Skilled Afghan workers help complete a microhydropower plant in the village of Daste Riwat, harnessing the power of the Panjshir River. The facility is one of 150 power plants that the U.S. Army Corps of Engineers is building in 7 provinces, using CERP funds. The last unit is scheduled to be completed in Parwan province this quarter. (ISAF photo, Majgt Michael O’Connor)

An Afghan child receives care from a U.S. medic during a Village Medical Operations Program clinic in Uruzgan province on May 28. U.S. Special Operations Forces collaborated with a coalition Female Treatment Team, Afghan commandos, and local physicians to provide medical services and build partnerships. (U.S. Army photo, Sgt Kaily Brown)

Afghan road workers upgrade the main route through the Panjshir River Valley on May 21. Supported by U.S. funds, the project will help the GIRoA achieve its goal of improving transportation corridors that link Afghan communities with internal and external markets. (ISAF photo, Majgt Michael O’Connor)

ANA trainees learn squad attack skills during basic training at the Regional Military Training Center on May 10 in Kandahar. This quarter, more than 26,000 ANA personnel graduated from training programs funded by the Afghanistan Security Forces Fund—an increase of more than 4,400 since last quarter. (U.S. Air Force photo, TSgt Adrienne Brammer)

Afghan women plant seeds in pots at a nursery in Zabul province on May 8. This quarter, USAID distributed thousands of packages of seeds and fertilizer to Afghan farmers to help increase agricultural output. (ISAF photo, SSgt Brian Ferguson)

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

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

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

SIGAR RESULTS TO DATE

AUDITS
- 45 reports published by the audit directorate; 14 ongoing audits
- 136 recommendations, 64 in the first six months of 2011
- Up to $58.5 million identified in contractor refunds not returned to the U.S. government
- Forensic audits of $39 billion in reconstruction funds managed by DoD, DoS, and USAID

INVESTIGATIONS
- 89 ongoing investigations, 52 involving procurement and contract fraud
- 5 convictions, including one of a U.S. military reserve officer for soliciting more than $1 million in bribes to influence the award of reconstruction contracts
- Support for the arrest of 2 Afghan citizens on charges of bribery
- 32 referrals for suspension and debarment
- 637 Hotline complaints received; 269 referred for investigative action by SIGAR and other agencies
July 30, 2011

I am pleased to submit SIGAR’s quarterly report to the Congress on the U.S. reconstruction effort in Afghanistan in compliance with the statutory requirements of Section 1229 of P.L. 110-181. This report documents SIGAR’s activities and updates the status of reconstruction programs since our April 30, 2011 report.

The Congress has provided nearly $72.7 billion to rebuild Afghanistan since 2002. Earlier this year, SIGAR adjusted its audit and investigations plans and implemented a much more aggressive strategy to provide comprehensive oversight of these funds. As a result, this quarter SIGAR can report a number of accomplishments, including potential savings and several arrests:

- identified up to $58.5 million in contractor refunds not returned to the U.S. government
- identified $1.6 million in expired, unused funds that have now been returned to the U.S. Treasury
- supported five arrests, including a U.S. military reserve officer charged with soliciting more than $1 million in bribes for reconstruction contracts
- referred six individuals and contractors for suspension and debarment

During this reporting period, SIGAR issued five audits and one congressionally mandated report. The audits reflect SIGAR’s determination to conduct a balanced mix of contract and program audits to detect waste, fraud, and abuse, and to promote economy, efficiency, and effectiveness in the administration of programs and operations. SIGAR’s review of the contract between the U.S. Army Corps of Engineers and a company to provide workers’ compensation insurance identified up to $58.5 million in refunds that were not returned to the U.S. government. In another audit, SIGAR found that insufficient controls over U.S. funds in Afghanistan are hampering U.S. efforts to develop the Afghan financial sector. SIGAR also found that the Afghan government has not cooperated consistently with the United States, thereby undermining U.S. efforts to develop the sector. SIGAR’s audit of the Afghanistan Reconstruction Trust Fund (ARTF)—the principal vehicle through which the United States and other international donors provide direct assistance to the Afghan government—identified challenges that need to be addressed to effectively oversee these funds.

This quarter, SIGAR investigators opened 29 cases, supported investigations that resulted in the arrest of 3 U.S. citizens and 2 Afghan citizens, and referred 6 individuals or companies for suspension and debarment. In one case, a U.S. military reserve officer pled guilty to receiving more than $400,000 and attempting to solicit more than $1 million in bribes for influencing the award of reconstruction contracts. SIGAR’s continuing support of Afghan law enforcement agencies led to the arrest of two Afghan citizens—one charged with offering bribes and the other with soliciting bribes. SIGAR’s work with Afghan law enforcement officials is particularly important because of the large number of reconstruction contracts the United States is awarding to Afghan companies. Finally, SIGAR is expanding its effort to build cases for the suspension and debarment of contractors who have been involved in fraud or who have performed poorly in executing contracts.

SIGAR remains committed to conducting the oversight necessary to identify fraud, develop cases against individuals and companies engaged in criminal activity, earn returns for the taxpayer, and offer recommendations to improve the effectiveness of the U.S. reconstruction effort.

Very respectfully,

Herbert Richardson
Acting Special Inspector General for Afghanistan Reconstruction
EXECUTIVE SUMMARY

SIGAR ACTIVITIES Q3, FY 2011

This quarter, SIGAR completed five audits that assessed reconstruction contracts and programs to improve governance, development, and security in Afghanistan. SIGAR also submitted a mandated review of contractor oversight to Congress and announced four new audits. SIGAR opened 29 new investigations, bringing the number of ongoing cases to 89.

SIGAR accomplishments this quarter included the following:

- identified up to $58.5 million in contractor refunds not returned to the U.S. government
- identified $1.6 million in expired, unused funds that have now been returned to the U.S. Treasury
- supported the arrest of a U.S. military reserve officer charged with soliciting more than $1 million in bribes for reconstruction contracts
- assisted Afghan authorities with the arrest of Afghan citizens charged with soliciting and offering bribes to win reconstruction contracts

COMPLETED AUDITS

The five audits SIGAR issued this quarter identified a number of contract and program management issues and made 21 recommendations to recover funds, increase accountability, improve program management, and achieve better interagency cooperation:

- USAID’s Kabul Community Development Program Largely Met the Agreement’s Terms, but Progress Toward Long-Term Goals Needs To Be Better Tracked
- U.S. Agencies Have Provided Training and Support to Afghanistan’s Major Crimes Task Force, but Funding and Reimbursement Issues Need To Be Addressed
- Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts To Develop the Afghan Financial Sector and Safeguard U.S. Cash
- The World Bank and the Afghan Government Have Established Mechanisms To Monitor and Account for Funds Contributed to the Afghanistan Reconstruction Trust Fund, but Some Limitations and Challenges Should Be Addressed
- Weaknesses in the USACE Defense Base Act Insurance Program Led to as Much as $58.5 Million in Refunds Not Returned to the U.S. Government and Other Problems

SPECIAL REPORT TO CONGRESS

This quarter, SIGAR submitted to the Congress a report on the oversight of contractors and plans for reducing the reliance of the United States on private security contractors (PSCs) in Afghanistan as required by Section 1219 of the National Defense Authorization Act for FY 2011. The review found that from October 2008 through March 2011, the inspectors general of the Department of Defense, the Department of State, and the U.S. Agency for International Development; the U.S. Government Accountability Office; and SIGAR issued 65 reports that made 297 recommendations to improve contracting. SIGAR also found that although U.S. implementing agencies continue to rely heavily on PSCs to provide for site, convoy, and personnel security in Afghanistan, these agencies are not systematically tracking deaths of Afghan civilians caused by PSCs.

NEW AUDITS

This quarter, SIGAR initiated four new audits:

- USAID’s Contracts in Support of the Afghanistan Stabilization Initiative
- USAID’s Cooperative Agreement in Support of an Agriculture Program
- Reliability of Funding and Contract Data Maintained by the U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC) on Prime Vendors for Major Reconstruction Contracts in Afghanistan
- U.S. Army Corps of Engineers Operations and Maintenance Contracts with ITT Corporation for Afghan National Security Forces Facilities
INVESTIGATIONS

During this reporting period, SIGAR opened 29 cases and supported investigations that resulted in the arrests of five people, including a U.S. military reserve officer who pled guilty to soliciting more than $1 million in bribes for reconstruction contracts and two U.S. citizens charged with conspiracy to traffic in heroin. SIGAR continues to support Afghan law enforcement officials in their investigations of Afghan citizens alleged to have been involved in fraud and corruption related to reconstruction contracts. SIGAR views this work as particularly important because of the large number of contracts the United States is awarding to Afghan companies. This quarter, SIGAR’s efforts contributed to the arrest of two Afghan citizens.

U.S. Military Officer Pleads Guilty to Bribery

In June 2011, a U.S. military reserve officer pled guilty in a federal district court to bribery related to reconstruction contracts and conspiracy to distribute heroin. The officer admitted to having received more than $400,000 in bribe money and expecting an additional $1 million from contractors in Afghanistan for having agreed to influence the award of reconstruction contracts valued at approximately $23 million. This joint investigation, which included partner agencies in the International Contract Corruption Task Force (ICCTF), the Drug Enforcement Administration, and the Department of Homeland Security, also led to the arrest of two other individuals for conspiracy to traffic in narcotics.

SIGAR Supports Investigations Leading to Arrests of Two Afghans

In May 2011, a joint operation between members of the Afghan Shafaqiyat (Transparency) Investigative Unit (ASIU), the ICCTF, and SIGAR resulted in the arrest of an Afghan citizen for soliciting a $150,000 bribe from a contractor who provides support for the U.S. Army Corps of Engineers (USACE) at the Kabul International Airport. This was the first joint investigation between U.S. law enforcement agencies and the ASIU that has led to the arrest of an Afghan citizen.

In June 2011, a joint operation between SIGAR, the ICCTF, the Afghan National Police Criminal Investigative Division, and Afghan prosecutors culminated in the arrest of an Afghan contractor who had offered $400,000 in bribes to a USACE contract specialist at Kandahar Air Field.

Suspension and Debarment Program

This quarter, SIGAR made 6 referrals for suspension and debarment of individuals and contractors, bringing the total referrals since 2009 to 32. SIGAR is conducting an aggressive effort to improve contractor accountability through its suspension and debarment program. SIGAR views suspension and debarment as an important adjunct to its investigative and audit responsibilities, especially when non-U.S. nationals are concerned. SIGAR is focused on (1) identifying contractors alleged to have been involved in fraud or to have performed questionably on contracts, (2) making recommendations for suspension and debarment, and (3) developing a comprehensive training program for investigators and auditors to facilitate the collection of evidence necessary to support suspension and debarment actions.

SIGAR auditors meet with officials from the Ministry of Defense and CSTC-A in Kabul on May 19 to discuss the process that the ANA uses to account for tens of thousands of vehicles provided by the U.S. government. (SIGAR photo)
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Conducting Oversight
SIGAR auditors visit ANA Headquarters in Kabul this quarter to continue an audit. SIGAR is focusing on the ability of CSTC-A and the ANSF to account for and maintain the tens of thousands of vehicles that the United States has provided. (SIGAR photo)
1 SIGAR OVERSIGHT
“It is essential that we use all available tools to ensure that U.S. dollars are protected from fraud and diversion to the insurgency. We must also ensure that the Afghan government is a full partner in efforts to set a fledgling financial sector on sound footing.”

—Herbert Richardson, Acting Special Inspector General for Afghanistan Reconstruction

The U.S. Congress established SIGAR to provide independent and objective oversight of U.S. funds appropriated or otherwise made available for the reconstruction of Afghanistan. In accordance with its legislative mandate, SIGAR conducts audits and investigations to provide recommendations on policies to (1) promote economy, efficiency, and effectiveness in the administration of programs and operations using reconstruction funds, and (2) prevent and detect waste, fraud, and abuse in these programs and operations. SIGAR’s enabling legislation also requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs and to submit a report on SIGAR’s oversight work and on the status of the U.S. reconstruction effort to the U.S. Congress no later than 30 days after the end of each fiscal quarter.

This section describes SIGAR’s activities since April 30, 2011. Sections 2 and 3 provide an update on U.S. programs to rebuild Afghanistan. SIGAR highlights this quarter included the following:
- published five audits and submitted one congressionally mandated report
- identified up to $58.5 million in contractor refunds not returned to the U.S. government
- identified $1.6 million in expired, unused funds that have now been returned to the U.S. Treasury
- announced four new audits
- opened 29 investigations and closed 15
- supported the arrest of a U.S. military reserve officer charged with soliciting more than $1 million in bribes for reconstruction contracts
- assisted Afghan authorities with the arrest of Afghan citizens charged with soliciting and offering bribes to win reconstruction contracts
- referred six individuals and contractors for suspension and debarment

**AUDITS**

During this reporting period, SIGAR issued five audit reports that examined reconstruction contracts and programs related to governance, anti-corruption, development, and security. These audits identified a number of contract and program management issues and made 21 recommendations to recover funds, increase accountability, improve program management, and achieve better interagency cooperation. In addition, SIGAR completed and submitted to Congress a
SIGAR OVERSIGHT

Completed Audit Reports

The five audits SIGAR published this quarter included assessments of a U.S. Agency for International Development (USAID) cooperative agreement, inter-agency efforts to strengthen Afghanistan’s financial sector and safeguard U.S. cash flowing through the Afghan economy, the capacity of the Afghan government to monitor and account for international donor funds, U.S. assistance to build the capabilities of Afghanistan’s Major Crimes Task Force, and the U.S. Army Corps of Engineers (USACE) Defense Base Act Insurance Program.

Audit 11-11: Governance and Economic Development
USAID’s Kabul Community Development Program Largely Met the Agreement’s Terms, but Progress Toward Long-Term Goals Needs To Be Better Tracked

In March 2009, USAID awarded a one-year, $25 million cooperative agreement to CARE International, on a non-competitive basis, to establish the Community Development Program-Kabul (CDP-K). The CDP-K provides cash-for-work to 50,000 Afghan citizens in the Kabul area. In March 2010, USAID extended the cooperative agreement for 18 months. Under this second phase, USAID increased funding to a total of $60 million and expanded program goals to benefit 78,000 Afghans and fund long-term projects to improve the living and working conditions of target communities.

OBJECTIVES
SIGAR conducted this audit because job creation is an important element of the U.S. reconstruction strategy in Afghanistan and because cash-for-work projects involve inherent risks of fraud, waste, and abuse. This audit had three objectives:

- Evaluate the processes and procedures USAID followed to award this cooperative agreement.
- Determine whether the program was being implemented within the cost, schedule, and outcome terms of the agreement.
- Assess the implementation of internal controls over cash disbursements.

FINDINGS

1. USAID followed established procedures in deciding to award a cooperative agreement on a non-competitive basis to CARE International to implement the CDP-K. USAID also provided additional oversight for the program to mitigate the risks of fraud, waste, and abuse that are inherent in cash-for-work projects. In addition, USAID adhered to the requirements to document the award and expansion of the program.
2. CARE International largely complied with the terms under phase one of the cooperative agreement and appears to be on track to meet the schedule, cost, and outcomes established for phase two. However, CARE International failed to complete certain required studies, such as the impact of the program on local food prices, which could have helped to guide program implementation and measure the program’s impact on the beneficiaries. Moreover, USAID failed to formally incorporate some program goals into phase two of the agreement, such as developing projects with long-term economic impact. Consequently, there has been no reporting on whether the program is achieving longer-term goals.

3. CARE International has implemented numerous checks and balances to prevent inappropriate cash disbursements. Nevertheless, A.F. Ferguson, an independent company hired to monitor and evaluate CARE’s internal controls, found that CARE needs to improve these controls to address limited irregularities.

RECOMMENDATIONS
To ensure that the CDP-K’s broader objectives are achieved and appropriate oversight of funds is provided, SIGAR recommended that the USAID Mission Director require that:

1. USAID and CARE International program staff document the specific nature and definition of CDP-K’s expanded project goals for this and any potential follow-on awards.

2. CARE International address to what degree these goals were met when it submits its close-out report to USAID later this year, along with any lessons learned with regard to why, if applicable, certain long-term goals were not met.

3. USAID and CARE determine to what degree, if any, CARE International should reimburse USAID for the costs associated with required studies that were not completed.

4. USAID and CARE reconcile remaining internal control issues identified by A.F. Ferguson as soon as possible.

AGENCY COMMENTS
USAID concurred with all four of SIGAR’s recommendations. USAID noted that it would work with CARE International program staff to document the expanded project goals under phase two of the cooperative agreement and ensure that related lessons learned and recommendations for further activities are included in CARE’s project close-out report. USAID stated that it will determine to what degree, if any, CARE should reimburse USAID for the costs associated with required studies that were not completed. USAID also said it will work closely with CARE to review CARE’s cash disbursement process and promptly rectify any remaining internal control issues.
Audit 11-12: Rule of Law/Corruption
U.S. Agencies Have Provided Training and Support to Afghanistan’s Major Crimes Task Force, but Funding and Reimbursement Issues Need To Be Addressed

In 2009, the Afghan government established the Major Crimes Task Force (MCTF) as the principal agency responsible for investigating and processing major cases of corruption, kidnapping, and organized crime cases. Because corruption and organized crime undermine the legitimacy of the Afghan government, pose significant obstacles to investment and economic growth, and fuel the insurgency, several U.S. government agencies are involved in providing support to strengthen the MCTF.

OBJECTIVES
SIGAR conducted this audit as part of its continuing effort to assess U.S. efforts to build the capacity of Afghan institutions to detect and deter corruption. This audit had two objectives:
• Determine the nature and extent of U.S. assistance for the MCTF.
• Evaluate whether U.S. assistance was provided in accordance with applicable laws and regulations.

FINDINGS
1. The U.S. government provided at least $15.3 million to assist the MCTF through FY 2010. These funds supported the training and mentoring of MCTF investigators as well as the refurbishment and maintenance of MCTF facilities. U.S. officials expect to provide an additional $24 million to assist the MCTF in FY 2011. The Department of Defense (DoD) has provided the majority of U.S. assistance funding for the MCTF. DoD manages this assistance through the Combined Security Transition Command - Afghanistan (CSTC-A). The Department of State’s (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL), the Federal Bureau of Investigation (FBI), and the Drug Enforcement Administration have also provided assistance to the MCTF.

2. DoD, through interagency agreements, provides funding to the FBI and INL to support the MCTF. In order to obligate DoD funds, the FBI and INL signed memoranda of understanding with the Defense Security Cooperation Agency (DSCA). SIGAR identified three accountability issues related to U.S. support for the MCTF. First, the DSCA and the FBI had not de-obligated $1.6 million in unused funds that expired as of September 2010. During the audit, the agencies returned the $1.6 million to the U.S. Treasury. Second, INL has not provided the required quarterly financial reporting on its use of DoD funds, including $6.2 million in MCTF funds for operations and maintenance. Third, CSTC-A and INL do not yet have a system to charge and collect reimbursements from international partners receiving services at MCTF facilities.
RECOMMENDATIONS

SIGAR made two recommendations to improve accountability and ensure that the U.S. government is appropriately reimbursed for some of its costs relating to support of the MCTF.

To improve accountability over U.S. assistance to the MCTF, SIGAR recommended that the Assistant Secretary of State for International Narcotics and Law Enforcement Affairs take the following action:
1. Provide an accounting of the $6.2 million already transferred to INL to cover operations and maintenance costs for the MCTF Camp Falcon facility, as required by the memorandum of agreement between the Office of the Secretary of Defense and INL.

To ensure that the U.S. government is reimbursed, as appropriate, for some of the costs of assistance to the MCTF, SIGAR recommended that the Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, in consultation with the Commanding General of CSTC-A, take the following action:
2. Develop and implement a system to bill, collect, and appropriately use such funds received from non-U.S. international personnel receiving services at the MCTF Camp Falcon facilities.

AGENCY COMMENTS

A draft of this report included a recommendation that the FBI de-obligate its unused MCTF funds. Because the FBI subsequently did so, SIGAR deleted the recommendation. In their comments, the U.S. Embassy and INL said that INL had implemented the first recommendation by submitting an accounting of the expenditures covering operations and maintenance costs. However, in reviewing the documentation, SIGAR determined that INL did not present information on the goods and services provided with the $6.2 million or indicate how the funds were allocated, as required by the memorandum of agreement. The U.S. Embassy and INL’s comments also supported the second recommendation, indicating that CSTC-A and INL had taken some actions to address it. In addition, CSTC-A concurred with this recommendation and indicated that DoS has taken over full responsibility for Camp Falcon operations and maintenance.

Audit 11-13: Financial Sector

Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts To Develop the Afghan Financial Sector and Safeguard U.S. Cash

Since 2002, Congress has appropriated more than $70 billion to rebuild Afghanistan’s security, governance, and economic sectors. Some of these funds have been converted to cash and flow through the Afghan economy. To ensure that the Afghan financial sector can absorb these funds and to develop the Afghan government’s capacity to sustain a viable market economy, U.S. agencies have implemented programs to (1) increase the capacity of Afghanistan’s central bank—Da Afghanistan Bank (DAB)—to regulate financial institutions in the country and (2) strengthen U.S. and Afghan law enforcement monitoring of and controls over the flow of U.S. aid through the Afghan economy.
OBJECTIVES
The near collapse of Kabul Bank in September 2010 caused continued uncertainty about the health of Afghanistan’s remaining banks. Questions about the export of large amounts of cash through the Kabul International Airport prompted SIGAR to conduct an audit of the U.S. effort to develop the financial sector and account for U.S. funds flowing through the Afghan economy. The audit had two objectives:

- Evaluate U.S. efforts to improve the capacity of the Afghan government to regulate the financial sector, which includes DAB, 17 commercial banks, and hawalas (informal financial organizations).
- Assess the controls that U.S. agencies use to track U.S. funds as they flow through the Afghan economy.

FINDINGS
Although U.S. assistance has helped the Afghan government improve its ability to regulate its financial sector, two challenges limit the effectiveness of the U.S. effort:

- U.S. agencies have not fully coordinated the implementation of their financial sector development programs.
- Afghan ministries have not cooperated consistently with the United States, thereby delaying U.S. programs or preventing them from succeeding.

Although U.S. agencies have taken steps to strengthen their oversight of U.S. funds flowing through the Afghan economy, the U.S. government still has limited visibility over where this money goes, leaving these funds vulnerable to fraud or diversion to insurgents.

RECOMMENDATIONS
SIGAR made four recommendations to improve interagency coordination on financial sector development programs and to strengthen oversight over the flow of U.S. funds through the Afghan economy.

To help leverage available resources and expertise and avoid duplication of agency efforts on financial sector issues, SIGAR recommended that the U.S. Ambassador to Afghanistan instruct the members of the Financial Sector Working Group to:

1. Develop an interagency strategy to coordinate efforts to work with Afghan banks to increase their electronic funds transfer (EFT) internal processes, and transaction accountability capabilities.

To strengthen oversight over the flow of U.S. funds through the Afghan economy and to support overall U.S. reconstruction goals in Afghanistan, SIGAR recommended that the Secretary of State and the Secretary of Defense instruct their contracting and financial authorities to:

2. Institute steps to record the serial numbers of cash disbursed to contractors and provide these data to U.S. law enforcement officials (including the Afghan Threat Finance Cell), as well as FinTRACA or another appropriate Afghan source.
3. Develop a plan to ensure that Afghan banks that provide payments to recipients of U.S. EFT payments record the serial numbers of cash paid to these recipients by using bulk currency counters and that these data are reported to U.S. law enforcement officials (including the Afghan Threat Finance Cell), as well as FinTRACA or another appropriate Afghan source.

4. Insert a standard clause into U.S. contracts, grants, and cooperative agreements with entities operating in Afghanistan requiring that these contractors pay their subcontractors through either an EFT-capable bank or a licensed hawala, where possible. Alternatively, if a determination is made that such a clause would not be feasible under existing regulations, submit a formal proposal to Congress with legislative language allowing the inclusion of such a clause.

AGENCY COMMENTS

A draft of this report included a recommendation that the U.S. Ambassador to Afghanistan instruct members of the Embassy’s Financial Sector Working Group to include the Department of Homeland Security (DHS) in their planning meetings and ensure that all U.S. agencies that support the development of the financial sector be included in Financial Sector Working Group discussions. Because DHS was subsequently added to the group, SIGAR deleted the recommendation. In its response to the draft report, the U.S. Embassy Kabul generally agreed with the recommendations, but cited some difficulties implementing them. For example, in response to SIGAR’s recommendation that U.S. agencies develop an interagency strategy to coordinate efforts to work with Afghan banks to increase their EFT internal processes and transaction accountability capabilities, the Embassy noted that accomplishing this task will require consensus among and action by Afghan ministries, the U.S. government, and other donors implementing reconstruction and development projects in Afghanistan. The Embassy concurred with the last recommendation, stating that it will add a clause to its contracts requiring implementing partners to make payments only through EFTs or licensed hawalas. DoD chose not to comment.

Audit 11-14: Direct Assistance/Multi-Donor Trust Fund

The World Bank and the Afghan Government Have Established Mechanisms To Monitor and Account for Funds Contributed to the Afghanistan Reconstruction Trust Fund, but Some Limitations and Challenges Should Be Addressed

In 2010, the United States and other donors pledged to provide 50% of their development assistance through the Afghan national budget within two years. The Afghanistan Reconstruction Trust Fund (ARTF), which is administered by the World Bank, is the principal vehicle through which donors are currently providing direct assistance to the Afghan government. Since 2002, 32 international donors have contributed nearly $4.3 billion to the ARTF, which supports the Afghan government’s non-security operating costs and development projects. The United States, the largest single contributor, has provided $972 million to the fund.
OBJECTIVES
SIGAR conducted this audit because the United States has invested nearly $1 billion in the ARTF over the last nine years. In addition, the current emphasis on direct assistance makes it important to understand how the World Bank monitors and accounts for ARTF funds, and to know whether the Afghan government can account for funds it receives through the ARTF. The audit had two objectives:

- Assess the extent to which the World Bank and the Afghan government have established and implemented mechanisms to independently monitor and account for donor contributions to the ARTF.
- Assess the extent to which the Afghan government has developed the capacity to monitor and account for ARTF funds.

FINDINGS
1. The World Bank and the Afghan government have established three means to independently monitor and account for ARTF funds; however, these mechanisms have some limitations. The oversight instruments consist of the World Bank’s standard procedures for overseeing World Bank–funded projects, an independent monitoring agent to track the Afghan government’s non-security-related operating expenses financed by the ARTF under the Recurrent Cost Window, and mandatory audits by the Afghan Control and Audit Office. Oversight is not as robust as it could be because monitoring of non-security operating costs is limited to financial reviews and audits. Moreover, limited independent validation of ARTF spending is conducted outside of Kabul, and the World Bank does not disseminate reports on the results and outcomes of ARTF-funded development projects to all ARTF donors.
2. The Afghan ministries have generally increased their ability to manage and account for government finances, including ARTF funds. Nevertheless, the Afghan government faces challenges developing and maintaining the civil service expertise needed to manage and account for ARTF funds. As a result of the capacity constraints, the Afghan government continues to rely on Afghan contractors and international firms, which are paid using a portion of ARTF funds.

RECOMMENDATIONS
SIGAR made three recommendations to improve oversight of ARTF funds and ensure that ministries build the capacity to account for funding.

