

Center for Strategic and International Studies

TRANSCRIPT

CSIS- Transnational Threats Project

“The Special Inspector General for Afghanistan Reconstruction: High-Risk List”

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TIME

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LOCATION

CSIS Headquarters, Washington, D.C.

FEATURING

John F. Sopko,

The Special Inspector General for Afghanistan Reconstruction (SIGAR)

MODERATOR

Anthony H. Cordesman,

Arleigh A. Burke Chair in Strategy, CSIS

Seth G. Jones,

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*Transcript By
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Anthony H. Cordesman: Ladies and gentlemen, I hope you will forgive me if we begin more or less on time. I realize that's not appropriate at any kind of meeting like this, but we quite seriously I think have a very important subject.

Anthony H. Cordesman: I don't really believe I need to introduce John Sopko. The work that he and SIGAR have done I think all of us know and understand.

Anthony H. Cordesman: You certainly do not need to hear from me about the importance of this subject and the timing. We, frankly, do not know what our strategy is going to be in this country. We do not know whether we are leaving or staying. We don't know how we are going to deal with the problems and plan for a withdrawal or a peace. We do not have any clear plan for staying. And it is clear from the current defense budget submission and from the budget submission from the State Department that there is no clear focus as yet as to what our role will be.

Anthony H. Cordesman: And I think what is particularly important – and I will make a brief commercial for this report – is that, quite frankly, we need to understand this country better. We need to have a public understanding in the U.S. not simply of figures like the U.S. troop levels, but what is happening to the Afghan forces, what is happening to the Afghan government, and what is happening to the Afghan economy. And I can't think of anyone who can provide a better summary than John. So, John, let me just introduce you now.

John F. Sopko: Thank you very much for those kind comments, Tony, and also for the invitation to be here at CSIS.

John F. Sopko: Tony and I, as many of you may know, go back a long ways, been a longtime friend and associate. We actually are both two fugitives from the Russell Senate Office Building. (Laughter.) When I was running investigations for Senator Sam Nunn for 15 years down there, Tony was around the corner advising Senator McCain on national security issues. So it's a pleasure. When I look this job nearly seven years ago, he was one of the first people I called up and said: Help! What is going on there and what do I need to know?

John F. Sopko: Likewise, I also want to thank Dr. Seth Jones, who's sitting here in the front row, who literally wrote the book on the Afghan war. He, too, was one of those experts that we are so fortunate to have here in Washington, D.C. who I called, if not first, second, saying: Seth, what's going on there and what do I need to know? And if you haven't already – and I'm doing a plug for Seth – you should pick up his book and read "Graveyard of Empires." It is just as relevant today as it was when he published it nearly a decade ago.

John F. Sopko: And as I'm standing here and looking out at the beautiful lobby and this beautiful building, I can't but think of another former colleague and another friend who goes back to years on the Hill, and that's Dr. John Hamre. He, too, is a fugitive from the confines of the Russell Senate Office Building, and I spent a good 10 years working with him. This building, which I call the building that Hamre built – the home that Hamre built – stands not only as a monument to the great

CSIS experts who have worked here over the years, but also to his foresight and leadership.

John F. Sopko: Now, I digress a little. I'm not here to talk about old times and reminisce about valued colleagues. I'm here to talk about what I think is really one of the most important issues facing our country today. And that is Afghanistan, an ongoing war which is our longest war. And what I will be talking about is our latest report to Congress and the administration, which is our "High-Risk List" for Congress. It identifies serious threats to not only the \$132 billion reconstruction investment, but I would say our entire investment over the last 18 years in Afghanistan.

John F. Sopko: Now, a little over two years ago I stood in a very similar spot here at CSIS again at the offer of Tony Cordesman, and this was right after or right before the Trump inauguration, and I released our last high-risk report. SIGAR issues these high-risk reports at the beginning of each Congress. And like its predecessor, today's report focuses on key areas of reconstruction effort in Afghanistan that we, SIGAR, an independent inspector general, believe to be at a high risk of waste, fraud, abuse, mismanagement, and more importantly mission failure.

John F. Sopko: However, what's unique about today's report and how it differs significantly from the previous two reports that I have issued is because as you all know, the U.S. government is engaged in negotiations with the Taliban that could lead to a peace agreement to end America's longest war, an outcome that we all support. Because of SIGAR's authorizing statute, which requires me to, quote, "make recommendations on policies designed to promote economy, efficiency, and effectiveness in the administration of programs and operations of the reconstruction effort" unquote, this high-risk report addresses not only current risks to the reconstruction effort, but also those that may persist or arise in the wake of any peace agreement. We wouldn't be doing our duty if we didn't discuss those.

John F. Sopko: And a peace agreement obviously is something that none of us in this room would be opposed to, and particularly the long-suffering Afghan people. But as the report discusses, that peace agreement could bring its own set of challenges to sustaining what the United States, its coalition partners, and the Afghan government have achieved over the past 18 years. Likewise, there are risks to the goal of leaving behind a stable Afghanistan at peace with itself and its neighbors, and which respects the rule of law and human rights. So this report addresses both kinds of risks.

