



# SIGAR

Testimony

Before the Senate Caucus on International  
Narcotics Control

Future U.S. Counternarcotics  
Efforts in Afghanistan

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Chairman Feinstein, Co-Chairman Grassley, and members of the Senate Caucus on International Narcotics Control,

I appreciate this opportunity to discuss the perilous state of the U.S. counternarcotics effort in Afghanistan. On my last trip to Afghanistan, I met with U.S., Afghan, and international officials involved in implementing and evaluating counternarcotics programs. In the opinion of almost everyone I spoke with, the situation in Afghanistan is dire with little prospect for improvement in 2014 or beyond. Afghan farmers are growing more opium poppies today than at any time in their modern history. The UN Office of Drugs and Crime (UNODC) estimates the value of opium plus its heroin and morphine derivatives produced by Afghanistan at nearly \$3 billion—or the equivalent of about 15 percent of Afghanistan’s Gross Domestic Product (GDP)—in 2013.<sup>1</sup> This was a substantial increase over 2012 when the value of Afghan opiates totaled about \$2 billion and equaled about 11% of Afghanistan’s GDP.<sup>2</sup>

The narcotics trade is poisoning the Afghan financial sector and fueling a growing illicit economy. This, in turn, is undermining the Afghan state’s legitimacy by stoking corruption, nourishing criminal networks, and providing significant financial support to the Taliban and other insurgent groups. There are already signs that elements within the Afghan National Security Forces are reaching arrangements with rural communities to allow opium poppy cultivation, or even encouraging production, as a way of building local patronage networks and to establish rent seeking opportunities.<sup>3</sup>

In sum, the expanding cultivation and trafficking of drugs is one of the most significant factors putting the entire U.S. and international donor investment in the reconstruction of Afghanistan at risk. All of the fragile gains we have made over the last twelve years on women’s issues, health, education, rule of law, and governance are now, more than ever, in jeopardy of being wiped out by the narcotics trade which not only supports the insurgency, but also feeds organized crime and corruption.

Meanwhile, the United States and other western donors assisting Afghanistan have, by and large, made counternarcotics programming a lower strategic priority at the same time that the 2014 drawdown of U.S. and coalition forces increases the security risks in the country.

We must also not overlook the reality that the narcotics trade poses dangers far beyond Afghanistan’s borders. As much as 90% of the world’s global opium supply comes from the country’s poppy fields. Opiates originating in Afghanistan find their way to every corner of the globe, including Canada and, to a limited extent, the United States.<sup>4</sup> In the process, they foster global drug addiction and international crime.

My statement today will draw on the most current opium cultivation, production, and trafficking assessments as well as my recent discussions in Afghanistan and elsewhere, and SIGAR’s completed and ongoing audits and investigations.

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1 United Nations Office for Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, December 2013.

2 United Nations Office for Drugs and Crime (UNODC), *Afghanistan Opium Survey 2012*, May 2013.

3 David Mansfield and Paul Fishstein, Afghanistan Research and Evaluation Unit, *Eyes Wide Shut: Counter-Narcotics in Transition*, September 2013.

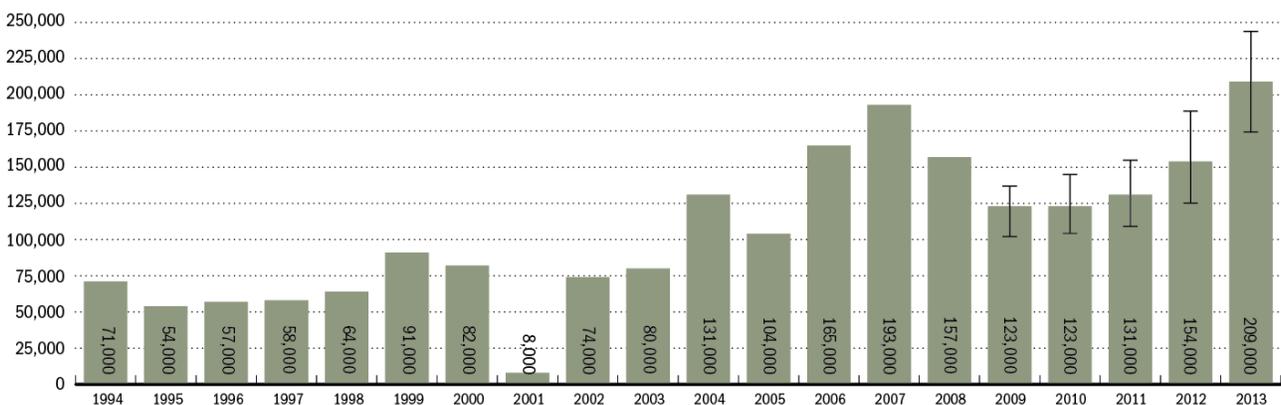
4 The DEA reports that only about 4% of the heroin found in American cities is of Afghan origin.

## Opium Cultivation and Production in Afghanistan is at a Record High

Since 2002, the United States has spent at least \$7 billion on a wide variety of programs to reduce poppy cultivation, prevent narcotics production, treat drug addiction, and improve the criminal justice system to combat drug trafficking.<sup>5</sup> The United States has provided another \$3 billion for agriculture and stabilization programs, which under the current U.S. strategy are considered an important part of the counternarcotics effort. These funds do not include the wider state-building effort aimed at increasing security, improving governance, and promoting economic growth—all of which are required to achieve enduring reductions in opium production.