To strengthen and enhance oversight of ARTF funds, SIGAR recommended that the U.S. Ambassador to Afghanistan, in coordination with other ARTF donors, urge the World Bank to:

1. Include explicit language in the new Recurrent Cost Window monitoring agent’s contract and terms of reference to require the agent to make necessary arrangements to conduct site visits in both Kabul and the provinces, on a sample basis, to verify the eligibility of the Afghan government’s operating expenditures.
2. Enhance reporting to all donors on development project results and outcomes by regularly including this information in its quarterly reports to donors or by systematically distributing supervision mission reports to all ARTF donors.

To ensure that Afghan ministries further develop and sustain the staff expertise needed to manage and account for development funding, including ARTF funds, SIGAR recommended that the U.S. Ambassador to Afghanistan, in coordination with the World Bank and other donors:

3. Assist the Afghan government with capacity-building efforts, such as developing plans to completely transition to Afghan civil service staff and completing pay and grade reform, which would enhance the Afghan government’s ability to attract and retain qualified staff.

**AGENCY COMMENTS**

The U.S. Embassy Kabul noted steps that the World Bank is taking to respond to the first two recommendations and described several ongoing efforts to address the third recommendation to enhance the Afghan government’s capacity to manage and account for development funding.

In its response, the World Bank discussed steps it is taking to respond to the three recommendations. For example, the World Bank indicated that it plans to ensure that explicit language is included in the new Recurrent Cost Window monitoring agent’s contract and terms of reference to require provincial site visits.

**Audit 11-15: Security/Contract Audit**

**Weaknesses in the USACE Defense Base Act Insurance Program Led to as Much as $58.5 Million in Refunds Not Returned to the U.S. Government and Other Problems**

The U.S. Defense Base Act (DBA) requires federal government prime contractors and subcontractors to provide workers’ compensation insurance for their employees who work overseas. Congress enacted the DBA to ensure that individuals working abroad for the U.S. government would have workers’ compensation insurance, if they are injured or killed on the job. Since 2008, the U.S. Army Corps of Engineers (USACE) and the U.S. Central Command Joint Theater Supporting Contract Command (C-JTSCC) have contracted with Continental Insurance Company (CNA) to serve as their only DBA provider. Since then, CNA has collected about $225 million in premiums.

**OBJECTIVES**

Because contractors are reimbursed for their DBA costs, the program makes it easier for smaller contractors to afford the costs associated with federal contracting. DBA insurance is particularly important in Afghanistan, because of the hostile working environment and the limited size and resources of many subcontractors, particularly Afghan companies. This audit had three objectives:

- Determine the extent to which DBA premium rates were set at appropriate levels.
SIGAR OVERSIGHT

- Assess USACE’s and the C-JTSCC’s internal controls for ensuring that prime contractors and subcontractors obtain insurance in compliance with the DBA.
- Evaluate the process for billing and reimbursing contractors for DBA costs.

FINDINGS
1. SIGAR found that USACE agreed to higher premium rates than stipulated under the terms of the contract and did not exercise strong oversight of CNA’s performance under the contract. For example, it did not hold CNA responsible for fulfilling all of the reporting requirements in the contract. SIGAR determined that such oversight was needed because CNA’s data were not always complete, accurate, or current. For example, CNA reported cases as losses, even after it had been informed that it would be reimbursed by the Department of Labor for cases under the War Hazards Compensation Act (WHCA).

2. The internal controls employed by USACE and C-JTSCC failed to ensure that prime contractors and subcontractors purchased and maintained the correct amount of insurance.

3. SIGAR identified problems with CNA’s current process for billing and reimbursing contractors for DBA costs. First, CNA commingles funds from multiple sources, which violates U.S. funding restrictions, including the Purpose Statute and, possibly, the Anti-Deficiency Act. Second, USACE and the C-JTSCC contracting officers have limited visibility over DBA costs. As a result, some contractors have purchased less insurance than they agreed to under the terms of their contracts. In addition, SIGAR determined that CNA has given $58.5 million in refunds to contractors for DBA insurance since 2005, at least some of which is due back to the U.S. government.

RECOMMENDATIONS
SIGAR made eight recommendations—four to the Acting Commanding General of USACE to strengthen the DBA insurance contract and four to the Acting Commanding General of USACE and the Commander of the C-JTSCC to strengthen the DBA insurance program and take steps to recover any refunds that may be due to the U.S. government. SIGAR recommended that the Acting Commanding General of USACE:

1. Modify the current contract with CNA to require that an invoice be provided for each contract showing the final amount paid for DBA insurance for that contract. This action should address the problem associated with the Purpose Statute violation SIGAR identified.

2. Determine whether the Purpose Statute violation that SIGAR identified also constitutes an Anti-Deficiency Act violation and, if so, follow the reporting requirements set forth in the Act and in guidance from the Office of Management and Budget.

3. Modify the current contract with CNA to clarify and make explicit the requirement that incurred losses exclude claims identified for reimbursement under the WHCA. Specifically, the contract should stipulate who identifies
the claims for reimbursement, when they are to be removed from the loss report, how much time CNA has to remove them, and how cases with claimants outside the United States should be handled.

4. Modify the current contract with CNA to require an independent actuary review of reserve adequacy particular to the claims covered under the contract with USACE and to submit the review to USACE on an annual basis.

To strengthen the DBA insurance program and take steps to recover any refunds that may be due to the U.S. government, SIGAR recommended that the Acting Commanding General, USACE, and the Commander, C-JTSCC:

5. Issue guidance to contracting officers to strengthen their oversight of DBA insurance. This guidance should remind contracting officers of the importance of adjusting the DBA CLIN when contract modifications significantly affect the amount of labor needed to perform the contract. The guidance should also require contracting officers to receive the final invoice from the insurance carrier for each contract before reimbursing the contractor.

6. Take steps to remind subcontractors of the requirement to and importance of purchasing DBA insurance. These steps could include issuing a memo on DBA insurance policies and procedures to prime contractors, to be shared with all subcontractors.

7. Determine how much of the $58.5 million in refunded money is recoverable by USACE and the C-JTSCC.

8. Take immediate action to recover the funds that USACE and the C-JTSCC determined to be recoverable.

AGENCY COMMENTS

In commenting on a draft of the report, USACE and the C-JTSCC concurred with SIGAR’s recommendations and noted measures that they will take to implement them.

Audit 11-1SP: Special Report to Congress

Analysis of Recommendations Concerning Contracting in Afghanistan, as Mandated by Section 1219 of the Fiscal Year 2011 NDAA

This quarter, SIGAR submitted to Congress a report on the oversight of contractors and plans for reducing the reliance of the United States on private security contractors (PSCs) in Afghanistan, as required by Section 1219 of the National Defense Authorization Act (NDAA) for FY 2011. In accordance with discussions with congressional staff, SIGAR agreed to (1) analyze the recommendations made to DoD, DoS, and USAID regarding contracting in Afghanistan from FY 2008 through March 2011, and (2) assess the current situation regarding the use of PSCs in Afghanistan, including the extent to which PSCs have been responsible for Afghan civilian deaths.

From October 2008 through March 2011, the inspectors general of DoD, DoS, and USAID; the U.S. Government Accountability Office (GAO); and SIGAR issued 65 reports with 297 recommendations to improve contracting in Afghanistan.
SIGAR’s analysis identified 14 contracting themes. Of the 297 recommendations, 177 (about 60%) fell into five broad categories:

- issues related to non-compliance, questioned costs, and the need for further audit work
- contract oversight
- post-award contract actions
- quality and quantity of the U.S. government workforce
- project schedule and performance metrics

U.S. implementing agencies continue to rely heavily on PSCs to provide for site, convoy, and personnel security in Afghanistan. Concerns about PSCs recently culminated in the Afghan government developing a strategy to transfer many of the security functions to a newly formed state-run body, the Afghan Public Protection Force (APPF). The strategy, which went into effect on March 22, 2011, is designed to allow PSCs to continue providing security services to contractors implementing reconstruction projects for one year and to the International Security Assistance Force (ISAF) for two years as the APPF develops the capacity to assume responsibility for these services.

SIGAR found that data on Afghan deaths caused by PSCs has not been systematically tracked and may not be complete. For example, although USAID tracks the deaths of implementing partner personnel and their security details, it does not report on civilian deaths caused by PSCs. Officials of U.S. Forces - Afghanistan (USFOR-A) have not reported any Afghan civilians killed by DoD-contracted PSCs since August 2009. DoS reported four Afghan civilian deaths as a result of traffic accidents involving PSCs.

**Status of SIGAR Recommendations**

In the first six months of 2011, SIGAR made 64 recommendations to improve contract oversight and promote economy, efficiency, and effectiveness in the administration of programs and operations using reconstruction funds. This nearly doubles the number of recommendations made since SIGAR was established in 2008. Of the 136 recommendations SIGAR has made, U.S. government agencies have already implemented 54.

**New Audits Announced This Quarter**

During this reporting period SIGAR initiated four new audits— one of a USAID development contract, one of a USAID cooperative agreement, one to examine the reliability of funding and contract data maintained by the C-JTSCC, and one of the USACE contract for the operations and maintenance of Afghan National Security Forces (ANSF) facilities.

**USAID’s Contracts in Support of the Afghanistan Stabilization Initiative**

In July 2009, USAID’s Office of Transition Initiatives awarded two three-year contracts, with a combined value of more than $300 million to support the U.S.
government’s Afghanistan Stabilization Initiative (ASI) in the southern and eastern regions of Afghanistan. In close cooperation with ISAF, the ASI seeks to improve the economic and social environment in Afghanistan though small community-enhancement projects.

USAID’s Cooperative Agreement in Support of an Agriculture Program
In September 2008, USAID entered into a cooperative agreement with International Relief and Development to support the Afghanistan Vouchers for Increased Production in Agriculture (AVIPA) Plus program. USAID extended this program until June 2011, for a total cost of $450 million. Key components include seed and fertilizer distribution, cash-for-work projects to stimulate local economies, small grant programs to provide farming equipment, and training and capacity-development programs.

Reliability of Funding and Contract Data Maintained by the U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC) on Prime Vendors for Major Reconstruction Contracts in Afghanistan
This audit will follow up on the SIGAR audit, “DoD, State, and USAID Obligated Over $17.7 Billion to About 7,000 Contractors and Other Entities for Afghan Reconstruction During Fiscal Years 2007–2009,” which identified the contractors and implementing partners associated with reconstruction work in Afghanistan. In comments on the report, the C-JTSCC stated that it was undertaking several initiatives to improve the quality of contract data that it maintains and reduce the number of data errors. Subsequently, SIGAR received additional information calling into question the reliability of the C-JTSCC’s data. Specifically, the C-JTSCC may have reported obligations that differed significantly from total contract values. In June, the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Contracting Oversight cited specific concerns about the accuracy and reliability of the C-JTSCC data provided to SIGAR. This audit will determine the cause of the discrepancies, the measures that the C-JTSCC has taken to address the discrepancies, and the additional steps, if any, that the C-JTSCC needs to take to ensure the accuracy and reliability of its contract data.

U.S. Army Corps of Engineers Operations and Maintenance Contracts with ITT Corporation for Afghan National Security Forces Facilities
In July 2010, USACE awarded two firm-fixed-price contracts, valued at a total of $800 million, to ITT Systems Corporation to provide operations and maintenance for ANSF facilities. These contracts cover Afghan army and police facilities in northern and southern Afghanistan. The contracts consist of one base year plus four optional years. According to the program manager, these contracts may cover more than 660 sites. These contracts also require that the contractor train
Afghan workers in all aspects of operations and maintenance. Currently, the DoD Office of Inspector General is conducting a separate audit on the training aspect of the contracts.

**Ongoing Audits: Contract**

SIGAR has five ongoing audits of contracts. They address contracts to improve governance in Afghanistan, build infrastructure for the Afghan National Security Forces (ANSF), and provide security for the U.S.-funded reconstruction effort.

**USAID Contracts for Local Governance and Community Development Projects**

SIGAR is examining the performance, costs, and outcomes of USAID’s contracts in support of its Local Governance and Community Development projects.

**Construction at the Kabul Military Training Center**

SIGAR is assessing construction contracts for the Kabul Military Training Center infrastructure projects. From FY 2007 through FY 2010, the Air Force Center for Engineering and the Environment (AFCEE) obligated approximately $161 million for five task orders under three indefinite-delivery/indefinite-quantity contracts at the Center. Under these contracts, AFCEE awarded a combination of cost-plus-fixed-fee, firm-fixed-price, and time-and-materials task orders. Work required under these task orders included planning, construction, and oversight functions with different completion dates.

**Construction at the Afghan National Security University**

SIGAR is assessing construction contracts for the Afghan National Security University (formerly called the Afghan Defense University). AFCEE awarded a cost-plus-fixed-fee task order under an indefinite-delivery/indefinite-quantity contract for construction at the Afghan National Security University in the Qaragh area of Kabul. At the time of the award, the task order was valued at approximately $70 million, and the project was to be completed in June 2010. Since then, AFCEE has issued five modifications to the task order, adding and removing requirements, increasing the amount obligated to about $83 million, and extending the completion date through June 2011.

**Private Security Support Services (I)**

SIGAR is examining whether USACE received the services it needed within the terms of the contract and any modifications from its private security contractor.

**Private Security Support Services (II)**

SIGAR is conducting an audit of a private security contractor that provided services for one of USAID’s largest contractors. This audit is focused on cost, schedule, and outcomes of the subcontract, as well as on contract oversight.
Ongoing Audits: Programs and Operations
SIGAR has five ongoing audits of programs and operations that are critical to the U.S. effort to build the ANSF, improve governance, and lay the foundation for economic growth in Afghanistan.

Accountability of ANSF Vehicles
The United States has provided tens of thousands of vehicles to the ANSF and plans to provide thousands more through at least 2012. Most of these vehicles have been purchased through the Foreign Military Sales (FMS) program, which is administered by the DSCA. This audit, which is focused on vehicles, will provide insight into the overall ability of CSTC-A and the ANSF to account for and ensure the maintenance of vehicles.

U.S. Assistance To Develop Afghanistan’s Capacity in the Agriculture Sector
The United States has invested $1.4 billion to develop Afghanistan’s agriculture sector. To better ensure the long-term sustainability of U.S.-funded projects, U.S. agencies have provided more than $100 million for capacity-building activities, including increasing the capabilities of the Ministry of Agriculture, Irrigation, and Livestock to better serve farmers and promote private-sector development. This audit has been rescoped to assess capacity-building efforts in the agriculture sector.

Costs and Sustainability of the U.S. Civilian Uplift in Afghanistan
The U.S. strategy in Afghanistan relies, in part, on the U.S. government’s ability to deploy and sustain a civilian effort to build governance and support economic development across the country. DoS has authorized 1,223 civilians as of May 31, 2011. Conducted jointly with the DoS Office of Inspector General, this audit is a follow-on audit of the costs of implementing the civilian uplift, as well as sustaining and supporting the civilian presence in Afghanistan.

USAID’s Financial Audit Coverage of Costs Incurred Under Contracts, Cooperative Agreements, and Grants for Afghanistan Reconstruction
According to USAID’s Office of Inspector General, USAID’s obligations for reconstruction in Afghanistan totaled approximately $11.7 billion for FY 2002–2010. USAID provided most of these funds to contractors and non-profit organizations through contracts, cooperative agreements, and grants. Financial audits of costs incurred under these financial mechanisms provide valuable oversight of appropriated funds by determining the appropriateness of direct and indirect costs, as well as identifying weaknesses in internal controls and compliance with applicable laws and regulations. This audit will assess USAID’s efforts to conduct required financial audits of its awards.
Implementation of the Afghan First Initiative for Contracting

U.S. Forces - Afghanistan (USFOR-A) and the U.S. Embassy Kabul have adopted an Afghan First approach to contracting to promote economic growth, capacity development, and related counter-insurgency objectives by encouraging the use of Afghan firms to meet U.S. requirements for supplies and services. This audit is assessing the Afghan First Initiative.

Forensic Audits

Public Law 110-181, as amended, requires that before SIGAR is terminated, it must prepare and submit to the appropriate congressional committees a final forensic audit report on programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. SIGAR is conducting forensic reviews of three major reconstruction funds—the Afghanistan Security Forces Fund (ASFF), which is managed by DoD; the Economic Support Fund (ESF), which is managed by USAID; and the International Narcotics Control and Law Enforcement (INCLE) account, which is managed by DoS—to identify waste, fraud, and abuse of taxpayer dollars.

Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction

In March 2010, SIGAR initiated a review of DoD appropriation, obligation, and expenditure transaction data related to the ASFF. Congress has appropriated nearly $39.5 billion to the ASFF since the fund was created in FY 2005. Approximately $12.9 billion had been disbursed as of FY 2010.

Obtaining data to perform testing has been a challenge because once DoD obligates ASFF funds, it transfers a significant amount of these funds immediately to an FMS trust-fund account to await disbursement.

As of June 28, 2011, the Defense Finance and Accounting Service (DFAS) had provided SIGAR with files covering approximately $5.8 billion in disbursements processed through the FMS account. These files allow only a limited forensic review because they do not include a number of data fields. SIGAR is currently trying to get information on the remaining data sets. Meanwhile, SIGAR’s forensic team is scrubbing the available data sets to isolate unique vendor IDs and create a master vendor list that will identify vendors across all agencies. SIGAR will use this list to perform cross-agency forensic testing.

SIGAR has conducted a forensic review of $1.7 billion of direct ASFF-related disbursements (non-FMS) from USACE for FY 2005 through 2009. Tests were performed to isolate anomalies, such as duplicate payments and vendors on the excluded party lists. SIGAR is awaiting direct access to the Corps of Engineers Financial Management System (CEFMS) voucher database in order to review these exceptions and source documentation.
**Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction**

SIGAR has asked USAID for additional source documentation for exceptions identified during its initial review of more than 73,000 transactions amounting to $7.4 billion in disbursements, from 2002 through July 2010. Much of this documentation is housed in the field, which accounts for the delay. SIGAR has also obtained updated transaction data through March 2011. This data is being reconciled with additional data feeds to verify its accuracy and completeness. When that task is complete, the forensic team will perform another round of testing. SIGAR is obtaining data updates on a quarterly basis and will perform continuous monitoring of USAID transactions.

**Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction**

In June 2010, SIGAR launched its forensic review of transaction data related to the INCLE account, which has been funded with $2.86 billion through March 31, 2011. On July 19, 2011, SIGAR received initial data sets totaling $2.4 billion in disbursements from FY 2002 through June 2011. SIGAR is reviewing and cleansing the data and is initiating forensic analysis on the transactional detail.

**INVESTIGATIONS**

During this reporting period, SIGAR opened 29 new cases and supported investigations that resulted in the arrest of five people, including a U.S. military reserve officer who pled guilty to soliciting more than $1 million in bribes for reconstruction contracts and two U.S. citizens for conspiracy to possess and distribute heroin. SIGAR’s continued effort to assist Afghan law enforcement bodies contributed to the arrest of two Afghan citizens. SIGAR also expanded its suspension and debarment program, which seeks to make all contractors—U.S., Afghan, and third-country nationals—more accountable. Through this program, SIGAR aims to prevent contractors who have been engaged in fraud or performed poorly from being awarded subsequent reconstruction contracts. This quarter, SIGAR made six referrals for suspension and debarments.

**Ongoing Cases**

This quarter, SIGAR opened 29 investigations and closed 15, bringing the total number of ongoing cases to 89. Most of the new cases involve procurement fraud and corruption, which are SIGAR’s top investigative priorities. Of the new cases, 14 are investigations of procurement fraud, and 10 are of allegations of corruption and bribery. The other five cases concern theft of government property, suspension and debarment matters and civil investigations. Figure 1.1 on the following page provides a breakdown of SIGAR’s ongoing cases by category.

This quarter, SIGAR closed 15 cases. Four resulted in legal action, either through suspension and debarment, a pending arrest, or a pending equitable
adjustment with the government. Six cases were found to be unsubstantiated, and five cases were closed for lack of prosecutorial merit.

**U.S. Military Reserve Officer Pleads Guilty to Bribery; Two Additional Arrests**

In June 2011, a U.S. military reserve officer pled guilty in federal district court to bribery related to reconstruction contracts and conspiracy to distribute heroin. The officer, whose identity SIGAR is withholding to protect ongoing investigations, admitted to having received more than $400,000 in bribe money and being owed an additional $1 million by contractors in Afghanistan for having pledged to influence the award of reconstruction contracts valued at approximately $23 million. The joint investigation was initiated by SIGAR and included members of the International Contract Corruption Task Force (ICCTF), the Drug Enforcement Administration (DEA), and the Department of Homeland Security Immigration and Customs Enforcement (DHS-ICE). The investigation led to the DEA's arrest of two other individuals on heroin-related charges and conspiracy to traffic in narcotics, six days before the officer pled guilty.

Federal authorities arrested the reserve officer in April 2011 in Virginia, as he/she attempted to take possession of a $500,000 cash payment that the officer believed to be part of the outstanding bribe money. In addition to bribery, federal authorities charged the officer with possession of heroin and conspiracy to distribute it.

This investigation began in April 2010, when SIGAR received information that a U.S. military reserve officer had received bribes in exchange for influencing the award of reconstruction contracts in 2008 and 2009. SIGAR also learned that the reserve officer, who had already left Afghanistan, believed that he/she was still owed a large sum of bribe money from contractors. In collaboration with other ICCTF members, SIGAR opened a criminal investigation and developed a plan to engage the officer in a discussion about the outstanding bribes. During
the summer and fall of 2010, SIGAR established an e-mail relationship with the reserve officer, who wrote that he/she was still due money for steering contracts to certain contractors.

SIGAR agents, in concert with ICCTF member agencies, orchestrated several meetings with the reserve officer during the latter half of 2010 and early months of 2011. During these meetings, which were electronically monitored, the reserve officer explained how he/she had influenced the contracting process, identified specific contractors and the contracts involved, and provided detailed information on the bribes that he/she had received and the amounts that were still owed. In addition, the officer described how he/she transferred portions of the bribe money from Afghanistan to the United States. The reserve officer discussed having an Afghan warlord help collect the outstanding bribe money that was owed by Afghan contractors.

During the meetings with undercover federal agents, the reserve officer expressed a desire to become involved in smuggling heroin from Southwest Asia to the United States. At this point, SIGAR invited the DEA to join the investigation. Subsequently, the reserve officer introduced a SIGAR cooperating source to heroin dealers who were interested in purchasing Southwest Asian heroin. The DEA had prior knowledge of these individuals.

SIGAR Assists Afghan Authorities with Investigation and Arrest
In June 2011, a joint operation between members of the Afghan Shafafiyat (Transparency) Investigative Unit (ASIU), the ICCTF, and SIGAR resulted in the arrest of an Afghan citizen who had demanded a $150,000 bribe from a
Afghan Contractor Offering Bribes Arrested

In June 2011, a joint operation between SIGAR and members of the ICCTF in cooperation with the ANP Criminal Investigative Division (CID) and Afghan prosecutors in Kandahar led to the arrest of an Afghan contractor who had on two
occasions attempted to bribe a USACE contract specialist at Kandahar Air Field. In an unsolicited e-mail sent to the USACE contract specialist in April 2011, the contractor offered to pay a bribe in return for a contract award to build a border police station. The USACE contract specialist immediately contacted SIGAR and the ICCTF. In June 2011, the contractor sent a second e-mail offering to pay $400,000 through structured bribe payments to secure a $5–$10 million contract for the design and construction of two new ANP fire station compounds. In addition to arresting the contractor, the ANP CID confiscated the contractor’s vehicle and the money he was carrying.

**SIGAR Expanding Suspension and Debarment Program**

This quarter, SIGAR made 6 referrals to U.S. agencies implementing reconstruction contracts for suspension and debarment of individuals and contractors, bringing the total number of referrals since 2009 to 32. These referrals resulted from completed investigations and contained all the documentary evidence necessary for an agency to take action. SIGAR also hired a senior counsel for investigations to direct an aggressive effort to improve contractor accountability by taking three steps:

- identifying contractors alleged to have been involved in fraud or to have performed questionably on contracts
- making recommendations for suspension and debarment
- developing a comprehensive training program for investigators and auditors to facilitate the collection of evidence necessary to support suspension and debarment actions

SIGAR views suspension and debarment as an important adjunct to its investigative and audit responsibilities, especially when non-U.S. nationals are concerned. Suspension and debarment action send a clear message to the contractor community that fraud and poor performance will not be tolerated on Afghanistan reconstruction contracts. Eliminating contractors who have been engaged in fraud or who have not been able to do good work will help U.S. agencies ensure that contracting dollars flow to legitimate and viable Afghan businesses. It will also help the United States achieve strategic reconstruction goals by reducing the power of monopolies, weakening patronage systems, and denying financial resources to criminal networks.

SIGAR’s senior counsel for investigations will be involved in every SIGAR investigative case from the time it is opened. Throughout each investigation, SIGAR will consider suspension and debarment as a possible remedy to be used in conjunction with a potential referral to the Department of Justice for civil and criminal action.

As part of the suspension and debarment initiative, SIGAR is developing a program to record and track all investigations, including those initiated by partner agencies, to identify contractors who are alleged to be engaged in fraud or who have performed questionably on reconstruction projects. SIGAR will refer such contractors to the appropriate suspension and debarment official at the agency
that is responsible for the contract. SIGAR plans to integrate information from other criminal investigative agencies into this program. With significant assistance from the U.S. Army's Major Procurement Fraud Unit and Task Force 2010, SIGAR has made progress in developing a more coordinated approach to suspension and debarment. As a result of this effort, SIGAR referred six individuals to the Department of the Army for proposed debarment during this quarter. As of June 30, 2011, SIGAR recommendations have resulted in 3 debarments. In addition, SIGAR has submitted 32 referrals, including the 6 made during this quarter, for the debarments of individuals and contractors.

SIGAR Augments Investigative Staff in Afghanistan
This quarter SIGAR added two Foreign Service National Investigator positions to the Investigative Directorate in Kabul. These investigators were vetted through the U.S. Embassy Regional Security Office and meet stringent security and background criteria. They bring the linguistic and cultural expertise needed to substantially bolster SIGAR's ability to interact with Afghan government officials and Afghan citizens. Both of the individuals recruited by SIGAR have several years of experience working with U.S. law enforcement and military components in Afghanistan.

The two investigators will work directly with SIGAR special agents in the field, conducting interviews, gathering evidence, and reviewing documents. They will travel between the SIGAR duty locations throughout Afghanistan to assist SIGAR agents in conducting case work, gathering information and developing intelligence, and holding fraud awareness programs with the Provincial Reconstruction Teams.

SIGAR Hotline and Complaints Management System
This quarter, the SIGAR Hotline received 71 complaints. Of these, SIGAR has referred 6 for further investigation by its own agents, referred 6 to other agencies, is reviewing 14, is evaluating 16, and has closed 29. SIGAR investigators have 30 days to evaluate complaints and decide whether they merit further review and referral. The SIGAR Hotline has received 637 complaints since 2009.

SIGAR BUDGET
From 2008, when SIGAR was established, through FY 2011, the Congress has appropriated $71.6 million to cover the organization’s operating expenses. SIGAR’s FY 2012 budget request of $44.4 million will enable the organization to hire the auditors and investigators needed to provide oversight of a U.S. reconstruction effort that under President Obama’s FY 2012 budget request would expand by an additional $17.3 billion.
SIGAR staff consists of 121 federal employees. Because of the significant increases in reconstruction funding in FY 2011 and FY 2012, SIGAR plans to build its staff to a total of 180 full-time employees in FY 2012.

