevent their return to either country in the future."[193] To achieve that goal, the strategy identified a handful of key objectives, including "promoting a more capable, accountable, and effective" Afghan government and developing "increasingly self-reliant" Afghan security forces. At the heart of the strategy was "executing and resourcing an integrated civilian-military counterinsurgency" effort.[194] This eventually translated into a surge in both people and assistance to Afghanistan, which increased the resources available to address corruption.

Between April and October of 2009, U.S. military forces in Afghanistan increased by about 21,000 to a total of approximately 66,000.[195] In December 2009, the deployment of 30,000 more military personnel was announced and, by the height of the surge in March 2011, there was a total of 99,800 troops.[196] The military surge was also accompanied by an increase in the U.S. civilian effort; the "civilian surge" was intended to build Afghan government capacity at the national and local levels.[197] In January 2009, 320 civilians were serving in Afghanistan under Chief of Mission authority, with an additional 394 civilian personnel under DOD supervision in the country. By December 2011, civilians under Chief of Mission authority had jumped to 1,142, while the number of DOD civilian personnel rose to 2,929.[198]

Parallel to the surge of military and civilian personnel, U.S. foreign assistance to Afghanistan increased. Total U.S. reconstruction assistance appropriated for Afghanistan in FY 2009 was $10.39 billion. In FY 2011, that number rose to $16.65 billion.[199] The flow of money into Afghanistan also increased with higher military contractual obligations to sustain the expanded U.S. troop presence. In FY 2007, DOD contract obligations for Afghanistan were $3.7 billion; in FY 2011, they were $17.79 billion.[200]

Corruption Increasingly Seen as a Critical Threat

By 2009, there was growing awareness and alarm within the U.S. government about the pervasiveness of corruption in Afghanistan.[201] USAID's assessment of corruption in Afghanistan warned of "networks of corrupt practices and people that reach across the whole of government to subvert governance."[202] According to investigative journalist and author Bob Woodward, the CIA was reporting "a staggering level of corruption, inaction and snarled intelligence relationships."[203] Embassy Kabul reported on complaints of rampant corruption in the provinces and within central ministries, as well as Karzai's vulnerability due to perceived corruption.[204] One embassy cable cautioned, "Official corruption and the money flowing from the drug trade are perhaps as likely as is the insurgency to undo our efforts in Afghanistan."[205] The cable went on to urge, "We will need to weigh in politically with top Afghan officials to generate the political will to take action against some of the corrupt/criminal individuals identified."[206]

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>
> —U.S. Embassy Kabul

This shift in awareness was partially due to published surveys of Afghan perceptions of corruption. Several NGOs, international organizations, and ISAF accumulated survey data showing that Afghans were increasingly concerned about systemic corruption. A survey conducted in late 2009 by IWA indicated Afghans saw corruption as the third-biggest problem in the country, after insecurity and unemployment. IWA estimated the average value of a bribe was $156, a stunning 31 percent of per capita annual income. The survey results suggested corruption was getting worse; in 2009, the total value of bribes nationwide was estimated to be twice what Afghans paid in 2007.[207] A nationwide ISAF survey in September 2010 found 80.6 percent of respondents believed corruption affected their daily lives.[208] From 2006 through 2010, annual surveys by TAF found more than 74 percent of respondents believed corruption was a major problem in Afghanistan.[209]

Surveys in Afghanistan have been criticized for a variety of methodological weaknesses, such as the effect of security on obtaining a representative sampling, problems in how questions are asked and results aggregated, and allegations of forged responses.[210] Yet, surveys are one of the only proxies available for measuring the extent of corruption and Afghan perceptions of the issue. Further, regardless of their shortcomings, they elevated the profile of the problem of corruption. Survey reports indicated to policymakers that endemic corruption was alienating the population from the same government the international community was trying to support.

U.S. government documents increasingly cited corruption as generating widespread disenchantment with the government and support for the insurgents' cause.[211] Several reports described ordinary Afghans' complaints of corrupt provincial and district officials, fraud involving development funds, and nepotism in which "incompetent or warlord types" were appointed to government posts.[212] The police were seen as highly corrupt and extorted citizens at illegal checkpoints, and officials charged bribes for transporting goods across the border.[213] One of the major findings of a 2009 field report prepared for DFID was that respondents consistently cited "government corruption and partisanship at provincial and district level[s] … as a major reason for supporting the Taliban and Hizb-i Islami." The report assessed that people turned to the Taliban as a way of expressing opposition to the government.[214]

Adding to these alarm bells, the Afghan presidential elections in September 2009 were marred by massive fraud facilitated by election officials.[215] The Electoral Complaints Commission, which had a majority of UN-appointed international commissioners, ultimately threw out nearly 25 percent of the votes. The corrected results required a runoff between Karzai and Abdullah, but Abdullah withdrew on the grounds that he "did not want to provoke a confrontation with Karzai or risk partisan violence, even though he feared the runoff would bring a repeat of the fraud that marred the first presidential poll."[216]

The election controversy undermined the credibility of Karzai, the UN, and the international donor community regarding corruption. The UN and donor community were discredited in the eyes of many Afghans for failing to remedy systemic flaws in an electoral process they had put in place, and for ultimately supporting a Karzai victory, despite his likely role in the election fraud.[217] As noted by Sarah Chayes, former special assistant to ISAF commander General Stanley McChrystal, this support for Karzai "was profoundly destructive to a rule of law principle."[218] On the other hand, the fraud-ridden elections appeared to toughen the new Obama administration's resolve to address high-level corruption in the Afghan government.

Corruption Funding the Insurgency

Parallel to these developments, U.S. officials were arriving at a crucial insight: U.S. money was flowing to the insurgency via corruption. This realization was the result of new efforts to trace the insurgency's funding sources. In 2008, the White House assembled the Afghan Threat Finance Cell (ATFC), modeled on a similar unit in Iraq.[219] The ATFC's objective was "to identify and help disrupt the material and financial funding streams that were supporting the Taliban and other terrorist organizations."[220] Under Drug Enforcement Administration (DEA) leadership, with Treasury and DOD co-deputies, the unit began operations in late 2008. Initially, the ATFC's mandate did not specifically include corruption.[221] However, from the beginning of its operations, the ATFC's analyses shed light on a complex and interdependent web of corruption among GIROA officials, drug traffickers, transnational criminals, and insurgent and terrorist groups.[222] As Kirk Meyer, the DEA special agent who led the ATFC from 2008 to 2011, stated:

> Everybody was in the money game to some degree. You had corrupt Afghan officials; you had bad actors in the Afghan business and financial sector, the Taliban and drug traffickers, all of whom were frequently acting in tandem …. The connections would spider out and connect to other illicit areas …. We started collecting this information and getting a very holistic view of what was going on.[223]

In August 2009, Commander, ISAF (COMISAF) General McChrystal's "Initial Assessment" of the conflict drew similar conclusions. The assessment stated, "There are no clear lines separating insurgent groups, criminal networks (including the narcotics networks), and corrupt GIROA officials. Malign actors within GIROA support insurgent groups directly, support criminal networks that are linked to insurgents, and support corruption that helps feed the insurgency."[224]

Meyer and a former deputy director of the ATFC said there was an appetite for the unit's reporting at the highest levels of the U.S. government; a small NSC working group took interest in the ATFC, ensuring it had the resources it needed and that senior officials in Washington knew about its activities.[225] Meyer recalled, "We started reporting on [corruption] because nobody else was really doing in-depth reporting on the problem. We started getting requests for the reporting … from high-level officials in Washington," and from Embassy Kabul and ISAF.[226] Meyer stated, "People were shocked by how bad this situation was and who was involved in it."[227] This suggested U.S. policymakers had an incomplete understanding of how corruption manifested itself in Afghanistan. On the other hand, the ATFC's findings might also have reflected the worsening of corruption over time. If the latter was true, U.S. officials had no empirical means of measuring the magnitude of corruption in previous years.

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—Kirk Meyer

Agencies Prioritize the Corruption Threat

Stemming from a growing body of evidence that corrupt networks were channeling support to the Taliban, a consensus began to emerge among DOD, State, and USAID that corruption was undermining core U.S. goals by materially fueling the insurgency and turning the population against the Afghan government. In short, corruption posed a strategic threat to the mission.

For the U.S. military, the notion that corruption undermined the Afghan state's legitimacy went to the core of COIN doctrine. As described in the COIN manual, a central tenet of COIN operations is to bolster the host government's legitimacy and capability, such that it can provide security and rule of law to enable the delivery of services and economic growth.[228] To the extent corruption undermined

the state's legitimacy and capability by eroding public confidence in the government and hollowing out institutions, it posed a potentially fatal threat to COIN efforts.

In this context, the 2009 *Integrated Civilian-Military Campaign Plan for Support to Afghanistan*, a joint document of the U.S. Embassy Kabul and USFOR-A, pointed to corruption as a driver of insecurity: "The insurgency is fueled by … a thriving narcotics industry, illicit finance, corruption at all levels of government, and a variety of other criminal enterprises."[229] Similarly, General McChrystal's "Initial Assessment" of the conflict articulated two principal threats to the success of the mission: (1) insurgent groups and (2) a crisis of confidence in the Afghan government "that springs from the weakness of GIROA institutions, the unpunished abuse of power by corrupt officials and power-brokers, a widespread sense of political disenfranchisement, and … lack of economic opportunity."[230]

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DOD recognized the Taliban and other insurgents were not the coalition forces' only enemies. A more amorphous threat emanated from the very government the coalition sought to bolster and defend. Further, McChrystal's assessment noted the Afghan public perceived ISAF as complicit in the failure to hold local corrupt officials accountable, thus "undermin[ing] ISAF's ability to accomplish its mission."[231] The document declared, "ISAF can no longer ignore or tacitly accept abuse of power, corruption, or marginalization."[232]

Similar messages were appearing across the U.S. government. In his 2009 speech on the Af-Pak strategy, President Obama said, "We cannot turn a blind eye to the corruption that causes Afghans to lose faith in their own leaders. Instead, we will seek a new compact with the Afghan government that cracks down on corrupt behavior, and sets clear benchmarks … for international assistance."[233] Special Representative for Afghanistan and Pakistan (SRAP) Richard Holbrooke noted in 2009 that corruption was undermining the government and serving as a "huge recruiting opportunity for the Taliban."[234] In mid-2010, a U.S. Embassy Kabul cable titled "Advancing Our Anticorruption Strategy" reported:

> [Corruption's] harmful impact on Afghan public attitudes toward a government either unwilling or unable to control the pervasive petty corruption that permeates every activity, is

> real and debilitating … and the corrosive effect on governance at the highest levels by patronage networks often financed by narco-trafficking and other criminal activity endangers the legitimacy of the Afghan government and fuels the insurgency.[235]

If the foregoing concerns revolved around the effects of corruption and their impact on the U.S. mission, concerns also deepened about the fact that U.S. policies and practices were partly to blame for the growth of corruption. In 2009 and 2010, the emerging concern was that poor U.S. oversight, procurement, and contracting practices were enabling corrupt behavior. Without sufficient controls on U.S. funds, millions of dollars in U.S. reconstruction funds for Afghanistan were being wasted.[236]

Congressional concern about the potential for waste, fraud, and abuse of U.S. funds in Iraq and Afghanistan was the impetus for taking a closer look at DOD, State, and USAID procurement and contracting practices. Congress established the Commission on Wartime Contracting in Iraq and Afghanistan, an independent, bipartisan body charged with examining federal contracting for reconstruction, logistics, and security in both countries, and providing recommendations to Congress to improve contracting processes.[237] In June 2009, the commission issued its first interim report, which singled out the risks of corruption in Commander's Emergency Response Program (CERP) projects and provided detailed examples of exorbitant costs in contracting.[238] That same year, General McChrystal issued his assessment and a USAID report noted that poor oversight could enable corruption, but did not emphasize improving oversight of U.S. funds.[239]

Then in November 2009, an article in the *Nation* reported that DOD trucking contractors in Afghanistan were routinely making protection payments for safe passage through insecure areas in order to supply U.S. troops in the field.[240] The article spurred intense congressional interest, and a House subcommittee began to examine the military supply chain, specifically the "host nation trucking contract." The majority staff of the subcommittee issued a June 2010 report, *Warlord, Inc.: Extortion and Corruption along the U.S. Supply Chain in Afghanistan*, concluding:

1. Security for the U.S. supply chain was principally provided by warlords.
2. The highway warlords ran a protection racket.
3. Protection payments for safe passage were a significant potential source of funding for the Taliban.
4. Unaccountable supply chain security contractors fueled corruption and undermined U.S. COIN strategy.
5. DOD lacked effective oversight of these contractors.
6. Trucking contractors had warned DOD about protection payments for safe passage, to no avail.[241]

The *Warlord, Inc.* report was the U.S. government's wake-up call that the failure to manage and oversee logistics contracting was fueling corruption in Afghanistan

and helping to fund the enemy. The report focused on the security of the supply chain; a related issue was the vulnerability of commodities, such as fuel (see box 1).

Another 2010 congressional staff report, *Mystery at Manas: Strategic Blind Spots in the Department of Defense's Fuel Contracts in Kyrgyzstan*, echoed the same theme. DOD had awarded two contracts for the supply of fuel to a transit center in Manas, Kyrgyzstan, a hub for U.S. troops and supplies going to Afghanistan. There were allegations of corruption from 2002 to 2010 so serious that they helped foment two revolutions in Kyrgyzstan; the Kyrgyz public believed the United States used the fuel contracts to bribe two Kyrgyz presidents.[242]

As a result of the two congressional staff reports and others, momentum built for the reform of U.S. contracting in contingency operations. U.S. government agencies operating in Afghanistan, particularly DOD and USAID, took a hard look at their practices.

BOX 1: "FUELING" CORRUPTION

Fuel is "liquid gold" in Afghanistan—easy to steal and sell on the black market. No single commodity has been as important to the reconstruction effort in Afghanistan as fuel, and no commodity has been at such risk of being stolen or wasted.[243] As of September 2014, the Defense Logistics Agency had supplied more than 2.5 billion gallons of fuel to support U.S. personnel and Afghan security forces, at a cost of more than $12 billion.[244]

The theft of fuel has mainly occurred during fuel truck movements.[245] Because DOD outsourced fuel deliveries to Afghan companies, it often lost visibility of and control over subcontracted fuel trucks between their departure from a loading facility and arrival at their destination.[246] Trucks were often short of fuel upon arriving at a base, and drivers attempted to bribe base personnel to sign paperwork certifying that a full load was delivered. In other cases, trucks arrived with a full load, but drivers sought to have only a portion of the fuel offloaded, leaving some fuel in the tank to be taken off base and sold.

Almost all the large fuel theft schemes investigated by SIGAR included U.S. military personnel and, in some cases, contract civilian personnel. The personnel either signed falsified paperwork or were complicit in creating false documents that purported to authorize trucks to take fuel and deliver it elsewhere.

Fuel theft not only robs U.S. taxpayers and damages the reconstruction effort, but military operations can be jeopardized when needed fuel is stolen or otherwise diverted. Impending operations may force a commander to accept what fuel he can and forgo accountability processes to ensure mission success. Stolen fuel and associated profits can also wind up in the hands of insurgent groups.

High-Water Mark for U.S. Anticorruption Efforts

An invigorated U.S. response to corruption arose from the increasing concern in 2009–2010 that corruption posed a critical threat to core U.S. goals. The White House, DOD, State, USAID, Justice, and Treasury became more engaged on the issue and devoted more resources to it.[247] The agencies sought to tackle corruption in different ways, but all broadly aimed to prevent funds from going to the insurgency; boost the legitimacy and viability of the Afghan state; and improve oversight of contracting and development assistance.

Strategies and Plans to Fight Corruption

Multiple strategies, each with elements related to anticorruption, were drafted in 2009 and 2010, as ISAF, USFOR-A, NSC, DOD, State, USAID, and NATO undertook distinct but intertwined planning efforts.[248] Appendix D provides an overview of the most relevant documents and their key proposed actions. The strategies shared several broad themes:

- Building GIROA capacity to provide more transparent, accountable governance and financial oversight, and to investigate and prosecute corrupt officials
- Increasing political will to fight corruption and undertake reforms
- Supporting civil society and the media to increase popular demand for combating corruption
- Ensuring contracting procedures do not facilitate or enable corrupt activities[249]

At the same time, the various strategy documents were generated at different levels and by different actors, and were not unified or integrated. Embassy Kabul set out to craft a comprehensive interagency anticorruption strategy.

