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

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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.


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

The rising sun reveals part of the barbed-wire cordon around Kandahar Airfield in southern Afghanistan.
(SIGAR photo by Steve Mocsary)
I am pleased to submit to Congress, and the Secretaries of State and Defense, SIGAR’s 25th quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

An encouraging milestone in Afghan history occurred on September 29th, when President Hamid Karzai peacefully handed over the presidency to the newly elected Ashraf Ghani, who in turn swore in his electoral runner-up, Abdullah Abdullah, as chief executive officer. This transition marked the first peaceful and democratic change of regime in Afghanistan’s turbulent history.

It is hoped that the inauguration of this national-unity government will reinvigorate Afghanistan’s reconstruction. The new government has already signed the Bilateral Security Agreement with the United States and a Status of Forces Agreement with NATO, providing the legal framework for the continued commitment of the United States, NATO, and its partner nations to train, advise, and assist the Afghan National Security Forces (ANSF). President Ghani also appears to have taken an aggressive stand against corruption. Among his first actions, he ordered Afghanistan’s Supreme Court and attorney general to pursue the malefactors in the Kabul Bank scandal that nearly led to the collapse of the country’s financial sector in 2010. SIGAR, as well as the international donor community, will be watching closely to see if these initial steps will be followed by substantive improvements in anticorruption efforts by the attorney general’s office and other Afghan law-enforcement agencies.

However, daunting challenges remain. In our last quarterly report, SIGAR highlighted the danger of Afghanistan’s massive and unsustainable dependence on foreign aid. Our concerns were borne out in September by press reports that the Ministry of Finance had asked donors to provide an emergency infusion of $537 million to cover government salaries until the end of the year. In response to a request from SIGAR for information, State Department officials said they had not yet received a formal request for assistance with data to support it, but that they had been in discussions for months with the Afghan government about the ongoing revenue shortfall. As we gather more information, SIGAR will continue to update Congress and the public on the Afghan fiscal situation and economy.

This quarterly report focuses on the threat that opium production poses to Afghanistan’s reconstruction. In Section One, SIGAR points out that counternarcotics appears to have fallen off the agenda of both the U.S. government and the international community, despite the fact that it is impossible to develop a coherent and effective strategy for a post-2014 Afghanistan without taking full account of the opium economy. As long as insurgent commanders are able to fund themselves through the opium trade, and as long as corrupt officials profit from the illicit economy, there may be few incentives for making peace in some areas of the country. In a special report issued this quarter, SIGAR showed that opium-poppy cultivation levels are at another all-time high, despite $7.8 billion obligated for counternarcotics efforts. A SIGAR performance audit also found that U.S. assistance to the
provincial units of the Counternarcotics Police of Afghanistan cannot be tracked and that the United States cannot determine whether its investment in these provincial units has helped them become a capable, self-reliant, and sustainable force.

This quarterly report also examines the reconstruction effort across the security, governance, and economic sectors. In the security sector, SIGAR was deeply troubled by the decision of the International Security Assistance Force (ISAF) to classify the executive summary of the report that assesses the capability of the ANSF. For years, SIGAR has used the ISAF report as a primary metric to show Congress and the public the effectiveness of the $61.5 billion U.S. investment to build, train, equip, and sustain those forces. Prior to this quarter, aggregate data on the operational effectiveness of the ANSF were unclassified in the Regional ANSF Status Report (RASR) as well as its predecessors, the Commanders’ Unit Assessment Tool (CUAT) and the Capability Milestone rating system.

ISAF’s classification of the report summary deprives the American people of an essential tool to measure the success or failure of the single most costly feature of the Afghanistan reconstruction effort. SIGAR and Congress can of course request classified briefings on this information, but its inexplicable classification now and its disappearance from public view does a disservice to the interest of informed national discussion. Moreover, while SIGAR understands that detailed, unit-level assessments could provide insurgents with potentially useful intelligence, there is no indication that the public release of aggregated data on ANSF capabilities has or could deliver any tactical benefit to Afghan insurgents.

The need to carefully monitor the development of the ANSF was brought painfully to light in August, when an Afghan soldier shot and killed a U.S. Army major general—the highest-ranking U.S. military officer to die in Afghanistan. As the deputy commanding general of the Combined Security Transition Command-Afghanistan, Major General Harold J. Greene was a decorated military leader and a friend and colleague to many at SIGAR. He died while performing a critical oversight mission at Marshal Fahim National Defense University in Kabul. Major General Greene’s integrity, hard work, and sheer grit will be sorely missed.

Despite the dangers, SIGAR will continue to provide aggressive oversight of the U.S. reconstruction effort. The 31 audits, inspections, special projects, and other products SIGAR issued this quarter examined programs and projects worth almost $14.8 billion. Unfortunately, many of our products uncovered failures of planning, construction, and oversight. For example, an inspection of the Pol-i-Charkhi prison identified defective workmanship and work not completed according to contract requirements. An inquiry letter expressed continued concerns about the oversight of the Law and Order Trust Fund for Afghanistan’s $3.17 billion program to fund the Afghan National Police. On a more positive note, a performance audit determined that the U.S. Agency for International Development had implemented 80% of SIGAR’s audit recommendations.

The six financial audits SIGAR completed this quarter identified $5.6 million in questioned costs. SIGAR’s financial-audits program has identified nearly $83 million in questioned costs to date. Section Two summarizes our findings and recommendations.

Since my last report to Congress, SIGAR has opened 36 new investigations and closed 33, bringing the total number of ongoing investigations to 322. The criminal fines, restitutions, forfeitures, and cost savings to the U.S. government from SIGAR’s ongoing investigations in this reporting period amounted to over $1 million. Savings to date from SIGAR investigations total over $500 million. SIGAR’s suspension and debarment program referred 44 individuals and 13 companies for suspension and debarment based on allegations that they engaged in fraud or failed to perform under contracts valued at over $398 million.
This quarter, I must once again reiterate my concerns about the policies of the U.S. Army’s suspension and debarment program. As I have pointed out in our last six quarterly reports, the Army’s refusal to suspend or debar supporters of the insurgency from receiving government contracts because the information supporting these recommendations is classified is not only legally wrong, but contrary to sound policy and national-security goals. I remain troubled by the fact that our government can and does use classified information to arrest, detain, and even kill individuals linked to the insurgency in Afghanistan, but apparently refuses to use the same classified information to deny those same individuals their right to obtain contracts with the U.S. government. There is no logic to this continuing disparity. I continue to urge the Secretary of Defense and Congress to change this misguided policy and to impose common sense on the Army’s suspension and debarment program.

At this moment of opportunity and transition for Afghanistan’s new government and the largely U.S.-funded reconstruction program, my staff and I will continue to work vigilantly to safeguard the U.S. taxpayer’s investment and our national goals in Afghanistan.

Respectfully,

John F. Sopko
Special Inspector General for Afghanistan Reconstruction
EXECUTIVE SUMMARY

This report provides a summary of SIGAR’s oversight work and an update on developments in the three major sectors of Afghanistan’s reconstruction effort from July 1 to September 30, 2014.* It also includes a discussion of U.S. counternarcotics efforts in Afghanistan. During this reporting period, SIGAR published 31 audits, inspections, alert letters, and other products assessing the U.S. efforts to build the Afghan security forces, improve governance, and facilitate economic and social development. These reports identified a number of problems, including a lack of accountability, failures of planning, construction deficiencies, and other threats to health and safety. The monetary results from SIGAR’s ongoing investigations totaled over $1 million from criminal fines, restitutions, forfeitures, contract monies protected, and civil settlement agreements. SIGAR investigations also resulted in 14 arrests, three indictments, four criminal informations, two plea agreements, and one sentencing in the United States. In Afghanistan, 24 individuals were barred from access to military installations, and nine employees were terminated. SIGAR’s suspension and debarment program referred 44 individuals and 13 companies for suspension or debarment based on allegations that they engaged in fraud and non-performance in contracts valued at over $398 million.

SIGAR OVERVIEW

AUDITS
SIGAR produced one audit alert letter, two performance audits, six financial audits, and one inspection. The alert letter addressed:
• The Department of Defense’s (DOD) response to SIGAR’s C-130H alert letter from last quarter, which explained DOD’s decision to provide a third C-130H aircraft to the Afghan Air Force and concurred with SIGAR’s recommendation to defer the delivery of a fourth aircraft, with a potential cost savings of about $40.5 million.

The performance audits found:
• The U.S. Agency for International Development (USAID) implemented a large percentage of SIGAR’s audit recommendations in a timely, successful way, reducing the risk of fraud, waste, and abuse of Afghan reconstruction funds.
• Although Counternarcotics Police of Afghanistan (CNPA) provincial units have received some support, overall U.S. financial resources devoted to the CNPA have only tangentially benefitted them.

The financial audits identified over $5.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, ineligible business class travel costs, unapproved purchases of nonexpendable equipment and property, over-reimbursement of indirect costs, unsupported or insufficient sole source procurement justifications, incorrectly calculated currency exchange transactions, inadequate monitoring of subrecipients, improper disposition of nonexpendable equipment, lack of supporting documentation, poor record retention, and failure to conduct vendor-suspension and debarment checks.

The inspection report on a U.S.-funded facility found:
• Defective workmanship and work not completed according to contract requirements at the Pol-i-Charkhi prison, which is being used, but is overcrowded.

NEW AUDITS AND INSPECTIONS
This quarter, SIGAR initiated two new performance audits to assess the U.S. efforts to develop Afghanistan’s
EXECUTIVE SUMMARY

civil aviation capabilities and DOD’s oversight of infrastructure projects transferred to the Afghan government. SIGAR also initiated three new inspections of warehouse facilities in the South Park region of Kandahar Airfield, the Special Operations Task Force-South Command and Control Facility at Camp Brown, and the Counter-Narcotics Justice Center.

SPECIAL PROJECTS
During this reporting period, the Office of Special Projects issued 19 inquiry letters and 2 special reports addressing issues including:
- Unsafe fuel-storage tanks at Camp Shaheen
- Plans for the Kandahar electricity-supply bridging solution
- A dangerous school collapse in Sar-i-Pul
- Anti- and counter-corruption efforts
- The incomplete response to a communications-towers inquiry and the troubling response to a whistleblower-protection inquiry
- The potentially exploitative recruitment of third-country nationals (TCNs)
- Weak oversight of Law and Order Trust Fund for Afghanistan (LOTFA) funds
- An unnecessary second Afghan National Army (ANA) slaughterhouse in Pol-i-Charkhi District
- The scrapping of 16 G222 planes
- USAID’s recovery of questioned costs
- A contract cancelled due to rising security costs
- The incomplete documentation of DOD’s excess equipment disposition processes
- Potentially wasteful expenditures on unused communications trucks
- The processes and controls used by the Combined Security Transition Command-Afghanistan (CSTC-A), the Department of State (State), and USAID for providing direct assistance to the Afghan government
- An all-time high in opium-poppy cultivation, despite the $7 billion U.S. investment in counternarcotics

INVESTIGATIONS
During the reporting period, the criminal fines, restitutions, forfeitures, civil settlements, and cost savings to the U.S. government from SIGAR’s ongoing investigations amounted to over $1 million. Savings to date from SIGAR investigations total over $500 million. SIGAR investigations also resulted in 14 arrests, three indictments, four criminal informations, two plea agreements, and a sentencing in the United States. Additionally, 24 individuals were barred from access to military installations and nine employees were terminated. SIGAR initiated 36 new investigations and closed 33, bringing the total number of ongoing investigations to 322. SIGAR’s suspension and debarment program referred 44 individuals and 13 companies for suspension or debarment.

Investigations highlights include:
- A conviction and a sentencing resulting from a money laundering investigation
- U.S. military members prosecuted following an embezzlement scheme
- A former U.S. Army specialist charged in a fuel theft scheme
- Nine arrested for the theft of shipping containers with goods worth nearly $260,000
- Three Afghan truck drivers arrested and nearly $76,000 worth of fuel recovered
- A contract employee pleading guilty to conspiracy to commit wire fraud and receive an illegal kickback
- An Afghan contractor arrested for fraud
- $150,000 recovered from a SIGAR investigation
- A thwarted fuel theft scheme
- An undercover operation resulting in the arrest of three Afghans, nine barments from U.S. military installations, and the suspension of a business
- A memorandum of understanding signed by SIGAR and the Federal Bureau of Investigation (FBI) to share information
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“As we approach the 2014 withdrawal of international forces from Afghanistan, the country requires continued international support. Even greater efforts are needed to bring counternarcotics programs into the mainstream of social and economic development strategies to successfully curb illegal drug cultivation and production of opium as well as the high use of opiates among the Afghan population.”

—President Barack Obama

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Opium-poppy cultivation in the Khogiani District of Nangarhar Province rose from 131 hectares in 2010, to 5,746 hectares in 2013. Further increases are expected in 2014. (SIGAR photo by David Mansfield)
TACKLING THE OPIUM ECONOMY MUST BE A PRIORITY FOR RECONSTRUCTION

Afghanistan is by far the world's largest source of opium, producing over 90% of global supply. Opium production accordingly plays a key role in the political economy of Afghanistan. While occupying less than 3% of land under cultivation, opium is Afghanistan's most valuable cash crop, and opiates—opium, morphine, and heroin—are its largest export, with an estimated value of $3 billion at border prices. Furthermore, the opium economy directly provides up to 411,000 full-time-equivalent jobs—more than the entire Afghan National Security Forces (ANSF)—and supports additional secondary-effect jobs in the licit economy.

In the coming weeks, the United Nations Office of Drugs and Crime (UNODC) is expected to report further increases in the amount of opium poppy grown. Levels of cultivation have risen by more than 200,000 hectares (1 hectare, or ha, equals roughly 2.5 acres) since 2001. There is reason to believe that cultivation will continue to increase in 2015, after the NATO combat mission in Afghanistan has drawn to a close.

The Special Inspector General for Afghanistan Reconstruction (SIGAR) and other observers have recognized that reconstruction must tackle the opium economy. As Special Inspector General John F. Sopko told Congress earlier this year, “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.” In sum, Sopko warned, “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.”

Yet, despite the threat that the burgeoning opium economy poses to the Afghan state and reconstruction, counternarcotics has largely fallen off the Afghan agenda of both the U.S. government and the international community. It rarely appears in the declarations and communiqués from the conferences on Afghanistan reconstruction that have become a mainstay of the international effort. And there are only oblique references to the issue.
in the current Tokyo Mutual Accountability Framework (TMAF),\(^6\) the agreement that underpins future reconstruction assistance to Afghanistan.\(^7\) Of even greater concern is that there is no consideration of the fact that existing and planned reconstruction efforts—improved irrigation, roads, and agricultural assistance—can actually increase opium production if they fail to factor opium-economy realities into program design. There is an urgent need to recognize that it is impossible to develop a coherent and effective strategy for a post-2014 Afghanistan without taking full account of the opium economy.

The United States has committed nearly $7.8 billion to fight narcotics production and trafficking in Afghanistan since 2002, but it is simplistic to argue that counternarcotics interventions have failed on the basis of record-breaking production figures. The continued rise in cultivation and its relocation to areas beyond the reach of the current Afghan state suggest that the problem does not lie solely with a narrow set of interventions currently understood as counternarcotics. The problem also lies in the failure of the wider reconstruction effort to address the underlying conditions in many rural areas, such as insecurity, poor governance, and limited economic opportunities, which led to widespread opium production.

The formation of the new government in Afghanistan under the leadership of President Ashraf Ghani presents an opportunity to put efforts to counter the illicit economy at the center of the reconstruction effort, and to commit to a review process that ensures no programs or policies make the situation worse. It was, after all, Ashraf Ghani, speaking as finance minister in 2003, who first spoke of Afghanistan becoming a “narco-mafia state,”\(^8\) who pressed the World Bank and other development donors to engage constructively on the opium economy,\(^9\) and who warned of the unintended consequences of pursuing “quick wins” in the desire for reductions in opium-poppy cultivation.\(^10\)

The United States and other international donors should grasp this opportunity. They should urge the Afghan government to factor opium-economy countermeasures into its future development plans. And they should use the forthcoming Ministerial Review of the TMAF in the United Kingdom in November 2014 to reaffirm their commitment to help the Afghan government show demonstrable progress in reducing the damaging impact of narcotics production.

**A PATTERN OF “UNPRECEDENTED HIGHS”**

UNODC estimates that opium poppy was grown on 209,000 hectares—more than half a million acres—in 2013, up 36% from 2012 and a “record high” for Afghanistan.\(^11\) This was not the first time Afghanistan set records for opium production. In 1999, at the height of the Taliban regime, opium-poppy cultivation had reached an “unprecedented level” of approximately
91,000 hectares. Another “unprecedented” level of 131,000 hectares of opium poppy was cultivated in 2004. This occurred shortly after then-finance minister Ashraf Ghani warned of the dangers of the burgeoning opium economy. Despite President Karzai’s declaration of a “jihad against opium” and redoubled U.S. efforts, another “unprecedented” peak of 193,000 hectares of poppy cultivation occurred in 2007. Figure 1.1 shows fluctuations in poppy cultivation 2002–2013.
The increases in cultivation between 2012 and 2013 have been significant. A report released this quarter by SIGAR’s Office of Special Projects illustrates that opium-cultivation potential has been rising, and that large areas of potential production increases appear in the east, north, and southwest of Afghanistan. The transmittal letter by the Special IG notes, as one example, that Nangarhar Province in eastern Afghanistan, declared “poppy-free” by the UN in 2008, “saw a fourfold increase in opium poppy cultivation between 2012 and 2013.”

There is little reason to believe cultivation will fall in 2015. The latest planting season began in late October 2014. Farm-gate opium prices remain relatively high at around $140 per kilogram. The Afghan economy remains fragile: economic growth has declined, real wages are falling, and inflation has increased. The security situation in many rural areas of the country is increasingly uncertain. In such conditions, opium production should be expected to rise.

THE MULTIFRONTEFFORT ON NARCOTICS AND ITS RESULTS

The U.S. government’s counternarcotics effort includes initiatives intended to reduce production, trade, trafficking, and consumption of illicit drugs in Afghanistan, with a primary focus on opium and its derivatives. Funds for these initiatives come through the Drug Interdiction and Counter-Drug Activities Fund (DOD CN), the Afghanistan Security Forces Fund (ASFF), the Economic Support Fund (ESF), and the State Department’s International Narcotics Control and Law Enforcement (INCLE) account. In addition to reconstruction funding, the Drug Enforcement Administration (DEA) receives funding to operate in Afghanistan through direct appropriations from Congress.

HOW EFFECTIVE IS THE LAW-ENFORCEMENT EFFORT IN COUNTERING THE NARCOTICS TRADE?

Nearly $3 billion of total U.S. counternarcotics funding in Afghanistan has been allocated to law enforcement. At the forefront of this effort is DEA, which reopened its country office in Kabul in 2003.

The DEA’s primary partner in the counternarcotics effort is the Counternarcotics Police of Afghanistan (CNPA), a specialist unit of the Afghan National Police (ANP) under the Ministry of Interior (MOI). The CNPA, with a force strength of approximately 2,850 personnel, has officers in all 34 provinces to enforce Afghan drug laws by means of investigations and operations including interdiction and crop eradication.

The DEA model for international drug-law enforcement calls for working with host-nation partners to identify and rigorously vet personnel to
determine suitability for service, and to develop a professional cadre of enforcement officers. Working with the CNPA, DEA and its U.S. partners have established three specialized units. The National Interdiction Unit (NIU) is the tactical element of the CNPA and conducts evidence-based interdiction operations and seizures. The Sensitive Investigative Unit (SIU) carries out counternarcotics and countercorruption investigations using intelligence developed by the Technical Investigative Unit (TIU).

Some U.S. officials believe the U.S. law-enforcement strategy, including standing up specialized units, has been successful and should be continued post-2014. Officials cite the number of CNPA officers trained, enforcement operations, arrests, and drug seizures to support these claims. But a close examination of the total amount of opiates and precursor chemicals seized suggest law enforcement has had a more limited effect. For example, using Defense Intelligence Agency data, over the three fiscal years 2011, 2012, and 2013, an annual average of 5.6 metric tons (mt; 1 mt = 2,205 pounds) of heroin, 70.1 mt of opium, and 96.4 mt of precursor chemicals were seized in Afghanistan. By comparison, according to UNODC annualized estimates, 380 mt of heroin are produced for export, approximately 5,000 mt of opium are produced, and between 400 and 500 mt of precursor chemicals are smuggled into Afghanistan.

One of the primary goals of the U.S. counternarcotics strategy is to concentrate on severing the financial link between drug trafficking and the insurgency. In late August 2010, public revelations of embezzlement and other widespread financial crimes within Kabul Bank confirmed rumors within the Afghan business community and elsewhere that private financial institutions in Afghanistan were involved in rampant criminal activity, including money-laundering operations intimately tied to the narcotics trade.

In an effort to disrupt such activities, the U.S. Department of the Treasury, on February 18, 2011, sanctioned Afghanistan’s largest commercial hawala, the New Ansari Money Exchange, and 15 affiliated individuals and entities under the Foreign Narcotics Kingpin Designation Act for facilitating the money-laundering activities of major regional narcotics traffickers linked to Taliban financing activities. Other financial sanctions followed, including U.S. and UN counterterrorism sanctions in June 2012 against the Haji Khairullah and Haji Sattar Money Exchange and the Roshan Money Exchange for storing and moving money on behalf of the Taliban. According to a public release from the U.S. Department of the Treasury, both exchange houses facilitated money transfers in support of the Taliban’s narcotics trade and terrorist operations. Additional U.S. and UN sanctions were imposed five months later against Rahat LTD, another hawala which had been used extensively by senior Taliban leaders, including then-Helmand Taliban shadow governor Mullah Naim Barich, who had been sanctioned just five days earlier by the Department of the Treasury.
under the Foreign Narcotics Kingpin Designation Act for his extensive narcotics production and distribution activities.\textsuperscript{29}

In late June 2014, Afghanistan narrowly avoided blacklisting by the Financial Action Task Force (FATF) by passing new anti-money laundering (AML) and countering the financing of terrorism (CFT) legislation. The new AML and CFT laws were deemed more compliant with international standards than that country’s previous statutes.\textsuperscript{30} (See the Economic and Social Development section of this report for more information.)

The loss of several correspondent-banking relationships and the spotlight shone on Afghanistan’s inability to effectively combat money laundering and terrorist financing have likely mitigated the volume of narcotics-related funds being injected into the formal international finance sector. But narco-dollars continue to flow in and out of Afghanistan through a variety of other money-laundering techniques, including bulk-cash smuggling activities by hawalas and trade-based money-laundering operations. However, it is not currently known how many priority-target drug trafficking organizations operating in Afghanistan have had significant disruptions of their operations, or have been completely dismantled as a result of enforcement operations, financial sanctions, or interagency investigations. Without this information, measuring enforcement’s impact on the narcotics trade remains difficult.

As with other aspects of the counternarcotics campaign, assessing the return on investment for law enforcement is important. The U.S. government does not present explicit data on this measure, but a rough estimate can be made. For example, the Defense Intelligence Agency reports that a three-year average for heroin seizures is 5.6 metric tons. At an estimated wholesale price of $2,266 per kilogram,\textsuperscript{31} the total approximate value of the seized heroin is $12.7 million annually.

Similar calculations for other drug seizures would provide a greater understanding of the cost and benefits of the law enforcement effort the United States is making to decrease drug trafficking revenues. The Departments of Defense and State provided an estimated total of $60 million in counternarcotics assistance to DEA in FY 2013 for use in Afghanistan and DEA dedicated a further $19 million of the agency’s direct appropriations to support the counternarcotics mission in Afghanistan.\textsuperscript{32} The decline in the U.S. law-enforcement presence in Afghanistan is unlikely to be offset by increased Afghan capability. A SIGAR audit released this quarter found that without a formal rating system that measures training, leadership, sustainment, and operational progress, the U.S. government cannot assess whether its investment in CNPA’s provincial units has helped them become a capable, self-reliant, and sustainable force.\textsuperscript{33}

Moreover, the MOI’s Ten-Year Vision for the Afghan National Police states that all Afghan police forces, including the CNPA, will maintain flexible structures so that officers can be shifted between different pillars of the
This mandate allows the ANP flexibility to reassign CNPA officers to non-counternarcotics duties and will likely further dilute the CNPA focus across the country. Finally, under the Afghan Police Law as many as one-third of the CNPA can be assigned to other duties and not be involved with standard drug-law enforcement, such as initiating investigations, developing cases, and gathering intelligence.

**WHAT HAS ERADICATION ACCOMPLISHED?**

Eradication is the physical destruction of the standing opium crop and represents a standard indicator for the State Department’s counternarcotics efforts overseas. The prioritization and funding of eradication have changed over the years, but crop destruction remains an important element in the counternarcotics strategy.

Since 2002 the United States has allocated about $1 billion to crop destruction in Afghanistan. The bulk of this funding has supported an independent eradication force operating from 2004 to 2009 out of the MOI. Since 2010 the focus of the eradication effort has been on Governor Led Eradication (GLE), an initiative that encourages provincial governors to conduct their own crop destruction but reimburses their expenses. Crops are destroyed either mechanically, using tractors or all-terrain vehicles, or manually, using blades or sticks. Efforts to introduce spraying were rejected by the Afghan cabinet in 2007. Opponents cited fears of herbicide impacts on the population’s health, as well as wider impacts on the economy and the potential to further destabilize rural areas.

U.S. contractor DynCorp International operated a Department of State-funded Poppy Eradication Force (PEF) until 2009, when it was disbanded by Richard Holbrooke upon his appointment as Special Representative for Afghanistan and Pakistan. Between 2004 and 2009, $695.3 million was expended on the PEF and its supporting Special Air Wing. The PEF eradicated 9,946 hectares of opium poppy, at an average cost of $73,608 per hectare. Assessing the value received for money spent in the U.S.-funded eradication effort is challenging. The rationale for crop destruction typically draws on three lines of argument:

1. Destroying some of the opium crop each year means less opiate for distribution, sale, and final consumption.
2. Eradication extends the writ of the Afghan state into rural areas where traditionally the government has had little presence.
3. Crop destruction changes the risk-benefit calculation to farmers, deterring planting in future seasons.

In 2014, the eradication target for GLE was 22,500 hectares—an ambitious goal given the demands of the first round of the Afghan presidential voting, increasing insecurity in many poppy-growing provinces, and meager...
By the end of the season, only 2,693 hectares were destroyed, less than 12% of the target and less than the 7,348 hectares destroyed in 2013.

Assessing crop destruction over the longer term is difficult. Data prior to 2005 are problematic, as there was no independent verification process. In the 2002–2003 growing season, Afghan authorities reported 21,430 hectares of opium poppy were eradicated. UNODC cited these figures, but commented that its 2003 survey “neither monitored, nor assessed the effectiveness of the eradication campaign.” The 2004 UNODC survey reported no eradication figures. Figure 1.2 shows fluctuations in eradication from 2003–2014.

UNODC did not begin verifying eradication until late 2005, and did not begin verifying the amount of crop destroyed by the PEF until 2008. As late as 2006 and 2007, there were still concerns over the reliability of UNODC eradication data due to its initial verification methodology. For instance, until 2007, UNODC relied on surveyors visiting rural areas after the eradication campaign had been completed, making verification difficult. Doubts over inflated figures led UNODC to incorporate greater use of remote-sensing imagery and to draw on technical support from Cranfield University from 2008. Besides issues of methodology and security challenges, politics complicated eradication verification. Eradication was often
used as a metric for judging state-building, institutional, and individual performance.51

This encouraged over-reporting by Afghan nationals and a preference for reporting higher levels of eradication amongst drug-control institutions. This became particularly evident with the level of over-reporting by the PEF in the spring of 2007 that culminated in a review52 and subsequent reduction in the final figures reported.53

The argument that eradication has extended the writ of the state is far from compelling when viewed against the complaints of corruption and the targeting of vulnerable communities that have accompanied crop destruction.54 Indeed, an employee of a nongovernmental organization in Kandahar in 2008 referred to the “predatory and sneering face of the eradication team,” arguing that it was “not the face that should be seen in rural areas.”55 Afghan farmers themselves will often refer to eradication operations as acting “like a thief stealing in the night” where these efforts are not accompanied by a more resilient state presence that includes the delivery of physical and social infrastructure and improved security.56

Evidence for the third line of argument, that eradication deters future planting, also appears limited. UNODC claims that for eradication to discourage farmers from cultivating opium poppy in subsequent years, 25% of the total standing crop in Afghanistan would need to be destroyed.57 However, it is not obvious how this figure was calculated. Moreover, it is an estimate that does not appear to recognize how localized politics and power are in rural Afghanistan, and how events in one district can have little bearing on the behavior of the population in neighboring areas, let alone other provinces.

State’s Bureau of International Narcotics and Law Enforcement (INL) draws on “geospatial analysis that indicates 90% less poppy was planted in 2011 on land within half-kilometer radius of poppy fields that were eradicated in 2010 in the Helmand Food Zone,” a UK- and U.S.-funded program designed to reduce opium production in the well-irrigated parts of Helmand Province.58 On the surface this analysis seems to have merit, but it does not appear to consider other variables, such as the significant influx of international and Afghan military forces, establishment of security checkpoints and bases, and the uptick in development spending associated with the “surge”—all of which affected local farmers’ livelihood and planting decisions.59

In reviewing the impact of eradication, it is particularly hard to ignore the fact that the amount of land dedicated to opium poppy in the district of Marjah in Helmand was almost 60% in 2010, but fell to less than 5% in the following season, once 15,000 U.S. Marines and the ANSF had taken up position in the district for Operation Moshtarak in February of 2010.60 Farmers across central Helmand referred to the prevalence of government and international forces within rural communities, concurring with reports of “an ISAF base on every road junction”61 as a deterrent to cultivation.62 In contrast, research
conducted in Helmand Province over many years found that “Where the state has not been able to establish a more permanent presence in an area due to the prevailing security conditions, eradication has been seen by farmers as a random act that can be managed through patronage and corruption, a perception that has led to increasing resentment.”

ASSESSING THE EFFECTIVENESS OF THE GOOD PERFORMER’S INITIATIVE REQUIRES MORE EVIDENCE

The State Department calls the Good Performer’s Initiative (GPI), begun in 2007, “one of the most successful counternarcotics programs in Afghanistan.” The GPI rewards provinces each year for: (1) attaining or maintaining poppy-free status ($1 million each), (2) reducing poppy cultivation by more than 10 percent ($1,000 for each hectare above 10 percent), and (3) exceptional counternarcotics achievements ($500,000 each for up to two provinces). As of August 31, 2014, the GPI has awarded $108 million to more than 221 projects in 33 provinces.

A detailed review by SIGAR of projects funded by the GPI to date suggests that priority has largely been given to financing infrastructure programs implemented by private-sector construction companies. Projects currently focus on a limited range of sectors, such as health, education, transport, and agriculture, and largely involve building schools, health clinics, gymnasiuems, conference centers, meeting halls, roads, bridges, and irrigation systems.

How such projects translate into reductions in opium production is far from clear. For example, very few of the projects focus on income generation or supporting farmers in replacing income lost by abandoning opium poppy cultivation. Further, it is not clear how many of the projects funded under the GPI are implemented in rural areas with a history of opium-poppy cultivation, or how they address the reasons for cultivation.

Some projects may have had perverse outcomes. Irrigation projects in Nangarhar, Badakhshan, and Kunar Provinces, for example, may have facilitated increased opium-poppy cultivation after periods of significant reductions. Irrigation improvements funded by the GPI in Banikhel in the Pachir wa Agam District of Nangarhar were definitely used to cultivate opium poppy in both 2013 and 2014, as shown in the image on page 13.

The disconnect between the rural communities that have, or could potentially, cultivate opium poppy and the award of projects under the GPI appears to have been noted. On August 30, 2014, the Minister of Counter Narcotics and INL announced the redesign of the GPI—called GPI II—and a shift towards projects “that better meet the needs of rural communities, by prioritizing alternative livelihoods projects that support farmers as they transition away from poppy cultivation.”
DOES THE UNITED STATES HAVE THE RIGHT STRATEGY FOR RURAL DEVELOPMENT IN A DRUGS ENVIRONMENT?

The United States seeks to reduce opium production by encouraging farmers to find alternative means of earning a living. However, a recent report for the World Bank’s *Agriculture Sector Review* says, “alternative livelihoods and alternative development remain undefined and confused concepts.” The report describes two different models that underpin development efforts in opium-poppy areas in Afghanistan.

The first model is predicated on a theory of change that assumes reductions in drug-crop cultivation can be rapid, coerced, and largely a function of the political will of Afghan actors. It dates back to a failed model of assistance implemented by UNODC in Afghanistan during the early and mid-1990s. This model ties development assistance closely to community...
agreements to reduce opium poppy, and is often based on single-sector interventions, particularly provision of agricultural inputs.

Under this model, development assistance is often considered largesse aimed at building the political capital of provincial governors, district officials, and local elites, and designed to support them in their efforts to elicit reductions in opium-poppy cultivation from rural communities. This theory of change appears to underpin the GPI.73

Also emblematic of the first model is the Kandahar Food Zone (KFZ), an $18.7 million USAID program74 designed to identify and address the drivers of opium-poppy cultivation in the districts of Arghistsan, Kandahar, Maiwand, Panjwai, Shahwali Kot, Takhta Pul,75 and Zahir.76

The KFZ is said to build on the lessons learned from the Helmand Food Zone, but it is unclear where the similarities lie. The Helmand Food Zone was implemented at a time when the price of wheat, an alternative crop, was rising dramatically and opium prices had fallen to their lowest levels since before the Taliban ban in 2001.77 The 2009–2011 duration of the Helmand Food Zone was also a period of huge increase in the numbers of international and Afghan forces in the province, and of increasing development aid.78 In contrast, the KFZ appears to be occurring at a time of relatively high opium prices and reduced security-force presence, and is prioritizing irrigation investments79 which, if implemented in isolation, could lead to farmers cultivating more land with higher-yielding poppy in the future. Nevertheless, according to USAID, the Ministry of Counter Narcotics wishes to apply the KFZ model to the 17 remaining provinces with poppy cultivation, including Uruzgan, Farah, Badakshan, and Nangarhar.80

The second, competing model of “alternative livelihoods” is less intimately tied to reductions in opium-poppy cultivation. It recognizes the limits of the Afghan state and is mindful that in many parts of Afghanistan, the government does not have control over the territory within its borders. Instead, this model looks to strengthen the relationship between farming communities and the state, and improve the welfare of farmers. It sees reductions in cultivation as a function of the wider reconstruction effort in Afghanistan. This model makes rural development the objective, and reductions in poppy cultivation an externality or side effect of that objective.81

This second model of alternative livelihoods includes the kind of broad-based rural development that forms the bulk of USAID’s ESF-funded programming. The recently awarded Regional Agricultural Development Programs for the South ($125.1 million), West ($69.9 million), and North ($78.4 million); the Commercial Horticulture and Agricultural Marketing Program ($40 million); and Incentives Driving Economic Alternatives-North, East, and West ($159.8 million) all fall into this category.82

Many of these programs are justified on the basis that they will directly impact levels of opium-poppy cultivation. Others are only in part intended to support reductions in opium-poppy cultivation, and are built on the
assumption that “once alternative high-value and economically competitive crops produce income, rural households would be more willing to stop poppy production.” These programs, however, do not directly measure changes in poppy cultivation, which raises the question of how USAID assesses whether its assumption is valid—a point noted in a USAID Office of Inspector General audit in 2012. The failure to determine the relationship between development investments and opium-poppy cultivation also means USAID has no way to establish whether these programs are inadvertently contributing to increasing levels of cultivation.

CULTIVATION DATA SHOULD NOT BE THE ONLY MEASURE OF THE COUNTERNARCOTICS EFFORT

Measuring opium-poppy cultivation is a critical element in official assessments of counternarcotics-program success. But it has its limitations.

First, getting reliable data on an illegal activity is seldom easy. UNODC and the U.S. Crime and Narcotics Center (CNC) use different methods and have often produced sharply divergent estimates, as shown in Figure 1.3.

It is not necessarily clear whether reductions in opium-poppy cultivation areas straightforwardly reflect robust counternarcotics efforts, or instead (or also) are a function of prices, growing conditions, improvements in security, and the impacts of the wider reconstruction effort.

FIGURE 1.3

AFGHANISTAN TOTAL POPPY CULTIVATION ESTIMATES, 1994–2013 (HECTARES)

Furthermore, limited data about crops or activities that have been substituted for opium poppy make it difficult to determine how long reductions may persist, or what kinds of development investments will make the most significant difference.

Looking at aggregate or provincial indicators of opium-poppy cultivation can also mask important differences in intensity or relocation of cultivation. In 2014, with record levels of cultivation, there are areas where opium once flourished, but where poppy has not been grown for up to a decade. These sustained reductions have occurred in Nangarhar, Balkh and Badakhshan, and even in Helmand and Kandahar. At the same time, opium-poppy cultivation has relocated and concentrated in more remote and insecure parts of these provinces, in some cases driving up aggregate levels of production at the provincial level and contributing to rising levels of cultivation nationally.

Sustained reductions in cultivation suggest that under certain conditions, farmers may transition out of opium-poppy cultivation even in districts that once cultivated thousands of hectares of opium poppy. Assistance that promotes better risk-management strategies through diversifying on-farm and non-farm income, combined with provision of public goods such as security and infrastructure, can give farmers alternatives to growing poppy while strengthening the social contract with the state.

There is a need to assess reductions in opium poppy cultivation in conjunction with data on rates of rural economic growth, crop diversification, non-farm income, and improved governance if reasons for fluctuations in opium-poppy cultivation are to be better understood—and, most importantly, if the desire to drive down production is not to risk undermining the wider reconstruction effort in Afghanistan.

**DOES 2015 OFFER NEW POSSIBILITIES?**

Despite the economic and political importance of the opium economy, many Western donors seem unwilling to address the opium economy in Afghanistan. The reluctance surfaces in U.S. policy papers as well as in the TMAF. There are, for instance, only oblique references to drugs in TMAF, and the U.S. Civil-Military Strategic Framework for Afghanistan barely mentions counternarcotics. The government of the United Kingdom, the former lead, then partner, nation on counternarcotics in Afghanistan, has all but ceased its counternarcotics interventions apart from a limited law-enforcement effort, and rarely mentions the issue in diplomatic circles.

The complexity, intractability, and long horizon of the counternarcotics campaign—even more daunting in Afghanistan than in the countries whose citizens provide the demand for what Afghans supply—makes official reticence understandable. But Afghanistan’s soaring opium production continues to pose a significant threat to reconstruction, and to demand action.
The U.S. and Coalition presence in Afghanistan, including law-enforcement components, will shrink drastically after 2014. While this magnifies the challenge of pursuing the counternarcotics agenda, it also raises the payoff for a searching review of how the reconstruction effort can better address the harms caused by such concentrated levels of opium production.

The advent of a new administration in Kabul also offers opportunities. As noted, President Ashraf Ghani has a long record of speaking out against the baleful influences of the narcotics trade. His new government, facing an economic slump and taking a stronger stand against corruption, may be willing to cooperate in stronger efforts to enforce laws and reduce the corruption that benefits the drug trade—especially if continued donor assistance is offering Afghans a chance at better legal livelihoods.

At an operational level, U.S. reconstruction programs in Afghanistan need to be far more explicit about how they will tackle the opium economy without making matters worse. Officials in both State and USAID need to set out the theory of change that underpins their reconstruction programs, identify how these programs will deter future opium production, and establish mechanisms for assessing the contribution these programs make to reducing narcotics production while taking into consideration the challenges that insecurity and a reduction in the U.S. presence on the ground poses to oversight. More needs to be done to learn from and, where appropriate, replicate how coincident improvements in governance, security, and economic growth led to farmers graduating out of opium production in the lower-lying areas of provinces like Nangarhar, Helmand, and Kandahar.

It is impossible to develop a coherent and effective strategy for Afghanistan without taking full account of the opium economy. To continue to ignore the impact of opium production on reconstruction—and reconstruction’s effect on the opium economy—would be negligent, wasteful of taxpayers’ money, and destructive of U.S. policy goals.

A whole-of-government effort and a whole-of-programs review are essential. Recognizing the corrosive effects of money laundering on U.S. reconstruction efforts, SIGAR also recommends that “following the money” be part of any such review and has established a Money Laundering Task Force to identify and investigate violations of U.S. and Afghan money laundering laws linked to reconstruction.

In the coming period of reduced oversight visibility in Afghanistan, SIGAR will continue to keep the U.S. government and the American public informed on the counternarcotics effort, and to recommend appropriate course corrections. At the moment, Afghanistan’s narcotics economy is the elephant in the room that we ignore at our peril.
“It’s clear that reconstruction progress needs to be measured in realistic and useful ways. If we are going to learn anything from the reconstruction experience, we need to have accurate assessments of the proximate cause of both successes and failures.”

—Special Inspector General John F. Sopko
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**Photo on previous page**

Fire trucks ceremonially spray water over a C-130H aircraft as the Afghan Air Force takes delivery of its two new cargo planes. (U.S. Army photo)
This quarter SIGAR issued 31 audits, inspections, alert letters, and other products covering programs worth nearly $14.8 billion.

One performance audit found that although Counternarcotics Police of Afghanistan (CNPA) provincial units have received some support, overall U.S. financial resources devoted to the CNPA have only tangentially benefitted them. A second performance audit determined that the U.S. Agency for International Development (USAID) implemented 80% of SIGAR's 127 recommendations in a timely, successful manner, reducing the risk of fraud, waste, and abuse of Afghan reconstruction funds. This quarter, SIGAR's financial audits identified nearly $5.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than $83 million in questioned costs and $197,494 in unremitted interest on advanced federal funds.

SIGAR also published one inspection report. It identified defective workmanship and work not completed according to contract requirements at the Pol-i-Charkhi prison, and discovered that the prison is being used, but is overcrowded.

SIGAR's Office of Special Projects wrote inquiry letters expressing concerns about a range of issues, including the unsafe fuel-storage tanks at Camp Shaheen, the soundness of plans for the Kandahar electricity-supply bridging solution, a dangerous school collapse in Sari-Pul, anti- and counter-corruption efforts, an incomplete response to a communications-towers inquiry, a troubling response to a whistleblower-protection inquiry, the potentially exploitative recruitment of third-country nationals (TCNs), weak oversight of Law and Order Trust Fund for Afghanistan (LOTFA) funds, an unnecessary second Afghan National Army (ANA) slaughterhouse in Pol-i-Charkhi District, the scrapping of 16 G222 planes, USAID's recovery of questioned costs, contract cancelled due to rising security costs, the incomplete documentation of the Department of Defense's (DOD) excess equipment disposition processes, and potentially wasteful expenditures on unused communications trucks. The office also conducted a review of the processes and controls used by the Combined Security Transition Command-Afghanistan (CSTC-A), the Department of State (State), and USAID for providing direct assistance to the Afghan government. The Office
SIGAR OVERSIGHT ACTIVITIES

Performance audits: provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence measured against stated criteria. Performance audits provide objective analysis so that management and those charged with governance can use the information to improve the program performance and operations, reduce costs, and facilitate decision-making by parties with responsibility to oversee or initiate corrective action for public accountability. Performance audits are conducted in accordance with generally accepted government auditing standards (GAGAS) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Federal Offices of Inspector General.

Inspections: are systematic and independent assessments of the design, implementation, and/or results of an agency’s operations, programs, or policies. SIGAR conducts inspections, in accordance with CIGIE Quality Standards for Inspection and Evaluation, to provide information to Congress and the public on the quality of construction of facilities and infrastructure throughout Afghanistan; and generally, to provide an assessment of the extent to which the facilities were constructed in accordance with the contract requirements, used as intended, and are being maintained.

Financial audits: provide an independent assessment of and reasonable assurance about whether an entity’s reported condition, results, and use of resources are presented in accordance with recognized criteria. SIGAR performs financial audits in accordance with GAGAS, which includes both requirements contained in the American Institute of Certified Public Accountants Statements on Auditing Standards and additional requirements provided in GAGAS. SIGAR also reviews financial audits conducted by independent public accountants (IPA). When an IPA conducts a financial audit, SIGAR conducts reasonable procedures to ensure compliance with GAGAS, based on the intended use of the IPA’s work and degree of responsibility accepted by SIGAR with respect to that work.

of Special Projects also issued a special report which examined an all-time high in opium-poppy cultivation, despite the $7 billion U.S. investment in counternarcotics.

During the reporting period, the criminal fines, restitutions, forfeitures, civil settlements, and cost savings to the U.S. government from SIGAR’s ongoing investigations amounted to over $1 million. Savings to date from SIGAR investigations total over $500 million. SIGAR investigations also resulted in 14 arrests, three indictments, four criminal informations, two plea agreements, and a sentencing in the United States. Additionally, 24 individuals were barred from access to military installations and nine employees were terminated. SIGAR’s suspension and debarment program referred 44 individuals and 13 companies for suspension or debarment. Of those 57 contractors, 11 were referred based on allegations that they engaged in fraud and nonperformance on contracts valued at over $398 million.

AUDITS

SIGAR conducts performance audits, inspections, and financial audits of programs and projects connected to the reconstruction in Afghanistan. Since its last report to Congress, SIGAR has issued two performance audits, one inspection, six financial-audit reports, and one audit alert letter. This quarter SIGAR also began two new performance audits, bringing the total number of ongoing performance audits to 14. The published performance-audit reports reviewed the status and oversight process for reaching audit-recommendation resolution at USAID, and the U.S. and Afghan governments’ ability to track CNPA funds and capabilities. The performance audits made a total of six recommendations; the inspection made five. The financial audits identified nearly $5.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues.

Alert Letters

With Afghanistan in the midst of transition, U.S. military and civilian officials have asked SIGAR to provide them with real-time information to prevent waste and increase the effectiveness of U.S. reconstruction programs. One of SIGAR’s main goals is to provide implementing agencies and Congress with actionable information while there is still time to make a difference. To achieve that goal, SIGAR sends alert letters to highlight concerns in real time while implementing agencies are still able to act. During this reporting period, SIGAR sent one alert letter, addressing DOD’s response to SIGAR’s original C-130H alert letter, sent last quarter.
Audit Alert Letter 14-80a-AL: Afghan Air Force C-130 Aircraft Response

On October 6, SIGAR wrote to DOD regarding the agency’s response to SIGAR’s July 10 alert letter concerning the planned provision of C-130H cargo planes to the Afghan Air Force (AAF). In the July 10 letter, SIGAR requested that DOD review the AAF’s medium- airlift requirements and its ability to fully use the two existing C-130Hs before providing two additional aircraft.

DOD responded, noting that based on historical mission-capable rates and projected maintenance and inspection schedules, the AAF requires at least three C-130Hs to ensure at least one aircraft is operational at all times. SIGAR recognizes the risk of having no C-130Hs operational, and agrees with DOD’s decision to provide the AAF with a third aircraft. The letter also commends DOD’s concurrence with SIGAR’s recommendation to defer the decision on delivery of the fourth planned C-130H until the requirements review is complete. This represents a potential savings of about $40.5 million through 2017—$19.8 million for the aircraft itself, and $20.7 million for the maintenance, parts, training, and modifications.

Performance Audit Reports Published

This quarter SIGAR published two performance audits that examined USAID’s resolution of SIGAR audit recommendations and U.S. efforts to develop the CNPA.
SIGAR OVERSIGHT ACTIVITIES

**Audit 15-1-AR: U.S. Agency for International Development**

**More than 80 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented**

SIGAR initiated this review to (1) identify and assess the status of SIGAR recommendations made to USAID in all SIGAR performance audits, financial audits, and inspections; and (2) review actions taken or planned by USAID to address any open recommendations.

To accomplish these objectives, SIGAR identified and examined all 127 recommendations made to USAID from SIGAR’s establishment in January 2008 through April 2014, and conducted analysis to determine the number of open, closed and implemented, and closed but not implemented recommendations. SIGAR categorized each recommendation by sector, recommended action, and intended outcome. Finally, SIGAR examined documentation that USAID provided to determine any quantifiable financial benefit in the form of cost savings or recovered funds.

Of the 127 recommendations made to USAID from SIGAR’s establishment in January 2008 through April 2014, SIGAR closed 110, with 103 closed and implemented, and seven closed but not implemented. Fifty-one previously open recommendations were closed due to evidence provided after SIGAR notified USAID of this audit in February 2014.

SIGAR’s analysis found that:

- Almost two-thirds of all recommendations were intended to achieve one of two outcomes: (1) ensure accountability and oversight of contract funds, or (2) strengthen contract compliance and internal controls.

- More than two-thirds recommended that USAID, to achieve the intended outcomes: (1) establish, improve, or follow existing procedures, policies, or other guidance; or (2) recover or ensure appropriate use of funds.

USAID’s timely implementation of these recommendations resulted in stronger accountability of reconstruction funds spent in Afghanistan. One recommendation alone resulted in almost $23 million being put to better use. Eighteen additional recommendations resulted in the sustainment or recovery of more than $2.75 million in questioned costs. An additional recommendation resulted in USAID’s increasing the timeliness of financial-contract audits of completed projects, helping to ensure that costs billed by contractors were allowable.

SIGAR closed seven additional recommendations that had not been implemented for several reasons:

- Five recommendations were closed because SIGAR planned to conduct additional audit work that could supersede the recommendations.

- Two recommendations were closed because USAID did not take action to address SIGAR’s concerns.

**COMPLETED PERFORMANCE AUDITS**

- Audit 15-1-AR: USAID: More than 80 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented
- Audit 15-12-AR: Counternarcotics Police of Afghanistan: U.S. Assistance to Provincial Units Cannot be Fully Tracked and Formal Capability Assessments of These Units Are Needed
Seventeen of the 127 recommendations remain open, and SIGAR is waiting for further implementing actions by USAID prior to closing them. As of mid-August 2014, seven of these recommendations were open for more than one year, and one recommendation was open for more than two years. Seven of the open recommendations have identified $61.9 million in questioned costs.

SIGAR made no recommendations in this audit.

**Audit 15-12-AR: Counternarcotics Police of Afghanistan**

**U.S. Assistance to Provincial Units Cannot be Fully Tracked and Formal Capability Assessments of These Units Are Needed**

The Counternarcotics Police of Afghanistan (CNPA), established in 2003 as a specialist force of the Afghan National Police (ANP), conducts counternarcotics investigations and operations throughout Afghanistan. Due to the impending security transition and risks to Afghanistan’s economy, U.S. efforts to bolster the Afghan government’s counternarcotics capacity are crucial to minimizing financial and political benefits to the insurgency.

The CNPA, headquartered in Kabul, comprises six directorates or departments, including provincial and specialized units. As of November 2013, it consisted of 2,850 police personnel, of which 1,100—or 39%—were authorized for provincial units. SIGAR conducted this audit to determine the extent to which (1) State, DOD, and the Department of Justice’s (DOJ) Drug Enforcement Administration (DEA) provided support to CNPA provincial units; (2) DOD direct assistance funding for CNPA provincial units could be tracked; and (3) the CNPA provincial units’ operational capabilities and readiness have been formally assessed and reported.

U.S. government support—State, DOD, and DEA—to the CNPA has focused primarily on CNPA headquarters and its specialized units. Provincial units have received some support, such as facility refurbishments in six high-threat areas (costing about $1.21 million) and the establishment of basic investigator training (part of a larger effort that cost $161.4 million), but overall U.S. financial resources devoted to the CNPA have only tangentially benefited them. Studies over the past several years have shown that CNPA provincial units have been neglected and that problems continue with their unit development and capabilities.

DOD also provides direct assistance to the Afghan government’s national budget. These funds support infrastructure, operation and maintenance (O&M), and salaries, including those for CNPA provincial units. Although the Afghan Financial Management Information System (AFMIS)—a government-wide accounting system—tracks the funding, it does not capture CNPA expenditure data by funding source, funding code, and location. As a result, SIGAR could not fully determine the amount of direct assistance provided to CNPA provincial units. In fact, SIGAR was able to track only $13,529 of U.S. direct assistance provided for counternarcotics efforts throughout
Afghanistan. Further, SIGAR found that the dual reporting structure, in which the Deputy Minister of Interior for Counternarcotics has management and oversight responsibility for the CNPA while the Deputy Minister of Interior for Security oversees CNPAs' supporting resources, affected provincial units’ ability to obtain funding and supplies. For example, SIGAR found three CNPA provincial units that received no funds to maintain their DOD-refurbished facilities, while other units lacked funds to transport certain drug-related prisoners to Kabul within mandated timeframes.

SIGAR found that CNPA provincial units’ operational capabilities have not recently been formally assessed and reported. Without a formal rating system that measures training, leadership, sustainment, and operational progress, the U.S. government cannot determine whether its investment in CNPA provincial units has helped them become a capable, self-reliant, and sustainable force. The Regional Command Afghan National Security Forces Status Report (RASR), which assesses specific measures, such as training, sustainment, and law enforcement operations, has been used to assess the Afghan National Security Forces capabilities, but has not been used to assess CNPA provincial units. Rather, the CNPA Tactical Operations Center measures provincial units’ operational progress on an aggregated basis and with different metrics than RASR.

SIGAR recommends that DOD, in coordination with State and DEA, work with the Afghan Ministries of Finance and Interior and the CNPA, as appropriate, to (1) identify direct-assistance funding amounts and develop and use detailed accounting codes for allocating and tracking CNPA provincial units’ O&M funding in AFMIS; (2) clarify and reconcile the ways and means in which CNPA provincial units receive O&M funding to carry out their mission; (3) provide guidance to ANP provincial chiefs regarding the priority and amounts of support to be provided those units, including funds needed to maintain facilities and for transporting prisoners; (4) develop appropriate metrics to allow the CNPA Tactical Operations Center to more fully assess the CNPA provincial units’ operational capabilities and readiness on a unit-by-unit basis; (5) establish a formalized, regularly scheduled assessment and reporting requirement; and (6) share reports of the assessments of CNPA provincial-unit readiness with U.S. government stakeholders in non-aggregated form so that they can better determine the effect and value of their investments.

New Performance Audits Announced This Quarter
This quarter SIGAR initiated two new performance audits. They will assess U.S. efforts to develop Afghanistan’s civil-aviation capabilities and DOD’s oversight of infrastructure projects transferred to the Afghan government.
U.S. Efforts to Develop Afghanistan’s Civil Aviation Capabilities
Since 2002, U.S. government agencies and departments, including DOD, the Department of Transportation (DOT), the Federal Aviation Administration (FAA), and USAID have assisted Afghan civil aviation in reconstructing aviation infrastructure, mentoring development of aviation laws and operational protocols, providing support to develop sustainable safety-oversight capability, training air traffic controllers and radar technicians, and developing regulatory policy.

This audit will review U.S. government’s efforts to strengthen Afghanistan’s capabilities to operate and maintain a safe and effective civil aviation program. Specifically, SIGAR plans to: (1) determine the extent to which the U.S. government’s efforts to strengthen Afghanistan’s capacity to operate and maintain its civil aviation program met their stated goals; (2) identify the challenges, if any, to creating and maintaining a professional, functional, and effective civil-aviation program in Afghanistan and steps taken to mitigate those challenges; and (3) assess the Afghan government’s capacity to independently fund and operate its aviation program after December 2014.

DOD Oversight of Infrastructure Projects Transferred to the Afghan Government.
Since FY 2002, Congress has provided DOD approximately $66 billion through various funds to help rebuild Afghanistan. A significant portion of these funds has been used to pay for infrastructure projects including military bases, hospitals, and roads, among other things. When projects are completed, their ownership is transferred to the Afghan government. DOD policies for post-transfer oversight of such assets vary depending on the agency in charge and the specific asset transferred. In many instances, depending on the size and scope of the project, DOD is required to obtain acknowledgment from the Afghan government that it is able to maintain or sustain the U.S.-funded projects after the transfer.

SIGAR and other oversight agencies have reported on transferred assets that have fallen into disrepair due to improper use, lack of sustainment, or both. These situations call into question the efficacy of implementing additional infrastructure projects when the United States has minimal oversight of the Afghan government’s management of assets already transferred.

This audit will review DOD’s efforts to maintain oversight of infrastructure projects transferred to the Afghan government. SIGAR plans to assess (1) the extent to which the Afghan government uses and sustains assets transferred from DOD and (2) the challenges, if any, that DOD faces in overseeing the use and sustainment of infrastructure that has been transferred to the Afghan government.
Financial Audits

SIGAR launched its financial-audit program in 2012, after Congress and the oversight community expressed concerns about oversight gaps and the growing backlog of incurred-cost audits for contracts and grants awarded in support of overseas contingency operations. SIGAR competitively selects independent accounting firms to conduct the financial audits and ensures that the audit work is performed in accordance with U.S. government auditing standards. Financial audits are coordinated with the federal inspector-general community to maximize financial-audit coverage and avoid duplication of effort.

This quarter, SIGAR completed six financial audits of U.S.-funded contracts to rebuild Afghanistan. SIGAR also announced one new financial audit of the a U.S.-funded cooperative agreement with the American Soybean Association. SIGAR's financial-audits program has completed a total of 31 financial audits with more than $2.9 billion in auditable costs and has another 35 financial audits ongoing with nearly $3 billion in auditable costs, as shown in Table 2.1. These audits help provide the U.S. government and the American taxpayer reasonable assurance that the funds spent on these awards were used as intended. The audits question expenditures that cannot be substantiated or are potentially unallowable.

SIGAR issues each financial-audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on questioned amounts identified in the report’s audit findings. Since the program’s inception, SIGAR’s financial audits have identified more than $83 million in questioned costs and $197,494 in unremitted interest on advanced federal funds. When the funding agency determines that a questioned amount is unallowable, the agency issues a bill for collection. To date, agencies have issued bills for collection for 17 of the completed audits to recover more than $8.3 million in questioned amounts. It takes time for funding agencies to carefully consider audit findings. As a result, final determinations remain to be made for several of SIGAR’s issued financial audits. SIGAR’s financial audits have also identified and communicated 135 compliance findings and 151 internal-control findings to the auditees and funding agencies.

SIGAR's financial audits have four specific objectives:

1. **Express an opinion on whether the Special Purpose Financial Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.**

2. **Evaluate and obtain a sufficient understanding of the audited entity’s internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.**
• Perform tests to determine whether the audited entity complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.
• Determine and report on whether the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements.

A list of completed, new, and ongoing financial audits can be found in Appendix C of this quarterly report.

Financial Audits Published
This quarter, SIGAR completed six financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified nearly $5.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, ineligible business class travel costs, unapproved purchases of nonexpendable equipment and property, over-reimbursement of indirect costs, unsupported or insufficient sole source procurement justifications, incorrectly calculated currency exchange transactions, inadequate monitoring of subrecipients, improper disposition of nonexpendable equipment, lack of supporting documentation, poor record retention, and failure to conduct vendor-suspension and debarment checks.