SIGAR’s agreements with the U.S. Embassy Kabul and USFOR-A allow it to station 33 personnel at the Embassy and 12 at military bases in the field. SIGAR auditors and investigators are now working at several locations in Afghanistan. SIGAR also employs two foreign service nationals in its Kabul office. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan.
Training the Police

U.S. Army mentors examine a PKM machine gun during weapons training for the Afghan National Police at the Joint Regional ANP Center in Kandahar on June 6. U.S. Army specialists are attached to the regional logistics center to oversee the progress of police training. (U.S. Air Force photo, SSGT Stephen D. Schester)
“We will not police [Afghanistan’s] streets or patrol its mountains indefinitely. That is the responsibility of the Afghan government. . . . What we can do, and will do, is build a partnership with the Afghan people that endures—one that ensures that we will be able to continue targeting terrorists and supporting a sovereign Afghan government.”

—U.S. President Barack Obama

This quarter, SIGAR noted a number of developments that will affect the reconstruction program in Afghanistan. Most important, the United States and its international partners began transitioning responsibility for security to the Afghan National Security Forces (ANSF). President Barack Obama announced that the United States would begin withdrawing troops, and the Afghan government took the lead on security in seven areas of the country.

Several other developments also will influence reconstruction:
- The House of Representatives passed its version of the fiscal year (FY) 2012 National Defense Appropriations Act, which would provide nearly $14 billion for Department of Defense (DoD) reconstruction programs.
- The Senate Committee on Foreign Relations issued a report on U.S. foreign assistance to Afghanistan.
- The Congress held several hearings on Afghanistan.
- The Department of State (DoS) provided the certifications necessary to obligate DoS in reconstruction funds.

SECURITY TRANSITION BEGINS
On June 22, 2011, President Obama announced that the United States would remove 10,000 troops from Afghanistan by the end of 2011 and 23,000 more by summer 2012. These troops account for the military surge that started in 2009. The President said the United States is able to begin this reduction in forces because of the progress it has made to defeat al-Qaeda, reverse the momentum of the Taliban, and train Afghan security forces to defend their own country.

At the end of July, the United States began this withdrawal with a few hundred troops from relatively stable areas in and around Kabul. At the same time, the ANSF assumed primary responsibility for security in seven areas, including the provinces of Panjshir and Bamyan, and most of the province of Kabul. The ANSF is taking the lead in providing security for four cities: Herat, Mazar-e Sharif, Mehtar Lam, and Lashkar Gah. U.S. officials estimate that about 25% of the Afghan population lives in the seven areas.1

The President described the drawdown as just the beginning of the transition process and stressed the importance of maintaining the gains that had been made through the surge. The President noted that because a political settlement is necessary to achieve peace in Afghanistan, the United States would support peace
and reconciliation initiatives that included members of the Taliban who agree to break with al-Qaeda, abandon violence, and abide by the Afghan constitution.

The NATO-led International Security Assistance Force (ISAF) and the Afghan Transition Coordination Commission have established a two-stage planning process to guide the transition. During the first stage, officials assess the conditions on the ground in areas identified for transition; in the second stage, they develop the steps required to complete the transition. The evaluation phase looks at the capabilities of the ANSF and also at Afghan governing capacity. SIGAR has three ongoing audits related to building the ANSF. Two are contract audits of major infrastructure projects, and one is examining the U.S. program for providing vehicles to the ANSF. As part of the planning process, the Afghan government has asked the international community to begin phasing out parallel structures—such as Provincial Reconstruction Teams (PRTs)—to ensure that Afghan institutions develop the capacity to deliver essential services and manage development projects.2

NEW CIVILIAN AND MILITARY LEADERSHIP


During his confirmation hearing, Ambassador Crocker told the Congress that the civilian-military effort had made progress toward establishing the conditions for a sustainable transition but that the situation was still fragile and reversible. He also pointed out that Afghanistan still faces enormous challenges in governance, rule of law, narcotics, and economic development.3 Ambassador Crocker

KEY EVENTS, OCTOBER 2001–JULY 2011

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<th>FY2002</th>
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<td>Congress appropriates $1.06 billion for reconstruction. Appropriations to ESF and INGLE begin. Troops in country: U.S.—5,200; coalition—4,700</td>
<td>Congress appropriates $1.01 billion for reconstruction (cumulative total: $2.08 billion). Troops in country: U.S.—10,400; coalition—5,000</td>
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10/2001: Operation Enduring Freedom begins. 8/2003: First ISAF mission is conducted by NATO.

12/2001: **Bonn Agreement** establishes the Afghan Interim Authority, chaired by Hamid Karzai. ISAF is established by UN Security Council.

1/2002: **Tokyo Conference** is held; U.S. pledges $297 million.

3/2002: UNAMA is established.


Note: Numbers affected by rounding.
noted that one of his primary responsibilities is to ensure that U.S. assistance to Afghanistan is effective and accounted for properly.4

Under General Allen, ISAF and USFOR-A’s primary reconstruction focus is on building the ANSF. USFOR-A also uses reconstruction funds to support the Afghan Local Police (ALP) initiative, Afghan-led efforts to reintegrate insurgents, and a variety of governance and development projects. President Obama has asked the Congress to provide nearly $14 billion for these programs in FY 2012. Most of this request—$12.8 billion—would go to strengthen the ANSF.

**FY 2012 NATIONAL DEFENSE AUTHORIZATION ACT (NDAA)**
The FY 2012 NDAA, which establishes or renews legal authority for DoD programs, moved through the Congress during this quarter. On May 26, the House of Representatives passed its version, and on June 21 the Senate Armed Services Committee approved and sent forward its version for consideration by the full Senate.

Both versions would provide the $12.8 billion the President has requested for the Afghanistan Security Forces Fund (ASFF) to train, equip, and house the ANSF. In addition, both versions would authorize $400 million for the Commander’s Emergency Response Program (CERP) and $150 million for the Task Force for Business and Stability Operations in Afghanistan (TFBSO). Although the House approved $475 million for the Afghanistan Infrastructure Fund (AIF), the Senate Armed Services Committee would reduce funding for the AIF to $400 million. The Senate Committee version also requires the President to establish a comprehensive set of benchmarks to evaluate progress toward the transition of security responsibilities by the end of 2014.
AFGHANISTAN OVERVIEW

SENATE REPORT ON U.S. FOREIGN ASSISTANCE TO AFGHANISTAN

In a report published this quarter, the Senate Foreign Relations Committee concluded that the United States could spend development aid more effectively to meet national security objectives in Afghanistan. The report, “Evaluating U.S. Foreign Assistance to Afghanistan,” recommended that U.S. assistance should be expended only on projects that are necessary, achievable, and sustainable. It cited a number of SIGAR audits and highlighted concerns that SIGAR shares about building Afghan capacity to sustain programs after the 2014 transition.

Because the Senate Foreign Relations Committee has authority only over funds appropriated to civilian agencies—principally the U.S. Agency for International Development (USAID) and DoS—the report examined how these agencies used development assistance for the reconstruction of Afghanistan. The Committee called for more robust oversight of U.S. reconstruction dollars by U.S. civilian agencies, offered a number of observations on challenges facing the U.S. reconstruction effort, and made recommendations to improve the way the United States is spending its development assistance.

In the report, the Committee noted that the United States is decreasing its reliance on contractors to implement reconstruction programs and increasing its provision of direct assistance through the Afghan national budget, in order to build governing capacity, reduce redundancy, and encourage sustainability of projects. Although the Committee generally welcomed the shift toward more...

KEY EVENTS, OCTOBER 2001–JULY 2011 (Continued)

| FY2007 | Congress appropriates $10.03 billion for reconstruction (cumulative total: $23.04 billion). Troops in country: U.S.—23,700; coalition—26,043 |
| FY2008 | Congress appropriates $6.19 billion for reconstruction (cumulative total: $29.23 billion). Troops in country: U.S.—30,100; coalition—29,810 |
| FY2009 | Congress appropriates $10.37 billion for reconstruction (cumulative total: $39.70 billion). Troops in country: U.S.—33,000; coalition—36,230 |

1/2007: ISAF troops: 35,460 from 37 nations (14,000 U.S.)
2/2008: ISAF troops: 43,250 from 40 nations (15,000 U.S.)
4/2008: President Karzai formally approves the ANDS (five-year plan).
6/2008: Paris Donors Conference is held; donors pledge more than $20 billion. Gen. David D. McKieman becomes ISAF Commander.

1/2009: ISAF troops: 55,100 from 41 nations (23,220 U.S.)
3/2009: President Obama commits 17,000 more troops.

10/2008: ISAF Commander, Gen. McKieman named Commander of newly formed USFOR-A.
direct assistance, it cautioned that "stronger measures must be taken to ensure
greater accountability over our funds." 7

Recognizing that direct assistance can be effective only if the Afghan govern-
ment has the capability to account for this money, SIGAR has been conducting
a series of audits to (1) assess U.S. efforts to build the capacity of the Afghan
government to manage and account for development assistance and (2) deter-
mine whether Afghan institutions have the systems in place to manage and
account for this assistance. This quarter, SIGAR issued a report of an audit of the
Afghanistan Reconstruction Trust Fund (ARTF), the international community’s
principal vehicle for providing direct assistance to Afghanistan. SIGAR found
that although the World Bank—which administers the Fund—and the Afghan
government have established mechanisms to independently monitor and account
for ARTF funds, these mechanisms have some limitations. Moreover, although
the Afghan ministries have increased their ability to manage and account for
government finances, the Afghan government faces challenges in developing and
maintaining the civil service expertise needed to manage and account for ARTF
funds. As a result of these constraints, the Afghan government continues to rely
on Afghan contractors and international firms to monitor and account for ARTF
funds. These contractors are paid using a portion of ARTF funds.

The Senate report offered three broad recommendations for making U.S.
assistance to Afghanistan more effective:

• Consider authorizing a multi-year civilian assistance strategy for Afghanistan.
• Reevaluate the performance of stabilization programs in conflict zones.
• Focus on sustainability.

**SIGAR AUDIT**

This quarter, SIGAR issued a report of an audit of the Afghanistan Reconstruction
Trust Fund (ARTF), the main channel for international direct assistance. SIGAR
found that the mechanisms to independently monitor and account for these
funds have some limitations. For details, see Section 1, page 9.

**FY2010**

Congress appropriates $16.59 billion for reconstruction (cumulative total: $56.22 billion).
Troops in country: U.S.—87,000; coalition—41,389

1/2010: 2nd London Conference produces agreement to begin transition to Afghan responsibility for security.
2/2010: ISAF troops: 85,795 from 43 nations (47,085 U.S.)

6/2011: ISAF troops: 132,381 from 48 nations (90,000 U.S.)
President Obama announces reduction of U.S. troops by 10,000 in 2011 and by 33,000 by the end of summer 2012.

**FY2011**

Congress appropriates $16.47 billion for reconstruction (cumulative total: $72.67 billion).
Troops in country: U.S.—110,325; coalition—42,457

7/2010: Kabul Conference produces agreement on GIRoA Prioritization and Implementation Plan.
Gen. David Petraeus becomes Commander of ISAF and USFOR-A.

11/2010: Lisbon Summit produces agreement on withdrawal of international combat forces by 2014 and progressive transition of security responsibility to the ANSF.

12/2009: President Obama commits 30,000 more troops (the “surge”).
The report suggested that the administration and the Congress develop a multi-year authorization that would include the following:

- a clearly defined assistance strategy
- the tools, instruments, and authorities required for a successful development approach
- a plan to apply U.S. funding to leverage and partner with Afghan domestic policies, with private-sector financing, and with multilateral efforts—including the World Bank, Asian Development Bank, and Islamic Development Bank
- the civilian resources needed for a successful military drawdown and transition
- the steps needed to ensure accountability, oversight, and effectiveness
- metrics that measure performance and capture outcomes

The Senate report raised questions about the efficacy of U.S.-funded stabilization programs in conflict zones and concluded that donors should not implement projects if Afghans cannot sustain them. “Development in Afghanistan will only succeed if Afghans are legitimate partners and there is a path toward sustainability,” the report stated. “The Afghan government must have sufficient technical capability and funding to cover operation and maintenance costs after a project is completed.”

SECRETARY OF STATE TESTIFIES BEFORE THE CONGRESS
On June 23, Secretary of State Hillary Clinton appeared before the Senate Foreign Relations Committee. The Secretary discussed the civilian surge supporting reconstruction and the diplomatic efforts under way to assist an Afghan-led political process that seeks to “shatter the alliance between the Taliban and al-Qaeda, end the insurgency, and help to produce a more peaceful and prosperous region.” Secretary Clinton said that the number of civilians—diplomats, development experts, and other specialists—in Afghanistan had tripled since 2009. She credited the surge with having helped to advance U.S. military and political objectives by improving governance, creating economic opportunity, and supporting civil society to the point that the transition could begin. As the transition proceeds, she said that the U.S. civilian effort “will shift from short-term stabilization projects to longer-term sustainable development that focuses on spurring growth and integrating Afghanistan into South Central Asia’s economy.” Secretary Clinton and the DoS Office of Inspector General are conducting a joint audit of the costs and sustainability of the civilian uplift.

SENATE SUBCOMMITTEE HOLDS HEARINGS ON RECONSTRUCTION CONTRACTS
On June 30, the Contracting Oversight Subcommittee of the Senate Homeland Security and Governmental Affairs Committee held a hearing on lessons and problems of Afghanistan reconstruction contracts. The witnesses included companies awarded contracts by USAID, DoD, and the Army Corps of Engineers,
as well as DoD and USAID officials charged with overseeing reconstruction contracts in Afghanistan. The subcommittee cited specific concerns about the accuracy and reliability of data that the U.S. Central Command - Joint Theater Support Contracting Command (C-JTSCC) had provided to SIGAR for its 2010 audit, which identified the contractors and implementing partners associated with reconstruction work. This quarter, SIGAR initiated an audit to determine the cause of the discrepancies, the measures that the C-JTSCC has taken to address the discrepancies, and the additional steps, if any, that the C-JTSCC needs to take to ensure the accuracy and reliability of its contract data.

DoS PROVIDES CERTIFICATIONS NEEDED TO OBLIGATE RECONSTRUCTION FUNDS

The FY 2011 budget required the Secretary of State, in consultation with the Administrator of USAID, to certify and report to the congressional appropriations committees that the U.S. government and the Afghan government have taken steps to improve governance, deter corruption, and improve the status of women. On July 7, DoS submitted the required certifications, paving the way for the obligation of funds from the Economic Support Fund and the International Narcotics Control and Law Enforcement account. (For detailed information on the sources and uses of reconstruction funds, see Section 3.)

LOOKING FORWARD

Over the next several months, the Congress will decide how much funding to provide to build the Afghan security forces, strengthen the GI RoA’s governing capacity, and lay the foundation for sustainable economic development. To support the transition strategy, the President has asked the Congress to provide more than $18 billion in reconstruction funding—the largest request for assistance to Afghanistan in any year since the United States and its allies ousted the Taliban in 2001.

SIGAR is implementing audit and investigation plans that will ensure robust oversight of this complex reconstruction effort. It is conducting audits focused on major contracts to identify waste, fraud, and abuse and to determine whether reconstruction programs are achieving their goals. SIGAR investigators are building criminal cases against U.S. citizens and companies involved in contract fraud and corruption. They are also supporting Afghan law enforcement agencies in building cases against Afghan citizens and companies engaged in corruption. In addition, SIGAR is aggressively expanding its suspension and debarment program to prevent more contractors who have engaged in fraud or performed poorly from winning additional reconstruction contracts. SIGAR continues to work closely with other inspectors general and federal law enforcement agencies to prevent duplication of effort and ensure that U.S. taxpayer dollars are spent honestly and wisely.

SIGAR AUDIT

This quarter, SIGAR initiated a follow-on audit to its 2010 audit of reconstruction contracts to determine the cause of discrepancies, the measures taken to address the discrepancies, and the additional steps, if any, that the C-JTSCC needs to take to ensure the accuracy and reliability of its contract data. For details, see page 15.

SIGAR OVERSIGHT

SIGAR auditors are focusing on major contracts to identify waste, fraud, and abuse and to determine whether reconstruction programs are achieving their goals. SIGAR investigators are building criminal cases involving contract fraud and corruption, and supporting Afghan law enforcement agencies in doing the same. SIGAR is also aggressively expanding its suspension and debarment program. SIGAR continues to work closely with the inspector general and law enforcement communities to ensure that U.S. taxpayer dollars are spent honestly and wisely. For details on SIGAR’s oversight work this quarter, see Section 1.
Helping Afghan Farmers

Former U.S. Ambassador Karl W. Eikenberry reviews construction at the Behsood Agricultural Center in Nangarhar province on June 23. One of the major goals of U.S. reconstruction efforts is to improve agricultural output by helping Afghans adopt modern farming methods, equipment, and tools. (DoS photo, S. K. Vemmer)
3 RECONSTRUCTION UPDATE
“U.S. assistance should meet three basic conditions before money is spent: our projects should be necessary, achievable, and sustainable.”

—U.S. Senate Committee on Foreign Relations

OVERVIEW

Section 3 presents a holistic view of reconstruction efforts in Afghanistan during this reporting period. Updates on accomplishments, challenges, and local initiatives provide context for the oversight that is needed in reconstruction efforts. Sidebars throughout the section identify SIGAR audits—both completed and ongoing—related to those efforts; for ongoing audits, cross-references direct the reader to more information in Section 1.

Section 3 is divided into four subsections: Status of Funds, Security, Governance, and Economic and Social Development. The Security, Governance, and Economic and Social Development subsections mirror the three pillars reflected in the Prioritization and Implementation Plan announced by the Government of the Islamic Republic of Afghanistan (GIRoA) in 2010 and originally set forth in the 2008 Afghanistan National Development Strategy.

TOPICS

Section 3 discusses four broad topics: historical and current information on funding, security conditions, governance-related activities, and economic and social development programs. The section also provides information on the progress of efforts to reduce corruption and combat the narcotics trade in Afghanistan.

The Status of Funds subsection contains a comprehensive discussion of the monies appropriated, obligated, and disbursed for Afghanistan reconstruction. It includes specific information on major U.S. funds and international contributions.

The Security subsection details U.S. efforts to bolster the Afghan National Security Forces and highlights developments affecting the security environment in the country. This subsection focuses on programming to build the capacity of the Afghan National Army and Afghan National Police. It reviews the status of private security contractors. It also discusses the ongoing battle against the narcotics trade in Afghanistan.

The Governance subsection provides an overview of the GIRoA's progress toward achieving good governance. This subsection focuses on the continued controversy surrounding the makeup of the Wolesi Jirga and on the status of reconciliation and reintegration. It also reviews the level of GIRoA control in various eastern and southern provinces. It discusses capacity-building efforts, rule of law
initiatives, and human rights development. This subsection also highlights U.S. and GIRoA initiatives to combat corruption.

The Economic and Social Development subsection looks at reconstruction activities by sector, ranging from agriculture and mining to energy. It provides a snapshot of the state of the economy and updates on progress in regulating financial networks, achieving fiscal sustainability, and delivering essential services.

**METHODOLOGY**

Section 3 was compiled using information and data from open sources and U.S. agencies. All data and information is attributed to the reporting organization in endnotes to the text or notes to the tables and figures; because multiple organizations provide the data, numbers may conflict. Except for references to SIGAR audits or investigations in the text or in sidebars, SIGAR has not verified this data, and it does not reflect SIGAR opinions. For a complete discussion of SIGAR audits and investigations this quarter, see Section 1.

**DATA CALL**

The data call is a series of questions directed to U.S. agencies about their contributions and involvement in reconstruction programming, and the state of affairs in Afghanistan. The U.S. agencies that participated in the data call for this quarterly report include the following:
- U.S. Department of State
- U.S. Department of Defense
- U.S. Agency for International Development
- U.S. Department of the Treasury

A preliminary draft of the report was provided to the responding agencies before publication to allow these agencies to verify and clarify the content of this section.

**OPEN-SOURCE RESEARCH**

Open-source research draws on the most current, publicly available data from reputable sources. A representative list of sources used in this quarterly report includes the following:
- U.S. agencies represented in the data call
- International Security Assistance Force
- United Nations (and relevant branches)
- International Monetary Fund
- World Bank
- GIRoA ministries and other Afghan government organizations

Most of the open-source research is included in the preliminary draft that is distributed to agencies participating in the data call for review before this report is published.
UNDERSTANDING THE GRAPHICS

All figures and tables report data for this quarter, except where identified in titles or notes.

BAR CHARTS
This report discusses many funds and projects with dollar values ranging from millions to billions. To provide an accurate graphical representation of these numbers, some bar graphs appear with a break (a wavy line) to indicate a jump between zero and a larger number.

DISTINGUISHING BILLIONS AND MILLIONS
Because this report details funding in both billions and millions of dollars, it uses a visual cue to distinguish the two measurement units. Dollars reported in billions are represented in blue, and dollars reported in millions are depicted in green.

TIMELINES
Timelines show events in general sequence. Intervals marked on the line may reflect calendar months or intervals of three to four months, depending on the scale of the time period. Overarching developments typically appear above the line; specific events typically appear below the line.

FUNDING MARKERS
Funding markers identify individual funds discussed in the text. The agency responsible for managing the fund is listed in the tan box below the fund name.
STATUS OF FUNDS

To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. On April 15, 2011, President Obama signed the Department of Defense and Full-Year Continuing Appropriations Act of 2011, appropriating funds to operate the government for the rest of the fiscal year. As of June 30, 2011, the United States had appropriated approximately $72.67 billion for relief and reconstruction in Afghanistan since fiscal year (FY) 2002. This total has been allocated as follows:

- $40.97 billion for security
- $19.12 billion for governance and development
- $5.23 billion for counter-narcotics efforts
- $2.20 billion for humanitarian aid
- $5.15 billion for oversight and operations

Figure 3.1 shows the major U.S. funds that contribute to these efforts.

FIGURE 3.1

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

<table>
<thead>
<tr>
<th>FUNDING SOURCES (TOTAL: $72.67)</th>
<th>ASFF</th>
<th>CERP</th>
<th>DoD CN</th>
<th>ESF</th>
<th>INCLE</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$39.45</td>
<td>$3.04</td>
<td>$1.85</td>
<td>$13.02</td>
<td>$3.25</td>
<td>$12.06</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AGENCIES</th>
<th>Department of Defense (DoD)</th>
<th>USAID</th>
<th>Department of State (DoS)</th>
<th>Distributed to Multiple Agencies*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$44.34</td>
<td>$13.02</td>
<td>$3.25</td>
<td>$12.06</td>
</tr>
</tbody>
</table>

Notes: Numbers affected by rounding.
a. Multiple agencies include DoD, DoJ, USAID, Treasury, and USDA.

ASFF: Afghanistan Security Forces Fund
CERP: Commander’s Emergency Response Program
DoD CN: DoD Drug Interdiction and Counter-Drug Activities
ESF: Economic Support Fund
INCLE: International Narcotics Control and Law Enforcement
Other: Other Funding
The amount provided to the five major U.S. funds represents over 83.4% (over $60.61 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, almost 78.0% (over $47.26 billion) has been obligated, and nearly 67.3% (over $40.78 billion) has been disbursed. The following pages provide additional details on these funds.

U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of June 30, 2011, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately $72.67 billion. This total can be divided into five major categories of reconstruction funding: security, governance and development, counter-narcotics, humanitarian, and oversight and operations. For complete information regarding U.S. appropriations, see Appendix B.

Cumulative appropriations as of FY 2011 increased by more than 29.3% over cumulative appropriations through FY 2010, as shown in Figure 3.2. Efforts to build and train the Afghan National Security Forces (ANSF) have received the majority of reconstruction funding since FY 2002. Cumulative appropriations for security (over $40.97 billion) account for nearly 56.4% of total U.S. reconstruction assistance.

Figure 3.3 on the facing page displays annual appropriations by funding category from FY 2002 to FY 2011. The bars show the dollar amounts appropriated, and the pie charts show the proportions of the total appropriated by category.
These figures reflect amounts as reported by the respective agencies and amounts appropriated in legislation.

Appropriations for FY 2011 amounted to more than $16.47 billion through June 30, 2011—approximately $112.47 million less than appropriations in FY 2010. While the overall funding level decreased slightly in FY 2011, appropriations for security increased more than 26.7% over FY 2010. All other funding categories decreased as shown in Figure 3.3. Appropriations for governance and development decreased by more than 32.0% from $4.50 billion in FY 2010 to $3.06 billion in FY 2011.
AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the Afghan National Security Forces (ANSF) with equipment, supplies, services, and training, as well as facility and infrastructure repair, renovation, and construction.\textsuperscript{10} The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization (NATO) Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan.\textsuperscript{11}

DoD reported that the Full-Year Continuing Appropriations Act of 2011 provided nearly $11.62 billion for the ASFF, bringing the total cumulative appropriations for this fund to more than $39.45 billion.\textsuperscript{12} Of this amount, nearly $31.21 billion has been obligated, of which more than $27.58 billion has been disbursed.\textsuperscript{13} Figure 3.4 displays the amounts made available for the ASFF by fiscal year.

DoD reported that cumulative obligations as of June 30, 2011, increased by almost $3.15 billion over cumulative obligations as of March 31, 2011. Cumulative disbursements as of June 30, 2011, increased by more than $2.76 billion over cumulative disbursements as of March 31, 2011.\textsuperscript{14} Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed.
ASFF Budget Activities
DoD allocates funds to three budget activity groups within the ASFF.\textsuperscript{15}
- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.\textsuperscript{16}

As of June 30, 2011, DoD had disbursed over $27.58 billion for ANSF initiatives. Of this amount, more than $17.62 billion was disbursed for the ANA and almost $9.80 billion was disbursed for the ANP; the remaining nearly $0.16 billion was directed to related activities.\textsuperscript{17}

As shown in Figure 3.6, of the funds disbursed for the ANA, the largest portion—almost $8.33 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—more than $3.21 billion—also supported Equipment and Transportation, as shown in Figure 3.7.\textsuperscript{18}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure36.png}
\caption{ASFF DISBURSEMENTS FOR THE ANA
By Sub-Activity Group, FY 2005–June 30, 2011 ($ BILLIONS)}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure37.png}
\caption{ASFF DISBURSEMENTS FOR THE ANP
By Sub-Activity Group, FY 2005–June 30, 2011 ($ BILLIONS)}
\end{figure}

\textbf{Budget Activity Groups:} categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

\textbf{Sub-Activity Groups:} accounting groups that break down the command’s disbursements into functional areas

COMMANDER’S EMERGENCY RESPONSE PROGRAM

The Commander’s Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than $500,000 each.

To fund larger projects, the Congress recently established a new fund—the Afghanistan Infrastructure Fund.

As of June 30, 2011, DoD reported that the total cumulative funding for CERP amounted to nearly $3.04 billion. DoD reported that of this amount, more than $2.08 billion had been obligated, of which nearly $1.74 billion has been disbursed. Figure 3.8 shows CERP appropriations by fiscal year.