The embassy's April 2010 draft *U.S. Government Anticorruption Strategy for Afghanistan* was the most thorough articulation of U.S. anticorruption goals to date. It emphasized the points of agreement outlined above and, more specifically, called for leveraging diplomatic, legal, and development assistance tools to increase political will to fight corruption and support GIROA in implementing its anticorruption strategy. The draft strategy urged U.S. support for reform of the High Office of Oversight (GIROA's anticorruption body) and addressed U.S. oversight of contracting, calling for the reform of U.S. and ISAF contracting procedures "to ensure they … are transparent, and do not fund the activities of corrupt officials and powerbrokers."[250] The strategy recommended reducing layers of subcontracting, providing more direct grants to Afghan organizations, initiating a "fair price" scheme, and barring firms controlled by corrupt individuals from receiving U.S. government contracts.[251]

Despite grave concerns about corruption during this time, State never approved the embassy's draft. A senior State Department official said the lack of an approved strategy did not hinder U.S. anticorruption efforts at the time because, in practice, the embassy used the draft strategy as authoritative guidance.[252] Nevertheless, a 2010 SIGAR report concluded that U.S. anticorruption efforts

would benefit from an approved strategy intended to strengthen Afghan capacity to fight corruption.[253]

Establishing Ad Hoc *Organizations*

On the heels of these strategy documents, the United States created *ad hoc* U.S. and ISAF entities to respond in different ways to the challenge of corruption, including the U.S. role in exacerbating it. These organizations, shown in appendix E, included the ISAF Anticorruption Task Force (ACTF), Combined Joint Interagency Task Force Nexus (CJIATF-Nexus), Task Force 2010 (TF-2010), Task Force Spotlight (TF-Spotlight), U.S. Central Command (CENTCOM) Vendor Vetting Cell (VVC), USAID Vendor Support Unit, CJIATF-Shafafiyat (Shafafiyat), and the Coordinating Director for Rule of Law and Law Enforcement Office (CD/ROLLE).

Several of these organizations were created to improve visibility on the flow of U.S. contracting dollars. Vendor vetting efforts sought to better identify who in the contracting chain received U.S. funds and, if any were known to be affiliated with insurgent groups, to cut them out of U.S. contracts. In the process, organization members learned a great deal about the criminal patronage networks that siphoned away donor funds and reduced Afghan domestic revenue.

The first two organizations, the ACTF and CJIATF-Nexus, primarily focused on providing information that enabled targeting and interdicting corrupt networks.[254] TF-2010, TF-Spotlight, and the vendor vetting units were geared toward oversight and vetting of contractors, including private security contractors; TF-2010 also supported targeting for sanctions, law enforcement, and investigations.[255] These bodies helped to develop within U.S. agencies a deeper understanding of corruption, its effects, and how U.S. practices were partly to blame for its increase. Though agencies saw the need to better coordinate their activities, successful coordination sometimes occurred in an *ad hoc* manner.[256] Moreover, these various tactical efforts, though somewhat successful individually, were not unified at the political level by a consistent, systematic approach to the problem.

CJIATF-Nexus, ATFC, TF-2010, TF-Spotlight, and Shafafiyat assembled a body of knowledge about networks engaged in corruption. Their work provided civilian and military decision makers with a more complete picture of the corruption challenge, including insights on the intersection of corruption, the drug trade, crime, and the insurgency. For military forces, this knowledge led to revisions to operation plans and fragmentary orders that formally "elevated [anticorruption] to a distinct line of operation in the campaign plan."[257]

A senior State Department official noted that when the military became more involved in anticorruption, it brought personnel and analysis that civilian agencies simply could not match.[258] Though embassy reporting had articulated the threat as early as 2005, buy-in from DOD and ISAF catalyzed a broader response to corruption in 2009.[259] Most of the intelligence, law enforcement, and contracting oversight bodies were formed and led by DOD. By contrast, no State or USAID civilian staffing effort on anticorruption issues approached the scale of the military effort. On the other hand, while ISAF and USFOR-A committed significant

numbers of personnel to address the corruption challenge, a DOD report on anticorruption efforts in Afghanistan concluded that many of the relevant personnel lacked necessary expertise.[260]

A positive lesson is that as the U.S. response to corruption evolved, offices and organizations built on each other's work and spawned new efforts. For example, ATFC's identification of vendors as malign actors prompted the creation of CENTCOM's Vendor Vetting Cell.[261] The *Warlord, Inc.* report led to the creation of TF-2010.[262] Because ATFC had no contract specialists on staff, it would pass contractor information to TF-2010 for follow-up action.[263] And when discrete efforts appeared to contain redundancies and pose potential coordination challenges, new bodies like Shafafiyat and CD/ROLLE were created to integrate, oversee, and achieve synergy among the disparate efforts.[264]

Improving Oversight of Contracting

In 2010, the creation of TF-2010 and CENTCOM's VVC were flagship efforts to better oversee DOD procurement and contracting in Afghanistan. TF-2010 was formed "to better understand the impact of contracting, especially the flow of contracting dollars at the sub-contractor level," ultimately to ensure U.S. dollars did not flow to criminal or insurgent groups.[265] The task force reviewed existing transportation, logistics, and security contracts and contracting procedures, and included experts in forensic auditing, criminal investigation, and contracting.[266] It also had a link to the FBI, which supplied an "action arm" for criminal contract practices with a nexus to the United States.[267]

CENTCOM established the VVC at its headquarters in Tampa, Florida. This unit was tasked with vetting contract awards or options equal to or greater than $100,000 to non-U.S. vendors in Afghanistan and Iraq, with the aim of minimizing the risk "that insurgents or criminal groups could use U.S. contracting funds to finance their operations."[268]

Further, COMISAF General David Petraeus issued *COIN Contracting Guidance* in September 2010.[269] The guidance sought to ensure that money, as a key tool in the counterinsurgency campaign, was used to empower ordinary Afghan people, not malign or corrupt individuals or organizations.[270] The guidance acknowledged that spending large amounts of money quickly and with insufficient oversight could "unintentionally fuel corruption, finance insurgent organizations, strengthen criminal patronage networks, and undermine our efforts in Afghanistan."[271] In order to mitigate those risks, recommendations included understanding the role of contracting in COIN, including the requirement to vet vendors and contractors. State and USAID issued similar contracting guidance in November 2010.[272]

Supporting Afghan Institutions

DOJ increased its efforts to introduce more effective Afghan law enforcement measures to prosecute cases of corruption. This required building up the Afghan justice system, which was weak and had a reputation for endemic corruption. U.S. programs aimed to train and mentor specialized units in different Afghan justice institutions, including drug enforcement, special investigations, and special prosecutions. Ultimately, these interventions had limited success, but revealed a

fundamental flaw: The Afghan government was so deeply enmeshed in corrupt and criminal networks that dismantling them would mean dismantling major pillars of support for the government itself.

DOJ helped the Afghan government stand up two important law enforcement bodies: the Major Crimes Task Force (MCTF) within the MOI and the Anticorruption Unit (ACU) in the Attorney General's Office. MCTF, established by the Federal Bureau of Investigation (FBI) with funding from DOD, was intended to build Afghan capacity in high-level investigations of and arrests in corruption, kidnapping, and organized crime.[273] In 2009, U.S. Embassy Kabul saw MCTF as its "flagship anticorruption program."[274] In parallel, ACU was set up to prosecute high-level corruption.[275] The FBI vetted the Afghans working in both units.[276]

The Afghan government was so deeply enmeshed in corrupt and criminal networks that dismantling them would mean dismantling major pillars of support for the government itself.

DOJ saw initial success in building technical capacity within these Afghan bodies. DOJ attorneys and State's INL successfully trained and mentored prosecutors.[277] MCTF specialists, drawn from the Afghan MOI and National Directorate for Security (NDS), were trained by FBI and DEA agents. After only a year, MCTF had 200 trained investigators who had opened 83 cases, 43 of which involved high-level corruption, made 21 arrests, and obtained 9 convictions.[278] One important success involved the commander of the Border Police in Herat Province, Brigadier General Malham Pohanyar. Working with the MOI's Sensitive Investigations Unit (SIU), a drug enforcement body mentored by DEA, MCTF helped to build a case against Malham for bribes he collected from drugs and weapons traffickers. Malham was arrested, tried, convicted, and sentenced to 10 years in jail.[279]

By 2009, Treasury, DEA, and Department of Homeland Security (DHS) Immigration and Customs Enforcement (ICE) officials helped form the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) to identify and evaluate suspicious financial transactions. FinTRACA served as the Central Bank's financial intelligence unit.[280] Embassy Kabul reported in 2010 that DHS/ICE and other international law enforcement agencies had given the unit high marks.[281] A 2011 IMF report, however, found that "major shortcomings … remain in [FinTRACA's] current functioning."[282]

To be effective, these law enforcement and financial entities required political support from the highest levels of the Afghan government. In 2010, two major corruption events demonstrated that Afghan leadership was not committed to moving the anticorruption agenda forward. These events—the arrest on corruption charges and prompt release of a Karzai aide, and the near-collapse of Kabul Bank due to massive fraud by politically connected bank executives and shareholders—called into question the limits of both U.S. leverage and Afghan political commitment in the fight against corruption.

The Salehi Arrest: A Major Setback

In January 2010, Afghan investigators raided the offices of the New Ansari Money Exchange, a money transfer firm (*hawala*) that moved money into and out of Afghanistan. New Ansari was suspected of moving billions of dollars out of Afghanistan for Afghan government officials, drug traffickers, and insurgents.[283] Investigators estimated that as much as $2.78 billion was taken out of Afghanistan by New Ansari couriers from 2007 to 2010.[284] U.S. law enforcement and intelligence personnel worked closely with the MCTF and SIU on the case. In the course of the investigation, a wiretap recorded an aide to Karzai, Mohammad Zia Salehi, soliciting a bribe in exchange for obstructing the investigation into New Ansari. Reportedly, after U.S. officials played some of the wiretaps for an advisor to Karzai, the advisor approved Salehi's arrest.[285]

In late July 2010, the MCTF arrested Salehi.[286] Within hours of the arrest, President Karzai ordered Salehi's release and the case was eventually dropped.[287] Karzai quickly moved to exert more control over Afghan anticorruption units, including by restricting the work of U.S. and European officials who served as mentors.[288]

The *New York Times* reported that Salehi, who had once worked for notorious warlord Rashid Dostum, was "being paid by the Central Intelligence Agency, according to Afghan and American officials."[289] If true, this would suggest a U.S. intelligence agency was paying an individual as an intelligence asset even as U.S. law enforcement agencies were building a major corruption case against him.

Barnett Rubin, Afghanistan expert and former senior advisor to SRAP Holbrooke, noted that in making such payments for information and collaboration, the CIA was carrying out the mission to defeat al-Qaeda. Rubin also acknowledged, however, that by Afghan law, these payments constituted illegal corruption. As he noted in a *New Yorker* article, "One part of U.S. policy corrupted Afghan officials while other parts tried to investigate and root out corruption. Given the interest that defined the mission, concerns about corruption did not trump those of covert action."[290]

"One part of U.S. policy corrupted Afghan officials while other parts tried to investigate and root out corruption. Given the interest that defined the mission, concerns about corruption did not trump those of covert action."

—Barnett Rubin

According to former U.S. officials, the Salehi incident had a chilling effect on U.S. efforts to prosecute serious corruption cases. The ATFC had worked on the Salehi case as a "test case" for prosecuting high-level corruption.[291] When it backfired, this demonstrated to U.S. officials not only that Afghan political commitment to fight corruption was absent, but that the political elite were willing to powerfully resist the U.S. push for accountability. Indeed, the Karzai administration reduced the authority of the MCTF and ACU. The Afghan AGO routinely declined offers from DOJ to train prosecutors, and the MOI put limits on U.S. cooperation with the MCTF.[292]

By the time of Salehi's arrest and release, a pattern had been established: High-level Afghan officials who were suspected of corruption often evaded arrest or prosecution. For example, ATFC and SIU investigators had been preparing a bribery case against Sediq Chekari, the former Minister for Hajj and Religious Affairs. According to the former director of the ATFC, U.S. officials had targeted Chekari because the United States wanted a high profile case—and U.S. officials judged it would be difficult for Karzai to protect someone who was stealing money from Hajj pilgrims, taking bribes from hotels in Mecca and Medina, and embezzling money from the ministry.[293] In addition, Chekari had been a critic of Karzai. But the day he was to be arrested, the Deputy Attorney General (DAG) received a call from Karzai's chief of staff, who ordered the DAG to allow Chekari to leave the country. Chekari fled to the UK. Following this, the ATFC helped FinTRACA recover more than $1 million of stolen money.[294]

In another example, Hajji Rafi Azimi, the vice chairman of a bank closely connected to New Ansari, was allegedly a key player in Chekari's corrupt scheme. Though Afghan prosecutors sought to arrest Azimi, political interference prevented them from doing so.[295] A U.S. official was quoted in the *New York Times* in 2010 as saying the Obama administration was "pushing some high-level public corruption cases right now, and [Afghan government officials] are just constantly stalling and stalling and stalling."[296]

A 2010 *Washington Post* article cited a shift of viewpoint at the White House toward the idea that serious corruption cases should be broached with Karzai privately to avoid public confrontations that could sour cooperation on a host of other issues.[297] This hesitation at high levels of the U.S. government to push too hard on corruption issues was confirmed in several interviews with former senior U.S. officials, one of whom noted, "We can't be in the business of undermining the government we were supporting."[298] Another former senior official said, "There were a million things we were trying to do, and all of them depended on the Karzai regime as an effective partner."[299]

The Near-Collapse of Kabul Bank: Fraud on an Unprecedented Scale

In July 2010, a second, much larger crisis began to unfold. Sherkhan Farnood was the chairman of Kabul Bank, at the time Afghanistan's largest private bank, and a major financier of Karzai's presidential campaign. Farnood confided in the ATFC that the bank was in serious financial trouble.[300] There were two rival factions in the bank struggling for control; Farnood led one faction, while CEO Khalilullah Ferozi led the other. President Karzai's brother, Mahmoud Karzai, and First Vice President Fahim's brother, Haseen Fahim, sided with Ferozi.[301] Farnood began cooperating with U.S. officials, likely seeking an edge over the rival group.[302]

Farnood admitted the bank operated as a massive pyramid scheme; hundreds of millions of dollars had been fraudulently lent to fictitious companies, with no loan ever paid off. These hundreds of millions benefitted politically connected Afghan shareholders. Meanwhile, U.S. government funds for ANA and ANP salaries regularly moved through the bank. The bank used those funds to cover customers' withdrawals whenever it had inadequate reserves. This practice masked the

fact that its reserves were constantly diminishing, while ordinary Afghan citizens' deposits were used to fund the fraudulent loans.[303] Two of the principal beneficiaries of the fraudulent loans were Mahmoud Karzai and Haseen Fahim.[304]

In September 2010, Kabul Bank nearly collapsed as publicity around the bank's insolvency led to a panic among its depositors and more than $180 million was withdrawn.[305]

Ultimately, the extent of the theft was estimated to be roughly $982 million.[306] As a portion of GDP, this amount would be equivalent to nearly $1 trillion in the U.S. economy. The international community, including the United States, was shocked at the brashness and scale of the theft. In subsequent years, the Kabul Bank scandal remained at the top of the agenda for donors' engagement with the Afghan government. The latter repeatedly failed to take adequate steps to recover assets and hold accountable the bank executives and shareholders, who were politically connected at the highest levels.

Summary: Dilemmas for U.S. Anticorruption Efforts

Overall, in 2009 and 2010, U.S. agencies began to develop a more sophisticated understanding of systemic corruption and the threat it posed to the mission in Afghanistan. The U.S. government also recognized that its own spending exacerbated the problem. As a result, agencies stepped up efforts to build Afghan capacity to investigate and prosecute corruption cases, and established organizations to improve U.S. contracting practices.

The Salehi and Kabul Bank events, however, demonstrated that when Afghan political commitment to fight corruption really mattered, such commitment failed to materialize. The United States' most significant anticorruption capacity-building efforts to date ran up against entrenched criminal patronage networks whose interests ran counter to U.S. objectives.

Corruption thus presented the United States with a profound dilemma. The U.S. COIN strategy rested on building a credible Afghan government, able to protect and deliver services to its citizens. However, corruption eroded not only the state's legitimacy, but its very capacity to function. And any successful, sustainable fight against corruption needed the full participation—and ideally, leadership—of GIROA.

Therefore, U.S. officials grappling with corruption faced three key questions: (1) How much political capital should they invest in pressuring the Afghans for reform, while maintaining access to the Karzai administration? (2) How should they pragmatically invest in anticorruption efforts when leaders within the Afghan government were actively undermining those efforts? (3) How could they best leverage other U.S. government tools to make progress against corruption? These dilemmas would shape the U.S. experience in countering corruption in the 2010 to 2014 period.

U.S. Marine Corps photo

PART THREE

A Limited U.S. Government Response to Corruption: 2010–2014

The U.S. government saw corruption as a serious threat to its mission in Afghanistan. In the wake of the Salehi arrest and Kabul Bank scandal, there was greater U.S. appreciation of the extent of corruption and the absence of Afghan political commitment to address it. At the same time, the United States was focused on high-level goals related to counterterrorism, the long-term U.S.-Afghan relationship, and reconciliation with the Taliban. U.S. officials had to weigh how much political capital to invest in pressing the Afghan government on corruption versus pursuing other goals; there was concern that pushing too hard on corruption might alienate Karzai and jeopardize his cooperation on security issues.

