





## OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

August 5, 2010

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This report discusses the results of the Office of the Special Inspector General for Afghanistan Reconstruction's review of U.S. efforts to strengthen the anti-corruption capabilities of the Afghan government. It includes recommendations to finalize the draft U.S. anti-corruption strategy for Afghanistan and to consider increasing the level of assistance provided to key Afghan oversight institutions—particularly internal audit departments of Afghan government ministries.

A summary of this report is on page ii. This performance audit was conducted by the Office of the Special Inspector General for Afghanistan Reconstruction under the authority of Public Law No. 110-181 and the Inspector General Act of 1978, as amended. When preparing the final report, we considered comments from the U.S. Embassy in Kabul and USAID/Afghanistan. These comments indicated concurrence with our findings and recommendations. A copy of these comments is included in appendix V of this report. We also received technical comments on the draft report from the U.S. Embassy, USAID, and the Departments of Justice, Homeland Security, and Defense, which are incorporated, as appropriate, into the final report. Comments provided by CENTCOM, USFOR-A, and CSTC-A, although technical in nature, have been included as appendix VI of this report.

A handwritten signature in black ink, appearing to read "John Brummet".

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# SIGAR

Special Inspector General for Afghanistan Reconstruction

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## U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized Comprehensive U.S. Anti-Corruption Strategy

### What SIGAR Reviewed

Fighting corruption and increasing accountability are important components of the U.S. reconstruction strategy for Afghanistan. This report by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) identifies (1) U.S. assistance to help the Afghan government develop its anti-corruption capabilities and (2) the capacity of Afghanistan's key anti-corruption institutions. To accomplish these objectives, we reviewed relevant U.S., Afghan, and international laws, conventions, standards, and development strategies. We also interviewed officials of the Departments of State, Defense, Treasury, and Justice, and the U.S. Agency for International Development (USAID), international organizations such as the World Bank and the United Nations Development Program, and various Afghan government institutions. We conducted our work in Kabul, Afghanistan, and Washington, D.C., from August 2009 to July 2010, in accordance with generally accepted government auditing standards. A detailed discussion of our scope and methodology is included in appendix I.

### What SIGAR Found

Since 2002, the United States has appropriated more than \$50 billion for reconstruction assistance in Afghanistan, and the Obama administration has recently submitted budget requests for an additional \$20 billion to help the Afghan government build its capacity to defend itself and govern effectively. Whereas the majority of prior U.S. assistance bypassed the Afghan government by providing funds directly to contractors and nongovernmental organizations, the new U.S. funding approach calls for significantly more U.S. assistance to be channeled through the Afghan government. The success of this approach will depend to a large degree on the capacity of the Afghan government to manage U.S. reconstruction funds and protect them from waste, fraud, abuse, and other forms of corruption. Because corruption, widely acknowledged to be a pervasive, systemic problem across Afghanistan, corrodes the Afghan government's legitimacy and undermines international development efforts, the United States has made strengthening the Afghan government's capability to combat corruption a priority. Developing a more coordinated approach to build the capacity of Afghan oversight institutions becomes increasingly important as the U.S. government plans to provide much of its future reconstruction assistance to Afghanistan through the Afghan government. The U.S. Embassy has drafted a comprehensive anti-corruption strategy, and several U.S. agencies have assistance programs to help build the capacity of the Afghan government to combat corruption. However, the U.S. government has not yet approved the strategy to provide guidance to those agencies. Accordingly, the majority of U.S. assistance to Afghanistan has been provided without the benefit of such a strategy. While the Afghan government has established a number of anti-corruption institutions, they lack independence, audit authority, and capacity. U.S. anti-corruption efforts in Afghanistan have provided relatively little assistance to some key Afghan oversight institutions.

### What SIGAR Recommends

To improve and direct U.S. anti-corruption efforts in Afghanistan and to help strengthen the capacity of Afghan government institutions to combat corruption and protect U.S. and other donor funds from waste, fraud, and abuse, SIGAR recommends that the U.S. Secretary of State:

1. Approve and implement the draft comprehensive U.S. anti-corruption strategy for reconstruction efforts in Afghanistan, and
2. Review key Afghan oversight institutions to determine whether the United States should provide them more assistance to strengthen their ability to combat corruption in Afghanistan and provide accountability over U.S. reconstruction funds channeled through the Afghan government.

The U.S. Embassy in Kabul and USAID/Afghanistan provided joint comments on a draft of this report. The comments reflected concurrence with and support for the report's recommendations and outlined actions they have taken or will take to address both of the report's recommendations.

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## ACRONYMS

ANDS	Afghanistan National Development Strategy
ANSF	Afghan National Security Force
ARTF	Afghanistan Reconstruction Trust Fund
CAO	Control and Audit Office
CENTCOM	United States Central Command
CSTC-A	Combined Security Transition Command-Afghanistan
DEA	Drug Enforcement Administration
HOO	High Office of Oversight
INL	Bureau for International Narcotics and Law Enforcement Affairs
LOTFA	Law and Order Trust Fund for Afghanistan
SIGAR	Special Inspector General for Afghanistan Reconstruction
USAID	United States Agency for International Development
USFOR-A	United States Forces-Afghanistan



## **U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized Comprehensive U.S. Anti-Corruption Strategy**

Since 2002, the United States has appropriated more than \$50 billion for reconstruction assistance in Afghanistan. In February 2010, the Obama administration submitted budget requests for an additional \$20 billion to help the Afghan government build its capacity to defend itself and govern effectively. The majority of U.S. assistance has been directly managed by U.S. agencies, bypassing the Afghan government. Consistent with a new donor approach adopted in January 2010, the United States plans to direct up to half of its future reconstruction assistance through Afghan government channels. However, this support is contingent on a reduction in corruption, among other things.<sup>1</sup> The success of this new funding approach will depend, to a large degree, on the capacity of the Afghan government to manage U.S. reconstruction funds and protect them from waste, fraud, abuse, and other forms of corruption. However, more than \$50 billion in U.S. assistance has been provided for reconstruction in Afghanistan without the benefit of a comprehensive anti-corruption strategy and U.S. efforts in Afghanistan have provided relatively little assistance to some key Afghan oversight institutions.

This report identifies (1) U.S. assistance to help the Afghan government develop its anti-corruption capabilities and (2) the capacity of Afghanistan's key anti-corruption institutions. SIGAR has conducted several other audits to assess what the United States is doing to help build the capacity of Afghan institutions to prevent corruption and strengthen the rule of law within Afghanistan.<sup>2</sup>

To accomplish these objectives, we reviewed relevant U.S., Afghan, and international laws, conventions, standards, and development strategies. We interviewed officials of the Departments of State, Defense, Treasury, and Justice, and the U.S. Agency for International Development (USAID), international organizations such as the World Bank and the United Nations Development Program, and Afghan government institutions, and obtained information from the Department of Homeland Security. We conducted our work in Kabul, Afghanistan, and Washington, D.C., from August 2009 to July 2010, in

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<sup>1</sup> During a January 2010 multi-donor conference in London to discuss development assistance to Afghanistan, the United States, along with other members of the international donor community, committed to increase the percentage of reconstruction assistance delivered through the Afghan government to 50 percent in the next 2 years. This support was conditioned on the Afghan government's progress in strengthening public financial management systems, reducing corruption, improving budget execution, and developing a financing strategy and government capacity to meet the goal. Conference participants confirmed their intention to establish a detailed roadmap with the Afghan government and to provide technical assistance to develop the government's capacity to achieve its goal.

<sup>2</sup> Two related audit reports were issued in December 16, 2009, and April 4, 2010, respectively. See SIGAR Report No. 10-2, *Afghanistan's High Office of Oversight Needs Significantly Strengthened Authority, Independence, and Donor Support to Become an Effective Anti-Corruption Institution* and SIGAR Report No. 10-8, *Afghanistan's Control and Audit Office Requires Operational and Budgetary Independence, Enhanced Authority, and Focused International Assistance to Effectively Prevent and Detect Corruption*.

accordance with generally accepted government auditing standards and under the authority of Public Law No. 110-181 and the Inspector General Act of 1978, as amended. A detailed discussion of our scope and methodology is included in appendix I.

## BACKGROUND

More than 30 years of conflict have weakened Afghan government institutions. The sheer size of international security and reconstruction assistance during the last few years has increased Afghanistan's vulnerability to corruption, presenting a risk that could negate the efforts of the international community and the Afghan government to establish the institutional basis for good governance in Afghanistan. Transparency International's Corruption Perception Index for 2009 ranked Afghanistan 179<sup>th</sup> out of 180 countries, making it—by that standard—the second most corrupt country in the world.<sup>3</sup>

Afghanistan's constitution stipulates that the government is responsible for “maintaining public law and order and the elimination of administrative corruption.”<sup>4</sup> Afghan leaders have publicly expressed a commitment to combat corruption within their country. For example, in February 2004 President Karzai signed—and in August 2008 the Afghan Parliament ratified—the United Nations Convention against Corruption, resulting in Afghanistan joining 139 other member states in a global fight against corruption.<sup>5</sup> The Convention introduces a comprehensive set of standards, measures, and rules that all countries can apply to strengthen their legal and regulatory regimes to fight corruption. It calls for preventive measures and the criminalization of the most prevalent forms of corruption in both public and private sectors. Further, the Convention made a major breakthrough by requiring member states to return assets obtained through corruption to the country from which they were stolen.

The Afghan government's anti-corruption commitments are elaborated in the Afghanistan National Development Strategy (ANDS), both as part of its governance, rule of law, and human rights pillar, and as a cross-cutting theme toward the achievement of national development objectives. According to the ANDS, the Afghan government will focus on reducing administrative corruption, by increasing corruption monitoring, introducing additional programs to further limit potential corruption risks, and strengthening public complaints mechanisms. To help develop a national approach to fighting corruption, a presidential commission, chaired by Afghanistan's Chief Justice, prepared a strategy of administrative reform and anti-corruption that evolved into a National Anti-Corruption Strategy. This anti-corruption strategy was presented to President Karzai in 2008, after which he established the High Office of Oversight (HOO) to oversee the implementation of the strategy. In the Declaration of the International Conference in Support of Afghanistan held in Paris in June 2008, the Afghan government

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<sup>3</sup> Transparency International's Corruption Perceptions Index is based on 13 independent surveys given to countries throughout the world, and indicates the perceived level of public-sector corruption in a country/territory. However, not all surveys include all countries. The index's stated confidence range indicates the reliability of the scores, and that—allowing for a margin of error—we can be 90 percent confident that the true score for Afghanistan lies within this range. According to the index, the most corrupt country in the world is Somalia.