DoD reported that cumulative obligations as of June 30, 2011, increased by more than $58.32 million over cumulative obligations as of March 31, 2011. Cumulative disbursements as of June 30, 2011, increased by nearly $127.77 million over cumulative disbursements as of March 31, 2011. Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.
DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DoD’s Drug Interdiction and Counter-Drug Activities fund (DoD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. The DoD CN provides support to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement—including Afghan Border Police—with specialized training, equipment, and facilities.

Figure 3.10 shows DoD CN appropriations by fiscal year. DoD reported that cumulative appropriations, obligations, and disbursements as of June 30, 2011, increased by more than $301.13 million over cumulative appropriations, obligations, and disbursements as of March 31, 2011. Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for DoD CN projects.

DoD CN FUNDS TERMINOLOGY

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

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

**ESF FUNDS TERMINOLOGY**

USAID reported ESF funds as appropriated, obligated, or disbursed.

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended


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**ECONOMIC SUPPORT FUND**

Economic Support Fund programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government. P.L. 112-10 placed limitations on FY 2011 ESF funds made available for assistance to Afghanistan by restricting obligations until DoS and USAID certify and report to the Committees on Appropriations that the Afghan government is “demonstrating a commitment to reduce corruption and improve governance.”

On July 7, 2011, DoS transmitted the signed certifications to Congress, enabling ESF funds to be obligated for use in Afghanistan.

As of June 30, 2011, USAID reported that the total cumulative funding for ESF amounted to nearly $13.02 billion. Of this amount, almost $9.57 billion had been obligated, of which nearly $7.77 billion had been disbursed. Figure 3.12 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of June, 30 2011, decreased by more than $4.47 million over cumulative obligations as of March 31, 2011. Cumulative disbursements as of June 30, 2011, increased by nearly $390.02 million over cumulative disbursements as of March 31, 2011. Figure 3.13 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed.

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**FIGURE 3.12**

**ESF APPROPRIATIONS BY FISCAL YEAR**

($ BILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<tr>
<td>2011</td>
<td></td>
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</tbody>
</table>

Notes: Data may include interagency transfers. Numbers affected by rounding. Updated figures reported by USAID resulted in a slight decrease in FY 2004, 2005, and 2009 appropriations.

Sources: USAID, response to SIGAR data call, 7/13/2011; OMB, response to SIGAR data call, 7/15/2011.

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**FIGURE 3.13**

**ESF FUNDS, CUMULATIVE COMPARISON**

($ BILLIONS)

As of March 31, 2011

As of June 30, 2011

Notes: Data may include interagency transfers. Numbers affected by rounding.

Sources: USAID, response to SIGAR data call, 7/13/2011; OMB, response to SIGAR data call, 7/15/2011.
INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counter-narcotics, and rule of law and justice.\(^34\) P.L. 112-10 placed limitations on FY 2011 INCLE funds made available for assistance to Afghanistan by restricting obligations until DoS and USAID certify and report to the Committees on Appropriations that the GIRoA is “demonstrating a commitment to reduce corruption and improve governance.”\(^35\) On July 7, 2011, DoS transmitted the signed certifications to Congress, enabling INCLE funds to be obligated.\(^36\)

INL reported that $400.00 million was appropriated for INCLE initiatives in FY 2011, bringing the total cumulative funding for INCLE to over $3.25 billion.\(^37\) Figure 3.14 displays INCLE allotments by fiscal year. Of this amount, almost $2.56 billion had been obligated, of which nearly $1.85 billion has been liquidated.\(^38\)

INL reported that cumulative obligations as of June 30, 2011, increased by almost $12.63 million over cumulative obligations as of March 31, 2011. Cumulative liquidations as of June 30, 2011, increased by more than $56.94 million over cumulative liquidations as of March 31, 2011.\(^39\) Figure 3.15 provides a cumulative comparison of amounts allotted, obligated, and liquidated for INCLE.
INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

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

Contributions to the Afghanistan Reconstruction Trust Fund

The ARTF is the largest contributor to the Afghan operational and development budgets. As of June 21, 2011, the World Bank reported that since 2002, 32 donors had pledged nearly $5.05 billion, of which almost $4.30 billion had been paid in. The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing nearly 43% of total ARTF funding as shown in Figure 3.16. According to the World Bank, donors have pledged $807.38 million to the ARTF for solar year (SY) 1390—the Afghan fiscal year, which runs from March 21 to March 20. Figure 3.17 on the facing page shows the 10 largest ARTF donors for SY 1390.

Contributions are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window. According to the World Bank, as of June 21, 2011, more than $2.29 billion of ARTF funds were disbursed to the GIRoA through the RC Window to assist with recurrent costs such as salaries of civil servants. The RC Window supports the operating costs of the GIRoA because domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives sufficient funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.

According to the World Bank, as of June 21, 2011, nearly $1.76 billion had been committed for projects funded through the Investment Window, of which over $1.35 billion had been disbursed. The Investment Window supports the costs of development programs. Nineteen projects were underway; they had a combined commitment value of $793.15 million, of which approximately $391.51 million had been disbursed.

Contributions to the Law and Order Trust Fund for Afghanistan

The UN Development Programme (UNDP) administers the Law and Order Trust Fund for Afghanistan (LOTFA)—a mechanism for coordinating contributions from international donors—to pay ANP salaries. Since 2002, donors had pledged nearly $1.97 billion to the LOTFA, of which over $1.47 billion had been paid in, as of March 31, 2011.
The LOTFA's sixth support phase started on January 1, 2011, and will run through March 31, 2013. In Phase VI the LOTFA has transferred approximately $117.6 million to the GIRoA to cover ANP salaries for the first calendar quarter of 2011. As of March 31, 2011, donors had committed nearly $572.67 million to the LOTFA for Phase VI. Of that amount, the United States had committed nearly $256.72 million and Japan had committed approximately $240.00 million. The two countries’ commitments accounted for nearly 87% of those LOTFA Phase VI commitments. As of March 31, 2011, the United States had contributed more than $585.10 million to the LOTFA since the fund’s inception and committed an additional $218.00 million through Phase VI.

SIGAR AUDIT

In an April 2011 audit, SIGAR found that it is difficult to accurately determine ANP payroll costs because the systems and databases that the ANP uses are decentralized, incomplete, and unverified. The payroll costs of ANP personnel are funded primarily through the LOTFA. For details, see www.sigar.mil.
SECURITY

As of June 30, 2011, the U.S. Congress had appropriated nearly $41.0 billion to support the Afghan National Security Forces (ANSF), as shown in Appendix B. Most of these funds (nearly $39.5 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided through the Combined Security Transition Command - Afghanistan (CSTC-A) to build, equip, train, and sustain the ANSF (which consists of the Afghan National Army and the Afghan National Police). Of the $39.5 billion appropriated for the ASFF, approximately $31.2 billion had been obligated and $27.6 billion disbursed as of June 30, 2011.52

The number of security incidents this quarter was 51% higher than in the same period in 2010, according to the United Nations (UN) Secretary-General. Most of these incidents involved armed clashes and improvised explosive devices. The UN Secretary-General also noted that approximately 25% of all attacks and more than 50% of all assassinations occurred in and around the city of Kandahar this quarter.53

ANSF ASSESSMENT

This quarter, the Afghan National Army (ANA) showed improvement in its operational readiness, according to U.S. Central Command (CENTCOM). As of June 9, 2011, the International Security Assistance Force (ISAF) rated three ANA units as capable of operating independently. Once validated by the ISAF Joint Command (IJC), this would bring to four the number of ANA units rated “independent”—the highest possible rating.54 For most Afghan National Police (ANP) units, ratings have remained mostly consistent with past Commander’s Unit Assessment Tool (CUAT) reports; however, some units received a higher rating this quarter. In the three main ANP components—the Afghan Uniform Police, the Afghan Border Police, and the Afghan National Civil Order Police—no units have received the “independent” rating.55

ISAF has used the CUAT to rate the ANSF since April 2010, when it phased out the original assessment tool, the Capability Milestone (CM) rating system. (The CM rating system is still used to assess ministerial readiness.) According to CENTCOM, the CUAT provides five ratings for assessing the readiness of ANA and ANP units:56

• **Independent:** The unit is able to plan and execute its missions, maintain command and control of subordinates, call on and coordinate quick reaction forces and medical evacuations, exploit intelligence, and operate within a wider intelligence system.
Effective with Advisors: The unit conducts effective planning, synchronizing, directing, and reporting of operations and status. Coalition forces provide only limited, occasional guidance to unit personnel and may provide enablers as needed. Coalition forces augment that support only on occasion.

Effective with Assistance: The unit requires routine mentoring for planning, synchronizing, directing, and reporting of operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. The unit’s enablers provide support to the unit; however, coalition forces may provide enablers to augment that support.

Developing: The unit requires partnering and assistance for planning, synchronizing, directing, and reporting of operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Some enablers are present and effective, providing some of the support. Coalition forces provide enablers and most of the support.

Established: The unit is beginning to organize but is barely capable of planning, synchronizing, directing, or reporting operations and status, even with the presence and assistance of a partner unit. The unit is barely able to coordinate and communicate with other units. Most of the unit’s enablers are not present or are barely effective. Those enablers provide little or no support to the unit. Coalition forces provide most of the support.

As of June 30, 2011, more than 1,500 trainers from 33 nations were training the ANSF. The U.S. Department of Defense (DoD) noted that this number leaves a shortfall of 490 trainers—an improvement over the shortfall of 770 reported last quarter.57

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS
The North Atlantic Treaty Organization (NATO) Training Mission - Afghanistan (NTM-A) rates the operational capability of the Ministry of Defense (MoD) and the Ministry of Interior (MoI) using the CM rating system. This system assesses staff sections (such as the offices headed by Assistant or Deputy Ministers) and cross-functional areas (such as General Staff offices) within the MoD and MoI using four primary and two secondary ratings:58

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

As of March 31, 2011, more than a fifth (8 of 37) of MoD staff sections and cross-functional areas had reached a rating of CM-2A, including MoD Finance, MoD Public Affairs, and the ANA Recruiting Command. Two staff sections progressed, 35 staff sections and cross-functional areas were stable, and no staff sections regressed.59
This quarter, of 27 MoI staff sections, 1 had achieved a CM-1B rating (MoI Public Affairs), and 2 had achieved a CM-2A rating (MoD Policy Development and MoD Security Operations and Planning). NTM-A expected the two sections rated CM-2A to be upgraded to CM-1B next quarter. Most MoI staff sections were rated CM-3 (12 sections) or CM-2B (8 sections); 4 were rated CM-4—the lowest rating. Those four included the sections that manage the Afghan Public Protection Force and the Afghan Local Police.60

SECURITY GOALS
This quarter, the force strength of the ANSF was 298,659 (168,037 in the ANA and 130,622 in the ANP). On June 27, 2011, the Standing Security Committee of the Joint Coordination and Monitoring Board (JCMB) approved an increase of the ANSF’s target strength to 352,000.61 Table 3.1 shows changes in strength against overall goals since last quarter.

SECURITY HIGHLIGHTS
More civilians were killed in May 2011 than in any other month since the United Nations Assistance Mission in Afghanistan (UNAMA) began documenting civilian casualties in 2007. UNAMA identified 368 civilians killed and 593 injured as a result of the conflict. Improvised explosive devices (IEDs) caused most of the casualties (41%); crossfire caused 6%. Insurgents were responsible for 82% of the deaths, and pro-government forces were responsible for 12%.62

In his June 2011 quarterly report, the UN Secretary-General stated that 17 suicide attacks occurred in April 2011, a higher number than reported in any month of 2010. In addition, the Secretary-General noted that abductions and assassinations of Afghan civilians increased this quarter.63

**TABLE 3.1**

<table>
<thead>
<tr>
<th>Priority</th>
<th>Current Target</th>
<th>Status</th>
<th>Change Since Last Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghan National Army</td>
<td>134,000 troops by 10/2010</td>
<td>168,037 troops (as of 5/2011)</td>
<td>+8,674</td>
</tr>
<tr>
<td></td>
<td>171,600 troops by 10/2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>198,000 troops by 12/2012a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghan National Police</td>
<td>109,000 personnel by 10/2010</td>
<td>130,622 personnel (as of 6/2011)</td>
<td>+5,033</td>
</tr>
<tr>
<td></td>
<td>134,000 personnel by 10/2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>154,000 personnel by 12/2012a</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers affected by rounding.

a. Approved by the Standing Security Committee of the Joint Coordination and Monitoring Board on 6/27/2011.

Sources: DoD, responses to SIGAR data call, 7/19/2011 and 7/7/2011; ISAF-IJC, ANP PERSTAT, 6/2011.
Transition Progress

The first provinces and districts were scheduled to begin transitioning to ANSF-led security on July 20, 2011, according to DoD. DoD noted that the transition will include the provinces of Bamyan, Balkh, Panjshir, and Kabul (except the district of Sarobi); the cities of Mazar-e Sharif and Herat, and the districts of Lashkar Gah in Helmand and Mehtar Lam in Laghman. Approximately 20–25% of the population lives in these areas, according to DoD.

The Joint Afghan-NATO Inteqal (“Transition”) Board oversees the transition process. The Board reports to President Karzai and is co-chaired by the Afghan National Security Advisor, the NATO senior civilian representative, and the ISAF Commander. According to DoD, the transition of responsibility for security requires the achievement of three conditions:

- The ANSF is capable of shouldering security tasks.
- The level of security allows Afghans to pursue their daily activities.
- Local governance is able to ensure that security is not undermined as the ISAF presence is reduced.

DoD noted that metrics for assessing these conditions vary by province. To ensure that security is maintained, ANSF and ISAF personnel are expected to monitor areas that have transitioned.

Private Security Contractors and the Afghan Public Protection Force

According to CENTCOM, 90,339 contractors, including 18,971 private security contractor (PSC) personnel, were working for DoD in Afghanistan as of...
April 6, 2011. This number includes 2,238 more PSC personnel than at the end of the second quarter of FY 2010. The number of contractor personnel was higher than during the same period last year across all categories except Afghan contractors, which fell by 32,110, as shown in Table 3.2.

In March 2011, the Afghan government released its bridging strategy for transitioning the lead on security from PSCs to the Afghan Public Protection Force (APPF), as noted in SIGAR's April 2011 quarterly report. According to the strategy, PSCs that the MoI has licensed to operate may continue to perform security services for diplomatic and ISAF missions and projects; however, PSCs that perform security services for development and humanitarian projects must be replaced by the APPF by March 20, 2012, as shown in Figure 3.18. PSCs that provide services in Afghanistan are limited by the MoI to 500 personnel or, in special cases, to no more than 1,000. PSCs that fail to meet these and other requirements could face fines, seizures of equipment, and other penalties. DoD noted that President Karzai has agreed to allow some PSCs to exceed personnel limits if they are willing to recruit, train, and equip guards for later use by the APPF.
In its April 2011 progress report, DoD stated that NTM-A and USAID support the bridging strategy by assisting the APPF with building the capacity needed to meet the security needs of ISAF and the international community. In addition, U.S. Forces - Afghanistan (USFOR-A) was developing an international agreement to serve as the mechanism to procure APPF services. According to DoD, the APPF was building a recruit training center with a projected training capacity of 1,000 guards per month.71

**AFGHAN NATIONAL ARMY**

As of June 30, 2011, the United States had appropriated approximately $22.7 billion, obligated $19.7 billion, and disbursed $17.6 billion of ASFF funds to build and sustain the ANA.72 The United States has been the leading contributor of funds for development of the ANA since the effort began in 2002. According to an audit by the Government Accountability Office (GAO), U.S. funds are used for these key elements of the development effort:73

- equipment and transportation, including procurement of weapons, vehicles, and communications gear
- infrastructure projects, such as construction of garrisons, depots, and training facilities

**FIGURE 3.19**

**ANA PERSONNEL STRENGTH, SELECTED COMPONENTS, ON JUNE 20, 2011**

<table>
<thead>
<tr>
<th>Component</th>
<th>Present for Duty</th>
<th>Assigned but Not Present for Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>205th Corps</td>
<td>13,970</td>
<td>4,359</td>
</tr>
<tr>
<td>203rd Corps</td>
<td>12,174</td>
<td>4,706</td>
</tr>
<tr>
<td>201st Corps</td>
<td>10,714</td>
<td>3,296</td>
</tr>
<tr>
<td>215th Corps</td>
<td>9,695</td>
<td>4,121</td>
</tr>
<tr>
<td>209th Corps</td>
<td>8,559</td>
<td>2,757</td>
</tr>
<tr>
<td>207th Corps</td>
<td>7,028</td>
<td>2,672</td>
</tr>
<tr>
<td>111th Capital Division</td>
<td>5,688</td>
<td>1,912</td>
</tr>
<tr>
<td>SOF Division</td>
<td>4,168</td>
<td>3,216</td>
</tr>
</tbody>
</table>

**ANA PERSONNEL PRESENCE, SELECTED COMPONENTS, ON JUNE 20, 2011 (PERCENT)**

<table>
<thead>
<tr>
<th>Component</th>
<th>PDY (%)</th>
<th>AWOL (%)</th>
<th>Other (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>205th Corps</td>
<td>76</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>203rd Corps</td>
<td>72</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>201st Corps</td>
<td>76</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>215th Corps</td>
<td>70</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>209th Corps</td>
<td>76</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>207th Corps</td>
<td>72</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>111th Capital Division</td>
<td>75</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>SOF Division</td>
<td>56</td>
<td>8</td>
<td>36</td>
</tr>
</tbody>
</table>

Notes: SOF = Special Operations Force, PDY = present for duty. Assigned but not PDY = on medical, training, or authorized leave, as well as absent without leave.
Source: ISAF-IJC, ANA PERSTAT, 6/20/2011.
• training and operations, such as the establishment of training institutions and hiring of contractors to provide specialized training
• sustainment, including payment of ANA salaries and maintenance of vehicles and facilities

ANA Strength
This quarter, the ANA’s strength was 168,037—an increase of 8,674 since last quarter. The goal is for the ANA to reach 171,600 personnel by October 2011.

Most ANA personnel are assigned to the ANA’s six corps, its Special Operations Force, and its 111th Capital Division, as noted in previous SIGAR quarterly reports. According to an assessment by IJC, 99,035 personnel were assigned to these forces as of June 20, 2011. This was an increase of 8,869 personnel since March 20, 2011. However, the number of troops assigned does not necessarily equal the number of troops present for duty, as noted in previous SIGAR quarterly reports and shown in Figure 3.19. On June 20, 2011, AWOL troops constituted 8% to 14% of these forces, as shown in Figure 3.19.

ANA personnel represent all of Afghanistan’s main ethnic groups. Pashtuns and Tajiks make up nearly 78% of the force and more than 83% of the officers, according to CENTCOM. The ethnicities represented in small numbers are Hazara, Uzbek, Turkmen, Baloch, Nooristani, Bayat, Sadat, Pashayee, Arab, and Qezelbas. The MoI seeks proportional representation in the ANA by setting ethnic breakout requirements. Tajik officers make up a disproportionately large share of officers relative to the share of Tajik soldiers, as shown in Table 3.3.

<table>
<thead>
<tr>
<th>ANA ETHNIC COMPOSITION, AS OF JUNE 30, 2011 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>NCOs</td>
</tr>
<tr>
<td>Soldiers</td>
</tr>
<tr>
<td>Total force</td>
</tr>
<tr>
<td>Ethnic breakout requirement*</td>
</tr>
<tr>
<td>Delta</td>
</tr>
</tbody>
</table>

Note: Numbers affected by rounding.
a. Includes Turkmen, Baloch, Nooristani, Bayat, Sadat, Pashayee, Arab, and Qezelbas ethnicities.
Source: CENTCOM, response to SIGAR data call, 7/1/2011.
ANA Training

As of June 30, 2011, the United States had appropriated approximately $2.0 billion, obligated $1.7 billion, and disbursed $1.7 billion in ASFF funds for ANA operations and training.78

This quarter, 26,887 ANA personnel—4,441 more than last quarter—graduated from training programs funded by the ASFF, according to CENTCOM. Of that number, 4,380 graduated from training and development courses for noncommissioned officers, and 1,315 graduated from courses for officers, as shown in Figure 3.20.79

ANA Literacy

This quarter, 15.8% of the ANA were considered functionally literate (at a grade 3 reading level), and 48% had achieved at least grade 1 level literacy, according to CENTCOM. In November 2010, the Chief of the ANA General Staff set a goal for 80% of the ANA to read and write at a grade 3 level by March 2012. As of March 2011, all ANA soldiers were required to attend literacy training—to grade 1 level—during their Basic Warrior Training.80

U.S. and coalition forces are working to increase the literacy of ANA soldiers in the field, CENTCOM noted. This quarter, in some of the fielded ANA corps, the proportion of soldiers in literacy training was as high as 40%. This training was
being provided as part of an NTM-A initiative. From October 2010 to May 2011, NTM-A expended approximately $8.9 million on ANA literacy training.81

**Women in the ANA**

According to CENTCOM, 324 women serve in the ANA—215 officers and 109 noncommissioned officers, as of June 30, 2011—up from 300 last quarter. Seventy percent of the officers are assigned to medical roles, and 50% of the enlisted personnel are assigned to logistics roles. Women officers are also employed in aviation, intelligence, signals, finance, personnel, and religious and cultural affairs.82

In January 2010, the MoD called for 10% of ANA personnel to be women but did not set a schedule for achieving that goal. According to CENTCOM, approximately 0.2% of ANA soldiers are women, a percentage that is expected to decrease as the ANA reaches its overall staffing goals. In the near term, the ANA’s recruiting objective is to increase the number of women in Officer Candidate School (OCS) and medical training. OCS classes for women have been held every four to five months. Each class can accommodate 150 women, although no more than 29 seats were filled during the first two classes. A third OCS class began in June 2011.83

According to CENTCOM, the ANA intends to start recruiting the first women into the four-year National Military Academy of Afghanistan (NMAA) in October 2011—eight years after the NMAA re-opened its doors. The ANA plans for 10–20% of its first co-ed class to be women (60–120 women in a class of 600).84

This quarter, NTM-A’s Integration and Human Rights (IHR) Office drafted an annex to NTM-A’s Operational Order that details NTM-A/CSTC-A responsibilities for enhancing gender integration in the ANSF and incorporating gender perspectives into NTM-A’s daily mission. In June 2011, NTM-A/CSTC-A introduced a ministry-level plan to improve the effectiveness of gender integration efforts in the ANA.85

**ANA Infrastructure**

As of June 30, 2011, the United States had appropriated approximately $4.0 billion, obligated $3.8 billion, and disbursed $2.6 billion of ASFF funds for ANA infrastructure.86

This quarter, 33 ANA infrastructure projects were awarded (valued at $558.7 million), 75 were ongoing ($1,262.8 million), and 3 were completed ($107.0 million), according to CENTCOM. Of the newly awarded projects, the largest were an ANA garrison in Ghazni for the 203rd Corps, which has a $70.1 million cost to complete and is scheduled to be finished on January 20, 2013, and a garrison for a brigade of the 207th Corps in Farah, which has a $69.8 million cost to complete and is scheduled to be finished on September 26, 2012.87
As of June 30, 2011, the United States had appropriated approximately $9.0 billion, obligated $8.4 billion, and disbursed $8.3 billion of ASFF funds for ANA equipment and transportation. The amount of equipment fielded this quarter was significantly smaller than the amount fielded last quarter as shown in Table 3.4. As noted in SIGAR’s April 2011 quarterly report, the cost of outfitting a typical ANA soldier in 2010 was $2,995.

As of June 30, 2011, the Afghan Air Force inventory consists of 58 aircraft:

- 35 Mi-17s
- 9 Mi-35s
- 3 AN-32s
- 11 C-27s

According to CENTCOM, the Afghan Air Force plans to add 87 aircraft to meet requirements identified in a February 2010 review of Afghanistan’s air power needs. Most of the equipment fielded by the ANA this quarter came from cross-leveling or was funded by the United States through the ASFF in pseudo-FMS purchases.

U.S. Support for the Ministry of Defense

This quarter, NTM-A assessed the MoD to be “stable” and “on track,” noting that slow progress is being made. The MoD, with advice from NTM-A/CSTC-A, continued to develop systems and institutions required to grow and professionalize the ANA, according to DoD. Advisory groups and working groups supported this development through the engagement of key leaders, interministerial coordination, and the Ministerial Development Board. Approximately 272 military personnel, government civilians, and contractors from the United States, United Kingdom, and Canada were participating in this effort. They were developing capacity in the Government of the Islamic Republic of Afghanistan (GIRoA) in several areas, including management, operations support, personnel, and logistics.

According to NTM-A, challenges to increasing the capability of the MoD include the following:

- the MoD’s continued resistance to removing unqualified/corrupt personnel
- centralized decision-making authority in all areas
- confusion in logistic system processes/procedures

Public Perception/Acceptance

On June 15, 2011, CENTCOM began soliciting bids for a contract to conduct face-to-face and focus group surveys on Afghans’ views about the services of the ANSF. According to the official solicitation, the surveys will collect data from people of all ages and social, ethnic, tribal, religious, educational, and geographic groups. The deadline for responding to this solicitation was July 13, 2011.95

AFGHAN NATIONAL POLICE

As of June 30, 2011, the United States had appropriated approximately $12.9 billion, obligated $11.3 billion, and disbursed $9.8 billion of ASFF funds to build and sustain the ANP96

ANP Strength

This quarter, the total strength of the ANP was 130,622, according to the IJC.97 Of that number, 72,731 were assigned to the Afghan Uniform Police (AUP), 20,018 were assigned to the Afghan Border Police (ABP), and 11,766 were assigned to the Afghan National Civil Order Police (ANCOP), as shown in Table 3.5.

ANP personnel come from several ethnic groups. As of July 1, 2011, approximately 85% were Pashtuns and Tajiks, according to CENTCOM.98 The rest are members of several other ethnic groups such as Uzbeks (5%) and Hazaras (4%), as shown in Figure 3.21. The proportion of Tajiks (42%) in the ANP is disproportional to the proportion of Tajiks (25%) in the population of Afghanistan.99

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TABLE 3.5

<table>
<thead>
<tr>
<th>ANP Force Strength, as of June 2011</th>
<th>Authorized Tashkil Positions</th>
<th>Assigned to Tashkil Positions</th>
<th>Not Assigned to Tashkil Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANP (Total Strength: 130,622)</td>
<td>140,398*</td>
<td>125,619</td>
<td>5,003</td>
</tr>
<tr>
<td>Breakdown By ANP Component</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AUP</td>
<td>80,275</td>
<td>72,731</td>
<td></td>
</tr>
<tr>
<td>ABP</td>
<td>23,086</td>
<td>20,018</td>
<td></td>
</tr>
<tr>
<td>ANCOP</td>
<td>13,678</td>
<td>11,766</td>
<td></td>
</tr>
<tr>
<td>Other units</td>
<td>23,359*</td>
<td>21,104</td>
<td></td>
</tr>
</tbody>
</table>

Note: --- = not available.

a. Includes authorized AUP, ABP, and ANCOP personnel in addition to authorized personnel for MoI headquarters, anti-crime, training, counter-narcotics, traffic, medical, intelligence, and fire units.

b. Includes personnel assigned to MoI headquarters, anti-crime, training, counter-narcotics, traffic, medical, intelligence, and fire units; numbers based on difference between authorized and assigned totals for the ANP and for each ANP component.

c. Initial entry students


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FIGURE 3.21

Ethnic Groups Represented in the ANP, as of July 1, 2011

Notes: Numbers affected by rounding. “Other” includes (in descending order) Pashayee, Turkmen, Nooristani, Baloch, Sadat, Arab, Bayat, and Qezelbas.