John F. Sopko: But let me be clear, before I go any further, what this report is not. SIGAR is not taking a position on whether a peace agreement is achievable, imminent, or practical – although we hope it is all three. Nor are we predicting or speculating in what context or scenario a deal might emerge, or what provisions it would or would not include. That we leave to the administration, to Congress, and to our able negotiators. What this report does do is highlight areas of the reconstruction effort that are currently at serious risk and points out grounds for reasonable

concern regarding risks that may be – may persist, be magnified, or emerge despite or even because of a peace deal.

John F. Sopko: As that old adage goes, failing to plan is planning to fail. Policymakers should be planning for what comes in the days, weeks, months, or years after any peace agreement is reached. We hope this report will be taken in this context and will help inform efforts to prepare for what we call the day after. Why? Because 2,400 members of the U.S. armed forces have lost their lives in Afghanistan, and the United States has obligated more than \$780 billion – that’s with a B – for our total efforts in that country, with about 15 percent of that total going to reconstruction. It is SIGAR’s job to protect that investment. And every effort must be taken to ensure that the progress purchased with that sacrifice of blood and treasure is not lost because we failed to think about what was beyond the immediate horizon.

John F. Sopko: Now, obviously to those of you who have studied Afghanistan, the first matter that every policymaker should take into consideration, whether or not there is a peace deal, is simple. Without financial support from international donors, the government of Afghanistan cannot survive. Moreover, should peace come, if that peace is to be sustainable it will come at an additional price that only can come from the international donor community. Sluggish economic growth, historical anemic revenue collection, and a general lack of economic opportunity, combined with massive government obligations and rampant public corruption, means that Afghanistan will not have the capability to fully finance its expenditures for many years to come.

John F. Sopko: We note in the report that in the next year alone the government of Afghanistan anticipates spending approximately \$5 billion. But over 50 percent of that amount is currently expected to be funded by international donors, and that is a conservative estimate. The Afghan government plans to contribute 20 percent of its domestic revenue, or approximately \$500 million, toward its own defense against the insurgency and terrorist groups. However, the Defense Department currently estimates security funding requirements for Afghanistan for this year to be about \$6.5 billion, of which the U.S. is contributing nearly 5 billion (dollars). It does not take an advanced degree in mathematics to recognize that if donor support is decreased or eliminated, whether there’s a peace agreement or not, the Afghan government and its military in particular will be in dire straits without international financial support.

John F. Sopko: The current Afghan security forces, as we well know, are designed to combat the Taliban insurgency. But even if the Taliban laid down their arms today, Afghanistan will still need to protect itself from ISIS-K, other terrorist groups operating in the Afghanistan-Pakistan border area, narco-criminal organizations, local warlords, and potentially Taliban splinter groups.

John F. Sopko: We also have to remember that there are over 300,000 Afghans currently serving in the security forces, most of them well-armed. If because of a loss of financial support their paychecks were to be diminished or stopped altogether, this also could pose a serious threat to Afghanistan’s security.

- John F. Sopko: Moreover, the Afghan government needs to pay for health clinics, schools, water and power infrastructure, roads, and all the other services that it provides and which also provides its legitimacy in the eyes of its civilians. Donors will have to continue to provide assistance for those functions as well until the government is able to do so on its own.
- John F. Sopko: And if a peace agreement is reached, and U.S. and coalition forces leave or leave suddenly, policymakers have also to consider the that the Soviet-installed Afghan government before did not collapse when the Soviet troops left, but only later after financial support ended.
- John F. Sopko: Now, another area of risk highlighted in our report will be the long-term peaceful reintegration of as many as 60,000 heavily-armed Taliban fighters and their families back into Afghan society. These fighters and their families will face challenges from the weak Afghan economy, few employment prospects, political uncertainty, ongoing insecurity, and distrust from a population traumatized by over four decades of conflict with them.
- John F. Sopko: Now, while SIGAR is currently on a – working on a report – a lessons-learned report from the – from past reintegration efforts in Afghanistan, we do know that successful reintegration efforts following other conflicts have generally required extensive government involvement, including data collection and analysis, information management, vetting, monitoring and evaluation, capacity-building of government institutions, and significant resource mobilization. Unfortunately, as our reports have highlighted, Afghan government capacity generally remains weak in those areas and any reintegration effort may suffer from the government's inability to properly fund it.
- John F. Sopko: Again, the risk is who's going to fund it? And international donors would probably have to be called upon to foot the bill. And they should, because a failure to successively reintegrate those Taliban fighters would threaten any long-term peace agreement as disaffected former Taliban who may have been expecting a peace dividend may return to violent and predatory behavior.
- John F. Sopko: Another issue we discuss has to do with the gains and protecting the gains of Afghan women. Everyone is aware of how Afghan women suffered by the hands of the former Taliban regime. Unsurprisingly, many Afghans are concerned that any return of the Taliban to the halls of power would set back the progress they have made over the past 18 years. And there has been progress. Since 2001, millions of Afghan women have voted for the first time in their lives. Of 320 parliamentary seats, 63 are held by women. Sixty-eight thousand Afghan women are school and university instructors. Another 6,000 serve as judges, prosecutors, defense attorneys and police. And 10,000 women are doctors, nurses, or other health care professionals. All of this would have been unthinkable under the Taliban regime.
- John F. Sopko: Unfortunately, and let me be very clear about this, Afghanistan still is one of the most challenging places in the world to be born female. Last year alone, the