Even as the Afghan government resisted U.S. efforts to combat corruption, the United States supported institutional reform and capacity building, pressed for judicial actions and better financial oversight, and strengthened civil society organizations and the media. In terms of mitigating the U.S. contribution to corruption, DOD and USAID vetted contractors and, along with State, implemented contracting guidance to reduce opportunities for corruption.

Overall, these efforts had some success, but were largely tactical; they were not unified by an overarching strategy or backed by sustained, high-level U.S. political commitment.

Competing High-Level Priorities

From 2010 to 2014, several high-level U.S. priorities required political cooperation from the Karzai administration. The United States sought to maintain good relations with the Afghan leadership to ensure continued access for counterinsurgency and counterterrorism operations. This was particularly important at the height of the military surge in March 2011, which saw nearly 100,000 U.S. troops in Afghanistan.[307]

Then, in June 2011, President Obama announced that U.S. forces would significantly draw down in Afghanistan, handing over security responsibilities to Afghan security forces by 2014.[308] The U.S. government became focused on "transition," the process of withdrawing troops and preparing for the shift of security responsibilities. Training and equipping the ANSF to combat the insurgency was a key part of the U.S. exit strategy; as the ANSF took the lead in operations, U.S. and international forces could gradually take a back seat.[309] This process required close coordination with Afghan civilian and military leadership.

U.S. agencies were trying to advance these priorities in partnership with the Afghan government. Yet the fragile U.S. relationship with Karzai had reached a low point amid deep concerns—emanating from the executive agencies and Congress—about widespread corruption and impunity within the Karzai administration.[310]

The U.S. government sought a strategic partnership agreement (SPA) with the Afghan government to provide the framework for a strong, post-transition relationship. A key pillar of the SPA was the initiation of negotiations on a bilateral security agreement (BSA) to define the terms of the U.S. troop presence after 2014.[311] Signed in May 2012, the SPA underscored "the crucial importance of the fight against corruption."[312] U.S. commitments to support Afghanistan's development and security were "matched by Afghan commitments to strengthen accountability, transparency, [and] oversight."[313]

Negotiations around the BSA, however, became contentious, snagging on disagreements over security and financial guarantees for Afghanistan, and issues of jurisdiction for U.S. forces. Despite consensus backing from Afghan elites on a draft agreement presented at a November 2013 consultative *loya jirga*, Karzai refused to sign the draft, citing sovereignty concerns.[314]

In December 2013, SRAP James Dobbins testified before Congress that Karzai's refusal to sign the BSA was a cause for deep concern. Without a BSA, there was no clarity on the future of the U.S. military presence in Afghanistan. Further, the agreement was critical to bolster Afghan confidence in the international community's commitment to Afghanistan as the country prepared for presidential elections in 2014; ensure fulfillment of pledges of assistance that NATO and non-NATO nations had made at key international conferences; and signal to U.S. allies

and partners, other countries in the region, and the Taliban that the United States would not abandon Afghanistan.[315] These factors put enormous pressure on U.S. officials to conclude the BSA. The agreement was not signed, however, until Ashraf Ghani and Abdullah Abdullah assumed power in September 2014.[316]

During this time, the United States also sought to explore political reconciliation with the Taliban. No matter how well U.S. forces trained the ANSF, many argued that the surest path to security and stability in Afghanistan was a political settlement to end the violence.[317] In 2011, Secretary of State Hillary Clinton announced a "diplomatic surge" to support an Afghan-led reconciliation process.[318] From mid-2011 to March 2012, the State Department pursued direct talks with the Taliban in an effort to open the door for negotiations between the Afghan government and Taliban representatives.[319] To support this effort, the United States needed to preserve a working relationship with Karzai and ensure Afghan buy-in.

From 2010 to 2014, a series of international donor conferences—in Kabul, London, Bonn, and Tokyo—shaped donor-Afghan relations. Reducing corruption was a persistent theme, along with the need for Afghan ownership of the security and development agenda, and a drive to narrow or further prioritize the development agenda. Each conference produced mutual commitments from GIROA and donors in governance and rule of law, security, economic development, and aid effectiveness. Most importantly for the anticorruption agenda, the conferences produced ever more specific benchmarks for Afghan progress on anticorruption, and donor funds were loosely tied to progress on those benchmarks.[320]

At the same time, the Kabul Bank crisis dominated donor discussions with GIROA officials on corruption issues. Many of the anticorruption actions that donors, including the United States, pushed the Afghan government to take were related to dealing with the theft of nearly $1 billion from Kabul Bank's depositors, including prosecution of the individuals responsible (who were politically connected at the highest levels) and recovery of the stolen assets. In general, the Afghan government responded tepidly to these donor concerns.[321] Frustrations over GIROA's lack of cooperation on both Kabul Bank and broader law enforcement efforts damaged the U.S.-Afghan relationship and undercut hopes the Afghan government might take meaningful steps to fight corruption.

Corruption Seen as a Serious Threat to the Mission

In early 2013, an Embassy Kabul update on anticorruption efforts declared, "Corruption remains arguably the most formidable obstacle to a stable Afghanistan, especially as the country moves past transition and into the post-2014 era."[322] In 2014, General John Allen, recently retired from his position as COMISAF, testified before a subcommittee of the Senate Foreign Relations Committee. Reading from a letter he intended to send to the new Afghan president, Allen said:

> Acknowledging that the United States and the West bear some responsibility for the state of corruption in Afghanistan, the great challenge to Afghanistan's future is not the Taliban or Pakistani safe havens or even an incipiently hostile Pakistan.

> The existential threat to the long-term viability of modern Afghanistan is corruption. For too long, we focused our attention solely on the Taliban … They are an annoyance compared to the scope and the magnitude of corruption with which you must contend.[323]

"The existential threat to the long-term viability of modern Afghanistan is corruption."

—General John Allen

Anticorruption also gained prominence in light of serious concerns about the fiscal sustainability of the Afghan state. Based on World Bank economic projections for the Afghan economy, donors feared that as international forces left the country and foreign aid levels sharply declined, the country's economy, fueled by military and aid inflows, would collapse.[324] Corruption was seen as a large drain on the national treasury, a drain that Afghanistan could ill afford.

From 2010 to 2014, a variety of reports highlighted the same theme: Poor oversight of civilian and military procurement and contracting processes (in both aid delivery and sustaining the warfighting effort) was allowing massive corruption to occur, undermining the mission and resulting in significant losses of U.S. government funds.[325] Other reports indicated the need for greater scrutiny of security contractors to determine whether they were affiliated with insurgent or criminal groups, or posed a risk of diverting funds to such groups.[326]

The Commission on Wartime Contracting in Iraq and Afghanistan's final report to Congress, *Transforming Wartime Contracting*, was released in August 2011. The report examined contracting related to reconstruction assistance and military sustainment costs. It opened with the "conservative" estimate that "at least $31 billion, and possibly as much as $60 billion, has been lost to contract waste and fraud in America's contingency operations in Iraq and Afghanistan."[327] The report argued that "criminal behavior and blatant corruption sap dollars from what could otherwise be successful project outcomes and, more disturbingly, contribute to a climate in which huge amounts of waste are accepted as the norm."[328]

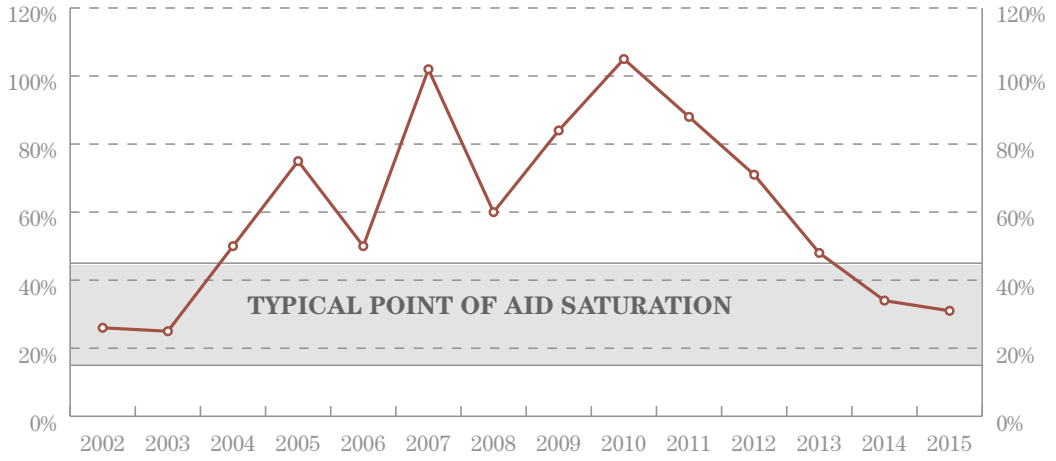
The Commission also stressed the risks of spending too much money too quickly, noting that "rapidly pouring large amounts of money into Afghanistan's local economy, which has limited absorptive capacity, has contributed to inflation, distorted normal economic activity, and encouraged fraud and corruption."[329] Box 2 and figure 4 more fully address the concept of absorptive capacity and its relationship to corruption, as derived from multiple sources and SIGAR's own analysis.

In the development community, the concept of "absorptive capacity" generally refers to the "amount and form of international aid and attention that recipient institutions and societies can receive without suffering significant social, economic, or political disruptions."[330] In other words, "absorptive capacity sets limits on the productive potential of aid."[331] Scholar Robert Lamb describes a useful metaphor for understanding the concept:

> Place a dry sponge on a dry table and pour water onto the sponge from a pitcher. Pour too much water and the table gets wet after the sponge reaches capacity; pour too little water and the sponge does not consume as much water as it could; pour too quickly and the table gets wet even before the sponge reaches capacity. Some sponges absorb more water than others; a dry sponge absorbs water less quickly than does a damp sponge. Most sponges get larger as they absorb the water. All have limits to the quantity and rate of absorption.[332]

Afghanistan's ability to absorb and effectively use assistance funds has been a significant concern in the debate over the scale and rate of reconstruction assistance.[333] In Afghanistan, spillover from more than $100 billion in reconstruction assistance contributed to pervasive corruption, illicit activity, and other adverse effects that distorted economic norms and undermined state legitimacy.[334] Integrity Watch Afghanistan founder and former director Lorenzo Delesgues stressed that "staying within absorption limits is Development 101."[335]

FIGURE 4: U.S. Appropriated Reconstruction Funding for Afghanistan Shown as a Percentage of Afghan GDP



Note: The aid saturation point is the theoretical point at which a state has reached its capacity for absorbing aid. Aid provided beyond that point may be counterproductive. The red line shows U.S. reconstruction funding as a percentage of Afghan GDP over time (see figure 3, p. 18). The grey area reflects the generally accepted range of aid saturation, typically 15 to 45% of GDP (see endnote 339).

Source: SIGAR Lessons Learned Program analysis of: SIGAR, *Quarterly Report to the United States Congress*, January 30, 2016, p. 187; SIGAR, *Quarterly Report to the United States Congress*, October 30, 2014, pp. 202–203; World Bank, *World Development Indicators: GDP at market prices (current U.S. dollars)*, World Bank Databank, accessed July 12, 2016.

However, as a World Bank report on Afghanistan's post-2014 economic and political transition observed, high inflows of aid incentivized waste and corruption and impeded the building of a more effective Afghan state.[336] An empirical multi-nation study also found that high levels of international aid tended to increase corruption, while low levels reduced corruption.[337]

Common reference to "absorptive capacity" suggests there is a model to determine a country's absorptive limits. This is not the case. A UN report concluded, "To date, there has been very little systematic effort either to define the key drivers of absorptive capacity or to measure a country's ability to absorb scaled-up foreign assistance."[338] In addition, establishing a causal link between oversaturation and adverse effect is difficult. Nevertheless, aid practitioners do employ informal estimates. Studies suggest that a state's capacity to absorb aid can range from 15 to 45 percent of its GDP; states with weaker institutional capacity possess a lower threshold for aid saturation.[339]

For most of the 2002–2015 period, appropriated U.S. reconstruction assistance to Afghanistan surpassed 45 percent of Afghanistan's GDP, reaching a high of 105 percent in 2010 and never falling below 22 percent (see figure 4 on the previous page).[340]

U.S. Efforts to Encourage Afghan Reform and Accountability

U.S. anticorruption efforts sought to improve the Afghans' capacity for and commitment to fighting corruption. Appendix F provides a list of the Afghan government organizations the United States assisted and supported as part of these efforts. Broadly, U.S. efforts fell into the four key areas described in Embassy Kabul's 2010 draft anticorruption strategy:

- Improving the transparency and accountability of Afghan government institutions to reduce corrupt practices
- Building Afghan judicial capacity in investigations and prosecutions
- Improving financial oversight
- Helping the Afghan government and civil society boost demand for accountable governance[341]

The shortcoming of this approach, however, was that it emphasized technical fixes rather than a concerted, high-level effort to address the political roots of corruption. U.S. agencies tended to do what they knew how to do best: support and advise on bureaucratic reform and capacity-building. The U.S. government was less adept, however, at addressing the fundamentally political nature of the corruption problem.[342] This required assessing what drove corrupt behavior, particularly by political leaders who established a tone and culture of impunity, and determining how to change the incentive structures for those engaged in corruption.[343] Furthermore, capacity-building efforts would be useless in the long term without Afghan political commitment to keep newly trained police, investigators, prosecutors, judges, and auditors in positions of responsibility, able to operate without political interference.[344]

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In fact, the embassy's draft strategy was upfront about this political dimension. The strategy stressed the importance of "leveraging diplomatic, legal, and development assistance tools to increase the political will (within the Afghan government, the U.S. government, and the international community) to take fighting corruption seriously."[345] However, in practice, shaping political will—which might have included the use of more aggressive tools to bring political pressure to bear on Afghan leaders—did not always take priority over other U.S. objectives.

The Kabul Bank Crisis: Attempts at Resolution

The 2010 discovery of massive fraud at Kabul Bank exposed high-level corruption. The Afghan government was slow to take critical steps to recover stolen assets and prosecute the individuals responsible for the fraud.[346] Senior U.S. officials repeatedly urged GIROA to pursue prosecutions and robust asset recovery, and grappled with how to leverage aid money in order to encourage reforms.[347] These efforts were intensively coordinated with the rest of the international community.[348] Meanwhile, however, Karzai publicly blamed the international community for the corruption of Afghan officials.[349]

Donor pressure on GIROA further escalated. The IMF, in renewing its Extended Credit Facility (ECF) program, proposed terms for reforming Afghanistan's financial system and regulatory regime. By agreeing to the terms, GIROA would qualify for assistance financing under the ECF program. The Afghans initially refused the proposed terms. This prompted donors, including the United States, to delay disbursement of 85 percent of the total $933 million in donations to the Afghanistan Reconstruction Trust Fund (ARTF) in solar year 1390 (March 2011–March 2012), until a new ECF agreement was approved.[350]

Negotiations over the IMF program pushed GIROA to take actions, albeit limited ones. By May 2011, the Afghan government had fulfilled some IMF demands, including placing Kabul Bank under receivership, invalidating shareholders' claims on cash and assets, and initiating criminal investigations.[351] GIROA also began asset recovery efforts. However, as the international community pressed for prosecutions and more robust asset recovery, the Afghan government failed to take meaningful actions.[352]

For a period in 2011, the issue appeared frequently on the U.S. NSC Deputies Committee's agenda, according to a former senior U.S. official who was involved in the meetings.[353] Embassy Kabul continued to monitor the Afghans' progress on asset recovery and prosecutions and to press for follow-up.[354] Then, as little to

no progress was forthcoming, the issue fell off the Deputies Committee's agenda, according to the same official.[355]

According to a senior Treasury official, during negotiations over the new ECF program, many donor countries expressed concern to the IMF that proposed benchmarks exceeded what the Afghan government could bear.[356] Two other U.S. officials indicated the IMF eventually diluted its terms in response to U.S. urging, so GIROA could meet the terms and donor funding could resume.[357]

In November 2011, the Executive Board of the IMF finally approved a three-year, $133.6 million loan under the ECF. The IMF conditioned the agreement on several structural changes to Afghanistan's banking and financial sectors, which involved further resolution of the Kabul Bank crisis and steps to ensure better governance and accountability in the banking system. The ECF arrangement also prompted the release of $100 million in ARTF funds, and an announcement by Secretary Clinton that the United States would resume its funding of the ARTF.[358] Ultimately, the Afghan government suffered no major consequences, in terms of financial support from donors, for its failure to hold accountable and recover significant assets from the politically connected individuals who had defrauded the Afghan people.