Financial Audit 14-91-FA: USAID’s Local Governance and Community Development Project in Northern and Western Regions of Afghanistan: Audit of Costs Incurred by ARD Inc.
USAID entered into a contract task order with ARD Inc. (ARD) to support the Local Governance and Community Development (LGCD) Project in the Northern and Western Regions of Afghanistan. The objective of ARD’s LGCD task order was to help the Afghan government extend its reach into unstable areas and engage at-risk populations by building the capacity of provincial and local government officials to deliver services and address citizen needs, create an environment which encourages local communities to take an active role in their own development, and promote stability by addressing the underlying causes of violence and support for insurgency. SIGAR’s financial audit, performed by Crowe Horwath LLP (Crowe Horwath), covered the period October 9, 2006, through October 8, 2009, and expenditures of $55,981,242 for LGCD.

Crowe Horwath identified three material weaknesses and five significant deficiencies with ARD’s internal control. It also found six instances of ARD’s noncompliance with the terms of the award and applicable laws and regulations. For example, Crowe Horwath found instances in which
ARD failed to follow procurement guidelines for justifying sole-source procurements and determining reasonableness of costs for the LGCD Project. Specifically, ARD’s sole-source procurement justifications were insufficient or inadequately supported, and labor costs in its subcontracts exceeded market rates. In addition, ARD could not provide documentation showing that USAID approved the purchase of nonexpendable equipment and property which may have been available from other federally funded projects. Lastly, Crowe Horwath found that ARD used incorrect rates when calculating indirect costs incurred on the project. Thus, USAID subsequently over-reimbursed the company for its work. As a result of these findings, Crowe Horwath questioned $463,957 in costs, which included $337,677 in unsupported costs (costs not supported by sufficient documentation to allow Crowe Horwath to determine their accuracy and allowability), and $126,280 in ineligible costs (costs prohibited by the contract, applicable laws, or regulations).

In addition, Crowe Horwath found that the U.S. government lost a calculated $102 in interest income in advances provided to ARD. Crowe Horwath requested prior audit reports or other assessments related to the LGCD project from ARD and USAID, but no pertinent reports were identified.

In Crowe Horwath’s opinion, ARD’s Special Purpose Financial Statement presented fairly in all material respects, revenues received, costs incurred, and the balance for the indicated periods in accordance with requirements established by SIGAR.

Based on the results of the audit, SIGAR recommends that the Mission Director of USAID/Afghanistan:

1. Determine the allowability of and recover, as appropriate, $463,957 in questioned costs identified in the report.
2. Recover $102 in lost interest revenue from advances provided.
3. Advise ARD to address the report’s eight internal-control findings.
4. Advise ARD to address the report’s six noncompliance findings.

Financial Audit 14-93-FA: USAID’s Partnership for Advancing Community Based Education in Afghanistan: Audit of Costs Incurred by CARE International

USAID entered into a cooperative agreement with CARE International (CARE) to implement the Partnership for Advancing Community Based Education in Afghanistan. The program was intended to expand community-based education by enhancing supporting structures and processes, improving quality, and developing cooperation between community-based education and Afghanistan Ministry of Education schools. SIGAR’s financial audit, performed by Crowe Horwath, reviewed $30,973,141 in expenses incurred between April 10, 2006, and August 31, 2011.

Crowe Horwath did not identify any internal-control deficiencies or instances of noncompliance with applicable laws, rules, regulations, and
the terms and conditions of the cooperative agreement in its audit of costs incurred by CARE under the Partnership for Advancing Community Based Education in Afghanistan program. Crowe Horwath did not identify any ineligible costs (costs prohibited by the contract, applicable laws, or regulations) or unsupported costs (costs not supported by sufficient documentation to allow Crowe Horwath to determine their accuracy and allowability).

Crowe Horwath did not report any findings related to the Partnership for Advancing Community Based Education in Afghanistan program. Therefore, SIGAR has no recommendations related to this audit.

Financial Audit 14-94-FA: USAID’s Afghanistan Social Outreach Program: Audit of Costs Incurred by AECOM International Development Inc.

On July 5, 2009, USAID signed a contract with AECOM International Development Inc. (AECOM) to establish community councils (shuras) at the district level and to promote communication and collaboration between the Afghan government and communities. This support to the Afghanistan Social Outreach Program (ASOP) was intended to expand the role of the traditional shuras, overcome corruption, and increase participation in the political process by women, youth, and other marginalized groups. SIGAR’s financial audit, performed by Kearney & Company (Kearney), reviewed $34,458,220 in expenditures charged to the ASOP contract from July 5, 2009, through January 31, 2012.

Kearney identified one material internal-control weakness, two significant deficiencies in internal controls, and two instances of noncompliance
with contract terms. Specifically, Kearney found that AECOM’s internal processes did not prevent documentation loss or provide for backup records of transactions for the Afghanistan Social Outreach Program. These transactions involved payroll, other direct costs, program costs, subcontracts, travel, and per diem costs. AECOM could not provide sufficient documentation of management reviews and approvals related to subcontracts and other direct costs. It was also not able to provide sufficient documentation of approval for purchase of nonexpendable property by USAID, or provide or retain sufficient documentation related to the disposition of the nonexpendable property. As a result, Kearney identified $455,084 in unsupported costs (costs not supported by sufficient documentation to allow auditors to determine their accuracy and allowability). Kearney did not find any ineligible costs (costs prohibited by the contract, applicable laws, or regulations).

In addition, Kearney also identified six findings from a prior audit report that could have a material effect on AECOM’s Special Purpose Financial Statement. Because AECOM did not provide any evidence that corrective actions had been taken, Kearney concluded that AECOM has not taken adequate corrective action to address these prior audit findings. Kearney issued a disclaimer of opinion on AECOM’s Special Purpose Financial Statement, meaning that Kearney was prevented from expressing an opinion on the Statement’s fair presentation and whether it was free from material misstatement. Specifically, although AECOM signed a representation letter, the letter did not address required representations on which Kearney would rely in rendering an opinion. For example, AECOM did not confirm its responsibility for the system of internal controls related to the preparation and fair presentation of the Statement.

Based on the results of the audit, SIGAR recommends that the Mission Director for USAID/Afghanistan:

1. Determine the allowability of and recover, as appropriate, $455,084 in questioned costs identified in the report.
2. Advise AECOM to address the report’s three internal-control findings.
3. Advise AECOM to address the report’s two noncompliance findings.

**Financial Audit 14-95-FA: Department of State’s Demining Activities in Afghanistan: Audit of Incurred Costs by Mine Clearance Planning Agency**

From April 1, 2008, to March 31, 2013, State’s Bureau of Political-Military Affairs’ Office of Weapons Removal and Abatement (PMWRA) issued five grants to the Mine Clearance Planning Agency (MCPA)—an Afghanistan-based international humanitarian demining organization—for demining activities in Afghanistan. Totaling over $13 million, these grants were to provide support for the removal of land mines and unexploded ordnance in Afghanistan. SIGAR’s financial audit, performed by RMA Associates LLC
(RMA), reviewed $13.4 million in expenditures charged to the five grants from April 1, 2008, through March 31, 2013.

RMA identified four internal-control deficiencies and one instance of noncompliance in its audit of costs incurred by MCPA. For example, MCPA lacked documentation to support its comparative price analysis and purchase requisitions, lacked purchase-requisition documents, and did not provide business-supplier identification. Specifically, for costs incurred under three grants, MCPA did not complete its internal-control process for price analysis in compliance with the Federal Acquisition Regulation for five equipment procurements. Completing that process would have ensured that the U.S. government received the best value for its money. In eight instances, MCPA lacked requisite documentation to validate that its management signed and/or properly coded expense statements. Also, MCPA could not provide purchase-requisition forms for four procurement transactions. Finally, MCPA did not collect from suppliers required business-registration information or a national identification for four procurements. These are generally accepted forms of identification that provide some assurance that a vendor is credible and will use U.S. government funds appropriately.

As a result, RMA identified $688,206 in unsupported costs (costs not supported by sufficient documentation to allow auditors to determine their accuracy and allowability). RMA did not find any ineligible costs (costs prohibited by the grant, applicable laws, or regulations). A reconciliation of funds showed an outstanding balance of $50,337, which MCPA reported to the State on December 31, 2012. In May 2014—more than a year after the end of five grants—MCPA requested that State approve its use of the remaining funds. However, SIGAR is questioning the amount because the request, its possible approval, and any use of the funds fell well outside the scope of the audit and the period of performance of any of the grants.

Based on the results of the audit, SIGAR recommends that State’s Grants Officer:

1. Determine the allowability of and recover, as appropriate, $688,206 in unsupported costs identified in the report.
2. Collect from MCPA the $50,337 due to the Department of State.
3. Advise MCPA to address the report’s four internal-control findings.
4. Advise MCPA to address the report’s one noncompliance finding.

Financial Audit 14-100-FA: USAID’s Afghanistan Municipal Strengthening Program: Audit of Costs Incurred by International City/County Management Association

On May 1, 2007, USAID awarded the International City/County Management Association (ICMA) a cooperative agreement to implement the Afghanistan Municipal Strengthening Program. Under the program, ICMA sought to improve the delivery of public services in provincial capitals through such
activities as public works and utility projects, city-to-city partnerships, and human capital development. SIGAR’s financial audit, performed by Williams Adley & Company-DC LLP (Williams Adley), reviewed expenditures of $25,124,306 from May 1, 2007, through August 31, 2010.

Williams Adley identified five internal-control deficiencies and five instances of noncompliance in auditing costs incurred by ICMA in implementing USAID’s Afghanistan Municipal Strengthening Program. Specifically, Williams Adley found that ICMA’s internal-control processes did not ensure the retention of sufficient supporting documentation for transactions related to the Other Direct Costs, Travel and Transportation, and Activities cost categories. This included USAID’s approval of a security contract for more than $1.4 million. Williams Adley also noted that ICMA’s misunderstanding of applicable travel rules prompted it to improperly charge USAID more than $40,000 in business-class travel costs for seven travelers. Further, Williams Adley found that ICMA failed to enforce its own policies relative to competitive procurements related to municipal waste-management equipment and a construction project in Asadabad, the capital of Kunar province.

As a result of these deficiencies and instances of noncompliance, Williams Adley identified $2,056,308 in total questioned costs, comprising $1,951,122 in unsupported costs—costs for which inadequate supporting documentation was provided—and $105,186 in ineligible costs—costs prohibited by the agreement, applicable laws, or regulations. Williams Adley identified five prior recommendations that could have had a material impact on ICMA’s Special Purpose Financial Statement. It found that ICMA took corrective action on all five recommendations. Williams Adley rendered a qualified opinion on ICMA’s Special Purpose Financial Statement because of the material effects associated with more than $2 million in questioned costs.

Based on the results of the audit, SIGAR recommends that the Mission Director for USAID/Afghanistan:

1. Determine the allowability of and recover, as appropriate, $2,056,308 in questioned costs identified in the report.
2. Advise ICMA to address the report’s five internal control findings.
3. Advise ICMA to address the report’s five noncompliance findings.

Financial Audit 15-7-FA: USAID’s Afghanistan Vouchers for Increased Production in Agriculture Program: Audit of Costs Incurred by International Relief & Development Inc.

On September 1, 2008, USAID awarded a cooperative agreement to International Relief & Development Inc. (IRD) to implement the Afghanistan Vouchers for Increased Production in Agriculture Program. This program was intended to increase basic food crop production in Afghanistan and enable the country to meet its food requirements by providing accessible and affordable agriculture goods to farmers, thereby
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Contribution to community and economic development through cash-for-work programs. Sigar’s financial audit, performed by Crowe Horwath, reviewed $503 million in expenses charged to the award from September 1, 2008, through April 22, 2013.

Crowe Horwath identified 14 material weaknesses and significant deficiencies in internal controls and 12 instances of material noncompliance with the cooperative agreement terms. Crowe Horwath found that IRD was not able to provide sufficient documentation to support transactions and financial records for the Afghanistan Vouchers for Increased Production in Agriculture Program. For example, IRD could not provide adequate supporting documentation for three armored vehicles from which a determination regarding its compliance with USAID’s nonexpendable property disposition requirements could be made. In addition, IRD’s indirect costs charged to the award exceeded the approved amount by $929,103. Furthermore, IRD incorrectly calculated and recorded currency-exchange transactions which resulted in an unreasonable cost passed on to the U.S. government. Lastly, IRD did not invest $11,657 in program income earned back into the program.

As result of these deficiencies and instances of noncompliance, Crowe Horwath identified $1,893,484 in total questioned costs, consisting of $294,513 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—and $1,598,971 in ineligible costs—costs prohibited by the agreement, applicable laws, or regulations.

Crowe Horwath also determined that IRD held excessive advanced cash balances that resulted in $5,754 in interest lost by the U.S. government.
Crowe Horwath reviewed prior audits of IRD, but determined that the findings were not pertinent to this audit. Crowe Horwath issued a disclaimer of opinion on the Special Purpose Financial Statement. Specifically, Crowe Horwath was unable to verify the data present in the Statement and therefore was prevented from issuing an opinion because (1) IRD was not able to produce sufficient audit evidence to determine if revenues earned under the award, as reported on the Statement, were materially accurate and fully verifiable, and (2) certain subcontract and subgrantee transactions were recorded inconsistently in the financial records.

Based on the results of the audit, SIGAR recommends that the Mission Director for USAID/Afghanistan:

1. Determine the allowability of and recover, as appropriate, $1,893,484 in questioned costs identified in the report.
2. Collect from IRD the $5,754 in interest payable to USAID.
3. Advise IRD to address the report’s 14 internal-control findings.
4. Advise IRD to address the report’s 12 noncompliance findings.

**INSPECTIONS**

**Inspection Reports Published**
This quarter SIGAR published one inspection report. It identified defective workmanship and work not completed according to contract requirements at the Pol-i-Charkhi prison. It also discovered that the prison is being used, but is overcrowded.

**Inspection 15-11-IP: Pol-i-Charkhi Prison**
Renovation Project Remains Far from Complete after 5 Years and $18.5 Million
Pol-i-Charkhi prison, Afghanistan’s largest correctional facility, was built in 1973 to house approximately 5,000 prisoners. In June 2009, the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) awarded a contract with a modified value of $20.2 million to Al-Watan Construction Company (AWCC) to replace prison-block holding areas with individual cells and renovate the prison’s infrastructure, including its plumbing, electrical, and septic systems. On November 26, 2010, State terminated the contract for convenience. State also funded three capital-improvement projects—a potable-water tower, a commercial power upgrade, and a new staff barracks—at a cost of $5.3 million. All three projects were transferred to Afghan prison authorities. SIGAR assessed whether (1) the work was completed in accordance with contract requirements and applicable construction standards, and (2) the prison facility was being used as intended and maintained.

More than five years after renovation work began, Pol-i-Charkhi prison has not been completed, and the contract has been terminated for
convenience. INL paid AWCC $18.5 million of the $20.2 million contract value, although AWCC only completed about 50% of the required work. Furthermore, an independent firm identified defective workmanship including failure to backfill trenches, improper roof flashing, and soil-settlement issues. SIGAR found that not all of AWCC’s work was completed according to contract requirements. Most notably, AWCC substituted wood for metal roof trusses without authorization and covered some 30-year-old wood trusses with new roofing material rather than replacing them as required. AWCC’s renovation work was overseen by a contracting officer’s representative—a State Department employee—who was later convicted in the United States of taking a bribe on a different contract.

State plans to award an estimated $11 million contract to complete the renovation work and another $5 million contract to construct a wastewater-treatment plant. Wastewater is pooling on the surface of the two septic/leach fields that AWCC installed under the renovation contract despite tests conducted prior to installation showing that such pooling could occur because of poor soil porosity. INL officials plan to award the two new contracts by November 2014, but INL has focused on an above-ground treatment plant rather than potentially less expensive and more easily maintained alternatives. Both projects will require close monitoring to avoid repeating the situation that occurred under the original renovation work. One item that should not be delayed is the six back-up diesel generators that were installed but never connected to the prison’s power grid.

In contrast to the issues identified under the renovation contract, SIGAR found that the three capital-improvement projects—water
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tower, commercial-power upgrade, and staff barracks—generally were completed in accordance with contract requirements. Furthermore, Pol-i-Charkhi prison is being used, but is overcrowded, with prisoners housed in hallways. The prison was designed for about 5,000 prisoners, but currently houses about 7,400. The security advantage of reconfiguring prisoner holding areas into smaller cells—the primary basis for the renovation work—that could contain and separate maximum-security and other prisoners has been lost. Despite overcrowding, SIGAR found the prison to be relatively well maintained.

SIGAR recommends that the Secretary of State direct INL to (1) determine the extent to which AWCC substituted wood for metal trusses or covered, rather than replaced, existing wooden trusses without authorization, and take appropriate action to recoup any funds due from the contractor; (2) conduct an inquiry into whether the contracting officer negotiated an equitable settlement agreement with AWCC, document all accelerated construction schedule payments, and take steps to recoup funds as appropriate; (3) conduct a cost-benefit analysis of alternative wastewater management systems, and, if warranted, reissue a request for information soliciting proposed solutions to managing the prison’s wastewater management needs; (4) ensure that before the follow-on renovation work and construction of the wastewater treatment plant or alternative system begins, that it has a written monitoring plan in place to oversee the work performed pursuant to the two contracts; and (5) identify the scope of work and conduct a cost-benefit analysis of awarding a separate contract—on an expedited basis—to hook up the prison’s six back-up power diesel generators.

New Inspections Announced This Quarter
This quarter, SIGAR has initiated three new inspections. Each inspection will assess whether (1) construction has been or is being completed in accordance with contract requirements and applicable construction standards, and (2) the parts of the facility, if any, that are occupied are being used as intended and properly maintained. These inspections will assess:

• Warehouse facilities in the South Park region of Kandahar Airfield
• Special Operations Task Force-South Command and Control Facility at Camp Brown, Kandahar Airfield
• Counter-Narcotics Justice Center

Status of SIGAR Recommendations
The Inspector General Act of 1978, as amended, requires SIGAR to report on the status of its recommendations. This quarter, SIGAR closed 29 recommendations contained in 11 audit reports. Four of the recommendations resulted in the recovery of $1,978,151 in ineligible or unsupported contract costs paid by the U.S. government. (Financial Audits 13-09-FA, 14-18-FA, and 14-23-FA). From 2009 through September 2014, SIGAR published 150 audits, alert
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letters, and inspection reports and made 453 recommendations to recover funds, improve agency oversight, and increase program effectiveness.

SIGAR has closed over 81% of these recommendations. Closing a recommendation generally indicates SIGAR’s assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue. In some cases, a closed recommendation will be the subject of follow-up audit work.

The Inspector General Act of 1978, as amended, also requires SIGAR to report on any significant recommendations from prior reports on which corrective action has not been completed. In this quarter, SIGAR continued to monitor agency actions on recommendations in 29 audit and five inspection reports. In this quarter there were no recommendations over 12 months old where the agency had yet to produce a corrective action plan that SIGAR believes would resolve the identified problem. However, there are six audit reports over 12 months old where SIGAR is waiting for the respective agencies to complete their agreed-upon corrective actions.

SIGAR recently initiated audits of the agency resolution process at the Departments of Defense and State, and USAID. The audits examine the status and oversight process for reaching audit resolution at these agencies. SIGAR issued the final report for the Department of State last quarter and identified a nearly 75% implementation rate. This quarter, SIGAR issued the final report for USAID and identified a more than 80% implementation rate. Report issuance for the work performed at the Department of Defense is expected later this year.

SPECIAL PROJECTS
The Inspector General’s Office of Special Projects was created to examine emerging issues and deliver prompt, actionable reports to federal agencies and the Congress. The team conducts a variety of assessments, producing reports on all facets of Afghanistan reconstruction. The directorate is made up of auditors, analysts, investigators, lawyers, subject-matter experts, and other specialists who can quickly and jointly apply their expertise to emerging problems and questions.

SIGAR’s Office of Special Projects wrote inquiry letters to the U.S. Army Corps of Engineers (USACE), USAID, DOD, IRD, DynCorp, the United Nations Development Programme (UNDP), CSTC-A, the U.S. Air Force, the U.S. Central Command (CENTCOM), and the International Security Assistance Force (ISAF). These letters expressed concerns about a range of issues, including the unsafe fuel-storage tanks at Camp Shaheen, the soundness of plans for the Kandahar electricity-supply bridging solution, a dangerous school collapse in Sar-i-Pul, anti- and counter-corruption efforts, an incomplete response to a communications-towers inquiry, a troubling response to a whistleblower-protection inquiry, potentially exploitative

COMPLETED SPECIAL PROJECTS
• Special Project 14-86-SP: Inquiry Letter: Fuel Storage Tanks
• Special Project 14-87-SP: Inquiry Letter: Kandahar Bridging Solution
• Special Project 14-88-SP: Inquiry Letter: DOD Anti/Counter Corruption Efforts
• Special Project 14-89-SP: Inquiry Letter: Korak Uzbeki School Collapse in Sar-i-Pul
• Special Project 14-90-SP: Inquiry Letter: Communications Towers Response
• Special Project 14-92-SP: Inquiry Letter: IRD Whistleblower Protections Response
• Special Project 14-96-SP: Inquiry Letter: Recruitment of Third-Country Nationals for Afghan Work
• Special Project 14-97-SP: Inquiry Letter: Recruitment of Third-Country Nationals for Afghan Work
• Special Project 14-98-SP: Inquiry Letter: UNDP LOTFA Oversight Response
• Special Project 14-99-SP: Inquiry Letter: CSTC-A Role of UNDP Oversight and Financial Management of LOTFA
• Special Project 14-101-SP: Inquiry Letter: Afghan Budget Bailout
• Special Project SP-78: ANSF Requirement Validation
• Special Project 15-02-SP: Inquiry Letter: Scrapping of 16 G222 Aircraft at Kabul International Airport
• Special Project 15-03-SP: Inquiry Letter: ANA Slaughterhouse in Pol-i-Charkhi District
• Special Project 15-04-SP: Inquiry Letter: Status of Four G222 Aircraft at Ramstein Air Force Base, Germany
• Special Project 15-05-SP: Inquiry Letter: USAID’s Questioned Costs
• Special Project 15-06-SP: Inquiry Letter: Contract Terminations Due to Security Changes
• Special Project 15-08-SP: Disposition of U.S.-Owned Excess Equipment in Afghanistan
• Special Project 15-09-SP: Inquiry Letter: State Department Communication Trucks
• Special Project 15-10-SP: Special Report: Poppy Cultivation in Afghanistan
• Special Project 15-14-SP: Review: Direct Assistance: Review of Processes and Controls Used by CSTC-A, State, and USAID
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recruitment of TCNs, weak oversight of LOTFA funds, an unnecessary second ANA slaughterhouse in Pol-i-Charkhi District, the scrapping of 16 G222 planes, USAID’s recovery of questioned costs, a contract cancelled due to rising security costs, incomplete documentation of DOD’s excess-equipment disposition processes, and potentially wasteful expenditures on unused communications trucks. The office also reviewed the processes and controls used by CSTC-A, State, and USAID for providing direct assistance to the Afghan government. The Office of Special Projects also issued a special report which examined an all-time high in opium-poppy cultivation, despite the $7 billion U.S. investment in counternarcotics.

Inquiry Letter 14-86-SP: Fuel Storage Tanks
On July 31, 2014, SIGAR wrote to the commanding general of USACE to warn of an urgent safety concern regarding the fuel farms located at the power plants that provide electricity to Camp Shaheen. The bulk-fuel storage tanks were not properly constructed to allow removal of water and particulate matter. If water and contaminants build up in these fuel tanks, the power plants they support could mechanically fail. Furthermore, the operations and maintenance contracts for the fuel tanks call for removal of water and debris only at six-month intervals. Contamination of fuel at Camp Thunder in Gardez has already caused its power plant to fail.

Inquiry Letter 14-87-SP: Kandahar Bridging Solution
On July 30, 2014, SIGAR wrote to DOD, State, and USAID officials to address their responses to SIGAR’s June 10 inquiry letter about the Kandahar Bridging Solution and the U.S. government’s plans to provide electric power to Kandahar after December 2014. Those responses give SIGAR little confidence that the important objectives of delivering electricity in Kandahar and demonstrating Afghan government capability to provide basic services and improve living conditions will be achieved. Furthermore, SIGAR remains concerned that the United States still has no realistic plan to help the Afghan government develop a sustainable source of electricity between the end of the Kandahar Bridging Solution and the point at which a stable source of power generation is projected to come online.

Inquiry Letter 14-88-SP: DOD Anti/Counter Corruption Efforts
SIGAR wrote to the commander of U.S. Forces-Afghanistan (USFOR-A) on July 31, 2014, to inquire about plans for maintaining the U.S. military’s support for programs and task forces to fight corruption in Afghanistan after U.S. combat operations conclude at the end of 2014. Corruption is widely considered one of the most serious obstacles to Afghan reconstruction, and although the United States has not had a comprehensive anti- or counter-corruption strategy, U.S. military agencies did establish various task forces to try to understand and counter the pervasive
corruption. SIGAR is concerned that maintaining these task forces and other initiatives to stem corruption will grow increasingly complex and difficult as the U.S. military drawdown accelerates, and as the Afghan government takes on additional responsibilities.

In a letter dated September 18, 2014, the Combined Joint Interagency Task Force at ISAF responded that it was undergoing reorganization under new leadership. The ISAF described the new assigned organizational responsibilities and how each would seek to resolve the findings of the Joint and Coalition Operational Analysis anti/counter-corruption report, which concluded that “lack of unity of effort reduces the effectiveness of CAC operations” and “lack of political will on the part of GIRoA (Afghanistan government) rendered almost all counter-corruption efforts moot.”

**Inquiry Letter 14-89-SP: Korak Uzbeki School Collapse in Sar-i-Pul**

SIGAR sent an inquiry letter to the USAID Mission Director for Afghanistan on September 9, 2014, to request more information about USAID’s response to media reports that an Afghan school funded by a program supported by the agency recently collapsed. The media reports indicated that up to 32 students and one teacher were injured when the school’s roof collapsed. An Afghan official said the National Solidarity Program (NSP) constructed the school four years ago. The NSP manages funds donated to the Afghan government through the multilateral Afghanistan Reconstruction Trust Fund, to which USAID provides on-budget assistance.

In a letter dated September 22, 2014, the USAID Acting Mission Director for Afghanistan responded that the agency provided no funding for the Korak Uzbeki School, which USAID stated had been built with World Bank funds. “USAID has contacted the World Bank to learn more about the circumstances surrounding this incident,” according to the agency’s letter of response.

**Inquiry Letter 14-90-SP: Communications Towers Response**

On September 9, 2014, SIGAR wrote to Secretary of State John Kerry to address the State Department’s response to SIGAR’s February 25, 2014, letter regarding six communication towers constructed in Afghanistan. Based on State’s response, SIGAR is concerned that the $6.5 million project was never used as intended, and that officials responsible for planning and executing the project did not take into account red flags raising concerns about project viability. The State Department’s response to SIGAR also failed to include key contractual and other documents related to the communications-tower project. The State Department responded to SIGAR’s inquiry letter on October 9 and SIGAR is presently evaluating the detailed response.
Inquiry Letter 14-92-SP: IRD Whistleblower Protections Response

On July 30, 2014, SIGAR wrote to International Relief and Development (IRD) to address the company’s response to SIGAR’s original inquiry letter, dated May 20, 2014. SIGAR’s review of 81 separation agreements signed by IRD employees determined that 48 of the agreements contain unacceptable gag provisions that attempt to limit the rights of former employees. Furthermore, the emails sent from IRD to the 48 prior employees failed to explicitly state that those gag provisions are null and void with regard to the former employees’ rights as potential whistleblowers.

Given IRD’s persistent resistance to notifying its former employees of their rights as potential whistleblowers, SIGAR requested that IRD send a letter to the 48 former employees it compelled to sign separation agreements with gag provisions and inform them of their rights under the False Claims Act and 41 U.S.C. § 4712. SIGAR also requests that IRD include appropriate language related to 41 U.S.C. § 4712 in all of its future separation agreements. Such language should include an unambiguous statement that no provision of the separation agreement will be construed as a waiver of their rights under 41 U.S.C. § 4712 or any other law protecting whistleblowers.

SIGAR’s letter also requested that IRD provide evidence that it has notified its current employees of their rights under 41 U.S.C. § 4712 and provided them with a list of all the government offices authorized to receive protected disclosures of information. Finally, the inquiry letter asks IRD to send its revised code of business ethics and conduct, as well as the results of its review of the old code of business ethics and conduct.

SIGAR has received a written response from IRD detailing the firm’s actions to address SIGAR’s requests on protection of the disclosure rights of whistleblowers. SIGAR is analyzing the response.

Inquiry Letters 14-96-SP and 14-97-SP: Recruitment of Third-Country Nationals for Afghan Work

On September 12, 2014, SIGAR wrote to DynCorp International Inc. (DynCorp) and to the U.S. Army Sustainment and Contracting Commands, echoing concerns articulated in two inquiry letters sent last reporting period about improper recruiting of third-country nationals (TCNs).

These concerns were raised after SIGAR special agents conducted interviews with third-country-national workers who indicated that they usually must borrow substantial sums of money at high interest rates in their home countries in order to pay recruitment fees. In some cases, the substantial sums that the TCN workers borrow to pay these fees will take many months of work to pay back. The high levels of indebtedness that often result may make it difficult for these TCNs to leave their jobs.
To continue its investigation of improper recruitment practices and mistreatment of third-country nationals working at U.S. military bases, SIGAR’s letters request additional information and records concerning: (1) DynCorp International’s compliance with the many laws, policies, and contract provisions prohibiting human trafficking; and (2) the U.S. Army Sustainment and Contracting Commands’ procedures for implementing the government’s zero-tolerance policy against human trafficking.

In a letter dated September 30, 2014, the U.S. Army Materiel Command, of which the Sustainment Command and Contracting Command are a part, reiterated their commitment to the DOD Trafficking in Persons regulations, and that appropriate antitrafficking clauses are included in all wartime contracts, including LOGCAP. The Command indicated it would provide further information on other specific human trafficking issues addressed by SIGAR’s letter of inquiry at a near-term date.

**Inquiry Letter 14-98-SP: UNDP LOTFA Oversight Response**

SIGAR sent a letter on September 12, 2014, to the UNDP administrator to address UNDP’s June 6 response to SIGAR’s original May 13, 2014, inquiry about UNDP’s administration of LOTFA. SIGAR notes that the UNDP’s response regarding its oversight responsibilities contradicts the language contained in the LOTFA financing agreement and fails to acknowledge the problems that continue to plague the program. These issues include the potential payment of artificially inflated ANP salaries, possible fraud related to MOI salary deductions, unsupported charges against LOTFA, miscoded and ineligible expenses, diverted funds, and direct cash disbursements to MOI and ANP personnel.

Even more troubling is UNDP’s apparent assertion that the organization is not responsible for ensuring that LOTFA funds are only used for legitimate purposes, and that UNDP cannot seek a comprehensive accounting of how the funds are being spent. Given the roughly $3.17 billion contributed to LOTFA to date, it is extremely important that SIGAR’s concerns are taken seriously, and that these issues are addressed, especially as negotiations for the next phase of LOTFA funding begin. New negotiations offer the opportunity to write a new financing agreement that includes provisions guaranteeing full oversight access and accountability.

In two separate letters of response, dated September 29, 2014, and October 7, 2014, UNDP offered a more robust and fulsome outline of its management of LOTFA, including a 16-page attachment to the second letter. That attachment addressed SIGAR’s specific questions about LOTFA funding. It highlighted efforts to curtail suspect deductions from police salaries, and indicated that UNDP plans to engage a private entity to conduct a scoping study of the payroll process to provide recommendations on possible technical improvements. UNDP officials also met with SIGAR to reaffirm
their intention to adopt any necessary corrective action or reforms concerning LOTFA and donor funds.

Inquiry Letter 14-99-SP: CSTC-A Role of UNDP Oversight and Financial Management of LOTFA
On September 17, 2014, SIGAR wrote to CSTC-A to express continued concerns about LOTFA’s program to fund the ANP. As it has articulated in prior inquiry letters, SIGAR believes UNDP officials are not proactively addressing many of the problems plaguing the program, claiming they do not have the authority to conduct comprehensive oversight of this multibillion dollar program. SIGAR’s inquiry letter lauds CSTC-A’s efforts to improve accountability for LOTFA, and asks for the agency to demand a new financing agreement with provisions for full oversight access and accountability for all donor countries and the UNDP as negotiations for the new phase of LOTFA funding is negotiated.

In a letter of response dated October 7, 2014, the commanding general of CSTC-A wrote that the command’s position is that “UNDP has the duty and authority to oversee the expenditure of LOTFA funds. CSTC-A will continue to demand that UNDP exercise its oversight role and responsibilities for administering LOTFA. Furthermore, CSTC-A will insist that UNDP incorporate appropriate provisions outlining their full oversight and accountability as part of the development of the next phase of LOTFA funding.”

Inquiry Letter 14-101-SP: Afghan Budget Bailout
SIGAR sent an inquiry letter on September 26, 2014, to the State Department to ask for information about press reports that the Afghan Ministry of Finance had requested an immediate infusion of $537 million to cover its FY 1393 (December 21, 2013–December 20, 2014) budgetary shortfalls and pay government salaries. While the reported request was new, the issue of fiscal sustainability is not a new one in Afghanistan. The financing gap—the disparity between government revenues and expenditures—is estimated to be $7.7 billion on average through 2018, which will limit Afghanistan’s ability to pay for discretionary services and delay its progress to self-reliance. These issues raise concerns about not only the fiscal sustainability of Afghanistan, but also the extent to which the Afghan government in general and the MOF in particular have managed the billions of dollars in U.S. and international-donor reconstruction assistance.

In a letter dated October 10, 2014, the State Department responded “there is a widespread belief that the current shortfall grew from a combination of economic inertia associated with a protracted political transition and the government of Afghanistan’s unrealistic budget.” The letter asserted that, “Both President Ghani and Chief Executive Officer Abdullah Abdullah have articulated a commitment to implementing the kinds of reforms required to avert a similar situation in the future.” State Department officials later added
that a formal request for additional funds had not yet been made, and that it was not clear that $537 million would be the precise amount of additional assistance needed, despite widespread press reports to the contrary.

**Special Project SP-78: ANSF Requirement Validation**

In a letter sent October 1, 2014, SIGAR informed DOD of its review of the process by which DOD entities validate and fulfill requirements for equipment for the ANSF. The purpose of the review is to document and evaluate the requirements validation process used to support decisions to procure vehicles, weapons systems, communications systems, and other items on the tashkils for the ANSF. Due to the limited revenue of the Afghan government and continuing challenges from antigovernment forces, the ANSF will rely on the United States and other international donors for funding and equipment for years to come. Therefore, the ability of DOD entities to identify and fulfill realistic requirements for the ANSF is a key factor in ensuring those forces’ future viability and effectiveness.

**Inquiry Letter 15-03-SP: ANA Slaughterhouse in Pol-i-Charkhi District**

On October 2, 2014, SIGAR wrote to CENTCOM, ISAF, and USACE requesting information to assist with completing the inspection of the ANA slaughterhouse in the Pol-i-Charkhi District. To date, SIGAR has been prevented from completing its report because inspectors have been unable to obtain adequate documentation supporting the decision to build this new slaughterhouse, the second such facility in the Kabul area.

This new slaughterhouse project was initiated to address insufficient capacity at the original facility, then abruptly terminated when CSTC-A stated that the first facility could, in fact, support the ANA’s requirements. Although the new slaughterhouse was only 10% complete and only $1.4 million in costs had been incurred, the contractor has requested an additional $4.2 million for a “fair and final settlement.”

While trying to conduct its inspection of the new slaughterhouse project, SIGAR’s work was complicated by limited documentation, the frequent rotation of military and civilian personnel, consolidation of commands, and changing responsibilities. In addition to requesting information to facilitate the completion of this inspection, SIGAR’s inquiry letter also raises concerns about the $4.2 million settlement requested by the contractor and the imminent danger of an improperly sealed water well, which could be filled with contaminants or poisons, impacting the water supply in the surrounding community.

**Inquiry Letters 15-02-SP and 15-04-SP: Status of G222 Fleet**

SIGAR has long been concerned with the $486 million program to procure a fleet of 20 G222 (or C-27A) aircraft for use in Afghanistan, and wrote two
inquiry letters this quarter requesting additional information. For a detailed description of SIGAR’s concerns and actions taken, please see the Quarterly Highlight on page 47.

**Inquiry Letter 15-05-SP: USAID’s Questioned Costs**

On October 7, 2014, SIGAR wrote to USAID to express concerns regarding USAID/Afghanistan’s recent decision not to collect from implementing partners all of the costs questioned in SIGAR’s financial audits. These questioned costs represent taxpayer dollars that, if not used to support the reconstruction effort of Afghanistan as intended, should be returned to the U.S. government. While SIGAR acknowledges USAID’s authority to determine the allowability and recovery of questioned costs, recent trends in decisions raise some concerns.

Specifically, SIGAR found in several instances that the contracting and agreement officer was providing implementing partners with what seems to be an inordinate amount of time and preference in justifying costs that SIGAR had questioned. After accepting millions of dollars to implement projects and programs on behalf of the U.S. government, implementing partners should be able to provide documentation to support an audit contemporaneously. Allowing implementing partners an inordinate amount of time to substantiate the costs incurred increases the risks that documentation may be falsified.

**Inquiry Letter 15-06-SP: Contract Terminations Due to Security Changes**

SIGAR wrote to USACE and USAID on October 7, 2014, to request information about a USACE contract with Perini Management Services (Perini) for work pertaining to the Southeast Power System (SEPS) program. SIGAR was informed by a USAID official that a request by Perini for an additional $30 million to cover security costs may have prompted the termination of the contract. The impact of the Coalition troop drawdown on security and the reconstruction effort in Afghanistan has long been a concern. SIGAR will continue seeking information regarding how increased security costs may lead to the termination of contracts supporting reconstruction programs.

**Inquiry Letter 15-08-SP: Disposition of U.S.-Owned Excess Equipment in Afghanistan**

SIGAR wrote to DOD on October 14, 2014, to inquire about DOD’s ongoing effort to dispose of excess equipment at U.S. military bases in Afghanistan. SIGAR is concerned about recent reports that equipment acquired at a cost of billions to U.S. taxpayers is now being resold to Afghan merchants for a fraction of its original cost. Furthermore, a 2012 GAO report indicated that DOD was unable to fully document how decisions regarding disposal of U.S. equipment in Afghanistan were made. Military services also could
SIGAR’S ONGOING CONCERNS ABOUT $486 MILLION G222 PROGRAM

On a November 2013 visit to Afghanistan, Special Inspector General Sopko became aware of G222 aircraft abandoned at Kabul International Airport by the Department of Defense (DOD). Afterward, SIGAR’s Office of Special Projects initiated a review of the $486 million G222 program, which was terminated in March 2013 after sustained, serious performance, maintenance, and spare parts problems.

The program to provide 20 G222s to the Afghan Air Force began in 2008. The G222s are twin-propeller military transport aircraft built in Italy. In January 2013, a DOD OIG report indicated that the program office did not properly manage the effort to obtain the spare parts needed to keep the aircraft flight-worthy. The DOD OIG also pointed out that an additional $200 million of ASFPF might have to be spent on spare parts for the aircraft to be operational, and that the G222s only flew 234 of the 4,500 required hours from January through September 2012. In March 2013, the G222 program was effectively ended when the announcement was made that the AAF would use an alternative aircraft to meet its long-term medium airlift requirement. Sixteen of the planes were grounded at the Kabul airport, while another four were transported to Ramstein Airbase in Germany.

SIGAR was recently alerted that the Defense Logistics Agency (DLA) had scrapped the 16 aircraft that had been sitting idle at the Kabul International Airport. An Afghan construction company paid approximately six cents per pound for the scrapped planes for a total of $32,000. This is a fraction of the funds expended on the program, and in an inquiry letter sent to the U.S. Air Force this quarter, SIGAR expressed concerns that the officials responsible for planning and executing the scrapping of the planes may not have considered other possible alternatives in order to salvage taxpayer dollars.

DLA has yet to make a final decision regarding the fate of the remaining four G222s in Germany. In another inquiry letter this quarter, SIGAR requested that DOD provide sufficient advance notice of any change in the status of the four remaining G222s to supplement SIGAR’s ongoing review of the fleet.

Timeline of Significant Events in the G222 Program

Source: SIGAR SP-19, SIGAR 15-02-SP, and SIGAR 15-04-SP.
not provide cost-benefit analyses used to make the decision to destroy equipment, transfer it to other DOD locations, or transfer it to another U.S. agency or another country.

**Inquiry Letter 15-09-SP: State Department Communication Trucks**

On October 15, 2014, SIGAR wrote to Secretary of State John Kerry regarding a State Department contract to purchase mobile television-production trucks for donation to various Afghan television networks. SIGAR is concerned that the trucks were delivered two years late, at an escalated price, and they are sitting under tarps in Kabul, still unused.

**Special Report 15-10-SP: Poppy Cultivation in Afghanistan: After a Decade of Reconstruction and Over $7 Billion in Counternarcotics Efforts, Poppy Cultivation Levels Are at an All-Time High**

SIGAR issued a special report on October 14, 2014, to provide SIGAR’s analysis of recent trends in opium-poppy cultivation in Afghanistan. According to the United Nations Office on Drugs and Crime (UNODC), Afghan farmers were tending an unprecedented 209,000 hectares of opium poppy in 2013, surpassing the previous peak of 193,000 hectares in 2007.

Affordable deep-well technology has turned 200,000 hectares of desert in southwestern Afghanistan into arable land over the past decade. Due to relatively high opium prices and the rise of an inexpensive, skilled, and mobile labor force, much of this newly arable land is dedicated to opium cultivation. Poppy-growing provinces that were once declared “poppy free” have seen a resurgence in cultivation. Furthermore, the UNODC estimates that the value of opium and derivative products produced in Afghanistan was nearly $3 billion in 2013, up from $2 billion in 2012—a 50% increase.

Despite spending over $7 billion to combat opium-poppy cultivation and to develop the Afghan government’s counternarcotics capacity, opium-poppy cultivation levels in Afghanistan hit an all-time high in 2013. With deteriorating security in many parts of rural Afghanistan and low levels of eradication of poppy fields, further increases in cultivation are likely in 2014.

SIGAR remains concerned about these troubling trends, as the narcotics trade poisons the Afghan financial sector and undermines the Afghan state’s legitimacy by stoking corruption, sustaining criminal networks, and providing significant financial support to the Taliban and other insurgent groups.

**Review 15-14-SP: Direct Assistance: Review of Processes and Controls Used by CSTC-A, State, and USAID**

SIGAR reviewed the systems used by DOD, State, and USAID for providing direct assistance to the Afghan government. For this review, SIGAR identified the processes and controls used by each agency to ensure the proper use of
direct assistance funds. SIGAR found that DOD, State, and USAID provide direct assistance through different processes using the Afghan public financial management and procurement systems. Specifically, DOD’s direct assistance funds provided to support the ANA and ANP come from the Afghanistan Security Forces Fund and are disbursed to the Afghan government on quarterly or as required basis and overseen by CSTC-A. State, through its Bureau of International Narcotics and Law Enforcement Affairs, provides direct assistance to the Ministry of Counter Narcotics for the Good Performer’s Initiative and Governor-Led Eradication program on cost reimbursement bases. USAID also uses a cost reimbursement method of disbursement to fund its four direct-assistance programs with the Afghan government.

SIGAR also found that agencies have instituted varying levels of controls to help ensure the appropriate use of those funds. Building the Afghan government’s capacity to deliver better governance, economic development, and security for the Afghan people through direct assistance has been a priority of U.S. government agencies and international donors for years. However, providing direct assistance to institutionally weak Afghan government ministries remains a concern and requires U.S. agencies to institute a comprehensive control regime and conduct robust oversight to protect those funds from waste, fraud, and abuse.

INVESTIGATIONS
SIGAR investigations resulted in 14 arrests, three indictments, four criminal informations, two plea agreements, and one sentencing. Additionally, 24 individuals were barred from U.S. military installations and nine employees were terminated. SIGAR’s suspension and debarment program referred 44 individuals and 13 companies for suspension or debarment based on evidence developed from investigations conducted in Afghanistan and the U.S. This marks the largest number of referrals made to date in any quarter since SIGAR initiated its suspension and debarment program. Ongoing SIGAR investigations saved the U.S. government over $1 million. Criminal fines and restitution amounted to an additional $25,000. SIGAR’s investigations this quarter have brought the total U.S. Government savings to over $500 million representing a significant milestone. SIGAR initiated 36 new investigations and closed 33, bringing the total number of ongoing investigations to 322, as shown in Figure 2.1.

Money Laundering Investigation Results in Conviction and Sentencing
On July 16, 2014, in the Western District of Tennessee, Jerry Wayne Dennis pled guilty to a one-count criminal information for money laundering. Dennis was released on a personal-recognizance bond pending his sentencing, scheduled for November 20, 2014.
On September 8, 2014, in the Eastern District of Tennessee, James C. Pittman was sentenced to 12 months’ incarceration, followed by one year of supervised release for money laundering. Pittman also satisfied a $25,000 forfeiture order.

The investigation of James Pittman, Jerry Dennis, and Jimmy Dennis (who pled guilty in May 2014) focused on Afghan contractors bribing the three U.S. military members in return for government contracts associated with the Bagram Airfield Humanitarian Aid Yard (HA Yard). The HA Yard functions as storage for large quantities of clothing, food, school supplies, and other items available to military units, in support of humanitarian aid for the Afghan people.

U.S. Military Members Prosecuted Following Embezzlement Scheme
On June 30, 2014, U.S. Army Sergeant First Class (SFC) Cleo Autry and U.S. Army SFC Deric Harper were arrested at Fort Bragg Army Base in Fayetteville, NC. The subjects were transported to the U.S. Federal Courthouse in the Eastern District of North Carolina and on July 1, 2014, were subsequently arraigned on one count of theft of government property and one count of conspiracy to defraud.

On July 1, 2014, William Todd Chamberlain, retired from U.S. Army, turned himself in at the U.S. Federal Courthouse in the Eastern District of North Carolina. He was arraigned on one count of theft of government property and one count of conspiracy to defraud.

On July 7, 2014, in the Eastern District of North Carolina, a criminal information was filed against U.S. Army SFC Jeffrey Arthur Cook for conspiracy to defraud.


Between October 2008 and April 2012, the subjects of the investigation were deployed with the Special Forces Group under the Combined Joint Special Operations Task Force (CJSOTF) at Forward Operating Base (FOB) Jalalabad, Afghanistan. During their deployment, they conspired to embezzle funds from the Commanders Emergency Response Fund and from Army “1208” funds used by Special Forces Groups to support counterterrorism operations. Over time, they stole cash, purchased a substantial number of $1,000 money orders, and sent the funds to their spouses, to electronic bank accounts, or to various vendors.

Former U.S. Military Member Charged for Fuel Theft Scheme
On August 25, 2014, a criminal information was filed against former U.S. Army Specialist Alexander Swim in the Eastern District of North Carolina.
Swim was charged with one count of theft and conversion of public property, and aiding and abetting.

From January 2012 until October 2012, Swim was deployed to Afghanistan under the command of CJSOTF at FOB Sharana. During his deployment, Swim served as an advanced operating-base mechanic with responsibility for overseeing the maintenance of vehicles and the distribution of fuel to special-operations forces. On multiple occasions during his deployment, Swim participated in a conspiracy to steal government-appropriated fuel from FOB Sharana by escorting Afghan national-operated fuel trucks on and off the installation. Because of these actions, the U.S. government suffered a loss of over $400,000 in fuel.

**Nine Arrested for Theft of Containers**

Nine Pakistani nationals were arrested for theft on April 16, 2014, and nearly $260,000 in U.S. government property was recovered.

Seven Maersk containers were stolen in transit from Pakistan to Bagram Air Field (BAF). The truck drivers were arrested just outside BAF and the containers were temporarily taken into the custody of the Bagram police department. It was determined that four of the containers belonged to the U.S. Transportation Command and three belonged to Army and Air Force Exchange Service. A subsequent inventory of the containers accounted for all items and confirmed their combined value to be nearly $260,000.

On August 11, 2014, the ANP, Parwan Province, confirmed the arrest of the seven truck drivers, the company’s administrative assistant, and another company employee. Based on the investigative effort, U.S. Army Colonel Stephanie Gradford, the garrison commander at BAF, issued barment letters to four of the drivers, which permanently ban them from all U.S. installations in Afghanistan.

**Afghan Truck Drivers Arrested for Fuel Theft Scheme**

Three Afghans involved in an elaborate fuel-theft scheme at BAF were arrested; the recovered fuel was valued at approximately $76,000. In addition, four Afghan fuel trucks valued at $81,500 were seized and turned over to Parwan officials.

On August 2, 2014, U.S. Army Chief Warrant Officer Brett Nelson, who serves as the responsible officer at the Defense Logistics Agency (DLA), reported to SIGAR that two truck drivers had utilized fraudulent documents in an attempt to steal fuel from the entry-control point at BAF.

Nelson noticed two sets of fraudulent documents utilized by Afghan drivers to upload and transfer fuel under the National Afghan Trucking contract. The fraudulent documents were duplicates of legitimate Transportation Movement Requests (TMRs) to upload trucks with 5,000 gallons of fuel. Prior to Nelson’s discovery, one driver had successfully uploaded 5,000 gallons of fuel into his truck but had not yet departed.
Nelson was able to contact the fuel-upload site and cancel the upload on the second truck. Subsequently, SIGAR and the Defense Criminal Investigative Service seized both trucks and detained the drivers and a coconspirator. Parwan and Bagram law-enforcement personnel arrested and transported the subjects to the local detention center.

A SIGAR audit of DLA records for the months of May through July 2014 confirmed the theft of approximately 90,000 gallons of fuel, with a value of $1.3 million, utilizing fraudulent TMRs. To date, 10 Afghan truck drivers were identified as having participated in the theft; barment letters were issued for each.

**Contract Employee Pleads Guilty**

On July 30, 2014, in Tucson, Arizona, Robert Bertolini pled guilty to one count of conspiracy to commit wire fraud and receive an illegal kickback. Bertolini also agreed to forfeit $59,975, the sum of money involved in the crime. His sentencing is scheduled for October 27, 2014.

In December 2010, the U.S. Army Corps of Engineers awarded a contract to Lakeshore Engineering Services Inc. (Lakeshore) to design and construct FOB Rocco for the ANA in Kabul, Afghanistan. In March of 2011, Lakeshore awarded Shams Group International (Shams) a subcontract to provide materials, design services, equipment, labor and other subcontractor services for the FOB Rocco project. In January 2010, Lakeshore hired Bertolini to be the project manager for the FOB Rocco project. In May of 2011, Bertolini approved two modifications to Lakeshore’s contract with Shams. The adjustment, which Lakeshore did not authorize, increased the project cost by nearly $1.7 million. In return for the two modifications, Shams wired $59,975 to an Ohio bank account belonging to Bertolini’s son.

**Contractor Employee Arrested for Fraud**

On July 6, 2014, the ANP arrested an Afghan employee of a USAID contractor, Maruf Lalzada, with assistance from SIGAR.

Chemonics, a contractor for a USAID-funded project, conducted an internal investigation of Lalzada. The investigation was based upon complaints lodged by other Chemonics employees that Lalzada had submitted false claims to Chemonics that overstated wages paid to Afghan workers, as well as claims related to “ghost” workers. His fraudulent activity resulted in an $8,342 loss. The matter was referred to the Afghan Attorney General’s Office (AGO) and after several attempts, Lalzada was arrested. After the arrest, Lalzada attempted to flee while being transported to an ANP station, but was apprehended by the ANP.

The AGO will provide future updates pertaining to Lalzada’s prosecution.
$150,000 Recovered from SIGAR Investigation

The Legal Aid Organization of Afghanistan (LAOA) was awarded a subgrant from International Development Law Organization (IDLO), under an INL grant for justice-sector improvement in Afghanistan. A complainant reported to SIGAR that LAOA management was overcharging for expenses under the subgrant by generating fake invoices and presenting them to IDLO for reimbursement.

The investigation, along with an independent audit, confirmed allegations that funds had been misappropriated. On August 3, 2014, LAOA reimbursed IDLO $150,000.

Fuel Theft Scheme Thwarted

SIGAR initiated an investigation in March 2014, after receiving information that excess fuel was being uploaded into trucks at BAF and subsequently removed and sold in the Afghan market.

When a truck was identified as having excess fuel, a series of interviews and interrogations ensued. During one interrogation, an Afghan national employee of Fluor International confessed to conspiracy to steal fuel. He implicated six other Afghan nationals and an Indian national, all Fluor employees. The individuals were subsequently terminated from employment and barred permanently from all U.S. military installations.

During the investigation it was discovered that bypass valves had been utilized to allow excess fuel to be uploaded without ever passing through a meter. Based on these findings, the Defense Contract Management Agency issued a letter of technical direction to Fluor demanding all bypass valves be disconnected. Additionally, the investigation recovered 1,350 gallons of fuel valued at approximately $20,000.

An audit of DLA and Fluor fuel records covering the previous five-month period revealed that approximately 240,000 gallons fuel could not be accounted for. The value of the missing fuel is approximately $2.4 million.

Undercover Operation Resulted in Three Arrests

An undercover operation at BAF resulted in the arrest of three Afghans, nine barments from U.S. military installations, and the suspension of a business.

On September 30, 2014, members of the International Contract Corruption Task Force (ICCTF) debriefed a third-country national (TCN) regarding his knowledge of criminal misconduct occurring at BAF. The information provided by the TCN pertained to small equipment theft as well as major fraud and corruption involving U.S. personnel. Among potential targets he identified was Aziz Abduzaziz, the owner of Aziz Restaurant and a bazaar, who was allegedly engaging in various criminal schemes on BAF, including vehicle thefts. The TCN advised that on previous occasions Aziz had approached him about obtaining stolen vehicles.

Cash seized from the Afghan owner of a restaurant on a U.S. base was delivered to the ANP in Parwan Province. (U.S. Army CID photo)
Based on the information, the ICCTF initiated an undercover reverse operation during which a special agent acting in an undercover capacity would consummate the sale of a purported stolen vehicle to Aziz. The TCN telephoned Aziz and informed him of someone working at BAF who had a vehicle he wanted to sell. Aziz advised the TCN he would buy the vehicle for $2,700. Subsequently, Aziz met the TCN and undercover special agent and paid $2,500 for what he believed was a stolen government vehicle. Subsequent to the money exchange, members of the ICCTF detained Aziz and seized an additional $15,813 he was carrying. Two other Aziz Restaurant employees who had accompanied Aziz were also apprehended, interrogated, and released to Afghan authorities.

As a result of the operation, it was disclosed that Aziz possessed a Bagram Access Memorandum which allowed him to move freely on and off base to deliver foodstuffs to his restaurant. Aziz had the memorandum in his possession when apprehended and his apparent intention was to use it to remove the stolen vehicle from BAF. At a follow-up meeting with the U.S. Forces-Afghanistan Director of Emergency Services/Program Management Office, the director advised he will brief the BAF garrison commander and...
recommend Aziz and all nine employees be barred from all U.S. military facilities and that the restaurant operations be suspended.

**Suspensions and Debarments**

This quarter, SIGAR's suspension and debarment program referred 44 individuals and 13 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. Of these 57 contractors, five individuals and six companies were referred for suspension or debarment based on allegations that they engaged in fraud and nonperformance as part of contracts valued at $398,445,878. Eight other individuals were referred for suspension based upon criminal convictions resulting from SIGAR investigations into the theft of fuel from U.S. installations in Afghanistan. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 547 encompassing 292 individuals and 255 companies to date, as shown in Figure 2.2.

As of the end of June 2014, SIGAR's efforts to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 84 suspensions and 218 finalized debarments of individuals and companies engaged in U.S.-funded reconstruction projects. An additional seven individuals and companies have entered into administrative-compliance agreements with the government in lieu of exclusion from contracting.

**FIGURE 2.2**

**SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q4 FY 2014**

Source: SIGAR Investigations Directorate, 10/7/2014.
Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR’s program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the government’s responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States.

SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations in which SIGAR participates. In most cases, SIGAR’s referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office, and are therefore the primary remedy to address contractor misconduct. In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision by the agency as well as all of the supporting documentation needed for an agency to support that decision should it be challenged by the contractor at issue. Based on the evolving nature of the contracting environment in Afghanistan and the available evidence of contractor misconduct and/or poor performance, on occasion SIGAR has found it necessary to refer individuals or companies multiple times for consideration by agency suspension and debarment officials.

SIGAR’s emphasis on suspension and debarment is illustrated by the fact that of the 547 referrals for suspension and debarment that have been made by the agency to date, 461 have been made since the second quarter of 2011. During the 12-month period prior to October 1, 2014, referrals by SIGAR’s suspension and debarment program resulted in the exclusion of 237 individuals and companies from contracting with the government. SIGAR’s referrals over this period represent allegations of theft, fraud, poor performance, financial support to insurgents, and mismanagement as part of reconstruction contracts valued at approximately $938,908,042.

Debarment of 15 Companies and Individuals in Connection with the Fraudulent Award of $53.5 Million in Afghan National Army Training Contracts

During the previous quarter, referrals from SIGAR’s suspension and debarment program resulted in debarment of U.S. Army Lieutenant Colonel David Andrew Young, Christopher Harris of the American International Security Corporation, and 12 other affiliated companies and individuals. The debarments were based on the fraudulent award of five contracts in 2007 for the training of ANA commandos regarding the management of supplies and
equipment stocks provided as part of reconstruction effort, collectively valued at approximately $53.5 million.

Specifically, in exchange for the provision of procurement-sensitive information, Young and multiple companies affiliated with him were paid kickbacks of approximately $9.4 million by American International Security Corporation via the company’s country manager, Harris. On December 13, 2013, Young’s guilty plea in the U.S. District Court for the District of Utah to violation of the Procurement Integrity Act and money laundering was accepted and he was sentenced to 42 months confinement. On December 9, 2013, also in the U.S. District Court for the District of Utah, Harris pled guilty to conspiracy to commit government procurement fraud and conspiracy to commit money laundering and was sentenced to 24 months’ confinement.

Based on this conviction the Army suspension and debarment official debarred Young, American International Security Corporation, and 12 other affiliated companies and individuals for a period of six years and four months, ending on December 13, 2020. Harris was also debarred for a period of five years, ending on June 23, 2019.