<sup>4</sup> Article 75 of the Constitution of Afghanistan.

<sup>5</sup> According to the United Nations Office on Drugs and Crime's website, Afghanistan became a signatory to the Convention on February 20, 2004, followed by parliamentary ratification on August 25, 2008.

“reaffirmed its commitment to intensify actions to combat corruption and to take concrete steps to that effect.” This was followed by the London Conference in January 2010, during which President Karzai committed to strengthening his government’s anti-corruption program by, among other things, empowering the HOO by increasing its independence and strengthening its powers. The London Conference was followed by a July 2010 conference in Kabul during which the Afghan government pledged to, among other things, submit an audit law to ensure the strengthening and the independence of the Control and Audit Office (CAO), Afghanistan’s supreme audit institution, which has audit authority over state and donor funds.

Since 2002, the United States has appropriated more than \$50 billion for reconstruction assistance in Afghanistan. As part of that assistance, several U.S. agencies have designed significant programs or activities to directly or indirectly help strengthen the anti-corruption capabilities of Afghan government institutions.

## **A FINALIZED COMPREHENSIVE U.S. ANTI-CORRUPTION STRATEGY IS NEEDED TO HELP BUILD THE CAPACITY OF AFGHAN OVERSIGHT INSTITUTIONS**

Several U.S. agencies have implemented assistance programs that directly or indirectly help build the capacity of the Afghan government to combat corruption. A multi-agency working group based at the U.S. Embassy in Kabul has drafted a comprehensive anti-corruption strategy to provide guidance to those agencies to help improve the transparency and accountability of Afghan institutions to reduce corrupt practices and improve financial oversight, but the State Department has not yet approved the strategy. Developing a more coordinated approach to build the capacity of Afghan oversight institutions to fight corruption becomes increasingly important as the U.S. government plans to provide much of its future reconstruction assistance to Afghanistan through the Afghan government. Nevertheless, the draft U.S. anti-corruption strategy remains unapproved in Washington, D.C. Furthermore, U.S. agencies have provided relatively little assistance to key Afghan oversight institutions.

### **Several U.S. Agencies Have Assistance Programs Designed to Directly or Indirectly Help the Afghan Government Combat Corruption**

Because corruption corrodes the Afghan government’s legitimacy and undermines international development efforts, the U.S. government has made strengthening the Afghan government’s capability to combat corruption a priority. Although few U.S.-funded reconstruction programs are specifically designed to fight corruption in Afghanistan, a variety of programs contain significant anti-corruption elements. Based on reviews of documentation and interviews with U.S. government personnel, SIGAR has identified six U.S. departments or agencies with significant programs or activities designed to directly or indirectly help strengthen the anti-corruption capabilities of Afghan government institutions. These include the Departments of State, Treasury, Justice, Homeland Security, Defense, and USAID. In addition, the United States contributes to three multi-donor trust funds that provide funding for programs that support anti-corruption efforts in Afghanistan.

Among other things, the State Department, through its Bureau for International Narcotics and Law Enforcement Affairs, focuses on strengthening the capacity of the Afghan Attorney General’s Office to better monitor, investigate, prosecute and appeal corruption cases. The Treasury Department provides technical assistance to help the Ministry of Finance improve its public financial management system and build the Central Bank’s capacity to identify and seize assets from terrorist organizations, narcotics

traffickers, and organized criminal groups. Justice Department efforts include assigning Assistant U.S. Attorneys, as well as employees of the Federal Bureau of Investigation, the Drug Enforcement Administration, and the U.S. Marshals Service, to train and mentor their Afghan counterparts. The Department of Homeland Security has established an attaché office at the U.S. Embassy to help the Afghan government develop its capacity to interdict, investigate, and prosecute individuals and organizations involved in bulk cash smuggling. The Defense Department, through its U.S. Forces-Afghanistan and Combined Security Transition Command-Afghanistan (CSTC-A), supports many of the efforts described above. CSTC-A provides advisors and mentors to senior officials at the Ministries of Interior and Defense, and also provides anti-corruption training to the Afghan National Police and Afghan National Army. USAID's efforts to combat corruption in Afghanistan are largely focused on core governance and rule of law capacity development activities designed to strengthen transparency, accountability, and effectiveness at the national and sub-national levels of government.

See appendix II for more details concerning these U.S. programs or activities in Afghanistan with significant anti-corruption elements.

### **U.S. Government Lacks an Approved Comprehensive Anti-Corruption Strategy to Guide Agency Efforts in Afghanistan**

Since August 2009, U.S. agencies have developed a variety of plans and strategies that discuss corruption issues in Afghanistan. Some of the recently developed plans and strategies include:

- The United States Government Integrated Civilian-Military Campaign Plan for Support to Afghanistan was issued in August 2009. This plan provides guidance from the U.S. Chief of Mission and the Commander of U.S. Forces-Afghanistan to U.S. personnel in Afghanistan. The plan represents the collaborative effort of all the U.S. government departments and agencies operating in Afghanistan and is based on close collaboration with the International Security Assistance Force and the United Nations Assistance Mission in Afghanistan to build effective civilian and military mechanisms for integrated assistance. To achieve its stated goal of helping the Afghan government obtain full responsibility for its own security and administration, the plan includes measures to ensure that U.S. assistance does not feed corruption or abuse of power in the Afghan government. Some of these measures include avoiding close association with corrupt officials and institutions and using leverage to change the behavior of those who seek personal gain over service to the Afghan people.
- In January 2010, the Department of State's Special Representative for Afghanistan and Pakistan<sup>6</sup> issued a Regional Stabilization Strategy for Afghanistan and Pakistan that included a key initiative to "reduce corruption by strengthening institutions that can provide checks on government power." This was to be done by improving financial oversight, building judicial capacity to investigate, prosecuting and removing corrupt officials, and empowering the Afghan public to participate in transparent and accountable governance. The goals of this strategy were to strengthen Afghan institutions to provide checks on government power and to tackle visible corruption so that the Afghan people can see that change is happening.

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<sup>6</sup> In January 2009, President Obama and Secretary of State Clinton designated Richard Holbrooke as a Special Representative for Afghanistan and Pakistan (SRAP). In her remarks, Secretary Clinton said, "He will coordinate across the entire government an effort to achieve United States' strategic goals in the region. This effort will be closely coordinated, not only within the State Department and, of course, with USAID, but also with the Defense Department and under the coordination of the National Security Council."

In August 2009, a multi-agency anti-corruption working group based at the U.S. Embassy in Kabul, but comprised of representatives from a number of U.S. agencies in Washington and Kabul, worked to develop a comprehensive Anti-Corruption Strategy for Afghanistan. A draft strategy was approved by the U.S. Ambassador to Afghanistan in October 2009. However, comments from Washington, D.C., resulted in changes. Subsequently, events relating to the Afghan national conference in December 2009 and the London Conference in January 2010 generated additional changes. The working group substantially revised the draft strategy again in March 2010, and the U.S. Ambassador to Afghanistan approved the revisions in April 2010. However, as of July 2010, the State Department in Washington had not approved the draft.

The most recent draft of the strategy includes four pillars designed to work in concert with international anti-corruption policies to help the Afghan government:

- Improve the transparency and accountability of its institutions to reduce corrupt practices
- Improve financial oversight
- Build judicial capacity to investigate, prosecute, punish, and remove corrupt officials from power
- Aid civil society organizations in educating and empowering the public to participate in transparent and accountable governance

Among other things, the draft strategy focuses on (1) leveraging diplomatic and assistance tools to develop the political will to take fighting corruption seriously, (2) reforming civilian and military procurement practices, (3) achieving significant reform and independence of the High Office of Oversight, and (4) disclosing public information to highlight government anti-corruption actions and provide Afghan citizens additional resources to participate in accountable, transparent governance.

The draft strategy also incorporates operating principles to help ensure that (1) the Afghan government leads the effort to develop and implement its anti-corruption strategy, (2) assistance is linked to improved governance using metrics agreed upon in advance with the Afghan government, and (3) U.S. assistance is coordinated with a number of other donors, including the United Kingdom's Department for International Development, the United Nations Development Program, and the World Bank.

Further, the draft strategy provides guidance to help U.S. agencies improve accountability over reconstruction funds and fight corruption in Afghanistan by specifically:

- Revoking U.S. visas of corrupt Afghan officials, their families, and their colleagues.
- Certifying Afghan ministries that are capable of directly receiving U.S. assistance funds.
- Auditing aid and development funds provided directly to the Afghan government.
- Making greater use of electronic fund transfers in place of cash payments in U.S. government development activities.
- Implementing measures to improve perceptions of U.S. government contracting, such as minimizing layers of subcontracting, creating more opportunities for Afghan organizations to receive direct grants, and comparing prices charged by contractors to market rates.
- Identifying and vigorously prosecuting any U.S. or contractor personnel involvement in corrupt practices, such as taking or giving of kick-backs in the contracting process.

The *Government Performance and Results Act of 1993*<sup>7</sup> and other best practices describe important elements for implementing federal programs, such as leadership, agreed-upon standards, risk assessment, and a planning process that takes into account requirements and stakeholders. Taking a strategic approach to program implementation promotes transparency and helps ensure that a program is based on a sound plan that can achieve results and reduce potential risks to U.S. investments.