In 2012, the Afghan Supreme Court indicted 21 defendants in the Kabul Bank case. Charges ranged from money laundering, public corruption, and fraud to dereliction and negligence by regulators and bank officials.[359] Later that year, in a major public inquiry into the Kabul Bank scandal, a joint Afghan/international anticorruption body determined that the indictment excluded many key beneficiaries and participants in the scheme and that "the major factor impeding the criminal investigation process is political interference."[360] In March 2013, the Special Tribunal for the Bank convicted the two leaders of the fraud, ex-chairman Sherkhan Farnood and ex-CEO Khalilullah Ferozi, for breach of trust. The men were sentenced to five years in prison and ordered to return a combined $808 million. The tribunal failed, however, to issue guilty verdicts for the more serious crimes of money laundering, embezzlement, and forgery, which would have carried sentences up to 20 years and provided a basis for orders to confiscate their assets.[361]

At the same time, the U.S. government showed a lack of political commitment. When it became clear the Afghan government was not willing to undertake true reform—because it involved taking action against people connected to the highest levels of political power—the U.S. government failed to use all its available tools to incentivize steps toward resolution. U.S. officials could have insisted on stronger corrective actions by GIROA before supporting agreement on a new IMF program. DOD, State, and USAID could have conditioned more significant security and development assistance on tangible, measurable progress. State, in consultation with other agencies, might have pursued revocation of visas against corrupt Afghan officials and their families, and more robust U.S. law enforcement actions against corrupt Afghans with dual U.S. citizenship.

Katherine Dixon, the director of Transparency International's Defence and Security Programme and a former UK government official, observed,

"The international community held all the cards, but the individuals on the ground representing [the community] felt small in comparison to the power wielded by warlords and because they knew how much they needed Afghanistan to work."[362] During the Kabul Bank crisis, this misperception of leverage was perhaps at play. Donors, including the United States, were eager to move beyond the crisis and resume prior assistance spending levels. The aid community was driven by good intentions to ensure the most vulnerable Afghans who benefited from foreign aid did not suffer because of corrupt actors. The corollary, however, was that the international community missed an opportunity to incentivize reform that might have, in the long run, also greatly benefited the Afghan population.

Institutional Reform for Transparency and Accountability

From 2010 through 2014, U.S. efforts focused on supporting and pressing for reform within Afghan institutions. State, USAID, DOD, Treasury, and Justice provided training and mentoring, budgetary support, and equipment to various Afghan institutions.[363] In their engagements with Afghan leaders, senior U.S. civilian and military officials focused on specific steps to reduce corruption and hold individuals accountable.[364]

These efforts contributed to important, tangible progress, such as increased Afghan capacity to identify, prosecute, and punish corrupt officials, and to some degree, a demonstrated willingness to do so.[365] In early 2013, Embassy Kabul reported that GIROA "and other key stakeholders in Afghan society (notably civil society and the media), with encouragement from Embassy Kabul and various concerned members of the international community, have taken steps in significant areas to increase transparency, promote legitimate commerce, and reduce opportunities for extortion and graft."[366] These "incremental but concrete" steps included customs department reform and streamlined customs procedures, a new draft mining law, anticorruption commitments by MOI, and civil service reforms for merit-based hiring.[367]

Nevertheless, initially hopeful examples of progress often resulted in mixed or negligible effects. Progress sometimes unraveled when Afghan officials blocked or undid prior actions, or failed to follow through on commitments.[368] For example, U.S. officials pressed for Afghanistan to implement the Extractive Industries Transparency Initiative (EITI) standards, designed to improve governance through the full publication and verification of company payments and government revenues from extractive industries. In 2010, Afghanistan committed to implement these standards.[369] Yet, the mining law that was eventually passed in 2014 had serious weaknesses. Global Witness, a leading international NGO active in the extractives sector, called the law "a threat to stability" and judged it was likely to "fuel conflict and corruption instead of development."[370]

At the same time, high turnover of U.S. civilian and military staff meant U.S. institutional memory was weak and efforts were not always informed by previous experience. In addition, capacity-building efforts were sometimes fragmented and lacked a vision for systemic change.[371] For instance, one Afghan anticorruption expert noted that U.S. agencies often hosted workshops and training that lasted only a few days, with limited follow-up. He suggested that a

more fruitful approach might have been to establish a standing institute to train auditors, attorneys, investigative police, and others for years, rather than days.[372]

One of the United States' significant anticorruption efforts during this time period was to help GIROA build an independent, effective anticorruption institution. In 2008, President Karzai had established the High Office of Oversight to oversee and coordinate GIROA's anticorruption efforts. The HOO was empowered to conduct preliminary inquiries of corruption allegations.[373] One of its priority tasks was to enforce asset declarations by senior Afghan officials.[374] In 2010, USAID helped the Afghan government draft a Presidential Decree to strengthen the HOO's independence and oversight authority.[375] As interest in anticorruption rose and a SIGAR audit of the HOO urged more U.S. support for the office, USAID launched a project, Assistance to Afghanistan's Anticorruption Authority (4A), in 2010 to provide $27 million over three years to increase institutional capacity within the HOO.[376]

The capacity-building project for the HOO, however, underscored that institutional reform did not work without political will. Despite heavy donor investment in building the HOO's capacity, it suffered from a lack of independence, poor leadership, and alleged internal corruption; the HOO appeared unwilling or unable to carry out its mandate.[377] USAID sharply reduced funding for the HOO, ultimately redirecting most of the funding to support civil-society efforts.[378] When Karzai appointed Azizullah Lodin as director of the HOO after Lodin had been implicated in the 2009 election fraud, the United States and other donors grew increasingly disillusioned with the HOO.[379]

In another case, the U.S. government backed down on an important reform issue "to avoid a confrontation with the Afghan Government," according to a U.S. Senate staff report.[380] At the 2010 Kabul Conference, GIROA committed to pass an improved audit law as part of its efforts to strengthen public financial management. U.S. agencies wanted the law to legalize the Afghan Ministry of Finance's (MOF) central role in conducting audits of the ministries. The law eventually passed by Parliament, however, centralized audit authority within a very weak institution, the Control and Audit Office; the law removed the critical audit function from the MOF at a time when more U.S. funds were planned to be provided directly to the Afghan government.[381] The Treasury Department and many at Embassy Kabul believed the new law was insufficient. Nevertheless, the U.S. government took the official position of accepting the law, which was linked to the disbursement of $17 million in ARTF funds.[382] Thus, the opportunity to send a strong message to GIROA by placing firm conditionality on funds was largely lost. Later, through direct negotiations with the Afghan government, U.S. officials succeeded in carving out a way for the MOF to continue to track funds.[383]

In line with concerns about GIROA's fiscal sustainability, clamping down on corruption in the areas of Afghan customs and border protection was seen as crucial for increasing revenue.[384] Yet a 2014 SIGAR audit found that USAID's efforts to develop GIROA's capacity to assess and collect customs revenue through streamlining and automating customs processes saw very limited

success, due in part to unwillingness by the Afghan Customs Department to accept sweeping reform of customs security and payment. Instead, these reforms were scaled down and implemented over several years, thereby limiting their impact.[385] The audit concluded that without greater Afghan political commitment to anticorruption measures, customs revenue would remain highly vulnerable to corrupt actors.[386]

In support of judicial reform, the United States sought to raise prosecutors' salaries in the Attorney General's Office. At $70 to $100 per month, prosecutors' wages were below the average police salary. Afghan officials in Kabul and the provinces cited low pay as creating strong incentives for prosecutors to demand or accept bribes and hindered the recruitment and retention of qualified prosecutors.[387] For years, Attorney General Mohammad Ishaq Aloko stalled on implementing pay and grade reform that Karzai had mandated in order to set appropriate salaries and use merit-based, transparent hiring processes.[388] High-level U.S. interventions by Ambassador Eikenberry and General Petraeus in 2011 helped prompt limited, but ultimately inadequate, progress.[389] In early to mid-2011, the Afghan government drafted its *National Priority Program 5, Law and Justice for All* that included accelerated pay and grade reform at the AGO.[390] Later that year, the reform was formally approved, but Aloko only superficially implemented it, maintaining a non-merit-based hiring system.[391]

In the fall of 2012, Embassy Kabul chose to concentrate on three areas where it judged U.S. anticorruption efforts could have maximum impact: Kabul Bank and the strengthening of financial supervision, borders and customs reform, and rule of law and building institutional capacity.[392] The Deputy Ambassador convened weekly working groups to provide guidance on priorities, arrange high-level engagements as needed, and synchronize efforts with international partners politically, programmatically, and in terms of messaging.[393] To date, this was the highest level at which the embassy regularly convened stakeholders on corruption issues. The Deputy Ambassador provided participants with clear direction on how to pursue objectives and held them accountable for doing so.[394] According to a former participant, the working groups became a forcing function for action. However, military personnel were not included, damaging civilian-military coordination on corruption issues. In addition, the groups did not address U.S. contract oversight issues.[395]

Judicial Capacity and Law Enforcement Actions

Despite the Kabul Bank and Salehi events, U.S. officials continued to press for investigation and prosecution of corruption cases.[396] In addition to the prosecution of individuals responsible for fraud at Kabul Bank, one major case on which the United States pushed for action was that of Ghulam Qawis Abu Bakr, the Kapisa Provincial Governor.[397] Abu Bakr had allegedly received a $200,000 bribe in exchange for a contract to build a cell tower.[398] He was suspended as governor, reportedly after COMISAF General Petraeus presented Karzai with evidence of Abu Bakr's collusion with the Taliban.[399]

Overall, Afghan officials resisted U.S. pressure. The AGO was notorious for not following through on corruption cases referred to it, including cases the

HOO director and deputy director claimed involved embezzlement, forgery, and bribes ranging from $1,000 to more than $100 million that implicated sitting ministers.[400] In other cases, the lack of training, resources, security, and expertise undermined the effectiveness of judicial bodies. For example, anticorruption tribunals established in Kabul and the provinces to hear corruption cases ultimately proved ineffective due to these challenges.[401]

Training and mentoring of Afghan justice sector officials was a significant part of U.S. anticorruption efforts.[402] DOJ's Senior Federal Prosecutors Program began mentoring a counternarcotics task force and later trained and advised the AGO, ACU, MCTF, the Antiterrorism Prosecution Department (ATPD), and—to a lesser extent—other justice sector elements of the Afghan government from 2005 to 2014, at a cost of nearly $23 million.[403] The program aimed to reform Afghan criminal law and build the capacity of the ACU to effectively combat public corruption. A 2014 SIGAR audit on rule of law efforts in Afghanistan found DOJ officials noted anecdotally they had made some progress in building the capacity of the ACU, but "their efforts … were eventually ignored due to the Afghan government's lack of political will to allow corruption cases to be prosecuted."[404] DOJ officials also cited the Karzai administration's interference in specific cases. Eventually, DOJ dramatically reduced its involvement with the ACU and continued only minor activities.[405]

The Supreme Court's internal affairs unit, the Control and Monitoring Department (CMD), was not directly supported by the United States but was lauded for its effectiveness at times.[406] The unit served as the primary oversight body for judges, court staff, and certain prosecutors. Embassy Kabul reported that, despite challenges, the CMD was successful and exhibited "good leadership and staff and a remarkable record in misconduct and corruption cases involving judges."[407] Between 2006 and 2011, the CMD oversaw 185 arrests and 795 disciplinary actions of judges and court staff. Of the 62 judges arrested, 50 were tried and convicted. Another 726 judges received administrative reprimands or censure.[408] In 2012, the embassy reported the CMD was "still the most effective governmental body in rooting out corruption."[409] Yet, the CMD never received formal mentoring from the United States. A former Justice attaché in Kabul stated the CMD was successful because its honest, capable director focused on low- to mid-level officials rather than high-level cases that might draw political attention. The attaché also believed the CMD benefitted from the absence of international advisors interfering in its activities.[410]

An Afghan anticorruption expert said that later, the CMD became known for extorting money from judges and for its role in consolidating a corrupt network of judges. The new chief justice dismantled the unit in 2015.[411]

Financial Oversight

Most U.S. efforts on financial oversight from 2010 to 2014 were diplomatic, not programmatic. Before the Kabul Bank scandal, USAID and Treasury had provided technical assistance to the Central Bank's Financial Supervision Department.[412] The Kabul Bank crisis revealed grave weaknesses in the FSD's

ability to conduct robust oversight. Without strengthening that oversight, the risk of another banking crisis remained.[413]

However, no U.S. assistance to the Central Bank continued beyond mid-2011. In March 2011, President Karzai banned U.S. government advisors from working with the bank; Treasury and USAID ended their technical assistance programs there. Treasury officials told SIGAR they decided to discontinue technical assistance because of a hostile work environment for their advisors, incorrect Afghan government statements blaming U.S. advisors for the Kabul Bank crisis, and a belief that continued assistance would not be effective.[414] Both agencies established conditions under which they would be willing to resume assistance, including the reform of Afghanistan's banking and anti-money laundering/countering the financing of terrorism (AML/CFT) laws, Afghanistan's IMF ECF program being on track, no involvement of former Kabul Bank shareholders in the banking sector, clear communication from GIROA that advisors would be welcomed, and confidence that engagement would support a viable Central Bank and financial-sector strengthening plan.[415]

These conditions indicated the difficulties Treasury and USAID faced in working with the banking sector after the Kabul Bank scandal. To date, while USAID has not resumed such assistance, Treasury signed a memorandum of understanding with the Afghan Finance Minister in March 2015 to provide financial capacity building to GIROA and technical assistance to the Central Bank.[416]

Civil Society and the Media

U.S. support to civil society organizations and the media was a consistent component of the anticorruption strategies developed in 2009 and 2010 and, in practice, took several forms from 2010 through 2014. This support aimed to help civil society (as well as the Afghan government) "educate and empower the public to expect and participate in transparent and accountable governance, to counter the culture of impunity," according to a 2010 embassy cable.[417] According to a former embassy official, U.S. support to civil society organizations (CSO) focused on helping CSOs develop their vision, providing advice on legal issues and organizational management, and providing funding.[418] In media development, USAID programs funded independent Afghan media and provided training in journalism practices and investigative skills.[419] In practice, the small number of Afghan CSOs dedicated to anticorruption-related work resulted in a limited number of programs.[420]

One significant U.S. contribution to a civil society program specific to anticorruption was a USAID grant to Integrity Watch Afghanistan. Starting in 2007, IWA promoted social accountability by enabling local communities to monitor construction projects in their villages, with the aim of ensuring the projects were built to specifications and completed successfully.[421] A scholar who studied this civic initiative applauded its value in helping to ensure recipients benefited from reconstruction efforts and empowering people to hold government officials, contractors, ISAF officials, and donors accountable.[422] The scholar noted, however, that local monitors often had difficulty accessing information on projects, including the identity of prime contractors and

subcontractors, specifications, and materials used—and that greater transparency on projects could facilitate grassroots monitoring efforts.[423]

By repurposing funds from the 4A project that had been intended for the HOO, USAID undertook several other initiatives. Working with the Afghan Independent Bar Association, USAID helped to establish a walk-in legal clinic where victims of administrative corruption could obtain advice on how to seek redress. USAID also supported the Afghan Civil Society Coalition Against Corruption (AfCAC), a group of 60 organizations that worked to ensure transparency and strengthen government accountability and responsiveness.[424] Former 4A funds also helped to establish the Parliamentary Anticorruption Caucus (PACC) of female parliamentarians who took on corruption-related legislation in both houses of the Afghan National Assembly, with notable success in the passage of an Access to Information law.[425]

Embassy Kabul's Public Affairs Section and USAID funded investigative journalism, including that focused on corruption. One project supported Kabul Debate Live, which provided nationwide television broadcasts on issues such as the Kabul Bank crisis, the economy, and corruption. Another project sought to raise awareness of corruption through a national civic education and media campaign that disseminated anticorruption messages through television spots, radio dramas, cell phone videos, posters, leaflets, TV serials, workshops, radio spots, an anticorruption guide book, newspaper articles, and billboards.[426]

While it is difficult to measure the impact of U.S. support to civil society organizations and the media, it is reasonable to conclude that such efforts have helped to strengthen these important agents for change. An emerging Afghan civil society is increasingly focused on exposing and combating corruption. As Special Inspector General John Sopko told the Atlantic Council in March 2014, "Afghanistan has a growing number of organizations and individuals dedicated to exposing corruption and fostering the rule of law. It has a robust media that has highlighted and reflected Afghan dissatisfaction with corruption."[427] These civil society actors can help to build demand within Afghan society for action against corruption, as well as exert pressure on the government for reform.