Despite this mammoth investment, more land in Afghanistan is under poppy cultivation today than it was when the United States overthrew the Taliban in 2002. According to the latest UNODC report, poppy cultivation reached a record high of 209,000 hectares in 2013.<sup>6</sup> That is equivalent to more than 800 square miles—more than twice the size of all the boroughs of New York City, or 12 times the size of the District of Columbia—planted solid with opium poppies.<sup>7</sup> Since the U.S. toppled the Taliban more than a decade ago, the land area planted in opium poppies has nearly tripled from the 74,000 hectares reported in 2002.<sup>8</sup>

OPIUM CULTIVATION IN AFGHANISTAN, 1994–2013 (HECTARES)



Sources: UNODC and UNODC/MCN opium surveys 1994–2012. The high-low lines represent the upper and lower bounds of the 95% confidence interval.

Opium remains Afghanistan's biggest cash crop and major income earner. According to UNODC, Afghanistan will likely produce a total of 5,500 tons of opium in 2013, a staggering 49% increase over the 2012 production of 3,700 tons.<sup>9</sup>

<sup>5</sup> Combined funding for State's International Narcotics Control and Law Enforcement (INCLE), DOD's Drug Interdiction & Counter-Drug Activities (DOD CN), and the Drug Enforcement Agency totals \$6.9 billion. See SIGAR's Quarterly Report to the United States Congress, Oct 30, 2013, for details on these funds.

<sup>6</sup> United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, Summary findings, November 2013.

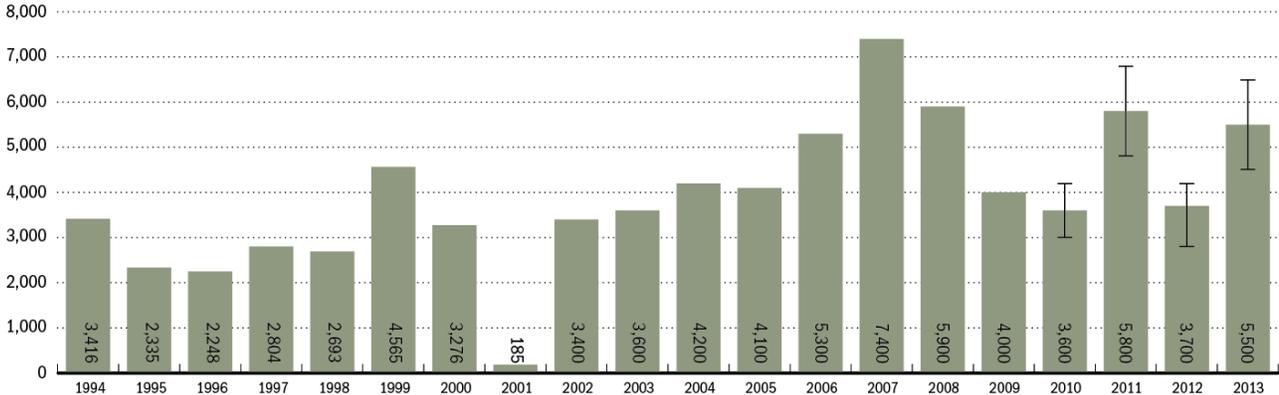
<sup>7</sup> 209,000 ha = 807 square miles; the District of Columbia = 68 square miles.

<sup>8</sup> United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, Summary findings, November 2013.

<sup>9</sup> United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, Summary findings, November 2013; UNODC, *Afghanistan Opium Survey 2012*, May 2013.

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## OPIUM PRODUCED IN AFGHANISTAN, 1994–2013 (TONS)



Sources: UNODC and UNODC/MCN opium surveys 1994–2012. The high-low lines represent the upper and lower bounds of the 95% confidence interval.

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The latest data indicate that the export value of opium and its derivatives, such as heroin and morphine, increased by more than 30% to almost \$3 billion in 2013.<sup>10</sup> Any contraction of the Afghan economy resulting from the U.S. troop drawdown and reduction in international assistance could result in the opium trade accounting for an even greater slice of the Afghan economy.

As many U.S. and international donor officials and experts have advised me, one of the greatest risks facing Afghanistan is that the narcotics traffickers and other criminal networks will expand their influence, filling a power vacuum in the areas where the Afghan government is weak. Some analysts see a danger that as these groups become more powerful, they will subsume other economic activities—licit farming, small business, and mining development—into their illicit networks, further undermining government authority.

In its latest *Report on Progress toward Security and Stability in Afghanistan*, the Department of Defense (DOD) acknowledged that “the narcotics market in Afghanistan is large and insurgent penetration of the market is extensive and expanding.” Consequently, despite some large seizures and high profile arrests “overall insurgent funding in 2012 remained largely unchanged from previous years.”<sup>11</sup> U.S. and international officials estimate that the Taliban and other insurgent groups earn between \$100 million and \$400 million a year from a combination of illegal activities, including drug trafficking, extortion, taxation, kidnapping for ransom, and smuggling of natural resources. They believe that more than a third of the Taliban’s income comes from opium.<sup>12</sup> It is widely thought that every drug organization supports or works with insurgents in Afghanistan. I have been told that these same groups are also closely linked with corrupt government officials, as they look to facilitate the transportation of drugs through territories controlled by different political groups.