Even though U.S. agencies have been heavily involved in Afghan reconstruction since 2002, the U.S. government did not begin developing an anti-corruption strategy for Afghanistan until 2009. A draft strategy was substantially completed by the end of 2009. However, as of July 2010, it had not yet been approved by the State Department. Officials at the U.S. Embassy in Kabul cited interagency discussions and modifications as reasons for the delay. As a result, more than \$50 billion in U.S. assistance has been provided for reconstruction in Afghanistan without the benefit of a comprehensive anti-corruption strategy. Having a comprehensive anti-corruption strategy in place to guide agencies' efforts becomes increasingly important as the U.S. government plans to provide much of its future reconstruction assistance to Afghanistan through the Afghan government.

### **U.S. Plans to Increase Direct Assistance through the Afghan Government**

Since 2002, the United States has appropriated more than \$50 billion for reconstruction assistance in Afghanistan. In February 2010, an additional \$20 billion was requested to help the Afghan government build its capacity to defend itself and govern effectively. Whereas the vast majority of prior U.S. reconstruction assistance bypassed the Afghan government by providing funds directly to contractors and nongovernmental organizations, a new funding approach calls for channeling significantly more U.S. assistance through the Afghan government.

During the January 2010 multi-donor conference in London to discuss development assistance to Afghanistan, the United States, along with other members of the international donor community, committed to increase the percentage of assistance delivered through the Afghan government to 50 percent over the next 2 years. This change was in response to concerns that donor assistance spent outside the Afghan government system was less effective because it limited government ownership and failed to build the institutional capacity of the government to manage and implement its development. However, donors at the London conference indicated this increase in direct assistance would be contingent on the Afghan government strengthening its public financial management systems, improving its budget execution, and reducing corruption.

### **KEY AFGHAN OVERSIGHT INSTITUTIONS LACK ADEQUATE INDEPENDENCE, AUDIT AUTHORITY, AND CAPACITY**

In line with its publicly expressed commitments to combat corruption, the Afghan government has given a number of ministerial-level departments and offices a direct role in combating corruption. In particular, the HOO, the CAO, and internal audit departments of line ministries are key Afghan government oversight institutions with significant anti-corruption responsibilities.<sup>8</sup> However, as documented by SIGAR, USAID, and the World Bank, these institutions remain severely limited due to a lack of independence, audit authority, and capacity.

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<sup>7</sup> Public Law 103-62 (August 3, 1993).

<sup>8</sup> Additional information on these and other Afghan institutions is included in appendix III.

## High Office of Oversight and Control and Audit Office

During a 2009 audit, SIGAR reported that the HOO suffered from serious shortcomings as an institution both in its operational capacity and the legislative framework on which it was based. These shortcomings seriously affected the HOO's ability to effectively address its anti-corruption responsibilities. Despite initial efforts that generated limited progress, the HOO faced great challenges in building its capacity to fulfill its ambitious mandate. SIGAR concluded that development of the HOO's human and operational capacity needed to be coupled with substantial legislative reform to provide "teeth" to the HOO's mandate. Further, the audit found that the Afghan government had not invested the HOO with the appropriate authority or support to make it an effective oversight institution. In addition, SIGAR found that the HOO suffered from lack of qualified staff. Many of the HOO's existing staff members had limited language and computer skills, and lacked capacity in program monitoring and evaluation, information gathering, and interviewing techniques. Although donor efforts to develop the HOO had benefited the institution during its first year of operation, the international community—and the U.S. government in particular—needed to improve coordination of assistance efforts and demonstrate more focused commitment and a greater sense of urgency regarding the HOO's success.

SIGAR's 2010 audit of the CAO—Afghanistan's Supreme Audit Institution with audit authority over all state entities within the central and provincial governments, as well as public enterprises and international donor funds—determined that, like the HOO, the CAO's legislative framework was weak and did not provide it with sufficient independence or authority to serve as an effective anti-corruption institution. The CAO's lack of independence interfered with its planning, reviewing, and reporting processes. For example, the head of the CAO, Afghanistan's Auditor General, stated that the CAO was unwilling to take on audits that could be politically sensitive or that might be turned down by the Office of the President. In addition, Afghan law did not provide the CAO with the authority to demand access to necessary documents, officials, and premises or require audited entities to report on actions taken in response to CAO recommendations. Further, it did not require the CAO to report to the National Assembly or to publicly release its audit reports. Consequently, CAO's reports often went unimplemented and unenforced. Despite significant assistance from the international community—almost exclusively from the World Bank—SIGAR found that the CAO continued to suffer from severe internal capacity constraints, including a lack of qualified auditors. Even though the CAO had formally adopted the standards of the International Organization of Supreme Audit Institutions, due to lack of capacity, it had to rely on international advisors and contracted auditors to ensure that its audits complied with those standards. Finally, unclear mandates resulted in conflicting responsibilities, particularly with regard to Afghanistan's Ministry of Finance. Many of the CAO's existing staff members had limited language and computer skills and lacked capacity in program monitoring and evaluation, information gathering, and interviewing techniques. To conduct audits of donor funds in accordance with international standards, the CAO depends on international advisors provided by the World Bank.

## Internal Audit Departments of Afghan Ministries

Internal auditing is a necessary component of the Afghan government's capacity to deter fraud and corruption and safeguard Afghan and donor assets and is a basic requirement of an accountable financial management system.

The Ministry of Finance is responsible for the management and execution of the Afghan national budget, the major portion of which is financed by international donor assistance—including from the United States. The internal audit department of the Ministry of Finance is an independent, objective

assurance and consulting office designed to bring a systematic, disciplined approach to evaluating and improving the effectiveness of the ministry's risk management, control, and governance processes. A 2009 USAID assessment of the Ministry of Finance noted improvement in the capacity of its internal audit department but indicated that it could further benefit from additional support to help build the capacity of its staff. It recommended exploring the possibility of funding study tours, seminars, workshops, scholarships, and other training opportunities. Another 2009 USAID assessment stated that a corruption prevention agenda for the health and education sectors in Afghanistan needed to include the development of complaints intake and internal audit capacities to more systematically identify instances and areas of corruption. The same assessment noted that assistance for developing internal auditing skills had helped improve central government operations but that little of this effort had reached governing bodies below the national level that are responsible for managing and executing local budgets.

A 2008 World Bank assessment of Afghanistan's public financial management performance gave the Afghan government's internal audit function a low rating, particularly within the line ministries.<sup>9</sup> According to the assessment, the capacity for internal audit in Afghan line ministries was weak. Their work did not meet any recognized professional standard, and there was little follow-up of audit recommendations. The World Bank recommended that formal academic and professional training in auditing should be made available for internal audit staff of line ministries. Further, it indicated that most internal audit manuals were outdated and needed to be revised based on modern internal audit practices that take into account the country's current context. In addition, USAID's Economic Growth and Governance Initiative directly links Afghanistan's weak audit capacity with governmental corruption.

### **U.S. Government Has Provided Limited Assistance to Key Afghan Oversight Institutions**

Despite the important role Afghan oversight institutions have in combating corruption in Afghanistan and providing accountability over U.S. reconstruction funds, only a relatively small percentage of U.S. funding has been employed to help build the capacity of these institutions. SIGAR audits of U.S. efforts to help strengthen the HOO and the CAO found that less than \$1.2 million in U.S. assistance had been provided to those two key Afghan oversight institutions prior to 2010. In comparison, donors from the international community had committed to provide more than \$20 million in assistance to those same institutions.

U.S. assistance for the HOO has been provided principally through USAID. USAID has budgeted more than \$1 million through October 2009 to assist the HOO with start-up costs, computer support, training, equipment, media projects, and advisors. The international donor community, on the other hand, has demonstrated a more significant interest in and commitment to the HOO. The United Nations Development Program has committed \$7.3 million over 3 years for HOO support through its Accountability and Transparency project,<sup>10</sup> which provides the HOO with advisors, security, and rent for office space and vehicles.

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<sup>9</sup> World Bank's "Afghanistan Public Financial Management Performance Assessment," dated May 2008.

<sup>10</sup> UNDP's Accountability and Transparency project is supported by contributions from the United Kingdom, Norway, and Italy.

USAID is the only U.S. agency that has provided direct assistance to the CAO. However, USAID's assistance to the CAO has totaled only \$112,472 from November 2007 to January 2010, and was used primarily to fund conference and training attendance for a limited number of CAO staff. In contrast, the World Bank and UNDP have collectively provided the CAO with more than \$13.5 million in assistance since 2004.

One reason for such minimal assistance from the United States, as explained above, is due to the lack of independence of these key oversight institutions. For example, a 2009 USAID-funded assessment of corruption in Afghanistan stated that the lack of independence of the CAO was a factor in donors choosing not to provide the level of support needed to fully professionalize CAO operations. Further, the draft U.S. anti-corruption strategy indicates that U.S. agencies should consider assisting the CAO's external audit capacities only if it becomes independent. Another contributing factor may have been that corruption in Afghanistan was not always a focused concern. For example, the HOO Deputy Director General indicated that anti-corruption was not a big issue prior to 2009 and that there was no clear U.S. government strategy for addressing anti-corruption. With increased attention given to corruption in Afghanistan by world leaders and the media, there has been more of a focus on the HOO, and its role in fighting corruption, within the U.S. Embassy community in Kabul.

In response to SIGAR's findings and recommendations regarding the HOO and the CAO, the U.S. government has agreed to address the issues identified in the two audit reports. USAID has indicated that it plans to provide up to \$30 million over 3 years to support the HOO and the U.S. Embassy plans to work with the CAO, Afghan government stakeholders, and international donors to formulate and implement a capacity development plan for the CAO. While these are positive steps that should help strengthen the capabilities of the HOO and the CAO, there are indications that other key Afghan oversight institutions—particularly the internal audit departments of Afghan government ministries—suffer from some of the same challenges.