U.S. Agencies Working at Cross-Purposes

While U.S. and Afghan government objectives largely diverged when it came to fighting corruption, the U.S. government exhibited conflicting objectives internally, as well. In mid-2013, the *New York Times* reported the CIA had been delivering "bags of cash" to the Afghan government. For more than a decade, tens of millions of dollars were reportedly "packed into suitcases, backpacks and, on occasion, plastic shopping bags" and dropped off at the offices of President Karzai.[428] Mr. Karzai described the money as "nothing unusual" and "an easy source of petty cash."[429] Referred to as "ghost money" by Karzai's deputy chief of staff from 2002 to 2005, the cash was ostensibly to "guarantee the agency's influence at the presidential palace." However, despite the CIA's purported objectives, the article noted that "much of the CIA's money goes to paying off warlords and politicians, many of whom have ties to the drug trade and, in some cases, the Taliban."[430]

The story elicited a sharp congressional response. Senator Bob Corker (R-TN), ranking member of the Senate Committee on Foreign Relations, wrote a letter to the White House requesting an explanation of the alleged policy. In his letter, Corker wrote that the cash payments, if true, indicated an "incoherent" U.S. policy toward Afghanistan.[431] In a follow-up letter to President Obama, after Karzai confirmed the payments, Corker emphasized that "these secret payments lack any kind of accountability, encourage the very kind of corruption we're trying to prevent in Afghanistan, and further undermine U.S. taxpayers' confidence in our government."[432]

While some Afghan officials reportedly described these payments as "essential to [Karzai's] ability to govern," the money also bolstered the same patronage networks that U.S. officials had been struggling unsuccessfully to dismantle.[433] Following the wave of criticism directed at the alleged payments, U.S. press reports indicated Karzai responded by noting he had been assured by the CIA's station chief that the agency would continue making the payments, adding, "If tomorrow the State Department decides to give us such cash, I'd welcome that, too."[434]

International Donor Engagement

The Monitoring and Evaluation Committee

The development of formal structures and mechanisms to monitor Afghan progress and hold GIROA to its anticorruption commitments was an important component of U.S. anticorruption efforts. The formation of the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) was a particularly important innovation. When Karzai issued an executive decree inviting the international community to form the MEC in 2010, he was fulfilling commitments he had made at the 2010 London Conference.[435]

The MEC had six members: three international and three Afghan. The international members were required to be experienced anticorruption experts and were selected by an international nomination committee; the Afghans were local eminent persons selected by the President. The MEC's mandate was to create anticorruption benchmarks for the Afghan government and international community, as well as to independently monitor and evaluate progress in meeting those goals through quarterly meetings in Kabul. The MEC published a semiannual progress report and quarterly recommendations for improving or refining anticorruption efforts.[436]

In mid-2012, Embassy Kabul reported the "prevailing view in the [international donor community] is that the MEC seems to be having an anticorruption effect, and may be the only game in town about which that can be said."[437] The MEC maintained a public focus on corruption issues, highlighted issues within the ministries, suggested solutions, and tracked progress. The MEC identified corruption within a particular sector and made recommendations as to how weaknesses could be addressed, and by whom. It then sent these recommendations to the respective Afghan ministries, set deadlines, and followed up.[438]

By 2014, MEC successes included issuing the report of its public inquiry into the Kabul Bank crisis and maintaining public attention on implementation of its related recommendations.[439] The MEC also brought attention to alleged corruption in the Law and Order Trust Fund for Afghanistan (LOTFA) and advanced the investigation into graft at the Dawood National Military Hospital.[440] A further success was the MEC's analysis of 38 of the 146 anticorruption provisions of Presidential Decree 45 on governance and corruption, including tracking substantive implementation actions by relevant GIROA departments.[441]

The MEC was a successful model for enhancing transparency and bringing pressure to bear on GIROA, while also providing technical benchmarks and reforms for both donors and the government. The MEC's virtue was independence and technical expertise; however, this virtue became a liability in that it had no statutory authority to act and received uneven political support from the Afghan government. The MEC could make strong recommendations, but had no power to ensure their implementation. Following the formation of the National Unity Government in September 2014, however, President Ashraf Ghani and Chief Executive Abdullah Abdullah set a tone of greater support for the MEC's work. According to the MEC's March 2015 semiannual report, after a series of meetings with Ghani and Abdullah, MEC officials observed a "dramatic improvement" in the responsiveness of Afghan government offices to implement MEC recommendations.[442]

On-Budget versus Off-Budget Assistance

Donors and GIROA differed in their thinking about appropriate mechanisms of aid delivery. They often disagreed whether "on-budget" or "off-budget" assistance was more susceptible to corruption or other leakages. On-budget assistance is defined as development assistance (either from bilateral contributions or multilateral trust funds) that is channeled through the Afghan government's core budget.[443] Off-budget assistance is executed through contracts, grants, and cooperative agreements that remain outside the Afghan budget and beyond the reach of Afghan officials, theoretically providing more control to donors.[444] Thus, when donors harbored concerns about corruption and weak capacity in the host government, they often favored off-budget aid mechanisms.[445]

As aid levels rose, Afghan leaders increasingly criticized off-budget assistance for encouraging parallel structures—entities outside government that competed for and managed development projects—which distorted resource allocation, led to redundancy, and siphoned talented Afghan employees away from the government.[446] In addition, off-budget assistance denied GIROA the opportunity to exercise its budgetary and oversight processes and to "own" projects in terms of operations and maintenance. Off-budget assistance thus undermined capacity-building efforts and local ownership.[447] Furthermore, as donors grew more aware of systemic corruption issues, they realized off-budget mechanisms could fuel corruption, too.[448]

London, Kabul, and Tokyo Conferences Loosely Tie Aid to Better Governance

At international conferences in London and Kabul in 2010 and Tokyo in 2012, donors committed to sustain high levels of funding in return for commitments by the Afghan government on governance and economic reform, to include fighting corruption.[449] Donors pledged to align 80 percent of their funding with GIROA development priorities (as articulated in *National Priority Programs*), and to work toward directing 50 percent of their assistance on-budget. These funding commitments represented a soft form of conditionality, allowing donors flexibility in their assessments of GIROA's progress toward its commitments.[450]

The 2012 Tokyo Conference produced a more detailed Tokyo Mutual Accountability Framework (TMAF) for tracking progress on mutual commitments. TMAF represented an evolution in incentivizing Afghan accountability by establishing more specific conditions for assistance. The framework laid out indicators for monitoring the Afghan government's performance in five major areas of development and governance. Several of the indicators were anticorruption-related, including annual asset declarations of senior public officials, asset recovery and accountability related to the Kabul Bank crisis, strengthened banking supervision, and greater accountability and transparency in customs and tax systems.[451]

In a Senior Officials Meeting (SOM) in July 2013, the United States announced an "incentive fund" of $175 million in assistance over two years, of which $75 million was tied to progress in TMAF benchmarks.[452] Of the $75 million, $15 million was later made available to the Afghan government due to progress in elections-related benchmarks, which was the priority area donors stressed at the SOM.[453] Another $15 million was disbursed because GIROA developed a draft provincial budgeting policy. However, progress in the other three TMAF areas—governance, rule of law, and human rights; integrity of public finance and commercial banking; and inclusive and sustained growth and development—was deemed insufficient to disburse the remaining $45 million.[454] Anticorruption-related benchmarks fell mainly within the first two of these three areas. Embassy Kabul judged that although the non-disbursed funds were a small amount relative to total development assistance, "the government will acutely feel the loss."[455]

Efforts to Improve Oversight of U.S. Assistance

During the 2010 to 2014 period, U.S. attempts to improve oversight of its own contracting and procurement practices gained momentum. The main goals were to prevent U.S. money from funding insurgent groups, stop U.S. practices from creating opportunities for corruption, and safeguard U.S. resources.

DOD Initiatives

ISAF's 2010 *COIN Contracting Guidance* called upon commanders to understand how contracting with corrupt powerbrokers could undermine the mission and to establish systems to vet contractors. It also directed commanders to follow best contracting practices, ensure transparency and accountability, and invest in oversight.[456]

Operating under USFOR-A, Task Force 2010 exposed information on the prime and subcontractor levels of fraud, waste, and abuse, thus building a more sophisticated picture of the contracting environment. A DOD report on corruption in Afghanistan described the task force's main activities: TF-2010 supported vetting of contractors; provided intelligence and information needed to pursue UN sanctions on selected targets; informed decisions on actions such as suspension and debarment of selected contractors from U.S. bases, asset forfeiture, and counter-pilferage; and identified GIROA personnel for key leader engagements.[457] One former task force official recalled that in a review of 3,000 DOD contracts, TF-2010 "found that 18 percent of contract money went to the Taliban, [the Haqqani network], and other insurgent groups."[458]

TF-2010 regularly reached out to dozens of organizations, including the ATFC, ISAF Joint Command (IJC), Shafafiyat, and law enforcement bodies, including "anyone with anything to do with contracts, intelligence, or law enforcement."[459] The task force also engaged with the UN Assistance Mission in Afghanistan (UNAMA) and NGOs with expertise on corruption, including Global Witness, IWA, and Transparency International.[460]

TF-2010 initially looked only at DOD contracts; however, as it saw the same actors repeatedly involved in international contracting, it started to work with other U.S. agencies. According to a former member of TF-2010, State and USAID headquarters in Washington had reservations about Embassy Kabul and USAID Kabul sharing contractor information with the task force, but on the ground in Kabul, there was quiet cooperation. The former task force member noted, and a second echoed, that "all the important vendors were working across different agencies. So State or USAID would ask us for information on a vendor. We helped them avoid some bad ones."[461] While important, this information sharing was not formalized, and seemed to rely on personal relationships. A former USAID vendor vetting official and a former director of the ATFC both stressed that the U.S. government should also share vendor information with its international partners.[462]

TF-2010 achieved some success in punishing corrupt contractors. A Congressional Research Service report found that as of October 2011, the task force had helped to recover more than 180,000 pieces of equipment worth over $170 million, and suspended or debarred more than 120 companies or individuals.[463] On the other hand, the DOD report on corruption in Afghanistan found that TF-2010's success in improving visibility at the prime contractor level was not mirrored at the subcontractor level.[464]

According to the former TF-2010 member, the unit found it difficult to hold contractors accountable, stating that DOD suspension and debarment officers preferred to find a settlement for cases, particularly when companies mounted well-financed defenses. One such case in early 2011 was Watan Risk Management, a firm owned by Rahullah Popalzai, one of the host nation trucking contractors excoriated in the *Warlord, Inc.* congressional staff report. Popalzai reportedly was able to pay lawyers tens of millions of dollars to fight potential suspension and debarment and to intimidate U.S. suspension and debarment

officials. The task force member noted, Watan "got nothing more than slaps on the wrist."[465]

Task Force 2010 provided information to the Tampa-based CENTCOM Vendor Vetting Cell. The cell was formed in 2010 to vet vendors with existing contracts "to address immediate corruption and illicit funding concerns."[466] A 2011 Government Accountability Office (GAO) report found that the backlog of unvetted vendors continued to grow due to inadequate vetting resources. GAO also noted weaknesses in the failure to routinely vet subcontractors.[467] DOD informed SIGAR that in more recent years, the VVC has assessed vendors for the level of risk they pose to U.S. or coalition forces, and identified a higher percentage of vendors as high or extremely high risk—resulting in vendors being prevented from receiving U.S. funds and contracts.[468] DOD reported that during FY 2015, the VVC "identified a total of 147 vendors before contract award as being High or Extremely High force protection risk, due to insurgent or criminal network activity or facilitation. The dollar figure of pre-award contracts prevented for these 147 vendors is $292 million."[469] While it is impossible to quantify precisely, some portion of this amount was likely connected to corrupt networks.

In the FY 2012 National Defense Authorization Act, Congress responded directly to the threat of DOD contracting funds going to insurgents or others who opposed U.S. and coalition forces. Section 841, *Prohibition on Contracting with the Enemy in the United States Central Command Theater of Operations*, permits DOD to authorize a head of a contracting activity (HCA) to restrict, terminate, or void a DOD contract, grant, or cooperative agreement with an entity or individual determined to be actively supporting an insurgency or otherwise opposing U.S. or coalition forces in the CENTCOM theater of operations.[470]

To implement Section 841, TF-2010 assembled an information package on a suspect entity or individual and conducted preliminary intelligence and legal analyses. A series of ISAF coordinating bodies then reviewed the information package before submitting it to CENTCOM for approval. If CENTCOM granted approval, a Section 841 notification letter listing the entities and individuals was sent to the HCA with a request for the HCA to restrict, terminate, or void contracts with those listed. The HCA would then determine if there was a contract with the entity or individual and respond to CENTCOM with actions taken on the contract.[471]

While Section 841 enabled DOD to prevent a contract, grant, or cooperative agreement from going to any entity that supports the insurgency or opposes U.S. or coalition forces, there were weaknesses identified in the process. A SIGAR audit found that HCAs relied on prime contractors to "determine whether they have awarded subcontracts to persons or entities with Section 841 designations" because HCAs did not have visibility over those subcontracts. At the same time, however, prime contractors were not required to certify their subcontractors were not Section 841 designees. This gap in oversight made it difficult for DOD to fully implement the authorities provided by Section 841.[472]

TF-2010's mission and activities evolved after 2012, as new leadership arrived, personnel rotations took place, and the unit moved to Qatar. The task force became more heavily focused on vetting contractors to ensure force protection on bases.[473] According to two former members, institutional knowledge and relationships that previous staff had built across agencies and with international and civil society organizations largely disappeared.[474]

State and USAID Initiatives

Embassy Kabul and USAID contracting guidance stressed "the importance of robust oversight in Mission procurement and contracting actions to help ensure U.S. government funds do not support malign actors such as insurgents, corrupt powerbrokers, and criminal patronage networks."[475] Embassy Kabul also proposed a U.S. government-wide Acquisition Accountability Office–Afghanistan (AAOA) to coordinate civilian and military agencies' procurement actions. Prompted by a 2010 SIGAR audit that highlighted the challenge of monitoring spending across myriad U.S. agencies, the proposal sought to empower an AAOA to "collect and manage data from all U.S. contracting and development agencies," including data on contractors and subcontractors, promote best practices, coordinate among all contracting and development agencies, and more.[476] A State Department response to the embassy implied that the function was better performed in Washington, and the proposed office might impinge on statutory requirements.[477] The proposed office was never established.

In a more successful move toward improved oversight, USAID launched the Accountable Assistance for Afghanistan (A^3) initiative in the fall of 2010, in response to a Senate report on U.S. assistance to Afghanistan. The A^3 report "provided detailed research into how best to protect USAID development funds from being diverted from their intended use." Based on this research, the report made 31 recommendations related to award mechanisms, vetting, financial controls, and project oversight.[478]

"Where significant government corruption exists, the key is for the international community to present itself as standing with the interests of the people."

—Katherine Dixon

USAID took steps to implement these recommendations, including participating in working groups with Afghan, ISAF, and NATO partners on assistance accountability; establishing a Vetting Support Unit (VSU) in February 2011, which by July was vetting "all new contracts, grants, cooperative agreements and their sub-awards with a value of $150,000 or more … as well as [all] private security company contracts;" and sharing vetting results with DOD and others.[479] USAID reported to SIGAR that from 2011 through mid-2016, USAID's Kabul mission had vetted 7,139 requests, of which 334 were cancelled and 300 deemed ineligible.

These cancelled or forestalled contracts amounted to approximately $668 million in U.S. funds.[480]

VSU efforts were initially intended to ensure U.S. funds did not support corrupt powerbrokers, among other malign actors.[481] However, according to one former USAID vendor vetting official, the unit stopped vetting for corruption after its first year of operation.[482] In a June 2011 report, GAO determined that the VSU might face limitations similar to those seen by CENTCOM's vetting unit. GAO urged that State, DOD, and USAID all share their respective vetting information through a formal mechanism to ensure the practice endured.[483] While State, DOD, and USAID set up an informal mechanism to share vendor information, State never stood up its own formal vetting unit.

Summary: A Lack of Political Commitment and Misperceptions of Leverage

The Salehi arrest and Kabul Bank crisis forced the U.S. government to choose between maintaining a hard line against corruption or retreating in the face of the realization that fighting corruption would either require even more political capital than anticipated, or be largely futile in the absence of Afghan political will. The U.S. government chose to do the latter, judging that there was a greater chance of progress on other priorities if it avoided direct attacks on corrupt power structures. Agencies turned their attention to more technical approaches to the problem. U.S. officials appeared to calculate that focusing on corruption within Karzai's government could alienate the president and jeopardize the SPA, BSA, and reconciliation.

But targeting only low- to mid-level corruption was not sufficient. The tone was set by how the international donor community addressed corruption at the top, which was critical to building trust with Afghan society. As Katherine Dixon of Transparency International noted, "Where significant government corruption exists, the key is for the international community to present itself as standing with the interests of the people."[484]

The U.S. government underestimated the leverage it had over the Afghan government and politically connected individuals. While the lack of Afghan cooperation on anticorruption stymied many U.S. efforts, the United States could have more aggressively brought pressure to bear by conditioning security and development assistance on tangible progress.

The perception of limited U.S. leverage over Afghan leaders manifested itself in various ways. U.S. officials supported new IMF benchmarks that were softer than those initially sought; negotiations on the BSA took precedence over U.S. concerns about corruption; DOJ essentially ended its mentoring and training of Afghan law enforcement entities; and Treasury and USAID withdrew their technical advisors from the Central Bank. Although anticorruption

remained on the embassy's agenda, U.S. activities and goals in this area reflected low expectations of progress. Certainly, much of the blame for such little progress against corruption rests squarely with Afghan leaders who failed to meet benchmarks for reform or hold the most corrupt actors accountable.[485]

At the same time, however, the U.S. government underestimated the leverage it had over the Afghan government and politically connected individuals.[486] While the lack of Afghan cooperation on anticorruption stymied many U.S. efforts, the United States could have more aggressively brought pressure to bear by conditioning security and development assistance on tangible progress. U.S. agencies might have developed a cohesive strategy for increasing the costs for Afghan political leaders to support a corrupt system, including pursuing revocation of visas against corrupt Afghan officials and their families; pursuing more robust U.S. law enforcement actions against corrupt Afghans with dual U.S. citizenship; and making seizures in the United States of the proceeds of Afghan corruption.