United Nations ranked Afghanistan 153rd worst out of 160 countries for gender equality. Many Afghan women and girls face significant barriers to obtaining education or even working outside of their homes. Vast numbers face threats to their own physical safety, often from male members of their own family. And problems are particularly acute in rural areas, where 75 percent of the women reside. While the U.S. and other donors have prioritized improving the situation of Afghan women, much, much more remains to be done, which is why SIGAR – and I’m announcing today – SIGAR is planning to do another one of its lessons-learned report on the gender issue later this year.

John F. Sopko: There are also misconceptions, we believe, about how much progress actually has been made, particularly for those women living outside of Kabul and other major cities. Nevertheless, previous Taliban behavior indicates that an attempt to reverse the gains that have been made is certainly a high risk. Any effort to roll back those gains would almost certainly trigger negative consequences. The United States alone has contributed over a billion dollars for gender-related programs in that country.

John F. Sopko: And improving the status and rights of women in Afghanistan has been a top American and coalition priority since the beginning of the reconstruction effort. A return to systematic repression of Afghan women would quickly diminish, in our opinion, congressional and coalition support for continued assistance to Afghanistan and, in the process, threaten any government there reliant on that support. So policymakers should be aware, therefore, that the viability of a post-agreement Afghan state may well depend upon whether women’s rights are protected in both word and deed.

John F. Sopko: As SIGAR’s work has shown, and as this report highlights, any Afghan government with or without a peace agreement in hand, cannot current sustain itself without external donor support. I think we all can agree to that. And certainly the U.S. and other donors want a peaceful, prosperous, sustainable future for Afghanistan and its people. But as an inspector general, I and my colleagues cannot countenance throwing taxpayer money blindly in any direction, no matter how righteous the cause. I think it’s part of the IG DNA. SIGAR was created by Congress to protect the U.S. taxpayer, and in the process maximize the return on the reconstruction investment. There is no question that conducting oversight in Afghanistan has grown more challenging in recent years as the security situation has deteriorated. But no matter how difficult, oversight remains mission critical, and mission critical to the success of our mission in Afghanistan whether or not there is a peace agreement.

John F. Sopko: Of particular concern to me in the oversight field is the suggestion that I’m starting to hear that if the United States reduces its military and civilian presence in Afghanistan, an even greater proportion of our financial support will be provided as on-budget assistance. Now, on-budget assistance, for those of you who don’t know, is money provided directly to the – from us to the Afghan government rather than by the donor being responsible for managing, overseeing, and monitoring the funds. On-budget assistance is provided either bilaterally between us and the Afghan government or through multilateral trust funds such

as the World Bank-run Afghan Reconstruction Trust Fund and the U.N. Law and Order Trust Fund Afghanistan to name a few.

John F. Sopko: To date, the U.S. has provided about \$9.2 billion directly to the Afghan government ministries and institutions to manage, and another 5.35 billion (dollars) to multilateral trust funds, which then provide the funds directly to the Afghan government to manage. Unfortunately, as numerous SIGAR audits and investigations have shown, the Afghan government often lacks both the will and the necessary internal controls to ensure that those funds are spent on what the donor intended; are protected from waste, fraud, and abuse; and do not contribute to Afghanistan's already-sizeable corruption problem.

John F. Sopko: We at SIGAR recognize that should U.S. military and civilian personnel levels decrease, the ability to track on-budget assistance will inevitably suffer. We at SIGAR also recognize that there will also be a temptation to provide more money directly to the Afghan government as our in-country capacity to oversee and manage contracts declines. And at first blush one might think that funneling money through multilateral trust funds managed by the World Bank and the U.N. might address some of our oversight concerns. But again, if you look at SIGAR's work, we have found that the World Bank and the U.N. have had serious problems monitoring those funds in the past. Furthermore, SIGAR has found that the U.S. agencies responsible for transferring that money to those trust funds have shown little inclination to aggressively monitor what the funds' financial agents are doing. What we unfortunately have found is they basically have washed their hands and they say it's not our job to watch the money; it's the World Bank's job, it's a U.N. job, it's the Asian Development Bank, it's the EU's job, it's not our job. That's a risk.

John F. Sopko: The risk is that if the U.S. reduces its presence in Afghanistan but feels compelled to provide significant financial support to reconstruction, there may be little choice but to provide a greater proportion as on-budget assistance. But if that road is taken, we urge that assistance should be conditioned on an independent assessment that adequate monitoring mechanisms and internal controls for the Afghan ministries or the multilateral trust funds in questions are in place. If those conditions and that will to protect that money are lacking, and assistance is provided anyway, we are – we at SIGAR believe you may as well take all of that cash and set it ablaze in Massoud Circle for all the help it will do to the Afghans or to us.

John F. Sopko: We at SIGAR urge Congress to not just think about how much money should be given to Afghanistan, but just as importantly to think about how that money will be provided and monitored. If monitoring and oversight is ignored or sidelined, both the American taxpayer and the Afghan people will suffer even with a successful peace agreement.