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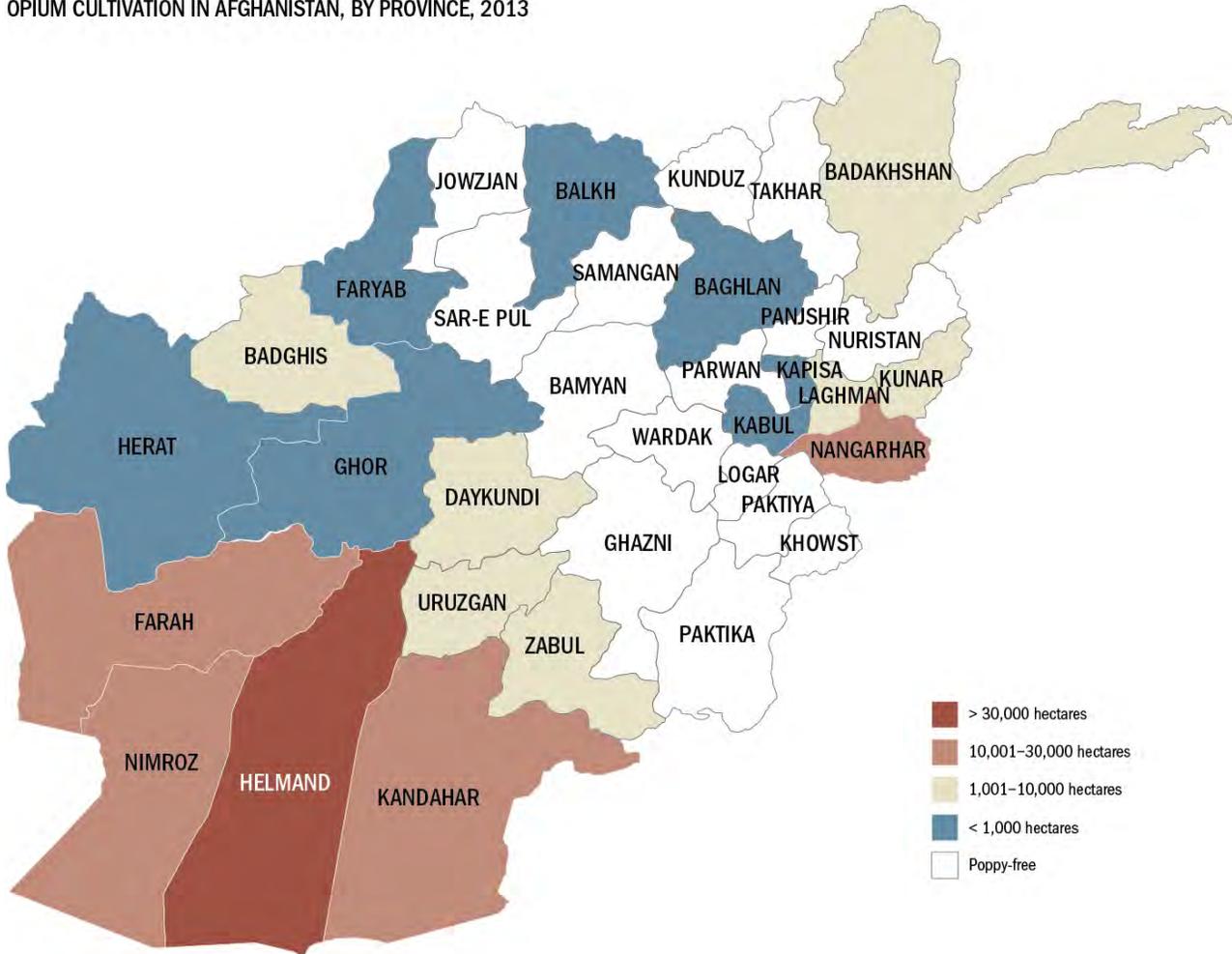
<sup>10</sup> UNODC, *Afghanistan Opium Survey 2013*, December 2013.

<sup>11</sup> Department of Defense, *Report on Progress Toward Security and Stability in Afghanistan*, November 2013, p 94.

<sup>12</sup> United Nations Security Council, “First report of the Analytical Support and Sanctions Implementation Monitoring Team submitted pursuant to resolution 1988 (2011) concerning Taliban and associated individuals and entities,” March 30, 2012.

Opium cultivation and insecurity go hand in hand. About 89% of total poppy cultivation this year occurred in Afghanistan's southern and western regions, where insurgents and criminal networks are strongest.

OPIUM CULTIVATION IN AFGHANISTAN, BY PROVINCE, 2013



Sources: UNODC, "Afghanistan Opium Survey 2013: Summary Findings," 11/2013.

In 2013, an alarming 48% of the poppy fields were located in Helmand Province, a key focus of the U.S counterinsurgency effort. From 2012 to 2013, poppy cultivation in Helmand expanded by 34% from 75,176 hectares to 100,693 hectares.<sup>13</sup> Further increases occurred in Kandahar, another province where significant counterinsurgency and development investments have been made. Over the last twelve months, poppy cultivation expanded from 24,341 hectares to 28,335 hectares.<sup>14</sup> Perhaps of even greater concern is the dramatic rise in cultivation in Nangarhar. This is a province where the U.S. government has made significant investments since 2002 and that was once considered 'a model province' from both counterinsurgency and counternarcotics

<sup>13</sup> United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, Summary findings, November 2013.