Source: CENTCOM, response to SIGAR data call, 7/1/2011.
ANP Salaries and the Law and Order Trust Fund for Afghanistan

Since 2002, donors had pledged nearly $1.97 billion to the Law and Order Trust Fund for Afghanistan (LOTFA), of which over $1.47 billion had been paid in, as of March 31, 2011. These monies are disbursed by the Ministry of Finance (MoF) mainly through an electronic payroll system. The LOTFA has transferred $117.6 million to the GIRoA for the first calendar quarter of 2011 and $120 million for the second quarter to cover the payroll costs of the 122,000 ANP personnel authorized under the most recent MoI tashkil. According to the most recent data available, the United States had contributed more than $585.1 million to the LOTFA as of March 31, 2011 and had committed an additional $218 million through March 31, 2013.100

Now in its sixth phase, the LOTFA has moved beyond its traditional role of trust fund management, as noted in SIGAR's April 2011 quarterly report.101 Phase VI activities related to the ANP address three efforts:102

- **Remuneration of police and prisons staff and ANP infrastructure.** The LOTFA works with the MoI to provide timely and accountable salary payments for the ANP and for Central Prisons Department uniformed personnel, as well as for police infrastructure activities, contributing to improvements in mobility, responsiveness, and working conditions.

- **Capacity development and institutional reform of the MoI** at the policy, organizational and individual levels. Project staff work directly with MoI staff to expand their organizational and financial capabilities.

- **Democratic policing.** Through this “police-e-mardumî” initiative, the LOTFA works proactively to engage community leaders, people, police, and local governance councils to share information and common concerns. Pilot activities in eight districts of Kabul will be expanded in this phase.

This quarter, the UNDP reported that it had reached agreement with the MoF on first steps toward fiscal sustainability and sustainable development of LOTFA processes with respect to ANP remunerations. The MoF will take over responsibility for distributing salaries to 3% of 82,000 ANP personnel beginning in solar year (SY) 1390.101

ANP Local Initiatives

The Afghan Local Police (ALP) initiative is the MoI’s community watch program. It enables communities to protect themselves in areas that lack a significant ISAF or ANSF presence. DoD noted that the ALP has disrupted insurgents’ ability to exploit the population in such areas.

ALP members serve under the local district police chief. They are nominated by a shura council, vetted by the Afghan intelligence service, and trained by and partnered with personnel from the ANP, the ANA, and U.S. Special Forces, according to DoD.104 As of this quarter, the ALP consists of 6,938 personnel in 43 sites.105 However, DoD has identified challenges. For example,106

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*Tashkil:* Lists of personnel and equipment requirements used by the MoD and MoI that detail authorized staff positions and equipment items, in this case for the ANA and the ANP. The word means “organization” in Dari.

The success of the ALP program may strain coalition resources. Greater numbers of conventional and special operations forces are necessary to meet the growing demand for partnering within ALP communities.

The MoI's nascent logistical and administrative capabilities leave it struggling to pay the ALP effectively through its payroll systems.

The ALP is often short on uniforms, weapons, vehicles, radios, and other supplies.

Insurgents have threatened ALP personnel and their families and targeted them for assassination.

Attacks on the ALP by insurgents have failed to intimidate ALP forces and local communities, who often succeed in defending themselves, according to DoD. Local and national leaders continue to request more and larger ALP sites. DoD also noted that independent polling showed support for the ALP in communities where they operate.107

ANP Training

As of June 30, 2011, the United States had appropriated approximately $2.6 billion, obligated $2.2 billion, and disbursed $2.1 billion of ASFF funds for ANP training and operations.108

This quarter, 8,608 ANP personnel graduated from 46 training programs, according to CENTCOM. Of that number, 4,240 graduated from AUP courses, 2,039 from ANCOP courses, and 1,834 from ABP courses; the remaining graduates completed OCS (260) or specialty training schools (469). Coalition partners were responsible for 36 of these programs, and 2 U.S. companies (DynCorp and Xe Services LLC) were responsible for the remaining 10.109

ANP Literacy

According to CENTCOM, 20% of ANP personnel are literate at some level. The MoI's goal is for all ANP personnel to be literate at a grade 3 level; it has not set a target date for reaching this goal. NTM-A’s goal is to achieve 100% literacy (at a grade 3 level) in the ANSF by 2014. NTM-A has awarded contracts to provide literacy training throughout Afghanistan. Since November 2009, NTM-A training has brought more than 8,000 ANP personnel to grade 3 literacy, according to CENTCOM. As of this quarter, NTM-A is providing literacy training to nearly 30,000 ANP personnel. From October 2010 to May 2011, NTM-A expended approximately $8.6 million on ANP literacy training.110

In previous quarters, NTM-A/CSTC-A had estimated lower rates of literacy for the ANP. For example, SIGAR's October 2010 quarterly report noted CSTC-A estimates that about 4.5% of ANP personnel were literate, based on random tests and sampling. SIGAR's January 2011 quarterly report noted that only 2.24% of 7,771 new ANP personnel passed a November 2010 literacy test.

NTM-A engages with the ANP Training General Command and ANP units in the field to increase literacy through training conducted by NTM-A contractors,
according to CENTCOM. CENTCOM noted that the number of ANP personnel in literacy training has increased significantly—in line with an increase in ANP recruiting—and that literacy training has been mandatory at ANP training bases since October 2010. NTM-A’s focus in the coming quarters is to build upon grade 1 training completions with grade 2 and grade 3 classes for ANP personnel in the field.111

Members of the ANCOP—the elite, “front line” corps composed entirely of officers and noncommissioned officers—are required to be literate. However, as noted in SIGAR’s January 2011 quarterly report, NTM-A revised the entry procedure to allow semi-literate candidates to join and receive literacy training before entering the operational force.112 This quarter, according to CENTCOM, the literacy goal for the ANCOP is for all personnel to read and write at a grade 3 level. CENTCOM noted that a full determination of ANCOP literacy has not been made and that a comprehensive, cross-corps initiative to test all personnel serving in the ANCOP has not been conducted. From November 2009 through February 2011, tests were administered to 7,243 ANCOP personnel, which resulted in 387 passing grades—a 5.3% literacy rate.113

The ANCOP continues to recruit illiterate personnel, according to CENTCOM. These recruits undergo two weeks of intensive training to achieve grade 1 literacy. Following recruitment and transfer to an ANCOP training center, recruits undergo an additional four weeks of intensive training to achieve grade 2-level literacy. To reach the grade 3 level—or functional literacy—recruits undergo a 14-week ANCOP training program that incorporates a literacy course.114

On June 14, 2011, the UN Educational, Scientific, and Cultural Organization (UNESCO) and the Japanese government signed an agreement to begin a $3 million literacy training program for 3,000 ANP personnel in Kabul and 7 other provinces over the next 20 months.115

Women in the ANP
According to CENTCOM, 1,112 women were serving in the ANP as of June 30, 2011—183 officers (up from 164 reported last quarter) and 929 enlisted personnel. CENTCOM did not provide updated figures for enlisted personnel who were noncommissioned officers. According to CENTCOM, the ANP’s goal for SY 1390 is to have 1,753 women in its ranks.116

ANP Infrastructure
As of June 30, 2011, the United States had appropriated approximately $2.7 billion, obligated $2.5 billion, and disbursed $1.5 billion of ASFF funds for ANP infrastructure.117

This quarter, 36 ANP infrastructure projects were awarded (valued at $353.4 million), 161 were ongoing ($671.6 million), and 13 were completed ($56.5 million), according to CENTCOM. Of the newly awarded projects, the largest were regional police training centers in Kandahar (at a cost of $61.4 million) and Herat ($61.6 million), both of which are scheduled to be completed in late
Of the 161 ongoing projects, more than half (91) are building district headquarters for the Afghan Uniform Police.  

**ANP Equipment**

As of June 30, 2011, the United States had appropriated approximately $3.7 billion, obligated $3.4 billion, and disbursed $3.2 billion of ASFF funds for ANP equipment and transportation. From April 1 to June 30, 2011, the ANP fielded 11,050 weapons (valued at $12.2 million), 1,514 vehicles ($92.5 million), and 1,746 pieces of communications equipment ($3.6 million). More weapons were fielded this quarter than last quarter, as shown in Table 3.6.

Most of the equipment fielded by the ANP this quarter came from cross-leveling or was funded by the United States through the ASFF in pseudo-FMS purchases. CENTCOM noted that some communications equipment was acquired through local contracting.

**U.S. Support for the Ministry of Interior**

In December 2010, the U.S. Army Research, Development, and Engineering Command awarded DynCorp International a 24-month contract to provide U.S. and coalition experts to the MoI for police development, according to CENTCOM. The ministerial mentoring and training program provides experts in a number of fields: personnel, intelligence, logistics, communications, force generation and management, finance, medical, engineering, acquisition, legal, public affairs, and strategy and policy. The program has a budget of $46 million for FY 2011 and $46 million for FY 2012. This quarter, the costs of the contract totaled $6.9 million, according to CENTCOM.

CENTCOM noted that 243 mentors and advisors were assigned to the MoI as of June 30, 2011. Of this number, 135 were U.S. government personnel, 35 were international or coalition government personnel, and 73 were DynCorp contractors. CENTCOM noted that 107 contractors are authorized by the contract.
U.S. FORCES

According to USFOR-A, 110,325 U.S. forces were serving in the country as of June 30, 2011—934 more than last quarter. These forces were assigned as follows:124

- 79,041 to ISAF
- 3,637 to NTM-A/CSTC-A
- 16,555 to USFOR-A
- 11,092 to other assignments (unspecifi ed)

This quarter, President Obama announced the beginning of the drawdown in U.S. forces. According to the President, 10,000 troops are expected to leave Afghanistan by the end of 2011 toward a goal of 33,000 troops removed by the summer of 2012.125

REMOVING UNEXPLODED ORDNANCE

From 2002 through June 30, 2011, DoS had provided more than $186.5 million in funding for the Non-Proliferation, Anti-Terrorism, Demining, and Related programs in Afghanistan, according to the DoS Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA).126

According to the PM/WRA, DoS directly funds fi ve Afghan non-governmental organizations (NGOs), fi ve international NGOs, and one U.S. company (DynCorp International) for sustained clearance operations and the removal and mitigation of abandoned and at-risk conventional weapons. In addition, DoS assists the ANSF with the destruction of excess, unserviceable, and at-risk ANSF weapons and ordnance, and provides technical assistance for the physical security and stockpile management of ANSF weapons and ordnance. The PM/WRA noted that USFOR-A and CSTC-A personnel train and monitor the ANSF in the removal of mines and other explosive remnants of war through the ANSF Explosive Ordnance Disposal Counter-Improvised Explosive Device Program and the ANA Engineer School in Mazar-e Sharif.127

From April 1, 2010, to March 31, 2011, more than 30.6 million square meters of land had been cleared by DoS-funded implementing partners, according to the PM/WRA.128 That leaves an estimated 627.0 million square meters to clear, as shown in Table 3.7.

COUNTER-NARCOTICS

From 2002 to June 30, 2011, the United States had appropriated more than $5.2 billion for counter-narcotics initiatives in Afghanistan. Most of these funds were appropriated through two funds: the U.S. Department of State’s International Narcotics Control and Law Enforcement (INCLE) fund (nearly $3.3 billion), and the DoD Drug Interdiction and Counter-Drug Activities (DoD CN) fund (more than $1.8 billion).129 DoD CN funds are used for a range of
purposes; as of June 15, 2011, according to DoD, the largest amounts were for
the following activities and initiatives:\footnote{130}

- Air mobility outside the continental United States ($496.2 million): provides
equipment, infrastructure, operations and maintenance, and training support
for counter-narcotics missions in Afghanistan.
- Intelligence and technology ($388.7 million): provides analytical, equipment,
and operations and maintenance support for the joint U.S./U.K. Interagency
Operations Coordination Center, the Combined Joint Interagency Task
Force (CJI TF) Shafafiyat and CJITF Nexus, and the Judicial Wire Intercept
Program.
- Counter-narcotics training for the ABP ($201.3 million): supports tactical
training, mentors, and advisors for the ABP and Customs Police.
- Training for the Counter-Narcotics Police of Afghanistan (CNPA)
($157.7 million): supports trainers, mentors, and advisors, and provides
equipment, infrastructure, and operations and maintenance support for the
CNPA and its specialized units.
- Other program support ($121.5 million): supports analysts and trainers,
transportation, and operations and maintenance for various programs to sup-
port counter-narcotics programs in Afghanistan.
- Air mobility within the continental United States ($116 million): provides
equipment, infrastructure, and operations and maintenance support to
U.S.-based English language and flight training for MoI aviation personnel
assigned to the Air Interdiction Unit (AIU).

Counter-Narcotics Highlights

This quarter, GIRoA and U.S. forces conducted more than 250 interdiction opera-
tions, which resulted in arrests and seizures of contraband, according to DoD.
Most interdiction activities were conducted in the south and southwest, where
most of the opiates are grown, processed, and smuggled out of Afghanistan.
The ANSF reduced the number of interdiction operations in the east and

\begin{table}
\centering
\begin{tabular}{|l|c|c|c|c|c|c|}
\hline
Date Range & AT/AP Destroyed & UXO Destroyed & SAA Destroyed & Fragments Cleared & Minefields Cleared (m²) & Estimated Contaminated Area Remaining (m²) \\
\hline
4/1–6/30/2010 & 2,853 & 249,946 & 217,901 & 968,887 & 4,464,926 & 659,770,000 \\
7/1–9/30/2010 & 3,922 & 270,793 & 1,196,158 & 1,710,708 & 9,108,108 & 650,662,000 \\
10/1–12/31/2010 & 2,219 & 100,866 & 1,204,036 & 3,549,023 & 5,704,116 & 641,000,000 \\
1/1–3/31/2011 & 2,171 & 55,005 & 80,156 & 5,899,573 & 11,405,068 & 627,000,000 \\
\hline
Total & 11,165 & 676,610 & 2,698,251 & 12,128,191 & 30,682,218 & (remaining) 627,000,000 \\
\hline
\end{tabular}
\caption{CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, APRIL 1, 2010–MARCH 31, 2011}
\end{table}

Notes: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition.
north compared with last quarter. These operations focused on countering the insurgency-narcotics-corruption nexus. DoD noted that the seizure of drugs and chemicals deprived insurgents of significant amounts of funding that the drug trade could produce and material that insurgents could use in IEDs.131

Counter-Narcotics Police of Afghanistan
The most recent assessment of the CNPA resulted in a CM-3 rating: it cannot accomplish its mission without significant coalition assistance. According to CENTCOM, the CNPA is not expected to progress to CM-2B until the first quarter of 2012 and is not expected to attain CM-1B before the first quarter of 2013. However, CENTCOM noted that the CNPA made tangible progress last quarter. CNPA’s command and control capability was enhanced through the establishment of a Tactical Operations Center/Intelligence Fusion Center, which was staffed by trained personnel. As part of this development, the AIU practiced and refined an air mission planning process that will enable the CNPA to assume mission planning responsibilities from the office of the Deputy Minister of Interior for Security.132

CENTCOM noted that a comprehensive training and education strategy was drafted this quarter to help CNPA personnel progress in their counter-narcotics careers, from patrolman through colonel.133

Interdiction Operations
From January 1, 2011, through June 13, 2011, the ANSF partnered with ISAF to conduct 256 narcotics interdiction operations, according to DoD. These operations, which included partnered patrols and cordon-and-search, detention, and over-watch operations, resulted in 302 arrests and led to the seizure of the following narcotics contraband:134

- 93,285 kg of hashish
- 36,625 kg of opium
- 4,950 kg of morphine
- 5,322 kg of heroin
- 46,616 kg of narcotics-related chemicals

This quarter, U.S. forces continued to provide transportation, intelligence, airlift, and quick reaction support, and the U.S. Drug Enforcement Administration continued to mentor specialized Afghan counter-narcotics units, DoD noted. In addition, the U.S. intelligence community continued to provide analytical support to Afghan law enforcement and military personnel at the strategic, operational, and tactical levels. The Combined Joint Interagency Task Force-Shafafiyat/ Nexus, in coordination with the Interagency Operations Coordination Center, provided targeting support to Afghan law enforcement and military personnel. All operations were coordinated with and received support from U.S. and coalition forces commanders on the ground.135
In his June 2011 quarterly report, the UN Secretary-General stated that in March 2011 the GIRoA and the Islamic Republic of Iran carried out a joint operation on the three border crossings in the provinces of Farah, Nimroz, and Herat. As a result, several traffickers were arrested, and nearly 1,000 kg of opium and more than 600 kg of heroin were seized on both sides of the border by Afghan and Iranian police.¹³⁶
As of June 30, 2011, the United States had provided more than $19.1 billion to support governance and development in Afghanistan.137 This quarter, U.S.-funded programs continued to address persistent problems related to corruption, effective and coordinated public administration, local governance, rule of law, and human rights. Security improvements continued to allow for some marginal gains in governance by the Government of the Islamic Republic of Afghanistan (GIRoA). However, the government’s level of control in more volatile environments in the north and east remained tenuous.

KEY EVENTS
This quarter, as the GIRoA’s legislative and the executive branches continued to clash over the results of the September 2010 parliamentary elections, the Wolesi Jirga passed the budget for solar year (SY) 1390. Efforts by the GIRoA to promote reconciliation and reintegration progressed, as more than 1,000 individuals entered the reintegration process and the High Peace Council conducted numerous events inside and outside of Afghanistan.

Special Tribunal and Wolesi Jirga Controversies
On June 23, 2011, the Special Tribunal appointed by President Hamid Karzai announced its decision to partially overturn the results of the September 2010 Wolesi Jirga elections, putting 62 seats in jeopardy. Members of the Wolesi Jirga denounced the action as illegal and announced it would not accept any results from the Tribunal. DoS noted that the Tribunal was deemed illegal by the GIRoA’s Commission to Oversee the Implementation of the Afghan Constitution.138 While reiterating U.S. support for legal efforts to detect and deal with election fraud, DoS expressed concern that GIRoA officials may have exerted inappropriate pressure—including harassment and threats of arrest—to motivate leaders of the Independent Election Commission (IEC) to cooperate with the Tribunal.139

UN Sanctions List
On June 17, 2011, the United Nations (UN) Security Council unanimously passed a resolution to split the UN blacklist for al-Qaeda into two sanctions lists—one for members of al-Qaeda and one for members of the Taliban. The UN established the al-Qaeda and Taliban Sanctions Committee in 1999 to oversee the

“So our message to the Taliban hasn’t changed; it just has even greater resonance today. They can’t wait us out, they can’t defeat us; they need to come into the political process and denounce al-Qaeda and renounce violence and agree to abide by the laws and constitution of Afghanistan.”

—U.S. Secretary of State Hillary Clinton

implementation of sanctions imposed on Taliban-controlled Afghanistan for its support of Osama bin Laden. However, with the current push for peace and reconciliation in Afghanistan, the international community is trying to make a clear distinction between the Taliban and al-Qaeda. The UN resolution that separated Taliban members from al-Qaeda members also created a new committee to consult with the GIRoA on listing members of the Taliban who pose a threat to the peace, stability, and security of Afghanistan. The GIRoA played an active role in deciding which individuals should be removed from the sanctions list. According to members of the UN Security Council, the GIRoA’s participation in the process demonstrates its commitment to reconciliation.\textsuperscript{140}

RECONCILIATION AND REINTEGRATION

In May 2011, the U.S. Secretary of State stated that the death of Osama bin Laden could lead to increased pressure on the Taliban and other anti-government forces to reconcile.\textsuperscript{141} U.S. civilian and military officials have formed a broad range of contacts at many levels across Afghanistan and the region with the aim of encouraging reconciliation. As of June 30, 2011, none of these contacts had yielded any major breakthroughs with the Taliban, and DoS had not observed any moves suggesting that bin Laden’s death had caused Taliban leaders to significantly change their views on reconciliation.\textsuperscript{142}

High Peace Council Actions

The GIRoA has the lead on all reconciliation efforts. It established the High Peace Council to increase national awareness of reconciliation, facilitate negotiations with insurgents, and promote international support for the process. This quarter, the High Peace Council held a number of activities inside and outside Afghanistan to pursue those goals. The United States assisted the Council through the International Security Assistance Force (ISAF) Force Reintegration Cell, which facilitated outreach trips. The Council had a $2.8 million budget as of June 30, 2011, according to DoS.\textsuperscript{143} Funds are provided through the Reintegration Finance Mechanism, a joint effort between the GIRoA and donor countries in which the GIRoA disburses funds to provincial administrators and through ministries.\textsuperscript{144}

In May 2011, the Council held a review conference in Kabul that helped identify challenges in and generate solutions for carrying out for the Afghan Peace and Reintegration Program (APRP). The APRP is the GIRoA’s main program for promoting and managing the actual reintegration of insurgents.\textsuperscript{145}

Afghan Peace and Reintegration Program Progress

The High Peace Council’s work contributed to the acceleration in the pace of reintegration this quarter, according to DoS.\textsuperscript{146} That pace was ahead of schedule, DoS noted, and the APRP met its quantitative and qualitative goals.\textsuperscript{147} As of June 30, 2011, about 1,850 individuals had joined, as shown in Figure 3.22. That figure is almost double the number of reintegrees projected for the program’s first year. About 200 of the reintegrees had progressed to the third phase.
of the reintegration process, which is community recovery activities.\textsuperscript{148} The GIRoA continued to design and approve economic and other opportunities for reintegrees.\textsuperscript{149}

Reintegration activities were conducted in 15 provinces this quarter.\textsuperscript{150} Most of the reintegrations involved groups of about 15 to 20 men, according to the ISAF Force Reintegration Cell. Typically, reintegrees then returned to their home communities.\textsuperscript{151} Reintegrees who had finished the process have not shown signs of recidivism.\textsuperscript{152}

Most reintegrees were from northern and western provinces, according to DoS.\textsuperscript{153} U.S. Department of Defense (DoD) noted that efforts in southern provinces have proceeded more slowly than elsewhere because of higher concentrations of embedded Taliban insurgents.\textsuperscript{154} In May 2011, ISAF estimated that there were between 20,000 and 25,000 insurgents in Afghanistan.\textsuperscript{155}

Although the program had begun to gain traction, it faced many challenges in mobilizing resources and programs this quarter, according to the ISAF Force Reintegration Cell.\textsuperscript{156} The program, which began in June 2010, had been expected to concentrate its activities in about eight provinces in its first year. However, demand throughout the country to join the APRP required the GIRoA to administer the program nationwide, adding to its capacity and resource challenges.\textsuperscript{157}

Among those challenges:\textsuperscript{158}
- forming additional representative peace councils
- connecting reintegrees to reintegration projects
- providing security for reintegrees

The ISAF Force Reintegration Cell noted that developing Afghans’ trust and confidence in the reintegration process are also important for its success, and pointed out that prolonged conflict has made Afghans cautious about commitments to reintegration. Solidification of security gains is necessary to give communities the confidence to support reintegration and create an environment in which insurgent groups can reintegrate.\textsuperscript{159} One measure of that: as of June 30, 2011, insurgents had not targeted provincial governors for their participation in the APRP, according to DoD.\textsuperscript{160}

**Capacity Development for Reintegration**

On May 10–11, 2011, at the APRP Review Conference in Kabul, GIRoA line ministers presented their annual APRP work plans to provincial and district governors and donor country representatives, according to DoD. Governors have cited difficulties in accessing funds as their biggest challenge in carrying out reintegration efforts at the local level, according to DoS.\textsuperscript{161} They requested more decision-making authority and resources, although they acknowledged the limited capacity of provincial staff.\textsuperscript{162} To support the technical administration of the APRP, including managing accounts, each provincial governor will get a small staff of five or six people, according to the ISAF Force Reintegration Cell.\textsuperscript{163}

As of June 30, 2011, the United States and 10 other countries had provided the GIRoA with $150 million for these efforts through the Reintegration Finance

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**DoS’s metrics for assessing reintegration include:**
- number and location of shuras designed to promote reintegration
- number and location of reintegration events
- number of former insurgents registered in the APRP
- qualitative improvement of security in areas where reintegrees formerly operated
- number and type of community recovery projects under way
- staffing and effectiveness of APRP structures at the national and provincial levels
- quality and level of political and financial support for the APRP from the GIRoA and other governments

Source: DoS, response to SIGAR data call, 7/1/2011.
Mechanism. An additional $80 million of pledged funds remained, according to DoS. The APRP Joint Secretariat, the Ministry of Finance, and the United Nations Development Programme (UNDP) have agreed on how funds will be disbursed for the APRP budget. DoS pointed out the critical need to finalize ministry procedures for disbursing APRP funds to the field in order to establish worthwhile economic opportunities.

Provincial Reintegration Progress
Provinces in Southern Afghanistan faced some challenges this quarter, but made progress. In Kandahar, that progress was hindered by issues with the APRP, inadequate staff capacity at its National Joint Secretariat, and a lack of understanding of the financial process of reintegration, according to DoS. This quarter, the National Joint Secretariat held a conference that addressed some of these issues. DoS expected a more detailed, three-day training program—scheduled for July 2011 in Kandahar—to resolve additional challenges to implementation.

In Helmand, political support for reintegration is solid, according to DoS, which noted the governor's constant support. Although numerous political relationships have been developed to support reintegration, DoS noted that as of this quarter, the central government had not yet provided sufficient detailed guidance and support to the province. Connections were established this quarter between reintegration bodies in Kabul and their Helmand counterparts, and the central government provided the provincial secretariat with training. This support and guidance has moved the process forward at the provincial and district levels, according to DoS. As of June 30, 2011, the provincial government continued to rely on the U.S. Afghanistan Reintegration Program (ARP), but Afghan channels had begun to distribute funding that was being spent locally.

Across the country, as of June 30, 2011, Provincial Peace Committees had been established in 33 provinces, according to DoS. Recruitment had been completed for Provincial Joint Secretariat Teams in 15 provinces, and 6 more teams were expected to be completed this summer.

Regional Engagement
At the international level, the United States, Afghanistan, and Pakistan began a series of meetings in Afghanistan and Pakistan in May 2011 to discuss regional issues, according to DoS. The participants discussed reconciliation and support for a political resolution to the insurgency, as well as other topics related to trade and economic cooperation. Future meetings will discuss how to advance reconciliation, regional economic integration, and other efforts aimed at improving peace and prosperity.