John F. Sopko: So in conclusion, let me just say: Predicting the future is often a fool's errand. And I have learned it is doubly so in Afghanistan. Eighteen years-worth of assumptions that often turned out to be false have left us where we are, with a dependent Afghan government facing a stalemate on the battlefield. Now, while

the winds of optimism about peace wax and wane, bombs continue to go off killing soldiers and civilians alike. And tragically, we have lost four soldiers since the beginning of the year.

John F. Sopko: Nevertheless, we owe it to ourselves and to the Afghans to anticipate the problems of tomorrow, and hope that by finding the answers policymakers will be able to avoid the roadblocks that would inhibit the sustainability of any peace agreement that we hope is reached. As we said before, much has been gained in Afghanistan over the past 18 years, but at a steep cost. We must all be clear-eyed about what peace may mean for reconstruction and the risks we may be forced to face. Neglecting to ask the right questions, failing to plan, and assuming 18 years-worth of challenges will evaporate miraculously the day after any agreement is signed will only imperil all we have spent and all the lives that have been sacrificed.

John F. Sopko: That is why today we issued this report, to encourage policymakers to plan now and not the day after. Thank you very much and I look forward to any questions. (Applause.)

Anthony H. Cordesman: Ladies and gentlemen, I – let’s see, is this mic working? You know, John, I am reminded that Clausewitz once said that war is an extension by politics of other means. And having been through this in the Department of Defense in Vietnam, I’m also reminded that peace is often an extension of war by other means. I would just like to open by asking you to comment on something which is not normally the function of SIGAR. But you talked about peace, and you talked about the need to plan, and you talked about the future. And in the last few days, we just issued another report on what has actually happened since we had our previous withdrawal from Afghanistan.

Anthony H. Cordesman: And it was not troop levels, which tend to focus on too often, but air activity. We basically removed most air power by 2015. So we had 947 strikes with munitions that year. It crept up to 1,337 in 2016, to 4,361 in 2017, and to 7,362 in 2018. When we focus on the number of U.S. troops in the country it is important to note that we made an absolutely massive increase in the role of the U.S. in combat in supporting Afghanistan. And the last month we have is for – (coughs) – excuse me – January of this year. And we flew 25 percent more strike sorties in January than we did in a previous January, and 12 times the number that we did in 2015.

Anthony H. Cordesman: We don’t have unclassified figures that are meaningful on the U.S. troop presence in Afghanistan. We say more than 14,000. But it was interesting to note that in terms of troops actually assigned to NATO, we increased them by 1,000 between April and March – April of 2018 and March of this year. And in that 14,000, you don’t include some 30,000 contractors, 11,000 of which are Americans, and some 3,000 are paramilitary security contractors, which is twice the number that was present in – or, were present in the country when the president took office.

Anthony H. Cordesman: I raise this because when you talk about future planning, we seem to be ignoring the fact that the Afghan forces you assess so well in your report basically survived for one reason: You had an absolutely massive increase in the role of the U.S. And as I understand it, almost all of the key Afghan combat units that actually were involved in offensive and major operations had U.S. combat support, and U.S. training support forward in the units. When we talk about either peace or war, that doesn't exactly argue for a 7,000 personnel reduction. And talking about personnel without talking about air power seems to be totally ignoring the tactical realities in the area. Now, you've assessed this from the Afghan side, but given that set of figures on the U.S. side, what is the message?

John F. Sopko: Oh, Tony, you always put me on the spot. You know, you highlight a good point. And I think, again, we ignore the reality on the ground to our ultimate detriment. You're right, we are spending a lot more U.S. munitions in the last few years, particularly right now. I can't comment on what the purpose is for that. Some other people have commented and said it's part of the strategy to bring the Taliban to the table. So it's a stalemate. They know they can't win, and they think we know we can't win. So – and a number of our, I think, generals have testified to that.

John F. Sopko: But you highlight another point which I can really talk about, and that is the sustainability of the Afghan security forces, whether it's their nascent air capabilities, their special forces, which you highlight is an effective force. And the bottom line is, as the reports indicate, they can't sustain them by themselves. And so that is something that policymakers have to consider.

John F. Sopko: We just issued a recent report on the UH-60, which is a very nice platform. And it's an American helicopter. And we highlighted in the report, I think it was just a couple months ago, it's on our website, that the Afghans can't sustain it. And we have to plan for – we gave them a piece of equipment, like we've given them a lot of pieces of equipment, that without us maintaining it, without us providing all those civilian contractors who therefore have to be protected, that air force will cease to exist shortly after we leave.

John F. Sopko: So I think – I don't know if that directly answers your questions, Tony. But you highlight an important point, which is confirmed in our report. And that is, without external support the Afghan military is in trouble not only financially – which I talked about a lot – but also technically.

Anthony H. Cordesman: Thank you.

Anthony H. Cordesman: Seth, this is an area of your expertise.