<sup>14</sup> Ibid

perspectives. Here cultivation rose from 3,151 hectares in 2012 to 15,719 hectares in 2013;<sup>15</sup> quite a contrasting picture from 2008 when it was declared ‘poppy free’ by UNODC.

UNODC suggested that the political uncertainty resulting from the withdrawal of international troops and the upcoming 2014 presidential elections may have caused farmers to turn to the country’s principal cash crop.<sup>16</sup> If this is the case, it does not bode well for Afghanistan and the region after the transition unless more is done to integrate counternarcotics efforts into the U.S. and international development plans post-2014.

## **The United States Has Pursued Various Approaches to Counternarcotics**

Since 2002, the U.S. counternarcotics effort has evolved from one that emphasized eradicating poppy fields and interdicting drugs, to one more closely aligned with the overall U.S. counterinsurgency strategy. In 2010, the United States adopted a counternarcotics strategy which prescribed programs to break what the United States has described as the “narcotics-insurgency-corruption nexus” and help “connect the people of Afghanistan to their government.”<sup>17</sup>

This strategic shift reflected a decision to take a “whole of government approach” in assisting the Afghan government to wage a counterinsurgency campaign.<sup>18</sup> It de-emphasized eradication and focused resources on improving the rule of law and blocking the stream of money flowing to the Taliban and other insurgent groups. At the same time, the United States pledged to continue to support the Afghan National Drug Strategy’s priorities to target traffickers, strengthen and diversify legal rural livelihoods, reduce demand for illicit drugs, provide treatment for users, and develop the capacity of Afghan institutions to implement the country’s counternarcotics strategy.<sup>19</sup>

Counternarcotics touches on every aspect of the U.S. reconstruction effort. Implementing agencies are supposed to incorporate counternarcotics efforts in complementary programs that have multiple objectives. Five implementing agencies—the Department of Defense (DOD), the Department of State (State), the U.S. Agency for International Development (USAID), the Department of Justice (DOJ) and the Department of Treasury (Treasury)—all support aspects of the counternarcotics effort.

Nonetheless, on my last trip to Afghanistan no one at the Embassy could convincingly explain to me how the U.S. government counternarcotics efforts are making a meaningful impact on the narcotics trade or how they will have a significant impact after the 2014 transition. That is troubling, given the severity of the drug crisis, the well-documented link between opiates and the insurgency, and the potential of the drug trade to undermine the overarching U.S. goal of preventing terrorist groups from securing sanctuaries in Afghanistan. In addition, I was astonished to find that the counternarcotics effort does not seem to be a top priority during this critical transition period and beyond.

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<sup>15</sup> Ibid

<sup>16</sup> United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013, Summary Findings*, November 2013, p 5.

<sup>17</sup> Department of State, U.S. Counternarcotics Strategy for Afghanistan, March 2010.

<sup>18</sup> Department of State, U.S. Counternarcotics Strategy for Afghanistan, March 2010.

<sup>19</sup> Department of State, U.S. Counternarcotics Strategy for Afghanistan, March 2010.

## Combating Narcotics in Afghanistan is Not a High Priority

Although DOD has a post-2014 counternarcotics strategy, international officials, law enforcement agencies, and analysts who have been involved in the narcotics effort in Afghanistan for several years all have told me that they are very worried that the United States and its coalition partners are not sufficiently focused on counternarcotics. The latest UNODC report reflected this concern and warned “If the drug problem is not taken more seriously by aid, development and security actors, the virus of opium will further reduce the resistance of its host, already suffering from dangerously low immune levels due to fragmentation, conflict, patronage, corruption and impunity.” The report concluded, “What is needed is an integrated, comprehensive response to the drug problem, embedded in a long-term security, development and institution-building agenda.”<sup>20</sup>

A recent report from the Afghanistan Research and Evaluation Unit, an independent research institution based in Kabul, echoed concerns that tackling the illicit opium economy is not a high priority. “Policymakers seem to have lost all appetite for talking about the production and trade of opium in Afghanistan,” the authors wrote, noting that “recent declarations make no mention of either the likely increase in drug production in Afghanistan post-2014, or the impact it will have on the political economy of the country. In fact, in western capitals there is almost an allergic reaction to the acronym CN [counternarcotics] with senior policymakers often avoiding the subject entirely.”<sup>21</sup> These concerns were confirmed in subsequent conversations I had with senior UNODC officials.

The latest U.S. strategy documents support the view that combating narcotics in Afghanistan is no longer a top priority. For example, the new *U.S. Civil-Military Strategic Framework for Afghanistan*, which articulates the “vision for pursuing U.S. national goals in Afghanistan,” barely mentions counternarcotics. It notes that the U.S. counternarcotics strategy for 2010 informs the framework, but for the first time since the U.S. government began outlining its reconstruction goals, it did not include counternarcotics as a major crosscutting focus area.<sup>22</sup> The latest *DOD Report on Progress toward Security and Stability in Afghanistan* refers to a counternarcotics strategy but states that as the drawdown proceeds “drugs-nexus targets have a lower priority.”<sup>23</sup>

The reduced emphasis on counternarcotics is also reflected in the Tokyo Mutual Accountability Framework, which outlines the steps the Afghan government must take to ensure continued international development assistance. The international community did not make sustained reduction in opium a key indicator of progress. Instead, the framework includes language on the need for “strengthening counter-narcotics efforts” but makes no mention of measuring the effect of these efforts.<sup>24</sup> This is surprising since the presence of significant opium cultivation can be observed through remote methods and serves as a proxy for harder to observe indicators, including corruption and weak rule of law that are indicators in the framework.