National and Sub-National Governance
In April 2011, DoD’s report on progress suggested that the GIRoA was making progress in extending its authority to the provinces. Some 74% of Afghans thought the GIRoA had more influence than the Taliban—the highest percentage
since January 2009. The largest gains were in Nimroz and Helmand, where 76% of respondents stated that the government had more influence than the insurgents—an increase of 17% from September 2010. In addition, 71% of those polled thought that it would be harmful if the Taliban returned to power, an increase of 18% from September 2010.171

In his report to the UN Security Council in June, the UN Secretary-General also noted that there has been some progress in the implementation of subnational governance initiatives. However, the UN Secretary-General cautioned that significant work remains. He said that roles and responsibilities at the central, provincial, municipal, and district levels of the GIRoA must be defined. He also said it is critically important to develop sustainable provincial budgeting procedures and ensure that provincial and district authorities receive the financing that the central government approves.172

**Budget Prioritization and Execution**

During the first half of 2011, the U.S. Embassy Kabul has led an international effort to re-focus governance efforts on preparing for the transition to greater GIRoA control by improving Afghan governing capacity. According to DoS, these efforts have focused on strengthening the ability of Afghan officials throughout the GIRoA—in Kabul as well as in the provinces—to prioritize and execute budgets. With U.S. Embassy support, the Independent Directorate for Local Governance (IDLG) and the Ministry of Finance (MoF) developed a nationwide pilot program for provincial budgeting, intended to aid the provincial departments of several ministries—Education, Public Health, Rural Rehabilitation and Development, and Agriculture, Irrigation, and Livestock—in providing more subnational input into ministry budgets.173

**Wolesi Jirga**

On May 1, 2011, the Wolesi Jirga approved the third draft of the GIRoA’s budget for SY 1390.174 The MoF set the total operating budget at Af 150.7 billion ($3.2 billion), an increase of 25.8% compared with SY 1389. The approved development budget was an estimated Af 74.1 billion, an increase of Af 8.2 billion over the originally proposed development budget noted in SIGAR’s April 2011 quarterly report.175

According to the Wolesi Jirga, the increases in the development budget from the first two drafts were for amounts to be spent on agriculture, education, health, administration, higher education, roads, and security.176 The final development budget was 34% less than the Af 111.9 billion development budget for SY 1389.177

The Wolesi Jirga stated that it rejected the first two drafts of the budget because of issues related to the allocation of funds, imbalance in the development budget, and expenditure problems.178

The Wolesi Jirga has been very resistant to decisions made by the executive and judicial branches that affect its authority, according to DoS. In addition to its objections to the actions of the Special Tribunal, the Wolesi Jirga conducted silent protests in June 2011 over President Karzai’s unwillingness to put forward
his remaining nominations for his cabinet. DoS noted that the Wolesi Jirga also summoned numerous cabinet officials—including the Foreign, Defense, and Interior ministers—for question-and-answer sessions.\textsuperscript{179}

**Afghanistan Parliamentary Assistance Program**

As of June 30, 2011, more than $30.6 million had been expended for the Afghanistan Parliamentary Assistance Program (APAP) run by the U.S. Agency for International Development (USAID). USAID is implementing this program to help develop the capacity of the National Assembly, which has had limited financial resources and has struggled to attract and retain professional committee staff, to draft legislation, conduct oversight, and provide representation. According to USAID, the program has concentrated on providing members and their staffs with mentoring and training in policy and budget analysis, outreach, and oversight.\textsuperscript{180}

USAID said this support has helped transform the National Assembly from a weak, ineffectual institution to a legislature that is increasingly willing to exercise its authority. This quarter, USAID extended the program until September 30, 2011.\textsuperscript{181}

As of June 30, 2011, the APAP had developed more than 20 training programs that had benefited more than 80% of Assembly members. The APAP had also conducted orientation programs that have helped members perform their duties, according to USAID. The most recent staff survey, which polled the last Assembly, found that 64% of the Assembly members said they had applied the skills learned in this training to their work. For example, this quarter, many key legislative committees used the APAP’s technical assistance to question ministers and other officials on education, health, the Kabul Bank scandal, and other subjects, according to USAID. In addition, 88% of Assembly members who responded said that their increase in knowledge resulted from APAP workshops and seminars.\textsuperscript{182}

The APAP’s budget program provides budgetary and macroeconomic analysis and technical support to enable the Assembly to engage more fully in budgetary review and oversight. This focus may have contributed to the Assembly’s willingness to challenge the government’s budgets in 2010 and 2011, according to USAID, which stated that the Assembly relied on this training to pass an SY 1390 budget that incorporated key legislative recommendations.\textsuperscript{183}

One of the APAP’s training priorities is to help develop the capacity of female legislators. Current female members have used the APAP’s gender-focused programming to enhance their leadership and legislative skills in their committee roles. Because there is no functioning women’s caucus in the Assembly, legislative committees are the only way female lawmakers can rise in the leadership ranks, according to USAID.\textsuperscript{184}

**Provincial and District Governance**

Numerous problems continued to hamper the development of effective governance at the provincial and district levels. The separation of powers between the executive, legislative, and judiciary branches at the local level, particularly
in districts, needs to be clarified, according to the Afghanistan Research and Evaluation Unit (AREU). Existing legislation fails to grant meaningful power or responsibility to local government institutions or officials, and policy at the local level remained overly complex and confusing. Whereas provincial governors have wide-ranging powers, the AREU noted that district administrations are essentially sub-offices for provincial administrators, and central line ministries retain substantial control over resources.\textsuperscript{185}

Dispute resolution at the local level remains a serious problem. As a result of the failure of the GIRoA and the international community to provide effective, transparent governance and rule of law, a significant number of communities have joined the insurgency according to the U.S. Institute of Peace (USIP). Open-ended disputes have led to local instability and a growing distance between the GIRoA and the people. In some areas, the Taliban directly promotes disputes by pitting communities against the GIRoA and ISAF. In others, the Taliban has increased its authority and appeal by providing judicial mechanisms that work more effectively than governmental mechanisms.\textsuperscript{186}

International donors’ varying policies and program implementations have contributed to the lack of coordination between government institutions and the lack of a clear vision for local government. According to the AREU, donor policies have supported competing district representative bodies and fostered inter-ministerial rivalries, particularly between the Ministry of Rural Rehabilitation and Development and the IDLG. This competition has contributed to a lack of coordination between provincial councils, district community councils, district development assemblies, and community development councils.\textsuperscript{187}

\textbf{Southern Afghanistan}

In Kandahar and Helmand this quarter, governance continued to show signs of improvement, but numerous challenges remained. A number of factors have aided governance in the area, including greater freedom of movement for government officials because of improved security, better outreach and connections between the government and the public, and the return of some tribal elders to their villages. However, security issues, assassinations of officials, and capacity problems continued in various areas of the provinces this quarter.\textsuperscript{188}

\textbf{KANDAHAR PROVINCE}

In Kandahar, the Provincial Reconstruction Team (PRT) and District Support Teams (DSTs) continued to assist district and provincial officials to improve government infrastructure and service delivery. U.S. support for regularly scheduled government meetings has produced stronger ties between provincial and district officials, according to DoS.\textsuperscript{189}

Throughout the province (Figure 3.23), there has been a sporadic return of tribal elders and prominent citizens to their communities this quarter. DoS noted that although many others were likely willing to return home, they were waiting to see how security holds during the summer fighting season. DoS stated that elders are also reluctant to return to their communities because not all schools

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{kandahar_districts.png}
\caption{KANDAHAR DISTRICTS}
\end{figure}

are fully functional. The availability of education for their children is a major consideration in elders’ return decisions, according to DoS.\textsuperscript{190}

In Kandahar City, the tenuous security situation continued to limit local officials’ mobility this quarter, according to DoS. In May 2011, insurgents assassinated several officials and attacked multiple government locations. As a result, local officials have refused to travel to many locations beyond the city center unless taken there in armored ISAF vehicles, according to DoS.\textsuperscript{191}

Security in the city of Dand (just south of Kandahar City) was the most stable in Southern Afghanistan this quarter. According to DoS, this allowed the governor to work to expand governance there. The DST in Dand has worked closely with the district governor to implement development projects, which included the opening of an $8.9 million road in June 2011 that will help get farm produce to markets and provide several brick manufacturing plants access to a wider market. In addition, DoS noted that freedom of movement was very good in the district. Schools were open, and the governor was aggressively pushing villages to identify people who can become teachers. However, DoS warned that the recent loss of an armored sport utility vehicle, supplied by the Canadian government, would limit the governor’s ability to travel throughout the province.\textsuperscript{192}

In Panjwayi, according to DoS, the district governor has conducted numerous village shuras. USAID’s Afghanistan Social Outreach Program (ASOP) shura has increased local citizens’ participation in the government in areas that were historically intimidated by insurgent activity. Furthermore, because the Afghan National Security Forces (ANSF) and ISAF control the area, freedom of movement in the district remained very good, even into the summer fighting season. DoS noted that despite the increase in activity this quarter, insurgents were less active and effective than in the same period last year. The number of representatives traveling from the region known as the Horn of Panjwayi—formerly held by the Taliban—to the district council increased significantly. DoS cited this development as an indication of a new willingness to engage with the government.\textsuperscript{193}

The DST has also been working closely with the district governor and other officials to resolve a land dispute in Spin Boldak. The government had offered land owners swaps in compensation for land for the construction of a large border crossing project at a new control point at the Weish border in the district. Many owners had accepted the offer; however a dozen large landowners were still holding out at the end of the quarter.\textsuperscript{194}

DSTs in other parts of Kandahar also worked to improve governance this quarter. In Maiwand, the DST’s partnership with the district governor has increased interactions with villages outside the district.\textsuperscript{195} In Arghandab, the DST supported the district governor’s efforts to increase staffing and improve the performance and accountability of district employees.\textsuperscript{196}

**HELMAND PROVINCE**

In Helmand this quarter, the PRT and DSTs continued to engage regularly with provincial and district leaders. Afghan civilian leaders in the province (Figure 3.24) maintained an active outreach effort to build popular support for the government,
according to DoS. This outreach has been extremely important in the Sangin district, where DoS noted that sustained engagement with those opposed to the central government is critical in building sustainable support for the GIRoA.197

GIRoA officials were still able to travel by road in the central area of Helmand as of June 30, 2011; however, travel by road to outlying districts—Musa Qala, Sangin, Kajaki, Khan-e Shin, and Now Zad—remained difficult. In late May 2011, when the provincial governor travelled to Sangin to test the level of security in northern Helmand, insurgents attacked his motorcade. Until further security gains are made, the governor will travel to northern Helmand by air, according to DoS.198

DoS stated that tribal elders in Helmand continued to be more engaged with the government this quarter. DoS did not note any particular evidence of tribal elders returning to villages, although 600 elders registered for Garmsir’s District Community Council (DCC) elections. Five new council seats were filled in the elections on June 21, 2011. The Council included representatives from every major town in the district and was holding regular meetings. Nad Ali district held DCC elections on June 28, 2011. The creation of a 27-member interim DCC in Sangin on May 24, 2011, was a major step toward drawing elders and community leaders into the government, according to DoS.199

**Eastern Afghanistan**

Governmental control in eastern Afghanistan (Figure 3.25) remained tenuous at the end of the quarter, according to DoS, as insurgent groups continued their attempts to establish authority in the area. The United States continues to partner with the GIRoA to improve governance in the area.

In Paktika, DoS stated that the GIRoA maintains moderate control. Insurgents’ shadow governments continued to compete effectively with the GIRoA for authority in many districts by providing their own justice system. DoS stated that the Paktika PRT and its DSTs are focused primarily on preparing Afghan officials to assume responsibility for delivering services previously provided by the international community.200

In Khowst, the governor, with PRT support, has conducted effective outreach initiatives and raised support from Kabul, according to DoS. These efforts have strengthened government control in the province and attracted applicants for government positions. In addition, DoS noted that the governor engages with religious and tribal leaders, which has improved security and increased support for the GIRoA. DoS noted that the PRT has supported the Khowst government’s efforts to update the provincial development plan by bringing working groups together to identify priorities and secure funding.201

In Nangarhar, DoS noted that the GIRoA has reasonable control of districts along the main central highway that runs from the Khyber Pass through Jalalabad and to Kabul; however, government control in the mountainous regions on the border with Pakistan is tenuous and unlikely to improve in the near future, according to DoS. Crime persists in all districts. The PRT and DSTs have focused on integrating various U.S. military and civilian efforts to build capacity for GIRoA-led programs. In 8 of the 22 districts, the United States
has been heavily engaged in the progress and funding of the GIRoA’s District Development Program, which is designed to provide essential services necessary for development by establishing a connection and trust between the government and the people.202

In Paktiya, the GIRoA controls population centers and surrounding areas but has little control in rural areas, according to DoS. The government is present and Afghan security forces are available in Gardez city (the capital) and in six districts scattered throughout the province (Zormat, Ahmad Abad, Sayed Karam, Mirzaka, Chamkani, and Dand Patan). Government capacity is poor in three northern districts (Jaji, Lija Mangal, and Ahmad Khel). DoS noted that the Paktiya PRT and civilian affairs teams have worked with the GIRoA to support the engagement of key leaders and expand their outreach efforts to build local governance capacity. As of June 30, 2011, the PRT had supported 250 GIRoA engagements and conducted outreach efforts in every district but Jani Khel.203

Capacity Building for Public Administration
The United States is developing capacity in the GIRoA through a number of programs to improve the work of ministries, local and provincial governments, and the civil service.

Performance-Based Governors’ Fund
As noted in previous SIGAR quarterly reports, USAID’s Performance-Based Governors’ Fund is designed to increase the ability of governors to manage key functions of their offices and extend community outreach programs. The program is administered by the Asia Foundation and partners with the GIRoA’s IDLG. USAID stated that it had obligated $16.3 million for the program as of May 28, 2011.

From March 2010 to March 2011, according to USAID, provincial governors received $25,000 per month ($300,000 over a year) and disbursed 90% of those funds.204 This quarter, the program received a $2.1 million extension until July 31, 2011; however, USAID stated that there is a congressional hold on the program; if there is no change in status by mid-July, the program will have to close.205

This quarter, an Asia Foundation program assessment for the 33 provinces participating in the Fund showed an average score of 6.7 out of 10, slightly higher than the 6.62 scored in the January 2011. The assessment measured quality of programming, accountability and transparency, and improvements in budget offices.206

Sub-National Governance Program
This quarter, USAID’s Sub-National Governance Program, implemented by the National Democratic Institute, concentrated on elevating the quality and quantity of connections between provincial councils and the central government. The program has brought delegations of nearly all provincial councils to Kabul to meet with key ministries, the IDLG, the National Assembly, and international donors.
GOVERNANCE

USAID noted that the MoF and the IDLG’s new Provincial Budgeting Program will enable provincial councils to exercise slightly more leverage in budget deliberations. USAID stated that future training under the Sub-National Governance Program plans will concentrate on taking advantage of the additional leverage. The program has also worked with provincial councils to improve their capacity to monitor and evaluate local projects.207

As of June 30, 2011, USAID had obligated more than $6.3 million and expended $5.7 million for the Sub-National Governance Program. The program was designed to work very closely with the roll-out of a Provincial Council fund by the Performance-Based Governors’ Fund, but the congressional hold on the Governors’ Fund had halted implementation.208

Afghanistan Social Outreach Program

As of June 30, 2011, more than $20.3 million had been expended of the nearly $23 million obligated for USAID’s Afghanistan Social Outreach Program (ASOP). The program supports the IDLG’s efforts to develop district-level community councils, in districts where there are no such councils. It has conducted 220 training exercises on management, good governance, conflict resolution, peace building, and disaster risk reduction.209

Although the program has faced challenges in providing stipends and completing training on established timelines, USAID noted that field staff and military colleagues have praised the program. As of June 30, 2011, the program operated...
in 118 districts. Of the 4,934 council members enrolled, 154 were women. The program was recently extended until November 30, 2011.\textsuperscript{210}

**Afghanistan Civil Service Support**

This quarter, USAID’s Afghanistan Civil Service Support (ACSS) program received a $19.5 million extension until October 31, 2011. As of June 30, 2011, USAID had obligated more than $238 million for the ACSS; about $220.9 million had been expended.\textsuperscript{211} According to USAID, the program has faced three main challenges:\textsuperscript{212}  
- Security in some provinces has made recruitment into the civil service difficult.  
- Restrictions on women’s mobility and their inadequate education levels have limited the number of women capable of working in the government.  
- The implementation of program management systems has been hindered by deficient infrastructure in some provinces.

**JUDICIAL REFORM AND RULE OF LAW**

A U.S. assessment on June 15, 2011 stated that all facets of the rule of law must be incorporated into the planning for transition to greater GIRoA control, and that planning related to rule of law should emphasize sustainability. According to DoS, these actions would help ensure that programs align with Afghan priorities, are Afghan-led, and continue essential foundational investments.\textsuperscript{213}

The dysfunction of Afghanistan’s formal justice system has been a major reason for Afghans’ loss of trust in the government, according to the AREU. Because of widespread corruption in the justice system, most individuals resolve their disputes at the community level: Afghans see community justice as cheaper, faster, and more transparent, the AREU noted.

Community-based dispute resolution is based on customary law intermixed with Sharia law. Although questions remain over human rights and the treatment of women, the use of more extreme customary practices, such as baad, is declining according to the AREU.\textsuperscript{214}

In areas where the formal justice system is not present, the U.S. strategy includes working with local authorities to reinvigorate Afghanistan’s informal justice system in order to provide Afghans with access to justice. The intent is to fill a vacuum that the Taliban cannot exploit. This is important because after securing control of an area, the Taliban’s first priority is to attempt to control justice mechanisms. In more stable areas, most serious crimes are referred to the GIRoA’s formal justice system. This use of the formal justice system indicates that it is beginning to earn and retain legitimacy with the people, according to the AREU.\textsuperscript{215}

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**Baad:** a traditional means of settling disputes, often involving giving a young girl to the family of the perceived victim of a crime.

**Source:** USAID, response to data call, 7/4/2011.
GOVERNANCE

Criminal Procedure Code
Last quarter, the Taqnin—the Ministry of Justice’s (MoJ) legislative drafting body—completed a review of the Criminal Procedure Code (CPC). The DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) subsequently found problematic inconsistencies between the CPC draft, the Afghan Constitution, and international standards. During workshops held March 29–30, 2011, President Karzai’s legal advisor agreed to incorporate the Criminal Law Committee of the Law Reform Working Group's recommendations on improving the draft. This quarter, however, an internal GIRoA conflict over what changes should be made caused a delay, according to DoS. INL's Justice Sector Support Program (JSSP) was closely monitoring the issue and was informed by the Taqnin that the matter would be resolved before September 2011.216

Judicial Security
Security for court officials and judges remained a problem this quarter, but U.S. and Afghan officials were working to improve the situation. In Kabul, security for court officials and judges had improved since June 2010, according to INL. The Ministry of Interior’s (MoI) Judicial Security Unit (JSU) provides security for judges and court facilities; it was providing security for the Supreme Court, the Anti-Corruption Court, and the Counter-Narcotics Justice Center, as of June 8. The JSU had 713 officers, all of them in Kabul, as of June 30, 2011; it had received 69% of its required weapons, 68% of its communications equipment, and 30% of its vehicle allotment. According to INL, the JSU’s Threat Investigations Unit, charged with investigating threats to court security, is functioning as designed. The MoI was also reviewing the addition of 880 personnel to the JSU and the expansion of its presence to four provincial courts—one for each Regional Command area.217

INL stated that judicial security in Nangarhar province has improved, particularly in the capital city of Jalalabad where the province’s central court, its prison, and the Attorney General’s Office are located. The Rule of Law Field Force - Afghanistan is providing support for several important security upgrades at the court and prison. A shortage of professional security guards is the biggest hindrance to physical security at these sites, according to DoS.218

In Mazar-e Sharif, overall judicial security was poor, according to DoS. Judges did not have secure living facilities, and courthouse security was minimal. Judges have claimed that they have received threats and have requested additional security. According to DoS, the overall security situation in Northern Afghanistan has deteriorated and more security at courthouses is needed.219

The lack of adequate judicial security in Helmand province remained a problem this quarter. Insurgents continued to target Afghan judicial officials, according to DoS; the courthouse in Lashkar Gah was the site of a recent attack. DoS noted that judges and prosecutors have often refused to take assignments or have left districts because of security concerns.220
Access to Legal System

The judicial sector continues to lag behind the other two branches of government in the promotion of women’s rights, although DoS noted some positive gains with the inclusion of more women in the judiciary last quarter. In 2003, for example, there were 50 female judges, but as of June 30, 2011, the number had risen to 120. DoS observed no empirical evidence to suggest that cases involving women proceeded more slowly through the court than cases involving men. Men in the judiciary—particularly Sharia-educated holdovers from the Taliban era—continue to strongly resist the advancement of women. Such resistance impedes the advancement of female judges, prosecutors, and attorneys. As of June 30, 2011, despite the urging of the international community and Afghan civil society, President Karzai had not yet nominated a female judge to the Supreme Court. Female judges make up only an estimated 3.5% of the judiciary.221

However, some MoJ officials support donor efforts to help women advance in the legal arena, including gender justice training for MoJ officials. DoS noted that gender justice training is important because women often face discriminatory court rulings, particularly in areas of the country dominated by Sharia law.222 For example, even though the act of running away from home is not illegal, women and girls continue to be arrested and prosecuted for it, according to DoS. As noted by SIGAR in previous quarterly reports, law enforcement and judicial officials at all levels of government have not forcefully implemented the 2009 Elimination of Violence Against Women (EVAW) law. As of June 23, 2011, it was enforced in only 10 provinces, according to the UN Secretary-General.223 In addition, public awareness of the law is low.224

U.S. Support for the Judicial System

The United States has several programs designed to develop the Afghan judicial system. Efforts include training lawyers, judges, and investigators, as well as improving informal and formal legal processes. The United States also works to ensure that the legal rights of women are understood and protected.

U.S. Justice Sector Support Program

This quarter, the U.S. Justice Sector Support Program (JSSP) conducted a number of conferences, seminars, and training sessions to build the capacity of the Afghan criminal justice system. Topics included case management, the EVAW law, crime scene investigation, the role of defense attorneys, constitutional rights, and numerous other judicial issues. Also this quarter, 213 Afghans graduated from various Focused District Development-Law programs, a U.S.-run effort to address the district-level corruption that impeded previous efforts to retrain individual police. As of June 16, 2011, the JSSP was staffed at 79% of capacity with 274 U.S., third-country national, and Afghan employees, including 135 lawyers.225

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**EVAW Law:** The 2009 EVAW law provides a legal framework for the criminal investigation, prosecution, and conviction of 22 offenses against women, including harassment, physical assault, forced and underage marriage, and deprivation of property or inheritance.

Source: DoS, response to SIGAR data call, 7/1/2011.
Rule of Law and Stabilization Programs

This quarter, USAID exercised the first option year of its Rule of Law and Stabilization - Formal (RLS-F) program, extending it until May 2012. As of June 30, 2011, USAID had obligated more than $18.6 million for the RLS-F and projected an additional $15.1 million in future obligations. The program is being implemented by DPK Consulting.

In its first year, the RLS-F focused heavily on building the capacity of law schools and the judiciary by delivering new textbooks, conducting moot court competitions, and providing technical support to the Supreme Court’s new entry education program. USAID noted that one result of these educational efforts was an increase in legal education opportunities for women: the proportion of women enrolled in Supreme Court post-graduate training was about 20% (the highest ever recorded), and 8 of the top 10 graduates were women. The program also produced and broadcast 13,000 minutes of radio and television broadcast on the rule of law. In addition, the program implemented a nationwide case management system and helped the Supreme Court conduct its first-ever round of nationwide court inspections, uncovering cases of corruption.

A recent U.S. assessment of the Afghan judiciary found the need to develop core competencies, improve performance management, and build public trust. The RLS-F is addressing these issues by working to improve the judiciary’s capacity in financial management and budgeting, information technology, infrastructure, human resources, strategic communications, and case management.

USAID’s Rule of Law and Stabilization (RLS) program has two components—formal and informal. The formal program’s goals are to build the capacity of the judiciary, institute a court management unit, build the capacity of law and Sharia school faculties, and increase public awareness of the formal justice system. The informal program works to strengthen traditional dispute resolution by training village elders in dispute resolution, Afghan law, and Sharia law. The informal program also works to strengthen linkages between the formal and informal justice system.

As of June 30, 2011, USAID’s Rule of Law and Stabilization - Informal (RLS-I) program had expended more than $12.9 million of the $14.5 million obligated for the program. RLS-I is being implemented by Checchi and Company Consulting.\textsuperscript{229}

According to an assessment that USAID commissioned last quarter on the informal justice program, traditional dispute resolution can quickly fill a gap in justice administration in recently pacified areas, thereby preventing the Taliban justice system from regaining a foothold. The assessment found that RLS-I had strengthened the interface between the informal and formal justice system. Anecdotal evidence also suggested a decline in non-Islamic practices such as \textit{baad} in eastern pilot districts, a key goal of the program.\textsuperscript{230}

**Detention and Corrections Practices**

The Afghan corrections system continued to face numerous challenges this quarter. Overcrowding, exponential prisoner growth, illiterate staff, political interference, crumbling infrastructure, security threats, and a high rate of staff attrition all affect the corrections system, according to DoS.\textsuperscript{231}

INL funds the Corrections System Support Program (CSSP), which partners with the GIRoA to develop a safe, secure, and humane corrections system. In operation since early 2006, the CSSP has more than 70 U.S. contract corrections advisors and more than 170 Afghan staff. The CSSP has a permanent presence in eight provinces, according to DoS. This quarter, progress continued on the construction of new provincial prisons in Baghlan and Wardak. In addition, the INL-funded security upgrades to the Central Prison Directorate (CPD) headquarters in Kabul and renovations to the officer barracks and humanitarian upgrades to the female portion of the Balkh provincial prison were completed.\textsuperscript{232}

INL also continued its support of prisoner classification and the case management system. Phase One of classification and case management system implementation was completed, covering facilities at the Kabul Female Prison and Detention Center, Pol-i-Charki, the Counter-Narcotics Justice Center, and the Kabul Juvenile Rehabilitation Center, as well as in provincial prisons in Nangarhar, Herat, Balkh, and Paktika. Phase Two was scheduled to begin in July 2011 in the provincial prisons of Kandahar, Bamiyan, Kunduz, Faryab, Jawzjan, Baghlan, Parwan, and Takhar.\textsuperscript{233}

In April, immediately following the escape of 530 prisoners from the Sarposa prison in Kandahar, INL developed a plan to address shortcomings at the prison. It also reviewed the broader challenges within the correctional system (use of turnkeys, upgrading security infrastructure, and night counts).\textsuperscript{234} The CSSP established a 10-person mentoring and advisory team that works and lives at the prison. Forty-four CPD soldiers completed a series of training courses, covering prisoner count procedures, searches, and defense and control tactics, by mid-July. INL expected the CSSP to increase the number of daily counts and weekly searches, implement emergency exercise and executive development training, and begin educational and vocational programs at the prison.\textsuperscript{235}
INL noted that the GIRoA had responded to the Sarposa incident by moving the CPD from the MoJ to the MoI. INL and the CSSP will continue to work with the GIRoA to ensure that the CPD remains an independent entity within the MoI and that the transition occurs as smoothly as possible.236

ANTI-CORRUPTION
This quarter, the effects of corruption continued to undermine the GIRoA’s legitimacy. Corruption extends throughout local government structures, often to the highest positions, according to the AREU. Most processes for delivering essential services suffer from high levels of corruption. For example, according to the AREU, World Food Programme supplies that are supposed to help poor Afghans are often diverted by local government, line ministries, and the Afghan National Police.237

A report this quarter by Transparency International UK found that “corruption, weak institutions and a lack of economic development pose a fatal threat to the viability of Afghanistan.”238 The nongovernmental organization made three key recommendations on how to alleviate corruption:239

• Harness the public anger and societal damage that result in corruption and channel them into a force for change. The Afghan public is well aware of the current injustices and would be ready to participate in efforts to promote change.
• Make the fight against corruption a centerpiece of the GIRoA’s transition strategy. To halt the growth in corruption, scale up efforts to (1) reform institutions, (2) build integrity, and (3) curtail corruption immediately and dramatically.
• Change the international community’s financial procedures radically and urgently, especially those related to the money associated with massive security operations and contracts for goods and services. The international community must direct more effort into contracting with Afghan companies.