Proposed Debarment of 22 Individuals Participating in Fraudulent Linguist Certification Testing

During the previous quarter, the efforts of SIGAR’s investigators and its suspension and debarment program resulted in proposed debarment of 22 individuals due to the discovery of a fraudulent test-taking scheme designed to process unqualified linguists for deployment to Afghanistan under the U.S. Army’s linguist contract. Specifically, the evidence revealed that linguist recruiters working for FedSys Inc., a subcontractor to Mission Essential Personnel LLC, hired test takers to take and pass the oral proficiency language test for new linguists in order to advance them to Mission Essential Personnel’s pre-deployment processing center. To perpetrate the scheme, recruiters provided test takers with the personal information of prospective linguists, allowing them to take the oral-proficiency language test on their behalf. Following the receipt of a passing score, the actual prospective linguists would be deployed to Afghanistan as part of the contract. The scheme was discovered by FedSys and Mission Essential Personnel in June 2012, and was disclosed to the government at that time. Based upon the initial allegations in SIGAR’s referral and research by the Army Procurement Fraud Branch, the Army proposed all 22 individuals for debarment on September 17, 2014, resulting in their exclusion from contracting. A final debarment decision on this matter is currently pending with the Army.
SIGAR OVERSIGHT ACTIVITIES

OTHER SIGAR OVERSIGHT ACTIVITIES THIS QUARTER

SIGAR Recognized with Five CIGIE Awards
As part of its 17th annual inspector-general community awards ceremony, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) presented SIGAR with five awards—the most SIGAR has ever received.

Special Agent Jeffrey Millslagle accepted the Sentner Award for Dedication and Courage (see box below). The SIGAR team who contributed to the publication of SIGAR Audit 13-8, *Taxes: Afghan Government Has Levied Nearly a Billion Dollars in Business Taxes on Contractors Supporting U.S. Government Efforts in Afghanistan*, accepted the Award for Excellence-Audit. The team who contributed to the publication of 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*, also accepted the Award for Excellence-Audit. SIGAR's Suspension and Debarment team received the Award for Excellence-Special Act in recognition of excellence in developing and implementing a comprehensive suspension and debarment program, resulting in hundreds of referrals and debarments over a three-year period. The Research and Analysis Directorate also received the Award for Excellence-Special Act recognizing their quarterly reports, which provide the comprehensive data and timely analysis needed by Congress to oversee Afghan reconstruction.

Special Agent Jeffrey Millslagle Receives CIGIE Award
SIGAR Special Agent Jeffrey Millslagle received the Sentner Award for Dedication and Courage in recognition of the courage, uncommon selflessness, and dedication to duty he displayed during an insurgent attack on the Herat Consulate in September 2013. The blast killed several guards and heavily damaged the consulate. After the explosion, a group of armed insurgents tried to storm the compound. Millslagle immediately jumped into action to help the Regional Security Officer. He conducted an armed sweep to ensure that all U.S. Chief of Mission personnel were accounted for, and that no insurgents had penetrated the consulate. Millslagle also helped move casualties and held a weapons position covering the blown-open entrance to the consulate.

[SIGAR Special Agent Jeffrey Millslagle boards a helicopter after conducting an armed sweep of the Herat Consulate. (U.S. government photo)]
Deputy Inspector General Aloise Speaks at CIGIE Federal Audit Executive Council Annual Conference

In September, Deputy IG Aloise spoke in Alexandria, Virginia, at the CIGIE annual Federal Audit Executive Council Conference. Aloise highlighted the aspects of SIGAR that are unique, including a temporary but broad-reaching mission, and the fact that the agency is truly independent of any other federal agency. The temporary nature of SIGAR, Aloise explained, has encouraged the agency to adopt an innovative approach to oversight, including initiatives like the Office of Special Projects, which quickly issues letters and reports and letters, not bound by GAGAS, to help decision-makers enact changes before additional damage occurs. Other innovative methods include working to seize assets held in Afghanistan, using international firms to conduct financial audits of reconstruction contractors, and making numerous referrals for suspension and debarment of bad actors and poor performers. Aloise also emphasized SIGAR’s commitment to transparency, and its strategy of pursuing publicity to increase the positive impact of the agency’s reports. Finally, the speech discussed SIGAR’s role in the future of Afghan reconstruction, noting that there is still much oversight work to be done to protect taxpayers’ investment.

Inspector General Sopko Speaks at Georgetown University

Special Inspector General Sopko spoke in September at Georgetown University about the lessons SIGAR has learned from Afghanistan. The speech provided background on the massive reconstruction effort in
Afghanistan, and discussed SIGAR’s mission and structure. Sopko also articulated three major inter-agency challenges that are crucial for reconstruction success: sustainability, corruption, and narcotics trafficking. Additionally, the speech highlighted why oversight must be mission critical, explained SIGAR’s approach to oversight and publicity, and discussed how to improve the reconstruction effort.

SIGAR Participates in Annual Afghan Arts and Culture Festival
On October 12, 2014, SIGAR participated in the annual Afghan Arts and Culture Festival held in Rosslyn, Virginia. SIGAR hosted a booth featuring SIGAR publications and handouts in Dari and English. SIGAR personnel manned the booth and provided information to attendees, including handouts featuring Hotline and Facebook contact information for SIGAR. Many of the event’s 2,500 to 3,000 attendees stopped by the SIGAR booth. Investigative Analyst Shokoor Siddiqi was interviewed by the Voice of America and explained SIGAR’s mission and the benefit of having SIGAR attend the festival.
SIGAR BUDGET
SIGAR received a budget of $49.65 million for FY 2014 in the Consolidated Appropriations Act from Congress. The budget supports SIGAR’s oversight activities and products by funding SIGAR’s five directorates: (1) Audits and Inspections, (2) Special Projects, (3) Investigations, (4) Management and Support, and (5) Research and Analysis.

SIGAR STAFF
SIGAR staff remained steady since its last report to Congress with 197 employees on board at the end of the quarter. At the end of the quarter, there were 29 employees at the U.S. Embassy Kabul and eight other employees in Afghan locations outside the U.S. Embassy. SIGAR staff members were stationed at four locations across the country, including Kandahar and Bagram airfields, Mazar-e-Sharif, and the U.S. Embassy Kabul. SIGAR employed three local Afghans in its Kabul office to support the Investigations and Audits directorates. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had 14 employees on temporary duty in Afghanistan for a total of 165 days.
“As Afghanistan enters this new chapter in its history, the United States looks forward to deepening its enduring partnership with a sovereign, unified, and democratic Afghanistan.”

—U.S. Secretary of State John Kerry
3 RECONSTRUCTION UPDATE
## RECONSTRUCTION UPDATE CONTENTS

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**Photo on previous page**

U.S. Ambassador James Cunningham shakes hands with Afghan National Security Adviser Hanif Atmar after signing the Bilateral Security Agreement between the countries on September 30, while Afghanistan’s new Chief Executive Officer Abdullah Abdullah, center, and other officials look on. The new Afghan government also signed a Status of Forces Agreement with NATO. (State Department photo)
OVERVIEW

On September 29, 2014, Ashraf Ghani was inaugurated president of Afghanistan following a highly contentious election process. President Ghani’s inauguration marked the first democratic transition of power in Afghanistan’s history.

The messy aftermath of the Afghan presidential election dominated the quarter. After a June runoff election, presidential candidate Abdullah claimed victory in July and again in September, while the Independent Election Committee (IEC) released preliminary results showing Ghani to be the presumptive victor. President Barack Obama and Secretary of State John Kerry made significant interventions, encouraging the candidates to agree to an audit process and form a national-unity government. Following the June 14 runoff election, President Obama called both candidates six times, Secretary Kerry called the candidates 30 times and twice visited the country, and U.S. Ambassador James Cunningham held 81 meetings with the candidates. The European Union Election Assessment Team (EU EAT) labeled the audit process “unsatisfactory” and claimed the audit produced clear evidence of large-scale fraud, particularly ballot stuffing. EU EAT estimated that between two million and three million runoff votes were fraudulent.

On September 29, 2014, one day after President Ghani’s inauguration, Afghan and U.S. officials signed the long-awaited Bilateral Security Agreement (BSA)—formally the Security Cooperation and Defense Agreement between the United States of America and the Islamic Republic of Afghanistan. Afghan and NATO officials also signed the NATO Status of Forces Agreement. In a statement, the International Security Assistance Force (ISAF) said “the two agreements provide the legal framework for the United States, NATO, and its partner nations’ continued commitment to train, advise, and assist Afghan National Security Forces (ANSF).”

This quarter also brought a change of command of ISAF with General John Campbell assuming command of the force from General Joseph F. Dunford. General Campbell will be the last ISAF commander, as that organization will be replaced by an advisory mission at the beginning of 2015. In addition, during a September summit in Wales, NATO allies and ISAF
partners reaffirmed their intent to continue training, advising, and assisting ANSF beyond 2014.

SIGAR is closely following developments in the security sector. SIGAR is concerned about ISAF’s recent classification of a previously unclassified ANSF assessment report summary, accountability for DOD contracting, high levels of ANSF attrition, continued uncertainty about the Afghan government’s plan to provide site and convoy security for U.S. and international personnel, and increasing violence around the country.

Afghanistan is suffering from acute budgetary shortfalls threatening to affect payments of civil servant salaries, pensions, and operating and development spending. In the first seven months of Afghan FY 1393 (December 21, 2013–December 20, 2014), domestic revenues missed Ministry of Finance (MOF) budget targets by 22% and decreased by about 3.8% from the same period last year. At the same time, Afghan government expenditures are expected to continue rising—to 30.5% of GDP in 2016 versus 27.3% in 2014, according to World Bank projections. This will limit Afghanistan’s ability to pay for discretionary services without significant donor support and improved revenue mobilization. The MOF is in discussion with donors for additional monies to cover the budget shortfall for remainder of FY 1393.

In one of his first official actions upon being sworn into office, President Ashraf Ghani directed Afghan government officials to immediately reopen the Kabul Bank case, recover stolen funds, hold accountable those involved in the theft of $982.6 million, and move ahead with privatizing the successor New Kabul Bank. According to the Independent Joint Anti-Corruption Monitoring and Evaluation Committee, only $175.2 million has been recovered so far—less than 18% of total amounts owed. Seven offenders charged in the original indictment have reportedly been re-arrested, but others are no longer in Afghanistan.

The United Nations Office of Drug and Crime (UNODC) and Ministry of Counternarcotics (MCN) published their final poppy eradication verification report for the year. Compared to 2013, there was a 63% decrease: only 2,692 hectares were eradicated in 2014. The MCN attributes the reduced number to the reallocation of resources for election security. Interdiction results likewise decreased this quarter with the reduced Coalition footprint. According to the Department of Defense (DOD), drug labs, storage sites, and major trafficking networks are concentrated in rural areas and are increasingly denied to Afghan forces due to the ISAF drawdown and declining security in these areas.

As of September 30, 2014, approximately $104.1 billion had been appropriated for Afghanistan relief and reconstruction since 2002, and approximately $14.5 billion remained in the funding pipeline for potential disbursement. On September 19, 2014, President Obama signed the Continuing Appropriations Resolution, 2015, funding the government
through December 11, 2014, at the FY 2014 enacted levels. While Afghanistan reconstruction funding levels for FY 2015 cannot be determined until a full-year appropriations bill is passed, the FY 2015 budget request would add another $5.8 billion to six of the seven major reconstruction funds if enacted. DOD is not requesting additional funding for the Afghanistan Infrastructure Fund (AIF) for FY 2015.

The United States provides on-budget assistance to Afghanistan through direct payments to Afghan government entities and through contributions to multinational trust funds. Since 2002, the United States has provided more than $7.7 billion in on-budget assistance. This includes about $4.1 billion to Afghan government ministries and institutions, and nearly $3.6 billion to three multinational trust funds—the World Bank’s Afghanistan Reconstruction Trust Fund (ARTF), the United Nations Development Programme’s Law and Order Trust Fund for Afghanistan (LOTFA), and the Asian Development Bank’s Afghanistan Infrastructure Trust Fund (AITF). Table 3.1 shows U.S. on-budget assistance to Afghan government entities.

### Table 3.1

<table>
<thead>
<tr>
<th>U.S. On-Budget Assistance to Afghanistan, Since 2002 ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government-To-Government</strong></td>
</tr>
<tr>
<td>DOD</td>
</tr>
<tr>
<td>State</td>
</tr>
<tr>
<td>USAID</td>
</tr>
<tr>
<td><strong>Multilateral Trust Funds</strong></td>
</tr>
<tr>
<td>LOTFA</td>
</tr>
<tr>
<td>ARTF</td>
</tr>
<tr>
<td>AITF</td>
</tr>
</tbody>
</table>

Note: Government-To-Government figures reflect amounts the United States has committed in on-budget assistance, excluding commitments to multilateral trust funds. Multilateral trust fund figures reflect amounts the United States has paid in to each trust fund.

FUNDING FOR AFGHANISTAN RECONSTRUCTION

Since 2002, Congress has appropriated nearly $104.1 billion for Afghanistan relief and reconstruction. Of this amount, $87.7 billion (84%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

As of September 30, 2014, approximately $14.5 billion of appropriated funds remained for possible disbursement, as shown in Figure 3.1. These funds will be used to complete ongoing, large-scale infrastructure projects, such as those funded by the AIF and ESF; train, equip, and sustain the ANSF; combat narcotics production and trafficking; and advance the rule of law, strengthen the justice sector, and promote human rights. Approximately 40% of the funding in the pipeline has yet to be obligated. About $8.7 billion of the $14.5 billion remaining has been obligated.

<table>
<thead>
<tr>
<th>TABLE 3.2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2014 ($ BILLIONS)</strong></td>
</tr>
<tr>
<td>Appropriated</td>
</tr>
<tr>
<td>ASFF</td>
</tr>
<tr>
<td>CERP</td>
</tr>
<tr>
<td>AIF</td>
</tr>
<tr>
<td>TFBSO</td>
</tr>
<tr>
<td>DOD CN</td>
</tr>
<tr>
<td>ESF</td>
</tr>
<tr>
<td>INCLE</td>
</tr>
<tr>
<td><strong>Total 7 Major Funds</strong></td>
</tr>
<tr>
<td>Other Reconstruction Funds</td>
</tr>
<tr>
<td>Civilian Operations</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately $3.1 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/21/2014.

The President’s FY 2015 budget request, if appropriated, would add another $5.8 billion for the seven major reconstruction funds. Amounts requested for four of these funds—ASFF, DOD CN, ESF, and INCLE—account for over 99% of the FY 2015 request. Only $20 million was requested for CERP and TFBSO combined. No additional funding was requested for the AIF. SIGAR’s audit of the AIF, issued in July 2012, raised concerns that most AIF projects were 6–15 months behind schedule, potentially limiting the projects’ counterinsurgency benefits and necessitating continued funding of $80–100 million a year for diesel fuel to power Kandahar City. Nearly $943 million of the $1.3 billion appropriated the AIF since FY 2011 remains to be disbursed when the amount transferred to the ESF for USAID’s infrastructure project is included.
Congress appropriated nearly $8.1 billion to the seven major reconstruction funds for FY 2013. Of that amount, nearly $3.8 billion remained for possible disbursement, as of September 30, 2014, as shown in Table 3.3 and Figure 3.2.

### Table 3.3

<table>
<thead>
<tr>
<th>Fund</th>
<th>Appropriated ($M)</th>
<th>Obligated ($M)</th>
<th>Disbursed ($M)</th>
<th>Remaining ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASFF</td>
<td>4,946</td>
<td>4,946</td>
<td>3,621</td>
<td>1,325</td>
</tr>
<tr>
<td>CERP</td>
<td>200</td>
<td>42</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>AIF</td>
<td>146</td>
<td>137</td>
<td>37</td>
<td>100</td>
</tr>
<tr>
<td>TFBSO</td>
<td>138</td>
<td>136</td>
<td>103</td>
<td>33</td>
</tr>
<tr>
<td>DOD CN</td>
<td>256</td>
<td>256</td>
<td>256</td>
<td>0</td>
</tr>
<tr>
<td>ESF</td>
<td>1,803</td>
<td>1,748</td>
<td>1</td>
<td>1,747</td>
</tr>
<tr>
<td>INCLE</td>
<td>594</td>
<td>594</td>
<td>42</td>
<td>552</td>
</tr>
<tr>
<td><strong>Total 7 Major Funds</strong></td>
<td><strong>$8,082</strong></td>
<td><strong>$7,858</strong></td>
<td><strong>$4,095</strong></td>
<td><strong>$3,762</strong></td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately $224 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/21/2014.

Congress appropriated more than $6.2 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than $6 billion remained for possible disbursement, as of September 30, 2014, as shown in Table 3.4 and Figure 3.3.

### Table 3.4

<table>
<thead>
<tr>
<th>Fund</th>
<th>Appropriated ($M)</th>
<th>Obligated ($M)</th>
<th>Disbursed ($M)</th>
<th>Remaining ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASFF</td>
<td>4,727</td>
<td>302</td>
<td>162</td>
<td>4,565</td>
</tr>
<tr>
<td>CERP</td>
<td>30</td>
<td>7</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>AIF</td>
<td>199</td>
<td>0</td>
<td>0</td>
<td>199</td>
</tr>
<tr>
<td>TFBSO</td>
<td>122</td>
<td>109</td>
<td>39</td>
<td>83</td>
</tr>
<tr>
<td>DOD CN</td>
<td>86</td>
<td>1</td>
<td>1</td>
<td>85</td>
</tr>
<tr>
<td>ESF</td>
<td>852</td>
<td>0</td>
<td>0</td>
<td>852</td>
</tr>
<tr>
<td>INCLE</td>
<td>225</td>
<td>3</td>
<td>3</td>
<td>222</td>
</tr>
<tr>
<td><strong>Total 7 Major Funds</strong></td>
<td><strong>$6,241</strong></td>
<td><strong>$420</strong></td>
<td><strong>$206</strong></td>
<td><strong>$6,011</strong></td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately $23 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/21/2014.
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STATUS OF FUNDS

To fulfill SIGAR's legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of September 30, 2014, the United States had appropriated approximately $104.08 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- $61.54 billion for security ($4.07 billion for counternarcotics initiatives)
- $39.65 billion for governance and development ($3.69 billion for counternarcotics initiatives)
- $2.89 billion for humanitarian aid
- $9.00 billion for civilian operations

Figure 3.4 shows the major U.S. funds that contribute to these efforts.

FIGURE 3.4
U.S. FUNDS SUPPORTING AFGHANISTAN RECONSTRUCTION EFFORTS ($ BILLIONS)

<table>
<thead>
<tr>
<th>FUNDING SOURCES (TOTAL: $104.08)</th>
<th>ASFF</th>
<th>CERP</th>
<th>AIF</th>
<th>TFBSO</th>
<th>DOD CN</th>
<th>ESF</th>
<th>INCLE</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$57.33</td>
<td>$3.67</td>
<td>$1.04</td>
<td>$0.81</td>
<td>$2.70</td>
<td>$17.72</td>
<td>$4.44</td>
<td>$16.36</td>
</tr>
</tbody>
</table>

AGENCIES

<table>
<thead>
<tr>
<th>Department of Defense (DOD)</th>
<th>$65.56</th>
</tr>
</thead>
<tbody>
<tr>
<td>USAID</td>
<td>$17.72</td>
</tr>
<tr>
<td>Department of State (State)</td>
<td>$4.44</td>
</tr>
<tr>
<td>Distributed to Multiple Agencies</td>
<td>$16.36</td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Total funding decreased this quarter due to a reduction in DOD CN funding. DOD transferred $179.5 million from FY 2013 AIF to the ESF for USAID’s Northern Electrical Power System project.


ASFF: Afghanistan Security Forces Fund
CERP: Commander’s Emergency Response Program
AIF: Afghanistan Infrastructure Fund
TFBSO: Task Force for Business and Stability Operations
DOD CN: DOD Drug Interdiction and Counter-Drug Activities
ESF: Economic Support Fund
INCLE: International Narcotics Control and Law Enforcement
Other: Other Funding
The amount provided to the seven major U.S. funds represents nearly 84.3% (nearly $87.72 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, over 89.8% (over $78.78 billion) has been obligated, and over 79.9% (more than $70.11 billion) has been disbursed. An estimated $3.14 billion of the amount appropriated for these funds has expired.

U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of September 30, 2014, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately $104.08 billion, as shown in Figure 3.5. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and oversight and operations. Approximately $7.76 billion of these funds support counter-narcotics initiatives which crosscut both the security ($4.07 billion) and governance and development ($3.69 billion) categories.

The Department of Defense (DOD) reported an overall funding reduction of $225.58 million for the DOD Drug Interdiction and Counter-Drug Activities fund from $2.93 billion reported last quarter to $2.70 billion due in part to the threat of sanctions against parts suppliers for the Russian Mi-17 helicopters used by the Afghan Air Force Special Mission Wing as well as reductions in the overall scope of Afghanistan counter-narcotics operational support from prior years. For complete information regarding U.S. appropriations, see Appendix B.

FIGURE 3.5
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF SEPTEMBER 30, 2014 ($ BILLIONS)

Note: Numbers have been rounded. Total funding decreased this quarter due to a reduction in DOD CN funding. DOD transferred $179.5 million from FY 2013 AIF to the ESF for USAID’s NEPS transmission lines project. DOD reprogrammed $1 billion from FY 2011 ASFF. DOD reprogrammed $1 billion from FY 2012 ASFF. P.L. 113-6 rescinded $1 billion from FY 2012 ASFF. DOD reprogrammed $178 million from FY 2013 ASFF. DOD transferred $101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

The Consolidated Appropriations Act, 2014, provided an additional $7.44 billion for FY 2014, as shown in Figure 3.6. Of this amount, nearly $4.73 billion was appropriated to the Afghanistan Security Forces Fund.\textsuperscript{91}

On September 19, 2014, President Obama signed the Continuing Appropriations Resolution, 2015, funding the government through December 11, 2014, at the FY 2014 enacted levels. The FY 2015 budget request for the seven major reconstruction funds is approximately 5% lower than the amount appropriated these funds for FY 2014. DOD is not requesting funds for the Afghanistan Infrastructure Fund for FY 2015 and is requesting only $5 million for the Task Force for Business and Stability Operations, as shown in Table 3.5.

As reported in prior quarters, a significant amount of reconstruction funding is still in the pipeline. Approximately $14.47 billion remains for potential disbursement. For more information about the reconstruction funding pipeline, see pages 68–69.

**TABLE 3.5**

<table>
<thead>
<tr>
<th>FY 2014</th>
<th>FY 2015 Req</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASFF</td>
<td>$4,726</td>
</tr>
<tr>
<td>CERP</td>
<td>30</td>
</tr>
<tr>
<td>AIF</td>
<td>199</td>
</tr>
<tr>
<td>TFBSO</td>
<td>64</td>
</tr>
<tr>
<td>DOD CN</td>
<td>86</td>
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<tr>
<td>ESF</td>
<td>852</td>
</tr>
<tr>
<td>INCLE</td>
<td>225</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$6,182</strong></td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. TFBSO amount excludes funding used for the task force's operational costs.

Source: OMB, “Amendments to the President’s Fiscal Year (FY) 2015 Overseas Contingency Operations (OCO) Request for the Department of Defense (DOD) and the Department of State and Other International Programs (State/OIP),” 6/26/2014; State, response to SIGAR data call, 4/15/2014; OMB, response to SIGAR data call, 7/16/2014.
AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.92

The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan.93 A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.94

The Consolidated Appropriations Act, 2014, appropriated nearly $4.73 billion for the ASFF for FY 2014, increasing total cumulative funding to nearly $57.33 billion.95 As of September 30, 2014, more than $51.77 billion of total ASFF funding had been obligated, of which nearly $48.94 billion had been disbursed.96 Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by more than $1.74 billion over the quarter, and cumulative disbursements increased by nearly $712.11 million.97 Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

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**ASFF APPROPRIATED FUNDS BY FISCAL YEAR**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
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<td>2013</td>
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<td></td>
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<tr>
<td>2014</td>
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</tbody>
</table>

**ASFF FUNDS TERMINOLOGY**

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended


**Note:** Numbers have been rounded.

* DOD reprogrammed $1 billion of FY 2011 ASFF.
* DOD reprogrammed $1 billion of FY 2012 ASFF; another $1 billion was rescinded in P.L. 113-6.
* DOD reprogrammed $178 million of FY 2013 ASFF.

**STATUS OF FUNDS**

**ASFF BUDGET ACTIVITIES**

DOD allocates funds to three budget activity groups within the ASFF:

- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each budget activity group are further allocated to four subactivity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment. The AROC must approve the requirement and acquisition plan for any service requirements in excess of $50 million annually and any non-standard equipment requirement in excess of $100 million.

As of September 30, 2014, DOD had disbursed nearly $48.94 billion for ANSF initiatives. Of this amount, more than $32.40 billion was disbursed for the ANA, and more than $16.17 billion was disbursed for the ANP; the remaining nearly $364.49 million was directed to related activities.

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly $12.45 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—more than $6.31 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.

---

**Budget Activity Groups:** categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund.

**Subactivity Groups:** accounting groups that break down the command’s disbursements into functional areas.

---


---

**FIGURE 3.9**

**ASFF DISBURSEMENTS FOR THE ANA BY SUBACTIVITY GROUP, FY 2005–SEP 30, 2014 ($ BILLIONS)**

- Infrastructure: $5.31
- Equipment and Transportation: $11.44
- Sustainment: $12.45
- Training and Operations: $3.20

Total: $32.40

---

**FIGURE 3.10**

**ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005–SEP 30, 2014 ($ BILLIONS)**

- Infrastructure: $2.86
- Equipment and Transportation: $3.61
- Sustainment: $6.31
- Training and Operations: $3.40

Total: $16.17

Note: Numbers have been rounded.

COMMANDER’S EMERGENCY RESPONSE PROGRAM

The Commander’s Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than $500,000 each. Projects with cost estimates exceeding $1 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over $5 million require approval from the AROC. CERP-funded projects may not exceed $20 million.

The Consolidated Appropriations Act, 2014, appropriated $30 million for CERP, increasing total cumulative funding to nearly $3.67 billion. Of this amount, DOD reported that nearly $2.28 billion had been obligated, of which nearly $2.26 billion had been disbursed as of September 30, 2014. Figure 3.11 shows CERP appropriations by fiscal year, and Figure 3.12 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

![CERP Funds Terminology Chart](image)

**CERP FUNDS TERMINOLOGY**

- **Appropriations:** Total monies available for commitments
- **Obligations:** Commitments to pay monies
- **Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/14/2010.

![CERP Appropriations by Fiscal Year Chart](image)

![CERP Funds, Cumulative Comparison Chart](image)

**FIGURE 3.11**

**CERP APPROPRIATIONS BY FISCAL YEAR**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
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</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
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<tr>
<td>2012</td>
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</tbody>
</table>

**FIGURE 3.12**

**CERP FUNDS, CUMULATIVE COMPARISON**

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$3.67</td>
<td>$2.28</td>
<td>$2.26</td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Data may include inter-agency transfers.

AFGHANISTAN INFRASTRUCTURE FUND

The Afghanistan Infrastructure Fund (AIF) was established in FY 2011 to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. The AROC must approve all AIF-funded projects and project-execution plans, and the Secretaries of State and Defense must notify Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.106

The Consolidated Appropriations Act, 2014, appropriated $199 million for the AIF. During the quarter, DOD transferred $179.5 million of FY 2013 AIF funds to the Economic Support Fund for USAID’s Northeast Power System transmission lines project, decreasing AIF’s cumulative appropriated amount to $1.04 billion from the $1.22 billion reported last quarter. To date, $280.5 million has been transferred to USAID to carry out AIF-funded projects.107 Figure 3.13 shows AIF appropriations by fiscal year. As of September 30, 2014, nearly $751.63 million of total AIF funding had been obligated, of which more than $296.91 million had been disbursed, as shown in Figure 3.14.108

FIGURE 3.13

AIF APPROPRIATIONS BY FISCAL YEAR

($ MILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,223.00</td>
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<tr>
<td>2012</td>
<td>$1,043.50</td>
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</tr>
<tr>
<td>2013</td>
<td>$751.63</td>
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<td></td>
</tr>
</tbody>
</table>


FIGURE 3.14

AIF FUNDS, CUMULATIVE COMPARISON

($ MILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Jun 30, 2014</td>
<td>$1,223.00</td>
<td>$701.55</td>
<td>$273.95</td>
</tr>
<tr>
<td>As of Sep 30, 2014</td>
<td>$1,043.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 4/13/2012.
TFBSO FUNDS TERMINOLOGY
DOD reported TFBSO funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments
Obligations: Commitments to pay monies
Disbursements: Monies that have been expended


TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS
In 2010, the Task Force for Business and Stability Operations (TFBSO) began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial-system development, agricultural diversification and revitalization, and energy development.109

Through September 30, 2014, the TFBSO has been appropriated more than $122.24 million for FY 2014, increasing cumulative appropriations for the task force to nearly $814.83 million.110 Of this amount, more than $767.78 million had been obligated and more than $595.12 million had been disbursed.111 Figure 3.15 displays the amounts appropriated for TFBSO projects by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.

Note: Numbers have been rounded. Of the $814.83 million appropriated for the TFBSO, $358.03 million was from the Army’s Operations and Maintenance account to pay for the sustainment of U.S. assets, civilian employees, travel, security, and other operational costs.

**DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES**

DOD’s Drug Interdiction and Counter-Drug Activities fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counternarcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.

As of September 30, 2014, DOD CN has been appropriated $2.70 billion since 2004. Of this amount, nearly $2.62 billion had been transferred to the military services and defense agencies for DOD CN projects. DOD reported an overall funding reduction of $225.58 million for the DOD CN fund from $2.93 billion reported last quarter to $2.70 billion due in part to the threat of sanctions against parts suppliers for the Russian Mi-17 helicopters used by the Afghan Air Force Special Mission Wing as well as reductions in the overall scope of Afghanistan counternarcotics operational support from prior years.

Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.

---

**DOD CN FUNDS TERMINOLOGY**

DOD reported DOD CN funds as appropriated, obligated, or disbursed.

- **Appropriations**: Total monies available for commitments
- **Obligations**: Commitments to pay monies
- **Disbursements**: Monies that have been expended

**ECONOMIC SUPPORT FUND**

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.115

The ESF was appropriated $852 million for FY 2014. During the quarter, DOD transferred $179.5 million of FY 2013 AIF funds to the ESF for USAID’s Northeast Power System transmission lines project, increasing cumulative funding for the ESF to more than $17.72 billion. Of this amount, more than $16.43 billion had been obligated, of which nearly $12.25 billion had been disbursed.116 Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of September 30, 2014, increased by nearly $1.74 billion from the amount reported last quarter. Cumulative disbursements as of September 30, 2014, increased by nearly $157.31 million over cumulative disbursements as of June 30, 2014.117 Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

**ESF FUNDS TERMINOLOGY**

- **Appropriations**: Total monies available for commitments
- **Obligations**: Commitments to pay monies
- **Disbursements**: Monies that have been expended


---

**FIGURE 3.19**

**ESF APPROPRIATIONS BY FISCAL YEAR**

($ BILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
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<tr>
<td>2002</td>
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<td>2004</td>
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<tr>
<td>2013</td>
<td>$15.25 billion</td>
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<tr>
<td>2014</td>
<td>$15.75 billion</td>
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</table>

**FIGURE 3.20**

**ESF FUNDS, CUMULATIVE COMPARISON**

($ BILLIONS)

<table>
<thead>
<tr>
<th>Date</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Jun 30, 2014</td>
<td>$17.53</td>
<td>$14.69</td>
<td>$12.09</td>
</tr>
<tr>
<td>As of Sep 30, 2014</td>
<td>$17.72</td>
<td>$16.43</td>
<td>$12.25</td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. FY 2011 figure includes $101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund (AIF). FY 2013 figure includes $179.5 million that was transferred to the ESF from the AIF.

Source: USAID, responses to SIGAR data call, 10/9/2014 and 7/10/2014; State, responses to SIGAR data call, 4/15/2014.
INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counternarcotics, and rule of law and justice.118

State reported that INCLE was appropriated $225 million for FY 2014, bringing cumulative funding for INCLE to more than $4.44 billion. Of this amount, more than $4.16 billion had been obligated, of which, more than $3.15 billion had been disbursed.119 Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of September 30, 2014, increased by more than $600.55 million compared to cumulative obligations as of June 30, 2014. Cumulative disbursements as of September 30, 2014, increased by nearly $150.55 million over cumulative disbursements as of June 30, 2014.120 Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.

INL FUNDS TERMINOLOGY

INL reported INCLE and other INL funds as appropriated, obligated, or disbursed

- **Appropriations**: Total monies available for commitments
- **Obligations**: Commitments to pay monies
- **Disbursements**: Monies that have been expended

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).121

Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to September 22, 2014, the World Bank reported that 33 donors had pledged nearly $7.92 billion, of which more than $7.26 billion had been paid in.122 According to the World Bank, donors had pledged more than $1.01 billion to the ARTF for Afghan fiscal year 1393, which runs from December 21, 2013 to December 20, 2014.123 Figure 3.23 shows the 11 largest donors to the ARTF for FY 1393.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1393 BY DONOR, AS OF SEPTEMBER 22, 2014 ($ MILLIONS)

Note: Numbers have been rounded. FY 1393 = 12/21/2013–12/20/2014.
As of September 22, 2014, the United States had pledged more than $2.39 billion and paid in nearly $2.04 billion since 2002. The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 45% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window. As of September 22, 2014, according to the World Bank, nearly $3.14 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants. The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.

The Investment Window supports the costs of development programs. As of September 22, 2014, according to the World Bank, more than $3.64 billion had been committed for projects funded through the Investment Window, of which nearly $2.70 billion had been disbursed. The World Bank reported 22 active projects with a combined commitment value of more than $2.33 billion, of which more than $1.39 billion had been disbursed.

**Contributions to the Law and Order Trust Fund for Afghanistan**

The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior. Since 2002, donors have pledged nearly $3.83 billion to the LOTFA, of which nearly $3.63 billion had been paid in, according to the most recent data available. The LOTFA’s sixth support phase started on January 1, 2011. Phase VI was initially planned to end on March 31, 2013, but after two extensions, the planned end date is currently December 31, 2014. In the 42 months since Phase VI began, the UNDP had transferred nearly $1.76 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional $47.10 million for capacity development and other LOTFA initiatives. As of June 30, 2014, donors had committed nearly $2.30 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly $967.10 million, and Japan had committed more than $744.76 million. Their combined commitments make up nearly 75% of LOTFA Phase VI commitments. The United States had committed more than $1.52 billion and paid in nearly $1.45 billion to the ARTF since the fund’s inception. Figure 3.25 shows the four largest donors to the LOTFA since 2002, based on the latest data available.
SECURITY CONTENTS

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Afghan National Army 98
Afghan National Police 106
ANSF Medical/Health Care 109
Removing Unexploded Ordnance 110
Counternarcotics 112
As of September 30, 2014, the U.S. Congress had appropriated more than $61.5 billion to support the Afghan National Security Forces (ANSF). Most of these funds ($57.3 billion) were channeled through the Afghanistan Security Forces Fund (ASFF) and obligated by either the Combined Security Transition Command-Afghanistan (CSTC-A) or the Defense Security Cooperation Agency. Congress established the ASFF to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the $57.3 billion appropriated for the ASFF, approximately $51.8 billion had been obligated and $48.9 billion disbursed as of September 30, 2014.134 This section gives an overview of U.S. funds used to build, equip, train, and sustain the ANSF; and provides an update on efforts to combat the cultivation of and commerce in illicit narcotics in Afghanistan. This section also discusses the challenges of transitioning to Afghan-led security by the end of this year.

KEY ISSUES AND EVENTS THIS QUARTER
Key issues and events this quarter include the signing of the U.S.-Afghan Bilateral Security Agreement (BSA), the change of command of the International Security Assistance Force (ISAF), the international community’s renewed commitment to Afghanistan’s future at the NATO summit in Wales, the transition of ISAF to its new support mission, the transition of convoy and facility security responsibilities from the Afghan Public Protection Force (APPF), and ongoing concerns about ANSF attrition levels. In addition, the United Nations (UN) reported a continuing trend of increased violence in Afghanistan.

Bilateral Security Agreement Finally Signed
After prolonged uncertainty and negotiation, the United States and Afghanistan signed a bilateral security agreement that, among other things, defines the legal status of U.S. forces in Afghanistan after 2014. The BSA—or formally the Security Cooperation and Defense Agreement between the United States of America and the Islamic Republic of Afghanistan—was
signed on September 30, 2014, one day after the inauguration of new Afghan president Ashraf Ghani. President Ghani and newly appointed Chief Executive Officer Abdullah Abdullah were on hand to witness U.S. Ambassador James Cunningham and Afghan National Security Advisor Mohammad Hanif Atmar sign the agreement.\(^1\)

Although the BSA does not establish how many U.S. troops will remain in Afghanistan, it is a necessary condition for them to remain after 2014.\(^2\) President Obama announced in May that U.S. forces will be reduced to approximately 9,800 by the beginning of 2015.\(^3\) The BSA enumerates protections that will be afforded to Department of Defense (DOD) military and civilian personnel. As under the 2003 status of forces agreement, under the BSA contractors are not immune from prosecution under the Afghan legal system, but U.S. soldiers are.\(^4\) Among the many issues covered in the BSA, the agreement also:\(^5\)

- reaffirms the United States’ obligation to develop, equip, and seek funding to support the ANSF
- establishes agreement to develop measures for analyzing Afghanistan’s use of defense and security resources
- requires semiannual assessments of actual performance of Afghanistan’s use of defense and security resources
- develops a process for making timely cooperative assessments of internal and external threats to Afghanistan
- directs that specific recommendations are made on enhancing information and intelligence sharing
- makes available facilities and areas, without fee, to U.S. forces and authorizes those forces to control entry into those facilities and areas
- authorizes U.S. forces to move freely by land, water, or air without being subject to fees
- provides for the United States to enter into contracts in Afghanistan and directs both countries to “work together to improve transparency, accountability, and effectiveness of contracting processes in Afghanistan with a view to preventing misuse and bad contracting practices.”

The new BSA arrives as most foreign troops are leaving and as the Taliban is increasingly attacking areas around the country in an effort to regain control. According to DOD, the continued U.S. military presence in Afghanistan after 2014 will encourage the international community to continue to provide financial assistance to reconstruction programs, allowing Afghanistan to maintain progress in the security, governance, and economic sectors.\(^6\)

Following the signing of the BSA, a Status of Forces Agreement was signed by the Afghan national-security advisor and NATO’s senior civilian representative to Afghanistan, Maurits R. Jochems.\(^7\) These agreements provide the legal framework for the United States, NATO, and its partner nations to continue their commitment to train, advise, and assist the ANSF.
NATO is expected to contribute 2,700 to 2,900 troops, bringing the total post-2014 international troop presence to 12,500 to 12,700 personnel. Those numbers will decline over the next year.\textsuperscript{142}

**ISAF Change of Command**
On August 26, 2014, U.S. Army General John F. Campbell assumed command of the International Security Assistance Force (ISAF) from U.S. Marine Corps General Joseph F. Dunford. Senior Afghan, NATO, and U.S. officials, including Chairman of the Joint Chiefs of Staff, Army General Martin E. Dempsey, attended the ceremony.\textsuperscript{143} General Campbell, who is on his third tour in Afghanistan, will serve as the last ISAF commander before the NATO transition to the Resolute Support Mission (RSM).\textsuperscript{144} The U.S. Senate confirmed General Dunford as the 36th commandant of the U.S. Marine Corps on July 23, 2014.\textsuperscript{145}

**Wales Summit Declaration**
On September 4, 2014, NATO allies and ISAF partners reaffirmed their intent to conduct a noncombat train, advise, and assist mission in Afghanistan beyond 2014 at a summit in Wales, United Kingdom.\textsuperscript{146} In a declaration, participating heads of state and government reaffirmed their commitment to the RSM, as well as their support for the financial sustainment of the ANSF, and for a long-term NATO-Afghanistan partnership.\textsuperscript{147} As the ISAF mission comes to a close at the end of this year, the ANSF will assume full responsibility for national security.\textsuperscript{148} The international community reaffirmed its 2012 Chicago Summit commitment to provide over $1 billion annually for ANSF sustainment through 2017.\textsuperscript{149} Participants also restated their aim that the Afghan government should assume full financial responsibility for their security forces no later than 2024.\textsuperscript{150}

**Resolute Support Mission**
NATO’s new RSM advisory mission will commence at the beginning of 2015. The RSM will advise the security ministries, ANA at the corps level, police at the zone level, and Afghan special-operations forces at the tactical level. This noncombat mission will initially include approximately 12,000 troops. Four NATO members have agreed to serve as “framework nations”: Turkey will lead in the Kabul capital area, Germany in the north, Italy in the west, and the United States in the south and east.\textsuperscript{151} ISAF has developed a security-forces assistance framework that emphasizes improving the capacity of the defense and interior ministries and their associated institutions to perform eight essential functions:\textsuperscript{152}

- Planning, Programming, Budgeting, and Execution
- Internal Controls to Assure Transparency, Accountability, and Oversight
- Rule of Law and Governance
- Force Generation

“Tomorrow is going to begin just like today with the men and women of ISAF focused on training, advising and assisting the Afghan Security Forces as they secure the Afghan people. Tomorrow will begin just like today, coalition and Afghan forces taking the fight to the common enemy.”

—General Joseph F. Dunford

• Force Sustainment
• Command and Control
• Intelligence
• Strategic Communications

As the RSM begins its work next year, SIGAR will follow its progress in supporting the Afghan government and its security forces.

**Transition of Afghan Public Protection Force Site Security Responsibilities Remain Unresolved**

The Afghan Public Protection Force (APPF), a state-owned enterprise under the authority of the Ministry of Interior (MOI), was established to provide contract-based facility and convoy-security services in Afghanistan following President Karzai’s 2010 decree prohibiting operation of private security companies. However, on February 17, 2014, the Council of Ministers, acting on then-President Karzai’s orders, directed the APPF to be dissolved and its guard functions transitioned to the ANP. The United States has provided more than $51 million to support the APPF, which provided security for many U.S.-funded programs and projects.

In response to a SIGAR request for information about why the APPF was dissolved, the NATO Training Mission-Afghanistan (NTM-A) explained that the Minister of Interior on June 10, 2014, told ISAF that the APPF “worked,” but President Karzai “was not happy with its existence.” It was not clear why President Karzai was dissatisfied with a program he created. According to NTM-A, four committees were tasked to develop a plan for transitioning APPF operations into the ANP. Although the committees reportedly completed their work, the Minister of Interior, under considerable pressure from President Karzai, was dissatisfied with the progress of the transition and ordered the APPF’s convoy-security operations to transfer to the ANP on May 22, 2014.

U.S. concerns about legal restrictions on using some U.S. reconstruction funding to pay for police services resulted, to some degree, in the MOI revising their plan. One of those concerns was that the United States could end up paying double for ANP security services: once under terms established by the UN Law and Order Trust Fund for Afghanistan (LOTFA), and again in direct convoy-security fees. Following conversations between the MOI, U.S. Forces-Afghanistan (USFOR-A), and USAID, the MOI restructured its security services into three parts:

- Convoy security will be provided by the Convoy Transportation Guard Brigade (CTGB). CTGB, under the MOI, will provide fee-for-service convoy-escort services, using uniformed civilian contract employees. According to NTM-A, CTGB was 70% manned at the end of July. According to ISAF's legal advisor, however, the final method by which convoy transportation guards are organized and paid is still in flux.
- The APPF will continue to provide security at fixed-site facilities.
The APPF-supported national business-operations center will continue to provide scheduling and invoicing for security services, collect funds, and reimburse the CTGB and APPF for guard salaries and operating expenses until an alternative is established. NTM-A reported that the Afghan National Security Council rejected MOI’s proposal to select a risk-management company to perform these functions.162

As of August 2014, the APPF provided security for two ISAF forward operating bases (FOBs): the New Kabul Compound (at a cost of $2.26 million) and Camp Morehead ($704,600). Private security companies secured an additional 36 FOBs, according to U.S. Central Command (CENTCOM).163

According to NTM-A, the official number of APPF personnel is in flux due to tashkil changes, elimination of civilian billets assumed by the MOI, and ANP assumption of functions. The most recent APPF unofficial personnel count is 16,981 authorized and 16,015 assigned.164

NTM-A said “Discussions indicate MOI is working to establish a process closely resembling APPF in order to mitigate concerns.”165 This again raises the question of why the APPF is being dissolved.

ANSF Attrition Remains a Concern

Attrition continues to be a major challenge for the ANSF. Between September 2013 and August 2014, more than 36,000 ANA personnel were dropped from ANA rolls.166 Moreover, the ANA continues to suffer serious combat losses. Between March 2012 and August 2014, more than 2,850 ANA personnel were killed in action (KIA) and 14,600 were wounded in action (WIA).167

For the ANP, attrition fell from 2.35% for the month of July to 1.68% in the month of August, the latest period for which SIGAR was provided data. Unlike the ANA, the ANP does not report on personnel present for duty, absent without leave, or killed or wounded in action. The ANP remains short of its goal to maintain less than 1.4% monthly attrition.168

UN Reports Afghan Violence Continuing to Rise

According to the UN Secretary-General, the conflict in Afghanistan continues to intensify. In his September 9 report to the UN Security Council, the Secretary-General said insurgent groups, international terrorists, and associated networks took advantage of the protracted electoral crisis and political uncertainty to mount major assaults around the country.169 As reflected in Table 3.6 on the following page, the number of security incidents continued to increase, with this period reflecting the second-highest level of violence, after 2011, since the fall of the Taliban.170

The majority of the security incidents once again occurred in the south, south-east, and east.171 The UN recorded 211 assassinations and 30 failed assassination attempts, an increase of 7.1% for both over the same period.
in 2013. Armed clashes (47.3%) and improvised explosive device (IED) events (29.1%) accounted for 76.4% of all security incidents. The UN reported that some insurgents attempted not only to capture but also to hold territory through the use of “swarm attacks” consisting of several hundred attackers attempting to overwhelm district administrative centers and security checkpoints.

Afghan and American commanders say the ANSF is holding well near main cities, but are being tested as more remote districts come under heavy attacks. Afghan interior minister Mohammad Omar Daudzai

TABLE 3.6

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Number of Incidents</th>
<th>Number of Days</th>
<th>Average Number of Incidents per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1–May 31, 2014</td>
<td>5,864</td>
<td>92</td>
<td>63.7</td>
</tr>
<tr>
<td>June 1–August 15, 2014</td>
<td>5,456</td>
<td>76</td>
<td>71.8</td>
</tr>
<tr>
<td>Total</td>
<td>15,969</td>
<td>260</td>
<td>61.4</td>
</tr>
</tbody>
</table>


“In every job I had we got things done that I think made our Army better, and it was done by other people. All I did was try to pull people in the right direction and they went out and did great things.”

—Major General Harold J. Greene

In Tribute to Major General Harold Joseph ‘Harry’ Greene

Army Major General Harold J. Greene, Deputy Commanding General of CSTC-A, was honored by a memorial ceremony on August 13. MG Greene was killed by an Afghan soldier while visiting the Marshal Fahim National Defense University in Kabul on August 5. The two-star general was the highest-ranking U.S. military officer to be killed in a hostile action since the terrorist attack on the Pentagon on 9/11, and the highest-ranking officer killed in an active combat zone since the Vietnam War. U.S. Ambassador James Cunningham, Deputy Ambassador P. Michael McKinley, General Joseph F. Dunford, Afghan Defense Minister Bismillah Khan Mohammadi, Afghan General Shir Karimi, Afghan General Mohammad Ayub Salangi, and ISAF and SIGAR personnel attended the ceremony. On August 24, the Major General Harold J. Greene Building at ISAF headquarters in Kabul was dedicated as a residential facility for the multinational coalition service members and civilians. The general was interred with full military honors at Arlington National Cemetery.
testified to the Afghan parliament that the past six months had been the deadliest of the 13-year-long conflict, with 1,368 ANP personnel killed and 2,370 wounded since the beginning of the current Afghan year. Police casualties have generally run at twice the level of Afghan Army casualties through much of the war.177

U.S. FORCES IN AFGHANISTAN

According to ISAF, 25,000 U.S. forces were serving in Afghanistan as of September 29, 2014, a decrease of 7,800 since June 1, 2014.178 Approximately 12,154 Coalition forces were serving as of September 3, 2014.179 On May 27, 2014, President Obama announced U.S. forces in Afghanistan will reduce to approximately 9,800 by January 2015 and will be reduced further throughout 2015.180 Since operations began in 2001, a total of 2,208 U.S. military personnel have died in Afghanistan—83% of whom were killed in action—and 19,890 were wounded as of October 1, 2014.181

DESPITE WEAKNESSES IN CONTRACTING IDENTIFIED TWO YEARS AGO, DOD’S ACCOUNTABILITY REMAINS A CONCERN

In January 2012, more than 100 representatives of U.S. Central Command (CENTCOM), USFOR-A, ISAF Joint Command, contracting organizations, and others, held a contracting shura or conference in Kabul.182 The conference identified weaknesses in contracting including the “failure to enforce existing standards, policies and procedures by all entities” involved in federal contracting in Afghanistan.183 DOD reported to Congress in June 2012 that the shura “identified and agreed to pursue 26 actions to improve contract oversight and management,” and stated that “Actions are well under way.”184 SIGAR has repeatedly asked about the follow-up steps for the shura, whose summary memo also noted “poor accountability” for enforcing standards, policies and procedures.185

As noted in the July 2014 Quarterly Report to the United States Congress, DOD has provided SIGAR with descriptions of steps taken to address the findings of the 2012 contracting conference. But it is unable to provide instances of people or entities being held accountable for failing to meet contracting standards.186 Moreover, an October 2014 SIGAR interview with a Pentagon official indicated that DOD was not aware of any tracking mechanisms or metrics in place to determine whether the 26 follow-up actions, if implemented, had achieved desired results.187 The official offered to seek additional information, and noted that DOD has faced several challenges to contracting in Afghanistan, among them short deployment times, rapid turnover, and the ongoing drawdown of personnel in country.

Coalition Forces Withdraw

Slovakia’s mission in Afghanistan came to an end with a ceremony at Kandahar Airfield on September 22, 2014. The Slovaks advised one of the ANA mobile strike force kandaks and provided base defense.

SIGAR recognizes the difficulties of contract management and oversight in combat zones and welcomes DOD’s initiative in launching follow-up actions, but finds its apparent shortfalls in tracking, results assessment, and accountability unfortunate and troubling. As DOD’s own current action plan notes, “Operational contract support (OCS) is a core defense capability and a critical component of total force readiness”; addressing shortfalls and transforming capability requires “an ‘owner’ for every task” and “continuous monitoring.” This is a sound judgment on an issue that is not confined to military doctrine. For example, a Massachusetts Institute of Technology presentation on “Project Management 101” lists “Track, Control, Report and Review” as a basic step in project management. In view of the costs and mission criticality of the continuing heavy reliance on contractors in Afghanistan and in DOD total-force planning, more energetic and thorough effort in tracking OCS-improvement results and monitoring accountability for noncompliance appears to be needed.

**ANSF STRENGTH**

This quarter, ANSF’s assigned force strength was 349,546, according to ISAF. This is 97% of the ANSF’s end-strength goal of 352,000 personnel. DOD’s goal to reach 352,000 ANSF by 2014 (187,000 ANA by December 2012, 157,000 ANP by February 2013, and 8,000 Air Force by December 2014) has mostly been met. The ANA is within 4%, the ANP is within 2.5%, and the Afghan Air Force (expected to reach its goal at the end of the year) is within 6% of their target end strength, as shown in Table 3.7.

**TABLE 3.7**

<table>
<thead>
<tr>
<th>ANSF Component</th>
<th>Current Target</th>
<th>Status as of 8/2014</th>
<th>Difference Between Current and Target End-Strength Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghan National Army</td>
<td>187,000 personnel by December 2012</td>
<td>181,439 (97%)</td>
<td>-5,561 (-4.1%)</td>
</tr>
<tr>
<td>Afghan National Police</td>
<td>157,000 personnel by February 2013</td>
<td>152,123 (97%)</td>
<td>-4,877 (-2.4%)</td>
</tr>
<tr>
<td>Afghan Air Force</td>
<td>8,000 personnel by December 2014</td>
<td>6,731 (84%)</td>
<td>-1,269 (-15.9%)</td>
</tr>
<tr>
<td><strong>ANSF Total</strong></td>
<td><strong>352,000</strong></td>
<td><strong>340,293 (97%)</strong></td>
<td><strong>-11,707 (-3.4%)</strong></td>
</tr>
<tr>
<td>ANA Civilians</td>
<td>8,004 personnel authorized</td>
<td>8,749 (109.3%)</td>
<td>745 (8.5%)</td>
</tr>
<tr>
<td>AAF Civilians</td>
<td>278 personnel authorized</td>
<td>227 (81.7%)</td>
<td>51 (22.5%)</td>
</tr>
<tr>
<td><strong>ANSF Total with Civilians</strong></td>
<td><strong>360,282</strong></td>
<td><strong>349,546 (97.0%)</strong></td>
<td><strong>10,736 (-3.1%)</strong></td>
</tr>
</tbody>
</table>

ANA Civilians’ Authorization Separated from ANA Strength

SIGAR has long been concerned about civilians being counted as part of ANA force strength. Over the years, CSTC-A has sometimes counted civilians in the ANA’s force strength and sometimes not counted them, as reflected in Table 3.8.

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilians Included in Force Strength?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Number of Civilians Included?</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>7,806</td>
<td>8,698</td>
<td>9,336</td>
<td>9,486</td>
<td>9,647</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: Reflects calendar-year quarters; NA = unknown.


In February 2012, a DOD Office of Inspector General (DOD OIG) report identified counting civilians as part of the ANA as a risk. In that report, the DOD OIG found that ANA finance officers had “coded” civilian personnel as military or armed forces personnel and included them for payment by CSTC-A, despite an agreement between NTM-A/CSTC-A and the Ministry of Defense (MOD) that only military personnel would be reimbursed. At that time, CSTC-A finance personnel were unaware that civilians had been included for military pay.192

According to the Center for Naval Analyses’ (CNA) independent assessment released earlier this year, “uniformed ANSF positions in the MOD and MOI should be civilianized. If civilians with the appropriate expertise cannot be recruited or trained for these positions—or if active-duty ANSF personnel cannot be transitioned to the civil service—then ANSF force structure will need to be increased to accommodate them.”193

This quarter, CSTC-A reported separate authorizations for ANA military and civilian positions:194

- Military: 195,000
- Civilian: 8,004
- Total: 203,004

This quarter, CSTC-A reported 8,976 civilians assigned to the ANA and Afghan Air Force—12% above the authorized level for civilian positions.195

Civilian position: a civilian that is included in the ANA authorized end strength count.
ANSF Assessment’s Classification Raises Concerns for Transparency and Oversight

The ANSF capability assessments prepared by the ISAF Joint Command (IJC) have recently been classified, leaving SIGAR without a critical tool to publicly report on development of the ANSF.\textsuperscript{196}

This is a significant change. SIGAR has routinely reported on assessments of the ANA and ANP as indicators of the effectiveness of U.S. and Coalition efforts to build, train, equip, and sustain the ANSF. These assessments provide both U.S. and Afghan stakeholders—including the American taxpayers who pay the costs of recruiting, training, feeding, housing, equipping, and supplying Afghan soldiers—with updates on the status of these forces as transition continues and Afghanistan assumes responsibility for its own security.

ISAF uses the Regional ANSF Status Report (RASR) to rate the ANSF.\textsuperscript{197} According to the IJC, the RASR provides a monthly operational-level update on readiness, long-term sustainability, and associated shortfalls of the ANA and ANP.\textsuperscript{198} From its inception until this quarter, the RASR executive summary, which provides a high-level overview of ANSF corps-level units across several operational effectiveness pillars, was unclassified. The remainder of the RASR, which assessed individual units in a more qualified and detailed way, was classified. From the RASR’s foreword: “The [then-unclassified] EXSUM presents a synthesized analysis of observations and identified shortfalls, highlighting main findings and most pressing issues that hamper ANSF long-term sustainability.”\textsuperscript{199}

SIGAR’s reporting has been taken from the executive summary at an aggregated corps level, not at an operational or tactical level that might be of use to Afghan insurgents’ attack planning. It is not clear what security purpose is served by denying the American public even high-level information. SIGAR will continue to press for explanations of the classification change and seek some modification of this serious obstacle to its oversight role in the security area of reconstruction. Until such time as parts of the ANSF assessment are again unclassified, SIGAR will report on developmental progress and/or shortfalls from other sources.

Afghan Training Advances

During September, two graduation ceremonies occurred to mark mobile strike force (MSF) training achievements. ANA soldiers completed three months of intense training before being commissioned into the 7th MSF. They were the last graduating class in this program; new training programs are being developed to better prepare Afghan forces to assume sole responsibility for combat missions at the end of this year. The new training will provide enhanced capabilities by integrating all specialty branches—armor, artillery, and infantry—for training, equipping, and deploying as combined-arms units.\textsuperscript{200}
Also in September, 51 Afghan soldiers constituted the first graduating class of Mine-Resistant Ambush Protected (MRAP) vehicle and MRAP Recovery Vehicle (MRV) operators. The course covered MRAP operation, preventive maintenance, and driving. Training also included operating MRVs, the large support vehicles capable of righting overturned MRAPs or transporting damaged vehicles back to a base for repair.201

By next summer, the ANA plans to have over 500 soldiers trained to operate the Afghan fleet of 200 MRAPs and 20 MRVs. The course will include training select Afghans how to teach the MRAP/MRV courses to future classes of Afghan soldiers.202

**ANSF to Begin Providing Literacy Training but Planning Lags**

Both the MOD and MOI agreed in April to full ownership of their respective literacy programs beginning January 1, 2015.203 The ANSF, with the advice and assistance of NTM-A, was to have finalized program and contracting plans by July 31, 2104, six months before the NTM-A contracts end.204 However no progress report has been received. The MOD and MOI are to develop:

- centralized institutional literacy training for new recruits at regional training centers
- an organic literacy-training capability via a train-the-trainer program

NTM-A will continue to assist with literacy training contracting support. However, MOD and MOI procurement advisors are to take the lead for the final transition in January 2015.206

The NTM-A literacy program was to provide basic literacy training (Dari/Pashto reading and writing) to the ANSF and to develop the organic capability to teach basic literacy training.207 The NTM-A has met its goal to have 100,000 ANSF personnel (both ANA and ANP) functionally literate by December 2014. Further, NTM-A is unable to confirm how many of those trained personnel are still in the ANSF due to lack of personnel-tracking capabilities within the ANSF.208 NTM-A estimated that “due to attrition less than 30% of the ANSF will be functionally literate [level 3 literacy] by the end of December 2014.”209

NTM-A reported the number of ANSF personnel who have completed each literacy program level as of August 1, 2014, which is shown in Table 3.9.