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<sup>20</sup> United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, Summary findings, November 2013.

<sup>21</sup> David Mansfield and Paul Fishstein, Afghanistan Research and Evaluation Unit, *Eyes Wide Shut: Counter-Narcotics in Transition*, September 2013.

<sup>22</sup> *U.S. Civil-Military Framework for Afghanistan*, Kabul, August 2013.

<sup>23</sup> Department of Defense, *Report on Progress Toward Security and Stability in Afghanistan*, November 2013.

<sup>24</sup> United Nations, *Letter dated 9 July 2012 from the representatives of Afghanistan and Japan to the United Nations addressed to the Secretary-General*, 7/12/2012, and p 11.

I am particularly concerned that as the U.S. Embassy “right sizes” itself—mirroring on a smaller scale the U.S. military drawdown—law enforcement components are losing critical manpower at precisely the time that poppy cultivation and drug trafficking is expanding.

## **Law Enforcement Reductions Could Jeopardize Counternarcotics Efforts**

SIGAR is very concerned that the civilian drawdown does not reflect a considered analysis of the personnel the United States needs to have in Afghanistan to mount an effective counternarcotics effort. On my last two trips to Afghanistan, I met with a broad range of current and former law enforcement officials charged with supporting Afghan efforts to stand up the institutions they need to identify and build cases against traffickers, arrest and prosecute drug dealers, interdict precursor chemicals needed to refine opium, track the money flows and deny insurgents access to illicit funds. These officials uniformly expressed concern that the drawdown of civilian law enforcement jeopardizes the counternarcotics effort because these agencies are playing the critical role of training and supporting the Afghan law enforcement and legal institutions responsible for combating narcotics. The United States must continue to nurture these fledgling Afghan agencies that offer the best long term hope of any success against the narcotics trade.

The Drug Enforcement Administration (DEA) has played a key role in training and mentoring elements of the Counter Narcotics Police of Afghanistan (CNPA), developing critical intelligence on counternarcotics, and spearheading interdiction operations. It is mentoring two specialized units within the CNPA—the National Interdiction Unit (NIU) and the Sensitive Investigative Unit (SIU). Established to conduct interdiction operations and target major trafficking organizations, these units have had some successes. According to the DEA, the CNPA led 2,490 operations during the first nine months of last year. These operations, generally conducted with DEA and military support, resulted in 2,258 arrests, 55 drug labs destroyed, and over 121 metric tons of drugs seized.<sup>25</sup> However, as the DOD noted in its latest report, overall counternarcotics interdiction efforts have not significantly reduced insurgent income from the narcotics trade. Moreover, DOD reported, “the current drawdown of U.S. and coalition military forces has affected the ability of U.S. and international law enforcement personnel to conduct operations throughout Afghanistan.”<sup>26</sup>

The DEA has already had to cut its presence by nearly 50%. Reliable sources have told me and my staff that State and DEA are negotiating further reductions, which could significantly diminish the DEA’s ability to perform these crucial missions. The Department of Homeland Security (DHS) has also played an important counternarcotics role in addition to helping establish border controls, increasing revenue collection, and improving rule of law. The principle investigative arm of DHS—U.S. Immigration and Customs Enforcement (ICE)—partners with Afghan agencies that are key to the counternarcotics effort. These include the Afghan Ministry of Interior Criminal Investigations Department, the Afghan Border Police Criminal Investigations Department, the Ministry of Finance Afghan Customs Department, and the Afghanistan Central Bank’s Financial Transactions and Reports Analysis Center of Afghanistan. ICE also mentored an Afghan team that goes after money launderers, including drug traffickers. Despite the important work that DHS and ICE have been doing, officials told me that they expect their numbers to be reduced by half after 2014. These reductions will impact both interdiction efforts at the borders and money laundering investigations.

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<sup>25</sup> DEA response to SIGAR request for information, November 2013.

<sup>26</sup> Department of Defense, *Report on Progress Toward Security and Stability in Afghanistan*, November 2013.

The law enforcement drawdown is impacting interagency task forces that were established to achieve one of the U.S. government's primary goals since 2009: disrupt the 'narcotics-insurgency-corruption nexus.' For example, in 2009 the U.S. government created the Afghanistan Threat Finance Cell (ATFC), an interagency fusion cell tasked with identifying and disrupting financial networks serving terrorist and criminal interests. Composed of specialists from the DEA, DOD, and Treasury, the ATFC concentrated on unraveling key financial networks controlled or used by the Taliban, corrupt public officials, narcotics traffickers, and other criminal elements.

Even though the ATFC played a key role in securing international sanctions against individuals and companies involved in money laundering for the Taliban and other insurgent groups, various departments and agencies have either pulled personnel from the ATFC or are planning to do so. Over the last year, the ATFC has gone from having over 50 personnel to about 30 personnel. Only a few of the remaining staff are law enforcement agents or subject matter experts. These reductions have significantly impaired the ATFC's counter-threat finance capabilities during this critical juncture. A number of current and former ATFC members have told me that it is now impossible to revitalize this task force that has been so critical in combating narcotics trafficking.

### **SIGAR's Counternarcotics Work**

SIGAR has either completed or has ongoing audit and investigative work that touches on a number of programs related to the counternarcotics efforts.