Seth G. Jones: Yeah. Well, one of the issues that I wanted to get into, sort of on the other side of the war here, is to get into the Taliban a little bit. First of all, before even asking the question I think one of the things that I really liked about the report – and I read all 66 pages, which included the footnotes; I went through the footnotes too – is that it actually – it's one of the few documents we've seen

publicly that really tries to struggle with the issues after a settlement. I mean, there's a lot of variation on what a settlement, if one even occurs, looks like. But I think that's an area that, whether it's on the hill, in parts of the government, and certainly in the public, that has not been grappled sufficiently with. So I really applaud your effort to start to struggle with this issue, and to identify some of the challenges that the U.S., the Afghans, the broader international community may face after a settlement.

Seth G. Jones: But what I wanted to turn to is one of the issues you highlighted is the challenge of women's rights. This issue could apply to a number of the other challenges you identify. But part of the answer to what you're dealing with depends on who we think the Taliban is today and will be moving forward. How will they deal with women's rights? How do they see it? And this issue is important, I think, regardless of what kind of outcome we get. I think the reality is – and as some of your past reports have noted – the Taliban influence of territory and population has – continues to be strong, in some areas has grown. And so we are dealing with a Taliban that is in a better position than it was 15 years ago, 16 years ago. It controls more and influences more territory than it did in the early stages of the war. So it's a player. It's a military player. It's a political player. It's an economic player. It's a justice player.

Seth G. Jones: What is your sense of who the Taliban are and how that impacts – take women's rights as an example. What are we likely to see along those lines?

John F. Sopko: That's a good point also. And it's tough for us because, you know, we do reconstruction; we don't do Taliban reconstruction, although I think some Taliban have actually tweeted saying they want something like SIGAR to continue for oversight purposes. But you know, that's nice, but I work for the U.S. government, not them. (Laughter.)

Seth G. Jones: I'm not sure their books are going to be that clear if that was –

John F. Sopko: I don't think so. I don't think so. Although, ironically, they actually do have, as I'm told by somebody – and you probably know better than I do – they actually do have a unit that goes around and inspects books and records. So the general accounting office is already over there at the Taliban.

Seth G. Jones: Yes.

John F. Sopko: But all kidding aside, from my experience – limited in comparison to the two gentlemen on either side – and what I'm told by my Afghan colleagues and the Afghans who know the Taliban is that it's not a monolithic organization. So it's hard to say “the” Taliban. As you well know, it's – it could – and it could also splinter as a result. And some of them may be more forward-looking than before. But I'm sort of the Ronald Reagan in the room. Do you trust the Taliban? By nature we always trust, but we have to verify. And it is a concern. And what you have heard coming out – and again, it's not monolithic, and I think probably the best person to have here would be who is negotiating on our behalf who meets with them or maybe some people from the intel unit. But I got to deal

with what I saw in the past and what we all saw in the past and what Afghans are telling me they're afraid of, and that is that there is an inclination that they are not going to support what we have spent 18 years trying to help the Afghan citizens, women in particular, develop.

John F. Sopko: So that's the only way I can answer. I don't have a good answer for that. And then I'm curious what both of you think about what the Taliban are and look like. We do know they fight well. And we do know, like you say, they have spread. But as to what's going to happen if they're a part of the government, I don't know. I'd have to defer to you all.

Seth G. Jones: Well, just briefly – Tony has a view as well – we can see it in areas that they control right now. So if you look at areas of – you look at Helmand, for example, where they control today. It's not the Taliban of the 1990s, but this is not somehow a Taliban that has been imbued with a view of supporting women's rights or, you know, benign aspects of justice. They're still ruthless. When there are rules that are broken we still see them cutting off hands and executing individuals.

Seth G. Jones: So I think this raises concern with what happens with a peace settlement. Or if the U.S. withdraws to a significant extent, you're going to be left with a Taliban that will – I mean, your challenges that you outlined, on many of them – including threats to women's rights; the illicit narcotics trade, because they're deeply involved in that – are almost certainly going to get worse with growing Taliban control.

John F. Sopko: And again, what we are trying to do in this report is raise the potential of the risk to get policymakers to start thinking about it – and we hear some of our policymakers are doing it – to get Congress to start thinking about it, because you don't want to start planning for this the day after an agreement is announced. Start now.

Anthony H. Cordesman: I think one thing that we have to remember is most peace agreements depend heavily on being able to disarm and control forces. But we were never at any point, even with the surge, able to find large numbers of arms depots that the Taliban kept through the winter, basically when they weren't then operating. And there is this place called Pakistan. And the question, I think, is disarmament.

Anthony H. Cordesman: But I'd like to press you a little further on another aspect of your report. You talk in broad terms about the economic strain and you talked about the dependence on aid. And again, one of the problems we have is we're just beginning to surface U.S. reporting that is perhaps a lot more realistic than the favorable reporting that was issued earlier. And I looked at the CIA report today, and they have corrected the estimate of life expectancy so their estimate is Afghanistan has the lowest figure in the world. They have corrected the estimate of infant mortality so this is the worst in the world.