The U.S. failure to fully employ these tools suggests U.S. officials believed that using them carried too high a risk of jeopardizing more direct security and counterterrorism objectives, such as ensuring a continued international troop presence and maintaining control of battlefield detainees. These judgment calls reflected the primary U.S. policy objective in Afghanistan: to disrupt, dismantle, and defeat al-Qaeda and its safe havens in Pakistan, and to prevent their return to Pakistan or Afghanistan. The problem was that corruption continued to pose a security threat in its own right and threatened U.S. security and stability goals.

If the United States had devoted more resources to studying and understanding the issue of corruption, it might have recognized the threat of systemic corruption to its core security goals before corrupt networks became entrenched and much harder to tackle. It was not until 2010 that U.S. agencies initiated systematic efforts to map corruption in, for example, Shafafiyat and to vet contractors through TF-2010 and vendor vetting units. Although these efforts prevented some U.S. contracts from going to malign actors, they proved too little, too late to dismantle corrupt networks.

It is impossible to know how employing all available tools might have compromised U.S. goals for the SPA, BSA, the security transition process, and reconciliation. What we do know, however, is that the Taliban insurgency remains a serious threat to security and stability in Afghanistan.[487] During the 2014 presidential elections, Ashraf Ghani told the *Guardian* that "the Afghan public is sick and tired of corruption; we are not going to revive the economy without tackling corruption root, stock, and branch."[488] Perception surveys continue to show corruption as a major source of frustration for the Afghan population.[489] The World Bank's *Worldwide Governance Indicators* show slight improvement in Afghanistan's "control of corruption" as of 2014, but the country remains in the bottom six percent of all countries ranked.[490] While demonstrating

a desire to tackle corruption and achieving some successes, the National Unity Government has struggled to make headway against entrenched, corrupt networks. And, the United States is maintaining a sizeable troop presence in Afghanistan, in contrast to earlier plans for a near-complete withdrawal.

"The Afghan public is sick and tired of corruption; we are not going to revive the economy without tackling corruption root, stock, and branch."

—President Ashraf Ghani

U.S. Army National Guard photo

CONCLUSIONS

Our study of the U.S. experience with corruption in Afghanistan finds:

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.

These findings underscore that the U.S. government should have viewed anticorruption as an essential part of its security, political, and development goals from the start of the contingency operation. As Ambassador Crocker noted in an interview for this report, "The corruption lens has got to be in place at the outset, and even before the outset, in the formulation of reconstruction and development strategy, because once it gets to the level I saw … it's somewhere between unbelievably hard and outright impossible to fix."[491] Yet, policymakers tended to perceive tradeoffs between fighting corruption and making progress on other important goals. As a result, security and political goals repeatedly trumped strong anticorruption actions. Corruption grew so pervasive and entrenched that it came to pose a threat to the entire security and state-building mission.

Our observations also highlight that the U.S. government played a role in the growth of corruption. The United States should have assessed aid saturation levels and practiced better oversight of contracting and procurement.

"The corruption lens has got to be in place at the outset, and even before the outset, in the formulation of reconstruction and development strategy, because once it gets to the level I saw … it's somewhere between unbelievably hard and outright impossible to fix."

—Ambassador Ryan Crocker

The United States and its international partners wielded great influence in the choices they made about whom to partner with, do business with, and support. Yet the U.S. government supported or tolerated malign powerbrokers who shared a narrow set of U.S. interests and who simultaneously undermined broader, long-term goals. Furthermore, the U.S. diplomatic, military, intelligence, and development communities were not always aligned in their objectives *vis-à-vis* these actors.

The U.S. response to endemic corruption also failed to address the fundamentally political nature of the problem. U.S. anticorruption efforts were not unified by a cohesive strategy to reduce the incentives for political leaders to support a corrupt system, without which, institutional reform could not be sustained.

In Afghanistan today, corruption remains an enormous challenge to security, political stability, and development. The findings of this report are relevant for not only ongoing U.S. efforts in Afghanistan, but also those of our allies and the Ghani-Abdullah administration. In his address to a joint meeting of the U.S. Congress in March 2015, President Ghani spoke candidly: "Nearly forty years of conflict [have] produced a country where corruption permeates our government. Until we root out this cancer, our government will never generate the trust to win the hearts of our people or the trust of your taxpayers."[492]

Since its creation in September 2014, the National Unity Government has pursued several anticorruption initiatives. One of Ghani's first official actions as president was to direct Afghan government officials to immediately reopen the Kabul Bank case, recover stolen funds, hold accountable those involved in the theft, and move ahead with privatizing the successor New Kabul Bank.[493] Another move against corruption related to a $1 billion Afghan Ministry of Defense (MOD) fuel contract. In early 2015, SIGAR briefed President Ghani on its investigation into contractor collusion, price fixing, and bribery in the award of the contract. Ghani immediately cancelled the contract and suspended those MOD officials purportedly involved in the corruption. Ghani established the National Procurement Commission, which he chairs, to review large contracts and provide high-level oversight.[494]

The Ghani-Abdullah administration has also sought to reinvigorate the Major Crimes Task Force. In May 2016, Ghani announced both the establishment of a specialized anticorruption court and plans to strengthen the MCTF to support anticorruption investigations. The Anti-Corruption Justice Center will bring together MCTF investigators, AGO prosecutors, and judges to combat serious corruption. The center aims to have its first case before the October 2016 conference in Brussels co-hosted by the European Union and the Government of Afghanistan. Ghani also issued a decree to create the Higher Council on Governance, Justice, and the Fight Against Corruption. The council will oversee the drafting and implementation of a national anticorruption strategy.[495]

These are promising steps. Nevertheless, preventing and fighting corruption in Afghanistan are generational goals. Progress will likely continue to be uneven and incremental. For instance, despite the efforts of President Ghani and Chief Executive Abdullah, there has been no significant progress in Kabul Bank asset recoveries; efforts to counter corruption within the army and police have suffered from political conflict between Ghani and Abdullah; the Anti-Corruption Unit of the AGO faces obstacles prosecuting high-level corruption; and, according to DOD, the MCTF's effectiveness will continue to be limited by external factors, such as AGO corruption and political pressure.[496]

The fact that corruption remains such a great challenge to the Afghan state and to the goals of its international supporters highlights Ambassador Crocker's urgent call for "the corruption lens" to inform reconstruction planning from the very beginning."[497] This is one of the core lessons that flows from the U.S. experience with corruption in Afghanistan, and underlies all the lessons and recommendations of this report.

USAID/Afghanistan photo

LESSONS

Based on the foregoing narrative and findings, this section distills lessons learned from the U.S. experience with corruption in Afghanistan. These lessons should inform reconstruction efforts at the onset of and throughout contingency operations.

Lesson 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.

Corruption significantly undermined the U.S. mission in Afghanistan by damaging the legitimacy of the Afghan government, strengthening popular support for the insurgency, and channeling material resources to insurgent groups. Surveys and anecdotal evidence indicate that corrupt officials at all levels of government victimized and alienated the Afghan population. Substantial U.S. funds found their way to insurgent groups, some portion of which was due to corruption.

Corruption also undermined faith in the international reconstruction effort. The Afghan public witnessed limited oversight of lucrative reconstruction projects by the military and aid community, leading to bribery, fraud, extortion, and nepotism, as well as the empowerment of abusive warlords and their militias. Public trust

in the U.S.-led intervention eroded, as international aid agencies, contractors, and ISAF were seen as complicit in the corrupt behavior of the Afghan government.

The U.S. government did not sufficiently appreciate early on these potentially devastating consequences of corruption and did not mount an effective strategy to mitigate against corruption. Short tours and frequent turnovers of U.S. civilian and military officials, coupled with the lack of specialized anticorruption expertise, led to poor institutional knowledge of the complex risks of corruption and inconsistent attempts to address it.

By the time U.S. agencies invested resources in understanding the nexus of corrupt officials, criminals, drug traffickers, and insurgents, and sought to prevent U.S. funds from reaching them, these networks were deeply entrenched and extremely difficult to dismantle.

Lesson 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.

In Afghanistan, the United States was slow to acknowledge the systemic and entrenched nature of corruption, which in turn delayed its awareness of how corruption threatened core U.S. goals. The Afghan Threat Finance Cell (ATFC), put in place in late 2008, was arguably the first organization to understand the nexus of corruption, criminality, narcotics, and the insurgency by tracking money flows and using network analysis. The unit relied on DOD, Justice, and Treasury personnel and expertise, and communicated its findings across agencies in Kabul and Washington. As a result of the ATFC's and others' work, by 2009 U.S. officials were increasingly concerned about the corruption threat and the need for strong anticorruption efforts. Executive branch agencies established several organizations, conducted studies, and pursued programs to address different aspects of corruption.

A critical first step to understanding the corruption threat was for U.S. agencies to jointly conduct high-level, thorough political economy analyses of criminal patronage networks and their associated money flows. Such analyses laid the groundwork for a common understanding of the problem and identified potential allies and obstacles.

Lesson 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.

Tens of billions of dollars injected into the Afghan economy, combined with the limited spending capacity of the Afghan government, increased opportunities for corruption. This was exacerbated by poor oversight and contracting practices by donors and the pressure to spend budgets quickly. For most of the 2002–2014 period, appropriated U.S. reconstruction assistance to Afghanistan surpassed 45 percent of Afghanistan's GDP, reaching a high of 105 percent in 2010 and never falling below 22 percent (see figure 4, p. 51).[498] According to a 2009 OECD

report, international assistance accounted for roughly half of Afghanistan's lawful economy.[499] The Afghan government could not manage such inflows given staffing and skills constraints, lack of experience in mid- to senior-level management, and inadequate regulatory and internal controls.

The amounts also exceeded the oversight capacity of the U.S. military and civilian agencies due to insecurity and lack of mobility, staffing shortages, lack of contract management expertise, and numerous layers of subcontractors who were beyond the reach of contract monitors. U.S. officials often could not ensure a project was completed sufficiently or at all. These weaknesses opened the door to widespread corruption.

Not until 2010 was a more systematic effort made to address how the U.S. government itself contributed to corruption in Afghanistan. For example, U.S. departments and agencies, particularly DOD, established procedures for vetting contractors. DOD, State, and USAID issued contracting guidelines specific to counterinsurgency environments. These efforts succeeded in preventing some U.S. funds from benefitting corrupt and criminal actors. Nevertheless, by 2010, corruption was so pervasive and entrenched that vetting activities did little to resolve the overall problem.

Lesson 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.

Early on, the United States allied with Afghan warlords—many of whom had committed war crimes and grave human rights abuses against fellow Afghans—to seek their help in eliminating al-Qaeda and remnants of the Taliban. Many warlords were brought into government, where they continued their abuses, maintained private militias, and had links to narcotics, smuggling, and criminal networks. With a weak central government and no fear of law enforcement, the warlords gained impunity. Over time, their criminal patronage networks became more entrenched. The warlords did not "self-correct" upon entering government; rather, they sought to maximize private gains within a system lacking accountability.

U.S. agencies, particularly those in the military and intelligence communities, relied on these warlords for different reasons, including historical relationships, intelligence, information, political needs in Kabul or the provinces, and as security force multipliers or force protectors. Their association with the United States empowered them and provided access to lucrative contracts related to the reconstruction effort and military presence. U.S. partnerships with such individuals gave the Afghan population the impression the United States tolerated corruption and other abuses, seriously undercutting U.S. credibility.

Lesson 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.

While recognizing the short timelines imposed by U.S. domestic political realities, policymakers must acknowledge the likelihood of an extended engagement and therefore place greater priority on long-term governance objectives. In Afghanistan, the United States repeatedly allowed short-term counterterrorism and political stability priorities to trump strong anticorruption actions. Policymakers tended to believe that confronting the corruption problem—for instance, by taking a hard stand against corrupt acts by high-level officials—would impose unaffordable costs on the U.S. ability to achieve security and political goals.

But in the long term, this was a false choice. In fact, corruption grew so pervasive that it ultimately threatened the security and reconstruction mission in Afghanistan. In 2009, U.S. officials became increasingly concerned about corruption and began to mount a more energetic response. That response, however, ran up against deeply entrenched, corrupt networks, and an Afghan government resistant to meaningful reform—as illustrated by the Salehi arrest and release, and the Kabul Bank crisis. Both events demonstrated the vast scale of corruption and the complete lack of Afghan political commitment to address it.

The U.S. reaction was to soften its own political commitment to fighting corruption. U.S. officials spoke out strongly against corruption and consistently pressed the Afghan government for reforms, but applied the greatest diplomatic leverage to achieving security or stability priorities like concluding a bilateral security agreement and managing the security transition, rather than imposing stiff sanctions against corrupt actors. Moreover, interviews and press reports revealed that not all U.S. agencies shared the same objectives with regard to fighting corruption, specifically alleging the CIA maintained relationships with some corrupt individuals as assets, while other agencies sought to investigate and prosecute those same individuals. This lack of coherence in the overall U.S. approach to corruption undermined U.S. efforts to fight it.

Lesson 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.

Fighting systemic corruption requires inherently political solutions. The U.S. government must be prepared to invest political capital in encouraging a host government to carry out critical corruption-related reforms. It must also have the political will to provide resources for necessary oversight of U.S. assistance, and to hold back such assistance when it proves ineffective.

Senior officials interviewed for this report, as well as many government, academic, and think-tank entities, argue that the U.S. response to corruption

in Afghanistan failed to address the fundamentally political nature of the problem, concentrating its efforts on overly technical approaches. For example, U.S. agencies succeeded in building the capacity of some Afghan police, investigators, prosecutors, judges, and auditors to counter corruption, but these newly trained officials often could not put their skills to good use due to political interference. U.S. capacity-building efforts were not embedded within a long-term strategy for reducing the incentives for Afghan political leaders to engage in or support a corrupt system.

Although the U.S. Embassy in Kabul drafted a coherent anticorruption strategy that called for strong U.S. political commitment, it was never approved. Former senior officials said the draft strategy guided their efforts for many months, but in the longer term, it appeared to have little effect.

Aga Khan Foundation photo

RECOMMENDATIONS

These recommendations suggest actions that can be undertaken by Congress or executive branch agencies to institutionalize the lessons learned from the U.S. experience in Afghanistan. At the same time, however, the recommendations cannot substitute for the tough political choices required when U.S. government officials are confronted with endemic corruption.

When assessed in hindsight, the numerous pressures facing policymakers in Afghanistan may have led to short-sighted choices and hard-won lessons. The recommendations below aim to provide better policies, organizations, analytical tools, information, and staffs to future policymakers faced with the difficult decisions inherent in reconstruction efforts in contingency operations.

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.**

This legislation should:

- Require federal agencies (i.e., DOD, State, USAID, and others) to develop an interagency anticorruption strategy for a contingency operation and provide it to Congress.
- Require the Executive Branch to establish and enforce clear, measurable anticorruption benchmarks as a regular condition for the disbursement of reconstruction assistance.
- Mandate annual reporting to Congress on the implementation and effectiveness of the anticorruption strategy and on the need for any adjustments.

2. **Congress should consider enacting legislation that authorizes sanctions against foreign government officials or their associates who engage in corruption.** This legislation should:
   - Authorize the President to impose U.S. entry and property sanctions against any foreign government official or senior individual associated with the official who is responsible for, or complicit in, corrupt activities.
   - Require annual reporting by the President to Congress on each foreign person sanctioned, the type of sanctions imposed, the reason for their imposition, and a description of any facts that warrant suspension of sanctions.

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.** Such legislation should:
   - Authorize a head of contracting activity (HCA) or the Chief of Mission to restrict, terminate, or void a contract, grant, or cooperative agreement with an entity or individual determined to be engaged in corrupt activities that threaten U.S. national security interests.
   - Require that intelligence analyses of corrupt patronage networks inform decisions to exclude individuals and entities from eligibility for the award of contracts.
   - Provide personnel with adequate access to the classified systems and other databases used to vet contractors and subcontractors.
   - Ensure units are staffed sufficiently and have appropriate procedures to avoid bottlenecks in contract management processes.
   - Recommend that vetting units also coordinate closely with U.S. allies operating in the host country to share information on contractors and subcontractors, and to exclude individuals or businesses that may pose a threat.