<table>
<thead>
<tr>
<th>ANSF LITERACY TRAINING, AS OF AUGUST 1, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Literacy Trained</strong></td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Level 1</td>
</tr>
<tr>
<td>Level 2</td>
</tr>
<tr>
<td>Level 3</td>
</tr>
</tbody>
</table>

Level 1 literacy is the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute, and use printed and written materials.”

From 2010 through 2013, the United States has funded literacy training contracts for the ANSF. Beginning in 2014, the NATO Trust Fund provided $24.6 million funding for the literacy contracts. The final task orders for those contracts will expire on December 31, 2014, at which time, the literacy program will transition to the Afghan government. It will be the Afghan government’s responsibility to establish their own contracts and request funds from NATO to pay for those contracts. According to USFOR-A, the NATO ANA Trust Fund has identified ANA literacy training funds for 2015.

A SIGAR audit of ANSF literacy training in January highlighted NTM-A’s inability to fully measure the effectiveness of the literacy program for lack of independent verification of testing or personnel tracking. NTM-A proposed an improved program plan, incorporating five years of lessons learned, for the MOD and MOI. NTM-A recommended that ANSF utilize the Ministry of Education (MOE) for personnel verification and tracking and capitalize on the MOE's organic “train the trainer” capability currently being developed.

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS ON HOLD UNTIL JANUARY

The assessment process for Afghan ministries is on hold until January. The DOD reported this quarter that the ministerial-development planning process for the MOD and MOI is undergoing a complete rewrite. The objective is to have the new process in place to perform ministerial assessments for the period October–December 2014.

The final assessments under the Capability Milestone (CM) rating system, as reported last quarter, reflected no rating improvements in developing MOD and MOI capacity to perform critical functions, as shown in Figure 3.26. To rate the operational capability of these ministries, NTM-A used this system to assess staff sections (such as the offices headed by assistant or deputy ministers) and cross-functional areas (such as general staff offices) using four primary and two secondary ratings:

• CM-1A: capable of autonomous operations
• CM-1B: capable of executing functions with Coalition oversight
• CM-2A: capable of executing functions with minimal Coalition assistance
• CM-2B: can accomplish its mission but requires some Coalition assistance
CM-3: cannot accomplish its mission without significant Coalition assistance
CM-4: exists but cannot accomplish its mission

The last quarterly CM ratings were for 35 MOD staff sections and cross-functional areas, down from 37 in prior quarters. Six MOD offices attained the second-highest rating of CM-1B. Thirty-one staff sections at MOI were assessed. Three attained the highest rating of CM-1A: the Chief of Staff Public Affairs Office, the Deputy Minister for Security Office of the Afghan National Civil Order Police, and the Deputy Minister of Security for Force Readiness. In addition, 15 MOI staff sections had attained a CM-1B rating.

The United States has provided $1.2 million for the MOD and $1.5 million for the MOI for ministry development. ISAF has 191 personnel assigned to or supporting it for advising the MOD, and another 231 for advising the MOI.
AFGHAN LOCAL POLICE

The Afghan Local Police (ALP) is under MOI authority and functions under the supervision of the district Afghan Uniform Police (AUP). ALP members are selected by village elders or local power brokers to protect their communities against Taliban attack, guard facilities, and conduct local counterinsurgency missions.223 As of September 14, 2014, the ALP comprised 28,814 personnel, all but 4,298 of whom were fully trained, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A). The current goal is to have 30,000 personnel in 150 districts by the end of December 2014, assigned to 3,120 checkpoints across 29 provinces.224

As of September 29, 2014, $409.2 million of the ASFF had been obligated and expended to support the ALP.225 According to NSOCC-A, the ALP will cost $121 million per year to sustain once it reaches its target strength.226 To date the United States has provided the ALP with equipment such as rifles, machine guns, light trucks, motorcycles, and radios.227

According to NSOCC-A, between October 1, 2013, and September 30, 2014, the ALP had a retention rate of 93%. During that period, NSOCC-A reported a 1.6% attrition rate (losses not including casualties) while 6.4% of the force were killed or wounded in action.228

The Afghan government has not determined the final disposition of the ALP or its funding source. However, NSOCC-A noted that post-transition funding depends on when transition takes place.229 According to DOD, U.S. government policy on funding the ALP has not yet been determined.230 According to an independent assessment released last quarter, public perceptions of ALP’s value to community security are positive overall, although there is room for improvement.231 A second assessment, conducted by NSOCC-A based on data provided by Eureka Research and Evaluation focus-group surveys in ALP districts, is under way.232 This second assessment will in part evaluate if actions recommended in the first assessment were implemented and had the desired effect. Those recommendations were:233

• support and supervision from the ANP
• transparent, locally-owned recruitment processes
• balanced tribal representation
• regular information exchanges between community leaders and ALP commanders

AFGHAN NATIONAL ARMY

As of September 30, 2014, the United States had obligated $34.4 billion and disbursed $32.4 billion of ASFF funds to build, train, equip, and sustain the ANA.234
ANA Strength

As of August 20, 2014, the overall end strength of the ANA was 195,257 personnel (187,427 Army and 7,830 Air Force), according to ISAF. However, as noted previously, this quarter ISAF reported separate authorizations for ANA military and civilian positions:

- Military: 195,000
- Civilian: 8,004
- Total: 203,004

The above end strength includes a total of 8,976 civilians (8,749 ANA and 227 Air Force civilians). Overall, the total assigned is 96.5% of the combined end-strength goal. However, the ANA civilian count exceeds its authorization target by 9%; refer to Table 3.10 for details. All components except for the special-operations forces (SOF) had a modest authorization increase. Most components, however, experienced a decrease in the number of assigned personnel, as shown in Table 3.10. Personnel absent without official leave (AWOL) increased from 5,746 last quarter to 8,610 this quarter, but were still significantly less than the 10,292 reported AWOL in the last quarter of 2013.

| TABLE 3.10 |

<table>
<thead>
<tr>
<th>ANA STRENGTH, QUARTERLY CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>ANA Component</td>
</tr>
<tr>
<td>201st Corps</td>
</tr>
<tr>
<td>203rd Corps</td>
</tr>
<tr>
<td>205th Corps</td>
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<tr>
<td>207th Corps</td>
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<tr>
<td>209th Corps</td>
</tr>
<tr>
<td>215th Corps</td>
</tr>
<tr>
<td>111th Capital Division</td>
</tr>
<tr>
<td>Special Operations Force</td>
</tr>
<tr>
<td>Echelons Above Corpsa</td>
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<tr>
<td>THSb</td>
</tr>
<tr>
<td>Civilians</td>
</tr>
<tr>
<td><strong>ANA Total</strong></td>
</tr>
<tr>
<td>Afghan Air Force (AAF)</td>
</tr>
<tr>
<td>AAF Civilians</td>
</tr>
<tr>
<td><strong>ANA + AAF Total</strong></td>
</tr>
</tbody>
</table>

Note: Quarters are calendar-year; Q2 2014 data as of 5/31/2014; Q3 2014 data as of 8/2014.

a Includes MOD, General Staff, and Intermediate Commands
b Trainee, Transient, Holdee, and Student; these are not included in counts of authorized personnel; Q2 Assigned Includes 4,701 cadets; Q3 Assigned includes 5,157 cadets

The decrease in SOF strength does not bode well, but simply increasing SOF numbers would not necessarily improve the ANSF’s ability to conduct special operations. The Center for Naval Analyses (CNA) said in a DOD-commissioned, independent assessment released earlier this year, “Afghanistan has a significant need for SOF, but the ANSF cannot support more SOF.” CNA also said “ANA SOF currently depends on the U.S. and ISAF for logistics, intelligence, and air mobility. Simply increasing the number of ANA SOF personnel without addressing these support requirements would not increase the overall capability of SOF to disrupt insurgent and terrorist networks.”

**ANA Attrition Challenges**

Attrition continues to be a major challenge for the ANA. Between September 2013 and August 2014, more than 36,000 ANA personnel were dropped from ANA rolls. The ANA continues to suffer serious losses from fighting. Between March 2012 and August 2014, more than 2,850 ANA personnel were killed in action (KIA) and 14,600 were wounded in action (WIA).

**ANA Sustainment**

As of September 30, 2014, the United States had obligated $13.4 billion and disbursed $12.4 billion of ASFF funds for ANA sustainment.

**ANA Salaries, Food, and Incentives**

As of September 30, 2014, CSTC-A reported that the United States had provided $2.5 billion through the ASFF to pay for ANA salaries, food, and incentives since FY 2008. CSTC-A also estimated the annual amount of funding required for ANA base salaries, bonuses, and incentives at $693.9 million. That estimate did not change from last quarter, but the allocation increased pay-related expenditures by $85.5 million and decreased incentives by the same value. However, CSTC-A noted that funding is provided on the basis of 100% of the ANA’s authorized strength. Since December 21, 2013, CSTC-A no longer provides funding for food.

**ANA Equipment, Transportation, and Ammunition**

After a challenging period which saw multiple corrections to the recorded cost of equipment procured for the ANA, CSTC-A reported an increase in the total cost from $5.5 billion to $5.8 billion. The trend in total ANA weapons, vehicles, and communication equipment costs is shown in Table 3.11. Additionally, CSTC-A reported the cost of ANA equipment remaining to be procured is $82.9 million, a slight decrease from last quarter.

As of September 30, 2014, the United States had obligated $11.5 billion and disbursed $11.4 billion of the ASFF for ANA equipment and transportation. Most of these funds were used to purchase vehicles, weapons and
related equipment, communications equipment, aircraft, and aviation-related equipment. More than 70% of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Table 3.12.

### TABLE 3.12

<table>
<thead>
<tr>
<th>Type of Equipment</th>
<th>Procured</th>
<th>Remaining to be Procured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weapons</td>
<td>$522,336,282</td>
<td>$13,803,951</td>
</tr>
<tr>
<td>Vehicles</td>
<td>4,638,861,237</td>
<td>38,124,578</td>
</tr>
<tr>
<td>Communications</td>
<td>688,157,101</td>
<td>31,010,799</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,849,354,620</strong></td>
<td><strong>$82,939,328</strong></td>
</tr>
</tbody>
</table>


The United States has also procured $1.6 billion in ammunition, $4.6 billion in aircraft for the ANA, and $9.6 billion worth of other equipment and supplies to sustain the ANA. However, SIGAR has some concern about how that $9.6 billion cost of other equipment and supplies was determined. According to CSTC-A, it was determined by subtracting the cost of weapons, vehicles, communications equipment, aircraft, and ammunition from overall equipment and sustainment costs—in other words, computed as a residual, rather than based on an inventory list or actual record keeping.

### ANA Infrastructure

As of September 30, 2014, the United States had obligated $6.2 billion and disbursed $5.3 billion of the ASFF for ANA infrastructure. At that time, the United States had completed 329 infrastructure projects (valued at $4.3 billion), with another 46 projects ongoing ($950 million) and nine planned ($97.8 million), according to CSTC-A.

The largest ongoing ANA infrastructure projects this quarter were brigade garrisons for the 3rd Brigade/205th Corps in Kandahar ($91 million) and the 2nd Brigade/215th Corps in Nimroz (at a cost of $78.7 million), and...
phase three of the MOD headquarters and garrisons ($58.6 million). In addition, five projects were awarded this quarter at a cost of $61.7 million, 16 projects were completed at a cost of $226.6 million, six contracts were descoped to a value of $182.1 million, including the brigade garrisons for the 2nd Brigade/201st Corps in Kunar (originally costing $115 million), and one contract worth $31.3 million was terminated. CSTC-A reported that 18 facilities were transferred to the ANSF since the end of July; an additional 13 facilities will be transferred by the end of January 2015.

According to CSTC-A, the projected operations-and-maintenance (O&M), sustainment, restoration, and minor-construction cost for ANA infrastructure for FY 2015 through FY 2019 is $168 million a year, for a total of $840 million. According to DOD, the MOD Construction and Property Management Department’s capacity to plan, design, contract, and execute new construction is limited to $20 million per year until greater capacity is demonstrated.

ANA and MOD Training and Operations
As of September 30, 2014, the United States had obligated and disbursed $3.2 billion of the ASFF for ANA and MOD operations and training. Aside from literacy training discussed previously in this section, the other training includes English-language, officer, and operational-specialty training such as artillery, infantry, logistics, and medical. SIGAR received incomplete responses to its questions on operations and training for this quarter.

Women in the ANA and Afghan Air Force
Women currently make up less than 1% of the ANA, despite the current recruitment and retention goal published in September 2013 for 10% of the force to be female. To achieve this goal, the ANA has waived a requirement that the recruitment of women be balanced among Afghanistan’s various ethnic groups. Additionally, assignment locations are being reviewed to pinpoint locations with accommodation for females, such as separate restrooms. The ANA Recruiting Command also airs local television commercials directed at women beginning 20 days before training classes.

ISAF said the Coalition believes that as more women serve in the ANSF, men will learn to accept and respect women in the workplace. The involvement of families and communities is critical to recruiting women. ISAF has requested funding for media advertisements and programming to educate the Afghan public about the need for women to join the army and police.

This quarter, the ANA reported to ISAF that 833 women serve in the ANA: 785 in the Army and 48 in the Air Force. Of those, 291 were officers, 324 were non-commissioned officers (NCOs), 140 were enlisted, 29 were in training, and 49 were cadets. In addition, the ANA reported to CSTC-A that there are 413 civilian women supporting the ANA. The ANAs
12-week Basic Warrior Training course includes a class on behavior and expectations of male soldiers who work with ANA women. The Afghan Independent Human Rights Commission conducts two-day seminars for the ANSF that include training in eliminating violence against women.261

The National Defense Authorization Act for FY 2014, Public Law 113-66, authorizes $25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and treatment of women in the ANSF.262

SIGAR received incomplete responses to its questions on women in the ANA and the Air Force this quarter.

Afghan Air Force and the Special Mission Wing

The United States has a considerable investment in the Afghan Air Force. Between FY 2010 and FY 2014, the United States provided more than $6.5 billion to support and develop the 6,922-person Afghan Air Force, including over $3 billion for equipment and aircraft. In addition, DOD requested more than $925 million, including $21.4 million for equipment and aircraft, in FY 2015 for the Afghan Air Force. However, the majority of the funding requested is for sustainment and training, as shown in Table 3.13.

SIGAR has questioned the Afghan Air Force’s ability to fully utilize the aircraft that the United States has provided at a considerable cost to the American taxpayer. For example, after DOD provided the Afghan Air Force with two C-130H medium transport aircraft, SIGAR questioned DOD plans to deliver two additional C-130Hs after an audit raised concerns about the Afghan Air Force’s ability to absorb the new aircraft. As a result, DOD this quarter concurred with SIGAR’s recommendation to defer the decision on delivering a fourth aircraft until a review of Afghan Air Force requirements is completed, for a potential savings of $40.5 million. A third aircraft will be delivered to mitigate the risk to Afghan air capabilities should one of the aircraft become unavailable.263

<table>
<thead>
<tr>
<th>Funding Category</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015 (request)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment and Aircraft</td>
<td>$461,877</td>
<td>$778,604</td>
<td>$1,805,343</td>
<td>$111,129</td>
<td>$2,300</td>
<td>$21,442</td>
</tr>
<tr>
<td>Training</td>
<td>62,438</td>
<td>187,396</td>
<td>130,555</td>
<td>141,077</td>
<td>164,187</td>
<td>123,416</td>
</tr>
<tr>
<td>Sustainment</td>
<td>143,784</td>
<td>537,650</td>
<td>571,639</td>
<td>469,230</td>
<td>520,802</td>
<td>780,370</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>92,200</td>
<td>179,600</td>
<td>113,700</td>
<td>53,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$760,299</strong></td>
<td><strong>$1,683,250</strong></td>
<td><strong>$2,621,237</strong></td>
<td><strong>$774,436</strong></td>
<td><strong>$687,289</strong></td>
<td><strong>$925,228</strong></td>
</tr>
</tbody>
</table>

According to CENTCOM and the NATO Air Command–Afghanistan, as of October 11, 2014, the Afghan Air Force inventory consisted of 101 aircraft:

- 56 Mi-17 transport helicopters (down from 58 after two combat losses; includes three on loan to the Special Mission Wing)
- 26 C-208 light transport planes
- Six C-182 fixed-wing training aircraft
- Five MD-530F rotary-wing helicopters
- Five Mi-35 attack helicopters
- Three C-130H medium transport aircraft

Twelve additional MD-530F helicopters equipped with air-to-ground attack capability are on contract, as is conversion of five existing MD-530F helicopters to air-to-ground attack capability, thereby providing the AAF with 17 attack helicopters.

Beginning in the fourth quarter 2015, the first of 20 A-29 Super Tucanos, a light attack aircraft for counterinsurgency, close air support, and aerial reconnaissance, will be deployed to Afghanistan following the training in the United States, beginning in February 2015, of pilots and the initial maintenance cadre. Four Super Tucanos will be delivered each year in 2015, 2016, and 2017; and eight in 2018. The planes are intended to replace aging Mi-35 aircraft.

The Afghan Air Force has 131 fully trained pilots. All pilots are officers who have attended the Air Academy or a similar officer training program and completed undergraduate pilot training.
perform casualty evacuation (CASEVAC) missions has steadily increased over the last three years:269

- 2012: 391 missions
- 2013: 1,540 missions (128/month; 394% increase)
- 2014: 1,295 missions YTD (162/month); assuming this trend continues through December, a total of 1,944 missions this year is expected (150% increase)

Despite this improving CASEVAC capability, the AAF still faces challenges such as increasing operational demand without commensurate gain in capability, lack of trained CASEVAC medics, and misuse of limited CASEVAC resources.270

The Special Mission Wing (SMW), while not part of the AAF, provides aerial intelligence, surveillance, and reconnaissance (ISR) capability to support counterterrorism and counternarcotics operations, and—aside from two Afghan Air Force crews—is the only ANSF unit to be night-vision goggle-qualified for air-assault and fixed-wing ISR capability.271 The SMW has 266 members, of which 76 are pilots.272 Of SMW missions flown during FY 2014, 26% have been counterterrorism related, and 74% counternarcotics related.273

MOI, MOD, and National Directorate of Security leaders signed the SMW air charter on May 14, 2014, outlining the creation of a new Joint Command and Control Coordination Center (JCCC) to facilitate priority SMW support. Both MOD and MOI special operations forces will have liaison officers to the JCCC. The AAF is to provide personnel, recruiting, and other administrative (non-operational) support to SMW. The SMW commander meets weekly with special operations unit leaders to discuss pending operations and synchronize requirements and priorities.274

With the AAF’s FY 2015 budget in excess of $900 million, aggressive cost cutting was needed to bring the budget in line with the estimated donor-nation funding of $450 million by FY 2017 as agreed to at the Chicago Summit in 2012.275 A joint Secretary of the Air Force-International Affairs and Department of Defense Acquisition, Technology and Logistics (AT&L) team was assembled to assist NATO Air Training Command–Afghanistan (NATC-A) in creating a construct and mechanism to reduce to overall cost and improve AAF self-sufficiency.276 After three weeks of research in a combat environment, the team proposed changes in four main areas:277

- Increase capacity for maintenance training.
- Decrease the number of Western contract logistics support (CLS) contractor personnel.
- Consolidate each individual CLS supply system into one AAF aviation supply depot.
- Reduce aviation maintenance redundancies.

SIGAR’s preliminary review of an audit of AAF capability to absorb additional equipment indicates DOD plans to provide two more C-130 aircraft that may not be needed or sustainable by the Afghans. SIGAR reported its concern to DOD, CENTCOM, ISAF, and NTC-A.
MD-530, and A-29 programs. They estimated that if all of the 65 requested changes were adopted, programmed FY 2014–FY 2019 cost savings would be $895 million. These efforts, combined with a potential reduction in medium airlift acquisition, and the accelerated consolidation of CLS support to the Kabul International Airport, met COMISAF’s directed $450 million budget cap in FY 2017. Encouraged by the team results, CSTC-A adopted the methodology to resolve issues with its ANA wheeled-vehicles program. SIGAR will report on those results next quarter.

**AFGHAN NATIONAL POLICE**

As of September 30, 2014, the United States had obligated $17 billion and disbursed $16.2 billion of ASFF funds to build, equip, train, and sustain the ANP.

**ANP Strength**

This quarter, the overall strength of the ANP totaled 153,317 personnel, including 113,515 Afghan Uniform Police (AUP), 21,643 Afghan Border Police (ABP), 14,881 Afghan National Civil Order Police (ANCOP), 2,492 students in training, and 786 “standby” personnel awaiting assignment. Of the 113,515 personnel in the AUP, 25,512 were MOI headquarters staff or institutional support staff. Overall, the ANP’s strength increased 1,194 since last quarter, as shown in Table 3.14.

**TABLE 3.14**

<table>
<thead>
<tr>
<th>ANP Component</th>
<th>Authorized Q2 2014</th>
<th>Authorized Q3 2014</th>
<th>Quarterly Change</th>
<th>Assigned Q2 2014</th>
<th>Assigned Q3 2014</th>
<th>Quarterly Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUP</td>
<td>122,644</td>
<td>120,003</td>
<td>(2,641)</td>
<td>113,385</td>
<td>113,515</td>
<td>130</td>
</tr>
<tr>
<td>ABP</td>
<td>23,573</td>
<td>22,955</td>
<td>(618)</td>
<td>21,667</td>
<td>21,643</td>
<td>(24)</td>
</tr>
<tr>
<td>ANCOP</td>
<td>13,106</td>
<td>15,223</td>
<td>2,117</td>
<td>12,731</td>
<td>14,881</td>
<td>2,150</td>
</tr>
<tr>
<td>NISTA</td>
<td>3,000</td>
<td>3,000</td>
<td>-</td>
<td>4,313</td>
<td>2,492</td>
<td>(1,821)</td>
</tr>
<tr>
<td>Standby</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27</td>
<td>786</td>
<td>759</td>
</tr>
<tr>
<td><strong>ANP Total</strong></td>
<td><strong>162,323</strong></td>
<td><strong>161,181</strong></td>
<td><strong>(1,142)</strong></td>
<td><strong>152,123</strong></td>
<td><strong>153,317</strong></td>
<td><strong>1,194</strong></td>
</tr>
</tbody>
</table>

Note: Quarters are calendar-year; Q2 2014 data as of 5/2014; Q3 2014 data as of 8/2014. AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; NISTA = Not In Service for Training.

a Includes MOI headquarters and institutional support and CNPA personnel.
b Includes 28,092 MOI headquarters staff.
c Includes 25,612 MOI headquarters staff.
d Personel that are pending assignment.

Source: CSTCA, responses to SIGAR data calls, 7/1/2014 and 10/6/2014.
According to CSTC-A, the MOI, unlike the ANA, does not report ANP personnel who are on leave, AWOL, sick, or on temporary assignment in its personnel reports. For this reason, the actual effective strength of the ANP is not known.\textsuperscript{284}

SIGAR received incomplete responses to its data-call questions on ANP strength this quarter.

**ANP Sustainment**

As of September 30, 2014, the United States had obligated $6.7 billion and disbursed $6.3 billion of ASFF funds for ANP sustainment.\textsuperscript{285} This includes $1.3 billion in U.S. contributions to the Law and Order Trust Fund for Afghanistan (LOTFA) to support the ANP.\textsuperscript{286}

**ANP Salaries**

From 2008 through September 30, 2014, the U.S. government had provided $1.32 billion, paid through the LOTFA, to pay ANP salaries, food, and incentives (extra pay for personnel engaged in combat or employed in specialty fields), CSTC-A reported.\textsuperscript{287} An additional $158.5 million has been provided since 2010 for the Afghan Local Police and subject-matter experts’ salaries and incentives, which are not funded from LOTFA.\textsuperscript{288}

According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require an estimated $483 million per year to fund salaries ($263 million) and incentives ($220 million). This is a decrease of $38.2 million from last quarter’s estimate, based on a foreign-exchange rate of 56 afghanis to one U.S. dollar. Beginning in fiscal year 1394 (December 21, 2014), food costs are no longer covered by CSTC-A.\textsuperscript{289}

**ANP Equipment, Transportation, and Ammunition**

As of September 30, 2014, the United States had obligated and disbursed $3.6 billion of ASFF funds for ANP equipment and transportation.\textsuperscript{290} Most of these funds were used to purchase weapons and related equipment, vehicles, and communications equipment.\textsuperscript{291} More than 83% of U.S. funding in this category was for vehicles and vehicle-related equipment, as shown in Table 3.15.

### Table 3.15

<table>
<thead>
<tr>
<th>Type of Equipment</th>
<th>Procured</th>
<th>Remaining to be Procured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weapons</td>
<td>$187,251,477</td>
<td>$4,093,066</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$2,046,810,026</td>
<td>$2,385,261</td>
</tr>
<tr>
<td>Communications</td>
<td>$211,062,672</td>
<td>$544,573</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,444,995,175</strong></td>
<td><strong>$7,022,900</strong></td>
</tr>
</tbody>
</table>

For two earlier quarters, CSTC-A reported no change in the total cost of the weapons and communications equipment procured for the ANP. This quarter, however, CSTC-A reported increases in the total cost of vehicles and ammunition procured for the ANP of $80.6 million and $167.6 million, respectively.292

The United States has also procured $534.3 million in ammunition for the ANP and $1.3 billion worth of other equipment and supplies to sustain the ANP. However, SIGAR has some concern about how that $1.3 billion cost of other equipment and supplies was determined. According to CSTC-A, it was determined by subtracting the cost of weapons, vehicles, communications equipment, and ammunition from overall equipment and sustainment costs, rather than being based on inventory lists or actual record keeping.293 In response to a vetting draft of this report, USFOR-A asserted that the $1.3 billion cost of other equipment is not calculated in this way, but instead was used to calculate the numbers that were provided to SIGAR. USFOR-A also said that “Headquarters ISAF has always made it a point to advise the MOI on ammunition forecasting and inventory procedures” and that “this is very much a priority in force train, advise, and assist efforts.”294 SIGAR will seek clarification for its next report and request that future reporting reflect actual accounting for equipment and supplies provided to the ANP.

Examples of some equipment purchased for the ANP include sophisticated items such as high-mobility, multi-purpose wheeled vehicles (HMMWV); MRAP vehicles; night-vision devices; global-positioning systems; explosive-ordnance disposal equipment; and biometrics; as well as ordinary items such as ambulances, spare parts, pistols, machine guns, radios, clothing, dental and medical equipment, and transportation services.295

ANP Infrastructure

As of September 30, 2014, the United States had obligated $3.2 billion and disbursed $2.9 billion of ASFF funds for ANP infrastructure.296 At that time, the United States had completed 685 infrastructure projects (valued at $3.2 billion), with another 45 projects ongoing ($327.6 million), and one planned ($7 million), according to CSTC-A.297

This quarter, three projects valued at $25.9 million were awarded, 16 projects valued at $48.3 million were completed, and one valued at $614 million was terminated.298 The largest ongoing ANP infrastructure projects were a building and utilities ($34.3 million) at MOI headquarters, an AUP provincial headquarters in Kandahar ($25 million), and the ANP command center and barracks at MOI headquarters ($24.1 million).299 CSTC-A reported that seven facilities were transferred to the ANSF since the end of July.300 According to CSTC-A, the projected annual operations and maintenance, sustainment, restoration, and minor-construction cost for ANP infrastructure for FY 2015 through FY 2019 is $147 million ($735 million over five years), with 2,184 skilled personnel required to maintain the facilities.301
CSTC-A noted that any estimated post-transition costs are based on current capacity levels and do not take into account any future policy decisions that could affect cost estimates.\textsuperscript{302}

\textbf{ANP Training and Operations}

As of September 30, 2014, the United States had obligated $3.5 billion and disbursed $3.4 billion of the ASFF for ANP and MOI operations and training.\textsuperscript{303} Since January 1, 2014, the NATO Trust Fund has paid the cost for all ANSF literacy training. Additionally, Japan has assumed the cost of most of the police-academy training in Turkey formerly funded by the United States. Aside from the literacy training discussed previously in this section, other training includes English-language and operational-specialty training, such as police intelligence, logistics, medical, and special-operations force.\textsuperscript{304}

\textbf{ANP Still Struggling to Meet Quotas for Women Police Personnel}

As in prior quarters, the number of women in the ANP is increasing, but the ANP is far from reaching its goal of 5,000 women by the end of 2014. Women still make up only 1\% of the force. This quarter, ANP personnel included 2,074 women, according to CSTC-A.\textsuperscript{305} This is an increase of 103 women since last quarter and an increase of 870 since August 22, 2011.\textsuperscript{306} However, the annual attrition rate for women in the ANP is high at 16\%.\textsuperscript{307} ISAF said the ANP is focused on finding secure workplaces with appropriate facilities for females and developing strategies to attract and retain qualified female recruits.\textsuperscript{308}

As noted previously, the National Defense Authorization Act for FY 2014, Public Law 113-66, provides $25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and treatment of women in the ANSF.\textsuperscript{309}

\textbf{ANSF MEDICAL/HEALTH CARE}

As of September 30, 2014, the United States had funded construction of 181 completed ANSF medical facilities valued at $184.5 million.\textsuperscript{310} The figure includes this quarter’s completion of four hospitals and facilities valued at $8.5 million. The sole construction project in progress is the national medical hospital barracks renovation including the construction of a barracks for women.\textsuperscript{311}

This quarter, ISAF reported the ANSF health-care system had 808 physicians; of these, 464 were assigned to the ANA and 344 were assigned to the ANP. This represents two quarters with a decreasing number of physicians: seven left last quarter and 151 this quarter. The ANA has a shortage of 140 physicians and the ANP a shortage of 168.\textsuperscript{312} The ANSF also has 2,826 nurses, physicians’ assistants, and other medical personnel; although 950
positions remain unfilled in part due to increased authorizations to staff new hospital.313

ISAF reports efforts to solidify the healthcare logistics operations for both the ANA and ANP. Advisors are developing a system to report on combat life-saving training in the field with the capability for corps commanders to identify where point-of-injury care is needed.314 Additionally advisors are in the final stages of an Afghan-led program that will allow for online access to free continuing education for physicians. Another initiative under way is a course in repairing equipment and facilities. Advisors are also assisting the ANP, in concert with the Ministry of Public Health (MOPH) and Ministry of Higher Education, to recruit healthcare-professional graduates.315

REMOVING UNEXPLODED ORDNANCE

Since FY 2002, the U.S. Department of State (State) has provided more than $283 million in funding for weapons destruction and demining assistance to Afghanistan, according to its Bureau of Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA).316 Through its Conventional Weapons Destruction program, State funds five Afghan nongovernmental organizations (NGOs), four international NGOs, and one U.S. government contractor. These funds enable clearance of areas contaminated by explosive remnants of war (ERW) and support removal and destruction of abandoned weapons that insurgents might use to construct improvised explosive devices (IEDs).317

The Mine Action Coordination Centre of Afghanistan (MACCA), which keeps a database of contaminated areas, estimates that 100 individuals suffer casualties monthly from detonations of unexploded ordnance (UXO). This is a significant decrease from 2002, when about 750 people suffered casualties from UXO monthly.318 The head of MACCA states that 4,400 areas in Parwan, Khowst, Logar, Nangahar, Herat, Jowzjan, Faryab, and other provinces still need to be cleared. Those areas would be cleared by 2023 according to the landmine-clearance plan.319 Figure 3.27 shows the contaminated and non-contaminated areas as of July 2014.

As of June 30, 2014, State-funded implementing partners have cleared more than 159 million square meters of land and removed or destroyed approximately 7.8 million land mines and other ERW such as UXO, abandoned ordnance, stockpiled munitions, and homemade explosives (see Table 3.16). There is a substantial decrease in the contaminated area as MACCA has revised its estimate and no longer includes contaminated firing ranges.320 PM/WRA defines a minefield as the area contaminated by land mines, whereas a contaminated area can include both land mines and other ERW.321

Comprehensive fourth-quarter FY 2014 reports are not yet available. Quarterly reports are generally available one month after the end of each
quarter; thus, the fourth-quarter FY 2014 (covering July 1, 2014, through September 30, 2014) will be published in SIGAR’s next quarterly report in January 2015.322
COUNTERNARCOTICS

As of September 30, 2014, the United States has provided $7.8 billion for counternarcotics efforts in Afghanistan since 2002. Congress appropriated most of these funds through the DOD Drug Interdiction and Counter–Drug Activities (DOD CN) Fund ($2.7 billion), the ASFF ($1.4 billion), the Economic Support Fund ($1.4 billion), and $2.1 billion of the State Department’s International Narcotics Control and Law Enforcement (INCLE) account. In addition to reconstruction funding, the Drug Enforcement Administration (DEA) receives funding through direct appropriations to operate in Afghanistan. (See Appendix B.)

Since 2009, the focus of U.S. drug-control policy has shifted from eradication to interdiction and a greater emphasis on agricultural-development assistance that aims to provide farmers with alternative livelihoods. The Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) laid out the following objectives for its programs in Afghanistan in its fiscal year 2013 Program and Budget Guide:

(1) disrupt and dismantle the narcotics/insurgent/corruption-nexus targets,
(2) increase support for the Afghan government’s demand-reduction and treatment programs,
(3) support subnational supply-reduction programs,
(4) improve counternarcotics strategic communications,
(5) combat corruption and expand access to justice,
(6) develop a corrections system in line with international standards, and
(7) develop the justice sector’s institutional capacity.

INL’s programs support the U.S. counternarcotics strategy for Afghanistan and the key priorities of Afghanistan’s National Drug Control Strategy, approved in October 2013. The Ministry of Counter Narcotics (MCN) coordinates the actions of other ministries and takes the lead in developing counternarcotics policy.

Drug-reduction activities occur under the Governor Led Eradication (GLE), the Good Performer’s Initiative (GPI), and Counternarcotics Public Information programs. Interdiction activities are carried out by the CNPA with DOD and ISAF elements providing training and support. The Combined Joint Interagency Task Force-Nexus (CJIATF-N) whose mission ended in September 2014, and the Interagency Operations Coordination Center (IOCC) also support interdiction efforts.

Counternarcotics Efforts Hindered by Troop Drawdown and Election Security Challenge

The drawdown of Coalition personnel has impacted interdiction results, particularly in southern regions of the country. The reduced troop presence limited the number of joint operations between Coalition or U.S. drug-enforcement personnel and Afghan forces. Similarly, poppy eradication decreased this year in part because Afghan security forces were diverted from that effort to assist with election security. Opium-cultivation...
results are not yet available, but according to UN data, final results will likely exceed last year’s all-time record. According to the United Nations, more land is being cultivated with poppy in 2014 than in 2013 in Helmand, Afghanistan’s chief opium-producing province. Moreover, eradication decreased by 63% in 2014 from the previous year, which the MCN attributed partly to the need for presidential-election security. According to some analysts, nearly every district where security has been handed over from ISAF to Afghan security forces has seen an increase in attacks. Those conditions impede both reconstruction and eradication efforts.

The Director of the Defense Intelligence Agency (DIA) noted in testimony before the Senate Armed Services Committee earlier this year that Afghan security forces had fought successfully against insurgents, but could not control contested areas long-term. He further noted that while the Taliban-led insurgency failed to gain control of Kandahar and Helmand in 2013, it increased attacks targeted at the ANSF with nationwide destructive effects comparable to those of the previous two years. Nangahar’s southern districts, for instance, experienced deteriorating security conditions during the months preceding December 2013, when winter crops were planted.

Rural areas of Nangahar were not under the government’s control, as illustrated by the rise in poppy cultivation across the province in early 2014. Specifically, in Upper Achin, the provincial police chief met with the elders in December 2013 to ask them to refrain from poppy cultivation—a request the farmers largely ignored. The government’s weakness in rural areas of Nangahar led to increased cultivation of poppy there.

The World Bank, in its latest report on the Afghan economic outlook, anticipates the political and security uncertainty to continue through the first half of 2015. Given these parameters, areas under poppy cultivation will probably expand next year.

**Governor Led Eradication Program**

INL funds Afghanistan’s Governor Led Eradication Program (GLE). The GLE eradicates poppies with tractors or manually, using sticks, blades, or hand uprooting. The MCN, in partnership with UNODC, is responsible for verifying poppy cultivation and eradication. During the quarter, the INL office in Kabul hosted a GLE Lessons Learned conference for Afghan provincial governors that focused on methods to improve eradication efforts. Additionally, INL is expecting delivery and distribution of 47 new tractors designated for provincial poppy eradication.

UNODC and the MCN published their final poppy-eradication verification report for this year. Compared to 2013, results decreased by 63%; 2,692 hectares were eradicated in 17 provinces versus 7,348 hectares eradicated in 18 provinces in 2013. The MCN attributes the decrease to the convergence of the eradication campaigns and presidential elections. Security presented a challenge as well in all provinces where eradication took place. The report
notes the poor quality of eradication this year, particularly in Badakhshan, where fields were eradicated by beating the plants with sticks due to the terrain. Manual eradication, which is the traditional practice, in some cases only resulted in partial eradication, as shown by a review of aerial imagery. Moreover, if eradication occurred at the “cabbage” stage, when plants are still young, there is a greater likelihood of regrowth of the poppy plant. Figure 3.28 compares eradication levels for 2013 and 2014 by province and illustrates the significant increase in manual eradication this year. Figure 3.29 provides the final eradication results by province.

Last quarter, INL told SIGAR the Afghan government’s eradication target for 2014 was 22,500 hectares. Based on the poppy-eradication verification final report, the Afghan government resoundingly missed that objective: only 2,692 hectares were eradicated this year, or 12% of the target level. The presidential election and ballot audit likely played a role by diverting official energies. INL also informed SIGAR that an interministerial GLE plan was not approved until late in the season, thereby limiting its effectiveness. INL noted that political will at the national and provincial level is necessary for the GLE program to be effective.

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**The growth stages of poppy are:**
1. emergence stage or growth of seedlings
2. cabbage stage, when poppy plants are easily recognizable and form rosette-type leaves and stalks
3. stem-elongation stage
4. flowering stage
5. capsule stage
6. lancing stage, when harvesters make cuts on the poppy capsule so opium latex will ooze out and dry. Harvesters scrape off the dry latex. Several lancing cycles occur in the traditional method.

---

**FIGURE 3.28**

**HECTARES OF POPPY CULTIVATED AND ERADICATED, 2008–2013 (THOUSANDS)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Hectares Under Cultivation</th>
<th>Hectares Eradicated</th>
<th>TBD</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
<td>157</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>123</td>
<td></td>
<td></td>
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<tr>
<td>2010</td>
<td>123</td>
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<tr>
<td>2011</td>
<td>131</td>
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<td></td>
</tr>
<tr>
<td>2012</td>
<td>154</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>209</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014*</td>
<td>7</td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

**Note:** A hectare is 10,000 square meters, or almost 2.5 acres. *2014 cultivation data has yet to be released by UNODC.

Good Performer’s Initiative

INL also supports the MCN’s efforts to achieve and sustain poppy-free provinces through the Good Performer’s Initiative (GPI). Under the current terms of the GPI program, a province is eligible for $1 million in GPI development projects for each year that it achieves poppy-free status, as verified by UNODC. INL told SIGAR that the GPI program incentivizes continued counternarcotics performance in the year ahead. It also shows provincial leadership and citizens that there are tangible benefits to countering poppy cultivation, and it reinforces the writ of the government in the province, district, and community.
The MCN in partnership with UNODC verifies poppy cultivation and eradication. According to UNODC’s *Afghanistan Opium Survey 2013* published last winter, 15 of the country’s 34 provinces were declared poppy free—two less than in 2012. According to INL, poppy cultivation increased overall in 2013 partly due to economic insecurity and high opium prices. INL told SIGAR that fluctuations in cultivation can and will occur as Afghan authorities take on increasing responsibilities. The goal is to encourage and facilitate sustainable overall poppy-cultivation reductions over the long term.\(^353\)

GPI II was announced on August 30, 2014, and expands the award categories for “good performers” to include public outreach and law enforcement beginning with the 2014–2015 poppy-cultivation season. GPI II development assistance will also be tailored to better meet the needs of rural communities by prioritizing alternative-livelihoods projects that support farmers as they transition away from poppy cultivation. GPI II also reduces the amount a province may receive for being poppy-free to $500,000.\(^354\)

As of August 31, 2014, there were 221 approved GPI projects with a total value of $108 million: 132 projects were completed, 83 projects are ongoing, and six projects are nearing completion. The 89 ongoing projects all relate to infrastructure or construction, and include alternative-livelihoods infrastructure projects such as irrigation structures and protection walls, which prevent erosion.\(^355\) Based on third-party audit recommendations, GPI changed its practice of using a flat conversion rate of one U.S. dollar to 50 afghanis (AFN), rather than using the actual conversion rate on the day of the project bid, per Da Afghanistan Bank’s official website. The total value of GPI projects in prior quarterly reports is therefore not directly comparable to the values in this report.\(^356\)

Under INL’s direction and through the “Strengthening Sub-National Governance” grant with the Aga Khan Foundation (AKF), the AKF facilitated workshops between community, district, and provincial level representatives and stakeholders of the GPI program between September and December 2013. The purpose of these workshops was to disseminate information about GPI and to solicit feedback on the program, including recommendations for improvement.\(^357\) The AKF November 2013 report submitted to INL found that GPI projects failed to address the needs of rural farmers for competitive, licit livelihood alternatives to poppy cultivation.\(^358\) Conducting the bidding and procurement process from Kabul led to project delays and increased costs, and provided no economic benefit to local communities.\(^359\) Moreover, the preponderance of infrastructure projects did not demonstrate to the local communities the benefits of reducing poppy cultivation.\(^360\)

Certain poppy-free regions were ignored, possibly leading to the perception that farmers needed to cultivate poppy in order to qualify for GPI funding and thereby negating the program’s aspirations. The district
governors of areas free of poppy cultivation recommended a review of the policy and procedures to include non-poppy-growing areas. INL informed SIGAR that GPI implementing instructions do not preclude non-poppy-growing areas from eligibility for GPI projects though workshop participants, and that the AKF recommended GPI projects directly benefit rural poppy-growing communities.

Based on the workshop feedback, AKF submitted three recommendations to INL in its report: (1) increase the number of district and community level institutions, women, and other stakeholders in poppy-growing communities consulted throughout the project identification and implementation process to ensure more contextually appropriate projects are prioritized; (2) decentralize project selection, procurement, and contractual bidding, making the process more localized to reduce award processing times and costs, and increasing indirect economic and employment benefits to rural poppy-growing communities; and (3) shift from infrastructure projects based around provincial capitals, to projects that directly benefit rural poppy-growing communities by offering competitive and sustainable sources of income to poppy cultivation.

According to INL, the MCN and INL incorporated two of the three recommendations into GPI II, to be launched with the 2014–2015 poppy cultivation season. The 2014 GPI Awards, which will be made following the publication of the UNODC Afghanistan Opium Survey 2014—currently scheduled for October 2014—will be the final awards for achievements under the old GPI program. The first awards under GPI II will be made in the fall of 2015.

INL told SIGAR that GPI II awards will continue to be issued at the provincial level. Provincial governors, who have the best knowledge of local conditions throughout their province, will continue to select which communities receive GPI projects. Project selection will be the result of consultations with the input of local community structures, such as agricultural cooperatives and community-development councils; district stakeholders, including district governors and district development assemblies; and the provincial government. Where feasible and relevant, local structures will be responsible for the ongoing maintenance of GPI II projects.

INL informed SIGAR that after much consideration, INL and the MCN decided not to implement the AKF’s third recommendation to decentralize the GPI procurement and contractual bidding processes. INL said the changes would weaken INL’s oversight of the program, and had the potential to increase project costs and decrease project quality by restricting bidding to local companies. Under the current GPI procurement process, projects are bid nationally, which does not preclude local contractors that meet the bidding requirements, such as previous experience and financial liquidity, from bidding. Bid openings are conducted in the provincial capitals, in the presence of bidders, the MCN, and provincial officials. Once the bids have been recorded, the bid documents are transported to Kabul.
As part of its oversight of the GPI program and under the requirements of the GPI On-Budget Memorandum of Understanding, INL participates in the bid evaluation and decision processes. Due to security restrictions, however, INL is unable to participate in procurement activities in the provinces. Conducting bid evaluation activities in Kabul provides the U.S. government with greater management control and oversight of the GPI program. INL and the MCN will consider future modifications to the procurement and bidding processes as lessons are learned under GPI II.364

Kandahar Food Zone
The Kandahar Food Zone (KFZ) program is a two-year project funded by USAID and designed to identify and address the drivers of poppy cultivation in targeted districts of the province through grants.365 As of early September 2014, no infrastructure or alternative-livelihood projects have been implemented, but over $5 million have been disbursed.366 The August 2014 monthly report lists USAID vetting approval as one of the challenges to project implementation. Security instability is frequently an impediment to the KFZ projects, causing delays or interruptions.

The USAID pillar of this $18.7 million USAID program has two components: (1) building MCN capacity and (2) providing alternative livelihoods (AL) and community infrastructure.367 Seven districts were chosen by USAID, the MCN, and the provincial governor to participate in the program. KFZ’s anticipated goals and results are to:368

- rehabilitate more than 150 km of irrigation canals in three target districts
- have more than 85,000 people benefit from infrastructure and alternative livelihood activities
- improve approximately 20,000 hectares with irrigation to provide farmers with alternative licit income
- reduce poppy cultivation in areas where KFZ improved the irrigation system369

According to USAID, the KFZ is using community-based planning to support alternatives to poppy cultivation. This approach involves communities in identifying root causes of poppy cultivation and addressing them through projects approved by community representatives or elders, Community Development Councils (CDCs), District Development Assemblies, district governors, the KFZ-Coordination Committee (KFZ-CC), and the provincial governor.370

USAID informed SIGAR that the two-year timeframe for the KFZ program is problematic since 2014 and 2015 are Afghan election years (the presidential election in 2014 and parliamentary elections in 2015). USAID noted that the Afghan government and provincial offices could be less willing to eradicate poppy during this period. Moreover, the agency says the causes of poppy cultivation are long-term problems that cannot be
addressed within a two-year period.\textsuperscript{371} According to USAID, the MCN wishes to apply the KFZ model to the 17 remaining provinces with poppy cultivation, including Uruzgan, Farah, Badakshan, and Nangarhar. The MCN is seeking support from other donors as USAID has no plans to fund the proposed food-zone expansion.\textsuperscript{372}

According to USAID, the KFZ program coordinates closely and intimately with the Regional Agriculture Development Program (RADP) interventions so as to maximize impact and avoid duplication.\textsuperscript{373} The USAID-funded Regional Agricultural Development Program-South (RADP-S) is a five-year program which aims at improving the productivity of wheat, high-value crops, and livestock in southern Afghanistan, including Helmand Province.\textsuperscript{374} USAID told SIGAR that KFZ and RADP-S in Zharai and Panjwayi districts are working together closely to avoid targeting the same areas for greenhouse projects. Additionally, RADP-S will continue working with those beneficiaries once the KFZ program comes to a close. USAID also informed SIGAR that KFZ and RADP-S coordinate interventions for the Afghanistan National Agriculture Sciences and Technology University (ANSTU), where KFZ intends to construct a demonstration greenhouse and RADP-S intends to build a demonstration farm for high-value orchard and vineyard crops.\textsuperscript{375}

**Drug Demand Reduction Activities**

INL supports 76 treatment programs. This quarter, INL provided support for clinical-staff training, treatment services, and outpatient and village-based demand-reduction programs, while continuing to implement a transition plan to transfer 13 of its 76 treatment programs to Afghan responsibility.\textsuperscript{376}

The transition plan includes building staff capacity and promoting continued cooperation between the MCN and MOPH. INL said it seeks to create uniformity among the treatment centers nationwide and to help incorporate existing Afghan treatment professionals into the Afghan government civil service. Under the plan, treatment programs will transition to the Afghan government as INL support to programs slowly decreases over the coming years.\textsuperscript{377}

According to the final September 2014 report of the Afghan National Development Strategy (ANDS), the MCN set a target to increase drug-prevention and treatment capacity for heroin and opium users by 30\% between 2012 and 2016.\textsuperscript{378} Considering the country’s insufficient number of treatment facilities, that goal may be overly ambitious. By contrast, the 2013 U.S. goal for lowering illicit drug consumption among 12-to-17-year-olds in the United States is only 15\% by 2015.\textsuperscript{379}

State also funded the Afghanistan National Urban Drug Use Study (ANUDUS) to glean reliable information on illicit drug use in order to develop approaches for demand reduction and prevention.\textsuperscript{380} Nearly 2,200 households were randomly selected, representing over 19,000 household
Opiate Consumption

According to UNODC, local consumption accounts for at most 5% of the Afghanistan’s opium production. Afghan opium is exported to Western and Central Europe through Iran and Turkey, through the so-called Balkan route. China and India also receive direct shipments by air or land. Heroin from Afghanistan is heavily used in Eastern Europe, where levels of opiate use are higher than the global average. Afghan opium is exported through the country’s northern neighbors for the Russian Federation market. The Canadian government also estimates that 90% of its heroin originates in Afghanistan.

Nevertheless, little heroin in the United States originates in Afghanistan. Although a recently released U.S. government report noted a significant rise of U.S. heroin overdose deaths, DEA reports that the availability of heroin from Afghanistan has not increased and is not increasing in the United States based on all its indicator programs and investigative reporting. New England, in particular, has seen a surge of heroin used, but DEA told SIGAR there is no indication that heroin from Afghanistan is crossing the border from Canada into New England. DEA’s indicator programs and investigative reporting identify that most of the heroin available in New England originates from South America.


The Paris Pact: the partnership of several countries and international organizations to combat illicit opium traffic from Afghanistan. It originated from a meeting of various ministers held in Paris in 2003 on central Asian drug routes. It aims at reducing opium poppy cultivation, production and global consumption of heroin and other opiates, and at the establishment of a broad international coalition to combat illicit traffic in opiates.


members. Over 5,200 people were tested. The ANUDUS survey found that drug use was more than twice as high among Afghan men as the world average for adults. In all provinces, 10.7% of Afghan men tested positive for drug use, compared to 4.3% of women and 2.2% of children. UNODC estimates that 5.2% of adults worldwide have used illicit drugs, with 0.7% being the best global estimate for the opioid user and 0.35% for users of opiates. Opioids were the most prevalent drug in the biological samples, although prescription drugs (prescription pain pills, sedatives, and tranquilizer) were the most commonly reported in the past 30 days in the questionnaires.

Monitoring, Verification and Regional Cooperation

The Paris Pact Policy Consultative Group Meeting (PCGM) occurred at the end of September in Vienna; INL participated. The Paris Pact functions as a balanced and neutral forum to promote collaborative action in the region, emphasizing long-term donor assistance to Afghanistan and drawing attention to cross-border smuggling and illicit drug abuse in the region.

INL currently has two ongoing monitoring and evaluation programs to assess its counternarcotics work:

1. a cooperative agreement to develop an analytical framework to assess the effect of programs designed to encourage Afghan farmers to reduce opium cultivation
2. a contract to develop a simulation model of the Afghan drug industry that will enable INL to assess the impact of its CN programs in Helmand.

INL awarded the MCN Public Financial Management Risk Assessment contract on September 19, 2014, for $172,120. During the quarter, UNODC performed eradication verification in support of the Afghanistan Opium Survey, tentatively scheduled for release in October.394

Counter Narcotics Community Engagement
INL also funds the Counter Narcotics Community Engagement (CNCE) program, which assists the Afghan government in combating the production, trafficking, and use of narcotics in Afghanistan through periodic communication and outreach campaigns in targeted provinces. CNCE, implemented through Sayara Media Communications, targets farmers through national and local public-awareness and media campaigns in opium-poppy-growing areas.395 To date, INL has disbursed $5.3 million of the $8.2 million obligated under CNCE.

Sayara monitors the effectiveness of media campaigns through target-audience analysis reports, including a baseline report to identify provincial drivers of drug trafficking and cultivation, and public sentiment about narcotics. Sayara also conducts geographic information system mapping in partnership with a contractor and has 42 observers in all provinces. The provinces are ranked in tiers based on cultivation levels. The observers gather information on and gauge perceptions of the counternarcotics message campaigns. Sayara also conducts monthly media monitoring, assesses how counternarcotics media products fit into the current Afghan media landscape, and evaluates counternarcotics-related items in the media.

According to INL, the CNCE program began in 2013, so no correlation would exist between 2013 cultivation data and program activities. Cultivation estimates are not yet available for the current calendar year.396 The CNCE program will conclude in May 2015 and after that, the MCN, currently undergoing capacity-building training, will take over responsibility for CN media and public information campaigns.397

Aga Khan Foundation Grant
INL funded $6 million of the project called Strengthening Sub-National Governance in Afghanistan, implemented by the Aga Khan Foundation (AKF), which ended May 28, 2014.398 The AKF is a non-profit, international development agency that focuses on health, education, civil society and other development projects.399 INL provided assistance to local governance institutions to shift six provinces in central and northern Afghanistan away from growing poppies and toward licit livelihoods.400
In July 2014, INL awarded a new $12 million grant to AKF for the Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) project. The grant will enable AKF to work in 16 provinces across Afghanistan to improve alternative livelihoods for vulnerable populations. SAGAL has five main objectives to help address the key drivers of poppy cultivation:

- improve agricultural yields of high-potential licit crop systems
- increase economic return for licit crop systems
- improve farmers’ access to financing
- reduce vulnerability of at-risk populations to engage in the illicit economy
- improve sub-national governance systems

According to INL, the SAGAL project builds upon the work of USAID projects wherever possible and expands U.S. government-funded alternative-livelihood projects to new areas. INL and its implementing partners consult with USAID to avoid pitfalls such as duplicative work with the same beneficiaries or offering competing activities, and to develop complementary activities wherever possible.

Ministry of Counter Narcotics Capacity Building Program

The MCN and INL signed the MCN Capacity Building Program/Advisor Support memorandum of understanding on February 18, 2014. The program, which was renewed for 18 months, provides funding for 24 local and national advisors and helps build the MCN’s capacity. INL is developing benchmarks for methods and processes that will track and evaluate the program’s effectiveness. According to INL, this process not only helps stakeholders monitor the success of the advisor-support program, but also improves the MCN human resources department’s employee-evaluation practices.

This quarter, MCN with INL’s assistance, conducted a skills assessment of nearly 200 MCN staff. The results of that assessment will be used to design a series of courses, to be taught by a local university, with the goal of increasing staff members’ work-related skills and overall capacity. INL informed SIGAR it is expecting delivery and distribution of six four-wheel-drive vehicles for the MCN Kabul headquarters and 34 trucks for MCN provincial offices, which need reliable transportation. Also this quarter, three female students from the Asian University for Women began fellowships at MCN.

Interdiction Operations

DOD reported that from July 1, 2014, to September 19, 2014, Afghan security and law-enforcement forces conducted 40 drug-interdiction operations resulting in the detention of 64 individuals. Overall, 441 individuals have been detained this fiscal year (168 detainees during the first quarter, 119
detainees during the second quarter, and 90 during the third quarter). These operations included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. The U.S. military provided general logistics and intelligence support, while the DEA provided mentorship and support to specialized Afghan investigative units.405

INL provides operations-and-maintenance support to the CNPA Headquarters and the specially vetted units in Kabul. INL does not provide operations-and-maintenance support to the provincial CNPA.406 The U.S. Intelligence Community provided supplemental targeting and analytical support to coalition mentors. Afghan operations during this period also resulted in the seizures of the following narcotics contraband:

- 11,888 kg of opium
- 467 kg of heroin
- 4,850 kg of morphine
- 1,437 kg of hashish/marijuana
- 18,062 kg of precursor chemicals407

According to DOD, most interdiction activities occurred in southern and southwestern Afghanistan, where the majority of opiates are grown, processed, and smuggled out of the country. Almost all U.S. interdiction activities partnered with Afghan forces as ISAF continued its drawdown during this reporting period. Interagency elements, including the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC), continued to support combined Afghan and ISAF interdiction efforts. Both CJIATF-N and IOCC integrated data from military and law enforcement sources to enable operations against corrupt narco-insurgent elements. All operations were coordinated with and received support from U.S. and Coalition military commanders on the ground.408 The CJIATF-N mission ended in September 2014.409

**Interdiction Results**

Since 2008, a total of 2,818 Afghan and Coalition interdiction operations have resulted in 2,939 detentions and seizure of the following narcotics contraband:

- 747,977 kg of hashish
- 391,080 kg of opium
- 52,957 kg of morphine
- 29,207 kg of heroin
- 460,067 kg of precursor chemicals410

According to DOD, the drawdown of Coalition forces has had a negative impact on the CNPA and other Afghan counternarcotics agencies. The impact is most pronounced in Helmand and Kandahar, where the coalition troop surge and subsequent withdrawal was focused. Overall, counterdrug
operations decreased 17%, from 624 in fiscal year 2011 at the height of the ISAF surge, to 518 in fiscal year 2013. Heroin seizures decreased 77%, from 10,982 kg in fiscal year 2011 to 2,489 kg in fiscal year 2013. Opium seizures decreased 57%, from 98,327 kg in fiscal year 2011 to 41,350 kg in fiscal year 2013, according to the Consolidated Counterdrug Database (CCDB). DOD told SIGAR that the decrease of overall counterdrug missions was likely the result of reduced partnering of ISAF with Afghan forces conducting counterdrug operations.411 As shown in Figure 3.30, seizures have been declining since 2012.