This work, which is described below, coupled with the sobering assessments of poppy cultivation and opium production, raises serious questions about the efficacy of U.S.-funded counternarcotics programs. To address these questions, SIGAR is planning to conduct a comprehensive audit of the U.S. counternarcotics effort to determine how U.S. funds have been spent, assess the degree to which U.S.-funded counternarcotics programs have achieved their intended purposes, and examine the extent to which the counternarcotics effort has been integrated into a cohesive strategy to achieve U.S. reconstruction objectives.

SIGAR has found that U.S. programs critical to the counternarcotics effort—such as building the capacity of the Special Mission Wing (SMW) or establishing special justice centers—have made limited progress and may not be sustainable. Moreover, we recently reported that the United States does not have a comprehensive anti-corruption strategy even though Afghanistan is universally recognized as one of the most corrupt countries in the world. The narcotics trade is fueling that corruption.

#### Building Afghan Capacity—the Case of the Afghan Special Mission Wing

DOD, State, and DEA are all funding programs intended to build accountable, effective, sustainable, and self-reliant Afghan counternarcotics security forces. Our audit report of the SMW highlighted the serious challenges DOD faces in standing up one of these units which is supposed to provide critical air support for counternarcotics and counterterrorism missions in Afghanistan. At the time of our audit, DOD had obligated more than \$900 million to establish the SMW. In addition to nearly \$122 million to support and mentor the SMW, DOD has awarded two contracts totaling approximately \$771.8 million to purchase 48 new aircraft for the SMW, including 18 fixed

wing aircraft and 30 rotary wing aircraft. DOD told us it also intended to provide \$109 million per year over the next several years for oversight, maintenance, training, and logistics support.<sup>27</sup>

We found that the SMW lacked the manpower and expertise to operate and maintain its existing fleet of 30 aging Mi-17 helicopters, not including the planned addition of 48 new fixed wing planes and helicopters.<sup>28</sup> Our audit identified the following serious issues:

- The SMW had less than one-quarter of the 806 personnel—pilots, flight engineers, mechanics, and security staff—needed to reach full operational capacity.
- Recruiting challenges slowed the growth of the SMW.
- Only 7 of the 47 pilots assigned to the SMW were qualified to fly with night vision goggles, a necessary skill for executing most counterterrorism missions.
- DOD contractors were performing about 50 percent of the maintenance and repair services for the existing fleet and 70 percent of the critical maintenance and logistics management, as well as procurement of spare parts materiel.
- DOD had not developed a plan for transferring maintenance and logistics management functions to the Afghans. The Afghan Ministry of Defense (MOD) and the Afghan Ministry of Interior (MOI) had not come to an agreement on the command and control structure of the SMW.<sup>29</sup>

Despite these problems, DOD is moving forward with two contracts to purchase 48 new aircraft, including 18 fixed wing aircraft and 30 rotary wing aircraft for the SMW. SIGAR recommended that DOD suspend purchase of the new aircraft until the MOI and MOD complete and sign their memorandum of understanding. Although the memorandum has since been signed, it has not been implemented.

### The United States Lacks a Comprehensive Anti-corruption Strategy

Since 2010, SIGAR has been voicing concern about the lack of an anti-corruption strategy in one of the world's most corrupt countries. Despite the fact that the narcotics trade and corruption are inextricably linked, we recently reported that the United States still does not have a comprehensive strategy to guide U.S. anti-corruption activities.

In 2012, the U.S. Embassy Kabul made an effort to coordinate the various efforts of implementing agencies by establishing three anti-corruption working groups. These working groups coordinate activities under the broad goals of building Afghan government institutional capacity, improving financial regulation and public financial management, and enhancing revenue generation. However, these groups do not measure progress against a set of established goals. We recommended that State immediately develop and approve a comprehensive, coordinated anti-corruption strategy. We also called on State to develop and implement a plan that identified timelines and benchmarks for achieving anti-corruption goals. State agreed with our recommendations.

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<sup>27</sup> SIGAR Audit 13-13, *Afghan Special Mission Wing: DOD Moving Forward with \$771.8 Million Purchase of Aircraft that the Afghans Cannot Operate and Maintain*, June 2013.

<sup>28</sup> SIGAR Audit 13-13, *Afghan Special Mission Wing: DOD Moving Forward with \$771.8 Million Purchase of Aircraft that the Afghans Cannot Operate and Maintain*, June 2013.

<sup>29</sup> SIGAR Audit 13-13, *Afghan Special Mission Wing: DOD Moving Forward with \$771.8 Million Purchase of Aircraft that the Afghans Cannot Operate and Maintain*, June 2013.

## Weaknesses in Afghanistan's Central Bank to Regulate the Banking Sector

Directly linked to and compounding the problem of corruption in Afghanistan is the fragile state of the country's financial sector. This month, we released a report highlighting significant limitations within the Afghan central bank to perform its core functions, including regulating Afghanistan's commercial banks and other financial institutions, such as hawalas, traditional money brokers who transfer significant sums of cash.<sup>30</sup> The absence of robust regulation of Afghanistan's banks and hawalas raises the risk that they will be used to facilitate money-laundering by the country's narcotics traffickers, a known problem. For example, UNODC has reported that about 80-90% of the hawala dealers in Kandahar and Helmand are involved in money transfers related to narcotics.<sup>31</sup>

As we note in our report, the U.S. government and other international donors, including the World Bank and International Monetary Fund (IMF), have terminated most, if not all, of their support for the central bank's financial supervision department, the unit responsible for bank licensing and regulation. They have done so, in part, because they have reached an impasse with the Afghan government on the steps needed to ensure that any technical assistance for the financial supervision department would be used effectively. In the absence of active U.S. participation, and only limited World Bank and IMF involvement, the Afghan banking sector will remain weak. Further instability would endanger economic growth and undermine efforts to track illicit money generated by Afghanistan's narcotics trade.