## **CONCLUSION**

Since 2002, the United States has appropriated more than \$50 billion for reconstruction assistance in Afghanistan and the Obama administration has recently submitted budget requests for an additional \$20 billion to help the Afghan government build its capacity to defend itself and govern effectively. Whereas the majority of prior U.S. assistance bypassed the Afghan government by providing funds directly to contractors and nongovernmental organizations, the new approach calls for significantly more U.S. assistance to be channeled through the Afghan government. However, the success of this approach will depend to a large degree on the capacity of the Afghan government to manage U.S. reconstruction funds and protect them from waste, fraud, abuse, and other forms of corruption. Because corruption, widely acknowledged to be a pervasive, systemic problem across Afghanistan, corrodes the Afghan government's legitimacy and undermines international development efforts, the United States has made strengthening the Afghan government's capability to combat corruption a priority. However, the majority of U.S. reconstruction assistance to Afghanistan has been provided without the benefit of an approved comprehensive U.S. anti-corruption strategy.

The Afghan government has given a number of ministerial-level departments and offices a direct role in combating corruption. In particular, the HOO, the CAO, and internal audit departments of ministries are key Afghan government oversight institutions with significant anti-corruption responsibilities. However, these institutions remain severely limited due, in part, to the lack of political will on the part of the

Afghan government, and to the lack of independence, audit authority, and capacity. Despite the important role Afghan oversight institutions have in combating corruption in Afghanistan and providing accountability over U.S. reconstruction funds, only a relatively small percentage of U.S. funding has been employed to help build the capacity of these institutions. However, in line with recommendations from prior SIGAR audits, USAID is currently in the procurement stage of a plan to increase assistance to the HOO and is developing a plan to increase assistance to the CAO. In addition, although SIGAR has not conducted extensive audit work on the internal audit departments of Afghan ministries, we believe that they are key Afghan government oversight institutions that could play a critical role in combating corruption and protecting U.S. and other donor funds from waste, fraud, and abuse. Consequently, the U.S. government would benefit from helping to ensure the capacity of those institutions as well.

## **RECOMMENDATIONS**

To improve and direct U.S. anti-corruption efforts in Afghanistan and to help strengthen the capacity of Afghan government institutions to combat corruption and protect U.S. and other donor funds from waste, fraud, and abuse, SIGAR recommends that the U.S. Secretary of State:

1. Approve and implement the draft comprehensive U.S. anti-corruption strategy for reconstruction efforts in Afghanistan.
2. Review key Afghan oversight institutions, particularly the internal audit departments of Afghan line ministries, to determine whether the United States should provide them more assistance to strengthen their ability to combat corruption in Afghanistan and provide accountability over U.S. reconstruction funds channeled through the Afghan government.

## **COMMENTS**

The U.S. Embassy in Kabul and USAID/Afghanistan provided joint comments on a draft of this report. The comments are included in appendix V. In their comments, the Charge d' Affaires, Coordinating Director for Rule of Law and Law Enforcement, Coordinating Director for Development and Economic Affairs, and USAID Mission Director indicated concurrence with and support for the report's recommendations. The comments outlined actions to address the report's recommendations, including:

- Finalization of a comprehensive U.S. anti-corruption strategy in Afghanistan during the current calendar quarter; and
- Development of a formal assessment process for Afghan line ministries and other governmental institutions.

The U.S. Embassy and USAID noted that the draft strategy had been approved by the U.S. Ambassador to Afghanistan on April 10, 2010, and sent to Washington, D.C., where it is awaiting approval of the Special Representative for Afghanistan and Pakistan. The comments further indicated that the U.S. Mission in Afghanistan anticipated that the strategy would be finalized by September 30, 2010, and that implementation of the draft strategy was already underway.

The U.S. Embassy and USAID also indicated support, in principle, for our recommendation to review key Afghan oversight institutions to determine whether to provide additional assistance to strengthen their ability to combat corruption and increase accountability for donor funds. The comments indicated that

USAID had already extended technical assistance to the CAO and announced a program to provide grants to promote Afghan civil society institutions. Further, the comments stated that USAID, in conjunction with the Department of State and other agencies, was developing a formal process to assess Afghan line ministries and other governmental institutions. However, the comments also noted that providing support to the internal audit departments of Afghan line ministries was problematic due to the unclear nature of internal audit responsibilities under current Afghan law. According to the comments, the U.S. government included resolution of this issue as a benchmark under the Afghanistan Reconstruction Trust Fund Incentive Program. The U.S. Treasury Department is also engaged with the Afghan government to help resolve this issue.

In the comments, it was noted that SIGAR recommended that the U.S. government should invest in technical assistance for internal audit. As a point of clarification, SIGAR actually recommended that the review of Afghan oversight institutions should include the internal audit departments of Afghan line ministries to determine if more assistance was warranted to strengthen their ability to combat corruption and ensure accountability for U.S. reconstruction funds channeled through the Afghan government.

The U.S. Embassy in Afghanistan, along with USAID and the Departments of Justice, Homeland Security, and Defense, also provided technical comments to the draft report, which have been incorporated, as appropriate, into the final report. Comments by CENTCOM, USFOR-A, and CSTC-A, although technical in nature, have been included as appendix VI of this report.

## APPENDIX I: SCOPE AND METHODOLOGY

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This report discusses the results of the Office of the Special Inspector General for Afghanistan Reconstruction's review of U.S. and other donor efforts to strengthen the anti-corruption capabilities of the Afghan government.

To review U.S.-funded programs designed to strengthen the capabilities of Afghan institutions to help reduce corruption in Afghanistan, we reviewed documentation from and conducted interviews with responsible officials from the U.S. Departments of State, Defense, Treasury, and Justice, and the U.S. Agency for International Development (USAID) in Washington, D.C., and Kabul, Afghanistan. Within those departments, we also held discussions with Department of State's Bureau of International Narcotics and Law Enforcement Affairs, Special Representative for Afghanistan and Pakistan, and the U.S. Embassy-Kabul; Department of Justice's Federal Bureau of Investigation and U.S. Marshals Service; and Department of Defense's U.S. Forces-Afghanistan and Combined Security Transition Command-Afghanistan. We also obtained information from the Department of Homeland Security. A particularly useful source of information was a March 2009 report from a USAID-funded assessment of corruption in Afghanistan. To help assess the effectiveness of U.S. anti-corruption efforts from the Afghan point of view, we spoke with officials from the Ministry of Finance, the Ministry of Interior, the High Office of Oversight, and the Control and Audit Office.

To identify Afghan government institutions with significant anti-corruption responsibilities, we reviewed documentation from and conducted interviews with responsible officials from the U.S. Departments of State, Defense, Treasury, and Justice, and USAID in Washington, D.C., and Kabul, Afghanistan. We also reviewed documentation from and interviewed officials with the World Bank, United Nations Development Program, and United Nations Office on Drugs and Crime. To gain an understanding of anti-corruption efforts from the Afghan point of view, we spoke with officials from the Ministry of Finance, the Ministry of Interior, the High Office of Oversight, and the Control and Audit Office. We also reviewed documentation relating to the United Nations Convention against Corruption, the Asia Development Bank, and the Afghanistan National Development Strategy.

This report is part of a series of audits conducted by SIGAR to assess what the United States is doing to help build the capacity of Afghan institutions to prevent corruption and strengthen the rule of law within Afghanistan. We conducted our work in Kabul, Afghanistan, and Washington, D.C., from August 2009 to July 2010 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The performance audit was conducted by SIGAR under the authority of Public Law No. 110-181, and the Inspector General Act of 1978, as amended.

## **APPENDIX II: U.S. AGENCIES AND MULTILATERAL TRUST FUNDS WITH ANTI-CORRUPTION PROGRAMS AND ACTIVITIES IN AFGHANISTAN**

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### **U.S. Department of State - U.S. Embassy-Kabul**

- Support for Central Ministries – The Economic Section of the Embassy supports anti-corruption efforts on a policy level with central ministries in Kabul. For example, this section encourages Afghan compliance with an International Monetary Fund program to reduce customs revenue leakage and supports efforts to strengthen banking supervision.
- Support for Ministry of Interior – The Political and Political-military Sections of the Embassy support anti-corruption efforts at the policy level in many of their relationships with Afghan ministries and Parliament. For example, they have worked with other donors and the Ministry of the Interior to identify senior officials in the Ministry who were judged to be corrupt. A number of those officials have since been removed from their positions.
- Justice Sector Support Program – The Bureau for International Narcotics and Law Enforcement Affairs (INL) strengthens the capacity of the Attorney General’s Office to monitor, investigate, prosecute, and appeal cases of corruption more efficiently, effectively, and fairly. To this end, the Bureau, with support from other U.S. and international law enforcement entities, is creating and will continually train and mentor an Anti-Corruption Unit within the Attorney General’s Office to consist of a specialized core of vetted prosecutors (and supporting staff) to investigate and bring to trial high-level cases of corruption. This unit will be based at the Major Crimes Task Force and has received funding from the Bureau.

### **U.S. Department of Treasury**

- Support for Ministry of Finance – The U.S. Department of Treasury has worked with the Ministry of Finance to improve the promulgation and enforcement of government regulation. Several International Monetary Fund program commitments and prior actions to increase revenue – such as the collection of taxes from the state airline and the audit of the state fuel importer – touch directly on the uniform application of law. Treasury provides technical assistance in support of Afghanistan’s public financial management reform efforts to help develop an efficient and effective public financial management system and increase the capacity of the Ministry of Finance to ensure better and more transparent management of public finances.
- Support for the Central Bank – Treasury also supports efforts to combat illicit financial activity in Afghanistan by providing technical assistance to Afghanistan’s Central Bank to build capacity in anti-money laundering and terrorist financing, supervise the formal and informal financial sectors, and develop the capacity of financial intelligence analysts, financial crime investigators, and prosecutors to identify, investigate, prosecute, and seize assets from terrorist organizations, narcotics traffickers, and organized criminal groups.

### **U.S. Department of Justice**

- Justice Sector Support Program – The Department of Justice contributes to this program by vetting and training prosecutors and supporting staff for the Anti-Corruption Unit within the Afghanistan Attorney General’s Office. Two Assistant U.S. Attorneys were assigned to help

establish the Anti-Corruption Unit, and three more are expected to assist the unit by the end of 2010.