Executive Branch Recommendations

4. **The NSC should establish an interagency task force to formulate policy and lead strategy on anticorruption in contingency operations. The task force should encourage NSC principals to factor in the threat of corruption when deciding on and planning such missions.** It should include representatives from DOD, State, USAID, Treasury, Justice, DHS, and the Intelligence Community, who together will establish anticorruption policy and corruption-related assessment tools and coordinate implementation across agencies. The task force should be led by a senior official appointed by the President, reporting directly to the National Security Advisor. The task force should have a corresponding presence in theater and a budget to meet its staffing and other resource needs. The task force should also engage with outside, independent experts. The task force should:
    - Establish a policy and implementation framework for addressing the impact of corruption on U.S. national security objectives in conflict zones.
    - Create a standard assessment tool to be used by agencies in the initial phases of contingency operation planning to evaluate drivers of corruption, the potential for corrupt powerbrokers to capture state functions, the role foreign assistance might play in exacerbating corruption, and the risks to mission goals.
    - Establish an interagency framework for assessing spending levels, including covert activities, and preventing U.S. aid and procurement dollars from overwhelming a national economy and creating conditions conducive to corruption.
    - Determine requirements for oversight and control mechanisms that must be in place from the outset to ensure accountability for U.S. expenditures.
    - Identify diplomatic and other types of leverage to exert influence on or hold accountable corrupt host nationals, including U.S. entry and property sanctions and anti-money-laundering tools.
    - Recommend budget reforms that would allow more flexible budgeting in contingency environments to reduce "use or lose" pressures to spend money quickly. These reforms may include greater use of multi-year appropriations, more flexible contracting mechanisms, and increased use of multilateral trust funds.
    - Coordinate and de-conflict intelligence operations with other agencies' goals and activities in country.
    - Set priorities for U.S. political and programmatic interventions to advance institutional accountability in such sectors as banking and security.

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.**

Intelligence agencies should:

- Conduct detailed analyses of underlying social, economic, and political factors that facilitate or drive corruption within the host nation.
- Analyze familial, ethnic, and political associations of elites, their economic interests, their licit and illicit financial networks, and their geographic spheres of influence.
- Provide this analysis to designated senior officials in the NSC, DOD, USAID, State, Treasury, Justice, and DHS who are responsible for policy, strategy, and planning.
- Provide this analysis to officials within Treasury's Office of Foreign Assets Control (OFAC), in connection with the Specially Designated Nationals list.
- Identify U.S. points of leverage that could most effectively prevent or counter corrupt behavior.

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.** For DOD, the individual should be a flag or general officer; for the civilian agencies, a senior executive, or political appointee. These individuals should have prior specialized training and expertise in anticorruption. When planning is completed and as a contingency operation gets under way, they should be under a long-term commitment to serve in the field. Senior anticorruption officers should have responsibility to:
    - Ensure the development and implementation of an integrated interagency anticorruption strategy throughout the duration of the contingency operation.
    - Conduct regular joint contingency operation corruption risk assessments.
    - Provide expert opinion to the NSC and agencies on U.S. actions against local high-level corrupt actors, including analysis of likely success or failure.
    - Identify points of leverage which agencies might use to address corruption, and assist in the execution.
    - Coordinate with allies and multilateral institutions to work toward maximum unity of effort in policy, programs, and messaging on corruption.
    - Conduct regular outreach to and share information with key civil society organizations who work on human rights, civil rights, anticorruption, and related issues.

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.** Each office should:

- Develop and share information on and assessments of the forms of host country corruption that pose the most immediate, costly, and mission-critical threats.
- Collect and consolidate best practices and research in the field of anticorruption, including diplomatic, legal, and assistance tools.
- Provide operational and programmatic guidance to field staff.
- Coordinate anticorruption policies, programs, and practices with relevant interagency counterparts.
- Identify, track, and provide analysis on initiatives in fragile states—and in neighboring countries—that have been successful in addressing corrupt practices, such as aid conditionality, civil society strengthening, and transparency initiatives.
- Identify appropriate metrics to assess the risks to U.S. programs from corruption and the success or failure of U.S. anticorruption efforts.

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.** The revised authority should:
    - Amend Section 3(e) of Executive Order 13581 to expand the definition of a "significant transnational criminal organization" to include individuals and entities which are engaged in corrupt practices in conflict zones or during contingency operations.
    - Align with and draw upon the Justice Department's ongoing Kleptocracy Asset Recovery Initiative, to include setting conditions for implementation of the executive order.

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.** In this respect, the U.S. government should:
    - Emphasize the importance and priority the U.S. government attaches to the fight against corruption and the vulnerabilities to corruption observed in such environments.
    - Set expectations in initial agreements with the host government regarding its anticorruption commitments and strategy.
    - Collaborate with the host government to establish milestones or key indicators of progress.
    - Work with international partners to establish anticorruption as a continuing priority and encourage partners to support the host government in carrying out its anticorruption commitments.
    - Work with regional partners who have demonstrated success in fighting corruption in similar operating environments, to bring such partners' experiences and best practices to bear.

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).** Such reporting should:
    - Present detailed analyses of underlying social, economic, and political factors that facilitate or drive corruption within the host nation.
    - Describe the links between host government officials and corruption, criminality, trafficking, and terrorism.
    - Assess points of leverage that could most effectively prevent or counter corrupt behavior.
    - Include information derived from contact with civil society and the media.
    - Be distributed widely among other relevant U.S. agencies.

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.** Agencies should:
    - Promote awareness of the impact of corruption among mid- and high-ranking officials by providing more extensive and specific training. At a minimum, this training should occur in professional education for senior officers, such as DOD's Capstone and Pinnacle leadership courses, and training for ambassadors, deputy chiefs of mission, and senior intelligence professionals. Similar training for mid-level military officers, senior enlisted personnel, and mid-career civilians should also be considered.
    - Develop and introduce at the national war colleges a separate course on corruption, its implications for U.S. foreign policy and national security, and effective anticorruption efforts.
    - Offer a similar course on corruption and anticorruption at State's Foreign Service Institute during key professional development milestones.
    - Include anticorruption instruction in pre-deployment training for military and civilian personnel en route to conflict zones.

APPENDIX A

METHODOLOGY

SIGAR conducts its lessons learned program under the authority of Public Law 110-181 and the Inspector General Act of 1978, as amended, and in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspector General* (commonly referred to as "the Silver Book"). These standards require that we carry out our work with integrity, objectivity, and independence, and provide information that is factually accurate and reliable. SIGAR's lessons learned reports are broad in scope and based on a wide range of source material. To achieve the goal of high quality and to help ensure our reports are factually accurate and reliable, SIGAR's lessons learned reports are subject to extensive review by subject matter experts and relevant U.S. agencies.

The *Corruption in Conflict* research team consulted a wide array of sources, including publicly available material, interviews, and government agency documents. We also drew from SIGAR's own work, embodied in quarterly reports to Congress, investigations, audits, inspections, and special project reports.

Much of the research team's documentary research focused on publicly available material, including reports by DOD, State, USAID, GAO, Congressional Research Service, congressional committees, and congressionally chartered commissions. The team also consulted declassified, archival material from a website maintained by former Secretary of Defense Donald Rumsfeld. These official sources were complemented by hundreds of nongovernmental sources, including books, think tank reports, journal articles, press reports, academic studies, international conference agreements, reports on perceptions surveys and other field research, and analytical reports by international and advocacy organizations.

The research team also benefitted from SIGAR's access to material that is not publicly available, including thousands of documents provided by U.S. government agencies. The Department of State provided unclassified and classified cables, internal memos and briefings, opinion analysis reports, and planning and programmatic documents. DOD provided documents and answered questions regarding anticorruption-related organizations the department created or participated in. USAID provided internal planning and programmatic documents, and answered questions regarding USAID anticorruption activities in Afghanistan. Researchers also reviewed hundreds of documents obtained from the U.S. Army Center of Military History. A body of classified material, including U.S. embassy cables and intelligence reports, provided helpful context. As an unclassified document, however, this report makes no use of such material. In one case, however, at SIGAR's request, the State Department declassified a cable from

the U.S. Embassy in Kabul, which was particularly important to SIGAR's analysis; that cable is cited in the report.

While the documentary evidence tells its own story, it cannot substitute for the experience, knowledge, and wisdom of people who participated in the Afghanistan reconstruction effort. The research team interviewed more than 80 individuals with direct and indirect knowledge of facts on the ground that affected U.S. engagement on corruption. Individuals interviewed included U.S., Afghan, and other international experts from academia, think tanks, NGOs, and government entities, as well as current and former U.S. civilian and military officials at the National Security Council, intelligence agencies, USAID, and the Departments of Defense, State, Treasury, and Justice. The team also drew from dozens of interviews conducted by other SIGAR researchers and auditors. Further, Transparency International's Defence and Security Programme graciously shared transcripts of selected interviews completed for its report, *Corruption: Lessons from the International Mission in Afghanistan.*

Interviews provided invaluable insight on the thinking and assumptions behind decisions, debates within and between agencies, and frustrations that spanned years, but often remained unwritten. Due, in part, to the politically sensitive nature of the topic of corruption, a majority of the interviewees wished to remain anonymous. For those still working in government, confidentiality was particularly important. Therefore, to preserve anonymity, our interview citations often cite a "senior U.S. official" or "senior State Department official." We conducted most interviews in person in the Washington, DC area or by telephone; however, we also interviewed individuals during research trips to Kabul, Boston, New York City, Brussels, Bergen, London, Oslo, and Copenhagen. We performed our documentary research in SIGAR's offices in Arlington, Virginia.

Corruption in Conflict reflects careful, thorough consideration of the wide range of sources; however, it is not an exhaustive treatment of the topic. Given the timeframe and scale of U.S. engagement in Afghanistan, the ambiguity in perceptions about corruption, and the paucity of empirical data on levels of corruption, the report does not aim to fully address how thousands of U.S. civilian and military officials dealt with corruption on a daily basis since 2001. Rather, the report focuses on certain key events and provides context on the manifestation of corruption in Afghanistan, relevant U.S. policies and initiatives, and competing U.S. priorities. From these, we derive lessons and recommendations to inform current and future contingency operations.

The report underwent an extensive process of peer and agency review. First, we sought feedback on a draft of the full report from seven subject matter experts; four additional subject matter experts reviewed the draft lessons and recommendations. The experts included Americans, Afghans, and Europeans, all of whom had substantial experience working on or in Afghanistan. These reviewers provided significant, detailed comments on the report, which we incorporated, as possible. The draft was then shared with another group of subject matter experts, including current and former U.S. government officials who shared their personal perspectives. Seven members of this group convened to

discuss the report with the research team. Both rounds of review helped sharpen and improve the report's analysis and conclusions.

Finally, the Departments of Defense, Justice, State, and Treasury, and USAID were given an opportunity to review and comment on the report. The research team received helpful and substantive comments from Defense, Justice, State, and Treasury. In addition, we met with State Department representatives to receive their feedback on the report firsthand. After revising the report in response to agencies' concerns and insights, we shared a near-final draft with the agencies for a second round of review. Although we incorporated agencies' comments where appropriate, the analysis, conclusions, and recommendations of this report remain SIGAR's own.

The report focuses mainly on the 2001 to 2014 time period. When we began our research in early 2015, the National Unity Government had existed for less than six months. Analysis of the period following the Karzai administration was constrained by limited documentary evidence and the difficulty of determining trends or drawing useful conclusions from a relatively short time span. However, SIGAR and external subject matter experts consulted by SIGAR believe corruption is no less an obstacle to reconstruction and stability today than it was in 2014.

APPENDIX B

ABBREVIATIONS

4A	Assistance to Afghanistan's Anticorruption Authority
A³	Accountable Assistance for Afghanistan
AAOA	Acquisition Accountability Office-Afghanistan
ACP	Anticorruption Program
ACT	Anticorruption Tribunal
ACTF	ISAF Anticorruption Task Force
ACU	Anticorruption Unit
ADB	Asian Development Bank
AfCAC	Afghan Civil Society Coalition Against Corruption
AGO	Attorney General's Office
AIBA	Afghan Independent Bar Association
AIHRC	Afghan Independent Human Rights Commission
AMDEP	Afghanistan Media Development and Empowerment Project
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ANA	Afghan National Army
ANDS	Afghanistan National Development Strategy
ANP	Afghan National Police
ANQAR	Afghanistan Nationwide Quarterly Assessment Research
ANSF	Afghan National Security Forces
AREU	Afghanistan Research and Evaluation Unit
ARTF	Afghanistan Reconstruction Trust Fund
ASOP	Afghanistan Social Outreach Program
ATFC	Afghan Threat Finance Cell
BSA	Bilateral Security Agreement
CAO	Control and Audit Office
CD/ROLLE	Coordinating Director for Rule of Law and Law Enforcement Office
CENTCOM	U.S. Central Command
CIA	Central Intelligence Agency
CID	Criminal Investigations Division
CJIATF	Combined Joint Interagency Task Force
CJTF	Criminal Justice Task Force
CMD	Control and Monitoring Department
CN	Counternarcotics
CNJC	Counternarcotics Justice Center
CNP	Counternarcotics Police
CSO	Civil Society Organizations

CSTC-A	Combined Security Transition Command-Afghanistan
CWC	Commission on Wartime Contracting in Iraq and Afghanistan
DAB	Da Afghanistan Bank (Central Bank)
DAG	Deputy Attorney General
DC	Deputies Committee, National Security Council
DDR	Demobilization, Disarmament, and Reintegration
DEA	Drug Enforcement Administration
DFID	UK Department for International Development
DHS	Department of Homeland Security
DOD	Department of Defense
DOJ	Department of Justice
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FinTRACA	Financial Transactions and Reports Analysis Center of Afghanistan
FSD	Financial Supervision Department
GDP	Gross Domestic Product
GIAAC	General Independent Administration for Anticorruption
GIROA	Government of the Islamic Republic of Afghanistan
HCA	Head of a Contracting Agency
HOO	High Office of Oversight and Anticorruption
ICCTF	International Contract Corruption Task Force
ICE	Immigration and Customs Enforcement
ICTAWG	International Community Transparency and Accountability Working Group
IJC	ISAF Joint Command
IMF	International Monetary Fund
INL	Bureau of International Narcotics and Law Enforcement
IROL	Interagency Rule of Law Office
ISAF	International Security Assistance Force
IWA	Integrity Watch Afghanistan
JMK	Jan Mohammad Khan
JSU	Judicial Security Unit
LOTFA	Law and Order Trust Fund for Afghanistan
MCTF	Major Crimes Task Force
MEC	Independent Joint Anti-Corruption Monitoring and Evaluation Committee
MOF	Ministry of Finance
MOI	Ministry of Interior
NATO	North Atlantic Treaty Organization
NDS	National Directorate for Security
NGO	Nongovernmental Organization
NSC	National Security Council

ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OEF	Operation Enduring Freedom
OSD-P	Office of the Under Secretary of Defense for Policy
OTI	Office of Transition Initiatives
PACC	Parliamentary Anticorruption Caucus
PRT	Provincial Reconstruction Team
PSC	Private Security Companies
QDDR	Quadrennial Diplomacy and Development Review
RC	Regional Command
SFPP	Senior Federal Prosecutors Program
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIU	Sensitive Investigations Unit
SOM	Senior Officials Meeting
SPA	Strategic Partnership Agreement
SRAP	Special Representative for Afghanistan and Pakistan
TAF	The Asia Foundation
TF	Task Force
TMAF	Tokyo Mutual Accountability Framework
UN	United Nations
UNAMA	UN Assistance Mission in Afghanistan
UNCAC	UN Convention Against Corruption
UNDP	UN Development Programme
UNODC	UN Office of Drugs and Crime
USAID	U.S. Agency for International Development
USFOR-A	U.S. Forces-Afghanistan
VSU	Vetting Support Unit
VVC	Vendor Vetting Cell

APPENDIX C

Survey Data on Corruption

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
The Asia Foundation	% of respondents who experienced corruption when interacting with the customs office	39.8%	34.2%	36.4%	38.0%	42.0%	52.6%	48.6%	56.8%	47.4%	61.6%
	% of respondents who experienced corruption when interacting with the Afghan National Police	53.0%	42.9%	39.9%	46.8%	49.0%	53.8%	48.5%	52.2%	45.1%	53.5%
	% of respondents who experienced corruption when interacting with the judiciary	55.4%	47.8%	49.1%	51.7%	51.9%	62.5%	59.9%	62.0%	54.8%	63.7%
	% of respondents who describe corruption as a major problem in their daily lives	42.1%	47.1%	50.7%	52.8%	54.8%	56.3%	56.1%	54.4%	62.4%	61.1%
	% of respondents who describe corruption as a major problem in Afghanistan as a whole	77.3%	74.2%	75.8%	76.0%	75.8%	75.6%	78.8%	76.1%	75.7%	76.5%
	% of respondents who describe corruption as one of the top two problems facing Afghanistan as a whole	18.7%	16.2%	13.6%	16.9%	27.3%	21.2%	24.5%	27.3%	28.4%	24.3%
ANQAR	% of respondents who feel the Government does very poorly or a little poorly at reducing corruption in the Government	-	-	60.3%	64.2%	59.1%	61.8%	56.2%	53.9%	-	-
	% of respondents who strongly or somewhat agree that corruption is a serious problem in the government	-	-	88.4%	85.5%	88.4%	90.0%	84.9%	83.4%	-	-
	% of respondents who say there is corruption in the state court system	-	-	82.6%	84.6%	-	85.5%	-	-	-	-
	% of respondents who say that corruption affects their daily lives	-	-	-	78.4%	82.1%	87.8%	78.3%	79.1%	-	-
	% of respondents who say that corruption in the Central Government is greater than one year ago	-	-	-	-	30.6%	38.2%	38.5%	-	-	-
	Rank of corruption in list of reasons why Afghans choose to support the Taliban instead of the Government of Afghanistan	-	-	-	-	2nd	1st	2nd	-	-	-
Integrity Watch	Average value of bribe U.S. $ (GDP per capita [p/c])	-	-	-	-	192 (570) = 34% GDP p/c	-	191 (691) = 28% GDP p/c	-	240 (634) = 38% GDP p/c	-
	Biggest concern for Afghans—Corruption (1st, 2nd, 3rd)	-	-	-	-	3rd	-	3rd	-	2nd	-

Source: SIGAR analysis of data from the Asia Foundation (TAF), "A Survey of the Afghan People," Explore Data Tool, 2006–2015; Integrity Watch Afghanistan (IWA), "National Corruption Survey 2010," 2010, p. 10; IWA, "National Corruption Survey 2014," 2014, pp. 3, 61 (GDP per capita numbers were taken from the World Bank, http://data.worldbank.org/indicator/NY.GDP.PCAP.CD); COMISAF, Afghanistan Nationwide Quarterly Assessment Research (ANQAR), quarterly surveys. Data used was from September of each year.