## Criminal Justice and the Counternarcotics Justice Center

The United States has also put significant effort into developing Afghanistan's criminal justice system, including a center to handle counternarcotics cases.

SIGAR published two audit reports in 2009 that examined the construction and administration of the Counternarcotics Justice Center (CNJC), which was established as a centralized location for the Afghan government to prosecute and detain narcotics offenders.<sup>32</sup> State's Bureau of International Narcotics Control and Law Enforcement (INL) paid for the CNJC's construction. It has also provided funding for programs that include mentoring, training, and providing advisory services to the police, prosecutors, and judges of the Criminal Justice Task Force who work at the CNJC. SIGAR's first audit found that insufficient funding and inadequate utilities delayed construction for three years. Moreover, the CNJC's detention facilities, which opened in May 2009, reached capacity within three months, forcing the center to send narcotics-related offenders to other locations.

SIGAR's second report alerted U.S. officials that the CNJC's detention facility was not being used for high profile drug traffickers as intended. Rather, the cells were being occupied by low-profile

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<sup>30</sup> SIGAR Audit 14-16-AR, *Afghanistan's Banking Sector: The Central Bank's Capacity to Regulate Commercial Banks Remains Weak*, January 8, 2014.

<sup>31</sup> UNODC, *Afghanistan's Drug Industry Book: Structure, Functioning, Dynamics and Implications for Counter-Narcotics Policy*.

<sup>32</sup> SIGAR Audit 09-04, *Actions Needed to Resolve Construction Delays at the Counternarcotics Justice Center*, August 27, 2009; SIGAR Audit 09-7, *Documenting Detention Procedures Will Help Ensure Counter-Narcotics Justice Center is Utilized as Intended*, September 30, 2009.

detainees. SIGAR also noted that, at the time, the CNJC did not have the procedures in place to handle a high case load.<sup>33</sup>

The CNJC has made some headway toward convicting more senior Afghan officials. For example, as SIGAR reported in its latest quarterly report to Congress, the Nimroz Provincial Chief of Police, General Mohammad Kabir Andarabi, was arrested for heroin and opium trafficking. At the end of September, the CNJC Primary Court issued a guilty verdict on one count of drug-related corruption and sentenced General Andarabi to ten years in prison.<sup>34</sup> However, these high-profile cases remain rare. Law enforcement officials tell SIGAR that Afghan authorities lack the political will to effectively prosecute senior officials.

#### Interdiction—the Counter Narcotics Police of Afghanistan (CNPA)

The United States has placed priority on developing the CNPA, an Afghan force dedicated to combating the drug trade. Because the CNPA is a vital component of the entire counternarcotics effort, SIGAR recently announced an audit of the U.S. effort to build the CNPA and particularly its provincial units. This audit will evaluate the extent to which development and capacity-building of the CNPA's provincial units are based on a comprehensive interagency plan; facilities constructed for CNPA provincial units are being used as intended; and U.S. government assistance has contributed to building sustainable and capable provincial unit forces.

Established in 2003, the CNPA had an assigned strength of 2,759 personnel at the end of October this year.<sup>35</sup> Since 2006, DOD and State's Bureau of International Narcotics Control and Law Enforcement Affairs (INL) have provided about \$900 million to train, equip, mentor, house, and sustain the CNPA.<sup>36</sup>

DOD has told SIGAR that it expects the ability of the CNPA and other Afghan counternarcotics agencies to diminish as coalition forces draw down. DOD pointed out that the withdrawal is likely to have the biggest impact on the two provinces with the most poppy cultivation—Helmand and Kandahar. These areas have more insurgents and more entrenched narcotics networks. The DEA, which has been mentoring the CNPA, is closing a number of forward operating locations and reducing its footprint in others. The forward operating locations are being transitioned to the CNPA.

Without military support for security, intelligence, medical evacuation, and tactical air control for high-risk operations, DEA will have little ability to extend its operations beyond Kabul.<sup>37</sup> Since DEA has augmented CNPA capabilities throughout Afghanistan, the pullback could have a serious negative impact on the CNPA's ability to do its job.

#### **Alternative Livelihoods**

The U.S. government has emphasized that alternative livelihood programs are just as critical to the counternarcotics effort as developing Afghanistan's law enforcement agencies and criminal

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<sup>33</sup> SIGAR Audit 09-7, *Documenting Detention Procedures Will Help Ensure Counter-Narcotics Justice Center is Utilized as Intended*, September 30, 2009.

<sup>34</sup> *SIGAR Quarterly Report to Congress*, October 30, 2013.

<sup>35</sup> *SIGAR Quarterly Report to Congress*, October 30, 2013.

<sup>36</sup> *SIGAR Quarterly Report to Congress*, July 30, 2013.

<sup>37</sup> *SIGAR Quarterly Report to Congress*, October 30, 2013.

justice system. DOD and USAID have both supported rural development programs to wean farmers from dependence on poppy cultivation by increasing access to alternative livelihoods. USAID has supported the largest of these programs through the Economic Support Fund (ESF). Since 2002, Congress has provided nearly \$17 billion for the ESF. Our audit reviewing the entire counternarcotics effort will take a very close look at the extent to which USAID programs have helped farmers transition out of opium poppy cultivation.