- Criminal Justice Narcotics Task Force – The Department of Justice also has two Assistant U.S. Attorneys in Afghanistan to help mentor the Criminal Justice Narcotics Task Force, which has nationwide jurisdiction over major narcotics cases, including drug-related corruption cases. Three more Assistant U.S. Attorneys are expected to assist the Task Force by the end of 2010.
- Criminal Law Working Group – The Department of Justice attorneys in Afghanistan also work with the international community’s Criminal Law Working Group, which is currently working on amendments to the Criminal Procedure Code, including ways to streamline the investigation and prosecution of corruption.

#### Federal Bureau of Investigation

- Major Crimes Task Force – The Federal Bureau of Investigation vets, mentors, and provides training for the task force’s Corruption Investigation Unit (a joint initiative between the Ministry of Interior and National Directorate Service). The mission of the unit is to conduct corruption investigations of high-level Afghan government officials and then feed cases to the prosecutors at the Anti-Corruption Unit within the Afghanistan Attorney General’s Office.

#### U.S. Marshals Service

- Afghan Judicial Security Unit – The U.S. Marshals Service, with funding support from INL, has provided guidance, training, and equipment to the Afghan Judicial Security Unit and assisted them in their transition to a new location adjacent to the U.S.-funded \$11 million Counter Narcotics Justice Center, which now houses the Central Narcotics Tribunal and the investigators and prosecutors of the Counter-Narcotics Justice Task Force. Specifically, the U.S. Marshals Service has trained officers of the Judicial Security Unit in personal security details and executive protection. In addition, the U.S. Marshals Service has convinced the Ministry of the Interior to increase number of Judicial Security Unit officers and is in the process of conducting a more comprehensive assessment of a variety of courts throughout Afghanistan.

#### Drug Enforcement Administration

- Counter-Narcotics Police of Afghanistan – The Drug Enforcement Administration (DEA) mentors a variety of vetted units within the Counter-Narcotics Police of Afghanistan that conduct significant drug trafficking and drug trafficking-related corruption investigations. DEA also plays a significant role in the Afghan Threat Finance Cell and conducts a variety of counter-drug operations with the U.S. military and the Afghan National Security Forces.

### **U.S. Department of Homeland Security**

The Department of Homeland Security recently established an Immigration and Customs Enforcement attaché office at the U.S. Embassy in Kabul to help the Afghan government interdict, investigate, and prosecute individuals and organizations involved in bulk cash smuggling. To help combat the problem of corruption as it relates to U.S. donor assistance funds and the smuggling of bulk currency out of Afghanistan, the Department of Homeland Security is proposing a currency tracking program to trace the source of exported funds and exploit the intelligence gained through U.S. and Afghan partners. Special agents will partner with the Ministry of Interior, Central Bank authorities, and the Customs

Department under the Ministry of Finance to coordinate this financial tracking, recording, and exploitation initiative. The special agents will mentor Afghan partners through enforcement actions occurring, initially at the Kabul International Airport, and later expanding to other airports and border crossing points.

## **U.S. Department of Defense**

### U.S. Forces-Afghanistan (USFOR-A)

USFOR-A, in coordination with the U.S. Embassy-Kabul, provides support for the following efforts:

- Finance Sector – developing the concept of a Joint Illicit Finance Task Force in Kabul to integrate counternarcotics and counter-threat finance activities enabling strategic analysis, assessments, and case packaging, to address the linked issues of illicit financing, money laundering, and government corruption.
- Major Crimes Task Force – establishing a U.S./Afghan Corruption Investigation Unit within the Afghan Major Crimes Task Force.
- Attorney General’s Office – supporting the Afghanistan Attorney General’s Anti-Corruption Investigative Unit.
- Justice Sector – assisting the Afghan corrections sector, including efforts to build capacity within the justice infrastructure, to strengthen the court systems, to expand and enhance legal education, and to mentor members of the Counternarcotics Justice Task Force.
- Provincial Reconstruction Teams – sponsoring joint civil-military training for provincial reconstruction teams and ensuring that new civilians are trained on, and have access to, U.S. government provincial and district support plans for their areas.

In addition, U.S. Forces-Afghanistan has launched the following task forces in response to corruption issues:

- Task Force Spotlight – Launched in June 2010, this task force’s initial focus is to enforce compliance of U.S.-contracted private security companies operating in Afghanistan with existing requirements involving individual arming authority, biometric registration, and serious incident reporting. The task force also plans to evaluate policy, help develop more effective contracting procedures, and continue to assist Ministry of Interior efforts to improve regulation of private security companies.
- Task Force 2010 – Already underway, this task force is projected to be fully operational in August 2010. It plans to bring together an international civilian and military team to develop greater visibility on select sub-contracts. The task force focuses on four core competencies, including intelligence, contracting, forensic auditing, and criminal investigation.

### Combined Security Transition Command-Afghanistan (CSTC-A)

CSTC-A focuses on the development of ministerial systems and enduring institutions. Specifically, the Command seeks to develop systems within the Ministries of Interior and Defense to deter, identify, and prevent corruption. The desired outcome is a legitimate Afghan National Police and Afghan National

Army that are based on accountability, transparency, rules and standards, compliance, and enforcement.

CSTC-A provides advisors and mentors to senior officials in support of the ministerial development and institutional training mission at the Ministries of Interior and Defense, respectively. Furthermore, the Command recently increased the number of advisors to each ministry's Inspector General, procurement, and finance department. These additional advisors will assist their Afghan counterparts in establishing internal controls and oversight that will provide reasonable assurance that programs are executed according to applicable laws and regulations.

The Command supports rule of law initiatives and anti-corruption plans that are required by Afghan Presidential Decree for submission to the High Office of Oversight. The Ministry of Defense recently approved the plan for the Afghan National Army and the Ministry of Interior's plan for the Afghan National Police is pending signature. CSTC-A supports these plans through the following initiatives:

- Anti-corruption training - The Command's anti-corruption training program currently trains a significant portion of the Afghan National Security Force (ANSF) and is completing plans that will reach the entire force. The Ministry of Interior is in the process of instituting a code of conduct that will apply to all Afghan National Police and will be incorporated into their training.
- Electronic funds transfer for ANSF salary payments – The Command worked with the ministries and national banks to shift from paying salaries in cash to an electronic funds transfer system. Ninety-five percent of the Afghan National Army is currently enrolled in this system and 77 percent of the Afghan National Police are enrolled. Further, the Command is testing a cell phone payment system in remote areas that lack banking services.
- Support to the Major Crimes Task Force – The Command has provided \$17.9 million in operational support for the task force.
- Personnel asset inventory – The Command initiated a personnel inventory across the entire Afghan National Police to specifically identify police personnel throughout Afghanistan. This will help deter the collection of ghost salaries and excess funds for food and equipment. The first phase will collect the data on-site throughout the country and is 90 percent complete. Phase II will begin the analysis of actual data.
- Lottery appointments – The Command has encouraged the use of a lottery system for personnel assignments in the Afghan National Army. A lottery system encourages transparency and prevents personal connections from influencing decisions on a soldier's assignment. This process has been used very successfully with recent graduates from the National Military Academy of Afghanistan and Medical Officer Basic Course.
- Afghan First – The Command has aggressively pursued procurement of goods produced within Afghanistan. Purchasing goods directly from Afghan manufacturers reduces corruption that occurs through middlemen in the contracting stream and the corruption associated with cross border transport of goods. For example, CSTC-A deals directly with several Afghan boot manufacturers for purchase of boots for ANSF and is considering adding other appropriate products to the Afghan First program.
- Anti-corruption directive to advisers – The CSTC-A Commanding General requires that all advisers receive anti-corruption training as part of their general advisor training. It is the duty of all CSTC-A personnel to report ANSF misconduct and criminal acts through their chain of

command. These reports are reviewed at the highest levels within the Command and are acted upon accordingly.

## **U.S. Agency for International Development (USAID)**

USAID's efforts to combat corruption in Afghanistan are largely focused on core governance and rule of law capacity development activities designed to strengthen transparency, accountability, and effectiveness at the national and sub-national levels of government.

- Strategic Support to Islamic Republic of Afghanistan Program – Through this program, USAID has provided critical start-up assistance to the High Office of Oversight. USAID has assisted with salaries for senior staff and funding for information technology systems, as well as support for training and outreach.
- Afghan Civil Service Support – This program supports an Afghan-led effort to increase the effectiveness of ministries by reforming internal operational systems and instituting best practices and common Afghan standards. The objectives of this program are to (1) raise the skill levels of Afghan civil servants; (2) modernize, institutionalize, and harmonize administrative systems across ministries; and, (3) institutionalize a system for civil service training within the Afghan government.
- Office of the President/Support for the Center of Government – This assistance program (provided through a grant to the Afghan government and a cooperative agreement with the Asia Foundation) that has supported basic public administration capacity development, including financial management, human resources management, information technology, strategic communications, and other critical capacity development.
- Afghanistan Rule of Law Program – This program addresses the judicial system and has provided training for more than 1,000 judges, supported the development of systems for case management, tracking, and open information for courts. It also worked to develop a code of ethics for judges.
- Justice Sector Development Program – This new program is designed to build upon the Afghanistan Rule of Law Program to assist the Supreme Court's ability to monitor and discipline judges, collect statistics on case flow, and make them publicly available. It will also design and implement a mechanism for enforcing the Judicial Code of Conduct.

The following are additional anti-corruption activities that USAID has recently initiated or plans to initiate in the near future:

- Helped the Afghan government, Afghanistan's High Office of Oversight (HOO) and others, to develop a strong anti-corruption policy, as presented by the Afghan government at the January 2010 London Conference.
- Helped the Afghan government draft a Presidential Decree, signed by President Karzai on March 18, 2010, that provides significantly expanded investigative powers to the HOO; makes illegal political interference and obstruction of justice; provides the HOO with seconded judicial police; makes false personal asset declarations punishable administratively and criminally; requires the Ministry of Justice to review all laws and sanctions related to anti-corruption to make sure they exist and are appropriate to the crime; and requires the HOO to put in place within 90 days of signature an Anti-corruption Monitoring and Evaluation Committee of

prominent Afghans and international experts, to track the government's progress in the fight against corruption, as well as international assistance, and its impact on corruption.

