

SIGAR

Special Inspector General for
Afghanistan Reconstruction

APR 30
2018

ADDENDUM TO SIGAR'S APRIL 2018
QUARTERLY REPORT TO THE UNITED STATES CONGRESS

ADDENDUM
APRIL 2018



The National Defense Authorization Act for FY 2008 (Pub. L. No. 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR).

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

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

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

As required by the National Defense Authorization Act for FY 2018 (Pub. L. No. 115-91), this quarterly report has been prepared in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

Source: Pub.L. No. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008, Pub. L. No. 115-91, "National Defense Authorization Act for FY 2018," 12/12/2017.

(For a list of the congressionally mandated contents of this report, see Appendix A.)

Cover photo:

An Afghan shop owner arranges cages in his shop at Kabul's bird market. (AFP photo by Wakil Kohsar)

COUNTERNARCOTICS

KEY ISSUES AND EVENTS

In the April 30, 2018, *Quarterly Report to the United States Congress*, SIGAR reported it would describe in its classified annex certain information United States Forces-Afghanistan (USFOR-A) classified concerning the campaign against insurgents' financial networks, such as their financial assessment of revenue denied to the insurgency, the effectiveness of the air campaign, and the total number of facilities and networks targeted. USFOR-A has since declassified that information, now provided in this addendum. Some information concerning the campaign remains unreleasable to the public and is reported in the classified annex.

CAMPAIGN TARGETING INSURGENT FINANCING

The authorities now provided by the Administration's South Asia strategy enable USFOR-A to target insurgent financial networks and revenue streams, such as narcotics production facilities in Afghanistan. U.S. air assets such as B-52s, B-1s, F-16s, F-18s, A-10s, and other aircraft—along with Afghan Air Force (AAF) pilots operating under Afghan authorities using Afghan air assets—aim to disrupt and deny the Taliban the ability to generate revenue as well as destroy their investments in personnel, weapons, equipment, and explosives.¹

For the period January 1 to March 31, 2018, USFOR-A destroyed 29 narcotics revenue production and storage facilities during Operation Iron Tempest—a deliberate air campaign which focuses on degrading insurgent financing and warfighting capability. USFOR-A makes this information available on the Resolute Support NATO website and through Counter Threat Finance (CTF) partnerships with agencies located at the U.S. embassy in Kabul. The estimated value of revenue denied to the insurgency was \$18.8 million during the period.²

USFOR-A determines the effectiveness of the CTF campaign using intelligence gathered from the insurgents to assess their perception of their financial situation and its impact on their operational decision-making. USFOR-A reports that insurgent confusion, concern, and changes to their tactics, techniques, and procedures have led to disruptions in their command and control. Discord and uncertainty have also been observed among insurgent groups about future financing of

their operations as their revenue sources are destroyed and degraded. Although USFOR-A has already seen such behavioral changes, they continue to collect intelligence on the long-term impacts on the Taliban's thinking about their financial future and direct intelligence on the financial impacts from CTF operations.³

In the January 2018 *Quarterly Report to the United States Congress*, SIGAR questioned USFOR-A's valuation of destroyed narcotics labs, including their estimation that the Taliban receive 20% of total opium value when it leaves areas the group controls. USFOR-A told SIGAR it determines the value of narcotics destroyed as part of CTF efforts by using the chain value in the Afghan opium/heroin trade based on an assessment of the revenue generation potential of a target. According to USFOR-A, this accounts for the total product value when it leaves areas controlled by the Taliban. The estimate that the Taliban receive 20% of total product value is based on the multiple ways the Taliban receive revenue from narcotics, including profits from direct ownership, fees for transportation and protection, licensing fees to drug traffickers, and taxation at harvest. According to USFOR-A, the 20% figure provides an estimate of the financial impact to the Taliban, but is not a hard number.⁴

The 20% estimate is higher than those of some experts and former government officials who note that the Taliban assign different fee and taxation rates in various regions as they negotiate the amount with the local populace. David Mansfield, an expert on Afghanistan's opium industry, states that since heroin profits and taxes are not as large as U.S. forces estimate, bombing the labs will have a negligible effect on Taliban revenues.⁵ Vanda Felbab-Brown, another authority on Afghanistan, writes that counternarcotics efforts, often considered a key element of the counterinsurgency strategy, would not decimate the insurgents' financial base: "There is simply no easy way to bankrupt the Taliban by wiping out the opium poppy economy."⁶

USFOR-A set a new record in April for destroying Taliban narcotics labs since the beginning of the campaign in November 2017. Since the unveiling of the Administration's South Asia strategy, USFOR-A has increased the number of airstrikes: the United States released 378 munitions in January, 469 in February, and 339 in March 2018 during 215 missions. The total of 1,186 munitions released in the first quarter of 2018 is a record for this period since reporting began in 2013, and is over two and a half times the amount for the first quarter of 2017.⁷ However, the labs being destroyed are inexpensive and easy to replace. According to the United Nations Office on Drugs and Crime, the morphine/heroin labs need only simple equipment such as a stove, iron barrel, and locally-made pressing machines.⁸

The Department of Defense (DOD) is spending considerable resources on the campaign, but it could undermine support for the Afghan government according to human rights groups, Afghan officials and some experts, especially when airstrikes accidentally kill civilians or members of the Afghan security forces. The airstrike on a compound at the beginning of the campaign in November reportedly killed family members of an opium trader.⁹ In April 2018, an Afghan Air Force strike in Kunduz prompted criticism from citizens, government officials, and human rights groups, because of numerous civilian casualties.¹⁰

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1. USFOR-A, response to SIGAR vetting, 6/1/2018.
 2. USFOR-A, response to SIGAR vetting, 6/1/2018.
 3. USFOR-A, response to SIGAR vetting, 6/1/2018.
 4. USFOR-A, response to SIGAR vetting, 4/12/2018; SIGAR, *Quarterly Report to the United States Congress*, 1/30/2018, p. 195.
 5. *Reuters.com*, “U.S., Afghan forces expand air strikes on Taliban drug labs,” 4/8/2018; AREU, David Mansfield, *Understanding Control and Influence: What Opium Poppy and Tax Reveal about the Writ of the Afghan State*, 8/2017, p. 35.
 6. Brookings, Vanda Felbab-Brown, “Afghanistan’s opium production is through the roof—why Washington shouldn’t overreact,” 11/21/2017.
 7. SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 79; *Air Force Times*, “Afghanistan airstrikes hit highest point in years,” 10/9/2017; *Newsweek*, “Trump’s Military Dropped 751 Bombs on Afghanistan in September, Highest Number in Seven Years,” 10/10/2017.
 8. UNODC, *Monitoring of Drug Flow in Afghanistan*, 10/2007, p. 4.
 9. LSE International Drug Policy Unit, David Mansfield, *Bombing Heroin labs in Afghanistan: The Latest Act in the Theatre of Counternarcotics*, 1/2018, pp. 9–10; *Washington Post*, “A new U.S. air blitz in Afghanistan isn’t stopping for winter. But will it stop the Taliban?,” 1/16/2018.
 10. *Washington Post*, “Afghan air force faces criticism after reports that airstrike killed civilians,” 4/3/2018.

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

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DSN: 318-237-3912 ext. 7303
All voicemail is in Dari, Pashto, and English.

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Toll-free: 866-329-8893
DSN: 312-664-0378
All voicemail is in English and answered during business hours.

By fax: 703-601-4065
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