Information entered into the CCDB comes from multiple sources including the ANSF. DOD told SIGAR it was unable to verify ANSF-reported unilateral interdictions conducted by Afghan military or law-enforcement units where Coalition mentors are not present. In those instances, the Defense Intelligence Agency (DIA), which maintains the database, seeks to corroborate the reported seizure from other sources to increase confidence in the information.412

DOD said they assess the majority of Afghan seizures to be the result of routine police operations near population centers or transportation corridors, such as at checkpoints or border crossings. Drug labs, storage sites, and major trafficking networks are concentrated in rural areas and
according to DOD, are increasingly denied to Afghan forces due to the ISAF drawdown and declining security in these areas. The notable exceptions are U.S.-and UK-supported vetted Afghan counterdrug units like the Intelligence and Investigative Unit (IIU), Sensitive Investigative Unit (SIU), Technical Investigative Unit (TIU), and National Interdiction Unit (NIU), which have shown increased ability to conduct counter-network drug investigations and operations. These units also have been negatively impacted by the Coalition drawdown, most significantly by losing access to ISAF-provided enablers. However, DOD said that over the past year, the units have successfully conducted complex counterdrug investigations and operations without coalition assistance.413

Aviation Support
During this reporting period, Department of State aircraft provided a total of 60.9 flight hours, conducted 51 sorties, moved 260 passengers, and transported 13,272 pounds of cargo in Afghanistan. DEA flight hours are unusually low this quarter because the program was restricted from conducting CN missions during the election recount.414 According to INL, State provided no flight hours supporting DEA intelligence, surveillance, and reconnaissance missions, no flight hours supporting DEA interdiction efforts, and 10.3 flight hours supporting Afghan NIU and DEA passenger movements and training flight hours. INL maintains an air wing at Kandahar Airfield with dedicated helicopters supporting DEA missions in southern Afghanistan.415

The Consolidated Counterdrug Database (CCDB) is a database that tracks drug interdictions and seizures in Afghanistan and is maintained by DIA.

Source: DOD, response to SIGAR data call, 9/30/2013.
## GOVERNANCE CONTENTS

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GOVERNANCE

As of September 30, 2014, the United States had provided nearly $30.6 billion to support governance and economic development in Afghanistan. Most of this funding, more than $17.7 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department and the United States Agency for International Development (USAID). The current ESF appropriation of $852 million is down from a high of $3.3 billion that was appropriated in 2010.

KEY EVENTS

On September 29, 2014, Ashraf Ghani was inaugurated president of Afghanistan following a highly contentious election process. President Ghani’s inauguration marked the first democratic transition of power in Afghanistan’s history.416

After the acting Supreme Court chief justice swore in Ashraf Ghani as president, the new president administered oaths of office to his first and second vice presidents, Abdul Rashid Dostum and Sarwar Danish. He also swore in his former presidential election rival, Abdullah Abdullah, to the newly created chief executive officer position, as well as Muhammad Khan and Muhammad Mohaqiq—Abdullah’s former vice presidential running mates—to serve as Abdullah’s deputies. President Ghani also swore in Ahmad Zia Massoud to serve in the newly created position of high representative for reform and governance.417

The messy aftermath of the Afghan presidential election dominated the quarter. After a June runoff election, presidential candidate Abdullah claimed victory in July and again in September, while the Independent Election Commission (IEC) released preliminary results showing Ghani to be the presumptive victor.418 The UN Secretary-General warned in September that the elections impasse created “grave destabilizing consequences for the political, security, economic and social environment of the country.”419 He attributed the disruption to more aggressive actions by the Taliban, other insurgent and terrorist groups, criminals, and local power brokers, and to popular disenchantment reflecting post-election political uncertainty and the international military drawdown.420
President Barack Obama and Secretary of State John Kerry made significant interventions encouraging the candidates to agree to an audit process and form a national unity government. Following the June 14 runoff election, President Obama called both candidates six times, Secretary Kerry called the candidates 30 times and twice visited the country, and U.S. Ambassador James Cunningham held 81 meetings with the candidates.421

ELECTIONS
Afghanistan held its first round of presidential elections and provincial council elections on April 5. None of the presidential candidates secured a majority of votes, triggering a legal requirement for a second, runoff election that was held on June 14. On July 7, the preliminary results for the second round were released, against the advice of the United Nations, while talks were ongoing between the candidates’ teams.422 The preliminary results showed Ghani with 56.4% and Abdullah with 43.6% of the vote.423 This was a reversal from the first round, in which Abdullah scored 45% of the validated votes and Ghani scored 31.6%.424

The results of the provincial council elections were due on June 7; however, these results were delayed due to the IEC’s focus on the presidential election.425 According to State, the delay in finalizing the provincial council election results has meant that “lame duck” members of the Meshrano Jirga (the upper house of parliament) continue to hold office. The Meshrano Jirga, however, has continued to do its work in the interim.426

After negotiations with Secretary Kerry, both Abdullah and Ghani stated in his presence on July 12 that they had agreed to a framework for a
national-unity government. The following day, however, the candidates’ campaigns offered differing interpretations: Abdullah’s spokesmen proposed a “shared government” with an executive prime minister who would be appointed by presidential decree; Ghani’s spokesmen said the losing candidate could participate in the new government “through legal ways,” but that details would be negotiated after the presidential winner was announced.

Following the agreement between the candidates to establish a government of national unity, protests broke out on August 17 in Kandahar City during which some protesters threatened to support the Taliban if a coalition government were “imposed.”

In a press conference on September 8, Abdullah announced that he was the victor in both the first and second rounds and that he would not “accept a government based on fraudulent votes.” The following day, the UN Secretary-General urged the two candidates to respect their previous commitments and form a national-unity government.

Following Abdullah’s announcement, on September 10, Ghani called for the release of the audit results and said that any political deal should not result in a “two-headed government.” The next day, September 11, the UN deputy secretary-general visited Afghanistan to meet with the candidates and urge a resolution. Following a meeting with the deputy secretary general, Abdullah’s camp said there were no communications between the rival campaigns.

The two campaigns continued to disagree on the national-unity government concept until September 21, when they signed a power-sharing deal at the presidential palace. This final agreement followed two visits by Secretary Kerry that resulted in previous agreements between the campaigns: the Technical and Political Framework issued on July 12 and the Joint Declaration issued on August 8. The Ghani and Abdullah camps committed to the following:

- convening a loya jirga (grand assembly) to amend the Afghan constitution and to consider the proposal to create the post of executive prime minister
- completing distribution of electronic/computerized identity cards to all citizens as quickly as possible
- creating, by presidential decree, the position of chief executive officer (CEO), supported by two deputies, with the functions of an executive prime minister
- proposing reforms in all government agencies and decisively combating official corruption
- acknowledging that the president, as the head of state and government, will lead the cabinet
- acknowledging that the CEO will be responsible for managing the cabinet’s implementation of government policies and will head a council of ministers distinct from the cabinet
ensuring parity between the president and the CEO in selecting personnel at the level of head of key security and economic institutions and independent directorates

establishing a special commission to reform the election system

Five hours after the signing of the national-unity government agreement, the IEC announced that Ashraf Ghani was the winner of the election. As a condition of the national-unity government deal, the IEC did not immediately announce the full elections results. On September 26, however, the IEC presented then President-Elect Ghani with a winner’s certificate stating that Ghani won 55.27% of the total votes (3.93 million out of 7.12 million votes). At the same event, the IEC chairman was quoted saying that “the IEC was not the only institution involved in fraud. Fraud was wide-ranging.” The Abdullah campaign issued a statement complaining that the results certificate was contrary to the agreement reached between the campaigns and that the certified results were not authentic.

Assuming the results listed on the IEC certificate given to Ghani are accurate, the audit reduced Ghani’s share of the vote by 1.17% and increased Abdullah’s by 1.21%.

Audits and Fraud Detection

On July 12, Secretary Kerry, along with candidates Abdullah and Ghani, announced terms of an agreement to overcome the runoff election impasse. One of the items agreed to was a comprehensive audit of all of the 8.1 million votes cast in the second round.

On September 14, the IEC announced that the audit was completed. According to the IEC chairman, 1,683 of 2,200 complaints lodged by Abdullah’s campaign were found legitimate and 242 of the 729 complaints lodged by Ghani’s campaign were found legitimate. Ultimately, 1,260 out of 23,000 polling stations were invalidated by the IEC.

The European Union Election Assessment Team (EU EAT) deployed one of the largest international-observer missions to support the runoff audit, with up to 410 observers. It labeled the audit process “unsatisfactory” and claimed the audit produced clear evidence of large-scale fraud, particularly ballot stuffing. EU EAT estimated that between two and three million runoff votes were fraudulent.

A senior State Department official, in a background briefing, noted that while the runoff audit sought to meet best international standards, institutionalized fraud by the IEC prevented any audit from resolving all allegations of fraud. According to EU EAT, effective anti-fraud measures have been neglected for years in Afghanistan. EU EAT assessed that the negotiated audit procedures in the recent audit were inconsistently applied during a time of elevated political tensions. EU EAT did not specify which
organizations, international or domestic, they found deficient, but promised to issue a full report shortly.448

The National Democratic Institute (NDI) issued a statement on September 24 that “while electoral fraud as well as certain problems in the audit process make it impossible for any official results to precisely reflect the votes cast, evidence was not unveiled that would cause the outcome to be reversed.”449

This quarter, USAID declined to assess the conduct of the IEC and ECC during the 2014 elections and said it will be unable to do so until the process, including the provincial council elections, is concluded.450 According to State, Afghan preparations for the elections consistently exceeded expectations, with Afghan electoral institutions and security ministries working in cooperation to ready plans and deliver materials “in the hope for a credible, inclusive, and transparent election.” State also assessed the ECC to have handled complaints efficiently and in a timely manner.451

Initial Appointments
On October 1, President Ghani issued a decree designating existing ministers and directors as acting heads of their respective ministries and directorates until their replacements are appointed. Acting ministers and directors are not allowed to hire or dismiss government employees in the interim.452 A Ghani legal advisor told ToloNews that President Ghani intends to form the new cabinet within 45 days after the inauguration.453

At press time, the following appointments had been made in the new Ghani administration:
• Ahmad Zia Massoud was appointed as the special representative to the president in the national-unity government for reform and governance affairs.454
• Former Finance Minister Hazrat Omar Zakhilwal was appointed national-economy advisor and acting minister of finance.
• Former Minister of Interior Mohammad Hanif Atmar was appointed national-security advisor.455
• Salam Rahimi was appointed head of office of the administrative affairs and council of ministers secretariat.
• Hekmat Karzai was appointed deputy minister of foreign affairs.
• Ahmad Ali Mohammadi was appointed legal advisor to the president.456

U.S. Support for the Elections
The U.S. government funded programs providing technical support, outreach, and deployment of domestic and international observers intended to help the Afghan government hold “credible, inclusive, and transparent elections.”457

USAID expects to contribute $65.7 million to the United Nations Development Programme (UNDP) Enhancing Legal and Electoral Capacity
for Tomorrow-Phase II (ELECT II) to help the Afghan electoral management bodies by providing technical assistance to the IEC, the ECC, and the Media Commission. Additionally, UNDP ELECT II develops the capacity of the electoral management bodies to administer elections on its own for future election cycles. UNDP ELECT II is supported through a multilateral “basket fund” that includes funding from at least a dozen other donors. For instance, the United Kingdom, the European Union, Italy, Germany, France, Netherlands, Sweden, Denmark, Norway, and Japan contributed the remainder of the $129 million that ELECT II estimated was necessary to support the recent elections.458

ELECT II is currently undergoing a midterm review that will allow for an assessment of the fraud-mitigation measures used in the recent election.459 The review will examine the progress, risks, and challenges of Afghanistan’s election-management bodies including the IEC, ECC, and the Media Commission as well as the ELECT II program.460

USAID supported election-observation missions through awards to three organizations: NDI via the Supporting Political Entities and Civil Society (SPECS) program; Democracy International (DI); and the Organization for Security and Co-operation in Europe (OSCE).461 DI fielded 18 observers for the first and second rounds of the presidential election to 90 and 105 polling stations, respectively, for coverage of 0.005% of total polling stations.462 NDI also deployed 100 NDI Afghan staff to observe the runoff elections at 312 polling stations in 26 provinces.463

SPECS awarded subgrants to four Afghan civil-society organizations to deploy approximately 2,200 domestic elections observers.464 During the first round, USAID-supported domestic monitoring groups deployed observers to 2,999 polling stations with coverage of 15.4% of all polling stations. During the second round, these same groups deployed observers to 4,032 polling stations with coverage of 17.7% of all polling stations. Domestic observer groups, in collaboration with journalists, contributed 8,402 reports to an online incident-mapping activity. These groups reported an additional 369 reports during the second round.465

USAID further supported the elections through the Initiative to Promote Afghan Civil Society (IPACS II) and the Afghan Civic Engagement Program (ACEP) as well as the Peaceful Election Campaign (PEC). IPACS II and ACEP contributed to the elections through small-grant support to civil society and media partners for conducting civic-education activities, get-out-the-vote election awareness sessions, distributing election-related publications, and radio and television advertisements. IPACS II ended on March 31, 2014, and spent approximately $800,000 in support of the election, while ACEP spent approximately $1.4 million.466 PEC supported a “Vote for Peace” campaign using community-outreach events such as athletics and poetry, as well as a multimedia program using radio, television, and the Internet to increase voter turnout, reduce violence, and raise
awareness that future peace and stability in Afghanistan required a peaceful transfer of power.\textsuperscript{467}

A summary of USAID programs that supported the 2014 elections appears in Table 3.17.

The International Security Assistance Force (ISAF) and UN transported second-round ballot boxes from 33 provinces to Kabul. According to DOD, the IEC and Afghan National Security Forces (ANSF) had the capability and capacity to move the ballot boxes, but did not due to political concerns. ISAF and UNDP helicopters transported the ballots to regional hubs and from there to the IEC compound in Kabul via fixed-wing aircraft and road movements.\textsuperscript{468}

### U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

The World Bank reported this quarter that Afghanistan is headed for a fiscal crisis. Government cash balances are low and it is behind in operations and maintenance as well as discretionary development spending.\textsuperscript{469} The Ministry of Finance (MOF) reported that Afghanistan is suffering from acute budgetary shortfalls\textsuperscript{470} and the World Bank estimates a shortfall of $500 million in FY 1393 (December 21, 2013–December 20, 2014), threatening to affect payments of civil servant salaries, pensions, and operating and development spending. However, the Bank warns that the fiscal gap will be even larger if revised government-revenue targets are not reached and donor grants are not paid.\textsuperscript{472} For more information on the revenue challenges, please see pages 164–167 in this report.

In May, the Afghan Minister of Finance was quoted saying that donors have not released on-budget development funding to the Afghan

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**TABLE 3.17**

**USAID PROGRAMS INTENDED TO SUPPORT THE 2014 PRESIDENTIAL AND PROVINCIAL COUNCIL ELECTIONS**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 9/30/2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghan Civic Engagement Program (ACEP)*</td>
<td>12/4/2013</td>
<td>12/3/2018</td>
<td>$70,000,000</td>
<td>$8,804,817</td>
</tr>
<tr>
<td>Electoral Reform and Civic Advocacy (ERCA)</td>
<td>7/7/2009</td>
<td>12/31/2015</td>
<td>$38,702,682</td>
<td>$30,704,119</td>
</tr>
<tr>
<td>Supporting Political Entities and Civil Society (SPECs)</td>
<td>7/7/2013</td>
<td>7/6/2016</td>
<td>$18,000,000</td>
<td>$9,278,855</td>
</tr>
<tr>
<td>International Election Observation (NDD)</td>
<td>2/1/2014</td>
<td>12/31/2014</td>
<td>$6,017,700</td>
<td>$3,781,699</td>
</tr>
<tr>
<td>International Election Observation (DI)</td>
<td>2/1/2014</td>
<td>12/31/2014</td>
<td>$6,959,188</td>
<td>$5,652,697</td>
</tr>
<tr>
<td>Peaceful Elections Campaign**</td>
<td>9/10/2013</td>
<td>9/30/2015</td>
<td>$3,000,000</td>
<td>$1,362,237</td>
</tr>
</tbody>
</table>

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\textsuperscript{468} The International Security Assistance Force (ISAF) and UN transported second-round ballot boxes from 33 provinces to Kabul. According to DOD, the IEC and Afghan National Security Forces (ANSF) had the capability and capacity to move the ballot boxes, but did not due to political concerns. ISAF and UNDP helicopters transported the ballots to regional hubs and from there to the IEC compound in Kabul via fixed-wing aircraft and road movements.

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On-budget assistance encompasses donor funds that are aligned with Afghan government plans, included in Afghan government budget documents, and appropriated by the parliament and managed by the Afghan treasury system. On-budget assistance is primarily delivered either through direct bilateral agreements between the donor and Afghan government entities, or through multidonor trust funds.

Off-budget assistance encompasses donor funds that are excluded from the Afghan national budget and not managed through Afghan government systems.

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\textsuperscript{470} Source: USAID, responses to SIGAR data call, 9/29/2014 and 10/9/2014.

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Off-budget assistance encompasses donor funds that are excluded from the Afghan national budget and not managed through Afghan government systems.
government, creating “a major hole in [the Afghan government’s] development budget.” In August, a MOF spokesman warned that a host of development projects to build and maintain roads, schools, and clinics had been suspended for lack of funds. The MOF instituted control measures to reduce discretionary spending and operations and maintenance expenses.

According to USAID, most nonsecurity donor contributions to the Afghan government are to the development budget and intended to be spent on development-project activities. In practice, however, the provision of donor funding for a particular purpose can free Afghan government funds that would have otherwise been expended for that particular item. Donor funding can, in effect, provide the Afghan government with the budgetary latitude to prioritize and redistribute its own funding based on its most pressing needs, including covering recurrent costs such as salaries.

In August and September, the deputy minister of finance and the director general of the treasury publicly expressed concerns regarding Afghanistan’s fiscal solvency, forcing a delay in salary payments to civil servants in late September. According to USAID, the Afghan government is facing its greatest shortfall in discretionary spending, something that is generally not supported by on-budget assistance. Only the ARTF Recurrent Cost Window, including the Incentive Program, would relate directly to the current shortfall. State said U.S. officials are in discussions with the MOF about the scope and cause of the shortfall. USAID said the MOF has not yet formally requested support from the international community. According to Cunningham, “There isn’t going to be new money.”

Summary of On-Budget Agreements
To improve governance and align development efforts with Afghan priorities, international donors have committed to increase the proportion of development aid delivered on-budget through the Afghan government.

Four years ago, international donors at the 2010 Kabul Conference committed to increase the proportion of civilian development aid delivered on-budget through the Afghan government to at least 50% to improve governance and align development efforts. The donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference.

At the 2012 Chicago Conference, the international community committed to financially support the Afghan security forces through separate mechanisms for the army and police with an estimated annual budget of $4.1 billion. This quarter at the Wales Summit, NATO allies and partners renewed their commitment to contribute significantly to financial sustainment of the ANSF through the end of 2017 and to financially sustain the ANSF over the next 10 years. The international community has pledged
nearly €1 billion, approximately $1.29 billion,\(^{483}\) annually to sustain the ANSF for 2015 through the end of 2017. The United States has requested up to $4.1 billion in the 2015 budget, which would help sustain the ANSF surge end strength of 352,000 through 2015. The United States expects that Afghanistan will assume an increasing portion of ANSF sustainment costs, beginning with $500 million in 2015, as agreed to at the Chicago Summit.\(^{484}\)

As shown in Table 3.18, USAID expects to spend $971 million dollars on active direct bilateral assistance programs. It also expects to contribute $1.9 billion to the ARTF, on top of $1.37 billion disbursed under the previous

**TABLE 3.18**

<table>
<thead>
<tr>
<th>Project/Trust Fund Title</th>
<th>Afghan Government On-Budget Partner</th>
<th>Special Bank Account?</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 9/30/2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bilateral Government-to-Government Projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Transmission Expansion and Connectivity Project (PTEC)</td>
<td>Da Afghanistan Breshna Sherkat (DABS)</td>
<td>Yes</td>
<td>12/5/2012</td>
<td>12/31/2016</td>
<td>$342,000,000</td>
<td>$7,049,338</td>
</tr>
<tr>
<td>Partnership Contracts for Health Services (PCH) Program</td>
<td>Ministry of Public Health (MOPH)</td>
<td>Yes</td>
<td>7/20/2008</td>
<td>1/31/2015</td>
<td>236,455,840</td>
<td>182,975,290</td>
</tr>
<tr>
<td>Sheberghan Gas Development Project (SGDP)</td>
<td>Ministry of Mines and Petroleum (MOMP)</td>
<td>Yes</td>
<td>5/26/2012</td>
<td>4/30/2015</td>
<td>90,000,000</td>
<td>0</td>
</tr>
<tr>
<td>Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)</td>
<td>DABS</td>
<td>Yes</td>
<td>4/30/2013</td>
<td>12/31/2015</td>
<td>75,000,000</td>
<td>9,067,538</td>
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<tr>
<td>Agriculture Development Fund (ADF)</td>
<td>Ministry of Agriculture, Irrigation and Livestock (MAIL)</td>
<td>Yes</td>
<td>7/18/2010</td>
<td>12/31/2014</td>
<td>74,407,662</td>
<td>54,000,000</td>
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<tr>
<td>Basic Education and Literacy and Vocational Education and Training (BELT) - Community-Based Education</td>
<td>Ministry of Education (MOE)</td>
<td>Yes</td>
<td>10/29/2013</td>
<td>10/28/2017</td>
<td>56,000,000</td>
<td>0</td>
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<tr>
<td>Civilian Technical Assistance Program (CTAP)</td>
<td>Ministry of Finance (MOF)</td>
<td>Yes</td>
<td>9/30/2009</td>
<td>9/30/2014</td>
<td>36,256,560</td>
<td>28,810,610</td>
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<tr>
<td>Afghanistan Workforce Development Project (AWDP)</td>
<td>MOE</td>
<td>Yes</td>
<td>7/31/2013</td>
<td>04/03/2016</td>
<td>30,000,000</td>
<td>150,150</td>
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<tr>
<td>Basic Education and Literacy and Vocational Education and Training (BELT) - Textbooks Printing</td>
<td>MOE</td>
<td>Yes</td>
<td>11/16/2011</td>
<td>12/31/2014</td>
<td>26,996,813</td>
<td>23,016,555</td>
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<tr>
<td>E-Government Resource Center (EGRC)</td>
<td>Ministry of Communications and Information Technology (MOCIT)</td>
<td>Yes</td>
<td>8/28/2013</td>
<td>6/1/2016</td>
<td>3,900,000</td>
<td>0</td>
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<tr>
<td><strong>Multi-Donor Trust Funds</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Afghanistan Reconstruction Trust Fund (ARTF) (current award)*</td>
<td>Multiple</td>
<td>No</td>
<td>3/31/2012</td>
<td>3/31/2017</td>
<td>721,057,556</td>
<td>604,829,100</td>
</tr>
<tr>
<td>Afghanistan Infrastructure Trust Fund (AITF)</td>
<td>Multiple</td>
<td>No</td>
<td>3/7/2013</td>
<td>3/6/2018</td>
<td>417,600,000</td>
<td>105,000,000</td>
</tr>
</tbody>
</table>

Note:

**USAID had a previous award to the ARTF that concluded in March 2012 and totaled $1,371,991,195 in disbursements. Cumulative disbursements from the two ARTF awards is currently $4,976,820,295.**

Source: USAID, OPPD, response to SIGAR data call, 10/9/2014.
grant agreement between USAID and the World Bank. USAID also plans to contribute more than $417.6 million to the AITF.

DOD expects to spend approximately $2.09 billion through the LOTFA and disbursed approximately $1.16 billion as of June 30. DOD also expects to spend approximately $826.3 million this year on direct contributions to MOD with approximately $227.7 million in development disbursements and $587.1 million in operating disbursements.

**Civilian On-Budget Assistance**

USAID provides on-budget civilian assistance through (1) bilateral agreements with seven Afghan government entities and (2) through contributions to two multidonor trust funds, the Afghanistan Reconstruction Trust Fund (ARTF) and the Afghanistan Infrastructure Trust Fund (AITF). According to USAID, all bilateral-assistance funds are deposited in a separate bank account established by the MOF expressly for each program.

The ARTF, administered by the World Bank, provides funds to both the Afghan government’s operating and development budgets in support

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**TABLE 3.19**

<table>
<thead>
<tr>
<th>Preferred Projects</th>
<th>Agency</th>
<th>Afghan Government On-Budget Partner</th>
<th>Year of First Preference</th>
<th>Year of Latest Preference</th>
<th>Cumulative Amount Preferenced ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Solidarity Program</td>
<td>USAID</td>
<td>Ministry of Rural Rehabilitation and Development (MRRD)</td>
<td>Solar Year (SY) 1383 (3/20/2004-3/20/2005)</td>
<td>Fiscal Year (FY) 1391 (3/21/2012-12/21/2012)</td>
<td>$865,000,000</td>
</tr>
<tr>
<td>Education Quality Improvement</td>
<td>USAID</td>
<td>Ministry of Education (MOE)</td>
<td>SY 1387 (3/20/2008-3/20/2009)</td>
<td>FY 1392 (12/21/2012-12/21/2013)</td>
<td>92,000,000</td>
</tr>
<tr>
<td>Program (EQUIP II)</td>
<td>USAID</td>
<td>Ministry of Public Health (MOPH)</td>
<td>FY 1393 (12/22/2013-12/21/2014)</td>
<td>FY 1393 (12/22/2013-12/21/2014)</td>
<td>107,230,000</td>
</tr>
<tr>
<td>Strengthening Health Activities for the Rural Poor (SHARP)</td>
<td>USAID</td>
<td>Ministry of Public Health (MOPH)</td>
<td>FY 1393 (12/22/2013-12/21/2014)</td>
<td>FY 1393 (12/22/2013-12/21/2014)</td>
<td>107,230,000</td>
</tr>
<tr>
<td>National Emergency Employment Program (NEEP)</td>
<td>USAID</td>
<td>Ministry of Agriculture, Irrigation, and Livestock (MAIL)</td>
<td>FY 1392 (12/21/2013-12/21/2012)</td>
<td>FY 1392 (12/21/2012-12/21/2013)</td>
<td>15,000,000</td>
</tr>
<tr>
<td>On-Farm Water Management Project (OFWM)</td>
<td>USAID</td>
<td>Ministry of Public Works (MOPW)</td>
<td>FY 1392 (12/21/2013-12/21/2012)</td>
<td>FY 1392 (12/21/2012-12/21/2013)</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Public Financial Management Reform Project (PFMR II)</td>
<td>USAID</td>
<td>Ministry of Finance (MDF)</td>
<td>FY 1393 (12/22/2013-12/21/2014)</td>
<td>FY 1393 (12/22/2013-12/21/2014)</td>
<td>6,000,000</td>
</tr>
</tbody>
</table>

*This table includes programs for which the US government expressed a minimum of $5 million preference as well as the cumulative unpreferenced funds. According to the agreement with the ARTF Administrator (World Bank), donors can only express a preference on how their donations are used up to 50% of their total contribution. The remaining ARTF funds are unpreferenced and may be used at the World Bank’s discretion.

**These funds were transferred from the DOD Commander’s Emergency Response Fund (CERP) to the NSP Community Recovery Intensification and Prioritization (CRIP) as part of the Afghanistan Peace and Reintegration Program (APRP).**

of Afghan government operations, policy reforms, and national priority programs. The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan. According to USAID, the majority of on-budget funding has been and will continue to be directed through the multidonor trust funds, particularly the ARTF.

As shown in Table 3.19, the US government has “preferred” portions of its contributions to the ARTF to the following programs. According to the agreement with the ARTF Administrator (World Bank), donors cannot dictate how their donations are used. They can only express preferences, up to 50% of their total contribution. The remaining ARTF funds are unpreferred and may be used at the World Bank’s discretion.

In May 2012, the Norwegian Agency for Development Cooperation (NORAD) issued an evaluation of Norway’s donor assistance to Afghanistan. NORAD noted that multidonor trust funds reduce donor exposure to risk and may reflect donors’ desire to reduce their management and oversight burden. The review found that the World Bank-hired monitoring agent for nonsecurity Afghan government operating costs had, from March 2009 to issuance of the report, not conducted any site visits outside of Kabul due to security risks.

This quarter, SIGAR requested USAID to provide information on the ARTF monitoring agent for operating costs (recurrent-cost window). USAID said it does not know how frequently monitoring agents visit the provinces and has no findings from these visits. The agency added that while the World Bank may share monitoring-agent reports with donors at its discretion, it does not regularly provide them. USAID has previously reported that the monitoring agent at the time of the NORAD report has been replaced and that the new monitoring agent has staff stationed in the provinces.

According to USAID, the actual disbursement of funds through bilateral on-budget programs is slower than either side would like. USAID has attributed the low budget-execution rate to limited Afghan government capacity and the risk-mitigation measures USAID applies to on-budget assistance.

At the 2010 Kabul Conference, the Afghan government was directed to develop National Priority Programs (NPP) in response to limited donor resources and the weak implementation capacity of ministries. Each NPP contains key objectives, goals, and a medium-term implementation plan with results, outcomes, deliverables, and key activities. Unlike previous strategies where the international community took the lead role, NPPs are led by the Afghan government with donors, civil society, and private sector serving as partners for the whole process.

According to the USAID Assistance to Legislative Bodies of Afghanistan program (ALBA), there has been no fundamental change in the way the Afghan budget is aligned or implemented despite the introduction of NPPs. The development-budget execution rate continues to be around 50% or
less. According to ALBA, most ministries and donors have not shown any noticeable change in the way projects within the NPPs are aligned and implemented to achieve the performance indicators and goals outlined in the NPPs. ALBA attributed the lack of NPP progress to limited Afghan cabinet-level commitment contributing to a “business as usual” attitude toward NPPs, fragmented donor efforts, and a general lack of performance orientation in ministries that focus mainly on expenditures rather than ministry-level performance monitoring. ALBA acknowledged that ministries have articulated performance indicators; however, they are in the form of narratives and are not supported by a sound accountability framework and follow-up mechanisms.

**On-Budget Assistance to the ANSF**

A large portion of on-budget assistance is for the Afghan security forces. DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Ministry of Defense (MOD) and the Ministry of Interior (MOI), and (2) ASFF contributions to the multidonor Law and Order Trust Fund for Afghanistan, or LOTFA. Administered by the UNDP, LOTFA primarily funds Afghan National Police (ANP) salaries. Direct-contribution funding is also provided to the MOF, and later allotted incrementally to the MOD and MOI, as required.

According to DOD, the Combined Security Transition Command-Afghanistan (CSTC-A) has several mechanisms for monitoring U.S. direct contributions to the Afghan budget for the Afghan security forces. CSTC-A uses a bilateral-commitment letter to ensure that the Afghan government understands the terms and conditions for proper utilization of CSTC-A funds (including purpose, time, and amount) and the possible consequences of improper use of funds.

In August 2013, CSTC-A adopted a “financial levers” strategy which, combined with an incremental disbursement of donor funds, aims to incentivize Afghan partners to implement accountable and transparent financial processes (see pages 149–151 of SIGAR’s April 2014 Quarterly Report to the United States Congress for more information on the lever strategy including key phases). CSTC-A commitment letters stipulate that the MOD and MOI must allocate funds to specific accounting codes and require the ministries to use automated accounting systems such as the Afghanistan Financial Management Information System (AFMIS). CSTC-A established an audit division to perform independent assessments, which place greater scrutiny over Afghan financial processes.

CSTC-A audits of MOI fuel purchases, MOI clothing purchases, and MOD payroll in Herat Province are currently in the withhold phase of the financial levers process, in which CSTC-A delays disbursement of 50% of the affected budget code. As of September 2014, CSTC-A identified
recoupment of 651 million afghani ($13 million) inappropriately paid in clothing purchases due to noncompliance with the Berry Amendment (a 1941 law meant to promote purchase of certain U.S. goods, including textiles) and an estimated 96 million afghani ($2 million) in unbilled expenses subject to the Berry Amendment.

Every week CSTC-A monitors AFMIS expenditure reports to detect abnormalities that warrant further investigation. According to CSTC-A, these abnormalities generally occur when expenditures are registered in accounting codes that CSTC-A does not fund or when expenditures in the correct accounting code exceed the amounts specified in the commitment letter. CSTC-A also uses AFMIS data to note whether a particular expenditure code, for example, wages and salaries or acquisition of assets, is “under-executed” (below the expected disbursements). According to CSTC-A, direct contributions to the Afghan government are at risk for reduction due to their failure to fully execute (spend) the current Afghan fiscal-year budget. Interestingly, CSTC-A considers slow execution rates of items such as goods and services as undercutting the ability of Afghan ministries to show they are good stewards of donor contributions.

CSTC-A acknowledges that AFMIS data is entered by Afghan ministry staff, making the reliability of AFMIS data dependent on those same Afghan government staff. If a transaction is omitted, for example, CSTC-A would not necessarily be aware of it. CSTC-A does not know of any periodic data validity checks of AFMIS data quality.

Additionally, ISAF Commander General John Campbell has noted that going forward, international forces face new challenges in overseeing funds for the Afghan security forces. According to General Campbell, international forces no longer have the presence—“touch points”—at brigade and battalion levels to observe the end use of international funds. Instead, international forces will be restricted to the corps and ministries to focus on Afghan government budget planning and execution systems. He acknowledged that these systems are challenging for outsiders to understand.

CSTC-A’s assessment is that once funds enter the Afghan government’s bank account, oversight becomes significantly more challenging. According to the CSTC-A commanding general in February 2014, “It is important to remember that once funds are donated to the Government of the Islamic Republic of Afghanistan, the sovereign nation may use those funds without further coordination with the United States Department of Defense.” CSTC-A direct contributions are pooled with all sources of Afghan government revenues (including other donor-nation and domestic revenues) deposited in the single treasury account of the central bank. According to CSTC-A, this approach has the advantage of simplicity and provides the Afghan government flexibility, but requires additional effort from CSTC-A to reconcile the reported use of funds. The Department of Defense Inspector General (DOD OIG) found that as a result of CSTC-A’s
use of the Treasury Single Account, CSTC-A could not verify that the ASFF direct contributions were used for their intended purposes as defined by the commitment letters.\textsuperscript{516} This quarter, CSTC-A reported that it has requested MOF to establish a special bank account and provide bank statements for direct contributions.\textsuperscript{517}

In August, DOD OIG released an audit that concluded that the Afghan government lacked the basic controls to provide reasonable assurance that it appropriately spent $3.3 billion of ASFF direct contributions.\textsuperscript{518} The audit found that MOD and MOI did not have adequate controls in place over the payroll process to ensure that ASFF direct contributions were used as intended and that ANSF salaries appropriately paid. According to DOD OIG, this occurred because MOD and MOI lacked the capacity to develop and implement controls over the payroll process.\textsuperscript{519} The Afghan government had developed accounting (AFMIS) and human-resources systems, but the necessary interfaces between the financial and human-resources systems were not in place.\textsuperscript{520}

DOD OIG also observed that MOF changed the fund codes within AFMIS from ASFF direct contribution codes to Afghan government revenue codes when funds were received. MOF officials stated that AFMIS and personnel lack the capacity to perform fund accounting, in which the sources of funds (such as CSTC-A’s direct contributions) are identified. DOD OIG observed that AFMIS is a fund-based system and, therefore, should be able to track this information.\textsuperscript{521} The DOD OIG audit did not elaborate on why the MOF would change the revenue codes.

### National Governance

The United States provides assistance to Afghan governing institutions to build capacity to perform critical services and thereby increase their legitimacy in the eyes of the Afghan population. Assistance is provided in two ways: (1) through contracts, grants, and cooperative agreements, and increasingly, (2) through on-budget assistance. In this final year of the security transition, the U.S. government is particularly focused on increasing the financial and program-management capabilities of Afghan government institutions. It is using a combination of capacity building and on-budget programs to achieve this end.\textsuperscript{522}

The Tokyo Mutual Accountability Framework (TMAF) serves as a cornerstone of international engagement and is the agreed instrument for measuring mutual accountability.\textsuperscript{523} The international community and Afghan government agreed to the TMAF at the Tokyo Conference of Donors in July 2012. Later the TMAF was augmented with intermediate targets for the Afghan government and the international community called “hard deliverables,” such as the passage of a mining law.\textsuperscript{524}
SIGAR has previously reported on the progress of TMAF “hard deliverables.” (See pages 127–129 of SIGAR’s April 2014 Quarterly Report to the United States Congress for more information.) A Special Joint Coordination and Monitoring Board (JCMB) meeting was held on January 29, 2014, to assess TMAF progress and to formulate guidance in anticipation of a new Afghan government following the elections.525 According to USAID, the JCMB meeting was the final opportunity for reviewing the existing set of hard deliverables. The United States temporarily extended the window for passage of a mining law to April 16, 2014, but the window closed before the government passed the law.526

This quarter USAID reported that, as a matter of policy, the U.S. Embassy Kabul is no longer evaluating or updating the initial version of hard deliverables. USAID is looking forward to engaging with a new government and a “refreshed” TMAF this fall after an international conference on Afghanistan tentatively planned for November in London.527 According to USAID, the previous set of hard deliverables is no longer part of the discussion. Some incomplete actions from the original list may make it into the future framework, but that determination has not yet been made.528 USAID reported last quarter that the process of finalizing these new targets will likely continue through the London conference and into early 2015.529

During his first meeting with the cabinet, President Ghani directed the ministers to report within 15 days on each ministry’s political appointees and contracted staff with information on staff gender, level of education, and years of service.530

**Capacity-Building Programs**

USAID capacity-building programs seek to improve Afghan ministries’ ability to prepare, manage, and account for on-budget assistance. SIGAR’s January 2014 audit of USAID’s assessments of seven Afghan ministries receiving on-budget assistance from the U.S. government found that these assessments and reviews identified no ministry capable of effectively managing and accounting for funds without implementing risk-mitigation measures.531 As shown in Table 3.20, programs include USAID’s

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Afghan Government Partner</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 9/30/2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Management, and Governance Project</td>
<td>Ministry of Public Health</td>
<td>9/25/2012</td>
<td>10/31/2014</td>
<td>$31,248,400</td>
<td>$24,963,134</td>
</tr>
<tr>
<td>Ministry of Women’s Affairs Organizational Restructuring and Empowerment (MORE)</td>
<td>Ministry of Women’s Affairs</td>
<td>12/20/2012</td>
<td>12/19/2015</td>
<td>14,182,944</td>
<td>3,686,349</td>
</tr>
</tbody>
</table>

Source: USAID, responses to SIGAR data call, 10/9/2014.
$31 million Leadership, Management, and Governance Project that aims to strengthen Afghanistan’s financial-management systems and the capacity of the Ministry of Public Health and the Ministry of Education to meet requirements set at the 2010 Kabul International Conference for increased on-budget aid.\textsuperscript{532} USAID is also funding the $15 million Ministry of Women’s Affairs Organizational Restructuring and Empowerment (MORE) project, which among other things assists the ministry to improve its financial management, as required for future on-budget assistance.\textsuperscript{533}

To encourage Afghan ministries to rely more heavily upon the civil service and reduce dependency on the “parallel civil service” created through certain donor-funded programs, USAID has decided to move assistance to the ARTF’s Capacity Building for Results (CBR) program.\textsuperscript{534} For example, the Independent Directorate of Local Governance (IDLG) acknowledged in 2012 that “the large majority of the civil servants on the regular pay scale have a limited skill set and cannot execute most of the tasks that the [Afghan government] and the international community needs IDLG to deliver.” IDLG therefore had to rely heavily upon externally funded staff holding management, technical, and administrative positions in the IDLG. These staff in effect acted as civil servants even though they usually did not have that formal status and formed the “Second Civil Service.”\textsuperscript{535} CBR supports ongoing public administration reforms across government, training for selected civil servants, and limited technical assistance to support ministry reforms.\textsuperscript{536}

The CBR organizes Afghan ministries into three tiers of increasing levels of support. All Afghan government ministries are automatically classified initially as Tier 1 and must compete for higher levels of support afforded Tiers 2 and 3. The seven criteria for Tier 2 include progress on pay and grade reforms at the central and subnational levels; a functional human resources department with 30% of pay- and grade-reform civil service staff evaluated through performance evaluations; an approved strategic or business plan with at least one annual progress report; a development-budget execution rate (the portion of budgeted amounts that controlling agencies actually spend) of at least 40%; and the ministry either (1) collects key revenues of at least 5% of the revenues collected by all ministries or (2) the ministry contributes to at least one key governmental service in human capital development, key economic infrastructure development, or judicial services. In order to advance to Tier 2 status, a ministry must meet at least five of the seven criteria.\textsuperscript{537}

In August 2014, the World Bank found moderately unsatisfactory progress toward the CBR development objective of assisting the Afghan government in improving the capacity and performance of select line ministries carrying out their mandates and delivering services. The World Bank noted that the ministries themselves are the only data source for indicators covering improved business processes and service-delivery progress, and that this data is not confirmed by the CBR program.\textsuperscript{538}
Overall progress has been slow due to aspects of the project design, capacity issues, and political-economic factors. According to USAID, there is now clear demand for the program across government with two major service-delivery ministries now participating and over 50% of eligible ministries having submitted their pre-qualification applications. USAID believes that CBR will ultimately be more sustainable than relying on donor-funded staff. However, the pace of project implementation requires significant acceleration to reach the project objectives within the targeted time frame.

USAID funds the $23.5 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan’s parliament operate as an independent and effective legislative, representative, and oversight body. Over the past few months, ALBA worked closely with the Meshrano Jirga secretariat leadership to support the Meshrano Jirga orientation session scheduled for October 2014. This orientation is meant to provide information and training to newly elected senators. This orientation/training will help senators understand rules and procedures, the Meshrano Jirga structure, and their key legislative, oversight, and representational duties. During the past quarter, ALBA also held a series of widely attended trainings for Wolesi Jirga and Meshrano Jirga secretariat staff during the recent parliamentary recess. ALBA also supported interactions between Afghan civil society and the parliament through regular parliamentary reporting—including daily plenary reports, key commission reports, and legislative tracking reports—that were widely disseminated to the civil society community.

An ALBA report on NPPs found that the Afghan parliament has not been involved with the NPPs and was never consulted or formally informed about them. This is despite Article 90 of the Afghan constitution that gives the parliament the power to “approve plans for economic, social, cultural and technological developments, [and] approve the state budget.”

**National Assembly**

Parliament was on recess from July 23 to September 6. According to State, the recess and the resolution of the election slowed parliamentary approval of executive-branch activities. On September 7, the Meshrano Jirga (the upper house) held its first plenary session of the fall term. Quorum was reached with 60 of 102 senators present. USAID anticipates future challenges with achieving quorum in the Meshrano Jirga until the provincial-council results are certified and senators are elected from the provincial councils to the Meshrano Jirga.

The Wolesi Jirga (the lower house) also held its first plenary session of the fall term on September 7. Quorum was not reached; only 64 of 249 members were present. However, USAID anticipates that members will return from the provinces, making quorum less of an issue.
The Wolesi Jirga summoned the minister of public works (MOPW) for questioning in the case of MOPW-contracted, Asian Development Bank-supported road in Faryab and Badghis Provinces. Over $100 million was reported paid to the contractor, who left after completing only 15% of the work. The minister of public works was quoted saying “I have always been against this contract of the Asian Development Bank” and blamed the companies involved in the project.548

The Meshrano Jirga summoned the ministers of defense and interior for questions regarding the security situation and issues along the border with Pakistan. A member of parliament was escorted out of the session after accusing the minister of defense of being a Taliban spy.549 The Meshrano Jirga also summoned the minister of finance to discuss government salaries; however, the deputy minister attended in the place of the minister.550

SUBNATIONAL GOVERNANCE
The United States government supports initiatives at the subnational level to give Afghans a greater stake in their own government. The goal is to make local government more visible, accountable, and responsive to the Afghan people, particularly in the south and east, where the insurgency has been tenacious.551

On October 2, President Ghani announced that all provincial governors will serve as acting governors, without the authority to hire or dismiss employees, until their replacements are appointed. Ghani suggested that benchmarks be established for governors’ appointments.552 Governor Atta Mohammad Noor, the acting governor of Balkh Province and a prominent supporter of Abdullah Abdullah, who was quoted during the election impasse as saying “if the vote recount is one-sided or fraudulent, we will not bow down and accept the results,” called President Ghani to say that he would respect a replacement order.553

Rural Stabilization Programs
USAID has several stabilization programs aimed at helping the Afghan government extend its reach into unstable areas and build local governance capacity. These programs include USAID’s four Stability in Key Areas (SIKA) projects, the two Community Cohesion Initiative (CCI) programs, the Afghan Civilian Assistance Program II (ACAP II), and the ARTF’s National Solidarity Program (NSP). The United States has requested that $865 million of its ARTF contributions support the NSP, but has not preferred support for NSP since 2012.554 Table 3.21 summarizes total program costs and disbursements to date.

The USAID Measuring Impacts of Stabilization Initiatives (MISTI) project, a third-party monitoring and evaluation program that evaluates the impact of USAID stabilization programs, has conducted 84 verifications in support
of USAID’s oversight of stabilization programs. Some 183 verifications or reports were in progress for completion in August and September. MISTI is verifying that individual activities, projects and other initiatives have been or are being implemented as reported for the four SIKA programs, ACAP II, and the Kandahar Food Zone (KFZ), a project aimed at strengthening and diversifying licit livelihoods by addressing the root causes and sources of instability that lead to opium cultivation. MISTI aims to conduct on-site verification of at least 50% of all USAID stabilization projects.555

MISTI has faced challenges in project verification due to stabilization-program implementing partners failing to provide sufficient and accurate geospatial coordinates and the lack of standardized project tracking across stabilization programs. MISTI submitted to USAID a list of projects that, according to satellite imagery, were in suspicious locations such as on a mountainside or far from population centers. Since then, MISTI has noted a marked improvement in geospatial coordinate data.556 The fact that MISTI had to flag the issue of geospatial data quality raises questions about the amount of quality control the implementing partners exercise. SIGAR has previously written on the accuracy of data contained in the USAID Afghanistan Infrastructure and Security Cartography System (AISCS) and raised concerns with 42 out of 227 sample records that the National Geospatial-Intelligence Agency (NGA) identified as having either incorrect or inconclusive coordinates in AISCS.557
Stability in Key Areas (SIKA)

The objective of SIKA is to help district- and provincial-level Afghan government officials respond to the local population’s development and governance concerns, thus instilling confidence in the government and bolstering stability.\(^{558}\) USAID intended the four SIKA programs to “be seen as an extension of the [Afghan government], not as increased foreign presence,” and stipulated that SIKA “must work within Afghan structures” in order to partner with the Afghan Ministry of Rural Rehabilitation and Development (MRRD).\(^{559}\)

During the quarter, the MISTI program issued a mid-term performance evaluation of the SIKA North program. According to the evaluation, SIKA North activities and grants addressed sources of instability and appear to be having a measurable long-term stabilizing impact. Results of the three semiannual MISTI surveys from September 2012 to January 2014 indicated relatively positive stability index scores and a relatively positive confidence in local government in all sampled SIKA North districts.\(^{560}\) However, the evaluation found that by continuing the use of in-kind grants, SIKA North has not complied with recommendations made in SIGAR Audit 13-16 to ensure clear implementation of community contracting. SIGAR found that in-kind grants do not meet a key requirement of SIKA—having Afghan district entities directly responsible for project implementation.\(^{561}\)

The evaluation found that SIKA North continues to use in-kind grants in violation of the contractually mandated Kandahar Model and despite significant opposition from the MRRD, reduced government and community ownership that negatively impacts stabilization goals. SIKA North continues to use in-kind grants with USAID concurrence due to the implementing partner’s corporate risk aversion and reportedly in order to save money.\(^{562}\) According a SIGAR interview with SIKA North staff in April 2013, SIKA North preferred in-kind grants executed by companies and nongovernmental organizations to fixed obligation grants executed by the communities themselves because fixed-obligation grants required more documentation and trust in the community grantee. SIKA North felt this situation put the program at undue risk and because of this decided to focus on in-kind grants.\(^{563}\)

The MRRD has opposed in-kind grants and told MISTI they will disengage from SIKA North should in-kind grants continue. The evaluation found that in-kind grants do not effectively involve the government or the community in the execution portion of the grant,\(^{564}\) a concern also raised in the SIGAR audit from July 2013.\(^{565}\)

MISTI also found that certain activities had questionable impacts. In particular, the evaluation noted that capacity-building trainings on finance and grant management provided to communities were ineffective at properly building the community’s capacity to conduct project management. The trainings were too short, did not have enough repetition, and did not cover all the necessary modules. Other “soft” activities, such as poetry-reading

\(\text{SIKA East} \) conducts governance training in Sharana District, Paktika Province. (SIKA East photo)
competitions, also had questionable impact. While SIKA North said the events provided for increased district government exposure, the stabilization impact was not entirely clear. MISTI’s evaluation team found that many people showed up solely for the free lunch.\textsuperscript{566} MISTI repeated some of its findings from the SIKA West midterm performance evaluation,\textsuperscript{567} namely, that SIKA North lacks a defined theory of change and that current outcome indicators are actually mislabeled output indicators. A theory of change is a specific and measurable description of a social (behavior) change program that forms the basis for planning, decision making, and evaluation of a program’s outcomes. MISTI recommended that SIKA North’s outcome indicators should focus on progress towards the intermediate results and assistance objective and be linked to the program’s theory of change, rather than simply measuring the number of meetings held or percentage increases in activity participation.\textsuperscript{568}

Despite the challenges, the evaluation found that SIKA North activities have been presented as government-led activities and major efforts have been made to work through government structures in order to provide service delivery. Afghan government entities are involved in monitoring large infrastructure projects, and the branding and logos at SIKA North-sponsored events are of the Afghan government, not USAID or the implementing partner. The MISTI evaluation team found that few beneficiaries knew there was an international donor behind activities and assumed the Afghan government, or more specifically the MRRD, was funding development. While more-educated beneficiaries understood there was an international donor behind the activities, they still credited the government for connecting people to resources and for service delivery.\textsuperscript{569}

### Community Cohesion Initiative (CCI)

USAID’s CCI programs, split between one program covering the east, south, and southwest, and another covering the north and west, aim to build what USAID calls “resilience” in areas vulnerable to violence and insurgent exploitation. CCI implements initiatives such as local community-development projects that engage community leaders and government officials in their identification and oversight. The CCI also supports peace-advocacy campaigns at sporting events.\textsuperscript{570}

Last quarter, MISTI issued a midterm performance evaluation of CCI as implemented in the east, south, and southwest.\textsuperscript{571} The evaluation examined 61 projects from eight CCI districts.\textsuperscript{572} SIGAR asked the USAID Office of Transition Initiatives (OTI) for a response to the evaluation, particularly on the findings that the CCI objective of supporting cohesion was a conceptually difficult objective and that CCI staff had differing interpretations of how projects supported cohesion. According to the evaluation, some CCI staff viewed the defining aspect of cohesion projects as those that originated from the community, while other
CCI staff saw cohesion projects as those that benefited more people, such as schools and roads, or connected people across communities. It was not clear from the evaluation how cohesion projects per the second definition differed from a school or road project implemented by another program without a cohesion objective.

OTI insists that although the MISTI evaluation found that the CCI implementing partners were concerned over the “amorphous nature of the concepts of cohesion and resilience when designing programs,” the CCI theory of change clearly articulates the definitions of these concepts and the program architecture speaks to the core program goals of building community resiliency and cohesion. According to OTI, a key aspect of CCI is the use of project shuras made up of Afghan government and community leaders who monitor and own the projects. OTI views CCI as standing apart from other programs in its use of project shuras. However, other large-scale USAID supported programs, including the four SIKA programs and the National Solidarity Program, integrate community and government project ownership and monitoring as well.

The evaluation also noted that monitoring and evaluation were a challenge for CCI. Although many of those interviewed testified to the effectiveness of CCI, the evidence they offered in support was not always clear. According to OTI, assessing and evaluating the CCI program goals of resilience and cohesion requires impact-level analysis. Output-level evaluations are insufficient for making statements about the efficacy of CCI activities in building resilience and cohesion. According to OTI, the MISTI midterm evaluation conducted its fieldwork in January and February of 2014, at a time when CCI was just beginning to complete a sufficient amount of projects to allow for impact-level analysis.

Since the MISTI evaluation, CCI has worked to design and implement several outcome- and impact-level case studies that take geographic or thematic clusters of CCI activities and work to analyze their effects in aggregate. One example, a water-conflict case study, examined 10 CCI projects that rehabilitated water-related infrastructure. The case study sought to understand both the efficacy of CCI projects in mitigating water-resource-related conflict as well as their overall ability to enable leaders to manage resources both within and across communities. According to OTI, the case study found that water projects reduced conflicts within and between communities or bolstered community-based systems that were already reported to be distributing water in an acceptable and fair manner. Villages where focus group participants reported conflict over water observed a decline in conflict after the water infrastructure projects were completed.
RECONCILIATION AND REINTEGRATION

The current U.S. Civil-Military Framework states that political reconciliation between the Afghan government and insurgency is “the solution to ending the war in Afghanistan.” However, the UN Secretary-General noted last quarter little progress in establishing a formal dialogue between the Afghan government and armed opposition groups.

In late July, then-President Karzai defended his policy of releasing Taliban prisoners following the alleged killing of 15 civilians in Ghor by released insurgents. Karzai’s first vice president, Mohammad Younus Qanuni, was recently quoted saying, “I am against the release of those who kill the people of Afghanistan. We knew that when they were released from prison that they would return to the battlefields and commit more crimes.”

Reconciliation

In August, the deputy chairman of the High Peace Council (HPC) said that all meaningful HPC work stopped in the spring during the April 2014 elections. He also indicated that the Taliban refused to engage with the Karzai government as they assumed that the incoming government would have different policies from the old.

In late September, an HPC member was quoted as saying the HPC has “not been successful in restoring peace or talking with Mullah Omar and other Taliban leaders.” He blamed Pakistan for the failure of the HPC.

Afghanistan Peace and Reintegration Program

The Afghanistan Peace and Reintegration Program (APRP), an Afghan-led program to reintegrate low-level insurgent foot soldiers and their commanders into Afghan civil society, is financed by $182.3 million in contributions from 12 donor nations. Operational funding for the program is provided by seven donor nations (primarily Japan and Germany). The United States provides funding towards community-recovery efforts administered by the World Bank.

According to the Force Reintegration Cell (FRIC), an International Security Assistance Force element supporting the APRP, the APRP Joint Secretariat and Provincial Joint Secretariat Teams continue to make outreach a priority through local peace meetings and radio and television advertisements. In August, the UNDP and Nangarhar Provincial Peace Council hosted an APRP-supported peace meeting between two imams from the Jordanian Armed Forces and 400 Afghan religious scholars from neighboring provinces. According to the FRIC, the Jordanian imams, who are members of Jordanian Engagement Teams that have been operating in Afghanistan since 2006, stressed peace building and tolerance, but the participating Afghan religious scholars who denounced the role of the international community in Afghanistan received the lion’s share of audience support and cheers.
The FRIC also reports 53 small grant projects and 1,246 Afghan government projects are under way in 32 provinces and 130 districts. In its January 2014 Quarterly Report to the United States Congress, SIGAR reported on the challenges associated with the NSP Community Recovery Intensification and Prioritization (CRIP) mechanism of the APRP (pages 130–131). In particular, U.S. Embassy Kabul was concerned that CRIP projects did not have a clear connection to reintegration goals, and had raised this concern with the MRRD.

This quarter, U.S. Embassy Kabul disapproved the draft MRRD APRP annual implementation plan on the grounds that the plan sought to formalize the ongoing failure of NSP to identify projects funded through the APRP. According to State, MRRD claimed it was unable to clearly identify APRP projects because (1) it would be “too difficult” from an accounting perspective and (2) could create security problems for NSP implementing partners on the ground. The MRRD remains concerned about publicizing APRP programming at the village level due to possible targeting of its implementing partners because of the political nature of the peace process. This was unacceptable to the United States and Australia, two major APRP donors. The MOF has withheld funding to the MRRD as a result, pending resolution of this issue.

In a follow-on meeting in July with the Joint Secretariat (JS) and MRRD, the MRRD NSP Executive Director and APRP Deputy CEO committed to address donor concerns. First, NSP will provide a list of CRIP projects for which FY 2014 APRP funding will be provided. These projects will be reviewed and visited by the JS development team. This information, along with an assessment of the impact of this programming on reintegration, will be shared with donors. Second, NSP will undertake APRP-funded outreach, beginning at the provincial and district levels. This will include improving communications with provincial governors and Provincial Peace Councils (PPCs), who are generally unaware of NSP APRP programming. NSP Regional Communications Officers will also engage with the public, promoting the APRP. Once PPCs are made aware of which projects are APRP-funded, they will also publicize this information. Third, the NSP section of the draft MRRD annual implementation plan for the APRP will be revised to reflect these changes.

According to State, since MRRD has now agreed to address U.S. concerns, State does not recommend attempting to recover the funds donated to APRP. USAID advised State there is no way to recover funds donated to the Afghanistan Reconstruction Trust Fund (ARTF) (of which the APRP donation forms a part) and that the grant documentation signed by USAID makes it clear that the World Bank has no obligation to reimburse or compensate any donor.

As of September, 2,387 new reintegrees joined APRP, increasing the total to 8,890 reintegrees, as shown in Figure 3.31. According to State...
and the FRIC, the APRP has a robust vetting process to confirm that individuals who want to join the program are actually insurgents. Afghan civil government and ANSF officials at the provincial and national levels are responsible for processing reintegrates. The international role is limited to being able to access the Reintegration Tracking and Monitoring Database.596

According to State, U.S. Forces Afghanistan (USFOR-A) declined to approve the extension of the Afghanistan Reintegration Program (ARP)-funded training of JS personnel as requested by both FRIC and U.S. Embassy Kabul. The elimination of the contracting officer’s representative (COR) within the FRIC means it is no longer possible for projects to be funded for reintegration under the congressionally mandated ARP. The FRIC and U.S. Embassy Kabul both requested that USFOR-A assume the role of COR, but the request was declined. According to State, no additional ARP projects may be implemented and the funds authorized by Congress to support reintegration efforts in Afghanistan will remain unallocated.597

**RULE OF LAW AND ANTICORRUPTION**

On October 5, the attorney general’s office (AGO) reversed an August 21 expulsion order that forced *New York Times* reporter Matthew Rosenberg
GOVERNANCE

to leave Afghanistan. The reporter had written an article on talks among powerful Afghans of forming an interim governing committee if the two presidential candidates could not agree on forming a national-unity government. The AGO had described Rosenberg as a spy and said he had endangered national security. The AGO did not specify which laws were violated or provide details of the allegations. Both presidential candidates had pledged to reverse the expulsion order.\textsuperscript{598}

One of the last major acts of Hamid Karzai as president of Afghanistan was ordering the execution of five men convicted in a high-profile rape case. The five men were among seven convicted of raping and robbing four women who were stopped on August 23 by assailants in police uniforms as they returned from a wedding party just outside of Kabul. The convictions were based on confessions, which all five men testified were obtained through torture by Afghan police. The United Nations High Commissioner for Human Rights and Human Rights Watch both expressed concern with the way the case was handled.\textsuperscript{599} The five men, along with a kidnapper, were executed on October 8.\textsuperscript{600}

The Justice Sector Support Program (JSSP) reported that the Criminal Law Reform Working Group (CLRWG), a Ministry of Justice (MOJ) technical advisory group, adopted draft penal-code provisions on crimes against the state and authorized the death penalty for disclosure of state secrets to an enemy during a state of war. The provision prohibits criticism during a state of war that “destabilizes” the army or police. The CLRWG also approved a defense that will be available to an accused if he or she acted with “good will” for the purpose of reforming illegal activities.\textsuperscript{601}

According to JSSP, Afghanistan is currently in a state of war with the Taliban per the draft penal code’s definition. The MOJ and the CLRWG chairman proposed provisions that would imprison contractors who fail to deliver on their commitments during a state of war. JSSP and UN Assistance Mission in Afghanistan (UNAMA) representatives objected; however, the CLRWG adopted the provisions which state “if a person, during a state of war, for the purpose of harming the government, interrupts the performance of all or part of his obligations to the state concerning the import or delivery of the requirements of armed forces or food commodities or other commodities used for protection of the population,” the person shall be sentenced to imprisonment of 5 to 16 years. If the action weakens the nation’s “defensive power” or operations of the armed forces, the sentence will be 16 to 20 years. According to JSSP, if these provisions are ultimately enacted into law, contractors will hesitate or decline to engage with the Afghan government and military due to possible criminal liability for breach of contract.\textsuperscript{602}

Project Summary
The United States has provided assistance to the formal and informal justice sectors through several mechanisms. These include the USAID Rule
of Law Stabilization Formal and Informal Components (RLS-F and RLS-I), the State Department JSSP, and the State Department Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.22.