- Assists the HOO in drafting an Executive Order that will require each ministry or agency of the Afghan government to prepare an anticorruption action plan with its top three priorities, which the HOO will be responsible for monitoring.
- Prepared draft terms of reference for the Anti-corruption Monitoring and Evaluation Committee. Initially approved by the HOO, they are being circulated for comment in the international community. USAID also drew up a list of potential international membership for the HOO's selection.
- Developed a new program of assistance for the HOO, consisting of up to \$30 million over 3 years, which is in the process of being placed into operation. The project team, which USAID expects to be operational in August 2010, will support the HOO in carrying out its expanded mandate.
- Conducted discussions for providing assistance to the Control and Audit Office (CAO) through USAID's "Economic Governance and Growth Initiative," and is planning for the Bureau of Supreme Audit in Iraq to visit Afghanistan in the near future to discuss the challenges of establishing a supreme audit institution in a conflict environment.
- Established a joint committee with U.S. Forces-Afghanistan and International Security Assistance Force on Contractor Vetting for Corruption. The first meeting was held April 17, 2010. The committee's purpose is to arrive at a common system, with a common set of data, to vet international and Afghan prime- and subcontractors, to the extent possible, for their possible engagement in corrupt practices. The goal is to have the majority of U.S. government contractual spending in Afghanistan covered by this new system.
- Preparing guidance to all civilians at Provincial Reconstruction Teams on "10 Things You Can Do to Fight Corruption." This will be linked to the corruption guidance initiative of the Department of State.

## **U.S. Participation in Multilateral Trust Funds**

- The Afghanistan Reconstruction Trust Fund is a partnership between the international community and the Afghan government for the improved effectiveness of the reconstruction effort. Since 2002, 30 donors have contributed more than \$3 billion, making ARTF the largest contributor to the Afghan budget—for both operating costs and development programs. ARTF's support for national priority programs, for operating costs of government operations, and for the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals, which include the promotion of transparency and accountability of reconstruction assistance. The United States has contributed more than \$400 million to this trust fund from 2002 through 2009.
- The Law and Order Trust Fund for Afghanistan was established by the United Nations Development Program to provide a mechanism for coordinating contributions from donors with the principle priority to cover police salaries and pursue other activities in accordance with project priorities. Specific areas for collaboration with anti-corruption projects such as the UNDP's Accountability and Transparency project have been identified. Further, the trust fund is planning to establish eight regional offices to monitor donor contributions to the Afghan National Police by provincial audit inspection teams. The United States is the single largest

contributor, having committed \$207 million since April 2008. The trust fund is nationally managed through the Ministry of Interior and is governed by UNDP's financial rules and regulations.

- The Counter-Narcotics Trust Fund, established in October 2005, is a multi-donor funding source that contributes to fulfilling objectives of the Afghan government's National Drug Control Strategy—one of six cross-cutting issues cited in the Afghanistan National Development Strategy. The key principles behind the trust fund are to provide additional resources for the Afghan government's counter-narcotics efforts through the national development budget, thus enabling the Afghan government to have greater ownership over implementation of its counter-narcotics strategy. The United States has committed \$15.1 million to the fund, the vast majority of which funded the Good Performers Initiative to support provinces that achieve sustained progress toward poppy elimination or remain poppy free by providing them financial resources to fund their priority development projects.

## **APPENDIX III: AFGHAN GOVERNMENT INSTITUTIONS WITH SIGNIFICANT ANTI-CORRUPTION RESPONSIBILITIES**

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### **High Office for Oversight**

The High Office of Oversight (HOO) was created by Presidential Decree in July 2008 to oversee and coordinate the implementation of both the National Anti-Corruption Strategy and administrative procedural reform. The HOO has not been invested with investigative or prosecutorial powers, but is empowered to monitor the progress of legal cases related to corruption in the appropriate law enforcement agencies and to ensure that action is being taken by those institutions. HOO leadership consists of a Director General who is appointed by the President. The HOO has established internal units with distinct but interrelated functions related to oversight, administrative reform, capacity development, and public awareness.

### **Control and Audit Office**

The Control and Audit Office (CAO) is responsible for auditing the financial matters of the Afghan government and is also mandated to identify deficiencies and inadequacies in public administration. The CAO ensures the implementation of systems and procedures and provides standards to the internal inspection and audit departments of ministries and agencies. The CAO can also make recommendations to improve laws and procedures. The Office provides external audits as “appropriate” to government clients; to date, these have been limited. The CAO and the Internal Audit Department in the Ministry of Finance have an ongoing disagreement over which agency has authority to oversee audits in ministries and departments, as authorized by the Public Financial Management Law, which provides for the establishment of internal auditors in each ministry.

### **Anti-Corruption Unit of the Attorney General’s Office**

The Anti-Corruption Unit is a specialized prosecution unit of the Attorney General’s Office. The Unit has prosecutors specializing in corruption investigations, primary court, appellate court, and the Supreme Court. All unit prosecutors are under the same director, who reports to the Attorney General. This vertical structure should reduce potential interference from other units and help guard against information leaks. The unit is connected with the Major Crimes Task Force, which is expected to provide significant case referrals.

### **Major Crimes Task Force**

The Major Crimes Task Force is a partnership through which U.S. and international law enforcement agencies mentor Afghan counterparts by providing investigative and legal assistance. Afghanistan’s Minister of the Interior has indicated that he foresees the Major Crimes Task Force to be the prototype organization for the Afghan version of the U.S. Federal Bureau of Investigation. The task force includes a Corruption Investigation Unit whose mission is to conduct corruption investigations of high-level Afghan government officials. Although a new facility for the task force was inaugurated in February 2010, the task force had already achieved its first high-profile corruption arrest in October 2009.

## **Anti-Corruption Tribunal**

The Afghan Ministry of Justice has established the Anti-Corruption Tribunal to handle significant corruption cases, including cases from the provinces. By January 2010, the Afghan government had appointed 11 justices to this new body, which was designed to combat abuse of power, while also encouraging and supporting Afghan efforts to remove and prosecute corrupt officials.

## **Central Narcotics Tribunal**

The Central Narcotics Tribunal has exclusive nationwide jurisdiction over significant narcotics cases (i.e., cases involving more than 2 kilograms of heroin, morphine, or cocaine; more than 10 kilograms of opium; and more than 50 kilograms of hashish or precursors chemicals.) The Tribunal is housed in the \$11 million U.S.-funded Counter-Narcotics Justice Center.

## **Ministry of Finance’s Internal Audit Department**

The Internal Audit Department of the Ministry of Finance is an independent, objective assurance and consulting activity designed to improve Ministry of Finance operations. It helps the ministry to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## **Afghan National Police**

The Afghan National Police is responsible for the initial “discovery” of crimes, such as corruption. After any unit of the police starts a case, the Criminal Investigation Department may investigate the case up to 3 days after it is initiated, determining whether to refer the case to the Attorney General’s Office for possible prosecution.

## **National Directorate of Security**

The National Directorate of Security has the mandate of countering organized crime, which can include corruption. For corruption cases, the directorate is confined to gathering information and making referrals to the Attorney General’s Office, HOO, and the Police. Allegations involving high-level Afghan officials are then submitted to the President who decides on any further action.

## **Independent Administrative Reform and Civil Service Commission**

The Independent Administrative Reform and Civil Service Commission is responsible for human resources across the Afghan government. It has established human resource management systems, policies, and processes for the civil service, and is managing reforms to provide salary upgrades based on job descriptions and performance for selected civil service positions. The commission has also developed merit-based recruiting and promotion systems and procedures, which it is rolling out to the provincial level. These apply to all civil service positions in line ministries as well as the sub-national government. The commission has established an ambitious goal of training 16,000 civil servants, most of which work in provincial and district centers.

## **High-Level Anti-Corruption Commission**

The High-Level Anti-Corruption Commission, chaired by President Karzai, provides guidance and oversight to the HOO through monthly meetings to push ministries and departments into building anti-corruption capacity, integrate actions across the government, and prosecute corrupt actions. Commission members include the Second Vice President, Chief Justice, Minister of Interior, Minister of Justice, Attorney General, National Security Advisor, Director General of the Administrative Affairs and Cabinet Secretariat, General Director of the Department of National Security, Chair of the Independent Administrative Reform and Civil Service Commission, Director General of the Independent Department for Local Governance, as well as the General Director and Deputy General Director of the HOO.

## **Afghanistan Independent Human Rights Commission**

The Afghanistan Independent Human Rights Commission focuses on the social and economic rights of Afghan citizens, but may also receive corruption complaints. Corruption falls under the commission's mandate since it, by definition, violates human rights. The commission is not authorized to investigate complaints that relate to corruption, but may compile the information and forward it to the Attorney General's Office for investigation.

## **Parliamentary Commission on Judicial and Justice Affairs, Administrative Reform, and Anti-corruption**

The Parliamentary Commission on Judicial and Justice Affairs, Administrative Reform and Anti-Corruption is charged with overseeing anti-corruption agencies and efforts and has the duty of proposing laws to combat corruption. According to a USAID-funded assessment, the commission meets irregularly, does not have a focused agenda, and is minimally effective.

## **Independent Electoral Commission**

Afghanistan plans to hold a series of elections to select members of Parliament, governors, mayors, district heads, and provincial councils. These elections will be managed by the Independent Electoral Commission, which is responsible for doing so in a transparent and accountable way.

## **Internal Audit Departments of Line Ministries**

Several Afghan line ministries have operating internal audit departments. However, according to a recent World Bank assessment, the internal audit work for most line ministries, except in the Ministry of Finance, is not done to any recognized professional standard, and there is little follow-up of audit recommendations.

## **Anti-corruption Monitoring and Evaluation Committee**

At the January 2010 London conference, the Afghan government agreed to invite Afghan and other anti-corruption experts to participate in an ad hoc monitoring and evaluation mission. Its purpose will be to develop clear and objective benchmarks for progress and prepare periodic reports on national and international activity for the Afghan president, the National Assembly, and the Afghan people, as well as the international community.