Anthony H. Cordesman: The World Bank puts an estimate out that something like 80 percent of the formal jobs in the country are in security. It puts the poverty rate at 55 percent, where it was at one point closer to 35 (percent). And looking at these numbers you've had a 70 percent population increase since we first went in, and that's created a youth bulge where normal unemployment is about 30 percent; the youth bulge has youth unemployment at somewhere between 37 and 43 percent. This is a country whose economy is as unready for transition as the military.

Anthony H. Cordesman: And you touch, I think, very constructively on narcotics. And it's interesting that if you look at legitimate exports, they're one-tenth of imports. Virtually the entire earnings of the Afghan economy are essentially narcotics exports in terms of hard currency. Everything else is more or less aid. If that's true, everything you've said about aid dependence, transition, and planning gets to be even more serious than the figures you quoted in your report.

John F. Sopko: I agree with you, Tony. And again, we are conservative because we base this on audits, inspections, and analysis we've done at a snapshot in time. And obviously, we didn't have the access to the CIA report which came out recently or some World Bank reporting that's coming out. That's why we're trying to emphasize this.

John F. Sopko: There rightly has been a lot of discussion about the troop withdrawal, and – in the press, on the Hill, whatever. But there's something more important or as important as looking behind that, and I think that's why we wanted to highlight the economy. We wanted to highlight the narcotics issue. We wanted to highlight the women's issues. There are more issues out there than just the number of troops – number of U.S. troops. It's significant, the security situation, because obviously if security goes to heck in a handbasket everything is at risk, and I've testified to that. But I think you highlighted the economy is a serious problem.

John F. Sopko: Now, the good news – and there is some good news. There's a lot of good news out of Afghanistan. With the new USAID administrator, he's racking and stacking programs over there, many of which were useless. And he's cutting – at least discussing about cutting – some of these useless programs and focusing on the economy. The State Department is making a big effort to try to get exports, and they have, and we've highlighted it. Exports have increased. And I'm not saying narcotics exports; I'm talking about licit, legal exports. But it's nascent. It's in its infancy. The only reason exports are increasing to India and to other countries is because we're subsidizing them. And I think if you look at our latest quarterly report, some of these exports, we're subsidizing 90 percent of the cost. Now, you can be a loss leader at some point, but at some point you've got to start competing in the international field.

John F. Sopko: But I think that's – the good news is we're focusing on the region, focusing on economic development. But it is in its infancy. And we probably wasted a lot of time and money by not doing that in the past and spending too much money on frills and not on the reality. And that is you need to get the Afghan government and you need to get the Afghan economy focusing on creating jobs, particularly

if you've got 60,000 well-armed, well-trained Taliban who may have to be reintegrated. And I think you've written on reintegration, I believe you have too, and discussed it. Reintegration is a very difficult issue.

Seth G. Jones: Well, this leads to my question, and actually a comment first on reintegration and then a question to get you to unpack the challenges a little bit more than you've done, and that you did up at the podium. The comment is, I follow the public state of the negotiations pretty closely. And when you look at some past negotiations – say, the Good Friday Accords in Northern Ireland or the Chapultepec accords in El Salvador, the insurgents in those cases proceeded through a series of disarmament, demobilization, and then reintegration programs. I have seen no evidence that the Taliban has even considered, certainly not talked about, disarming, demobilizing, or reintegrating. I have not seen that come up as a major component of the negotiations yet.

Seth G. Jones: This was a critical element of virtually all of these types of peace settlements. It, of course, was not in the Vietnam-type settlement, which was largely used a fig leaf for withdrawal of American forces from Vietnam. So we have seen in the past settlements where a side demobilizes and settlements that are used for a withdrawal. So much may depend on what a settlement actually looks like, and which of those various versions, or something in between, ends up being decided. But this does still bring up the issue of what challenges do you see with reintegration, particularly of a size – you note Taliban sizes of around 60,000. Some have argued that they're larger than that. But that does pose huge challenges. So I'm wondering if you can spend a little time outlining – which you do in the report – what those are.

John F. Sopko: Well, I think you've identified a number of those. So, you know, for reintegration you're talking about demobilization. You're talking about collecting weapons. And our report, which is still ongoing, is looking at some of the prior efforts in Afghanistan, as well as some of the other regions around the world. And I think at this point, all I can say is we wanted to highlight that this is a risk, this is an issue. It is costly, and you need a competent government which has certain – again, based upon experience around the world – that's able to identify who is actually being reintegrated, and not just somebody who wants to collect a check, and is able to offer jobs or a position or something productive afterwards. So I really can't go into much more detail.

Seth G. Jones: Well, I will just highlight before handing off to Tony that we don't see this part of negotiations. We don't see the Taliban willing – you know, the FARC have been willing to demobilize, reintegrate. Then I think we know what kind of settlement that we're talking about. This is much less a provisional IRA, FMLN, a FARC-type settlement. It looks a lot more like the Vietnam model. On that – on that, I hand over to the Vietnam expert. (Laughter.)

Anthony H. Cordesman: I think as a Vietnam expert, I was one of the people who watched within the office of the secretary of defense as the collapse occurred. And I'm not sure that's the precedent for planning that John had in mind.

John F. Sopko: No. (Laughs.)

Anthony H. Cordesman: John, I would ask, it's a little difficult for people to ask you questions about a report that no one has had time to read, but do you have a few moments for Q's and A's?