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Agency</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 9/30/2013 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrections System Support Program (CSSP)</td>
<td>State</td>
<td>5/1/2010</td>
<td>12/31/2014</td>
<td>$198,586,208</td>
<td>$196,544,324</td>
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<td>Rule of Law Stabilization - Formal Component</td>
<td>USAID</td>
<td>7/16/2012</td>
<td>7/14/2014</td>
<td>$22,581,128</td>
<td>$19,068,556</td>
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<tr>
<td>Justice Training Transition Program (JTTP)</td>
<td>State</td>
<td>1/2/2013</td>
<td>7/1/2015</td>
<td>$20,000,000</td>
<td>$20,000,000</td>
</tr>
</tbody>
</table>


The RLS-F program, designed to increase public confidence in Afghanistan’s justice sector and support the improved performance and accountability of governance, concluded during the quarter. According to the program’s final report, RLS-F successfully partnered with the Supreme Court, the MOJ, and the Ministry of Higher Education to achieve sustainable reforms in the formal justice sector in Afghanistan.

RLS-F noted, however, that there is a lack of willingness among Afghan counterpart institutions to support and adopt reforms. According to RLS-F, leadership at Afghan counterpart institutions continues to demonstrate a lack of commitment to justice-sector reforms by delaying approval of tools and technologies recommended by RLS-F. This, RLS-F argues, indicates reluctance by Afghan government counterparts to embrace new processes and procedures that increase the efficiency, transparency, accountability, and fairness in the justice sector. In addition, counterpart institutions have failed in some instances to demonstrate a willingness to assume responsibility for training initiatives without technical and financial support from donors.

RLS-F employed a cost-sharing process to encourage counterpart investment in the program. RLS-F noted that in the past, Afghan counterparts lacked the ability and/or willingness to assume meaningful responsibility (financial or otherwise) for implementing USAID-supported programs. To address this challenge, RLS-Formal shifted some of the burden of program support to the counterparts. Cost-sharing policies were put into place with the Supreme Court, the Afghan Women Judges Association, and the universities which operate under the Ministry of Higher Education. These policies specified the type of support required from counterparts as a condition to receiving specified assistance from RLS-F. For example, RLS-F provided an honorarium to instructors at the Judicial Stage program, the mandatory induction training program for judges. RLS-F required the Supreme Court to
pay all of the salaries for the Judicial Stage staff. According to RLS-F, in the past donors provided salary supplements to the Judicial Stage staff, including the director, as well as instructor honorariums.605

USAID recently concluded a $1 million grant with Integrity Watch Afghanistan (IAW) in which volunteer community monitors oversaw infrastructure projects.606 According to IAW, 158 projects in the provinces of Badakhshan, Balkh, Herat, Nangarhar, Parwan, and Panjshir were completed under the supervision of community-based monitors and 438 community representatives received trainings in community-based monitoring procedures. In some cases, donors failed to provide IAW with project documents, thereby undercutting IAW-sponsored community oversight initiatives.607

USAID's Afghan Civil Engagement Program (ACEP) recently provided several small sub‐grants to Afghan civil society organizations to monitor Afghan government activities, conduct research, and report on government reform commitments.608

USAID is currently designing a stand‐alone anticorruption program for Afghanistan. According to USAID, the program will strive to increase transparency and accountability within Afghan government institutions, while also increasing civil society and private sector capabilities to monitor, research, and advocate for anticorruption‐related matters.609

Last quarter, USAID issued a performance evaluation of the third and final phase of RLS‐I that ran from July 2012 to March 2014. The review focused on three RLS‐I objectives: to strengthen and improve traditional dispute‐resolution mechanisms, strengthen linkages between formal and informal justice sectors, and facilitate cooperation to address longstanding, intractable disputes.610 The evaluation found that few cases were referred from the informal justice sector to the formal justice sector, while case referrals from the formal to informal sector were common throughout target provinces.

Traditional decision makers had a generally low opinion of formal justice institutions, while formal‐justice actors had respect for informal institutions. Respondents including traditional dispute‐resolution practitioners and formal justice‐sector actors generally preferred the informal over the formal justice system.611 The evaluation concluded that the relationship between the formal and informal systems is largely one‐way, with the formal system referring cases to the informal system, but the latter not reciprocating.612 According to USAID, this finding is consistent with common knowledge that the formal justice sector does not have the geographic reach necessary for adequate access to justice for all citizens.613

The State Department’s JSSP objectives include developing a case‐management system (CMS) to track cases throughout Afghanistan’s justice system and building the capacity and administrative skills of ministry officials.614

**SIGAR AUDIT**

SIGAR has an ongoing audit of U.S. government efforts to assist and improve the rule of law in Afghanistan. SIGAR plans to (1) identify U.S. government programs or initiatives to develop rule of law in Afghanistan; (2) assess the progress that these programs or initiatives have made; (3) identify challenges, if any, that the U.S. government has encountered in achieving its rule of law objectives and the extent to which it has addressed these challenges.
JSSP provided technical support to the AGO, MOJ, Ministry of Women’s Affairs (MOWA), and the Supreme Court. Overall, JSSP reports increasing capacity in human resources, budgeting, and procurement but notes in several instances the continuing need for JSSP assistance. For example, JSSP advisors noted that the AGO’s Elimination of Violence Against Women (EVAW) Unit was not using computers donated two years ago because they were nonfunctional. JSSP advisors refurbished the computers and installed updated software. According to JSSP, the EVAW Unit is now using the computers with JSSP continuing to provide support. JSSP also helped the MOJ Human Resources Directorate prepare proposals for funding through the World Bank’s Capacity Building for Results (CBR) program. CBR aims to provide training capacity and transition away from external donor training programs, such as JSSP.

The State Department’s JTTP provides regional training to justice-sector officials, including police, prosecutors, judges, and defense attorneys, on a wide range of criminal justice topics, including anticorruption. JTTP also provides mentoring on specific cases and legal issues to justice-sector officials, including prosecutors and judges. In the last quarter, JTTP delivered 50 training courses for 1,001 participants in 19 provinces.

The Supreme Court and the Formal Justice Sector
On September 22, then-President-Elect Ghani pledged to appoint a woman to the Supreme Court.

During his inauguration speech, Ghani made reference to corruption in the judicial branch and requested the Supreme Court to review all its employees for corruption. The Supreme Court issued a statement rejecting Ghani’s claims and argued that he is misinformed regarding corruption in the judiciary. The newly appointed special representative to the president in the national-unity government, Ahmad Zia Massoud, reiterated Ghani’s concerns and called for “substantial reforms in all aspects, especially in the judiciary and legal organs.”

Afghan Correctional System
According to State, the inmate population of Afghanistan’s prisons managed by the General Directorate of Prisons and Detention Centers (GDPDC) has continued to increase at a rate of 16.4% annually over the past five years. As of August 20, the GDPDC incarcerated 26,816 individuals. As of July 20, the Ministry of Justice’s Juvenile Rehabilitation Directorate (JRD) incarcerated 909 juveniles. These incarceration totals do not include detainees held by any other Afghan governmental organization, as State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to data for other organizations.

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities, although reduced by new prison beds added.
through State-funded prison construction and by significant reductions in
prison population due to presidential amnesty decrees. As of August 20,
2014, the total male provincial-prison population was at 266% of capacity,
as defined by International Committee of the Red Cross’s (ICRC) minimum
3.4 square meters per inmate. The total female provincial-prison population
was at 121% of the ICRC-recommended capacity. Information on the capacity
of GDPDC-operated district detention centers and the JRD’s juvenile
rehabilitation centers is not available. However, anecdotal reporting by INL
advisors visiting facilities indicates that overcrowding is a substantial prob-
lem in many provinces.624

According to State, INL has significantly scaled down plans for new
prison construction in order to focus on the Afghan government’s ability to
sustain the infrastructure investments INL has already made. However, INL
is committed to completing major renovations at Pol-i-Charkhi prison and
to constructing a waste-water treatment system there. INL will also con-
tinue to support the Afghan government in the near term with small-scale
infrastructure projects where critically needed to address major issues
such as overcrowding.625

The Criminal Procedure Code (CPC) passed in February 2014626  gives
convicts the option to request alternatives to incarceration from the MOJ.
According to JSSP, the MOJ anticipates a large number of requests, but is
concerned that no mechanism is in place to supervise performance of com-
unity-service organizations involved in alternatives to incarceration. The
MOJ intends to deny requests for alternatives to incarceration until regula-
tion is enacted to supervise these community-service organizations. JSSP
and the MOJ will consult with other government institutions to explore the
possibility of convening a working group to draft regulation as quickly as
possible to protect convicts’ rights and relieve prison overcrowding.627

There were reports of prisoners in Ghazni, Herat, and Jawzjan Provinces
participating in hunger strikes. The prisoners in Ghazni were protesting
corruption in judicial offices and the slow progress in their cases, while the
prisoners in Jawzjan protested their continued incarceration following a
presidential order releasing 90 out of 800 prisoners at the facility. In Herat,
prisoners were reportedly protesting against being excluded from presiden-
tial decrees that reduced sentences.628

**Anticorruption**

Afghan anticorruption efforts showed no significant progress for the major-
ity of the quarter until the inauguration of President Ghani. On October 1,
President Ghani issued a decree ordering the Supreme Court to pursue the
Kabul Bank case and the AGO to assist the courts and prosecute all those
criminal associates and individuals who were involved in the Kabul Bank
crisis. The AGO was ordered to begin indictments within 15 days of the
order.629  It was unclear what effect the Ghani decree would have, as both

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**SIGAR INSPECTION**

SIGAR issued an inspection report of the Pol-i-Charkhi prison renovations
funded by INL. SIGAR found that although INL paid approximately 92% of
the contract’s value to the contractor, only about 50% of the required work
was completed. For more information, see Section 2, page 36.
the Supreme Court and AGO are independent in their performance per Articles 116 and 134 of the Afghan constitution. For more information on the Kabul Bank case, please see page 172 in this report.

According to the Department of Justice (DOJ), by all accounts the Afghan central government is riddled with problems of patronage, nepotism, bribery, embezzlement and misappropriation or other diversions of public and private property, influence peddling, abuse of office, illicit enrichment, laundering of criminal proceeds, concealment of crimes constituting corruption, and obstruction of justice. There is virtually no part of the central government, or the governments in the districts and provinces, that is not affected and weakened by public corruption.

To cite one example, the former mayor of Khowst was arrested eight months after he was sentenced to seven years in jail for corruption that cost the municipality approximately $226,165. The mayor was reportedly able to remain free despite the conviction due to his personal connections with government authorities.

Afghan Attorney General’s Office

According to State, there were no significant changes in the technical capacity or effectiveness of the AGO. The AGO declined offers from DOJ to train AGO prosecutors in the Anticorruption Unit (ACU) in novel investigative methods. According to DOJ, the primary challenge to Afghan government anticorruption efforts is the unwillingness of the AGO to pursue complex corruption cases.

At a meeting to discuss reforms of the AGO, President Ghani was quoted saying that Afghanistan "should have an AGO the people trust in" and said that reforming the AGO is a matter of Afghanistan’s survival. The AGO also lost its power to monitor government entities and the private sector following a cabinet decision in mid-October that such powers conflicted with the law.

According to State, ACU of the AGO is able to prosecute lower-level corruption cases, but faces obstacles prosecuting higher-level corruption. The ACU has been unresponsive to State and DOJ engagement, and suffers from low morale. The ACU has little technical capacity and has demonstrated little interest in developing the techniques to effectively pursue more sophisticated corruption cases. However, it is capable of prosecuting simple cases of graft. The U.S. Embassy Kabul’s Office of the Justice Attaché has refocused their assistance on the Internal Control and Monitoring Unit and Financial Dispute Resolution Committee where there is greater receptivity.

The Major Crimes Task Force (MCTF) is the investigatory arm for the AGO internal-control and monitoring unit. According to State, the MCTF continues to be an increasingly capable investigatory force, but is stymied by the AGO’s refusal to pursue corruption cases. Following the presidential elections, State plans to assess whether the new government has sufficient
political will for an effective MCTF. State will examine Afghanistan’s anti-corruption initiatives to determine whether Afghanistan enacts financial regulation legislation; whether it brings corruption charges against higher-status/rank defendants; whether MCTF’s resource needs have changed; and how the MOI, AGO, and other Afghan agencies incorporate, or ignore, MCTF’s role in their anticorruption efforts.639

According to State, three programs have provided assistance to the AGO: the National Justice Sector Strategy (NJSS), Supporting Access to Justice in Afghanistan (SAJA), and JSSP. NJSS, which ran from January 2011 to September 2014, included a specialized component to establish six provincial EVAW units within the AGO for training, mentoring, and public information activities. INL spent approximately $2.7 million on this initiative.640 SAJA, which is expected to run from September 2014 to March 2017, expands support to 11 newly established EVAW units, bringing the total number of units supported to 19. SAJA will integrate the legal trainings and related standard operating procedures into the AGO structure by the end of the program. INL plans to spend approximately $6 million on this component over the program’s life. JSSP aims to improve the transparency and functionality of the AGO. JSSP assists the AGO on their internal strategic planning processes, budgeting processes, procurement processes, and ethics though mentoring, training, and material support.641

Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC)

According to State, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) continues to demonstrate competent administrative and technical capacity. State notes, however, that the MEC lacks the authority to do more than illuminate poor or corrupt practices.642 During the quarter, the MEC issued reports on Da Afghanistan Breshna Sherkat (DABS) and Kabul Bank. These two reports are covered in the Economic and Social Development Section, pages 167 and 173 respectively.

High Office of Oversight and Anticorruption

State and USAID have reported previously that the High Office of Oversight and Anticorruption (HOO) is dysfunctional, ineffective, and politicized.643 Neither State nor DOJ engaged with the HOO during this quarter.644

Security Services

According to DOD, the MOD and MOI both lack the will to pursue transparency and oversight with the result that accountability is nonexistent within both institutions.645

The Combined Joint Interagency Task Force-Afghanistan (CJIATF-A), the lead ISAF element for counter- and anticorruption efforts, is scheduled to terminate on October 31, 2014. Portions of CJIATF-A may transfer
to U.S. Embassy Kabul or be transferred out of Afghanistan in order to remain under the maximum number of U.S. military personnel allowed in Afghanistan.646

**Ministry of Defense**

According to DOD, the MOD has made little progress in the last quarter with respect to effective transparency and accountability policies and processes. Whilst transparency, accountability, and oversight processes exist, they are not enforced due to the substantial level of corruption within the senior leadership of the MOD.647

The MOD Inspector General (IG) is relatively well resourced, with appropriately trained personnel. However, the MOD IG is primarily focused upon protecting members of his political network and obstructs investigations into allegations of criminal behavior by its senior members.648

The General Staff (GS) IG organization is appropriately staffed, and some improvements to the structure and training of the GS IG are being planned in order to improve future effectiveness. The GS IG is considered to be relatively effective at discovering and reporting corruption issues, but MOD leadership obstructs any meaningful attempt by the GS IG to combat corruption. According to DOD, GS IG has conducted many special corruption investigations in various Kabul-based units and follows an annual inspection plan for inspections of the Afghan National Army (ANA) Corps. But when the investigations discover criminal evidence and are turned over to MOD Legal for prosecution as a criminal case, MOD leadership obstructs the prosecution.649

Although each of the six ANA corps has members assigned to the Transparency and Accountability Committees (TACs), all TAC members are members of corps staff (chaired by the deputy corps commander), and never report any information critical of the corps commander. Because of this lack of independence of the TACs, the GS IG assesses the concept of the TACs to be currently ineffective.650

**Ministry of Interior**

According to DOD, MOI anticorruption initiatives are insufficient to address corruption within the MOI. The minister of interior has indicated his support for anticorruption work, but it is generally thought that limited progress will be made as long as the current MOI IG remains in place. The crucial stumbling block remains the lack of enforcement and proportional punishment issued to violators, both large and small, a lack of moral will in the senior leadership, and a governmental system rife with cronyism and patronage alliances developed over many years.651
Refugees and Internal Displacement

According to State, there have been no large increases or decreases in refugee movements and no new developments affecting Afghan refugees in Pakistan or Iran during this quarter. The UN High Commission for Refugees (UNHCR) recorded 2,728 Afghan refugees returning in July and August compared to 6,881 returning in the previous quarter. In the first eight months of 2014, returns totaled 11,949 individuals, which is 61% lower than the 30,666 returns during the same period in 2013.\textsuperscript{652}

As of August 31, UNHCR recorded a total of 721,771 registered conflict-affected Internally Displaced Persons (IDPs), compared to 672,736 as of June 12. According to State, the actual number of internally displaced could be much higher and is difficult to verify. UNHCR reported the top 10 provinces of destination for IDPs were Faryab, Helmand, Kandahar, Farah, Nangarhar, Kunar, Parwan, Kapisa, Wardak, and Badghis. The provinces of origin were the same as those of destination. Most of displaced left insecure rural areas and small towns to seek the relative safety and government services in larger towns and cities of the same province.\textsuperscript{653}

In February, the Afghan government launched a national policy on internal displacement. It set forth the roles and responsibilities of various Afghan government ministries and agencies and their development and humanitarian partners. According to State, implementing this policy will require developing substantial capacity that does not currently exist within the Afghan government, along with changes in land-tenure laws and regulations.\textsuperscript{654}

According to State, the Ministry of Refugees and Repatriation (MORR) will be seriously challenged to show the necessary leadership and management qualities required to implement the new policy as the lead ministry. MORR has been a weak ministry since its inception and has never demonstrated the level of leadership required for effective and consistent action on refugee returnee issues even though it was created to serve as lead coordinator on refugee issues for cabinet-level agencies. The effectiveness of provincial-level MORR authorities has varied over the years, but some may be stronger performers as the IDP strategy moves to implementation at local levels.\textsuperscript{655}

The Afghanistan National Disaster Management Authority’s current ability to implement new IDP policy and respond to emergencies is mixed, with reports of improving performance in a number of locations, according to State. Similarly, the capacity of local and municipal authorities to implement the new IDP policy and respond to emergencies varies greatly. International organizations, bilateral donors, and NGOs worked hard to build the capacity of local government authorities. There are reports that subprovincial local governments in Nangarhar and Sar-e Pul Provinces
are becoming more proactive in addressing local needs, but even with increased skills and training, the provincial branches of several key ministries often lack cash and have problems paying salaries.656

**Afghanistan Independent Human Rights Commission**

According to State, the Afghanistan Independent Human Rights Commission (AIHRC) continues to make significant progress in increasing awareness about human-rights issues, documenting the current human-rights situation, speaking out about abuses, and monitoring the election process.657

This quarter, the AIHRC issued a report on causes and negative consequences of *bacha bazi*, a practice in which young boys are used as sex slaves. According to AIHRC, bacha bazi is not clearly defined in Afghan law; however, the practice violates international conventions, is a form of human trafficking, and therefore is a criminal and human-rights violation. The AIHRC attributes the spread of bacha bazi to the absence of rule of law, corruption, ambiguity and gaps in the law, limited access to justice, poverty, insecurity, and the existence of armed groups. The AIHRC recommended that the Afghan government modify the penal code to clearly declare bacha bazi illegal.658 According to State, contacts at the AIHRC have indicated that public reaction to the report has been largely positive and that religious leaders have begun to paint the practice as anti-Islamic.659
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As of September 30, 2014, the U.S. government has provided more than $30.6 billion to support governance and economic and social development in Afghanistan. Most of the appropriated funds flowed into four major programs and accounts, as shown in Table 3.23. Of the $23.2 billion appropriated for these funds, approximately $20.2 billion had been obligated and $15.4 billion disbursed. These development funds all decreased in Fiscal Year (FY) 2014. The largest account—the Economic Support Fund (ESF)—went from a high of about $3.35 billion in FY 2010 to $852 million in FY 2014.

### Table 3.23

<table>
<thead>
<tr>
<th>Fund</th>
<th>Managing Agency</th>
<th>Appropriated ($)</th>
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<tbody>
<tr>
<td>ESF</td>
<td>USAID</td>
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<tr>
<td>CERP</td>
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<tr>
<td><strong>Total</strong></td>
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Note: ESF = Economic Support Fund; CERP = Commander’s Emergency Response Program; TFBSO = Task Force for Business and Stability Operations; AIF = Afghanistan Infrastructure Fund.

Source: See Appendix B.

### Key Events

Afghan economic growth continued to slow, largely as a result of political uncertainty, persistent insurgency, and the drawdown of U.S. and Coalition forces. This quarter saw several developments that could have a profound impact on the Afghan economy:

- Afghanistan’s domestic revenues in fiscal year (FY) 1393 (December 21, 2013–December 20, 2014) were 22% lower than Ministry of Finance (MOF) budget targets, and 3.8% lower from the same period in FY 1392. Expenditures far outpaced revenues; donor grants narrowed the fiscal gap.

- The MOF is in discussion with donors for additional monies to cover the budget shortfall for remainder of FY 1393, which ends on
December 20. Without this bailout, the government said it would have to defer bill payments, including civil servant salaries.662

- Newly inaugurated President Ghani directed Afghan government officials to immediately reopen the Kabul Bank case, recover stolen funds, hold accountable those involved in the theft, and move ahead with privatizing the successor New Kabul Bank.663
- The Independent Joint Anti-Corruption Monitoring and Evaluation Committee also released its second report on the Kabul Bank crisis highlighting insufficient progress in resolving the Kabul Bank case, naming those responsible along with their liabilities, as well as updating cash and asset recoveries, criminal proceedings, and government reform efforts.664
- Then-President Karzai signed/enacted the long-delayed new minerals law.665 While concerns remain about certain provisions within the legislation, the law is meant to encourage investors and align Afghan regulations with international best practices.666

**ECONOMIC PROFILE**

Afghanistan’s real GDP growth, excluding opium, has slowed significantly over the last year from an estimated 3–4% for 2013 to a World Bank-projected 1.5% in 2014 due to increasing uncertainty about the volatile political and security environment. This is expected to continue through at least the first half of 2015. If this uncertainty, fueled by insecurity, instability, economic crime, and systemic corruption continues, it will further negatively affect private investment and dampen growth.667 By contrast, Afghanistan’s economy grew by an annual average of 9.4% from 2003 to 2012.668

Decreasing nonfood consumer prices led to lower inflation over the first six months of 2014, mostly due to declining real estate prices. The World Bank calculated inflation at 5.6% in June 2014, compared to 7.3% in December 2013.669

The IMF found that while Afghanistan’s macroeconomic and fiscal policies (financed by donor grants) are appropriately balanced, the government must do more to increase domestic revenues and improve budget management. To avoid high rates of inflation, Afghanistan’s monetary policy should maintain its international reserves, continue to limit money-supply growth, and preserve a flexible exchange rate. The IMF said this strategy depends on continued donor assistance pledged at the 2012 Chicago and Tokyo conferences, as well as on Afghanistan’s fulfilling its commitments, which “will be critical towards sustaining donors’ confidence.”670

**Fiscal Sustainability**

Afghanistan has one of the lowest rates of domestic-revenue collection in the world, averaging 9% of GDP from 2006–2013, according to the IMF.671

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Revenue collection continues to decline against budget projections. In the first seven months of FY 1393, total domestic revenues—tax and non-tax revenues, and customs duties—missed MOF targets by $274 million (-22%) so far, and decreased by approximately $39.46 million from the same period in FY 1392 (-3.8%).

The World Bank estimated a budgetary shortfall of around $500 million in FY 1393 (December 21, 2013–December 20, 2014), and reported that Afghanistan is headed for a fiscal crisis. Government cash balances are low and it is behind in operations and maintenance as well as discretionary development spending. Afghanistan is suffering from acute budgetary shortfalls in FY 1393, threatening to affect payments of civil servant salaries.

SIGAR asked State for a U.S. government point of contact with access to the Afghanistan Financial Management Information System (AFMIS), the country’s government-wide accounting system, as well as a description of any efforts undertaken by the United States or the international community to validate AFMIS data. State responded it does not currently have access to AFMIS. DOD relies upon AFMIS for tracking Ministry of Interior and Ministry of Defense spending and has access to certain AFMIS data, but acknowledges that the data is entered by Afghan ministry staff, making its reliability dependent on those same individuals. DOD is not aware of any periodic data-validity checks. See pages 139 for more detail.

SIGAR believes U.S. government agencies should press the MOF for complete access to AFMIS and help the Afghan government ensure the data is accurate and verifiable. While the AFMIS data is far from perfect, without it, SIGAR believes the United States lacks a holistic view of what the Afghan government reports to be spending its money on and at what rate, cannot confirm whether and to what degree budgetary shortfalls exist, and has insufficient basis to inform the U.S. response.

SIGAR questions the Afghan government’s management of billions of dollars in U.S. and international donor assistance. Afghanistan’s budgetary shortfalls, excluding donor grants, have been documented by SIGAR, the World Bank, IMF, and Afghanistan’s Ministry of Finance, among others, long before the protracted presidential elections and its associated economic impacts. Afghanistan has suffered from a lack of political will to address corruption, which permeates many Afghan government institutions, and from weak enforcement of revenue measures. SIGAR agrees with State that a new Afghan administration brings fresh opportunities to tackle these issues.
salaries, pensions, and operating and development spending. However, should revised government revenue targets not be reached and donor grants not paid, the World Bank warns that the fiscal gap will grow.674 Afghan officials have largely attributed this gap to donor failure to release on-budget development aid,675 and the protracted presidential election that depressed consumer spending and led to an overall decline in imports—major sources of government tax and customs revenue.676 State said continuing drawdown of international forces, whose presence traditionally helped bolster imports, is compounding Afghanistan's revenue shortfalls.677 The fiscal gap—currently filled by donors—is large and growing as depicted in Figure 3.32.678

FIGURE 3.32

AFGHANISTAN'S DOMESTIC REVENUES COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES ($ MILLIONS)

Note: Until recently, Afghan fiscal years ran approximately March 21 to March 20 of consecutive Gregorian calendar years. FY 1388 corresponds to March 21, 2009, to March 20, 2010, and so on. Nine-month data for fiscal year 1393 reflect a change in the timing of the Afghan fiscal year. Afghan fiscal years now run December 21 through December 20. FY 1393 represents the first seven months only.

Afghan government expenditures are expected to continue rising—to 30.5% of GDP in 2016 versus 27.3% in 2014, according to World Bank projections—largely due to spending on security, service delivery, building essential infrastructure, and operations and maintenance.\(^679\) The IMF estimated Afghanistan’s financing gap, comprising on- and off-budget needs, at $7.7 billion (33% of GDP) on average, annually through 2018.\(^680\) This will limit Afghanistan’s ability to pay for discretionary services without significant donor support and improved revenue mobilization.\(^681\)

Improving revenue collection requires political will. The Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) stated that “Afghanistan loses a substantial amount of revenue due to corruption and smuggling at its borders.”\(^682\) The World Bank said improved revenue mobilization must include reducing leakages, strengthening tax and customs enforcement, and implementing a value-added tax with a 10% rate.\(^683\) (See the July 2014 SIGAR Quarterly Report to the United States Congress essay on fiscal sustainability for a discussion of VAT opportunities and challenges for Afghanistan.)

This quarter, the MEC also reported that Da Afghanistan Breshna Sherkat (DABS)—Afghanistan’s national electric utility—is writing off approximately $33 million in unpaid bills accrued from October 2009 to March 2012, including from several government ministries. In that period, DABS collected only $4.3 million.\(^684\) DABS reportedly collected only half of its electricity bills in Helmand, while the Taliban collect revenue from electrical infrastructure it has taken over in several provinces.\(^685\) For more information about power infrastructure programs that will be turned over to DABS to sustain, see page 185.

**Trade**

Afghanistan’s largest trading partner is Pakistan, followed by the United States, the European Union, and regional neighbors.\(^686\) Trade-related taxes represented 45% of Afghanistan’s total tax revenues from 2006 to 2013.\(^687\) Although Afghanistan routinely sustains a large trade deficit, donor aid helps the country maintain a current account balance of 4.1% of GDP.\(^688\) Afghanistan has no access to international capital markets and relies on this aid. Without it, the IMF estimates Afghanistan would have a current account deficit equivalent to 41% of its GDP.\(^689\)

The World Bank estimates Afghanistan’s foreign exchange reserves at $7.3 billion by the end of 2014 (enough to cover eight months of imports).\(^690\) Reserves also help maintain exchange-rate stability and protect the economy against external shocks.\(^691\) The currency exchange rate affects the trade balance and the current account. Afghanistan maintains a flexible and floating exchange-rate policy that has led to a relatively stable fiscal policy, but the afghani (AFN) is depreciating against the dollar. In early January...
2012, a U.S. dollar cost about 49 AFN; on September 30, 2014, it cost about 57 AFN, according to the Afghan central bank.692

**Exports**
During 2011–2014, Afghanistan exported $3.1–3.3 billion worth of goods and services annually, not including narcotics, according to IMF estimates.693 The World Bank said Afghanistan’s exports are concentrated,694 with a small number of products or trade partners,695 making them highly dependent on a few commodities for their earnings, and consequently more vulnerable to unstable prices and trade shocks.696

The IMF export estimates include only $500 million annually of domestic merchandise exports. Much of the rest, Treasury said, are re-exports that earn far less foreign-exchange revenue, while many of the service-related exports—freight, transportation, construction, license fees—stem from the foreign military/donor presence and may decline in the future. Afghans living abroad also remit money, but there is little quantitative data on its value or its contribution to Afghanistan’s export capacity.697

According to Treasury, the biggest obstacles to Afghan exports are:698

- Lack of security—both because of ongoing conflict and law-enforcement failures—is an obstacle to routine domestic commerce, large-scale mining, and gas/oil extraction.
- Transport—as a landlocked country, Afghan exports require cooperation from, and adequate infrastructure in, neighboring countries. Iran’s sea coast and superior infrastructure make it an attractive trade route, but it is under severe U.S. sanctions.
- Human capital—years of conflict have resulted in an interrupted education system, poorly educated workforce, and limited domestic technological capabilities that will take years to overcome.

**Imports**
IMF balance-of-payments indicators show that over $8 billion worth of imports are paid for by official donor grants. If the IMF calculations are accurate, Treasury estimated that Afghanistan’s real import capacity, without a significant foreign presence driving demand, is less than $2 billion annually, excluding narcotics revenues. Treasury noted that without high levels of external assistance, import levels must decline, but it is difficult to predict by how much without knowing the amount of imports needed to meet the changing demands of the foreign presence, what Afghanistan’s import needs will be once that foreign-driven demand declines, and the required level of external assistance needed to sustain healthy economic activity and growth. Reduced imports do not necessarily affect the economy adversely.699

Narcotics revenues do pay for some imports of legitimate goods such as cars, building materials, and food, but they largely bypass the formal sector.
Treasury said narcotics proceeds probably do not have an important influence on Afghanistan’s foreign-exchange reserves, but are more likely to finance capital flight, money laundering, and lifestyles of individuals in the narcotics industry.700

**Afghanistan Trade and Revenue Project**

<table>
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<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
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<td>$11,141,671</td>
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Source: USAID, response to SIGAR data call, 10/9/2014.

The Afghanistan Trade and Revenue (ATAR) Project is USAID’s trade-facilitation program designed to (1) support Afghanistan’s accession to the World Trade Organization (WTO), (2) facilitate bilateral and multilateral regional trade agreements, and (3) improve and streamline the government’s ability to generate revenue.701 ATAR is supporting Afghanistan’s WTO accession in 2014, and while Afghanistan is positioned to accede, USAID said the government must resolve laws that are inconsistent with WTO standards and improve ministerial capacity. ATAR is helping the government draft WTO-related legislation and is assisting with market-access negotiations in the WTO-accession process. ATAR is also working with Afghan customs officials to modernize and streamline customs processes.702

**BANKING AND FINANCE**

The World Bank and IMF have both reported that Afghanistan’s banking and financial sector has not recovered from the 2010 Kabul Bank crisis. The sector suffers from inadequate regulation and oversight, undercapitalization, and a loss of consumer confidence.703 Additionally, few Afghan banks operate in accordance with international standards. Audits of major banks in Afghanistan conducted in the wake of the Kabul Bank scandal have revealed “systemic fragility and vulnerability in all areas of banking governance and operations.”704

The IMF said Afghanistan’s banking-sector vulnerabilities—limited legal infrastructure and institutional capacity, and inadequate corporate governance—constrain financial-sector development. While the central bank has taken corrective measures toward strengthening Afghanistan’s 12 banks, seven considered to hold weak assets make up 51% of the banking sector. If Afghanistan’s banking sector is to contribute to the country’s economic development, it will require developing financial infrastructure (financial products, investment vehicles, risk-management tools, etc.), while improving and enforcing banking supervision.705 The U.S. Department of Treasury warned that should Afghanistan fail to

“*The critical issues are not a simple matter of choosing good policies, but of the political will and capacity to follow through on implementation.*”

Source: U.S. Department of Treasury, response to SIGAR data call, 10/1/2014.
aggressively enforce anti-money laundering/antiterrorist financing laws, its banking system will become isolated from the rest of the world and be unable to provide key financial services.\textsuperscript{706}

Treasury provided no direct assistance to the Afghan banking system this quarter, but said it could reconsider if certain conditions were fulfilled.\textsuperscript{707} Past conditions, which Afghanistan has rebuffed since 2011, include:\textsuperscript{708}

\begin{itemize}
  \item Afghanistan staying on track to meet its obligations under the IMF Extended Credit Facility program
  \item Kabul Bank shareholders not being involved in the banking sector, formally or informally
  \item clear communication from the president that Treasury advisors would be welcome
  \item clear roles, objectives, progress benchmarks and obligations, in writing, for Treasury’s technical advisors
  \item cessation of public statements by Afghan officials that the United States was responsible for the Kabul Bank crisis
  \item an Afghan financial-sector plan that Treasury could support
\end{itemize}

Many Afghans distrust banks, preferring to borrow and save with family and friends, and to transfer money through informal, trust- or honor-based hawala networks which provide Money or Value Transfer Services (MVTS).\textsuperscript{709} Commercial loans plummeted in the wake of the Kabul Bank crisis, according to the World Bank, and the banking sector’s loan-to-deposit ratio dropped from 56.8% in 2010 to 22.6% in 2013.\textsuperscript{710} Some 50–90% of all financial transactions in Afghanistan use MVTS, as do drug traffickers seeking to launder their illicit proceeds outside the formal banking sector.\textsuperscript{711}

**Money Laundering**

The State Department lists Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds. Narcotics, corruption, and contract fraud are major sources of the country’s illegal revenues and laundered funds. Afghanistan has weak or nonexistent supervisory and enforcement regimes, and little political will to combat corruption, both of which “continue to pose serious threats to the security and development of Afghanistan.”\textsuperscript{712}

Money laundering and terrorist financing are largely perpetuated by hawalas, which Afghans rely upon because of official corruption and weakness in the banking sector. Unlicensed and unregulated hawala brokers in drug-producing areas like Helmand are responsible for much of the money laundering through Afghanistan’s financial system. But Afghan business consortiums that own hawalas and banks are also complicite.\textsuperscript{713}
Financial Action Task Force

Last quarter, Afghanistan narrowly avoided a Financial Action Task Force (FATF) blacklist designation after its parliament passed Money Laundering/Combating the Financing of Terrorism (AML/CFT) legislation just days before the FATF plenary session of June 2014. Although FATF was not able to thoroughly review the legislation before the plenary, Afghanistan was moved off FATF’s “dark-gray” list of jurisdictions not making sufficient progress, and was promoted to the “gray” list of Improving Global AML/CFT Compliance: On-Going Process.714

The State Department has neither seen nor evaluated copies of Afghanistan’s newly enacted AML/CFT laws.715 Treasury said they conducted an informal analysis of the AML/CFT laws and CFT regulations, and had concerns that the money-laundering offense, as written, does not cover foreign-predicate crimes—crimes committed outside Afghanistan’s jurisdiction. Additionally, they found deficiencies in the terrorist-financing regulations regarding the establishment of an asset-freezing regime to implement United Nations (UN) Security Council Resolutions 1267 and 1988, which obligate UN member states to freeze assets of UN-designated individuals and entities for being associated with al-Qaeda and the Taliban.716

FATF will evaluate compliance standards and implementation of Afghanistan’s AML/CFT laws during its next plenary in October 2014.717 In the meantime, FATF is helping Afghanistan establish a legal framework for its AML/CFT system and achieve technical compliance. Afghanistan, as a member of FATF, will be subject to rigorous reviews of its AML/CFT systems to determine effectiveness.718 Improved oversight of MVTS is a part of these reviews, according to Treasury, and includes increasing the number of AML/CFT inspections as well as a requirement for Afghanistan to bring its unlicensed entities into the formal financial system.719

A majority of Afghan banks have been affected either by closure or restriction of one or more of their correspondent accounts. They are at risk of future closures due to deficiencies in Afghanistan’s AML/CFT regime and in bank-compliance processes.720 Treasury said international banks have moved to reduce their compliance risks in response to a less forgiving regulatory environment. However, Treasury expects that some key correspondent accounts will be maintained.721

The loss of correspondent accounts could potentially damage the profitability of Afghan banks for which international trade and transaction fees are an important revenue source; also, some banks have become more selective in accepting new customers in the tighter regulatory environment. Treasury said any increased difficulty for Afghan customers in gaining access to banks with correspondent relationships could disrupt normal trade and financing. Treasury also said the economic consequences of lost correspondent accounts, although difficult to predict, could be severe.722
Ghani Reopens the Kabul Bank Case

In one of his first official actions upon being sworn into office, President Ashraf Ghani called for reopening the Kabul Bank case and issued a 10-point decree on October 1, ordering:

1. the Supreme Court to pursue the case pending before the appellate court, review the charges—including money laundering—and render a decision within 45 days
2. the Attorney General’s Office (AGO) and other relevant institutions to assist the court with finding all case documents and evidence
3. the AGO to prosecute all those accused and involved in the theft with indictments lodged within 15 days of the decree
4. the AGO to oversee and enforce the primary court’s judgment and detain all suspects within three days of the order until the case is finalized by all three courts (Supreme, Primary, and Appellate courts)
5. the Kabul Bank Receivership to set a specific timetable for completing repayment of the bank’s assets within 10 days
6. the Kabul Bank Receivership to summon all bank debtors who have not cleared their debts within five days and the AGO, Ministry of Interior, and other relevant institutions to cooperate in this effort
7. the AGO, Ministries of Finance and Foreign Affairs, and central bank to send international mutual legal requests within 10 days to freeze and recover Kabul Bank assets that were stolen and transferred abroad
8. the Ministry of Finance to prepare documents for Kabul Bank privatization within 10 days
9. relevant ministries to report their progress to the president at the end of every week
10. the Office of Administrative Affairs and Secretariat of the High Council of Ministers to monitor implementation of the decree

The AGO finally resubmitted the case to the appellate court on October 11. While seven offenders charged in the original indictment have reportedly been re-arrested, some of those indicted are no longer in Afghanistan. Until President Ghani’s decree, the AGO had not filed any new charges, launched any new prosecutions, or indicted any additional beneficiaries since the Special Tribunal of the Kabul Provincial Court found 21 individuals guilty of a variety of charges on March 5, 2013, ignoring overwhelming evidence, court orders and U.S. Department of Justice (DOJ) requests to do so. DOJ said that while the presidential decree provides a basis for hope, it remains to be seen how aggressive Afghan law enforcement will be in complying.

Before its near-collapse in 2010, the Kabul Bank had been Afghanistan’s largest private bank, distributing most civil salaries on behalf of the Afghan government. Over 92% of $935 million that was known at that time to have been stolen from the bank went to 19 individuals and companies associated with the bank. Afghanistan’s central bank, DAB, covered these losses, equivalent to 5–6% of Afghanistan’s GDP at that time.

Independent Joint Anti-Corruption Monitoring and Evaluation Committee Follow-Up Report

On October 2, 2014, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) released its second report on the Kabul Bank crisis. The report highlighted insufficient progress in resolving the case over the last four years, named those responsible along with their liabilities, and updated cash and asset recoveries, along with criminal proceedings, and government reform efforts. As of 2013, Kabul Bank's total debt was $982.6 million, including new debt identified since 2010. Only $175.2 million had been recovered as of April 2014—less than 18% of total amounts owed; $97.4 million was forgiven or deemed not owed.

Afghanistan has committed to enforcement of asset recovery and accountability for those responsible for the Kabul Bank crisis under the Tokyo Mutual Accountability Framework (TMAF) and to the IMF. Yet the MEC report said recovery of embezzled money has been slow, while rendered decisions have been hampered by external influences, largely ignored, and unimplemented. The MEC found problems with the Special Tribunal's convictions of those indicted, a court of appeals that unnecessarily delayed proceedings, and insignificant progress in Afghan financial and banking regulations and oversight. The last joint Afghan-international-donor TMAF report from January 2014 contained only vaguely worded language about how the Afghan government is implementing relevant recommendations and how it will continue making progress on resolving Kabul Bank issues, including asset recovery and the appeals case.

U.S. Economic-Support Strategy

The U.S.-Afghanistan Strategic Partnership Agreement and the Civil-Military Strategic Framework are the most recent guiding documents for U.S. assistance in Afghanistan. Additionally, the annual Mission Resource Request and operational plans provide a basic framework and prioritization for U.S. assistance efforts. U.S. Embassy Kabul is developing an integrated country strategy which will help to guide foreign-assistance priorities. USAID and other assistance implementers may also choose to develop their own strategies, according to State. U.S. economic strategies are coordinated at an interagency level through the National Security Council.

Most assistance from the Economic Support Fund (ESF) goes toward USAID’s development programs. USAID said that none of its programs have been interrupted due to Afghan government revenue shortages. Figure 3.33 on the following page shows USAID assistance by sector. USAID provides approximately 30% of total annual donors’ contributions to the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF). Up to half of these funds are “preferred” by donors for specific development activities, while the rest is used at the World Bank’s discretion.
USAID is targeting its economic and agricultural programming in four regional economic zones centered on major municipalities, markets, and trade routes. Stabilization and subnational governance programs will focus on areas in and around the zones to protect against destabilizing forces. These zones already contain most economic activity in Afghanistan. They have: a skilled workforce; access to transportation, energy, and water infrastructure; connections to domestic and international markets; agricultural and mineral resources; and entrepreneurs and financing to expand small and medium enterprises. USAID programs will leverage the potential and comparative advantages of each zone. Water management, education, health, and governance activities will remain national in scope.\(^{735}\)

DEVELOPMENT OF NATURAL RESOURCES

The United States, the Afghan government, and the international donor community believe development of Afghanistan’s natural resources can underpin future economic growth in the face of declining external aid. Although mining has contributed less than 2% to the country’s GDP to date, the Afghan government expects to eventually receive significant revenues from large-scale investments in the Aynak (copper) and Hajigak (iron-ore) mines, and from oil and gas fields in the Afghan-Tajik basin.\(^{736}\)

The World Bank estimates annual extractive-sector revenues could reach between $700 million and $1.5 billion by 2022–2024.\(^{737}\) However, SIGAR has long cautioned that the Afghan government may not be able to earn substantial revenues from Afghanistan’s natural resources any time soon because of the considerable infrastructure investment required to develop them, especially given the difficult security environment.
The United States Institute for Peace warned last year that revenue projections from mineral extraction are often difficult to make with any accuracy, given commodity-price fluctuations and uncertainty whether identified resources can be fully extracted. Treasury said the potential market value of Afghanistan’s minerals, while significant, is far less than the hundreds of billions of dollars reported in the press. The net value of minerals-related taxes and royalties to the government will likely be a small fraction of that, spread over decades.

Meanwhile, the majority of mines operating in Afghanistan—1,400 by some estimates—are unlicensed and illegal. The UN reported this year that Taliban income derived from narcotics and illegal mining allow it to resist a lasting peace settlement with the Afghan government, while denying the government much-needed revenue. In Helmand Province alone, for instance, the Taliban were expected to earn $10 million annually from operating 25–30 illegal marble-mining sites. In contrast, Afghanistan’s entire official marble industry generates only $15 million in annual government revenue.

New Minerals Law
On August 9, 2014, then-president Hamid Karzai approved the new minerals law passed by parliament last quarter. The law is meant to better protect Afghan resources, encourage investors, and align regulations with international best practices. DOD’s Task Force for Business and Stability Operations (TFBSO) has not yet seen a copy of the enacted legislation, but highlighted two concerns based on previously viewed drafts that could remain an impediment to investment. First, the law restricts the right to transfer licenses from one company to another—a standard practice in the mining community. According to State, the Council of Ministers reportedly approved an amendment repealing the prohibition on transfers of licenses on September 15. Second, investors with exploration licenses who find economically viable deposits still have no guarantee they will be granted exploitation licenses for those same deposits.

Other U.S. government concerns include the inability to move funds in and out of Afghanistan through a functioning banking system, and requirements to preference Afghan versus foreign labor and to prioritize purchase of Afghan goods. Neither of the last two requirements is WTO-compliant, and both could deter private investment. Moreover, the World Bank assessed large gaps in the quality and availability of local Afghan goods and services needed for the extractives sector.

Pending Contracts
Several TFBSO-assisted contracts remained unsigned this quarter. These were negotiated by the Ministry of Mines and Petroleum (MOMP) under the previous minerals law, including Shaida (copper, awarded in November 2012); Badakhshan (gold, November 2012); Balkhab (copper,
ECONOMIC AND SOCIAL DEVELOPMENT

November 2012); and Zarkashan (gold, December 2012). They are awaiting cabinet approval once a new government is confirmed, but will likely have to be reviewed again by the ministry for compliance with the new minerals law.750 Contract negotiations for Jabul Seraj (cement, February 2014) are also ongoing. Revisions to its terms are being incorporated before a final contract will be forwarded for inter-ministerial commission (IMC) and then to the cabinet for final approval.751

Additionally, two TFBSO-assisted hydrocarbon contracts await finalization: Afghan-Tajik Phase II (oil and gas) and the Totimaidan block (oil and gas, September 2014) in the Amu Darya Basin. The two Afghan-Tajik Phase II exploration and production-sharing contracts (EPSCs) have been initialed and are pending cabinet approval; the Totimaidan EPSC markups will need to be completed and approved by the IMC before the contract goes to the cabinet for approval.752

There is also no reported change in contract negotiations for Hajigak (iron-ore, November 2011) concessions this quarter.753 News reports indicated that Afghan Iron and Steel Consortium (AFISCO), a seven-member consortium led by state-owned Steel Authority of India Ltd., which won three of the four blocks tendered, is considering cutting its initial investment from $11 billion to $1.5 billion, and that they were waiting for approval of the new mining law.754

Impediments to Investment

The MOMP expects the new mining law to ameliorate investor concerns and open the door to new business opportunities.755 Whether or not the law is on par with those in other countries, it’s not the only impediment to investment in Afghanistan’s extractive industries.756 According to the World Bank, security overshadows all other constraints to investment.757 There is also a lack of available capital in the mining industry.758 Commodity prices, including for copper, gold, natural gas, and other fuels, are expected to be flat or declining over the next 12 months, giving investors less incentive to invest in riskier countries.759

There are also government oversight-related issues. The Revenue Watch Institute gave Afghanistan a failing grade in 2013 for its minimal oversight of the mining-licensing process and of state-owned mining companies. It said lawmakers do not receive regular reports on licensing decisions, which cannot be appealed, and are denied access to certain major mining contracts deemed confidential. Additionally, Afghanistan’s Audit and Control Office does not specifically review resource revenues, and the reports it does prepare are not published.760

Integrity Watch Afghanistan compared Afghanistan’s governance of its mining industry to best practices in six countries to help highlight Afghanistan’s opportunities and challenges. It found that corruption is a major investor concern in Afghanistan, and that mining-sector
transparency—in licensing process, tax and royalty data, distribution of funds, and public access to information—along with good governance were essential to sustainable development that benefits the public.761

Currently there is no excavation work under way at the Mes Aynak copper mine in Logar Province other than continuing archeological mitigation of damage to cultural relics in the area. However, this quarter, the MOMP reported the site was closed due to the ongoing presidential elections and because the government archeologists went on strike after not being paid for six months. In the meantime, the MOMP, assisted by TFBSO-provided subject-matter experts, is reviewing a draft feasibility study that could affect the future of the project. Landmine clearing at the site continued despite eight mine-clearing team members being executed and another three wounded in June by what the UN called “anti-government elements.”762

Factors potentially contributing to the delay in copper production include challenging contract terms, volatility in the minerals market, the discovery of antiquities on-site, and contractor delays.763 The Afghan government awarded the contract for extraction rights at Mes Aynak in 2008, but its hoped-for royalties have not yet been realized.764 Afghanistan’s FY 1393 national budget does not anticipate any revenue from Mes Aynak after the previous year’s budget projected $50 million that never materialized.765

Assistance to the Ministry of Mines and Petroleum, Afghanistan Petroleum Authority, and the Afghanistan Geological Survey

The United States continued to provide technical assistance this quarter to the MOMP, the ministry’s Afghanistan Petroleum Authority (APA), and the Afghan Geological Survey (AGS), largely through TFBSO and the U.S. Geological Survey. These organizations are supporting mineral and hydrocarbon tenders as well as oil-and-gas data management.766

The U.S. Geological Survey no longer has programs in Afghanistan, but is transferring to the AGS work completed during earlier on-the-job training, including data compilation and data packages on mining areas of interest using mapping and illustrative software, geophysics, and hyperspectral imaging training.767

TFBSO also continued its subject-matter-expert support to the APA—technical (oil and gas engineering), legal (contract implementation), and financial (accounting and analysis) services; training (training schedules and lists, course identification) and donor coordination; and strategic (identifying strengths, weaknesses, and opportunities, and overseeing the hydrocarbon tender process). While APA has taken the lead in most areas, TFBSO is concerned that the number of APA personnel might not be sufficient to properly oversee the number of EPSCs in the pipeline. Moreover, APA personnel will be tested when they face operational rather than theoretical processes (gas production and processing, long-term sales
agreements, multiple buyers, multi-field hydrocarbon production, etc.) Monitoring and oversight will be crucial as APA contracts are signed.768

TFBSO assisted the MOMP with four mineral tenders (pending cabinet approval, discussed above), two cement tenders (one under contract negotiations and one cancelled), and five oil and gas tenders (one proof of concept completed, two ongoing contracts, one under negotiation, and one awaiting cabinet approval).769 TFBSO tender support and AGS training assistance ended on September 30, 2014, but TFBSO will help with a third round of negotiations scheduled in November.770 TFBSO obligated $17.2 million in FY 2014 for mining-sector development, as of September 30, 2014.771 TFBSO’s authority is scheduled to expire at the end of 2014.772

USAID, through its Mining Investment and Development for Afghan Sustainability (MIDAS), aims to help the MOMP and AGS become a modern and independent mineral exploration entity, and train staff to be able to deliver tender-ready mineral projects to the ministry. MIDAS legal advisors also helped the MOMP write a regulation on health and safety in the mining sector.773

### Mining Investment and Development for Afghan Sustainability

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<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
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Source: USAID, response to SIGAR data call, 10/9/2014.

MIDAS has on- and off-budget components. The $41.6 million off-budget Phase I is focusing on legal and regulatory reform, technical assistance to the MOMP, small- and medium-size enterprise development, and assistance in geo-science field investigation. It will provide other support as needed. The $45 million on-budget Phase II has not yet begun, but is designed to strengthen the MOMP so it can procure, implement, and monitor completion of mining tender packages.774 MIDAS is shifting $10 million of Phase II funding from on to off-budget status for core-sampling drilling services.775

MIDAS advisors reviewed four MOMP mineral package reports, including one for the Mes Aynak copper mine. The reports revealed “serious flaws” and noncompliance with industry standards for public-project reporting, according to USAID. Extensive exploration is needed to verify the accuracy of these reports. MIDAS also assessed six Afghan-owned firms who participated in its Afghan Mining Enterprise Initiative, which is meant to help firms improve its services and win contracts supporting international mining companies.776 As of September 30, 2014, USAID had obligated $16 million and disbursed approximately $10.4 million to begin off-budget implementation.777

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**SIGAR AUDIT**

An ongoing SIGAR audit focuses on the extent to which TFBSO and USAID programs met their goals to develop Afghanistan’s extractives industry and the challenges, if any, to creating a stable and lasting source of extractives revenue for Afghanistan.
Hydrocarbons
Afghanistan’s efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan. Afghanistan has only small-scale topping plants—early-stage refineries that can process only limited petroleum components of crude oil—and remains heavily dependent on imports for fuels. The country imports 10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and Iran.

Despite 75 billion cubic meters of known natural gas reserves and an estimated 444 billion cubic meters in estimated recoverable reserves, Afghanistan’s gas sector is “mired with infrastructure and regulatory deficits,” according to the ADB. The ADB said capital investments from public- and private-sector funding are needed to help Afghanistan overcome its challenges and realize its resource potential. Currently, Afghan Gas Enterprise, the national gas utility, produces approximately 380,000 cubic meters per day from four gas fields it owns and operates, nearly all of which is supplied to the Northern Fertilizer and Power Plant.

Amu Darya Basin
The three blocks of the Amu Darya Basin awarded to the China National Petroleum Corporation Watan Energy Afghanistan (CNPCI-W) in 2011 are estimated to contain 87 million barrels of crude oil. Production was a modest 2,000 barrels per day for August and September 2014. CNPCI-W is in the process of concluding its fifth crude-sales tender for an estimated 1.8 million barrels over a 15-month period (December 2014, through March 2016), with option years available thereafter.

So far, the government has received $3.67 million in royalties from this award. A $615,000 royalty payment is due the Afghan government on October 31, 2014. The government expects about $60,000 per day from the basin at full production.

Totimaidan
This quarter, Afghanistan’s interministerial commission approved the MOMP’s preferred bidder for the exploration, development, and production in the Totimaidan block, comprising 7,131 square kilometers in the Amu Darya Basin. Contract negotiations are ongoing and will require cabinet approval. The contract area contains 28 billion cubic meters of reserves in two known gas fields and more than 50 proven and prospective subsurface geological structures. TFBSO provided tender-preparation assistance to the MOMP, as well as technical, legal, commercial, and transparency advisory services.
Sheberghan Program
Sheberghan holds the potential for cheap natural gas and could be competitive with imported power from Uzbekistan, according to the World Bank. Both USAID and TFBSO have active programs in the area. USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation through two mechanisms: the $90 million, on-budget Sheberghan Gas Development Project (SGDP), and the $35 million, off-budget Sheberghan Gas Generation Activity (SGGA). USAID will pay $30 million on-budget through SGDP to rehabilitate two wells and drill one well in the Juma and Bashikurd field in the Amu Darya Basin. An additional $7 million will come from Afghanistan’s national budget. If the wells have sufficient capacity to run a 200 MW gas-fired power plant, USAID will fund a gas-gathering system and gas-processing plant to fuel it with its remaining $60 million, provided on-budget through SGDP.

Pipeline Rehabilitation Project
TFBSO is helping the MOMP and Afghan Gas Enterprise rehabilitate the existing 89.1 km (55.4-mile) Sheberghan–Mazar-e-Sharif pipeline to improve its capacity and the quality of gas flowing through it. The goal is to provide domestic energy security and an opportunity for commercial sales. The pipeline currently transports 380 million cubic meters of natural gas per day.
and is expected to increase to 680–960 million cubic meters per day upon demand after project completion.\textsuperscript{792} The project comprises four components:\textsuperscript{793}

- Construction of a compressor station and dehydration plant: This quarter, Afghan Gas began operating one compressor, leading to 125\% increase in gas availability with additional supply accessible upon demand.
- Construction of an amine plant and an associated pipeline to the compressor station: The amine plant is 90\% and the pipeline is 95\% complete.
- Replacement of deteriorated portions of existing Sheberghan–Mazar-e-Sharif pipeline: 14 of 15 affected kilometers have been replaced.
- Progress toward construction of a new, parallel Sheberghan–Mazar-e-Sharif pipeline: The work is 95\% complete and training programs are under way.