## APPENDIX IV: DEFINING CORRUPTION IN AFGHANISTAN

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Corruption is commonly defined throughout the world as the abuse of public position for private gain. Specific forms of corruption vary, but can include bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement. Afghan law lists 18 specific acts or crimes committed by government officials that would be considered as corruption, but does not include some types of corruption common in other parts of the world. For example, international representatives in Afghanistan have bemoaned the fact that the definition of corruption, as outlined in current Afghan law, does not mention nepotism or simony (the buying or renting of official positions). Nor does the Afghan Civil Service Code define what constitutes a conflict of interest for civil servants or address the issue of making false claims.

According to a March 2009 USAID-funded assessment, corruption in Afghanistan exists on two levels: corruption of lower-level government officials and corruption of senior-level officials and their political allies or extended families. Identified drivers of lower-level corruption in Afghanistan include a limited supply of goods coupled with rising prices, while low government salaries can tempt government officials to seek illegal income through corrupt practices. USAID reports that senior-level corruption is particularly prevalent in Afghan construction and security industries, where the investment structure supports contracting with a limited pool of firms. According to USAID, contract awards are often controlled by upper-level officials in the Afghan government or the National Assembly, which can also lead to corruption.

According to the USAID assessment, efforts to fight corruption efforts generally fall under two categories—prevention and enforcement. Prevention efforts include the identification and mitigation of vulnerabilities that allow corruption to take place and the reduction of opportunities to commit corruption. An example would be a recent Afghan government project to simplify the vehicle registration process by reducing the number of steps required to register vehicles. The concept was to eliminate unnecessary interactions between the public and government officials that could lead to the demand for or payment of bribes. The number of registration steps was reportedly reduced from 51 to 5. The World Bank has conducted a number of vulnerability-to-corruption assessments in Afghanistan that have identified areas of risk within various sectors. Enforcement efforts deal with rule-of-law systems to identify, try, and punish those who commit corrupt acts. In Afghanistan, the discovery of crime is the duty of the police, and prosecution of crimes the duty of attorney general's office. Special tribunals have been established to help ensure that high-level corruption cases are adjudicated in a timely and proper manner. Proponents of enforcement efforts suggest that dealing harshly with corrupt officials also acts as a deterrent by causing potential wrongdoers to resist the temptation to commit corrupt acts to avoid similar punishment.

Interestingly, according to the USAID assessment, Afghans also believe that international assistance causes corruption in Afghanistan due to inefficiencies in high-cost delivery through international organizations, nongovernmental organizations, and contractors. Afghan perceptions of international "corruption" criticize perceived levels of high pay and overheads for contractors, consultants, and advisors as a form of corruption, irrespective of whether the applicable rules were followed in contracting. Further, the Afghan government views much of this assistance as corrupt simply because the resources are channeled outside the national budget and outside of their control. This "external budget" is a target of criticism regardless of whether outright corruption is involved.

**APPENDIX V: COMMENTS FROM U.S. EMBASSY KABUL AND USAID**

{ EMBED Word.Picture.8 }

UNCLASSIFIED  
**INFORMATION MEMORANDUM**

July 31, 2010

TO: John Brummet, Assistant Inspector General for Audits

THROUGH: Ambassador E. Anthony Wayne, Chargé d'Affaires, a.i. *Way 8/11/10*

FROM: ROLLE – Ambassador Hans Klein  
CDDEA – Ambassador William F. Todd  
USAID Mission Director – Earl Gast

SUBJECT: Draft SIGAR audit 10-15: U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized Comprehensive U.S. Anti-Corruption Strategy

**BACKGROUND**

The U.S. Embassy welcomes the comprehensive draft report by the Special Investigator General for Afghanistan Reconstruction (SIGAR) on the subject audit. We appreciate the opportunity to comment on its findings and recommendations.

Draft SIGAR Report Recommendations and U.S. Embassy Response

The Embassy supports the recommendation of the draft report and is pleased to provide detailed responses below.

**Recommendation:** To improve and direct U.S. anti-corruption efforts in Afghanistan and to help strengthen the capacity of Afghan government institutions to combat corruption and protect U.S. and other donor funds from waste, fraud, and abuse, SIGAR recommends that the U.S. Secretary of State:

- Finalize and implement the draft comprehensive U.S. anti-corruption strategy for reconstruction efforts in Afghanistan.

We agree with and support the above recommendation concerning the strategy. As noted in the report, the Mission developed the draft strategy through a collaborative interagency process, which was approved by Ambassador Eikenberry on April 10 and sent to Washington. The strategy currently awaits the approval of the Special Representative for Afghanistan and Pakistan. We anticipate its finalization during the current calendar quarter. Implementation is already underway.

For clarity purposes, we have proposed edits to the draft report, attached as Tab A.

- Review key Afghan oversight institutions, particularly the internal audit departments of Afghan line ministries, to determine whether the U.S. should provide more assistance to those institutions in order to strengthen their ability to combat corruption in Afghanistan and provide accountability over U.S. reconstruction funds channeled through the Afghan government.

In principle, we support this recommendation. In fact, as a result of SIGAR's report on the Control and Audit Office, USAID began to extend technical assistance to this other key GIRoA oversight institution through its "Economic Growth and Governance Initiative" program. Also, earlier this year USAID announced a grants program through its "Governance Annual Program Statement," which will promote civil society institutions to engage much more actively in establishing transparency and accountability for GIRoA's provision of public goods and services, a key element of oversight in the fight against corruption. Finally, USAID, in conjunction with the Department of State and other agencies, is in the process of developing a formal assessment process for Afghan line ministries and other governmental institutions.

With respect to the internal audit issue mentioned in the recommendation, as SIGAR indicated in its own CAO report, support to the internal audit departments of Afghan line ministries is problematic because it remains unclear who will ultimately retain the internal audit responsibility. Although this power has historically been the province of the ministries, and by at least one law is reportedly in force, Article 61 of the Public Finance Expenditure Management Law, approved in 2007, transferred authority for internal audit for a number of key ministries to the Ministry of Finance. President Karzai subsequently rescinded that article, a decision which has led to confusion and an impasse on the matter between the Ministry of Finance and the other ministries. The USG has made numerous efforts to clarify internal audit responsibilities, but the situation remains unresolved. The USG has included resolution of the issue as one of the benchmarks GIRoA must meet under the Afghanistan Reconstruction Trust Fund Incentive Program. The Treasury Department is actively engaged with GIRoA in putting a solution in place without further delay. Until then, however, it is unclear as to where the USG should invest the technical assistance for internal audit as recommended by SIGAR.

## APPENDIX VI: COMMENTS FROM CENTCOM, USFOR-A, AND CSTC-A

### SIGAR DRAFT REPORT SIGIR 10-15 (SIGAR Project No 007A)

#### U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized Comprehensive U.S. Anti-Corruption Strategy

#### CENTCOM COMMENTS TO THE DRAFT REPORT

SIGIR makes *no recommendations* to DOD in this report. However, they have requested that USFOR-A and CSTC-A conduct a technical review, especially of the information in Appendix II.

#### GENERAL COMMENTS ON THE REPORT

1. (U) Pages 2, 3. Recommend adding the following paragraphs to the end of the background section.

Observations from NTM-A/CSTC-A through its 180 Day Interim Review along with input from recently deployed combat advisors from 2009-2010, reveal force rotation and organizational changes that have the potential to inadvertently create contracting challenges. Force rotations have caused transitional changes that induced the loss of CORs or centralization of Contracting Officers by moving the COR or officials responsible for daily contract oversight out of the physical or geographic location, creating a loss of contracting office visualization of the battlefield, i.e. the competitors for contracts. This results in local contractor performance and quality dropping off, and new contracts being let to Kabul contractors instead of the local vendors connected to the communities with local economic interest and stimulus. Kabul based contractors are growing and have learned how to meet the administrative requirements to 'grab' the contracts, often at higher more lucrative pricing. Meanwhile, the local struggling contractor in the remote districts, who are able to perform the contract requirements for much lower cost while spreading the money to deeply depressed insurgent vulnerable communities, are not able to compete. Without proper oversight, this could lead to unchained vendors, who can over charge and underperform to statements of work. This is not limited to Afghan vendors, as US and foreign contractors are taking advantage of overwhelmed contracting officers without resources to accurately or adequately check work and make appropriate contracting decisions. This has the potential to also lead to unpaid or 'disqualified' vendors across Afghanistan, with no local ISAF or GIROA contracting Team to consult, who turn to insurgents for contract opportunity and become corruptible to the most immediate and local source of income. NTM-A has increased manning across multiple staff levels to mitigate these risks.

These issues and other driving factors are addressed and being mitigated in the NTM-A 180 Day Interim Review, through a collection of initiatives that reinforce GIROA capabilities. ANSF basic literacy programs have been significantly expanded in the past six months and are now mandatory. ANA and ANP leadership development courses support the increased through-put requirements of the field force and ensure higher quality and highly literate officers are distributed based on operation needs. The number of professional development courses for army NCOs has also been condensed, and the three year police academy is being temporarily converted to a six month CCS-type program. Anti-Corruption efforts promote policies and cultures that engender transparent and accountable practices, while additionally establishing an ANSF biometrics program.

1

Another contributing factor to contract mismanagement and for opportunities of corruption is that the multiple competing contracting organizations are not in synchronization with one another. This enables the vendor and/or contractor an opportunity to take advantage of the process. In some cases, multiple sources are contracting for the same task or project type, without coordination or oversight for instances of construction planning conflicts (i.e. a road paving project that inadvertently goes through the middle of an ANSF HQ construction project). These conflicts create poor Force Protection conditions and waste manpower, resources, and funds when newly constructed walls are torn down or a road is paved through a freshly planted field by a conflicting contract vendor. The NTM-A review has identified this issue and will mitigate the potential for conflicting contracts, through increased manning across controlling organizations.