John F. Sopko: Sure. Absolutely. I'm happy to do that.

Anthony H. Cordesman: All right. One point: look around and this is not, perhaps, the place for speeches. So if we can get it down to one question that ends in a question mark, I think that would probably help all of us. (Laughter.) And I'll begin from right to left. The gentleman in the back. Yes.

Seth G. Jones: Yeah, just wait for the microphone.

Anthony H. Cordesman: Wait for the mic, I'm sorry.

Q: Good morning, everyone. My name is Salem Helali, and I'm from the Global Impact Management Consulting.

Q: My first question to –

Anthony H. Cordesman: One question.

Q: One question. One question. To Inspector General Sopko is, how do you get – engage the Afghan government, the Afghan civil society, the Afghan women leaders in thinking about the day after tomorrow? Obviously the latest is that the Afghan government isn't involved. And we're not going to go there, but how do you actually engage? What are the key recommendations to the policymakers here to engage the Afghan government and civil society? Thank you.

John F. Sopko: I don't mean to dodge the question. I mean, we raise that as an issue. I assume our State Department and USAID and our military knows how to engage the Afghan government and the Afghan civilian groups. I think they're out there. Everybody knows who they are and have worked with them over the years. So I think they can easily do it. How they technically do it, I – you know, that's not my job. So I can't answer that question further.

Anthony H. Cordesman: David. Wait for the mic.

Q: Hi. David Isby.

Q: John, high-level political dysfunction in the Afghan government certainly is challenging for dealing with endemic corruption, undercutting legitimacy. How do you see it, and how will you do your job, and what recommendations you'll meet with the challenge about, you know, future elections, other issues impacting that?

John F. Sopko: So, David, is the question about corruption or?

Q: Dysfunction in general. (Laughter.)

John F. Sopko: Short answer.

Seth G. Jones: Short answer.

Anthony H. Cordesman: Yeah. We have an hour.

John F. Sopko: Yeah. (Laughs.) Yeah, read 300 reports. We have a pretty good relationship with the current government. We've developed that because we realized earlier on that it is the sovereign government of Afghanistan, and a lot of our money was being stolen by Afghans, and a lot of it was that on-budget assistance. So we realized that we had to protect that on-budget money. And legally, and just real shortly, you lose jurisdiction when money goes on-budget. I cannot prosecute an Afghan for offering a bribe to another Afghan, or an Afghan official stealing it. So early on, seven years ago, I realized – since at that point the Obama administration wanted to give 50 percent of all of our money on budget directly to the Afghans – that if it was going to protect that 50 percent of your money, I was going to have to engage the Afghans.

John F. Sopko: Now, that would mean going into Afghan court. And those courts offered the best justice that money can buy. But I, by law, can't buy it. Now, I will say, our agency is the only agency which has actually allowed one of its agents to testify in an Afghan court to convict an Afghan, which was great. We haven't done it again, but we did. The prosecutor who brought that case, the Afghan prosecutor, was assigned somewhere, probably in Turkmenistan. We never saw him again. But we did prosecute that case. So we on purpose tried to develop good relations with the Afghans to try to develop – work with honest prosecutors, honest police, honest investigators to try to build cases.

John F. Sopko: So we've engaged them. And president Ghani and his team have been responsive. They have opened the doors a lot. We have gotten records from them that other agencies haven't. We got access to every bank account, every bank record from the Kabul bank. We're the only U.S. government agency that's gotten those records legally. We have also got auditors inside DABS, the Afghan utility company, which got a lot of money on budget, was hailed for the longest time by the prior USAID administrator and held up as the best-run government ministry. And he kept saying that until the minister was kicked out for embezzlement, and then AID had to cancel all of its on-budget assistance.

John F. Sopko: So because of the inherent corruption – and we're going to have a report; one of the young auditors who worked on that report is sitting in the front row – looking at the Kajaki Dam and all the on-budget money that was wasted on that. But President Ghani has allowed us to send auditors in to DABS to try to look at the books and records, to try to develop internal controls. So we have done that.

John F. Sopko: Is it tough? Yes. Does President Ghani even have the authority to get us into some of these agencies? You've got to remember, that's a big government. And

I remember he ordered, by executive order, a decree to give us access to some bank records. And even after he got the decree, it took him two years to get the records. So it's extremely difficult. It is, to some extent, dysfunctional.

John F. Sopko: But there is a will on behalf of some of the officials in the Afghan government to change things, to fight corruption. And there's a nascent civil-society organization or organizations that care about corruption. And those are the people we also deal with. And I'm glad to say that the U.S. government and the other coalition forces have tried to develop that. That is your real answer to corruption in Afghanistan. It's will. It's not the legislation. It's not checking the box on rules and regulations. It's political will. And there is a will. It's the way that we're having problems with.

John F. Sopko: So I hope that answers the question, Dave.

Anthony H. Cordesman: The gentleman in back there.

Q: My name is James Wright. I'm a banking consultant. I have worked in Afghanistan. And this summer I will be going to Kabul to assist the commercial bank. And, of course, the bank leadership is very concerned about the future, the business environment.