Improving Transparency and Accountability
On May 11, 2011, the Monitoring and Evaluation Committee (MEC)—an independent anti-corruption body—held its inauguration ceremony in Kabul. According to DoS, the MEC is tasked with developing clear and objective benchmarks for anti-corruption initiatives. It will also prepare periodic reports on national and international activity for the GIRoA, the Attorney General’s Office (AGO), and the public. The MEC is composed of Afghans and international anti-corruption experts.240

Progress in Prosecutions
This quarter, difficulties in prosecuting corruption cases continued: numerous high-level corruption cases remain on hold, according to DoS. In May 2011, two prosecutors from the Anti-Corruption Unit (ACU) interrogated a former governor
of Kapisa on suspicion of embezzlement and misuse of duty powers. Within two weeks, those prosecutors were transferred to remote provinces in what appeared to be punishment for the investigation, according to DoS. As a result of this event and last year’s bribery investigation of Karzai advisor Muhammad Zia Salehi, DoS noted that prosecutors appear to be reluctant to pursue high-level officials. As of June 30, 2011, the AGO’s investigations of 20 senior officials—which were announced in November 2010—had not produced any prosecutions.241

This quarter, a former Minister of Transportation was indicted and another former Minister of Transportation was charged, arrested, and released on bail, according to DoS. That case has been referred to the Anti-Corruption Tribunal (ACT). In addition, a former advisor to the president and director of the Investment Support Agency, an agency charged with facilitating and regulating investments, was charged this quarter; the case was referred to the ACT. Two other Afghans were charged with embezzling $700,000, which the GIRoA seized. One of those individuals is in the United Kingdom, and the AGO is working to extradite him back to Afghanistan, according to DoS.242

Low-level corruption cases appear to be investigated without major impediments, according to DoS. DoS noted that lower-level officials may not have enough power to cause problems for prosecutors.243

U.S. Anti-Corruption Program Assistance
The GIRoA has a number of departments that are tasked with fighting corruption. The U.S. supports their endeavors both programmatically and legislatively, although these efforts have been slowed because of issues with the GIRoA’s commitment to preventing and prosecuting corruption.

Anti-Corruption Unit
The ACU is capable of conducting investigations and putting on trials, according to DoS; however, its organization of investigations and trial preparation and advocacy has room for improvement. The U.S. Department of Justice (DoJ) does not have confidence that ACU prosecutors can properly investigate or prosecute complex or large-scale financial crimes, according to DoS.244

To improve the sustainability of the GIRoA’s ability to conduct investigations, this quarter, DoJ attorneys taught two basic courses to prosecutors from the ACU and investigators from the Major Crimes Task Force (MCTF). According to DoS, DoJ intends to continue to work with ACU prosecutors to identify and correct the ACU’s deficiencies. Specifically, DoJ is identifying prosecutors who can teach and develop coursework before and after the transition to greater GIRoA control. Because ACU prosecutors are no longer subject to polygraph examination, and no meaningful background checks and periodic re-investigations are occurring, their reliability is questionable, according to DoS.245

As noted in SIGAR’s April 2011 quarterly report, DoJ attorneys were again allowed to mentor ACU prosecutors in February 2011 after a seven-month hiatus following the fallout from the bribery investigation of Salehi, which had resulted
in DoJ mentors being barred from working with ACU prosecutors. Those mentorships were initially limited to aged, low-level cases. Beginning in May and June 2011, DoJ mentors were once again allowed meaningful access to some of the ACU prosecutors who were working on more significant cases, according to DoS. DoS noted that the ACU has no adequate case management system, and DoJ mentors were unable to determine which cases were new and which were being pursued as of June 30, 2011. DoJ plans to continue to mentor ACU prosecutors.246

**Major Crimes Task Force**

According to DoS, the mentorship of the Federal Bureau of Investigation and other international agencies has significantly improved the investigative capacity of the MCTF since its inception in September 2009. Afghan investigators from the MoI and National Directorate of Security have used sophisticated investigative techniques such as telephone wiretaps and global positioning system tracking to conduct logical investigations. In addition, DoS noted that the MCTF’s leadership has demonstrated an ability to manage cases, investigators, and resources. The Combined Security Transition Command - Afghanistan, INL, and U.S. Central Command provide the funding for the task force.247

**Control and Audit Office**

In May 2011, budget constraints caused USAID to stop funding technical assistance to the Afghan Control and Audit Office (CAO), but the United States continued to support assistance to the CAO through the UNDP’s Accountability and Transparency project. In March 2011, the GIRoA approved a new CAO law that was an improvement, according to DoS, although it has significant problems and falls short of international standards.248

**High Office of Oversight and Anti-Corruption**

This quarter, a revision was proposed to the High Office of Oversight and Anti-Corruption’s (HOOAC) founding legislation that would reduce the HOOAC’s independence, according to DoS and USAID. The revision would expand the HOOAC’s prosecution authority, which may be unconstitutional, according to USAID. USAID expressed concern that expanded prosecutive powers in highly partisan hands could lead to serious abuses. The HOOAC’s recently appointed Director-General, who put forward the suggestions, told the U.S. Embassy that the HOOAC had sufficient independence. USAID noted that the GIRoA has repeatedly put partisans in leadership positions in newly created entities.249

The HOOAC also introduced a complaints mechanism this quarter. DoS characterized the effectiveness of the mechanism as “doubtful” but noted that USAID will try to make the mechanism function. In addition, new HOOAC leadership has de-emphasized the asset verification program through simplification, according to DoS. USAID noted that weak asset verification would deprive law enforcement of key pieces of evidence of corruption. USAID will support HOOAC’s asset verification through September 2011.250

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**SIGAR AUDIT**

In an audit of the MCTF released this quarter, SIGAR identified funding and reimbursement issues that U.S. implementing agencies need to address. For details, see Section 1, page 6.
HUMAN RIGHTS

A number of human rights issues continue to plague Afghanistan. This section provides updated information on specific human rights issues related to detainees and prisoners, displaced persons, refugees, and women’s rights.

Detainees and Prisoners

This quarter, UNAMA representatives visited 24 detention centers in 21 provinces. They received allegations of ill treatment, lengthy detention without charge or trial, and lack of access to defense counsel.251

This quarter in Kabul, the non-governmental organization Women for Afghan Women and INL opened the first post-release transition house for women leaving prisons. INL provided the funding for the house. Residents will receive services that include basic literacy and life-skills classes, vocational training and job placement assistance, counseling, and health care.252

Displaced Persons

As of June 1, 2011, there were more than 430,000 internally displaced persons (IDPs) in Afghanistan, according to a study by the UN High Commissioner for Refugees (UNHCR) and the World Bank. From June 2009 to April 2011, more than 220,000 persons were displaced because of the conflict in Afghanistan. Internal displacement is likely to continue, if not grow, as a result of the lack of security.253 The study noted that economic betterment and food security draw many IDPs to urban centers.254

The survey found that displacement to urban areas is rarely temporary, because the many IDPs from rural areas lack employment opportunities in their places of origin. IDPs are usually more vulnerable and deprived than the urban poor, often lacking jobs, access to quality housing, and food. Their skills are not always adaptable to urban environments, and their literacy rates are lower than the urban poor. More than 70% of IDPs in urban areas have no access to electricity or adequate water and sanitation facilities. About 60% live in tents, temporary shelters, or shacks.255

The study recommended that the GIRoA and the international community promote a number of initiatives to improve the lives of urban IDPs, including the following.256

• Engage in sustainable, integrated, and comprehensive solutions to displacement in urban areas.
• Strengthen existing monitoring and coordination efforts that target the immediate needs of urban IDPs, particularly in the initial phases of displacement.
• Integrate IDPs at the local level, because many are unwilling to return to their place of origin.
Refugees
According to UNAMA, the resumption of the UN’s voluntary repatriation program in February had brought home more than 5,500 Afghan refugees as of April 24, 2011. The program operates through a process that includes verification of repatriation forms, a tutorial on mine awareness (many returnees use land that has not been inhabited for decades), child vaccinations against polio and measles, and an allocation of $150 for each returnee. Although returnees may register to acquire land in the center of the country, the waiting list is long, according to the UN. Because many returnees go back to old properties that no longer have adequate housing, the UNHCR plans to build 20,000 houses for returnees in 2011. These houses would bring the number of houses built for returnees since 2002 to 220,000.257

Gender Equity
According to UNAMA’s Integrated Regional Information Network (IRIN), Afghan women accused of having premarital sex continue to face penalties that fall outside the penal code, including public humiliation, torture, and death. These penalties are deep-rooted in the country, noted the Afghanistan Independent Human Rights Commission.258 Medical workers are often tasked with proving a woman’s virginity before a marriage. Those who fail virginity tests are often the victims of rape, according to UNAMA. Relatives of those who fail the test may feel they have been shamed and may commit honor killings in retribution.259 Sexual intercourse outside marriage is a sin under Islamic law. The UNAMA article cited a member of the Afghan Supreme Court’s penal bureau as saying that illegitimate sexual relations should be punished, and those caught having sex outside marriage could be sentenced to three to five years in prison, with stiffer penalties for adulterers. The laws against extramarital sex are targeted mostly at women, women’s rights activists told IRIN.260 From March 9 to June 23, 2011, the Supreme Court upheld adultery convictions for women who were raped, according to the UN Secretary-General; those convictions carried prison terms of up to 15 years.261

Women’s Shelters
This quarter, the Ministry of Women’s Affairs (MoWA) backtracked from its controversial February 2011 draft regulation to take over women’s shelters, according to DoS. On May 19, 2011, the Ministry submitted a heavily revised regulation to the Council of Ministers, reflecting input from MoWA, nongovernmental organizations that provide shelter, and civil society organizations. The most controversial provisions about access requirements and government intervention from the February draft were removed. DoS stated that it expected the proposed regulations to pass the Council of Ministers soon and come into effect shortly thereafter.262
ECONOMIC AND SOCIAL DEVELOPMENT

As of July 30, 2011, the U.S. government had provided over $19.1 billion to support governance and economic development efforts in Afghanistan. As SIGAR has noted in previous quarterly reports, economic growth in Afghanistan remains highly dependent upon military and reconstruction spending provided by international donors. This quarter, the transition to greater Afghan control took a significant step forward with President Obama’s troop withdrawal announcement. The announcement raised concerns about the impact of a potential reduction in military and reconstruction spending on Afghanistan’s economy.

The U.S. strategy, according to the U.S. Department of State (DoS), is to forestall the negative impact of potential decreased spending by helping the Afghans transform their subsistence-level agricultural economy into one that produces enough to develop internal and external markets, as well as enhance regional trade. A key part of this strategy is to develop Afghanistan’s mineral sector—putting in place the legal and regulatory framework that will enable future mineral extraction to benefit the entire country and raise the standard of living. This section includes updates on these efforts.

This section also provides updates on these other key developments in Afghanistan’s economy this quarter:

- the U.S. pledge to channel $90 million in direct assistance to the Government of the Islamic Republic of Afghanistan (GIRoA)
- the first steps taken by the Afghan government to prosecute those allegedly responsible for the Kabul Bank crisis
- efforts to integrate Afghanistan into regional trade networks
- the rehabilitation of important transportation infrastructure
- efforts to expand energy production

ECONOMIC GROWTH

Economic growth in Afghanistan remains positive, according to the World Bank’s June 2011 update. However, the Bank’s preliminary estimates show that growth is slowing—declining from 20.4% in fiscal year (FY) 2009/2010 to 8.2% in FY 2010/2011. Last year’s strong growth rate was due primarily to record wheat harvests and large increases in donor spending.

In a positive fiscal development, the GIRoA continued to improve its revenue collection. Revenue for FY 2010/2011 was approximately $1.5 billion, according to the Ministry of Finance (MoF). Although this remains well below the amount...
of revenue needed to fund the GIRoA’s core budget, it represents a 26% increase over the previous fiscal year. Table 3.8 compares GIRoA revenues with expenditures for FY 2010–2011. According to the World Bank, Afghan fiscal revenues have grown by an average of about 20% annually over the past three years, owing to improved customs and tax collection.

The World Bank also noted that the medium-term economic outlook in Afghanistan is good, provided certain goals are met: the GIRoA must be able to successfully transition security responsibilities to Afghan forces, foster political stability, and ensure fiscal sustainability. The Bank concluded that longer-term economic growth is strongly tied to developing the mining sector and to supporting the development of the agriculture and services sectors.

### Customs Contribution to Revenue Collection

The Afghan government is steadily improving its ability to collect revenue. According to a recently released GIRoA report, the Afghan Customs Department (ACD) collects approximately 50% of all government revenues. In the most recent Afghan fiscal year, the ACD increased its revenue collection by 21% over the previous year. According to DoS, this is because more border and internal customs facilities in Afghanistan are using the ASYCUDA computerized system. DoS noted, however, that the ACD continues to require paper documentation of the information it receives through the ASYCUDA system. This duplicative requirement facilitates corruption by creating an opportunity for customs officials to solicit bribes in return for signing the paperwork, according to DoS.

A significant proportion of Afghan customs revenue comes from tariffs levied on imported vehicles. In the fourth quarter of FY 2010/2011, the government raised the tariff on vehicles. As a result, tariffs on vehicles accounted for 25% of the revenue collected by the ACD in FY 2010/2011. Most vehicles imported into Afghanistan originate in Japan, Germany, China, and the United States, according to the ACD report. The ACD report also shows the extent to which trade imbalances persist in Afghanistan: more than 80% of imports are higher-value industrial products, while more than 70% of exports are lower-value agricultural products.

### DIRECT ASSISTANCE

This quarter, USAID announced that it will provide $90 million in direct, on-budget assistance to Afghan government ministries. The funds will support eight projects prioritized by the Afghan government, approved by the National Assembly, and managed by government ministries. The funds will go to the Ministry of Public Health, the Ministry of Education, the Ministry of Public Works, the Ministry of Communications and Information Technology, and the Ministry of Mines. USAID characterized this move as a key capacity-building step in the transition to full Afghan ownership and control of the reconstruction process. Over the last three years, the Ministry of Public Health and the MoF have worked together to continuously improve the efficiency of procurement and financial process, according to USAID, creating a model for other ministries to adopt.
Public Financial Assessments

One key to the successful implementation of direct assistance will be the capacity of Afghan ministries to administer funds in an accountable and transparent manner. The international community and the Afghan government have launched a collaborative effort to assess Afghan line ministries that will be receiving direct assistance over the next two years, according to the U.S. Department of the Treasury (Treasury). These assessments, called Public Financial Management and Public Internal Financial Control (PFM) reviews, will be conducted by PKF LLP, an international accounting firm headquartered in the United Kingdom. Donors approved PKF’s assessment plan, and the MoF officially awarded the contract to conduct assessments on April 25, 2011. The team conducting these assessments consists of 10 international and 3 Afghan consultants. According to Treasury, one assessment has been completed, of the MoF; as of June 29, 2011, it had not been released. An assessment of the Ministry of Mines is under way, and assessments of the Ministry of Education and Ministry of Public Health will follow. Phase Two of the PFM project will assess seven more line ministries; it is scheduled to begin about September 12, 2011.

Other Technical Assistance

Treasury is also working bilaterally with the MoF to develop proper oversight of expenditures and revenues. The goal is to strengthen the existing internal audit functions of each ministry or establish this capacity in ministries where it does not exist. This process entails another set of reviews, independent of the PFM assessments noted above, by the Ministry’s Internal Audit Department. Treasury provides technical assistance to the MoF for these reviews. Three had been completed as of July 11, 2011, and four more were being completed.

Multilateral Trust Funds

In addition to direct bilateral assistance, the United States and other international donors will continue to provide a significant amount of funding for Afghan reconstruction through large, multilateral trust funds administered by international organizations. Two of the most significant, as described in the Status of Funds section of this report, are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).

As the transition to greater Afghan control approaches, these multilateral trust funds are becoming increasingly important. They provide mechanisms to channel more funding directly to the Afghan government, which donors (including the United States) agreed to in principle at the London Conference. As noted in SIGAR’s audit of the ARTF, the international organizations that administer these trust funds provide some level of independent accountability and oversight. However, SIGAR’s audit concluded that World Bank oversight has some weaknesses, and the GIRoA’s capacity to administer funds disbursed through the ARTF is limited. For details, see Section 1.
In June, a senior advisor to the Finance Minister told the media that the ARTF was unable to release a scheduled $70 million disbursement to the GIRoA because the government had not produced a satisfactory plan to resolve the Kabul Bank crisis. He pointed out that if the issue is not resolved, it could affect the ability of the Afghan government to pay civil servant salaries and continue operating. As noted by SIGAR in its April 2011 quarterly report, the failure to adequately address the Kabul Bank crisis is holding up the renewal of the International Monetary Fund’s (IMF) Extended Credit Facility (ECF) program in Afghanistan. Some donors to the ARTF (not including the United States) are legally barred from providing foreign aid to countries that do not have an ECP program in place.

FINANCIAL SERVICES

Issues related to Kabul Bank continued to dominate the financial sector this quarter. In late May, a commission appointed by President Karzai to investigate the bank’s collapse held a press conference to announce selected results of its review. According to summaries cited in a North Atlantic Treaty Organization (NATO) publication, the review concluded that several hundred borrowers, including members of the Karzai cabinet and the National Assembly, had taken out loans from the bank without proper documentation, collateral, or repayment. In fact, the commission alleged that less than 10% of all loans made by Kabul Bank were being repaid. The commission report, which has not been made public, was delivered to President Karzai and the Attorney General for decisions on how to proceed against those who defrauded the bank.

Following these announcements, the GIRoA took the first steps to prosecute high-level corruption connected to the collapse of Kabul Bank. According to DoS, Afghanistan’s Attorney General said that Sherkhan Farnood (the bank’s former chairman) and Khalilullah Frrouzi (the former chief executive) will be prosecuted. Both men were arrested and detained on June 29, but neither has been charged with a crime. The Attorney General’s Office announced that it plans to hold the men for interrogation for a month, after which it will refer their cases to the judiciary.

The former head of the Afghan Central Bank, Abdul Qadir Fitrat, fled to the United States, telling the press he feared for his life. Subsequently, Afghanistan’s Attorney General issued a warrant to INTERPOL and the U.S. Embassy Kabul for his arrest, according to the DoS. Fitrat is charged with allegedly failing to act on warnings from Afghan intelligence and other entities about corruption and embezzlement at Kabul Bank. DoS noted that the Afghan government announced that it plans to pass a verdict in his absence if it is unable to secure his return to Afghanistan.

Kabul Bank

According to Treasury, the Afghan government announced this quarter that it will split Kabul Bank into two entities—one holding the bad loans, and one holding the remaining viable assets. The Minister of Finance also announced that the...
Afghan government believes it had met all but two of the IMF’s requirements to resolve the Kabul Bank crisis. According to the Minister, the IMF requirement that the National Assembly approve a supplemental budget request to recapitalize the Central Bank (DAB) is still outstanding. The other requirement—an independent forensic audit of a second Afghan bank (identified as Azizi Bank in SIGAR’s April 2011 quarterly report)—also remains outstanding. According to the MoF statement, the forensic audit of the second bank could start within three months.\(^{288}\) The U.K. development agency, DfID, has agreed to provide $7 million to fund forensic audits of the Kabul and Azizi banks.\(^{289}\) In July, amid media reports of potential financial irregularities, members of Afghanistan’s National Assembly demanded that the acting head of the Central Bank give them an update on the financial condition of Azizi Bank.\(^{280}\)

As noted by SIGAR in its April 2011 quarterly report, the GIRoA will have to raise considerable revenue to recapitalize the Central Bank and cover the losses from Kabul Bank.\(^{291}\) The National Assembly has reportedly rejected a request for $73 million to finance the first phase of a recapitalization of the Central Bank. International donors, including the United States, are insisting that any funds to cover losses from Kabul Bank come from government revenues, not donor contributions for reconstruction assistance.\(^{292}\)

**Microfinance**

As negotiations surrounding Kabul Bank continue, the United States is moving forward with new programs to strengthen other components of the Afghan financial sector. This quarter, for example, USAID launched a five-year, $74 million project to help small businesses access financial products and services.\(^{293}\) The Financial Access for Investing in the Development of Afghanistan (FAIDA) project is specifically targeted to help micro, small, and medium-size enterprises by doing the following:\(^{294}\)

- conducting region-specific value chain research to help design new financial products and services tailored to the needs of small and medium-size businesses
- lowering financial transaction costs and risk by linking retail financial institutions with agricultural networks and others
- reducing risks and increasing profits for Afghan financial institutions by providing comprehensive advisory services

USAID noted that as of April 2011, formal financial services had penetrated only 15% of the micro-enterprise sector and approximately 1% of the small and medium enterprise sector. Formal financing in the agriculture sector is especially lacking, according to USAID.\(^{295}\)

USAID has a history of encouraging microfinance institutions, including credit cooperatives, credit unions, microfinance village banks, and other similar institutions. USAID stated that, as of June 2011, it had disbursed nearly 185,000 loans and $60 million in loan capital to seven microfinance partners through its implementing partners in Afghanistan. In addition, it had established 40 Islamic Investment Finance Cooperatives in Afghanistan, serving 73,000 members, with disbursements of nearly $54 million.\(^{296}\)
EMPLOYMENT

As noted by SIGAR in previous quarterly reports, it is not possible to definitively measure progress toward the U.S. goal of increasing employment in the agriculture sector or any other sector. Nevertheless, USAID has estimated the number of jobs created through its cash-for-work programs this quarter, which provide short-term employment for vulnerable Afghan families, as shown in Table 3.9.

CROSS-BORDER COOPERATION

As noted by SIGAR in its January and April 2011 quarterly reports, Afghanistan and Pakistan reached a historic transit trade agreement on January 11, 2011, which will make it easier for Afghan trucks to transport Afghan products through Pakistan to India. The agreement was scheduled to go into effect 30 days after the ratification, but implementation has been held up by disagreements over issues related to customs and financial guarantees for cargo and other issues.297 According to reports in a NATO publication, a key obstacle was Pakistan’s insistence that Afghan traders deposit financial guarantees for Afghan cargo in Pakistani or international banks.298

This quarter, Presidents Karzai and Zardari announced that progress had been made and full implementation of the agreement would move forward beginning June 12, 2011.299 The United States played a key role in facilitating this agreement, which replaces one negotiated in 1965.300 Despite the announcement, however, there were reports that Afghan traders were still encountering difficulties moving their goods in and out of Pakistan. The chief executive officer of the Afghan Chamber of Commerce and Industries, for example, said in June that 700 Afghan-bound containers were stuck in Karachi ports, and 60 Afghan-bound trucks were prevented from crossing the border at Torkham because of disputes over banking guarantees for cargo.301

In related developments this quarter, India announced that it would cut tariffs and allow some Afghan goods to be imported duty free. According to a NATO publication, representatives of the Afghan Chamber of Commerce and Industries said this move will help the country export more raw and dried fruit and nuts to India.302

TABLE 3.9

<table>
<thead>
<tr>
<th>Program</th>
<th>Location</th>
<th>Number of Jobs</th>
<th>Types of Jobs</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Program</td>
<td>North</td>
<td>23,846</td>
<td>Manual labor: rehabilitating roads, installing electric pylons, constructing flood walls, weaving carpets (women), establishing a women’s market</td>
<td>$5 per day</td>
</tr>
<tr>
<td>Community Development Program</td>
<td>Kabul</td>
<td>77,497</td>
<td>Manual labor: rehabilitating drainage canals, public parks, culverts, drainage ditches, and irrigation systems; constructing cricket fields; graveling roads; establishing tree nurseries; Handicrafts for women: making quilts and bags</td>
<td>$5 per day</td>
</tr>
<tr>
<td>Community Development Program</td>
<td>South, East, and West</td>
<td>64,303</td>
<td>Manual labor: carpentry, masonry, road graveling, rehabilitation of drainage canals, culverts, drainage ditches, irrigation systems</td>
<td>Salaries ranged from $6 to $14 per day, depending on skills and location</td>
</tr>
<tr>
<td>Afghanistan Stabilization Initiative</td>
<td>1,821</td>
<td></td>
<td>Manual labor: work for masons, carpenters, electricians, trainers, and foremen</td>
<td>$7.58 per day, on average</td>
</tr>
</tbody>
</table>

Trade tensions between Tajikistan and Afghanistan increased this quarter. According to a Radio Free Europe/Radio Liberty report, beginning in April 2011, Tajikistan increased tariffs on Afghan goods transported over the Tajik state-owned railway system. Also this quarter, Tajikistan banned four Afghan transit firms from operating in that country, according to a NATO publication.

**AGRICULTURE**

As noted by SIGAR in previous quarterly reports, wheat is the largest crop harvested in Afghanistan and the country’s staple food. It makes up more than 70% of the Afghan diet, according to USAID. According to the U.S. Department of Agriculture (USDA), Afghans began harvesting spring wheat in May and will finish in early August 2011.

After two consecutive years of abundant wheat harvests in Afghanistan, the USDA is forecasting a decline: one-third less production this year than last year. Heavy precipitation and snowfall in winter 2010 and early spring 2011 failed to compensate for an earlier drought that negatively affected seed germination. As a result, recent USDA satellite images show a 70% reduction in harvested crop acreage that depends on rainfall and a 5–10% drop in harvested crop acreage under irrigation.

Most of the decline will come in the major wheat-growing regions in Afghanistan’s north, which account for 70% of the country’s production, according to the USDA. Wheat in the north depends primarily upon rainfall; the majority of irrigated acreage is located in other regions, as shown in Figure 3.26.