In the Task Force’s final 60 days in Afghanistan, TFBSO-provided subject matter experts will support Afghan Gas in precommissioning, commissioning, and training. The MOMP intends to hire professional service providers who will be responsible for plant operations and training upon demand.\textsuperscript{794}

**AGRICULTURE**

Agriculture continues to be the main source of employment and subsistence for the Afghan population. Only 12\% of the land is arable and even less is cultivated, yet the sector accounts for 31\% of GDP and, according to the latest World Bank report, provides employment to about 59\% of the labor force.\textsuperscript{795} Given its importance, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment.\textsuperscript{796}

Between FY 2002 and FY 2012, USAID provided approximately $2.46 billion for agricultural and alternative-development funding to improve production, increase access to markets, and provide alternatives to poppy cultivation.\textsuperscript{797} Of that, USAID has obligated and disbursed $54 million in direct assistance to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL).\textsuperscript{798}

USAID has shifted its agricultural development strategy from stabilization activities like subsidized inputs and employment to longer-term, more sustainable efforts.\textsuperscript{799} USAID is currently providing on- and off-budget assistance to the agriculture sector through several programs. USAID’s three highest-priority programs, worth nearly $350 million total, are:

- Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE)
- Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW)
• Commercial Horticulture and Agricultural Marketing Program (CHAMP)

**Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE)**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Credit Enhancement</td>
<td>7/15/2010</td>
<td>1/15/2015</td>
<td>75,175,296</td>
<td>69,107,024</td>
</tr>
<tr>
<td>Agricultural Development Fund</td>
<td>7/18/2010</td>
<td>12/31/2014</td>
<td>74,407,662</td>
<td>54,000,000</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

The Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE) has two complementary activities that aim to support MAIL’s efforts to provide credit and build ADF staff capacity to manage a credit program. ADF was established to provide loans across the agricultural value chain through banks, farm stores, leasing companies, and food processors. Much of this credit is then extended to farmers. ACE is a technical-assistance component that manages all ADF lending activities and helps build MAIL capacity.800

As of September 30, 2014, ADF has provided direct loans to 24,718 farmer households through farmer associations and networks. ADF’s loan portfolio was $101.2 million in loans approved, of which $55.8 million has been disbursed, with $30.8 million repaid. USAID said 3.6% of ADF loans are late in repayment, well within standard acceptable rate in developed countries.801

USAID said it and MAIL are committed to the sustainability of ADF as USAID’s participation winds down in the coming months. Other donors will be approached to capitalize the fund, with the Danish Development Agency committing $28.5 million so far. MAIL has also demonstrated its commitment to ADF’s sustainability by supporting the autonomy of the program’s board of directors.802

**Incentives Driving Economic Alternatives-North, East, and West**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
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</thead>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW) is a cooperative-agreement project that provides agricultural assistance to farmers and agribusinesses in eastern, northern and western
provinces. IDEA-NEW promotes high-value, legal agricultural production that can serve as an alternative to poppy cultivation by increasing commercial opportunities, extending access to financial services, and promoting value-chain development for key regional industries and trade corridors. It also facilitates connections between producers, traders, and buyers through market-information activities and sales promotion.803

This quarter saw pesticide training for nine agricultural input suppliers (primarily seeds, fertilizers, agrochemicals), signed grant agreements with 11 input suppliers and four food processors, and a business-to-business meeting for four local food processing companies.804

### Commercial Horticulture and Agricultural Marketing Program

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Horticulture and Agricultural Marketing Program</td>
<td>2/1/2010</td>
<td>12/30/2014</td>
<td>$40,320,139</td>
<td>$38,573,341</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

The Commercial Horticulture and Agricultural Marketing Program (CHAMP) aims to displace poppy cultivation by helping farmers plant and operate profitable orchards and vineyards, and by enhancing crop quality and promoting export and trade corridors. The program also works with traders to improve harvesting, packing, cool storage, and shipping methods. Under the program’s Cooperative Agreement, extended until December 2014, CHAMP has shifted to a value-chain approach that emphasizes post-harvest handling and market activities. CHAMP carries out activities throughout five main-value chains (grapes, almonds, pomegranates, apricots, and apples) and one sub-value chain (melons).805

This quarter, CHAMP trained more than 1,300 farmers in pre-harvest techniques such as pest management, pruning, fruit thinning, and water management, as well as maintenance of newly planted citrus orchards. Additionally, Afghan farmers from four provinces exported more than $2.5 million worth of apricots to India and Pakistan. However, the CHAMP Kabul office was closed due to security threats that forced staff to work out of their homes or a hotel guest house. The deteriorating security situation is also hampering work in several provinces with staff and beneficiaries being threatened and intimidated. USAID’s CHAMP implementing partner also reported procurement delays caused by USAID’s vetting processes.806
ECONOMIC AND SOCIAL DEVELOPMENT

Other Active USAID Agriculture Programs

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghan Agricultural Research and Extension Development (AGRED)</td>
<td>7/17/2012</td>
<td>7/16/2017</td>
<td>23,638,611</td>
<td>6,126,144</td>
</tr>
<tr>
<td>Improving Livelihoods and Governance Through Natural Resource Management</td>
<td>4/10/2010</td>
<td>12/31/2014</td>
<td>14,000,000</td>
<td>12,218,825</td>
</tr>
<tr>
<td>IWMP-Irrigation and Watershed Management Program</td>
<td>12/21/2012</td>
<td>12/20/2017</td>
<td>129,963,114</td>
<td>13,475,767</td>
</tr>
<tr>
<td>Regional Agriculture Development Program (RADP)-South</td>
<td>10/7/2013</td>
<td>10/6/2018</td>
<td>125,075,172</td>
<td>11,366,923</td>
</tr>
<tr>
<td>Regional Agriculture Development Program (RADP)-North</td>
<td>5/21/2014</td>
<td>5/20/2019</td>
<td>78,429,714</td>
<td>889,531</td>
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<tr>
<td>Regional Agriculture Development Program (RADP)-West*</td>
<td>8/10/2014</td>
<td>8/9/2019</td>
<td>69,973,376</td>
<td>0</td>
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<tr>
<td>Capacity Building and Change Management Program II (CBCMP)*</td>
<td>7/10/2014</td>
<td>7/9/2017</td>
<td>19,999,989</td>
<td>886,923</td>
</tr>
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</table>

Note: *Awarded this quarter.
Source: USAID, response to SIGAR data call, 10/9/2014.

ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase electricity, build roads and bridges, and improve health and education in Afghanistan. This section addresses key developments in U.S. efforts to improve the government’s ability to deliver essential services such as electricity, transportation, health, and education.

Energy

Afghanistan imports approximately 73% of its total power supply. Electricity imports are expected to rise in the near term, according to a recent World Bank report, which also noted that limited access to electricity is one of Afghanistan’s biggest constraints to private-sector development. The country has one of the lowest rates of electrification in the world, with only
25% of Afghans connected to the power grid. Of those who are connected, an estimated 75% live in urban areas, but urban dwellers comprise less than 25% of the Afghan population.

Because electricity is critical to Afghanistan’s development, the United States, in collaboration with the Afghan government and the international community, has made developing an integrated energy sector one of its top reconstruction priorities. From 2002 through 2012, USAID alone obligated more than $2 billion to build generators, substations, and transmission lines, and provide technical assistance to the sector. It plans to spend at least $814 million more over the next few years using FY 2010–2013 funds. In addition, DOD has provided approximately $292 million for electricity projects through the Commander’s Emergency Response Program (CERP) and roughly $1.1 billion through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.

Afghanistan currently has nine separate power systems. The primary two are the Northeast Power System (NEPS) and the Southeast Power System (SEPS). USAID has three projects to connect and increase the electricity supply in both systems—Sheberghan; the Kandahar-Helmand Power Project, which includes Kajaki Dam hydropower; and the Power Transmission Expansion and Connectivity Program.

Kandahar-Helmand Power Project

The Kandahar-Helmand Power Project (KHPP) is intended to increase power supply and reliability in Kandahar and Helmand provinces. It was designed to support interim diesel power for critical needs, increase long-term sustainable hydropower from Kajaki Dam, and reduce losses while strengthening the SEPS transmission and distribution system. USAID has transferred responsibility for installing a third turbine at Kajaki to Da Afghanistan Breshna Sherkat (DABS), Afghanistan’s national utility. USAID also turned over the remaining components, two substations and two diesel generation plants, to DABS. DOD is using the AIF to fund fuel for the U.S. Army Corps of Engineers-installed diesel generators in Kandahar City.

Power Transmission Expansion and Connectivity Program

The U.S.-funded Power Transmission Expansion and Connectivity (PTEC) program was designed to strengthen and expand the power-generation, transmission, and distribution systems. This program directly supports the National Energy Supply Program of the Afghanistan National Development Strategy, which calls for improving the collection rate against energy billings and increasing the supply of power. Toward that end, PTEC’s commercialization and capacity-building components aim to reduce technical and commercial losses. DABS is responsible for procuring all PTEC contracts with significant support from USAID. Construction has not yet

NEPS: imports electricity from the Central Asian Republics to provide power to Kabul and the communities north of Kabul.

SEPS: draws most of its power from the Kajaki Dam and from diesel generators in Kandahar City to provide power in the Helmand and Kandahar areas.

ECONOMIC AND SOCIAL DEVELOPMENT

started on PTEC projects and USAID has no plans to increase on-budget funding at this time.818

On August 31, 2014, DABS officials signed a four-year, $27.5 million, USAID-funded Kandahar Management Support contract with Dubai-based Power Generation Solutions. The project aims to help DABS increase revenues and finance power production in Kandahar by installing tamper-proof digital meters in homes and businesses. Funding will also establish customer-service centers in Kandahar and try to improve overall electricity distribution infrastructure.819

In addition to strengthening and expanding NEPS, a key component of PTEC is funding 304 miles of the 329-mile transmission line between Kabul and Kandahar to connect NEPS with SEPS.820 Power-system interconnection can improve overall system stability and allow more economic dispatch of generating units, reducing costs compared to running a set of unconnected systems.

This quarter, USAID awarded two contracts for the construction of a 220 kVa transmission line from Arghandi to Ghazni ($56.7 million) and two substations ($48.1 million). This is the first segment of the PTEC transmission line that will connect Kabul to Kandahar. Additionally, two PTEC procurement contracts to acquire substation components were finalized this quarter, but have not yet been signed.821

Connecting NEPS to SEPS is a multi-donor effort funded through the ADB-administered Afghanistan Infrastructure Trust Fund (AITF), which funds projects on-budget through DABS or other Afghan government ministries.822 As of September 30, 2014, USAID has obligated $285 million to AITF and disbursed $105 million.823

The NEPS-SEPS connector will include eight substations located at major population centers along the way. This connection, together with the rehabilitation of the Kajaki Hydropower Plant, was identified in 2010 as the only viable, long-term solution to displace costly and unsustainable diesel-power generation in Kandahar. Completion of the NEPS-SEPS connector is expected in the 2017–2018 timeframe.824

DOD-Funded Programs

This quarter, DOD continued implementing several priority energy-sector projects to complete its portion of the NEPS and SEPS using FY 2012–FY 2014 AIF money.825 Congress cut the President’s FY 2014 AIF budget request from $279 million to $199 million and restricted its use for projects already begun before the legislation’s enactment on January 17, 2014.826

AIF projects are supposed to contribute to counterinsurgency strategy and development, although DOD has located no studies that explore the relationship between electrical power and reduced violence in Afghanistan. DOD said because AIF-funded projects are still under construction and not
yet operational, their long-term counterinsurgency and economic development benefits cannot be assessed at this time.\textsuperscript{827}

Some ongoing energy-sector projects using FY 2011 through FY 2014 AIF money include:\textsuperscript{828}

- Kandahar Power Bridging Solution-Fuel
- SEPS Completion, Phase I
- SEPS, Phase II Kandahar–Durai Junction transmission lines
- NEPS Arghandi to Gardez, Phase I
- NEPS Arghandi to Gardez, Phase II
- NEPS Charikar to Panjshir Phase I
- NEPS Charikar to Panjshir Phase II

**Kandahar Power Bridging Solution**
This project is providing fuel for the diesel generators in Kandahar City until affordable, sustainable power becomes available through the joint DOD-USAID effort to expand and connect NEPS and SEPS systems.\textsuperscript{829}

DOD allocated $20 million in FY 2014 funds to provide fuel through September 2015 at a declining subsidy each month.\textsuperscript{830} DABS officials told SIGAR that if DOD had stopped providing fuel at the end of 2014 as previously planned, DABS might not have the money to keep the generators fueled. The officials also cautioned that it appears unlikely that DABS will have sufficient alternative energy sources to offset lost diesel power. Since Kajaki Dam’s third turbine and the NEPS–SEPS Connector projects will take time to complete, it is possible that thousands of Kandahar homes and businesses will not have access to electricity in early 2015.\textsuperscript{831}

The generators at Shorandam Industrial Park and Bagh-e-Pol have a combined average output of 8–13 MW, and were transferred to DABS in December 2013, along with six months of spare parts and consumables. DOD technical assistance to DABS will continue throughout 2014.\textsuperscript{832} This quarter, the U.S. Army awarded a $3.5 million contract to IAP Worldwide Services to provide DABS with power-plant consumables—labor, tools, materials, and transportation.\textsuperscript{833}

**SEPS Completion Phase I and SEPS Phase II**
Two contracts totaling $75 million were awarded to Afghan firms in September 2014 to complete SEPS in Helmand Province, including construction of substations and rehabilitation of transmission lines between Sangin and Lashkar Gah. The estimated completion date is September 2015. The original $130 million contract awarded to Perini to build substations and transmission lines from Kajaki Dam to Lashkar Gah was terminated for convenience in May 2014 due to increased security costs as a result of reduced ISAF support in the region.\textsuperscript{834}

**SIGAR SPECIAL PROJECT**
In a letter to DOD, State, and USAID officials this quarter, SIGAR expressed concern about their responses to SIGAR’s inquiry about the Kandahar Bridging Solution and the U.S. government’s plans to provide electric power to Kandahar after December 2014. SIGAR has little confidence that sufficient electricity and basic services will be provided to the people of Kandahar or that the United States has a realistic plan to help the Afghan government develop a sustainable source of electricity between the end of the Kandahar Bridging Solution and the point at which a stable source of power generation is projected to come online. For more information, see Section 2, page 40.
Kandahar to Durai Junction Transmission Lines
Part of the effort to expand SEPS (Phase II), this project continues earlier efforts to install or repair transmission lines from Kandahar City to Durai Junction and to construct or repair substations at Maiwand and Pashmul. The cost for this project, awarded initially in 2012, terminated, and re-awarded in August 2014, remains $40 million in FY 2012 AIF funds. DOD estimates it will be completed in September 2015. Completion of this project is essential to distribute power generated by the third turbine still awaiting installation at Kajaki Dam, according to DOD.

NEPS, Phases I and II
NEPS Phase I will construct transmission lines and substations between Arghandi and Pul-e Alam. Awarded initially in 2012 to the same contractor first hired to build the Kandahar–Durai Junction transmission lines, it was terminated for qualification issues, and re-awarded in August 2014. The cost of Phase I is $93.7 million in FY 2011 AIF funds. DOD estimates it will be completed in January 2016. The $69.2 million Phase II is constructing transmission lines and substations between Pul-e Alam and Gardez, and is estimated to be completed in January 2016.

Charikar to Panjshir, Phases I and II
This project will install 52 miles of transmission lines from Charikar to Bazirak and from Charikar to Mahmood Raqi. It will also build three power substations to expand NEPS. DOD has allocated $38 million in FY 2012 funds for Phase I and $33 million in FY 2013 funds for Phase II of the project, for a total estimated cost of $71 million. Annual estimated operations-and-maintenance (O&M) costs for the transmission lines and substations are $580,000. DABS is supposed to assume responsibility for O&M. Increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment, according to DOD. However, SIGAR has raised questions about DABS’s capacity and has said Afghanistan lacks the resources necessary to pay for O&M.

PRIVATE-SECTOR DEVELOPMENT
The World Bank surveyed owners and top managers in 356 firms asking them about the biggest obstacles to their businesses in Afghanistan in 2014. Political instability was the greatest obstacle, while customs and trade regulation was listed tenth, as seen in Figure 3.34.

Despite the uncertainty surrounding Afghanistan’s security and political transitions in 2014, private-sector investment has not ceased and according to USAID, the government has the political will to continue promoting private-sector development. From FY 2002 to FY 2013, USAID appropriated $1.2 billion for economic growth in Afghanistan.
USAID said its ABADE program aims to help productive, Afghan-registered, small-to-medium enterprises add jobs, increase investment, and improve sales of domestic products and services through public-private alliances (PPAs). ABADE has three components: implementing approved public-private alliances; identifying, selecting, and supporting the alliances; and working with the Afghan government to improve the environment for business.\(^843\)

This quarter, USAID said ABADE is making efforts to engage women-owned and smaller enterprises, finalized action plans with the Ministry of Commerce and Industry in the carpet and agribusiness sectors, while plans for women’s small and medium enterprises, marble and gemstones are in process. ABADE also helps the Afghanistan Investment Support Agency in its outreach efforts and is making a video promoting Afghan trade.\(^844\)

In FY 2014, USAID reported one PPA successfully completed, 80 PPAs signed with Afghan SMEs, three PPAs approved and pending signature, and 32 PPAs awaiting final USAID approval.\(^845\)
Financial Access for Investing in the Development of Afghanistan

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
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</tr>
</thead>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

USAID’s Financial Access for Investing in the Development of Afghanistan (FAIDA) aims to build a financial sector that can generate and sustain quality employment mostly in the agricultural sector that satisfies the needs of micro, small, and medium enterprises in Afghanistan’s south and east. FAIDA helps Afghan partners build capacity to deliver finance, develop a legal framework and market infrastructure, provides technical assistance to mobile network operators for mobile money services, and assists Afghan women entrepreneurs with business-development training so they can gain access to financing and opportunities for economic and professional growth. Several events were canceled this quarter due to the elections and associated security concerns.846

A 2014 USAID Office of the Inspector General (OIG) audit of FAIDA found that while FAIDA made some achievements, they have not necessarily resulted in the intended outcome of a more sustainable, diverse, and inclusive financial sector. By September 2013, job targets were not met, only 4% of loans were made by banks belonging to the Afghanistan Banks Association (the rest were made by donor-funded financial institutions, which is not sustainable); 30% of loans by volume went to female-owned businesses, but only 7.2% of loans by amount, showing little improvement than what existed before programming began; and of the more than 2,000 loans provided, only three went to businesses in the south. The audit also said FAIDA did not significantly enhance the capacity and reach of mobile money after 19 months of programming.847

USAID said the OIG audit found no significant on-going deficiencies, so no significant changes were made to its core activities. USAID said it did evaluate its mobile-money activities, developed a new strategy, and shifted its activities accordingly.848

Kabul Business Accelerator–American University of Afghanistan Grant

TFBSO’s business-accelerator project at the American University of Afghanistan—also known as the Business Innovation Hub—provides fee-based professional business management-consulting services to help Kabul-based businesses articulate, develop, and reach their goals. The hub is currently working with five to eight businesses; it aims for 15 long-term,
continuing clients and 10 short-term ones by the end of 2014. TFBSO does not oversee this program and financial arrangements between the university and its clients are not reported to the Task Force. Additionally, since the program is relatively new, results are not yet available.  

As of September 29, 2014, TFBSO obligated $4,147,957 and disbursed $1,348,255 in FY 2013 and FY 2014 funds. TFBSO will end its work with the hub in November and the grant will expire December 31, 2014. Client and donor funds are to sustain the program for the next three years, with client fees funding operations thereafter.

American University of Afghanistan Grant–New

TFBSO also obligated a $1,111,629 grant with FY 2014 funds to open a Business Innovation Hub branch office in Herat to serve small-to-medium-sized enterprises in that area. No funds have yet been disbursed and no businesses have yet been assisted, as of September 29, 2014. The program is currently hiring and training staff with the intent of assisting seven Herat businesses by the end of 2014.

Business Accelerator and Investment Small- to Medium-Sized Enterprise Services

In FY 2012, TFBSO shifted its Herat business-incubator program to a business accelerator, working with small-to-medium-sized enterprises that could better benefit from its business-advisory services, which comprised:

- helping articulate a vision for expansion and increased profitability
- improving business processes to reach those goals—accounting, marketing, inventory management, sales strategy, etc.
- networking former business accelerator clients with current ones for collaborative opportunities

TFBSO business investment services included:

- identifying commercial opportunities with significant economic potential
- pairing responsible investors with legitimate Afghan firms
- introducing responsible investors to viable Afghan economic sectors
- due diligence reviews on Afghan companies
- market research

TFBSO shut down the Herat business accelerator in July 2014, but its local consultants will remain until December to close relationships with clients. From FY 2011 through FY 2014, TFBSO obligated $42.9 million and disbursed $33.9 million. In that time, TFBSO reported 36 business-accelerator and 35 investment-service clients.
TRANSPORTATION

Afghanistan’s lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said restoring the transportation sector is imperative for economic development.857 Afghanistan’s infrastructure shortcomings particularly constrain the service and agriculture sectors, currently the leading contributors to GDP.858 They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining aid.859 This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, and sustaining operations and maintenance.860

Roads

While the United States has provided $2.1 billion cumulatively for road construction and O&M, and currently spends about $5 million annually for O&M efforts, the World Bank said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles.861 Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to USAID.862 Moreover, the lack of a functioning roads authority has significantly affected road infrastructure across Afghanistan.863

Road Sector Sustainability

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Sector Sustainability</td>
<td>8/1/2014</td>
<td>8/1/2019</td>
<td>$111,000,000</td>
<td>$0</td>
</tr>
</tbody>
</table>


USAID’s Road Sector Sustainability project has four main activities:864

- Activity 1: Emergency O&M ($5 million).
- Activity 3: Capacity building for the Ministry of Public Works ($38 million). The statement of work is being developed based on a needs assessment that is under way. A contract is expected to be awarded in mid-2015.
- Activity 4: Road O&M ($33 million). USAID funding, proposed for January 2015, will go through the AITF once the ADB develops an operations-and-maintenance incentive window.

This quarter, the U.S. Department of Transportation office in Afghanistan closed.

Source: DOT, response to SIGAR data call, 9/30/2014.
Gardez–Khowst Highway Rehabilitation Phase IV

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

This quarter, asphalting began on remaining 15.5 miles of the 63-mile Gardez–Khowst highway. Phase IV rehabilitation of the highway also includes construction of two major bridges and several retaining walls, culverts, and drainage systems. This all-weather, asphalt-paved highway gives Khowst and Paktiya provinces access to major trading routes to Pakistan, to Kabul, and to the Ring Road connecting Kabul, Kandahar, and Herat.

EDUCATION

The United States aims to improve Afghan access to quality education by promoting capacity building, responding to urgent needs for learning materials, schools, and teacher development, and increasing opportunities in adult literacy, employment skills, and youth development.

The reliability of Afghanistan’s Education Management Information System (EMIS)—the only database at the Ministry of Education (MOE) tracking education metrics—cannot be confirmed. EMIS data is not available on time, and indicators such as net enrollment ratios, repetition rate, and dropout rate are unavailable. Insecurity limits visits to schools. In the most recent EMIS Statistical Analytical Report from FY 1390 (2011/2012), the MOE admitted that only 1,000 schools (7% of all general education schools) were visited for data verification. Additionally, schools may be tempted to inflate their attendance figures because access to funding (such as EQUIP II School Grants) can be linked to enrollment levels.

However, USAID said EMIS is becoming stronger through its EQUIP II program assistance. The MOE is recruiting technical assistants for the planning department, purchasing equipment, and hiring consultants to expand EMIS at the provincial and district levels.

According to the most recent data available from the MOE’s EMIS, Afghanistan had a total of 13,875 general education (government) schools in 1392, with 7.96 million students enrolled. The latest complete data year on student attendance for all provinces is 1391. Data generated from EMIS shows approximately 7.61 million students were enrolled in general education schools. Of the enrolled students, 6.25 million were categorized as present, while 1.36 million students were considered absent.

SIGAR SPECIAL PROJECT

This quarter SIGAR sent a letter to USAID requesting more information about an Afghan school, funded by a USAID-supported program, that recently collapsed, reportedly injuring up to 32 students and one teacher. For more information, see Section 2, page 41.

Enrolled: total number of new students enrolled in an academic year
Present: total number of students attending in an academic year
Absent: number of students who have temporarily dropped out, but are still included in enrollment figures.

Source: USAID, response to SIGAR vetting, 7/9/2014.
USAID’s priority education programs funded through the ESF this quarter include:

- Basic Education, Literacy, and Technical-Vocational Education and Training
- Afghanistan University Support and Workforce Development Program
- American University of Afghanistan

### Basic Education, Literacy, and Technical-Vocational Education and Training

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher Training</td>
<td>3/4/2012</td>
<td>11/6/2014</td>
<td>$62,000,000</td>
<td>$62,000,000</td>
</tr>
<tr>
<td>BELT-Community Based Education</td>
<td>10/29/2013</td>
<td>10/28/2017</td>
<td>$56,000,000</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014; USAID, response to SIGAR vetting, 4/14/2014.

BELT aims to improve access to basic education in communities that are typically beyond the government’s reach. BELT has four components: capacity building for the MOE, teacher training, procurement of textbooks for grades 1–6, and community-based education. BELT Community-Based Education (CBE) provides accelerated and remedial education, allowing students to attend schools in remote locations.

On September 14, 2014, USAID extended the BELT program until 2020. With an infusion of $327 million, the new total estimated cost of the program is $500 million. New subprojects include the $150 million Early Grade Reading and Access activity, which aims to provide evidence-based reading instruction for students in grades one and two. It will do so by offering proven reading material; training and coaching teachers on that material; mobilizing community support; upgrading MOE’s reading-achievement assessments; and working with MOE to implement best-practices guidelines across the school system. No data on student reading and math proficiency or teacher proficiency currently exists, but USAID is considering support to a program that would assess reading skills and gaps among Afghan children.

Also this quarter, USAID approved $54 million in incremental funding to improve teacher education and subsequently, the quality of education in Afghanistan under the World Bank-managed ARTF’s Education Quality Improvement Project (EQUIP). USAID did so because it deems teacher quality to be low and said EQUIP lacks the necessary resources to reach many of those in rural areas. USAID reported 43,384 teachers were trained with U.S. government assistance, representing 40% of USAID’s contribution to EQUIP.
The 2012 Education Joint Sector Review found only a small portion of teacher-training college graduates actually teach. Many do not want to teach in rural areas, where qualified teachers are most needed. USAID attributes this largely to security, preference for urban areas, lack of MOE funds for more teaching positions, and low teacher salaries.

Additionally, approximately 34 million textbooks for grades 1–6 were printed with USAID funding. They are currently being distributed nationwide and will be audited next quarter. Field-visit reports in 2012 indicated textbooks were sometimes stocked in district offices and not distributed to schools due to lack of funds.

USAID continues to work closely with the MOE to implement CBE. In this reporting period, USAID issued a $54 million CBE grant to the United Nations International Children's Emergency Fund (UNICEF) to help decrease the number of out-of-school students, particularly females, in Afghanistan's southern region. In August 2014, the MOE provided guidance for nongovernmental organizations (NGOs) to implement CBE, submitted the first-year CBE work plan for USAID comments, and participated in recruitment of CBE consultants. However, USAID also faces ongoing challenges with the MOE's ability to implement on-budget activities in a timely fashion. The MOE has not submitted any of the required quarterly reports in 2014, nor the monitoring and evaluation reports this quarter.

### Afghanistan University Support and Workforce Development Program

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan University Support and Workforce Development</td>
<td>1/1/2014</td>
<td>12/31/2018</td>
<td>$91,927,769</td>
<td>$5,932,779</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

The Afghanistan University Support and Workforce Development program (USWDP) aims to improve the management capacity of the Ministry of Higher Education (MOHE) and 10 public universities by training officials, students, funding scholarships, and facilitating partnerships between U.S. and Afghan universities.

Still in its early stages, the program focused this quarter on its own recruiting, formation, and development of action plans. The presidential-runoff election and related security concerns slowed program and technical implementation. Also delaying implementation is a MOF demand for a USAID implementation letter before it allows the MOHE or any universities to participate, the program’s inability to receive operating funds through international wire transfers due to the banking crisis caused by the long-awaited AML/CFT laws, and the lengthy U.S. government approval/vetting process for operational services and security upgrades. USWDP officially...
launched August 13, 2014, with a signed memorandum of understanding between the MOHE and USAID’s implementing partner.887

### American University of Afghanistan

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>American University of Afghanistan Professional Development Institute</td>
<td>8/1/2013</td>
<td>7/31/2018</td>
<td>$40,000,000</td>
<td>$8,445,629</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

USAID’s second, five-year cooperative agreement continues support for the American University of Afghanistan’s English-language undergraduate and continuing-education programs. The agreement aims to strengthen academic- and professional-development programs, expand programs for women, and increase financial self-sufficiency.888 No new information was provided this quarter.

### Other Active USAID Education Programs

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Partnership for Education</td>
<td>10/11/2012</td>
<td>3/31/2015</td>
<td>$2,500,000</td>
<td>$842,105</td>
</tr>
<tr>
<td>Afghanistan Reads</td>
<td>6/1/2013</td>
<td>5/31/2014</td>
<td>380,000</td>
<td>380,000</td>
</tr>
<tr>
<td>Afghanistan Technical Vocational Institute</td>
<td>6/15/2013</td>
<td>6/14/2015</td>
<td>1,000,000</td>
<td>475,000</td>
</tr>
<tr>
<td>Strengthening Education in Afghanistan (SEA II)</td>
<td>5/19/2014</td>
<td>5/18/2019</td>
<td>29,835,920</td>
<td>446,578</td>
</tr>
<tr>
<td>Afghan Tuition Scholarship Program</td>
<td>8/21/2011</td>
<td>7/31/2017</td>
<td>7,384,665</td>
<td>6,072,164</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

### HEALTH

Afghanistan has experienced improvements in its health indicators since 2002, though it remains below average for low-income countries and has one of the world’s highest levels of child malnutrition, according to the World Bank.889 U.S. assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities at central and subnational levels, particularly in provinces to the south and east, where services are largely lacking.880

### USAID Funding

From FY 2002 through FY 2013, U.S. on- and off-budget assistance to Afghanistan’s health sector totaled $1.2 billion.891 From FY 2014 through
FY 2018, USAID assistance will total $477 million. On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, supplies and equipment, in-service training, minor renovations of facilities, and monitoring and supervision. Off-budget assistance includes activities to strengthen health systems, engage the private sector, and procure pharmaceuticals and contraceptives.

**USAID Oversight**

USAID funds a team within the MOPH’s Grants and Contracts Management Unit (GCMU), which is responsible for monitoring USAID-funded facilities through regular site visits and monthly reports from implementing NGOs. Both NGOs and GCMU staff conduct routine monitoring of health facilities and document the number of patients who have received key services, and the type and quality of health services provided.

USAID also relies on the MOPH’s Health Management Information System (HMIS) for Afghan health data. The USAID Leadership, Management, and Governance (LMG) project is assisting the MOPH to improve data quality and reporting. LMG supported the development of data quality assessment (DQA) tools, which compare monthly reported data with registers of the health facilities of the same month, measure health workers’ knowledge of HMIS definitions, and evaluate data utilization. The DQA was conducted in 416 randomly selected health facilities from July to December 2013, and its results were shared with NGOs. The DQA assessment will be conducted on a routine basis. For more information about the LMG program, see page 199.

**USAID Health Programs**

U.S. assistance to the MOPH includes capacity-building, training, and quality-assurance activities at central and subnational levels, particularly in provinces to the south and east, where services are largely lacking. USAID’s highest-priority programs in the health sector this quarter include:

- Partnership Contracts for Health (PCH) Services
- Health Policy Project (HPP)
- Leadership, Management, Governance Project (LMG)

**Partnership Contracts for Health Services**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership Contracts for Health Services</td>
<td>7/20/2008</td>
<td>1/31/2015</td>
<td>$236,455,840</td>
<td>$182,975,290</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

The host-country contract PCH program supports the MOPH’s efforts to provide the Basic Package of Health Services (BPHS) in 13 provinces and
The Essential Package of Hospital Services (EPHS) in five provinces. PCH supports health care at over 6,000 health posts and more than 540 facilities, including hospitals and health centers. It also supports tertiary health care services at five provincial hospitals. In addition, PCH supports the Community Midwifery Education program, which aims to reduce maternal and child mortality.897

PCH is implemented by the off-budget GCMU of the MOPH. The GCMU submits requests for advance funds and for permission to liquidate those funds. USAID monitors this process and has set up a dedicated, non-commingled account at the central bank, to which it has access. PCH is also audited by independent auditors.898 This quarter, USAID recertified GCMU after assessing it for agreement administration and compliance, solicitation, trainings, budgeting, accounting, reporting, and monitoring.899

Health Policy Project

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Policy Project</td>
<td>9/25/2011</td>
<td>1/31/2015</td>
<td>$28,000,000</td>
<td>$17,005,709</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.

The Health Policy Project (HPP) builds the MOPH’s capacity through design, negotiation, and management of hospital public-private partnerships. The project also aims to strengthen financing and management of health resources, support gender equality in health-sector activities, and build the capacity of local private organizations to partner with the Afghan government in changing behaviors for the benefit of individuals or society.900

Election-related insecurity and travel bans delayed several technical activities this quarter, including training, and the search for a qualified consultant to assist the public-private partnerships unit. These are compounded by a lack of designated work space and inconsistent dues payments by member hospitals.901

Despite these challenges, this quarter HPP helped facilitate the first HMIS report covering 20 private hospitals; helped amend private health-center regulations; facilitated investor site visits; conducted trainings; and sold more than 2.5 million socially marketed products, generating more than 5.6 million AFN that were reinvested in the program. HPP is scheduled to close in October 2014. In its remaining time, HPP planned to continue its gender-based violence trainings, collecting metrics for any follow-up program, and advocating future MOPH-led trainings funded by grants.902
Leadership, Management, and Governance Project

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Management, and Governance/Field Support</td>
<td>9/1/2012</td>
<td>2/28/2015</td>
<td>$40,399,490</td>
<td>$24,963,134</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/13/2014.

The LMG project works with the MOPH and the MOE at the central and provisional levels to build governance capacity, improve accountability, and help manage on-budget assistance within Afghanistan’s health and education systems.903

This quarter, USAID said LMG established human-resource recruitment committees and continued to train health-care staff. Nine additional provinces are practicing LMG good-governance tools that are expected to improve decision making, accountability, transparency and a rational use of resources. LMG is supporting the HMIS department of the MOPH in improving data quality and reliability. It helped MOPH with analysis and provided feedback, while teaching MOPH units how to use HMIS data to make better decisions. LMG also facilitated field visits for HMIS consultants to support provincial health officials and NGO staff.904

USAID also noted several challenges from working with the MOPH this quarter, including slow decision making and concerns about program sustainability during the transition to on-budget programming, less accountability in the past six months during the political deadlock, and lack of workspace for embedded consultants within the MOPH.905

Other Active USAID Health Programs

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements, as of 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polio-Eradication Activities</td>
<td>9/30/1996</td>
<td>9/30/2022</td>
<td>10,830,615</td>
<td>9,214,835</td>
</tr>
<tr>
<td>Tuberculosis = Field Support</td>
<td>9/29/2010</td>
<td>9/28/2015</td>
<td>5,600,000</td>
<td>4,600,000</td>
</tr>
<tr>
<td>University Research = Field Support</td>
<td>9/30/2009</td>
<td>9/29/2014</td>
<td>13,950,000</td>
<td>13,327,925</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 10/9/2014.
OTHER AGENCY OVERSIGHT
OTHER AGENCY OVERSIGHT CONTENTS

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Photo on previous page
An EC-130H Compass Call aircraft awaits a mission at Bagram Airfield, Afghanistan. The plane is configured for information-warfare duty. (U.S. Air Force photo)
OTHER AGENCY OVERSIGHT

SIGAR’s enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs, and to submit a report to Congress on SIGAR’s oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section contains these updates.

The descriptions appear as submitted, with minor changes to maintain consistency with other sections of this report: acronyms and abbreviations in place of full names; standardized capitalization, hyphenation, punctuation, and preferred spellings; and third-person instead of first-person construction.

These agencies perform oversight activities in Afghanistan and provide results to SIGAR:

- Department of Defense Office of Inspector General (DOD OIG)
- Department of State Office of Inspector General (State OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the six oversight projects related to reconstruction that participating agencies reported as completed this quarter.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Report Number</th>
<th>Date Issued</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOD OIG</td>
<td>DODIG-2014-118</td>
<td>9/19/2014</td>
<td>Improvements Needed in Contract Award of Mi-17 Cockpit Modification Task Order</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>DODIG-2014-096</td>
<td>7/28/2014</td>
<td>Improvements Needed in Contract Administration of Mi-17 Cockpit Modification Task Order</td>
</tr>
<tr>
<td>GAO</td>
<td>GAO-14-635</td>
<td>7/21/2014</td>
<td>State Department; Implementation of Grants Policies Needs Better Oversight</td>
</tr>
<tr>
<td>GAO</td>
<td>GAO-14-661R</td>
<td>7/8/2014</td>
<td>Afghanistan: Kabul Embassy Construction Costs Have Increased and Schedules Have</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>F-306-14-003-S</td>
<td>9/7/2014</td>
<td>Follow-Up on a Department of Defense Audit of Commander’s Emergency Response Program Funds Provided to USAID/Afghanistan</td>
</tr>
</tbody>
</table>


U.S. Department of Defense Office of Inspector General

During this quarter, DOD OIG issued three reports related to Afghanistan reconstruction.

Improvments Needed in Contract Award of Mi-17 Cockpit Modification Task Order


The full audit report is for official use only.

DOD OIG found that officials from Army Contracting Command (ACC)-Redstone and Non-Standard Rotary Wing Aircraft (NSRWA) Program Management Office (PMO) did not properly award the Mi-17 cockpit modifications. NSRWA PMO officials did not perform adequate market research and directed the modification requirement to a contractor who had no Mi-17 experience. These officials decided to use a single award indefinite-delivery, indefinite-quantity contract instead of competing the requirement. In addition, NSRWA PMO officials accepted the contractor’s proposal despite its significant weaknesses. As a result, cost and schedule risks were increased; $6.2 million was obligated over the originally proposed cost for the modifications, and aircraft delivery was delayed up to 12 months.

In total, DOD IG identified $367,359 in questionable costs. First, the contractor received payments for Mi-17 manuals not accepted or delivered to the Government. ACC-Redstone contracting officers did not establish adequate procedures to monitor performance or modify the contract to include the manuals as a deliverable item. As a result, the Army paid $216,345
in questionable costs. Second, an NSRWA PMO official made an unauthorized commitment for repair work outside the scope of the Mi-17 cockpit modifications under the task order. The contractor incurred $151,014 in questionable costs for repair work.

**Government of the Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency Over Direct Contributions**  
(Report No. DODIG-2014-102, Issued August 29, 2014)  
The DOD OIG found that the Government of the Islamic Republic of Afghanistan (GIROA) lacked the basic controls to provide reasonable assurance that it appropriately spent $3.3 billion of Afghanistan Security Forces Fund direct contributions. As a result, Combined Security Transition Command-Afghanistan could not verify that the GIROA used Afghanistan Security Forces Fund direct contributions properly or for their intended purposes.

**Improvements Needed in Contract Administration of Mi-17 Cockpit Modification Task Order**  
DOD OIG found that Army Contracting Command (ACC)-Redstone contracting officers did not properly administer Task Order 0102. A contracting officer created a prohibited cost-plus-a-percentage-of-cost type contract under the task order by incorrectly issuing a modification to increase funding for incomplete efforts that included additional fees. As a result, the contracting officer did not provide the contractor with an incentive to control costs, and the contractor received excess fees exceeding $150,000 to perform the original contracted tasks. These fees should be recouped.

The contracting officers awarded the task order and subsequent modifications without adequately evaluating and determining the reasonableness of offered prices. Contracting officers did not perform adequate cost or price analysis, relied on unsupported statements by project-management-office technical personnel to determine whether prices were fair and reasonable, and neglected to perform their duties in accordance with federal regulations by not evaluating price reasonableness of contractor proposals. As a result, the Army had limited assurance that it received fair and reasonable prices for Mi-17 helicopter cockpit modification services valued at $15.2 million.

In addition, DOD OIG found that the contracting officer provided consent for a sole-source subcontract without verifying that a noncompetitive award was appropriate. The contracting officer did not evaluate the contractor’s request for consent to subcontract or obtain supporting data. As a result, the Army did not obtain the benefits of competition on subcontracted services.
U.S. Department of State Office of Inspector General-Middle East Regional Operations

During this quarter, State OIG issued no reports related to Afghanistan reconstruction.

Government Accountability Office

During this quarter, GAO issued two reports related to Afghanistan reconstruction.

**State Department: Implementation of Grants Policies Needs Better Oversight**
(Report No. GAO-14-635, Issued July 21, 2014)

The Department of State (State) has established policies and guidance that provide a supportive environment for managing grants and cooperative agreements (grants). In addition, State provides its grants officials mandatory training on these policies and guidance, and routinely identifies and shares best practices. State’s policies are based on federal regulations, reflect internal-control standards, and cover topics such as risk assessment and monitoring procedures. State’s policies also delineate specific internal-control activities that grants officials are required to both implement and document in the grant files as a way of promoting accountability.

GAO found that inconsistent implementation of policies and guidance weakens State’s assurance that grant funds are used as intended.

- **Inadequate risk analysis.** In most of the files GAO reviewed, grants officials did not fully identify, assess, and mitigate risks, as required. For example, officials conducted a risk-identification process for 45 of the 61 grants that GAO reviewed. While grants officials identified risk in 28 of those 45 grants, they mitigated risks in only 11.

- **Poor documentation.** Grants officials generally did not adhere to State policies and procedures relating to documenting internal-control activities. For example, 32 of the 61 files reviewed did not contain the required monitoring plan. Considerable turnover among grants officials makes documenting internal-control activities particularly important. State’s periodic management reviews of selected bureaus’ and overseas missions’ grant operations have also found that key documentation was frequently missing or incomplete, and made recommendations to address the problem. However, State has not consistently followed up to ensure the implementation of these recommendations, as internal-control standards require.

State does not have processes for ensuring compliance with risk analysis and documentation requirements. Without the proper implementation of its internal-control policies for grants management, State cannot be
Afghanistan: Kabul Embassy Construction Costs Have Increased and Schedules Have Been Extended  
(Report No. GAO-14-661R, Issued July 8, 2014)  
In 2009 and 2010, the Department of State awarded two contracts totaling $625.4 million to meet growing facility requirements at the U.S. Embassy in Kabul, Afghanistan. In 2009, State awarded a $209.4 million contract to Contractor 1 for the design and construction of temporary offices and housing as well as permanent structures to include an office annex A, apartment building 1, a cafeteria and recreation center, perimeter security and compound access facilities, a warehouse addition, and a utility building. In 2010, State awarded a $416 million contract to Contractor 2 for the design and construction of office annex B, apartment buildings 2 and 3, expansion of existing apartment building 4, compound access and perimeter security facilities, and parking facilities.

State’s plans called for sequencing construction under the two contracts. In September 2011, State partially terminated the permanent facilities requirements in the Contractor 1 contract for the convenience of the U.S. government due to concerns, in part, about performance and schedule delays. Contractor 1 completed the temporary offices and housing units. In September 2011, State transferred contract requirements for the permanent facilities not begun by Contractor 1 to Contractor 2’s contract and extended the completion date from January 2016 to July 2016.

Since the two contracts were awarded in 2009 and 2010, construction requirements have changed, costs have increased, and schedules have been extended. The new office annexes under construction will contain 1,237 desks, a nearly 60% increase over the 778 desks originally planned. State is also building space for 661 beds, about 50 more than originally planned. Contract costs for construction have increased by nearly 24%, from $625.4 million to $773.9 million as of May 2014. The overall project schedule has also been extended. State had originally planned to complete all construction on the compound by the end of summer 2014; the contractual delivery date for all permanent facilities is currently July 2016.

Factors affecting the project include (1) increases in numbers and changes in composition of Embassy staffing requirements; (2) risks introduced by State during planning, such as tightly sequencing the work of two contractors on one construction site; (3) constructing new facilities on an occupied compound in a conflict environment; (4) contractor performance delays and transfer of construction requirements from one contract to another; (5) and delays and changes to shipping routes of building materials due to difficulties with shipments transiting through Pakistan.
It is difficult to determine whether current projects and existing facilities will meet future Embassy needs. As the U.S. military draws down its presence in Afghanistan, State will have to decide whether to engage support contractors to replace life-support services currently provided by the military, such as food, water, fuel, and medical services. Such changes may affect embassy staffing. Future composition of U.S. agencies, staffing levels, and embassy facility needs continue to be subject to change. Once current contracts are completed, the Kabul Embassy’s permanent facilities—both older and newly constructed buildings—are to contain 1,487 desks and 819 beds. Projected Embassy staffing for 2015 is approximately 600 U.S. direct hires and 1,100 locally employed staff. State is working to identify its and other agencies’ desk positions (both U.S. direct hires and locally employed staff) that will occupy the new office space. State is also conducting a master planning study to address on-compound facility needs unmet by current construction.

U.S. Army Audit Agency
The USAAA completed no audits related to Afghanistan reconstruction this quarter.

U.S. Agency for International Development
Office of Inspector General
This quarter, USAID OIG issued one audit related to reconstruction activities.

Follow-up on a DOD Audit of Commander’s Emergency Response Program Funds Provided to USAID/Afghanistan
(Report No. F-306-14-003-S, Issued September 7, 2014)
In 2009, the U.S. Department of Defense (DOD) entered into Economy Act orders with USAID/Afghanistan to implement three construction projects. The projects were to construct two permanent two-way traffic bridges at Regak and Oshay in northern Uruzgan Province ($15.5 million); repair nine destroyed or damaged bridges in Ghazni and Zabul Provinces ($12.5 million); and perform rough grading, maintenance, and minor upgrades to the Bamyan to Doshi Road ($12.1 million). The Economy Act orders were funded with $40.1 million in Commander’s Emergency Response Program (CERP) funds. USAID/Afghanistan implemented these projects through an indefinite quantity contract and specific task orders with the Louis Berger Group Inc./Black and Veatch Joint Venture (LBG/B&V). In 2012, DOD OIG issued an audit, DOD Needs to Improve Controls Over Economy Act Orders with U.S. Agency for International Development (Report No. DODIG-2012-117, August 14, 2012). This is a follow-up of that audit, and it refers to DOD OIG’s conclusions as well as our own.
USAID OIG concluded that the funds provided by DOD to USAID/Afghanistan were not always used for their intended purposes or in compliance with applicable laws. For instance, although nine bridges were contracted to be repaired—and USAID received the entire $12.5 million to do so—only four were finished. USAID reported deobligating $5.7 million of these funds and refunding $5.58 million to DOD. However, USAID OIG was unable to reconcile the difference between the amount deobligated and the amount refunded.

Moreover, USAID obligated $0.7 million from the Economy Act order for “emergency or urgent works to be performed,” which was not part of the Economy Act order. USAID OIG agreed with the DOD OIG finding that USAID’s use of $0.7 million did not represent a bona fide need. It was outside the scope of the Economy Act order, and USAID had no authority to enter into a subobligation for this purpose. For the Banyan to Doshi road, instead of using the full $12.1 million that was provided to USAID by DOD for road maintenance, USAID unilaterally decided to use $8.9 million of these funds for community-development projects, a purpose that was outside the scope of the Economy Act order. In both of these instances, USAID violated the Bona Fide Needs Rule, the Economy Act, and the Recording Statute.

Moreover, USAID’s violation of these statutes implies that USAID may have violated the Antideficiency Act.

ONGOING OVERSIGHT ACTIVITIES
As of September 30, 2014, the participating agencies reported 21 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

TABLE 4.2

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOD OIG</td>
<td>D2014-D0000J-0213.000</td>
<td>8/14/2014</td>
<td>Audit of the Government of Islamic Republic of Afghanistan’s Controls Over Contracting</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2014-D000RE-0141.000</td>
<td>4/7/2014</td>
<td>Summary Report on Military Construction Projects in Afghanistan and Iraq</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2014-D00SPO-0129.000</td>
<td>3/6/2014</td>
<td>Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment of the Afghan National Police</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2013-D00SPO-0181.000</td>
<td>6/13/2013</td>
<td>Assessment of U.S. Government Efforts to Transition Security Cooperation and Assistance Activities Supporting the Government of the Islamic Republic of Afghanistan from Department of Defense Authority to Department of State Authority</td>
</tr>
<tr>
<td>DOS OIG</td>
<td>14AUD034</td>
<td>2/11/2014</td>
<td>Audit of Department of State Selection, Positioning, Training, and Oversight Responsibilities of Grants Officer Representatives</td>
</tr>
</tbody>
</table>

Continued on next page
The Department of Defense continues to face many challenges in executing its Overseas Contingency Operations (OCO). The Department of Defense Office of Inspector General (DOD OIG) has identified priorities based on those challenges and high risks. For FY 2015, DOD OIG oversight focuses on the areas of monitoring and oversight of acquisition and contracting processes that support training, equipping, and sustaining Afghanistan Security Forces (ASF). The DOD OIG will also continue to review and assess the Department’s efforts to train and equip Afghan National Security Forces.

The DOD OIG-led Southwest Asia Joint Planning Group assists in the coordination and deconfliction of federal and DOD OCO-related oversight activities. The DOD OIG, working with the SIGAR as well as fellow Inspectors General and Defense oversight-community members, have finalized the Fiscal Year 2015 strategic-oversight plan for the oversight community working in Afghanistan and plans to issue the FY 2015 Comprehensive Oversight Plan for Southwest Asia in October 2014. A key theme in the FY 2015 plan development is the force restructuring/drawdown of operations in Afghanistan.

DOD OIG’s ongoing OEF-related oversight addresses accountability of property; improper payments; contract administration and management including construction projects; transition planning; logistical distribution...
within Afghanistan; retrograde operations; health care; and acquisition planning and controls over funding for Afghan Security Forces.

**Audit of Government of Islamic Republic of Afghanistan’s Internal Control for Asset Accountability**


The DOD OIG is conducting this audit in response to a statutory requirement. DOD OIG is determining whether the Combined Security Transition Command-Afghanistan (CSTC-A) and the GIROA Ministries of Defense and Interior have controls in place to effectively manage asset accountability for vehicles and buildings. Specifically, DOD OIG will evaluate the adequacy of the policies and procedures for verifying the existence of the donated assets, forecasting of maintenance-and-replacement operations requirements, and identifying requirements for asset replenishment.

**Audit of the Government of Islamic Republic of Afghanistan’s Controls Over Contracting**

(Annotated No. D2014-D000JB-0213.000, Initiated 8/14/2014).

The DOD OIG is conducting this audit in response to a statutory requirement. DOD OIG is determining whether CSTC-A and the GIROA Ministries of Defense and Interior have established effective controls over contract-management processes.


(Annotated No. D2014-D00SPO-0129.001, Initiated 7/2/2014).

For this Command requested follow-on review, the DOD OIG is assessing the sufficiency of Afghan National Security Forces policies and procedures for the management and accountability of fuel (Class III Bulk) and conventional military ammunition and explosives (Class V). Specifically DOD OIG will review:

- the ISAF Security Assistance Office relationship with the Ministries of Defense and Interior regarding regulations and procedures for the procurement, receipt, accountability, and consumption of ammunition and fuel
- ANSF compliance with published accountability procedures and internal controls for ammunition, explosives, and fuel at national and regional commands
- ANSF ammunition, explosives, and fuel-distribution and accountability systems for significant gaps and vulnerabilities
- ANSF storage facilities for ammunition, explosives, and fuel for security gaps and vulnerabilities
Summary Report on Military Construction Projects in Afghanistan and Iraq
(Project No. D000RE-041.000, Initiated April 7, 2014)
DOD OIG is summarizing systematic problems specific to military construction projects in Afghanistan and Iraq identified in audit reports issued by the DOD Office of Inspector General, Army Audit Agency, and Air Force Audit Agency.

Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment of the Afghan National Police
(Project No. D2014-D00SPO-0129.000, Initiated March 6, 2014)
DOD OIG is assessing the planning and execution of ANP logistics, supply, and maintenance systems developed and implemented by U.S. and Coalition forces in Afghanistan. Specifically, DOD OIG plans to evaluate:
• whether U.S. and Coalition goals, objectives, plans, guidance, and resources are sufficient to effectively develop, manage, and transition logistics, supply, and maintenance systems to the ANP in 2014
• U.S. and Coalition plans to transition ANP logistics and maintenance processes to Afghan lead and to mitigate the impact of delays in supply transition
• whether U.S. and Coalition plans and resources will effectively support ANP logistics, supply, and maintenance-systems sustainment and continued development beyond 2014

Assessment of U.S. Government Efforts to Transition Security Cooperation and Assistance Activities Supporting the Government of the Islamic Republic of Afghanistan from Department of Defense Authority to Department of State Authority
(Project No. 2013-D00SPO-0181.000, Initiated June 13, 2013)
DOD OIG is assessing plans and activities that have been accomplished or implemented thus far to transfer the security-cooperation and assistance activities in Afghanistan from DOD to State Department authority, and to make recommendations to facilitate or improve the transition of these functions to the State Department in accordance with existing security-cooperation guidance and security-assistance regulations that may pertain. Specific objectives are to determine whether:
• U.S. government goals, objectives, plans, and guidance are sufficient, issued, and operative for the transition of CSTC-A security-assistance activities in Afghanistan from DOD authority to a security-cooperation organization under Department of State authority
• ongoing efforts by U.S. forces to provide security assistance to GIROA are adversely impacted by the implementation of drawdown plans for
U.S. Forces-Afghanistan (USFOR-A) and the transition of International Security Assistance Force (ISAF) and ISAF Joint Command (IJC) to a command organization under NATO authority

U.S. Department of State Office of Inspector General-Middle East Regional Operations
State OIG has four ongoing projects this quarter related to Afghanistan reconstruction. An ongoing project called “Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Orders 2, 9, and 11 for Movement and Static Security Services in Jerusalem and Afghanistan” has been cancelled.

Audit of Department of State Selection, Positioning, Training, and Oversight Responsibilities of Grants Officer Representatives
(Project No. 14AUD034, Initiated February 11, 2014)
Objective: To determine the extent to which the Department’s grant officer representatives (GORs) are selected, positioned, and trained to successfully perform their assigned grants-administration and oversight responsibilities.

(Project No. 14AUD018, Initiated January 27, 2014)
Objective: Determine whether the Department of State’s administration and oversight of the Worldwide Protective Services (WPS) task order for the Kabul Embassy Security Force has been effective.

Audit of Contract Closeout Process for Contracts in Afghanistan
(Project No. 14AUD014, Initiated January 17, 2014)
Objective: To determine whether the Department of State was following prescribed procedures when closing out local and regional contracts in Afghanistan.

Audit of Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Assistance to Afghanistan
(Project No. 13AUD082, Initiated June 20, 2013)
The audit objective is to evaluate the management and oversight of the Bureau of International Narcotics and Law Enforcement Affairs (INL) counternarcotics program for Afghanistan, including whether INL has achieved intended and sustainable outcomes and whether INL has applied adequate internal controls over the administration of direct assistance for the Afghanistan counternarcotics program.
Government Accountability Office
GAO has nine ongoing projects this quarter related to Afghanistan reconstruction.

Construction Efforts at the U.S. Embassy in Kabul Part II
(Project No. 321034, initiated July 23, 2014)
Since 2009 the State Department has awarded two contracts totaling about $700 million to construct additional housing and office facilities at the U.S. embassy in Kabul, Afghanistan. State has since terminated the first contract and expanded the scope, value, and timing of the second. Key questions: (1) What progress has State made in constructing new U.S. embassy facilities in Kabul since 2009, and what factors have contributed to any scope, cost, or schedule changes? (2) To what extent does the present expansion match projected needs?

Efforts to Protect Sites, Bases, and Convoys in Afghanistan and Any Effects on Mission
(Project No. 351952, Initiated July 16, 2014)
In Afghanistan, convoy security for DOD logistics contractors, perimeter security at certain DOD bases, and site security for U.S. Agency for International Development (USAID) Implementing Partners (IPs) was provided by the Afghan Public Protection Force (APPF), a state-owned enterprise of the Afghan Government. In February 2014 the Afghan government decided that the APPF would be disbanded. Key questions: To what extent, if any: (1) Is the decision to disband the APPF affecting DOD drawdown? (2) Are DOD's efforts to protect personnel and property impacting its mission in Afghanistan? (3) Are USAID IPs' efforts to protect personnel and property impacting their mission in Afghanistan?

Securing Diplomatic Residences and Other Soft Targets Overseas
(Project No. 321031, initiated July 9, 2014)
U.S. personnel posted in diplomatic facilities overseas continue to face threats to their safety and security, including numerous attacks in high-risk locations in recent years. In particular, residences, recreational facilities, and schools used by these personnel and their families may be attractive “soft targets.” Key questions: (1) How does State manage threats and risks to residences and other soft targets under chief-of-mission authority overseas? (2) To what extent do State’s security standards for residences and other soft targets address the threats and risks faced by such facilities? (3) To what extent do State’s policies and procedures address security vulnerabilities, if any, at residences and other soft targets?

Justification of Pass Through Contracts
The Federal Acquisition Regulation requires prime contractors to notify the government if they intend to subcontract more than 70% of the total cost of work in their proposals and explain the added value they provide in its proposed contracting arrangement. Section 802 of the National Defense Authorization Act for Fiscal Year 2013 directed DOD, State, and U.S. Agency for International Development to issue policies requiring contracting officers to consider alternative contracting arrangements when notified of such levels of subcontracting and document the basis for their decision. Question: To what extent have these agencies implemented required policy changes?

**Systems Used to Track Contractors in Contingency Environments**

In Fiscal Year 2013, Congress mandated DOD, State Department, and U.S. Agency for International Development to issue guidance about data collection on contract support for future contingencies involving combat operations outside of the U.S. Key questions: (1) What systems, if any, do the agencies use to manage contractors and the resources needed to sustain each system? (2) To what extent are systems interoperable, use compatible data standards, and meet legislative requirements? (3) To what extent do the systems provide personnel in contingency areas the necessary data to manage contractors? (4) What steps, if any, are the agencies taking to ensure that these systems maximize their ability to manage contractors?

**U.S. Contractor Preference in Military Construction Programs**

In Fiscal Year 2014, Congress directed GAO to assess the potential benefits or problems of expanding an existing statutory preference for American contractors for certain overseas U.S. military-construction projects to the U.S. Central Command area of responsibility. Key questions: (1) What benefits or problems did DOD encounter or overcome in establishing a preference for American contractors in military construction projects in locations where the department implemented such a preference? (2) What are the potential benefits of expanding the geographical area to countries in the U.S. Central Command area of responsibility for American contractor preference in military constructions programs? (3) What are the potential problems of expanding the geographical area to countries in the U.S. Central Command area of responsibility for American contractor preference in military constructions programs?

**Mitigating Threats to Locally Employed Staff**

(As per the document, these agencies oversight reports might be lacking and need to be improved.)
U.S. agencies employ more than 44,000 locally employed staff (LES)—Foreign Service nationals and U.S. citizens—at over 270 posts worldwide. LES are a key element of the U.S. presence at these posts, often performing a range of programmatic, security, monitoring, maintenance, and other duties. However, due to their association with the United States, LES can be subject to harassment, intimidation, and death threats. Threats to LES are particularly acute at posts in countries with active terrorist networks and violent extremist groups, such as Afghanistan, Iraq, Pakistan, and Yemen. Such threats can potentially hamper U.S. efforts to recruit and retain LES.

GAO was asked to review U.S. Government efforts to monitor, share information about, and mitigate threats to LES serving at high-threat posts. Key questions: (1) What is the nature and extent of the threat that terrorist networks and other violent extremist groups pose to LES, including the number of threats and attacks? (2) To what extent have U.S. agencies established mechanisms to collect and disseminate information about threats to LES in an effective and timely manner? (3) What steps, if any, have U.S. agencies taken to mitigate threats to LES at high-threat posts and what barriers, if any, exist to mitigating such threats? (4) How have these threats and attacks affected the recruitment and retention of LES at high threat posts?