APPENDIX D

Strategies and Plans: 2009–2010				
Strategy or Plan	Agency/ Body	Objectives	Anticorruption Elements	Date Drafted
Assessment of Corruption in Afghanistan[500]	USAID[501]	Contained a recommended "Strategy for USAID Anticorruption Assistance," which discussed standing up the HOO; agendas for prevention, education, and enforcement; USAID "Do No Harm" precepts; USAID and U.S. government management; and GIROA-donor coordination.[502]	Strategy focused on targeted programming, improved conditionality, strengthened Afghan leadership, and an engaged citizenry.[503]	March 2009[504]
Anticorruption Action Plan for Afghanistan[505]	SRAP[506]	To "improve transparency, reduce corruption and the perception thereof, in order to increase Afghans' confidence in their government; demonstrate visible gains to advance COIN efforts in the short-term."[507]	Proposed implementation included strengthening accountability in police and judicial bodies, U.S. advocacy for prosecution of corrupt figures, support for civil service reform, determining how donor funds contribute to corruption, and developing guidelines for field commanders to address corruption.[508]	May 2009[509]
Access to Justice Strategy[510]	Embassy Kabul[511]	To increase support for the justice sector at all levels (law enforcement, law reform, capacity-building of the justice sector institutions and personnel, and the legislative process). One of four impact areas was to improve anticorruption efforts, including support of anticorruption institutions and task forces.[512]	Included supporting the development of anticorruption investigation and prosecution capability, efforts to identify and combat illicit finance, work on drafting effective legislation, and capacity-building of Afghan rule of law institutions.[513]	June 2009[514]
Integrated Civ-Mil Campaign Plan[515]	USFOR-A, Embassy Kabul[516]	To provide overall guidance for U.S. civilian and military "efforts and resources."[517]	Stated that U.S. personnel should identify and target those key people engaging in corrupt behavior and providing material support to the insurgency, use U.S. leverage to change corrupt behavior, expand accountable and transparent governance, and reduce corruption within ANSF.[518]	August 2009[519]
U.S. Government Rule of Law Strategy for Afghanistan[520]	SRAP[521]	To focus U.S. rule of law assistance on programs that would offer Afghans access to fair and transparent justice and help eliminate Taliban justice and defeat the insurgency; to help increase the Afghan government's legitimacy and improve perceptions among Afghans by promoting a culture that valued the rule of law.[522]	Recommended capacity-building in the formal justice sector, U.S. pressure on GIROA to take steps against high-level political interference, improved vetting procedures for senior appointments, support for a judicial security force to protect prosecutors and judges, and increased pay for prosecutors and judges. SIGAR found that by 2012, the strategy no longer reflected the operating environment and was outdated.[523]	September 2009[524]
U.S. Government Anticorruption Strategy for Afghanistan (draft)[525]	Embassy Kabul[526]	(2010 version) To strengthen Afghan institutions to provide checks on government power, positively influence the behavior of corrupt officials, and tackle visible corruption so the Afghan people could see that change was occurring. Focused on improving transparency and accountability of Afghan institutions, increasing financial oversight, building judicial capacity, encouraging public demand for better governance, and increasing support for civic education, civil society, and the media.[527]	Intended to focus diplomatic, legal, and development assistance tools to increase the political will of GIROA, U.S., and international community to fight corruption; increase support to GIROA for implementing its anticorruption strategy and reform of the HOO; and reform U.S. and ISAF contracting procedures. Never received approval from Washington. Informally adopted by embassy as guidance for anticorruption efforts.[528]	October 2009, revised in April 2010[529]

APPENDIX E

U.S. and ISAF Organizations with Anticorruption Objectives

Organization	Lead Agency	Mandate	Highlights	Start and End Dates
ISAF Anticorruption Task Force (ACTF)[530]	DOD, ISAF[531]	To target corrupt actors[532]	A working group of people from existing organizations at ISAF and Embassy that had equities in anticorruption. ACTF was formalized into a Deputy Chief of Staff command (Shafafiyat) directly under COMISAF.[533]	September 2009 to September 2010[534]
Afghan Threat Finance Cell (ATFC)[535]	DEA lead, with Treasury and DOD co-deputies[536]	To identify and disrupt financial networks related to terrorism, the Taliban, narcotics trafficking and corruption, and to provide threat finance expertise and actionable intelligence to the Chief of Mission, USFOR-A Commander, and ISAF[537]	Illuminated the complexity and extent of corrupt networks in Afghanistan by identifying malign actors and the nexus among corrupt government officials, drug traffickers, and criminal and insurgent groups. The cell worked with Afghan units on several major corruption-related cases.[538]	November 2008 to 2014[539]
Combined Joint Interagency Task Force–Nexus (CJIATF-Nexus)[540]	USFOR-A, ISAF[541]	To provide actionable information on networks that threatened the stability of GIROA, with focus on narcotics production and corruption[542]	Enabled military and law enforcement operations that focused on interdicting and disrupting networks.[543]	2009 to unknown[544]
International Contract Corruption Task Force (ICCTF)[545]	FBI. By 2009, added representation from DOD IG/DCIS, State, State OIG, SIGIR, USAID, Army CID, Air Force OSI, SIGAR, and NCIS. By 2010, included Afghan participation from MOI, MOJ, and NDS[546]	To identify contract corruption involving U.S. or Afghan interests and develop criminal cases that may be prosecuted in the U.S. or Afghan judicial venues[547]	Enabled agencies to take a more coordinated approach to contract corruption.[548]	2006 to present[549]
Task Force 2010[550]	USFOR-A[551]	To understand the impact of contracting and the flow of contracting money at the sub-contractor level, to help combat corruption[552]	"Influenced U.S. contracting-related actions through vendor vetting and targeted effects against nefarious entities operating in Afghanistan."[553]Reviewed transportation, logistics, and security contracts.[554] Included experts in forensic auditing, criminal investigation, and contracting.[555]	July 2010 to present[556]
Task Force Spotlight[557]	USFOR-A[558]	To enforce private security contractor (PSC) compliance with requirements; help improve the regulation of PSCs; and evaluate policy, help develop more effective contracting procedures, and assist Afghan MOI efforts to regulate PSCs[559]	Provided increased coordination and oversight of U.S. and ISAF contracting processes and sought to ensure that international resources did not inadvertently strengthen criminal networks or insurgent groups.[560]	June 2010 until the end of 2011, when it was subsumed by CJIATF-Shafafiyat[561]

Organization	Lead Agency	Mandate	Highlights	Start and End Dates
CENTCOM Vendor Vetting Cell (VVC)[562]	DOD[563]	To vet contract awards to non-U.S. vendors in Afghanistan and Iraq, with the aim of minimizing the risk "that insurgents or criminal groups could use U.S. contracting funds to finance their operations"[564]	Initially vetted vendors with existing contracts.[565] GAO found a growing backlog of unvetted vendors, and weaknesses in the failure to vet subcontractors.[566] The VVC later expanded its capacity to vet, and identified a greater percentage of vendors as high risk, resulting in vendors being prevented from receiving U.S. funds and contracts.[567]	August 2010 to present[568]
USAID Vetting Support Unit (VSU)[569]	USAID[570]	To vet prospective non-U.S. contract and assistance recipients (i.e., implementing partners) in Afghanistan with the aim of countering "potential risks of U.S. funds being diverted to support criminal or insurgent activity"[571]	Initially intended to ensure U.S. funds did not support corrupt powerbrokers, among other bad actors.[572] A former USAID vetting official said the unit stopped vetting for corruption after its first year.[573] A 2011 USAID mission order established a vetting threshold of $150,000.[574]	January 2011 to present[575]
Combined Joint Interagency Task Force–Shafafiyat (Shafafiyat)[576]	DOD, ISAF[577]	To promote a common understanding of the corruption problem, plan and implement anticorruption efforts, and integrate USFOR-A anticorruption activities with those of key partners[578]	Worked with Afghans and key leaders to develop a common understanding of the problem as a basis for joint action. Assessed that sustained engagement generates the political will necessary to address the threats of corruption and organized crime.[579]	September 2010 to October 2014[580]
Combined Joint Interagency Task Force–Afghanistan (CJIATF-A)[581]	DOD, ISAF[582]	To synchronize and focus strategic counter-corruption, counternarcotics, counter-threat finance, and "No Contracting with the Enemy" activities in order to deny resources to malign actors and enhance transparency and accountability within GIROA[583]	Created as an umbrella organization. According to DOD, by 2014, "personnel turnover and bad organizational changes (moving Shafafiyat from CJIATF-A to CSTC-A/NTM-A) at CJIATF-A made it an irrelevant organization." Under Resolute Support, CJIATF-A dissolved and Shafafiyat became Essential Function 2 (Transparency, Accountability and Oversight).[584]	October 2012 to October 2014[585]
Rule of Law and Law Enforcement Directorate (ROL/LE)[586]	State (embassy offices) INL, DOJ, FBI, DEA, DHS, U.S. Marshals Service, and Rule of Law and Anticorruption elements of USAID; working with USFOR-A and ISAF[587]	To improve coordination and substantially enhance U.S. effectiveness in supporting the Afghan government's provision of fair, transparent, and efficient justice[588]	Led all U.S. civilian and military rule of law programs, including anticorruption.[589] ROL/LE was also meant to improve civilian-military coordination of justice sector assistance.[590] A reorganization in 2011 created the Interagency Rule of Law Office (IROL), which was then merged in 2013 under another office.[591]	2010 to 2013[592]

Organization	Lead Agency	Mandate	Highlights	Start and End Dates
Rule of Law Deputies Committee[593]	Embassy Kabul, USFOR-A, and ISAF (plus INL, USAID, DOJ, FBI, DEA, the U.S. Marshals Service, DHS, CSTC-A, IJC, and CJIATF-435)[594]	To ensure unity of effort among all agencies working to improve Afghan adherence to the rule of law and Afghan law enforcement capacity[595]	Served as a decision- and policy-making body for rule of law issues, including counternarcotics, anticorruption, and law enforcement. In addition to U.S. participants, the committee included non-voting representatives from other embassies and the UN.[596]	Summer 2010 to unknown[597]
International Community Transparency and Accountability Working Group (ICTAWG)[598]	UNAMA and U.S. representatives co-chaired, but included all international actors involved in anticorruption[599]	To share information on anticorruption regarding political engagement with GIROA and messaging. Not a decision-making body[600]	Improved information sharing among donors.[601]	2010 to present[602]

APPENDIX F

U.S. Support to Afghan Government Organizations with an Anticorruption Role

Organization	Mandate	U.S. Agency Leading Support	Support Provided	Analysis/Notes	Dates of Support
High Office of Oversight and Anticorruption (HOO)[603]	To lead GIROA's anticorruption efforts, including overseeing and coordinating the implementation of GIROA's national strategy to fight corruption[604]	USAID[605]	Helped GIROA draft a new law to strengthen the HOO's independence and oversight authority. Also launched a capacity-building project.[606]	Struggled to overcome administrative hurdles and gain political support. Embassy Kabul withheld most of planned funding.[607]	2010 to 2013[608]
Control and Audit Office (CAO)[609]	To conduct audits over all state entities within central and provincial governments, and over donor funds received by Afghan treasury[610]	USAID[611]	Covered costs of conference and training attendance.[612]	The CAO's legislative framework was considered weak and did not provide sufficient independence or authority for it to serve as an effective anticorruption institution.[613]	November 2007 to January 2010[614]
Major Crimes Task Force (MCTF)[615]	To conduct criminal investigations of corruption, organized crime, and kidnapping; a vetted unit. Provided cases to the Anticorruption Unit[616]	FBI, DEA, State INL, DOJ, DOD (with the UK's Serious Organized Crime Agency [SOCA])[617]	FBI and DEA special agents trained and mentored MCTF staff. DOJ helped GIROA complete an enabling law for the MCTF.[618] FBI constructed a facility to house the unit.[619]	Developed notable investigative capacity, but its success was constrained by the failure of the judicial system to prosecute cases, as well as lack of Afghan political support.[620]	2009 to present[621]
Anticorruption Unit (ACU), Attorney General's Office (AGO)[622]	To develop and prosecute cases against individuals suspected of violating anticorruption statutes; a vetted unit[623]	State INL, USAID, DOJ[624]	Provided mentoring, training, and support to prosecutors and judges.[625]	Success in building the ACU's capacity, but due to lack of political will by GIROA to empower the unit and prosecute high-level corruption cases, the ACU ultimately had limited effect.[626]	August 2009 to unknown[627]
Anticorruption Tribunal (ACT)[628]	To handle significant corruption cases from Kabul and provinces[629]	Embassy ROL Office, DOJ, State, USAID[630]	Supported judges and provided mentoring and support to judges.[631]	In 2011, judges "lacked uniform sentencing standards, received little training, used rudimentary case management systems, lacked effective security, and work[ed] in inadequate facilities."[632]	November 2010 to unknown[633]
Sensitive Investigations Unit (SIU)[634]	To carry out counter-narcotics investigations using intelligence developed by a unit within the counter-narcotics police; a specially vetted unit[635]	DEA[636]	Trained and equipped, including enabling access to a legal wiretapping capability.[637]	The SIU often identified corrupt officials as a result of its high-level narcotics investigations and routinely partnered with other organizations, including the ATFC.[638]	2007 to unknown[639]
Criminal Investigations Division (CID) of the Ministry of Interior[640]	To lead investigations of national interest, including cases with international links, and organized and white-collar crime[641]	DHS/ Immigration and Customs Enforcement (ICE)[642]	Trained investigators.[643]	The CID investigators uncovered a major case of human smuggling and bribery involving a senior government official.[644]	December 2010 to unknown[645]

Organization	Mandate	U.S. Agency Leading Support	Support Provided	Analysis/Notes	Dates of Support
Afghan Judicial Security Unit (JSU)[646]	To provide security for the Supreme Court, ACU, Counter-Narcotics Court, and at-risk judges and prosecutors[647]	U.S. Marshals Service[648]	Trained JSU officers.[649]	As of 2011, the JSU operated in Kabul and planned to extend coverage to the Supreme Court and other major cities.[650]	2010 to unknown[651]
Financial Supervision Department (FSD), Afghanistan Central Bank (DAB)[652]	To ensure the health of the banking sector and regulate commercial banks and other financial institutions[653]	Treasury, USAID[654]	Provided technical advisors.[655]	The Kabul Bank crisis revealed weaknesses in the FSD's ability to regulate the banking sector and enforce its supervision function. Karzai then banned U.S. advisors from working with the DAB.[656]	2003 (USAID) and 2006 (Treasury) to 2011[657]
Financial Transactions and Reports Analysis Center (FinTRACA), Afghanistan Central Bank (DAB)[658]	To identify suspicious financial transactions and alert law enforcement; served as DAB's financial intelligence unit[659]	Treasury, DHS/ ICE, DEA[660]	Assisted FinTRACA in strengthening Afghan information and evidence-gathering capacity to identify and target illicit finance networks.[661]	DHS/ICE and other international law enforcement agencies gave the unit high marks in 2010. However, a 2011 IMF report found major shortcomings remained in its functioning.[662]	2009 to present[663]
Joint Independent Anticorruption Monitoring and Evaluation Committee (MEC, an international body with GIROA-appointed Afghan membership)[664]	To develop anticorruption recommendations and independently monitor, evaluate, and report on anticorruption efforts by GIROA and the international community[665]	State, USAID[666]	Provided technical assistance (wrote the MEC's terms of reference) and political support, along with other donors, UNAMA, and GIROA.[667]	Considered a model for enhancing transparency and bringing pressure to bear on GIROA[668]	March 2010 to present[669]

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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.

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