Finally, NTM-A has initiated a significant increase in efforts to establish rule of law through GIROA policy, training, education, and organizational improvements. This approach is aimed at legitimacy of GIROA as well as detaining, prosecuting, and detaining corrupt elements of Afghan communities.

2. (U) Page 5. In parallel discussion with the "U.S. Government Lacks a Comprehensive Anti-Corruption Strategy to Guide Agency Efforts in Afghanistan" section, recommend adding the following seven bullets to the strategy.

- Empower contracting offices to act as "contracting office" for oversight of all contracts associated to the Region (DoD, DoS, USAID).
- Cross train contracting officers in Combat Advisor skills.
- Co-locate CDR Combat Advisors with Combined Action USFOR-A Elements, ISAF Maneuver Elements, PRTs, or at ANSF HQ where contracts are fielded.
- Establish a training program or information campaign to educate Afghan vendors and contractors on the proposal processes.
- Install contracting regulation and governance systems with MoI and MoD for primary contracting and sub-contracting.

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**SIGAR DRAFT REPORT  
SIGIR 10-15  
(SIGAR PROJECT No 007A)**

**U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized  
Comprehensive U.S. Anti-Corruption Strategy**

**USFOR-A COMMENTS TO THE DRAFT REPORT**

USFOR-A conducted a technical review of the report and concurs with SIGAR's draft report with comments below.

**GENERAL COMMENTS ON THE REPORT**

**1. Page 14. APPENDIX II: U.S. AGENCIES AND TRUST FUNDS WITH ANTI-CORRUPTION PROGRAMS AND ACTIVITIES IN AFGHANISTAN**

Under the Department of Defense, U.S. Forces-Afghanistan, section,

**Add:** In addition to support of the aforementioned 5 areas, USFOR-A, launched two separate task forces in response to a myriad of corruption issues.

- USFOR-A Armed Contractor Oversight Directorate (ACOD) stood up in April 2009 with the intent of providing oversight and accountability of U.S. Government contracted Private Security Companies (PSCs) in Afghanistan. ACOD established policy and procedures, as well as, means for compliance with National Defense Authorization Act 2007/2008, Federal Acquisition Regulation, Defense Federal Acquisition Regulation, Central Command and USFOR-A requirements. In June 2010 USFOR-A, Deputy Commander, Support, launched Task Force (TF) Spotlight in response to issues including, but not limited to: real and perceived misconduct, malign actors, illegally armed groups, limited accountability, unfavorable money flows, and PSC "poaching" of Afghan National Security Forces personnel. These have led to attitudes delegitimizing GIRA and the COIN strategy while enriching powerbrokers and empowering the insurgency.

Enforcing compliance with existing requirements is TF Spotlight's initial focus. These requirements include individual arming authority, biometric registration, Synchronized Predeployment and Operational Tracker (SPOT) enrollment, census reporting, and serious incident reporting. Compliance will be achieved through direct engagement down both the contracting and operational lines of control to those who oversee the contracts involving PSCs. TF Spotlight will also evaluate policy, assist in developing more effective contracting procedures, consider physical means to oversee PSC operations (trackers/cameras), and continue to assist MOI efforts to improve regulation.

- **Task Force 2010 is a task force currently declared Initial Operational Capability (IOC) projected to be Fully Operational Capable (FOC) Aug 2010. This proactive task force will fuse, augment, and drive existing efforts to more closely link contracting and COIN, it will also evaluate policy, assist in developing more effective contracting procedures, consider physical means to oversee PSC operations (trackers/cameras), and continue to assist MOI efforts to improve regulation.**

TF 2010 will bring together a diverse, civilian and military international team to develop greater visibility on select sub-contracting money flows. TF 2010 focuses on four core competencies to get at this problem: intelligence, contracting, forensic auditing, and criminal investigation, following the money of select contracting networks to provide the operational commander with actionable information regarding key contracting networks, money flows, and linkages to malign actors within their operating space. This actionable information will create opportunities for tangible and timely counterinsurgency effects.

TF Spotlight and TF 2010 continue to collaborate and work closely with other appropriate TFs, working groups and agencies to create a positive synergy and achieve the desired objectives.

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**SIGAR DRAFT REPORT**  
**SIGAR 10-15**  
**"U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized**  
**Comprehensive U.S. Anti-Corruption Strategy"**  
**(SIGAR Audit No. 007A)**

**NTM-A/CSTC-A GENERAL COMMENTS ON THE REPORT**

**1. Page 3. Several U.S. Agencies Have Assistance Programs Designed to Directly or Indirectly Help the Afghan Government Combat Corruption**

**Delete:** *"The Defense Department, through its U.S. Forces-Afghanistan and Combined Security Transition Command-Afghanistan, supports many of the efforts described above, and also requires that all advisors in country provide anti-corruption training to their counterparts and file reports on instances of corruption."*

**Replace With:** The Defense Department, through its U.S. Forces-Afghanistan and Combined Security Transition Command-Afghanistan (CSTC-A), supports many of the efforts described above. CSTC-A provides advisors and mentors to senior officials at the Ministries of Interior (MoI) and Defense (MoD), and also provides anti-corruption training to the Afghan National Police (ANP) and Afghan National Army (ANA) through a variety of venues, to include institutional training, professional development conferences, and specialized seminars.

**2. Page 14. APPENDIX II: U.S. AGENCIES AND TRUST FUNDS WITH ANTI-CORRUPTION PROGRAMS AND ACTIVITIES IN AFGHANISTAN**

**Delete:** Entire section under the heading *"Combined Security Transition Command-Afghanistan"*

**Replace With:**

The Combined Security Transition Command-Afghanistan (CSTC-A) focuses on development of ministerial systems and enduring institutions. Specifically, the Command seeks to develop ministerial systems within Ministry of Interior and Ministry of Defense (MoI) to deter, identify, and prevent corruption. The desired outcome is a legitimate Afghan National Police (ANP) and Afghan National Army (ANA) that is based on accountability, transparency, rules and standards, compliance, and enforcement.

Some current examples include:

CSTC-A provides advisors/mentors to senior officials to support in support of the ministerial development and institutional training mission at the MoI and MoD respectively. Furthermore, the Command recently increased the number of advisors to each Ministry's Inspector General, Procurement, and Finance departments. These additional advisors will assist their Afghan counterparts to establish internal controls and oversight that will provide reasonable assurance that programs are executed according to applicable law or regulation.

- CSTC-A supports the rule of law initiatives and anti-corruption plans that required by Afghan Presidential Decree for submission to the High Office of Oversight. The MoD recently approved the plan for the ANA; the MoI plan for the ANP is pending signature. CSTC-A supports these plans through the following initiatives:

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**NTM-A/CSTC-A GENERAL COMMENTS ON THE REPORT**

1. **Anti-Corruption Training.** The Command has a comprehensive anti-corruption training program that currently trains a significant portion of the Afghan National Security Force (ANSF), and is completing plans that will reach the entire ANSF. Meetings in July 2010 with members of NATO's Building Integrity Program will attempt to leverage NATO resources into a long term anti-corruption training program for the entire ANSF. The MoI is in the process of instituting a Code of Conduct (Commitment of Promise) that will apply to all ANP and will be incorporated into ANP training.
2. **Electronic Funds Transfer (EFT) for ANSF salary payments.** The Command worked with the Ministries and national banks to shift from a cash salary payment system to one where soldiers and police receive their payment directly through EFT. This eliminates the need to transfer large sums of cash and the illicit transactions that took place before the funds reached the soldiers. 95% of the ANA is enrolled and 77% of the ANP are enrolled. Furthermore, the Command is testing a cell phone payment system in remote areas that lacks banking services.
3. **Support to MCTF (Major Crimes Task Force).** The Command has provided \$17.9M in support of the MCTF.
4. **Personnel Asset Inventory (PAI).** The Command initiated a personnel inventory across the entire ANP. The purpose was to obtain first hand data to specifically identify ANP personnel throughout Afghanistan. This will deter the collection of ghost salaries and excess funds for food or equipment. The first phase will collect the data on-site throughout the country and is over 90% complete. Phase II will begin the analysis of actual data to reported personnel strengths.
5. **Lottery Appointments.** The Command has encouraged the use of a lottery system for personnel assignments in the ANA. A lottery system encourages transparency and prevents personal connections from influencing decisions on where a particular soldier will be assigned. This process has been used very successfully with recent graduates from the National Military Academy of Afghanistan and Medical Officer Basic Course.
6. **Afghan First.** The Command has aggressively pursued procurement of goods produced within Afghanistan. Purchasing goods directly from Afghan manufacturers reduces corruption that occurs through middlemen in the contracting stream and the corruption associated with cross border transport of goods. This program was first applied to the procurement of boats for ANSF. CSTC-A now deals directly with several Afghan boat manufacturers for purchase of boats for ANSF. The Command is considering other appropriate products to add to the Afghan First program.

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**NTM-A/CSTC-A GENERAL COMMENTS ON THE REPORT**

- **Anti-Corruption Directive to Advisors.** The CSTC-A Commanding General requires that all advisors receive anti-corruption training as part of their general advisor training. It is the duty of all personnel assigned to CSTC-A to report ANSF misconduct and criminal acts through their chain of command. These reports are reviewed at the highest levels within the Command and are acted upon accordingly.

CTSC-A is working with the ANP and ANA to continue to develop the ANSF with the integrity required to address the pressing security needs within the country. CSTC-A advisors and staff are constantly looking for innovative new approaches to counter corruption within MoI and MoD. Some of these initiatives include support for whistleblower protection, programs to reward/recognize positive anti-corruption efforts, ministerial anti-corruption planning, development and training on Codes of Conduct, and merit based personnel systems. The successes and innovations described above are having significant positive effects, which are continually increasing the legitimacy of the ANP and ANA to promote accountability, transparency, rules and standards, compliance, and enforcement.

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(This report was conducted under the audit project code SIGAR-007A).

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**SIGAR's Mission**

The mission of the Special Inspector General for Afghanistan Reconstruction is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all released reports, testimonies, and correspondence on its Web site.

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**To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs**

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal contact SIGAR's hotline:

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
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