Q: So I guess my question is, in addition to USAID programs, what can we see going forward with respect to the business environment?

John F. Sopko: I think there's great concern. I think you hit it on the head. Businessmen don't like this uncertainty. And with the election up in the air, with the peace negotiations up in the air, with all of this, there is great uncertainty. I wish I could predict the future and say that, you know, there will be a definite peace agreement and it will be a good peace agreement and the Taliban will stop fighting. But I can't predict that.

John F. Sopko: So I think there's uncertainty. And it does affect what you're doing. It affects a lot of well-trained Afghans who are worried about what their future is. So that's – I think that's the only way I can answer. I don't know –

Seth G. Jones: I mean, I would just say briefly the status quo provides some opportunities to continue to work in the banking system. There are multinationals that do work in Afghanistan and will continue.

Seth G. Jones: I think the area that would be most concerning is as part of the withdrawal of U.S. forces without a major settlement or a fig-leaf settlement, I think we'd almost certainly see a departure of European forces from the country. And I think there would be a major question about whether companies in that kind of environment would invest in Afghanistan and whether we'd see a fleeing of foreign direct investment in the country. I think that's on one end of the spectrum that I would keep a close eye on.

Anthony H. Cordesman: I think two key points of risk which are obvious. One is, what is the outcome of the election if it occurs? And there is a question of what happens if it doesn't occur. And then you have the problem, if you have any kind of peace agreement, what does that actually do in terms of economic terms and the structural governance of the country?

Anthony H. Cordesman: There is a reform plan under President Ghani. It's well described in detail. Implementation so far is not as advanced. But there is support from the IMF and the World Bank. The problem you have is, does the peace agreement or does the election create a climate where the IMF and World Bank and international institutions continue their support?

Anthony H. Cordesman: There are also – I think all of you who are international-relations majors and were forced to take an economics course—(laughter)—

Seth G. Jones: Or chose. Or chose.

Anthony H. Cordesman: —my deepest sympathy—know that there is a standard USA diagram of what happens when you have a peace settlement and we withdraw; which is, in spite of the pledges, aid tends to crash. So one question is do you have sustainable aid efforts and do donor contributions actually continue. That doesn't answer or provide you with a basis for clearly predicting things. But I think a lot of it has to be clearer by some point this summer. So you may be in a very interesting environment when you visit.

John F. Sopko: Tony, can I just add one thing? And, again, it's a note of optimism. After the Geneva meeting on Afghanistan, and I was lucky to be an observer there, the World Bank, the international donors, the U.S. government, got together and are continuing to meet and plan for the potential of peace for economic development.

John F. Sopko: Now, what happens, I don't know what all the plans are. I don't know all the details of it. But at least they are starting to think, and I think the World Bank is taking a lead on this, on trying to develop programs. I think they realize the day after somebody's going to have to pay for all of this and it can't be the Afghan government. So I think that's a bit of optimism we have here – an optimistic piece of news.

Anthony H. Cordesman: There's a gentleman over here. Let me just ask that it be a quick question, if you'll forgive me, because this is going to have to be the last one.

Seth G. Jones: So it better be a good question, too. It better be –

Q: Thank you very much for the opportunity. My name is Nasar (ph) and I work for Global Peace.

Q: And I read a little bit of your report – I didn't get it on time – and it seems to lack or ignore the peaceful integration of the leader that was against the government of Afghanistan. His name is Gulbuddin Hekmatyar. And it's been almost two years now, nothing happened, and now he is running for the government.

Anthony H. Cordesman: OK. I'm sorry. This has to be a question. It can't be a speech.

Q: My question is your report seems to ignore or lack the future because it's talking about, like, what will happen after the Taliban comes back and we were just – you just versed it saying, like, Taliban are well prepared and well equipped in fighting the Afghan government. While the same, like, transition happened, Gulbuddin Hekmatyar came and nothing happened. So –

Anthony H. Cordesman: I'm really sorry, but this is not a question. It's a speech.

Seth G. Jones: Maybe this young lady can –

Anthony H. Cordesman: Yes, please.

Q: Thank you so much. Forgive me. I'm an Afghan-American journalist and what I would like to ask you is while we talk about the peace process and where it all stands for the Afghan and American partners, what kind of recommendation would you have?

Q: Obviously, one major frame of your role is – although it's not necessarily advice on policy, it is to point out the flaws and to contemplate the day after. So with that in mind, how is it that we are first negotiating about a withdrawal and what will happen – how Afghanistan may not be used as a place to be used for terrorism and, yet, we are well aware of the gains being lost by the Afghan government or women are not part of these negotiations.

Anthony H. Cordesman: Please. What –

Q: Why can we not ask the Taliban to show good will to come and start talking about these issues? Shouldn't that be a part of the demands? Thank you.

John F. Sopko: Well, real quickly, as I said before, this report is not a report on peace negotiations. That's not my job. I leave it to our government, Congress, and negotiators to actually determine that.

Anthony H. Cordesman: Ladies and gentlemen, let me ask you to all thank John in the usual manner.

(Applause.)

John F. Sopko: And thanks to you.

Anthony H. Cordesman: That's it.

(END)