During my recent trip to Afghanistan, the U.S. Embassy, together with the Afghan government, launched the new Kandahar Food Zone project. This is an Afghan-led initiative to bring several efforts—eradication, drug demand reduction, alternative livelihoods, and public information—together in one program at a time when opium cultivation and production is expanding in the province. Since 2008, the number of hectares under poppy cultivation has doubled in Kandahar, making it Afghanistan’s second largest opium producer.<sup>38</sup> U.S. officials told me the Kandahar Food Zone was modeled after the Helmand Food Zone.

Analysts who have been studying alternative livelihood programs tell me that the Helmand Food Zone provides an interesting case study on how a multi-pronged, concerted security and counternarcotics effort impacted poppy cultivation. Funded by the United Kingdom with support from the United States, the Helmand program included the distribution of heavily subsidized wheat seeds in combination with some eradication and a public awareness campaign in the province’s agricultural heartland. From 2008 to 2011, poppy cultivation in Helmand as a whole steadily declined from 103,590 hectares to 63,307 hectares. Experts, who have studied the role of opium in rural Afghanistan, say that the Helmand program benefitted from the robust presence of coalition forces during this period, as well as significant development investments by the British and U.S. governments. These investments included support for wider economic growth and the development of the Afghan security forces.<sup>39</sup>

Since 2012, the trend has reversed dramatically. The total area under poppy cultivation in Helmand has increased 34%. Even more alarming, the area under poppy cultivation within the Food Zone itself has increased by 50%, from 24,241 hectares in 2012 to 36,244 hectares in 2013 and accounts for about a fifth of the Food Zone’s total agricultural area.<sup>40</sup> If the Helmand Food Zone was its own province in 2012, it would have been the fourth largest cultivator of opium by number of hectares under cultivation.

Analysts also point out that, although the Helmand program reduced poppy cultivation in the most fertile area of Helmand, it had a number of unintended consequences. This included the displacement of the sharecroppers who once worked poppy fields in the Food Zone area. Because harvesting poppies is much more labor intensive than crops such as wheat, the switch to licit crops put seasonal farm laborers out of work and they have moved north to grow poppies in Helmand’s more remote and less productive areas that are increasingly beyond the reach of the Afghan government.<sup>41</sup>

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<sup>38</sup> United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, Summary findings, November 2013, p 5.

<sup>39</sup> David Mansfield and Paul Fishstein, Afghanistan Research and Evaluation Unit, *Eyes Wide Shut: Counter-Narcotics in Transition*, September 2013.

<sup>40</sup> United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2013*, Summary findings, November 2013.

<sup>41</sup> David Mansfield and Paul Fishstein, Afghanistan Research and Evaluation Unit, *Eyes Wide Shut: Counter-Narcotics in Transition*, September 2013.

The Helmand experience raises an important question as we look beyond 2014. Can this province—a central focus of the entire U.S. counterinsurgency and reconstruction strategy—survive the withdrawal of coalition forces and the corresponding reduction in international military and assistance spending without producing more opium? Or will Helmand, the largest producer of opium, become a province governed by the very “narcotics-insurgency-corruption nexus” that the United States and its allies have shed so much blood and spent so much treasure to combat? There is much that needs to be learned from the experience in Helmand and other provinces where reductions have been achieved not only so that the Kandahar Food Zone can build on what has worked and what has not, but also to help shape the wider U.S.-funded rural development effort post-2014.

## **Conclusion**

I am very worried about the growing threat that opium production poses to Afghanistan’s future. Poppy cultivation is expanding and the narcotics trade is undermining the overall U.S. mission to build a stable Afghanistan able to defend itself and prevent terrorist groups from establishing sanctuaries.

I am also very concerned that the United States has not made counternarcotics a top reconstruction priority in this critical year of transition. Neither the United States nor the Afghan government seems to have a clear, prioritized strategy to effectively combat the narcotics trade today much less after 2014.

SIGAR believes that a robust law enforcement presence is an essential part of any effort to effectively combat the narcotics trade. As the United States withdraws soldiers, it is also drastically reducing its law enforcement presence. It is particularly important that we continue to mentor and assist the Afghan institutions responsible for countering the narcotics trade. They are the key to reversing cultivation and production trends that endanger every single thing we have tried to accomplish.

SIGAR has taken a number of steps to augment our law enforcement efforts. We have increased our focus on money laundering because we have found that networks that move narco-dollars are also moving money gained through fraud, theft, and corruption. Protecting the U.S. reconstruction investment in Afghanistan requires making sure that we can follow the money. In addition to hiring a money-laundering expert who formerly served in the ATFC, we are investing in information technology to enable our agents to follow the tortuous money trails leading into and out of Afghanistan. We have also hired a former senior Department of Justice official to maintain law enforcement relationships in Afghanistan and help bridge new relationships to support counternarcotics and other criminal investigations.

The people I spoke with in Afghanistan in my last few trips talked about two possible outcomes following the 2014 transition in Afghanistan: a successful modern state, or an insurgent state. However, there is a third possibility: a narco-criminal state. Absent effective counternarcotics programs and Afghan political will to seriously tackle this grave problem, that third outcome may become a reality.

That concludes my statement, Madam Chairman. I welcome your questions and observations.