**Use of Foreign Labor Contractors Abroad**
(Project No. 320085, Initiated June 26, 2013)

The United States relies on contractors to provide diverse services overseas. Despite prohibiting the use of trafficked labor for all U.S. government contracts, concerns remain about the protections afforded to foreign workers recruited by U.S. contractors because prevailing practices in some host countries diverge from U.S. standards. Key questions: (1) What are the practices of U.S. Government contractors in recruiting foreign workers for work outside the United States? (2) What legal and other authorities do U.S. agencies identify as providing protection to foreign workers employed by U.S. Government contractors outside the United States? (3) To what extent do federal agencies provide oversight and enforcement of such authorities?

**DOD Container Management**
(Project No. 351805, Initiated March 1, 2013)

Shipping-container management has been a longstanding challenge for the Department of Defense (DOD). GAO estimates that DOD will pay over $1 billion in detention fees from 2003 through 2013 for using commercial shipping containers beyond the time frame allotted in its contract with commercial shippers during operations in Iraq and Afghanistan. Key Questions: (1) To what extent has DOD implemented corrective actions to address container management challenges affecting shipping containers used in the Afghan theater? (2) To what extent has DOD assessed the effect of its corrective actions on the accumulation of detention fees?
U.S. Army Audit Agency
This quarter the USAAA has no ongoing audits related to Afghanistan reconstruction.

U.S. Agency for International Development
Office of Inspector General
This quarter USAID OIG has two ongoing audits related to reconstruction initiatives.

Audit of USAID/Afghanistan’s Strategy for Monitoring and Evaluating Its Programs Throughout Afghanistan
(Project No. FF101014, Initiated August 26, 2014)
Audit Objective:
• Does USAID/Afghanistan’s monitoring and evaluation strategy provide effective coverage over USAID’s program activities in Afghanistan?

Review of USAID/Afghanistan’s Financial Management Controls for Government to Government Assistance
(Project No. FF100414, Initiated March 10, 2014)
Review Objective:
• Are financial-management controls associated with USAID/Afghanistan’s government-to-government assistance designed and operating effectively?
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The Official Seal of SIGAR

The official seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal’s center is in Dari and means “SIGAR.” The phrase along the bottom side of the seal’s center is in Pashto and has the same meaning.
APPENDICES AND ENDNOTES
APPENDIX A

CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS

This appendix cross-references the pages of this report to the quarterly reporting and related requirements under SIGAR's enabling legislation, the National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 1229 (Table A.1), and to the semiannual reporting requirements prescribed for inspectors general more generally under the Inspector General Act of 1978, as amended (5 U.S.C. App. 3) (Table A.2).

<table>
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<th>TABLE A.1</th>
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<tr>
<td>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229</td>
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<td><strong>Public Law Section</strong></td>
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<td>Purpose</td>
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<td>Supervision</td>
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<td>Section 1229(e)(1)</td>
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<td>Section 1229(f)(1)</td>
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<td>Section 1229(f)(1)(E)</td>
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### TABLE A.1 (CONTINUED)

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<th>SIGAR Action</th>
<th>Report Section</th>
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<tr>
<td>Section 1229(f)(1)(F)</td>
<td>The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy</td>
<td>Monitoring and review as described</td>
<td>Audits</td>
</tr>
<tr>
<td>Section 1229(f)(1)(G)</td>
<td>The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies</td>
<td>Conduct and reporting of investigations as described</td>
<td>Investigations</td>
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<tr>
<td>Section 1229(f)(2)</td>
<td>OTHER DUTIES RELATED TO OVERSIGHT — The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)</td>
<td>Establish, maintain, and oversee systems, procedures, and controls</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(3)</td>
<td>DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 — In addition, . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978</td>
<td>Duties as specified in Inspector General Act</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(4)</td>
<td>COORDINATION OF EFFORTS — The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development</td>
<td>Coordination with the inspectors general of DoD, DoS, and USAID</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td><strong>Federal Support and Other Resources</strong></td>
<td><strong>ASSISTANCE FROM FEDERAL AGENCIES</strong> — Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee</td>
<td>Expect support as requested</td>
<td>Full report</td>
</tr>
<tr>
<td><strong>Section 1229(h)(5)(A)</strong></td>
<td><strong>REPORTING OF REFUSED ASSISTANCE</strong> — Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay</td>
<td>None reported</td>
<td>N/A</td>
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<tr>
<td><strong>Reports</strong></td>
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### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229

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<th>SIGAR Action</th>
<th>Report Section</th>
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<tbody>
<tr>
<td>Section 1229(i)(1)</td>
<td>QUARTERLY REPORTS — Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –</td>
<td>Report – 30 days after the end of each calendar quarter</td>
<td>Full report Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(A)</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(B)</td>
<td>A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program</td>
<td>Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program</td>
<td>Funding Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(1)(C)</td>
<td>Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of donor funds</td>
<td>Funding</td>
</tr>
<tr>
<td>Section 1229(i)(1)(D)</td>
<td>Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of funds from seized or frozen assets</td>
<td>Funding</td>
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<tr>
<td>Section 1229(i)(1)(E)</td>
<td>Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan</td>
<td>Operating expenses of agencies or any organization receiving appropriated funds</td>
<td>Funding Appendix B</td>
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<tr>
<td>Section 1229(i)(1)(F)</td>
<td>In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* — (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition</td>
<td>Describe contract details</td>
<td>Note 1</td>
</tr>
</tbody>
</table>

---

**TABLE A.1 (CONTINUED)**

---
### TABLE A.1 (CONTINUED)

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(i)(3)</td>
<td>PUBLIC AVAILABILITY — The Inspector General shall publish on a publicly available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan</td>
<td>Publish report as directed at <a href="http://www.sigar.mil">www.sigar.mil</a> Dari and Pashtu translation in process</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(i)(4)</td>
<td>FORM — Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary</td>
<td>Publish report as directed</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(i)(1)</td>
<td>Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense.</td>
<td>Submit quarterly report</td>
<td>Full report</td>
</tr>
</tbody>
</table>

Note 1: Although this data is normally made available on SIGAR’s website (www.sigar.mil), the data SIGAR has received is in relatively raw form and is currently being reviewed, analyzed, and organized for all future SIGAR purposes.

* Covered “contracts, grants, agreements, and funding mechanisms” are defined in paragraph (2) of Section 1229(i) of P.L. No. 110-181 as being—

> “any major contract, grant, agreement, or other funding mechanism that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan with any public or private sector entity for any of the following purposes: To build or rebuild physical infrastructure of Afghanistan, to establish or reestablish a political or societal institution of Afghanistan, and to provide products or services to the people of Afghanistan.”
### APPENDICES

#### TABLE A.2

<table>
<thead>
<tr>
<th>IG Act Section</th>
<th>IG Act Language</th>
<th>SIGAR Action</th>
<th>Section</th>
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<tbody>
<tr>
<td>Section 5(a)(1)</td>
<td>Description of significant problems, abuses, and deficiencies</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List problems, abuses, and deficiencies from SIGAR audit reports, investigations, and inspections</td>
<td>See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(2)</td>
<td>Description of recommendations for corrective action...with respect to significant problems, abuses, or deficiencies</td>
<td>Extract pertinent information from SWA/JPG member I reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List recommendations from SIGAR audit reports</td>
<td>See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(3)</td>
<td>Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed</td>
<td>List all instances of incomplete corrective action from previous semiannual reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(4)</td>
<td>A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
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<tr>
<td></td>
<td></td>
<td>List SIGAR Investigations that have been referred</td>
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<tr>
<td>Section 5(a)(5)</td>
<td>A summary of each report made to the [Secretary of Defense] under section 6(b)(2) (instances where information requested was refused or not provided)</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List instances in which information was refused SIGAR auditors, investigators, or inspectors</td>
<td></td>
</tr>
<tr>
<td>Section 5(a)(6)</td>
<td>A listing, subdivided according to subject matter, of each audit report, inspection report and evaluation report issued...showing dollar value of questioned costs and recommendations that funds be put to better use</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List SIGAR reports</td>
<td></td>
</tr>
<tr>
<td>Section 5(a)(7)</td>
<td>A summary of each particularly significant report</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>A full list of significant reports can be found at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
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<tr>
<td></td>
<td></td>
<td>Provide a synopsis of the significant SIGAR reports</td>
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</tr>
<tr>
<td>Section 5(a)(8)</td>
<td>Statistical tables showing the total number of audit reports and the total dollar value of questioned costs</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop statistical tables showing dollar value of questioned cost from SIGAR reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(9)</td>
<td>Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop statistical tables showing dollar value of funds put to better use by management from SIGAR reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(10)</td>
<td>A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide a synopsis of SIGAR audit reports in which recommendations by SIGAR are still open</td>
<td>None</td>
</tr>
</tbody>
</table>
### CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) (“IG ACT”)

<table>
<thead>
<tr>
<th>IG Act Section</th>
<th>IG Act Language</th>
<th>SIGAR Action</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 5(a)(11)</td>
<td>A description and explanation of the reasons for any significant revised management decision</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Explain SIGAR audit reports in which significant revisions have been made to management decisions</td>
<td>None</td>
</tr>
<tr>
<td>Section 5(a)(12)</td>
<td>Information concerning any significant management decision with which the Inspector General is in disagreement</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Explain SIGAR audit reports in which SIGAR disagreed with management decision</td>
<td>No disputed decisions during the reporting period</td>
</tr>
<tr>
<td>Section 5(a)(13)</td>
<td>Information described under [Section 804(b)] of the Federal Financial Management Improvement Act of 1996 (instances and reasons when an agency has not met target dates established in a remediation plan)</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide information where management has not met targets from a remediation plan</td>
<td>No disputed decisions during the reporting period</td>
</tr>
<tr>
<td>Section 5(a)(14)(A)</td>
<td>An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or</td>
<td>SIGAR has posted in full the results of, and reports from, SIGAR's most recent peer reviews (completed during July 2010, prior to the current reporting period), on its Web site</td>
<td>Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(14)(B)</td>
<td>If no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General</td>
<td>15 July 2010</td>
<td>Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(15)</td>
<td>A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete</td>
<td>None – all peer review recommendations have been effectively addressed, and remedial measures have been implemented, by 30 September 2010</td>
<td>Recommendations and related materials posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(16)</td>
<td>Any peer reviews conducted by SIGAR of another IG Office during the reporting period, including a list of any outstanding recommendations made from a previous peer review . . . that remain outstanding or have not been fully implemented</td>
<td>Not applicable (SIGAR did not conduct, or participate in the conduct, of a peer review of another Office of Inspector General during the reporting period)</td>
<td>SIGAR Oversight</td>
</tr>
</tbody>
</table>
APPENDICES

APPENDIX B

U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION ($ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of September 30, 2014. Table B.2 lists fund appropriated for counternarcotics initiatives since 2002.

**TABLE B.1**

<table>
<thead>
<tr>
<th>U.S. FUNDING SOURCES</th>
<th>AGENCY</th>
<th>TOTAL</th>
<th>FY 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SECURITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghanistan Security Forces Fund (ASFF)</td>
<td>DOD</td>
<td>57,325.44</td>
<td>0.00</td>
</tr>
<tr>
<td>Train &amp; Equip (DOD)</td>
<td>DOD</td>
<td>440.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Foreign Military Financing (FMF)</td>
<td>State</td>
<td>1,059.14</td>
<td>57.26</td>
</tr>
<tr>
<td>International Military Education and Training (IMET)</td>
<td>State</td>
<td>14.82</td>
<td>0.18</td>
</tr>
<tr>
<td>Drug Interdiction &amp; Counter-Drug Activities (DOD CN)</td>
<td>DOD</td>
<td>2,704.86</td>
<td>0.00</td>
</tr>
</tbody>
</table>

| **Total - Security**                                     |                                     | 61,544.27| 57.44   |
| **GOVERNANCE & DEVELOPMENT**                            |                                     |          |         |
| Commander’s Emergency Response Program (CERP)            | DOD                                 | 3,669.00 | 0.00    |
| Afghanistan Infrastructure Fund (AIF)                    | DOD                                 | 1,043.50 | 0.00    |
| Task Force for Business and Stability Operations (TFBSO) | DOD                                 | 814.83   | 0.00    |
| Economic Support Fund (ESF)                              | USAID                               | 17,720.37| 117.72  |
| Development Assistance (DA)                              | USAID                               | 885.55   | 18.30   |
| Afghanistan Freedom Support Act (AFSA)                   | DOD                                 | 550.00   | 0.00    |
| Child Survival & Health (CSH + GHAI)                     | USAID                               | 557.85   | 7.52    |
| Commodity Credit Corp (CCC)                              | USAID                               | 31.65    | 7.48    |
| USAID (Other)                                            | USAID                               | 56.09    | 0.00    |
| Non-Proliferation, Antiterrorism, Demining & Related (NADR)| State                           | 649.49   | 44.00   |
| Provincial Reconstruction Team Advisors                   | USDA                                 | 5.70     | 0.00    |
| Treasury Technical Assistance                             | Treasury                            | 4.45     | 0.90    |
| International Narcotics Control & Law Enforcement (INCLE)| State                               | 4,441.68 | 60.00   |
| Drug Enforcement Administration (DEA)                    | DOJ                                 | 219.67   | 0.58    |

| **Total - Governance & Development**                     |                                     | 30,649.83| 256.50  |
| **HUMANITARIAN**                                         |                                     |          |         |
| PL. 480 Title I                                          | USAID                               | 5.00     | 0.00    |
| PL. 480 Title II                                         | USAID                               | 949.89   | 159.50  |
| Disaster Assistance (IDA)                               | USAID                               | 570.15   | 197.09  |
| Transition Initiatives (TI)                              | USAID                               | 39.40    | 8.07    |
| Migration & Refugee Assistance (MRA)                     | State                               | 952.66   | 135.47  |
| Voluntary Peacekeeping (PKO)                             | State                               | 69.33    | 23.93   |
| Emergency Refugee & Migration Assistance (ERMA)          | State                               | 25.20    | 25.00   |
| Food for Progress                                        | USDA                                 | 109.49   | 0.00    |
| 416(b) Food Aid                                          | USDA                                 | 95.18    | 46.46   |
| Food for Education                                       | USDA                                 | 50.49    | 0.00    |
| Emerson Trust                                            | USDA                                 | 22.40    | 0.00    |

| **Total - Humanitarian**                                 |                                     | 2,889.18 | 595.52  |
| **CIVILIAN OPERATIONS**                                  |                                     |          |         |
| Oversight                                                |                                     | 293.95   | 0.00    |
| Operations                                               |                                     | 8,705.25 | 155.60  |

<p>| <strong>Total - Civilian Operations</strong>                          |                                     | 8,999.20 | 155.60  |
| <strong>Total - Funding</strong>                                      |                                     | 104,082.48| 1,065.06|</p>
<table>
<thead>
<tr>
<th>AGENCY TOTAL FY 2002</th>
<th>656.41</th>
<th>1,578.76</th>
<th>2,502.11</th>
<th>1,207.14</th>
<th>2,010.30</th>
<th>2,511.67</th>
<th>3,287.06</th>
<th>5,185.92</th>
<th>3,677.28</th>
<th>3,331.47</th>
<th>2,953.56</th>
<th>1,491.66</th>
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</thead>
<tbody>
<tr>
<td>FY 2003</td>
<td>0.00</td>
<td>0.00</td>
<td>995.00</td>
<td>1,908.13</td>
<td>7,406.40</td>
<td>2,750.00</td>
<td>5,606.94</td>
<td>9,166.77</td>
<td>10,619.28</td>
<td>9,200.00</td>
<td>4,946.20</td>
<td>4,726.72</td>
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<td>FY 2004</td>
<td>0.00</td>
<td>150.00</td>
<td>290.00</td>
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<td>FY 2005</td>
<td>191.00</td>
<td>414.08</td>
<td>396.80</td>
<td>0.00</td>
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<tr>
<td>FY 2006</td>
<td>0.39</td>
<td>0.67</td>
<td>0.95</td>
<td>0.98</td>
<td>1.19</td>
<td>1.66</td>
<td>1.40</td>
<td>1.76</td>
<td>1.56</td>
<td>1.18</td>
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<td>FY 2007</td>
<td>0.00</td>
<td>71.80</td>
<td>224.54</td>
<td>108.05</td>
<td>290.97</td>
<td>192.81</td>
<td>230.06</td>
<td>392.27</td>
<td>379.83</td>
<td>472.99</td>
<td>255.81</td>
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<tr>
<td>FY 2008</td>
<td>191.39</td>
<td>636.55</td>
<td>1,907.28</td>
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<td>7,698.57</td>
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<td>11,000.67</td>
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<td>40.00</td>
<td>136.00</td>
<td>215.00</td>
<td>209.00</td>
<td>488.33</td>
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<tr>
<td>FY 2011</td>
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</tr>
</tbody>
</table>

REPORT TO THE UNITED STATES CONGRESS | OCTOBER 30, 2014
APPENDIX C
SIGAR WRITTEN PRODUCTS
SIGAR AUDITS

Audit Alert Letter
SIGAR issued one audit alert letter this reporting period.

NEW SIGAR AUDIT ALERT LETTER ISSUED AS OF OCTOBER 30, 2014

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Audit Alert Letter 14-80a-AL</td>
<td>Afghan Air Force C-130 Aircraft Response</td>
<td>10/2014</td>
</tr>
</tbody>
</table>

Completed Performance Audits
SIGAR completed two performance audits during this reporting period.

COMPLETED SIGAR PERFORMANCE AUDITS AS OF OCTOBER 30, 2014

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Audit 15-12-AR</td>
<td>Counternarcotics Police of Afghanistan: U.S. Assistance to Provincial Units Cannot be Fully Tracked and Formal Capability Assessments of These Units Are Needed</td>
<td>10/2014</td>
</tr>
<tr>
<td>SIGAR Audit 15-1-AR</td>
<td>USAID: More than 80 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented</td>
<td>10/2014</td>
</tr>
</tbody>
</table>

New Performance Audits
SIGAR initiated two performance audits during this reporting period.

NEW SIGAR PERFORMANCE AUDITS AS OF OCTOBER 30, 2014

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 100A</td>
<td>DOD Oversight of Infrastructure Projects Transferred to the Afghan Government</td>
<td>8/2014</td>
</tr>
<tr>
<td>SIGAR 099A</td>
<td>U.S. Efforts to Develop Afghanistan’s Civil Aviation Capabilities</td>
<td>7/2014</td>
</tr>
</tbody>
</table>

Ongoing Performance Audits
SIGAR had 12 audits in progress during this reporting period.

ONGOING SIGAR PERFORMANCE AUDITS AS OF OCTOBER 30, 2014

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 098A</td>
<td>DOD’s Afghan Local Police Program</td>
<td>7/2014</td>
</tr>
<tr>
<td>SIGAR 097A</td>
<td>U.S. Efforts to Develop Afghanistan’s Extractives Industry</td>
<td>2/2014</td>
</tr>
<tr>
<td>SIGAR 096A</td>
<td>U.S. Efforts to Assist Afghan Refugees and Internally Displaced Persons</td>
<td>2/2014</td>
</tr>
<tr>
<td>SIGAR 095A</td>
<td>U.S. Efforts to Develop Afghanistan’s Rule of Law</td>
<td>2/2014</td>
</tr>
</tbody>
</table>

Continued on the next page
## Completed Financial Audits

SIGAR completed six financial audits during this reporting period.

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Financial Audit 15-7-FA</td>
<td>USAID’s Afghanistan Vouchers for Increased Production in Agriculture Program: Audit of Costs Incurred by International Relief &amp; Development Inc.</td>
<td>10/2014</td>
</tr>
<tr>
<td>SIGAR Financial Audit 14-100-FA</td>
<td>USAID’s Afghanistan Municipal Strengthening Program: Audit of Costs Incurred by International City/County Management Association</td>
<td>9/2014</td>
</tr>
<tr>
<td>SIGAR Financial Audit 14-95-FA</td>
<td>Department of State’s Demining Activities in Afghanistan: Audit of Incurred Costs by Mine Clearance Planning Agency</td>
<td>9/2014</td>
</tr>
<tr>
<td>SIGAR Financial Audit 14-94-FA</td>
<td>USAID’s Afghanistan Social Outreach Program: Audit of Costs Incurred by AECOM International Development, Inc.</td>
<td>9/2014</td>
</tr>
<tr>
<td>SIGAR Financial Audit 14-93-FA</td>
<td>USAID’s Partnership for Advancing Community Based Education in Afghanistan: Audit of Costs Incurred by CARE International</td>
<td>8/2014</td>
</tr>
<tr>
<td>SIGAR Financial Audit 14-91-FA</td>
<td>USAID’s Local Governance and Community Development Project in Northern and Western Regions of Afghanistan: Audit of Costs Incurred by ARD Inc.</td>
<td>8/2014</td>
</tr>
</tbody>
</table>

## New Financial Audit

SIGAR initiated one financial audit during this reporting period.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-065</td>
<td>USDA Cooperative Agreement with the American Soybean Association for the Provision of Agricultural Commodities for Afghanistan through the Food for Progress Act</td>
<td>8/2014</td>
</tr>
</tbody>
</table>
### Ongoing Financial Audits

SIGAR had 33 financial audits in progress during this reporting period.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-064</td>
<td>DOD Contract with Raytheon Technical Services Company LLC for ANA depot support</td>
<td>4/2014</td>
</tr>
<tr>
<td>F-063</td>
<td>DOD Contract with DRS Technical Services, Inc. for ANA Communications equipment service mentoring, systems engineering, technical assistance, training, and maintenance</td>
<td>4/2014</td>
</tr>
<tr>
<td>F-062</td>
<td>DOD Contract with Engility Corporation (L-3 MPRI) for support services to the MOI and ANP</td>
<td>4/2014</td>
</tr>
<tr>
<td>F-061</td>
<td>DOD Contract with Dyncorp, International, LLC for mentoring and training services in support of the ANSF</td>
<td>4/2014</td>
</tr>
<tr>
<td>F-060</td>
<td>State contract with PAE Government Services Incorporated for technical support to the Justice Sector Support Program (JSSP)</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-059</td>
<td>State Grants with Global Rights for increasing access to justice for family law clients and strengthening the capacity of civil society/young lawyers to protect human rights in Afghanistan</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-058</td>
<td>State Grants with Women for Afghan Women for technical support for the promotion and protection of Afghan women’s rights</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-057</td>
<td>State Grants with Clear Path International (CPI) for technical support to the Integrated Victim Assistance and Capacity Building Program</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-056</td>
<td>State Grants with Organization for Mine Clearance and Afghan Rehabilitation (OMAR) for mine and unexploded ordnance clearance</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-055</td>
<td>USAID Task Order with Management Systems International, Inc (MSI) for technical support to the Measuring Impact of Stabilization Initiative (MISTI)</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-054</td>
<td>USAID Cooperative Agreement with University of Massachusetts for technical support to the Higher Education Project (HEP) in Afghanistan</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-053</td>
<td>USAID Cooperative Agreement with Consortium For Elections and Political Process (CEPPS) for support to subnational government institutions in Regional Command-East and Regional Command-South</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-052</td>
<td>USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIKA)-West</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-051</td>
<td>USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIKA)-East</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-050</td>
<td>USAID Contract with Tetra Tech for technical support to the Rule of Law Stabilization—Formal Component</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-049</td>
<td>USAID Contract with International Relief and Development, Inc. (IRD) for Engineering, Quality Assurance and Logistical Support (EQUALS)</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-048</td>
<td>USAID Cooperative Agreement with Wildlife Conservation Society (WCS) for technical support to the Improving Livelihoods and Governance through Natural Resource Management Project (ILG-NRMP)</td>
<td>3/2014</td>
</tr>
</tbody>
</table>

Continued on the next page
<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
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</thead>
<tbody>
<tr>
<td>F-047</td>
<td>USAID Cooperative Agreement with Democracy International for technical support for Electoral Reform and Civic Advocacy (AERCA)</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-046</td>
<td>USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIKA)-South</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-045</td>
<td>USAID Cooperative Agreement with Consortium For Elections and Political Process (CEPPS) to support increased electoral participation in Afghanistan</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-044</td>
<td>USAID Cooperative Agreement with Internews Network for support to the Afghan Media Development and Empowerment Project (AMDEP)</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-043</td>
<td>USAID Contract with Tetra Tech to support Land Reform in Afghanistan</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-042</td>
<td>USAID Cooperative Agreement with International Relief and Development, Inc. for technical support to the Afghanistan Civilian Assistance Program (ACAP II)</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-041</td>
<td>USAID Cooperative Agreement with International Relief and Development, Inc. for technical support to the Southern Regional Agriculture Development Program (SRADP)</td>
<td>3/2014</td>
</tr>
<tr>
<td>F-040</td>
<td>DOD Contract with A-T Solutions for support to Freedom of Maneuver program</td>
<td>12/2013</td>
</tr>
<tr>
<td>F-039</td>
<td>DOD Contract with Jorge Scientific Corp for support to Legacy East program</td>
<td>12/2013</td>
</tr>
<tr>
<td>F-038</td>
<td>DOD Contract with CACI Technologies, Inc. for technical engineering, logistical engineering and fielding efforts</td>
<td>12/2013</td>
</tr>
<tr>
<td>F-036</td>
<td>State Grant with Sayed Majidi Architecture and Design (SMAD) for project management services for architectural and engineering design of the new national museum in Kabul</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-035</td>
<td>State Cooperative Agreement and Grant with CETENA Group for support to the Afghan TV Content Production Manager project and the Nationwide Adult Literacy project</td>
<td>9/2013</td>
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<tr>
<td>F-033</td>
<td>State Task Order with PAE for technical support to the Civilian Police Program</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-032</td>
<td>USAID Task Order with IRG (now part of Engility) for technical support to the Afghan Clean Energy Program (ACEP)</td>
<td>9/2013</td>
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<tr>
<td>F-027</td>
<td>USAID Cooperative Agreement with PACT to strengthen the independent media sector in Afghanistan</td>
<td>9/2013</td>
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<tr>
<td>F-026</td>
<td>USAID Task Order with ARD (now part of Tetra Tech) to provide technical support to the Sustainable Water Supply and Sanitation (SWSS) project</td>
<td>9/2013</td>
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</tbody>
</table>
SIGAR INSPECTIONS

Completed Inspections
completed one inspection during this reporting period.

COMPLETED SIGAR INSPECTIONS AS OF OCTOBER 30, 2014

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Inspection</td>
<td>Pol-i-Charkhi Prison: Renovation Project Far from Complete after 5 Years and $18.5 Million</td>
<td>10/2014</td>
</tr>
</tbody>
</table>

SIGAR SPECIAL PROJECTS

Completed Special Projects
SIGAR completed 21 Special Project products this reporting period.

COMPLETED SIGAR SPECIAL PROJECTS AS OF OCTOBER 30, 2014

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Project 15-14-SP</td>
<td>Direct Assistance: Review of Processes and Controls Used by CSTC-A, State, and USAID</td>
<td>10/2014</td>
</tr>
<tr>
<td>Special Project 15-10-SP</td>
<td>Special Report: Poppy Cultivation in Afghanistan: After a Decade of Reconstruction and Over $7 Billion in Counternarcotics Efforts, Poppy Cultivation Levels Are at an All-Time High</td>
<td>10/2014</td>
</tr>
<tr>
<td>Special Project 15-09-SP</td>
<td>Inquiry Letter: State Department Communication Trucks</td>
<td>10/2014</td>
</tr>
<tr>
<td>Special Project 15-08-SP</td>
<td>Inquiry Letter: IRD Whistleblower Protections Response</td>
<td>7/2014</td>
</tr>
<tr>
<td>Special Project 15-06-SP</td>
<td>Inquiry Letter: Contract Termination Due to Security Changes</td>
<td>10/2014</td>
</tr>
<tr>
<td>Special Project 15-05-SP</td>
<td>Inquiry Letter: USAID’s Questioned Costs</td>
<td>10/2014</td>
</tr>
<tr>
<td>Special Project 15-04-SP</td>
<td>Inquiry Letter: Status of Four G222 Aircraft at Ramstein Air Force Base, Germany</td>
<td>10/2014</td>
</tr>
<tr>
<td>Special Project 15-03-SP</td>
<td>Inquiry Letter: ANA Slaughterhouse in Pol-i-Charkhi District</td>
<td>10/2014</td>
</tr>
<tr>
<td>Special Project 15-02-SP</td>
<td>Inquiry Letter: Scrapping of G222 Fleet at Kabul Airport</td>
<td>10/2014</td>
</tr>
<tr>
<td>Special Project 14-101-SP</td>
<td>ANSF Requirement Validation</td>
<td>10/2014</td>
</tr>
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</table>

Continued on the next page
<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>14-90-SP</td>
<td>Inquiry Letter: Communications Towers Response</td>
<td>9/2014</td>
</tr>
<tr>
<td>14-89-SP</td>
<td>Inquiry Letter: Korak Uzbeki School Collapse in Sar-i-Pul</td>
<td>9/2014</td>
</tr>
<tr>
<td>14-88-SP</td>
<td>Inquiry Letter: DOD Anti/Counter Corruption Efforts</td>
<td>7/2014</td>
</tr>
<tr>
<td>14-87-SP</td>
<td>Inquiry Letter: Kandahar Bridging Solution</td>
<td>7/2014</td>
</tr>
<tr>
<td>14-86-SP</td>
<td>Inquiry Letter: Fuel Storage Tanks</td>
<td>7/2014</td>
</tr>
</tbody>
</table>
This quarter, SIGAR opened 36 new investigations and closed 33, bringing the total number of open investigations to 322. Of the new investigations, most involved procurement and contract fraud, as shown in Figure D.1. Of the closed investigations, most were closed due to unfounded allegations, as shown in Figure D.2.

Source: SIGAR Investigations Directorate, 10/7/2014.
SIGAR Hotline

Of the 139 Hotline complaints received this quarter, most were received electronically, as shown in Figure D.3. In addition to working on new complaints, the Investigations directorate continued its work this quarter on complaints received prior to April 1, 2014. This quarter, the directorate processed 173 complaints, most of which were closed, as shown in Figure D.4.

Suspensions and Debarments From SIGAR Referrals

SIGAR’s referrals for suspension and debarment as of September 30, 2014, are shown in chronological order in Table D.1.

Table D.1

<table>
<thead>
<tr>
<th>SUSPENSIONS AND DEBARMENTS AS OF SEPTEMBER 30, 2014</th>
<th>Debarments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Al-Watan Construction Company</td>
<td>Farooqi, Hashmatullah</td>
</tr>
<tr>
<td>Basirat Construction Firm</td>
<td>Hamid Lais Construction Company</td>
</tr>
<tr>
<td>Brophy, Kenneth</td>
<td>Hamid Lais Group</td>
</tr>
<tr>
<td>Naqibullah, Nadeem</td>
<td>Lodin, Rohullah Farooqi</td>
</tr>
<tr>
<td>Rahman, Obaidur</td>
<td>Bennett &amp; Fouch Associates, LLC</td>
</tr>
<tr>
<td>Campbell, Neil Patrick</td>
<td>Brandon, Gary</td>
</tr>
<tr>
<td>Borcata, Raul A.</td>
<td>K5 Global</td>
</tr>
<tr>
<td>Close, Jamel Lee</td>
<td>Ahmad, Noor</td>
</tr>
<tr>
<td>Logistical Operations Worldwide</td>
<td>Noor Ahmad Yousufzai Construction Company</td>
</tr>
<tr>
<td>Robinson, Franz Martin</td>
<td>Ayeni, Sheryl Adenike</td>
</tr>
</tbody>
</table>

Continued on the next page
## TABLE D.1 (CONTINUED)

### SUSPENSIONS AND DEBARMENTS AS OF SEPTEMBER 30, 2014  
(CONTINUED)

<table>
<thead>
<tr>
<th>Suspensions</th>
<th>Debarments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taylor, Zachery Dustin</td>
<td>Cannon, Justin</td>
</tr>
<tr>
<td>Aaria Group Construction Company</td>
<td>Constantino, April Anne</td>
</tr>
<tr>
<td>Aaria Group</td>
<td>Constantino, Dee</td>
</tr>
<tr>
<td>Aaria Herai General Trading</td>
<td>Constantino, Ramil Palmes</td>
</tr>
<tr>
<td>Aaria M.E. General Trading LLC</td>
<td>Crilly, Braam</td>
</tr>
<tr>
<td>Aaria Middle East</td>
<td>Drotleff, Christopher</td>
</tr>
<tr>
<td>Aaria Middle East Company LLC</td>
<td>Fil-Tech Engineering and Construction Company</td>
</tr>
<tr>
<td>Aaria Middle East Company Ltd. – Herat</td>
<td>Handa, Sdiharth</td>
</tr>
<tr>
<td>Aaria Supplies Company LTD</td>
<td>Jabak, Imad</td>
</tr>
<tr>
<td>Aaria Supply Services and Consultancy</td>
<td>Jamally, Rohullah</td>
</tr>
<tr>
<td>Altech International</td>
<td>Khalid, Mohammad</td>
</tr>
<tr>
<td>Altech International Pvt., Ltd.</td>
<td>Khan, Daro</td>
</tr>
<tr>
<td>Alam, Ahmed Farzad</td>
<td>Mariano, April Anne Perez</td>
</tr>
<tr>
<td>Albahar Logistics</td>
<td>McCabe, Elton Maurice</td>
</tr>
<tr>
<td>American Aaria Company LLC</td>
<td>Mihalico, John</td>
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<tr>
<td>American Aaria LLC</td>
<td>Qasimi, Mohammed Indress</td>
</tr>
<tr>
<td>Barakzai, Nangialai</td>
<td>Radhi, Mohammad Khalid</td>
</tr>
<tr>
<td>Formid Supply and Services</td>
<td>Safi, Fazal Ahmed</td>
</tr>
<tr>
<td>Greenlight General Trading</td>
<td>Shin Gul Shaheen, a.k.a. “Sheen Gul Shaheen”</td>
</tr>
<tr>
<td>Kabul Hackle Logistics Company</td>
<td>Espinoza-Loor, Pedro Alfredo</td>
</tr>
<tr>
<td>Sharpway Logistics</td>
<td>Campbell, Neil Patrick</td>
</tr>
<tr>
<td>United States California Logistics Company</td>
<td>Navarro, Wesley</td>
</tr>
<tr>
<td>Yousef, Najeebullah</td>
<td>Hazrati, Arash</td>
</tr>
<tr>
<td>Rahimi, Mohammad Edris</td>
<td>Midfield International</td>
</tr>
<tr>
<td>Wooten, Philip Steven</td>
<td>Moore, Robert G.</td>
</tr>
<tr>
<td>Domineck, Lavette Kaye</td>
<td>Noori, Noor Alam, a.k.a. “Noor Alam”</td>
</tr>
<tr>
<td>Markwith, James</td>
<td>Northern Reconstruction Organization</td>
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<tr>
<td>All Points International Distributors, Inc.</td>
<td>Shamal Pamir Building and Road Construction Company</td>
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<tr>
<td>Cipolla, James</td>
<td>Wade, Desi D.</td>
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<tr>
<td>Hercules Global Logistics</td>
<td>Blue Planet Logistics Services</td>
</tr>
<tr>
<td>Schroeder, Robert</td>
<td>Mahmodi, Pades</td>
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<tr>
<td>AISC LLC</td>
<td>Mahmodi, Shikab</td>
</tr>
<tr>
<td>American International Security Corporation</td>
<td>Saber, Mohammed</td>
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<td>Brothers, Richard S.</td>
<td>Watson, Brian Erik</td>
</tr>
<tr>
<td>David A Young Construction &amp; Renovation Inc.</td>
<td>Abbasi, Shahpoor</td>
</tr>
<tr>
<td>Force Direct Solutions LLC</td>
<td>Amini, Waheedullah</td>
</tr>
<tr>
<td>Harris, Christopher</td>
<td>Atal, Waheed</td>
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<tr>
<td>Hernando County Holdings LLC</td>
<td>Daud, Abdullahiah</td>
</tr>
<tr>
<td>Hide-A-Wreck LLC</td>
<td>Dehati, Abdul Majid</td>
</tr>
</tbody>
</table>

Continued on the next page
TABLE D.1 (CONTINUED)

SUSPENSIONS AND DEBARMENTS AS OF SEPTEMBER 30, 2014 (CONTINUED)

<table>
<thead>
<tr>
<th>Suspensions</th>
<th>Debarments</th>
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</thead>
<tbody>
<tr>
<td>Panthers LLC</td>
<td>Fazli, Qais</td>
</tr>
<tr>
<td>Paper Mill Village, Inc</td>
<td>Hamdard, Mohammad Yousuf</td>
</tr>
<tr>
<td>Shroud Line LLC</td>
<td>Kunari, Haji Pir Mohammad</td>
</tr>
<tr>
<td>Spada, Carol</td>
<td>Mushfiq, Muhammad Jaffar</td>
</tr>
<tr>
<td>Taylor, Michael</td>
<td>Mutalib, Abdul</td>
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<tr>
<td>Welventure LLC</td>
<td>Nasrat, Sami</td>
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<tr>
<td>World Wide Trainers LLC</td>
<td>National General Construction Company</td>
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<tr>
<td>Young, David</td>
<td>Passerly, Atmaaad Saleem</td>
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<tr>
<td>Espinoza, Mauricio</td>
<td>Rabi, Fazal</td>
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<tr>
<td>Long, Tonya</td>
<td>Rahman, Atta</td>
</tr>
<tr>
<td>Brophy, Kenneth Michael</td>
<td>Rahman, Fazal</td>
</tr>
<tr>
<td>Rivera-Medina, Franklin Delano</td>
<td>Roshandil, Mohammad Ajmal</td>
</tr>
<tr>
<td>Peace Thru Business</td>
<td>Saber, Mohammed</td>
</tr>
<tr>
<td>Pudenz, Adam Jeff Julias</td>
<td>Safi, Azdur Rahman</td>
</tr>
<tr>
<td>Elham, Yaser, a.k.a. “Najibullah Saadullah”</td>
<td>Safi, Matullah</td>
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<tr>
<td>Everest Faizy Logistics Services</td>
<td>Sahak, Sher Khan</td>
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<tr>
<td>Faizy Elham Brothers, Ltd.</td>
<td>Shaheed, Murad</td>
</tr>
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<tr>
<td>Helmat Shadman General Trading LLC</td>
<td>Uddin, Mehrab</td>
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<tr>
<td>Helmat Shadman, Ltd., d.b.a. “Hikmat Shadman, Ltd.”</td>
<td>Watson, Brian Erik</td>
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<td>Wooten, Philip Steven</td>
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<td>Saif Hikmat Construction Logistic Services and Supply Co.</td>
<td>Alam, Ahmed Farzad</td>
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<tr>
<td>Travis, James Edward</td>
<td>Aaria Middle East Company LLC</td>
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<tr>
<td>Sherzai, Akbar Ahmed</td>
<td>Aaria Middle East Company Ltd. – Herat</td>
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<td>Bertolini, Robert L.</td>
<td>Aaria M.E. General Trading LLC</td>
</tr>
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<td>Kahn, Haroon Shams, a.k.a. “Haroon Shams”</td>
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<td>Shams Constructions Limited</td>
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<td>Shams General Services and Logistics Unlimited</td>
<td>Formid Supply and Services</td>
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<td>Shams Production</td>
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<tr>
<td></td>
<td>Aaria Group</td>
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</table>

Continued on the next page
### TABLE D.1 (CONTINUED)

<table>
<thead>
<tr>
<th>SUSPENSIONS AND DEBARMENTS AS OF SEPTEMBER 30, 2014 (CONTINUED)</th>
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<tbody>
<tr>
<td><strong>Suspensions</strong></td>
</tr>
<tr>
<td>Aaria Group Construction Company</td>
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<tr>
<td>Aaria Supplies Company LTD</td>
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<td>Rahimi, Mohammad Edris</td>
</tr>
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<td>All Points International Distributors, Inc.</td>
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<tr>
<td>Hercules Global Logistics</td>
</tr>
<tr>
<td>Schroeder, Robert</td>
</tr>
<tr>
<td>Helmand Twincle Construction Company</td>
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<td>Waziri, Heward Omar</td>
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<td>Riders Constructions, Services, Logistics and Transportation Company</td>
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<td>CNH Development Company, LLC</td>
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## APPENDICES

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APPENDICES

TABLE D.1 (CONTINUED)

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<td>Femridge Strategic Partners</td>
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<td>American International Security Corporation</td>
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Note: Entries appearing in both the suspension and debarment sections are based upon their placement in suspended status following criminal indictment or determination of non-responsibility by agency Suspension and Debarment Official. Final debarment was imposed following criminal conviction in U.S. Federal District Court and/or final determination by agency Suspension and Debarment Official regarding term of debarment.
### APPENDIX E

#### ABBREVIATIONS AND ACRONYMS

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<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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<td>AAF</td>
<td>Afghan Air Force</td>
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<td>ABADE</td>
<td>Assistance in Building Afghanistan by Developing Enterprises</td>
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<td>ABP</td>
<td>Afghan Border Police</td>
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<td>ACAP</td>
<td>Afghan Civilian Assistance Program</td>
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<td>ACC</td>
<td>Army Contracting Command</td>
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<td>ACE</td>
<td>Agricultural Credit Enhancement</td>
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<td>ACEP</td>
<td>Afghan Civic Engagement Program</td>
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<td>ACU</td>
<td>Anticorruption Unit</td>
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<td>AD</td>
<td>Alternative Development</td>
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<td>Asian Development Bank</td>
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<td>ADF</td>
<td>Agricultural Development Fund</td>
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<td>AFISCO</td>
<td>Afghan Iron and Steel Consortium</td>
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<td>AFMIS</td>
<td>Afghan Financial Management Information System</td>
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<tr>
<td>AFN</td>
<td>afghanis (currency–Afghan nationals are Afghans)</td>
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<td>AGO</td>
<td>Attorney General’s Office</td>
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<td>AGS</td>
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<td>AIF</td>
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<td>AIHRC</td>
<td>Afghanistan Independent Human Rights Commission</td>
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<td>AISCS</td>
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<td>AITF</td>
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<td>AKF</td>
<td>Aga Khan Foundation</td>
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<td>ALBA</td>
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<td>AML/CFT</td>
<td>Anti-Money Laundering and Combating the Financing of Terrorism</td>
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<td>ANCO</td>
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<td>ANP</td>
<td>Afghan National Police</td>
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<td>ANSF</td>
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<td>ANSTU</td>
<td>Afghanistan National Agricultural Sciences and Technology University</td>
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<td>ANUDUS</td>
<td>Afghanistan National Urban Drug Use Study</td>
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<td>APA</td>
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<td>ASFF</td>
<td>Afghanistan Security Forces Fund</td>
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<td>ASOP</td>
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<td>AT&amp;L</td>
<td>DOD Acquisition Technology and Logistics</td>
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<td>AWCC</td>
<td>Al-Watan Construction Company</td>
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## APPENDICES

### ACRONYM OR ABBREVIATION

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<td>at work without leave</td>
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<td>BAF</td>
<td>Bagram Air Field</td>
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<td>BELT</td>
<td>Basic Education, Literacy, and Technical-Vocational Education and Training</td>
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<td>Basic Package of Health Services</td>
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<td>BSA</td>
<td>Bilateral Security Agreement</td>
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<td>CASEVAC</td>
<td>capability to perform casualty evacuation</td>
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<td>CBE</td>
<td>Community Based Education</td>
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<td>CBR</td>
<td>Capacity Building for Results</td>
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<td>CCC</td>
<td>Community Cultural Centers</td>
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<td>CCDB</td>
<td>Consolidated Counternarcotic Database</td>
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<td>CCI</td>
<td>Community Cohesion Initiative</td>
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<td>CDC</td>
<td>Community Development Council</td>
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<td>CENTCOM</td>
<td>U.S. Central Command</td>
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<td>CERP</td>
<td>Commander’s Emergency Response Program</td>
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<td>CHAMP</td>
<td>Commercial Horticulture and Agricultural Marketing Program</td>
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<td>CIGIE</td>
<td>Council of the Inspectors General on Integrity and Efficiency</td>
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<td>CJIATF-N</td>
<td>Combined Joint Interagency Task Force-Nexus</td>
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<td>CJJSOTF-A</td>
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<td>Criminal Law Reform Working Group</td>
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<td>contract logistics support</td>
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<td>capability milestone</td>
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<td>case-management system</td>
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<td>Center for Naval Analyses</td>
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<td>CNC</td>
<td>Crime and Narcotics Center (U.S.)</td>
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<td>Counternarcotics Police of Afghanistan</td>
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<td>COR</td>
<td>contracting officer’s representative</td>
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<td>NSP Community Recovery Intensification and Prioritization</td>
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<td>CSTC-A</td>
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<td>Convoy Transportation Guard Brigade</td>
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<td>CUAT</td>
<td>Commanders’ Unit Assessment Tool</td>
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<td>DI</td>
<td>Democracy International</td>
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<td>data quality assessment</td>
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<td>Enhancing Legal and Electoral Capacity for Tomorrow</td>
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<td>EMIS</td>
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<td>Essential Package of Hospital Services</td>
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<td>EPSC</td>
<td>exploration and production sharing contract</td>
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<td>Explosive Remnants of War</td>
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<td>Economic Support Fund</td>
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<td>Elimination of Violence Against Women</td>
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<td>FAA</td>
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<td>Financial Access for Investing in the Development of Afghanistan</td>
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<td>FBI</td>
<td>Federal Bureau of Investigation (U.S.)</td>
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<td>forward operating base</td>
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<td>FRIC</td>
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<td>Generally Accepted Government Auditing Standards</td>
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<td>GDPDC</td>
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<td>GLE</td>
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<td>Good Performer's Initiative</td>
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<td>HMIS</td>
<td>Health Management Information System</td>
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<td>High Office of Oversight for Anti-Corruption (aka &quot;HOOAC&quot;) (Afghan)</td>
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<td>Investigations Case Management System</td>
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<td>Incentives Driving Economic Alternatives-North, East, and West</td>
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<td>Initiative to Promote Afghan Civil Society</td>
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<td>ACRONYM OR ABBREVIATION</td>
<td>DEFINITION</td>
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<td>Local Governance and Community Development</td>
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<td>Logistics Civil Augmentation Program</td>
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<td>Mining Investment and Development for Afghan Sustainability</td>
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<td>Measuring Impacts of Stabilization Initiatives</td>
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<td>National Democratic Institute</td>
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<td>Northeast Power System</td>
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<td>ACRONYM OR ABBREVIATION</td>
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<td>National Geospatial-Intelligence Agency (U.S.)</td>
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<td>NUSS</td>
<td>National Justice Sector Strategy</td>
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<td>overseas contingency operations</td>
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<td>Operation Enduring Freedom</td>
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<td>Office of Management and Budget</td>
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<td>Organization for Security and Co-operation in Europe</td>
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<td>Partnership Contracts for Health Services</td>
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<td>Peaceful Election Campaign</td>
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<td>PEF</td>
<td>Poppy Eradication Force</td>
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<td>Bureau of Political-Military Affairs-Office of Weapons Removal and Abatement (U.S.)</td>
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<td>private security contractor</td>
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<td>Power Transmission Expansion and Connectivity</td>
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<td>Regional Agriculture Development Program</td>
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<td>RLS-I</td>
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<td>SAGAL</td>
<td>Strengthening Afghan Governance and Alternative Livelihoods</td>
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<td>SEPS</td>
<td>Southeast Power System</td>
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<td>SGDP</td>
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<td>Special Operations Forces</td>
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<td>SPECS</td>
<td>Supporting Political Entities and Civil Society Program</td>
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<td>State OIG</td>
<td>Department of State Office of the Inspector General</td>
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<tr>
<td>SY</td>
<td>solar year</td>
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<td>Transparency Accountability Committee</td>
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<td>Trade Accession and Facilitation for Afghanistan</td>
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<td>TCN</td>
<td>third-country nationals</td>
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<td>TFBSO</td>
<td>Task Force for Business and Stability Operations in Afghanistan</td>
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<thead>
<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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<tr>
<td>TIU</td>
<td>Technical Investigative Unit</td>
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<td>TMAF</td>
<td>Tokyo Mutual Accountability Framework</td>
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<td>TMR</td>
<td>transportation movement request</td>
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<td>Terrorist Screening Center</td>
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<td>TSDB</td>
<td>Terrorist Screening Database</td>
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<td>United Nations</td>
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<td>United Nations Assistance Mission in Afghanistan</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UN Office on Drugs and Crime</td>
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<td>USAAA</td>
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<td>U.S. Army Corps of Engineers</td>
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<td>U.S. Forces-Afghanistan</td>
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<td>USIP</td>
<td>U.S. Institute for Peace</td>
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<td>USWDP</td>
<td>Afghanistan University Support and Workforce Development Program</td>
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<td>unexploded ordnance</td>
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<td>value-added tax</td>
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<td>Village Stability Operations</td>
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<td>WIA</td>
<td>wounded in action</td>
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<td>WPS</td>
<td>Worldwide Protection Services</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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1. UNODC, “UNODC helps tackle drug smuggling on Uzbek-Tajik border, 9/30/2014”
2. William Byrd and David Mansfield, “Afghanistan’s Opium Economy: An Agriculture, Livelihoods and Governance
4. UNODC, Afghanistan Opium Survey 2013, p. 5.
8. BBC News, “Opium crop clouds Afghan recovery,” 9/22/2003, accessed 10/9/2014. The request made by Ashraf Ghani led to a series of analytical reports by the World Bank aimed at better understanding of the drugs economy, how it impacted on the Afghan reconstruction effort, and more specifically a review of specific programs in the health, education, transport and agriculture sectors and the inclusion of efforts aimed at better integrating the drugs issue into design and implementation. The work that the World Bank did on the opium economy culminated in a joint report with the UK government’s Department for International Development that looked at how rural development programs might better address the causes of opium production. See World Bank and Department for International Development, Christopher Ward, David Mansfield, Peter Oldham, and William Byrd, “Afghanistan: Economic incentives and development initiatives to reduce opium production,” 2/2008.
10. UNODC, Afghanistan Opium Survey 2013, p. 3.
12. UNODC, Afghanistan Opium Survey 2004, i.
14. SIGAR, Special Project Report 15-10-SP, Poppy Cultivation in Afghanistan: After a Decade of Reconstruction and Over $7 Billion in Counternarcotics Efforts, Poppy Cultivation Levels Are at an All-Time High, 10/14/2014, p. 2.
21. DOD, response to SIGAR data call, 10/12/2013.
33. SIGAR, Audit Report 15-12-AR, Counternarcotics Police of Afghanistan: U.S. Assistance to Provincial Units Cannot be Fully Tracked and Formal Capability Assessments of These Units are Needed, 10/2014.
34. GIORA, Police Law, 9/22/2005.
35. SIGAR, Audit Report 15-12-AR, Counternarcotics Police of Afghanistan: U.S. Assistance to Provincial Units Cannot be Fully Tracked and Formal Capability Assessments of These Units are Needed, 10/2014.
37. State, response to SIGAR data call, 10/17/2014.
39. This payment initially started at U.S. $120 per hectare in 2006, rising to U.S. $135 per hectare in 2009, before almost doubling (after the closure of the AEF) to U.S. $250 per hectare in 2011. Payments for GLE are made through the MCN who subsequently disburse funds to governors based on UNODC verification of the amount of crop destroyed. See “Governor


41 Between 2004 and 2005 the eradication force was known as the Central Poppy Eradication Force, the Afghan Eradication Force between 2005 until 2007, before being renamed the Poppy Eradication Force between 2007 and 2009.


43 This figure includes the entire cost of the Special Air Wing. INL did not differentiate between the costs of the PEF and the Air Wing even though the Air Wing provided support for other counternarcotics programs at the time. For example the GAO reported that between November 1, 2008, and August 18, 2009, “the Airwing spent about 20 percent of their flight time providing overwatch, close air support and casualty evacuation support to DEA-led interdiction operations.” See U.S. Government Accountability Office, Audit Report GAO-10-291, Afghanistan Drug Control: Strategy Evolving and Progress Reported, but Interim Performance Targets and Evaluation of Justice Reform Efforts Needed, 3/2010.

44 State, INL, response to SIGAR data call, 7/10/2014.


46 UNODC, Afghanistan Annual Opium Poppy Survey 2003, p. 53.


50 An account of the challenges associated with the eradication verification process during these initial years and an outline of the methodology can be found in UNODC, Afghanistan Opium Poppy Survey 2006 (pp. 64–65). The incorporation of remote sensing techniques is documented in UNODC, Afghanistan Opium Poppy Survey 2008, pp. 79–82.


52 Cranfield used PEF reporting and satellite imagery taken both before and after the 2006/07 eradication campaign to illustrate the extent of over reporting and crop recovery. Cranfield University, “Verification of AEF eradication in Helmand Province,” (unpublished report), 2007.

53 In his book, Ambassador Ronald Neumann talks of the political pressure in 2007 “to show we could cut ten thousand hectares of opium poppy. If we could make that target I would pack up the [PEF] and call it victory”. By March 30 he reported that “[T]he [PEF] was doing most of the eradication in Helmand and by March 30 had cut six thousand hectares” and “[b]y the first days of April we reached the limits of the possible [in Helmand]... We were just short of our goal [of ten thousand hectares], but we had done enough.” Ronald E. Neumann, The Other War: Winning and Losing in Afghanistan. (Washington, DC: Potomac Books, 2009), pp. 193–194. UNODC reported that in 2007 “AEF led eradication forces carried out a total of 3,149 hectares of eradication, including 3,000 hectares in Helmand province, 83.44 hectares in Uruzgan province and 65.22 hectares in Takhar province.” UNODC, Afghanistan Opium Poppy Survey 2007, p. 17.


55 Interview with NGO worker in Kandahar, April 2008.


57 “UNODC calculates that eradicating 25% of the opium crop will introduce sufficient fear of future eradication into farmer’s minds to prevent planting next year,” cited in Thomas A. Schweich, U.S. Counternarcotics Strategy for Afghanistan, 2007, p. 52.

58 State, INL, response to SIGAR data call, 9/24/2014.


A review of the kind of GPI projects being funded in the provinces of Badakhshan, Baghlan, Bamiyan and Takhar found that “Workshop participants in all provinces identified similar challenges with the current GPI model. Due to a variety of obstacles, the program was not reaching its primary target beneficiaries sufficiently. A lack of participation and transparency in the decision making process by women, community and district level institutions contributed to inappropriate project selection. Centralization of the selection, bidding and procurement process and too heavy of a focus on provincial capitals meant that the rural communities were not receiving the economic and employment benefits of GPI projects. Additionally, projects were delayed and more costly when contracted through Kabul instead of locally. There were even concerns that excluding the nongrowing poppy communities from the process might incentivize some farmer to switch from licit to illicit crops in order to qualify for the fund. All of these factors decreased the economic and social stake poppy growing communities had in the success of GPI funded projects, and hindered a sense of ownership beyond the GPI funding.” See Aga Khan Foundation “Strengthening Sub-National Funding,” 2014, p. 5; See also Aga Khan Foundation “Good Performance and Results: An Evaluation of the Grain For Green Program,” 7/14/2014.

The USAID OIG reported that “In addition, in December 2010 USAID/Afghanistan reportedly directed DAI to focus only on expanding the licit economy, in keeping with the emphasis of the mission’s new performance management plan (PMP) for the agriculture sector. (Neither DAI nor USAID could provide a written copy of this significant instruction.) As a result, two intermediate goals (termed “intermediate results”) that dealt with assistance to the voluntary opium poppy eradication community and to farms in the aftermath of opium poppy eradication/destruction programs were deleted from the program PMP. By dropping these intermediate results, the mission not only shifted focus but also deprived itself of information needed to make sound programming decisions. It has indicated that the underlying objective of the program remains dissuading Afghans from growing poppies and that the program continues to attempt to reduce poppy production. Nevertheless, the current PMP does not include performance measures such as intermediate results, and performance indicators and targets linked to those results, to identify and facilitate the program’s contribution to either that underlying objective or to reducing poppy production. As a result, the mission was unable to provide evidence of its progress in either of these areas.” USAID OIG, Audit No. F-306-12-004-P, Audit of USAID/Afghanistan’s Incentives Driving Economic Alternatives for the North, East and West Programs, 6/29/2012, p. 5.

The UK’s work in Afghanistan provides a detailed overview of the UK effort with a particular emphasis on the success of the opium poppy eradication programs. UNODC, Afghanistan Opium Poppy Survey 2013, pp. 98–103. The concentration of opium poppy in areas of conflict in the provinces of Helmand and Nangarhar” 5/2014, p. 3.

on Helmand. Whereas detail is offered on the UK effort past and future, as well as extensive coverage of activities in Helmand, there is no mention of the UK role as lead and then partner nation on _CN_ and little discussion of the role of narcotics in the political economy of Helmand.

91 See Appendix B of this report.
93 DOD, response to SIGAR vetting, 7/20/2000.
95 See Appendix B of this report.
99 Pub. L. 112-74, Section 9009; Deputy Secretary of Defense, Afghanistan Resources Oversight Council (AROC) memorandum, 8/3/2011.
104 See Appendix B of this report.
105 DOD, response to SIGAR data call, 10/20/2014.
110 See Appendix B of this report.
111 DOD, response to SIGAR data call, 10/6/2014.
114 DOD, responses to SIGAR data call, 10/20/2014 and 7/3/2014.
117 USAID, responses to SIGAR data call, 10/9/2014 and 7/10/2014; DOD, response to SIGAR data call, 10/6/2014.
118 State, response to SIGAR data call, 10/13/2009.
119 State, response to SIGAR data call, 10/17/2014.
120 State, responses to SIGAR data call, 10/17/2014 and 7/16/2014.
136 DOD, OUSD(P, response to SIGAR vetting, 10/15/2014.
140 DOD, OUSD(P, response to SIGAR vetting, 10/15/2014.
142 DOD, press briefing by General Campbell, 10/2/2014.
147 NATO, Wales Summit Declaration on Afghanistan, 9/4/2014.
149 DOD, OUSD(P) response to SIGAR data call, 10/6/2014.
156 CSTC-A, response to SIGAR data call, 7/1/2014.
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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.


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

The rising sun reveals part of the barbed-wire cordon around Kandahar Airfield in southern Afghanistan. (SIGAR photo by Steve Mocsary)

Cover photo: In the Afghan opium economy: A four-year-old girl tends opium poppy in Ghor Province, officially declared poppy-free between 2009 and 2011. (SIGAR photo by David Mansfield)