Near-normal wheat production in the rest of central Asia means that Afghanistan will likely be able to meet its domestic consumption needs with commercial imports, as is normally the case, according to the USDA. The poorest Afghans

![Distribution of Irrigated and Rainfed Wheat Crops](image_url)
in the areas dependent upon rain-fed wheat will need assistance in the form of cash, food vouchers or imported food aid to meet their consumption needs. India, for example, has already pledged to export 250,000 metric tons of wheat to Afghanistan to help bolster the developing Afghanistan Strategic Grain Reserve and mitigate any grain shortages for humanitarian assistance this year.\(^3\) Pakistan, which lifted its ban on wheat exports in December 2010, is once again the primary exporter of wheat to Afghanistan.\(^3\) Kazakhstan also exports wheat to Afghanistan.\(^3\)

As noted by SIGAR in previous quarterly reports, USAID has several programs to increase Afghan farmers’ access to modern farming methods, equipment, and tools. For example, USAID has provided two- and four-wheeled tractors to Afghan farmers, as shown in Table 3.10. In addition, this quarter USAID distributed the following packages to Afghan farmers to improve agricultural outcomes:\(^3\)

- 2,400 vouchers for yellow maize (2,000) and rice (400) packages in Nangarhar, Laghman, and Kunar provinces (IDEA-NEW)
- 5,863 vouchers for packages of seeds and fertilizer for melons, vegetables, pulses, and forage in Kandahar (AVIPA-Plus)
- 311 wheat seed and fertilizer packages in Kandahar and Uruzgan (AVIPA-Plus)

**PRIVATE-SECTOR DEVELOPMENT**

In a notable private-sector development this quarter, PepsiCo—one of the world’s largest food and beverage companies—announced a partnership with the Alokazay Group to build a $60 million bottling plant in Kabul. The plant will produce sodas, bottled water, and energy drinks for the Afghan market. The plant is expected to become operational in March 2012 and to provide more than 3,000 direct and indirect jobs for Afghans, according to the company’s announcement.\(^3\)

<table>
<thead>
<tr>
<th>Program</th>
<th>Number of Tractors/Type</th>
<th>Geographic Area Served</th>
<th>Number of Farmers Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVIPA-Plus</td>
<td>906 four-wheeled tractors purchased by cooperatives</td>
<td>Kandahar, Helmand</td>
<td>24,097</td>
</tr>
<tr>
<td>AVIPA-Plus</td>
<td>4,096 two-wheeled tractors purchased by individual farmers</td>
<td>West, North, Northeast, and Central Afghanistan</td>
<td>4,096</td>
</tr>
<tr>
<td>AFSA</td>
<td>27 four-wheeled tractors purchased by Farm Store Centers for leasing</td>
<td>Kandahar, Helmand, Ghazi, Laghman, Kunar, Zabul, Kabul, Wardak, Nangarhar, Logar</td>
<td>2,990</td>
</tr>
<tr>
<td>IDEA-NEW</td>
<td>92 two-wheeled tractors</td>
<td>Balkh, Jawzjan, Sar-e Pul, Faryab, Samangan</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

ESSENTIAL SERVICES
This quarter’s highlights in essential services include a look at the first class of graduating students from the American University of Afghanistan (AUAF), the state of emergency repairs on the most important stretch of highway in Afghanistan, U.S. efforts to rehabilitate key energy infrastructure, and important new tools to develop Afghanistan’s mining sector. In addition, this subsection discusses the competitive advantages that state-owned companies enjoy in bidding for the rights to develop Afghanistan’s mineral resources, and an update on attacks against communications infrastructure.

Education
As noted by SIGAR in previous quarterly reports, higher education in Afghanistan has suffered from a lack of attention and investment for several years. As part of a strategy to address this concern, in 2008 USAID announced a five-year, $42 million cooperative agreement to help support the long-term development of the AUAF. This quarter, the AUAF achieved a significant milestone when it held its first commencement; 32 students graduated, including 8 women. The students earned bachelor’s degrees in business, information technology, computer science, political science, and public administration. According to USAID, enrollment at AUAF reached 789 this quarter; that number includes students who are taking intensive English-language courses in its Foundation Studies Program.

This quarter, the U.S. Embassy Kabul honored Afghan scholars participating in the Purdue/USAID Afghan Merit Scholar Program. With funding provided by a $34 million USAID cooperative agreement, Purdue University is providing junior faculty members of Afghan agricultural colleges with training that will lead to their receipt of a master’s degree in agriculture. The five participating Afghan institutions are the universities of Kabul, Nangarhar, Balkh, Herat, and Kandahar. The program also includes funding to help renovate infrastructure and modernize agricultural science curricula and agricultural laboratories in Afghanistan.

Transportation Infrastructure
This quarter, USAID announced a partnership with the Ministry of Public Works to resume repair work on the Salang Tunnel in Parwan province. The 2.6-km tunnel through the Hindu Kush is the most important stretch of highway in Afghanistan, according to DoS, because it is the main transit route connecting northern Afghanistan with Kabul. Each day, 7,000 vehicles use the tunnel to pass through the mountains of the Hindu Kush between northern Afghanistan and Kabul. There is no other all-weather transit route connecting northern and southeastern Afghanistan. All other routes crisscross the mountains at high elevations and run in part on unpaved trails with stream and river crossings, which are closed during the harsh winters.

Built by the former Soviet regime in 1962, the tunnel will become impassable if emergency repairs are not made soon. USAID worked with the Ministry to plan, design, and put out bids for the emergency repair work. The Ministry will pave

Thirty-two new graduates, including eight women, receive diplomas from former U.S. Ambassador Karl W. Eikenberry at the first commencement of the American University of Afghanistan, on May 26 in Kabul. Since 2008, USAID has supported the university with a $42 million, five-year cooperative agreement.
1.2 km of the tunnel; USAID will pave the remaining 1.4 km and the approaches to the tunnel. The World Bank will fund the permanent reconstruction of the tunnel, according to DoS. Permanent reconstruction is expected to begin in 2014, after an alternate bypass (the Dushi-Bamyana-Parwan Highway) is completed.318

Energy
From 2005 to July 2011, USAID had invested $670 million in energy infrastructure in Afghanistan.319 Despite this investment, the GIRoA continues to rely heavily on imported energy to meet its domestic consumption needs. U.S. efforts to increase domestic power generation continued this quarter as Ambassador Eikenberry announced a $40 million U.S. pledge to restore the output of the Kude Burq Fertilizer and Power Plant in Mazar-e Sharif. The plant was designed to generate 48 megawatts (MW) of power, but the plant and the gas pipeline that supplies it are heavily degraded. Today, the plant produces only 20% of its designed capacity. Once restored, the plant will help reduce Afghanistan’s dependence on foreign supplies by adding 30 MW of electricity to the national power grid, according to the Ambassador. The plant employs 2,500 Afghans.320

As noted in SIGAR’s January 2010 quarterly report, a key part of another major energy project—installing the third turbine at the Kajaki Dam—was suspended in December 2009. Work on the dam has been hampered by the inability to deploy private security contractors and sustained insurgent activity in the area, according to USAID. This is important because substantial truck convoys are needed to
deliver large infrastructure to the Kajaki Dam and nearby substations, according to USAID, and to complete substation and distribution work. USAID reported this quarter that the private security contractor issue has now been resolved, and a contract has been signed with a newly licensed private security contractor. According to USAID, the third turbine will add 18.5 MW of power.321

Two of the three Kajaki Dam turbines are currently providing electricity to Helmand province. This quarter, Regional Command - Southwest reported that the U.S. Army Corps of Engineers installed a new piece of equipment (a switching center) to help protect the current generators from damage caused by hard shutdowns. The practical effect, according to the Command, will be to reduce the number of power outages caused by shorts and overloads, as well as the duration of power outages.322

In addition to hydroelectric power, Afghanistan has the potential to generate power from reserves of natural gas. As noted in SIGAR's January 2010 quarterly report, in the 1980s Afghanistan's exports of natural gas provided more than $300 million annually in revenues. During his visit to Mazar-e Sharif, Ambassador Eikenberry noted that the U.S. government will assist the Ministry of Mines in identifying, quantifying, and developing new natural gas reserves in Sherberghan. This is part of a joint effort in which the Ministry, the Asian Development Bank (ADB), and other donors will invest in a gas sweetening facility, new gas pipelines, and power transmission infrastructure. The goal is to leverage a $300 million investment to construct a privately owned 200 MW power plant in Sherberghan; that investment is supported by the U.S. Overseas Private Investment Corporation.323

Meanwhile, implementation of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline was delayed again this quarter. DoS stated that the four participating countries are negotiating gas prices, hoping to reach an agreement later this summer. They are also looking for an international energy company to invest in the project to ensure that adequate resources and expertise are available.324

As noted in a SIGAR audit in 2010, among the reasons for Afghanistan's continued dependence upon foreign energy supplies is its lack of a master energy sector plan that establishes priorities, time frames, and costs associated with energy sector goals. In addition, Afghanistan lacks the primary physical infrastructure to generate domestic power, according to USAID.325

In April 2011, the ADB finalized an agreement with the Ministry of Energy and Water (MEW) for a $1.5 million technical assistance grant to help update the country's master energy plan. The goal of the project is to identify major load centers throughout the country, forecast their growth over the next 20 years, and produce a plan to develop enough domestic and foreign supplies to meet these needs. In addition, the project will identify the transmission network to connect power-generating facilities to these load centers. The grant also includes a capacity-building component to train MEW officials to analyze power sector data. The ADB is the largest international agency supporting Afghanistan's energy sector. It agreed to take the lead in developing an energy sector master plan for Afghanistan after consulting with USAID, the World Bank, and other donors.326
Mining

As noted by SIGAR in previous quarterly reports, Afghanistan has considerable undeveloped mineral resources, and the U.S. government has targeted this sector for growth. To support this goal, the U.S. government funded the establishment of a new, high-tech geological data center, which was opened this quarter by the Ministry of Mines. It will be the central repository for all information on Afghanistan’s mineral resources. The new center was funded by the Task Force on Business Stability Operations (TFBSO) and designed by experts from IBM, the U.S. Geological Survey (USGS), and the TFBSO.327

According to the Ministry, the recent work completed by the USGS in Afghanistan has created the most extensive mineral dataset ever compiled for a single country. This dataset can help potential investors identify economic development opportunities, according to the TFBSO.328 Although security remains a major challenge to developing Afghanistan’s mineral resources, some private-sector companies are showing an interest. Last year, according to media reports, the TFBSO facilitated an investment by JP Morgan and partners to develop a gold mine in Afghanistan. This quarter, the TFBSO stated that it has placed teams of international technical and legal experts in the Ministry of Mines to help develop a transparent bid and tender process.329

The new dataset came online as more countries in the region have expressed interest in developing Afghanistan’s mineral sector to meet their own development needs. Indian companies, for example, are bidding for the rights to develop the Hajigak iron ore deposit, one of the largest deposits remaining in the world. Iron ore is a key ingredient in making steel, and India requires large quantities of steel for its development, according to a NATO publication. Fifteen of the 22 firms that have expressed an interest in bidding on the rights to Hajigak are Indian companies, several of them state-owned. In addition, the publication noted, the Indian government has agreed to partially finance the deal if an Indian company’s bid is accepted.330

Increasingly, state-owned companies are gaining an advantage over private-sector companies in bidding for the rights to develop the mineral sector because of requirements that successful bids include commitments to build infrastructure in Afghanistan. The Hajigak tender announcement, for example, stated that the winning bidder will be expected to participate in infrastructure initiatives in Afghanistan, including building or refurbishing railways and electric power generation facilities. The announcement also stated that preference will be given to companies that can mine the ore and also build facilities to produce steel in Afghanistan.331 A NATO publication noted that one of the state-owned companies interested in the Hajigak deposit is proposing to build a large steel-producing facility in Afghanistan as part of its bid.332 As SIGAR has noted in previous quarterly reports, the state-owned Chinese company that won the rights to develop the Aynak copper deposit committed to build a freight railway connecting Kabul to Pakistan and Uzbekistan.333
In other mining developments, the third international conference on Afghan marble took place in Herat in June. Hosted by the Ministry of Mines and supported by funding from USAID, the conference attracted 24 companies from Italy, India, the United States, Turkey, and Turkmenistan. The conference opened with a ribbon-cutting ceremony for the Doost Marble Plant—a modern, $6 million plant to process marble in Herat that was built with USAID support and assistance from other international donors. Afghanistan has more than 100 high-quality varieties of marble, according to USAID, which estimated existing marble exports at $15 million annually. USAID noted that with improved production and infrastructure investments, the Afghan marble industry has the potential to grow to $450 million annually.334

Communications
As noted in SIGAR’s January 2011 quarterly report, the growth of telecommunications is one of Afghanistan’s success stories. More than half of all Afghan households have access to at least one cell phone, and the World Bank forecast that cell phone subscriptions in Afghanistan will reach 19 million by the end of 2011.

The growth of this industry has attracted the attention of insurgents, who have tried to disrupt cell phone coverage. The U.S. Department of Defense noted that in the first two quarters this year, there were 52 attacks against cell phone towers and infrastructure provided by the following companies:335

- Mobile Telephone Networks-Afghanistan: 12
- Afghan Wireless Communication Company: 16
- Etisalat: 2
- Roshan: 11
- Wasel: 1
- Unknown: 10 (reporting did not specify)

In 2011, the Department of Defense reported three ongoing efforts to support and maintain cellular communications networks in Afghanistan: (1) the International Security Assistance Force’s $68 million program—the Expeditionary Cellular Communications System—to provide 24/7 cellular coverage throughout Regional Commands - South and Southwest; (2) a $2 million Village Stability/Emergency Cellular System program under the Combined Forces Special Operations Component Command; and (3) a $13 million cellular tower installation for Regional Command - East. The U.S. Embassy Kabul’s Public Affairs Section stated that it is in the process of contracting for seven additional 80-meter self-supporting cell phone towers.336

This quarter, the World Bank signed an agreement to provide the GIRoA with a $52 million grant to support the development of competitive and transparent natural resource bidding and tendering procedures, and to build the regulatory and compliance capacity of the Afghan government in this sector.

Maintaining Borders
A U.S. helicopter crew unloads medical supplies at the newly built Afghan Border Police Zone 1 Headquarters on June 4. The United States is working on 37 infrastructure projects to enhance the ability of the Afghan government to guard its borders. (U.S. Army photo, SGT Kim Browne)
4 OTHER AGENCY OVERSIGHT
SIGAR’s enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs. SIGAR coordinates its work with various inspectors general and other audit agencies. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. Their descriptions appear as submitted, with changes only for consistency with other sections of this report (acronyms and abbreviations; standardized capitalization, hyphenation, punctuation, and preferred spellings; and third-person construction).

These agencies are performing oversight activities in Afghanistan and providing results to SIGAR:

- U.S. Department of Defense Office of Inspector General (DoD OIG)
- U.S. Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

**COMPLETED OVERSIGHT ACTIVITIES**

Table 4.1 lists the eight oversight projects related to reconstruction that the participating agencies reported were completed this quarter.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Report Number</th>
<th>Date Issued</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DoD OIG</td>
<td>D-2011-073</td>
<td>6/16/2011</td>
<td>Afghanistan National Army Equipment Maintenance Apprenticeship and Services Program Contract</td>
</tr>
<tr>
<td>GAO</td>
<td>GAO-11-456</td>
<td>5/26/2011</td>
<td>Military Training: Actions Needed To Improve Planning and Coordination of Army and Marine Corps Language and Culture Training</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>F-306-11-003-P</td>
<td>6/19/2011</td>
<td>Audit of USAID/Afghanistan’s Support to the Electoral Process (STEP) and Support for Increased Electoral Participation in Afghanistan (IEP) Programs</td>
</tr>
</tbody>
</table>

U.S. Department of Defense Office of Inspector General

Afghanistan National Army Equipment Maintenance Apprenticeship and Services Program Contract

The Kabul Regional Contracting Center - Afghanistan (KRCC-A), Defense Contract Management Agency (DCMA), and the North Atlantic Treaty Organization Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan (NTM-A/CSTC-A) took actions addressing whether contractual requirements were met and adequate contractor surveillance was conducted before or during the audit. Specifically, KRCC-A personnel denied the contractor's request for equitable adjustment for parts reimbursement, and DCMA personnel denied the contractor's proposal for additional warehouse space. Additionally, in response to issues identified by the audit team, DCMA personnel suspended most of the contractor's procurement activities for Class IX items because DoD OIG identified significant discrepancies in the contractor's Class IX inventory accountability records and directed the contractor to conduct a 20% inventory of the Central Maintenance Facility because DoD OIG identified inaccurate inventory records.

NTM-A/CSTC-A officials stated they used the results of this audit to revise the performance work statement of the Afghanistan - Technical Equipment Maintenance Program (A-TEMP) contract, which was awarded on December 30, 2010, and replaced the Equipment Maintenance Apprenticeship and Services (EMAS) Program contract. The revisions included the removal of Afghan National Army (ANA) supply chain management as a contractor-provided function and instead turned that responsibility over to the ANA Logistical Command with contractor advisor-mentor support. The A-TEMP contract also requires the contractor to design a training program suited to the low literacy rates of ANA personnel and establish Mobile Training Teams to deploy to training sites as needed, instead of establishing apprentice programs at every site as required under the EMAS contract.

(U) Antiterrorism Programs for U.S. Forces at Kandahar Airfield, Bagram Airfield, Camp Eggers, and New Kabul Compound Need Improvement

This report is classified.

U.S. Department of State Office of Inspector General–Middle East Regional Office

The DoS OIG Middle East Regional Office reported completing no new audits related to Afghanistan reconstruction this quarter.
GAO issued four reports related to Afghanistan reconstruction.

**Afghanistan: U.S. Efforts To Vet Non-U.S. Vendors Need Improvement**  
(Report No. GAO-11-355, Issued June 8, 2011)

While DoD’s U.S. Central Command (CENTCOM) has established a vetting cell to vet non-U.S. vendors in Afghanistan to minimize the risk of insurgents or criminal groups using contracts to fund their operations, its current approach for selecting vendors to vet has gaps. For example, vendors with contracts below $100,000 are not routinely vetted. Subcontractors are also not routinely vetted. In January 2011, USAID created a process intended to vet non-U.S. implementing partners in Afghanistan; however, this process may face similar limitations as CENTCOM’s. The Department of State (DoS) had not developed a process to vet contractor firms in Afghanistan. DoD and USAID share vetting information informally, but without a formal mechanism to share vetting results the two agencies cannot ensure that their current practices will endure. Further, as DoS expands its use of local contractors, it will become imperative that it is part of the data sharing with DoD and USAID. GAO recommended that DoD and USAID make improvements to its vetting processes and information sharing and that DoS assess the need for and possible options to vet non-U.S. vendors. DoD and USAID concurred with GAO’s recommendations. DoS generally concurred.

**Combating Terrorism: U.S. Government Should Improve Its Reporting on Terrorist Safe Havens**  
(Report No. GAO-11-561, Issued June 3, 2011)

DoS identifies existing terrorist safe havens in its annual Country Reports on Terrorism but does not assess them with the level of detail recommended by Congress. For example, the August 2010 Country Report lists 13 countries as terrorist safe havens, including Afghanistan. However, none of the assessments in the DoS report included information on the actions taken by countries identified as having terrorist safe havens to prevent trafficking in weapons of mass destruction through their territories. Further, the U.S. government has not fully addressed reporting requirements to identify U.S. efforts to deny safe haven to terrorists. For example, some DoD train-and-equip activities funded through the department’s Global Train and Equip “Section 1206” and country-specific funding accounts, such as the Afghanistan and Iraq Security Forces Funds, contribute to addressing terrorist safe havens. However, these U.S. efforts are not identified in the August 2010 Country Report on Terrorism. GAO recommends that DoS and the National Security Council improve reporting on assessments of and U.S. efforts to address terrorist safe havens. DoS concurred with the DoD OIG recommendation on assessments. DoS partially concurred with the recommendation on U.S. efforts to address terrorist safe havens, citing other reports it completes related to counter-terrorism.
Military Training: Actions Needed To Improve Planning and Coordination of Army and Marine Corps Language and Culture Training
(Report No. GAO-11-456, Issued May 26, 2011)

The Army and Marine Corps developed service-specific language and culture strategies, but did not include some key elements to guide their training approaches, such as assign responsibilities for program performance prior to designing and implementing their training programs. Further, DoD components identified varying language and culture training requirements for the Army and Marine Corps. For example, in July 2010 the Army required that all forces deploying to either Afghanistan or Iraq complete a four- to six-hour online training program for language and culture. In September 2010, a senior Marine Corps commander directed that ground units preparing for Afghanistan deployments complete a two-day culture course. GAO recommends that the Army and Marine Corps assign responsibilities for program performance and identify training investments and metrics; that DoD establish a defined planning process with internal mechanisms, such as procedures and milestones, to align training efforts; and that U.S. Central Command establish a process to identify and synchronize training requirements. DoD generally agreed with the recommendations.

Contingency Contracting: Observations on Actions Needed To Address Systematic Challenges
(Report No. GAO-11-580, Issued April 25, 2011)

DoD faces longstanding and systemic challenges that hinder its ability to achieve more successful contracting and acquisition outcomes. The issues encountered with contracting in Iraq and Afghanistan are emblematic of these systemic challenges, though their significance and impact are heightened in a contingency environment. DoD has announced new policies, guidance, and training initiatives. While DoD's actions are steps in the right direction, DoD needs to (1) strategically manage services acquisition, including defining desired outcomes; (2) determine the appropriate mix, roles, and responsibilities of contractor, federal civilian, and military personnel; (3) assess the effectiveness of efforts to address prior weaknesses with specific contracting arrangements and incentives; (4) ensure that its acquisition workforce is adequately sized, trained, and equipped; and (5) fully integrate operational contract support throughout the department through education and predeployment training. DoS and USAID face contracting challenges similar to DoD’s, particularly with regard to planning for and having insight into the roles performed by contractors. GAO has made multiple recommendations to the agencies to address contracting and workforce challenges. The agencies have generally agreed with the recommendations and have efforts under way to implement them.
OTHER AGENCY OVERSIGHT

U.S. Army Audit Agency
The U.S. Army Audit Agency reported completing no new audits related to Afghanistan reconstruction this quarter.

U.S. Agency for International Development
Office of Inspector General
This quarter, USAID OIG issued two audits related to Afghan reconstruction.

Audit of USAID/Afghanistan’s Support to the Electoral Process (STEP) and Support for Increased Electoral Participation in Afghanistan (IEP) Programs
USAID OIG conducted this audit to determine whether the IEP and STEP programs were achieving their main goal of strengthened competitive, inclusive, and credible elections and political processes.

The STEP program has performed well in achieving outputs—in particular, those dealing with civic education and outreach, training, and staffing of the Independent Election Commission (IEC) and the Electoral Complaints Commission (ECC). The program has helped increase the capacity of both commissions to administer elections and has contributed to the credibility of elections themselves, although evidence of progress toward achievement of higher-level results is mixed.

The IEP program has also performed well in achieving outputs, including training tens of thousands of Afghans who participated in elections as political party or coalition members and election observers. Furthermore, IEP implemented civil and voter education programs that reached hundreds of thousands of people. However, there is no persuasive evidence that these outputs have influenced the achievement of higher-level results such as increased citizen awareness of the electoral process or a stronger democratic political party system.

The audit report included a finding on the results of the STEP program, as summarized above. It also discussed some longer-term issues that need to be addressed to better ensure credible elections, including legal reforms to protect the independence of the IEC and ECC, reform of the “single non-transferable vote” system of representation, actions to make Afghanistan’s electoral system more sustainable, and a more reliable voter registry. In addition, contractor performance reviews for the STEP program were not prepared, a rural radio program was not implemented, unreasonable security costs were charged to USAID, a program implementer missed opportunities to consolidate support functions to reduce expenses, and the implementer did not properly mark USAID-funded publications.

The audit report included nine recommendations to help address these issues, and USAID/Afghanistan was in general agreement with the recommendations.
Review of USAID/Afghanistan’s Portion of the Embassy Air Program

USAID OIG conducted this review to determine whether the USAID/Afghanistan-funded portion of the Embassy Air program was achieving its main goal of providing safe and reliable air service to enable USAID to supply critical transportation and freight services in support of Provincial Reconstruction Teams (PRTs) and other U.S. government development assistance programs in Afghanistan. The review found that USAID/Afghanistan’s portion of the Embassy Air program was providing safe and reliable air service in support of PRTs and other U.S. development assistance programs in Afghanistan. The review also found areas in which the Embassy Air program could be improved:

- No-show passengers increased costs to the government.
- The environmental requirements in the contract with Aircraft Charter Solutions Inc. are ambiguous.
- Unapproved international travel by contractor employees led to questioned costs.
- The contractor did not meet branding and marking requirements.
- The contractor did not provide required terminal-to-aircraft transportation.
- The contractor did not report required performance information to USAID.

The report included eight recommendations to address these issues.

ONGOING OVERSIGHT ACTIVITIES

As of June 30, 2011, the participating agencies reported 42 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DoD OIG</td>
<td>D2011-0000JA-0240.000</td>
<td>6/15/2011</td>
<td>Management of Pharmaceuticals Within the Afghan National Security Forces Health System</td>
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<tr>
<td>DoD OIG</td>
<td>D2011-0005PO-0234.000</td>
<td>5/20/2011</td>
<td>Assessment of U.S. and Coalition Plans To Train, Equip, and Field the Afghan Air Force</td>
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<tr>
<td>DoD OIG</td>
<td>D2011-0000AT-0222.000</td>
<td>4/29/2011</td>
<td>Development of Individual Equipment Requirements for the Afghan National Army</td>
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<tr>
<td>DoD OIG</td>
<td>D2011-0005PO-0172.000</td>
<td>2/14/2011</td>
<td>Development of Afghan National Army Logistics Capability</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2011-0005JO-0137.000</td>
<td>1/18/2011</td>
<td>Facilities Management Training Provided Under the National Operations and Maintenance Contracts in Afghanistan</td>
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<tr>
<td>DoD OIG</td>
<td>D2011-0000AS-0153.000</td>
<td>1/11/2011</td>
<td>Pricing and Oversight of the Afghan National Army Air Corps Pilot and English Language Training Task Order</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2011-0000FR-0089.000</td>
<td>11/30/2010</td>
<td>Internal Controls Over Distribution and Reconciliation of Funds for the Afghanistan National Army Payroll</td>
</tr>
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</table>
### Ongoing Oversight Activities of Other U.S. Agencies, as of June 30, 2011

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<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
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<tr>
<td>DoD OIG</td>
<td>D2011-D0001A-0075.000</td>
<td>11/2/2010</td>
<td>DoD Oversight of the Northern Distribution Network</td>
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<tr>
<td>DoD OIG</td>
<td>D2011-D000AS-0030.000</td>
<td>10/1/2010</td>
<td>Management and Oversight for DoD Acquisition and Support of Non-Standard Rotary Wing Aircraft</td>
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<tr>
<td>DoD OIG/DoS OIG</td>
<td>D2011-D000JA-0009.000</td>
<td>9/30/2010</td>
<td>Afghan National Police Training Program (joint audit)</td>
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<tr>
<td>DoD OIG</td>
<td>D2010-D00OFL-0276.000</td>
<td>9/2/2010</td>
<td>Controls Over the Reporting and Propriety of Commander’s Emergency Response Program Payments in Afghanistan</td>
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<tr>
<td>DoD OIG</td>
<td>D2010-D000JO-0229.000</td>
<td>6/14/2010</td>
<td>Construction of the Detention Facility in Parwan, Afghanistan</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2009-D00SPO-0115.000</td>
<td>12/17/2008</td>
<td>U.S. and Coalition Efforts To Develop the Medical Sustainment Capability of the Afghan National Security Forces</td>
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<td>DoS OIG/</td>
<td>11AUD3003</td>
<td>10/2010</td>
<td>Afghanistan Civilian Uplift (joint audit)</td>
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<td>GAO</td>
<td>120976</td>
<td>3/31/2011</td>
<td>State Contracting for Conflicted Countries</td>
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<td>GAO</td>
<td>351603</td>
<td>3/1/2011</td>
<td>Intelligence, Surveillance, and Reconnaissance (ISR) Collection and Tasking Management</td>
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<td>GAO</td>
<td>351617</td>
<td>3/1/2011</td>
<td>Biometrics, Last Tactical Mile</td>
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<td>GAO</td>
<td>320851</td>
<td>2/20/2011</td>
<td>U.S. and International Programs to Screen and Conduct Afghan Security Personnel and Recruits</td>
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<tr>
<td>GAO</td>
<td>351616</td>
<td>2/20/2011</td>
<td>DoD Oversight of Private Security Contractors in Afghanistan</td>
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<tr>
<td>GAO</td>
<td>351552</td>
<td>12/9/2010</td>
<td>Marine Corps Equipping Strategies To Reset Equipment</td>
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<tr>
<td>GAO</td>
<td>320815</td>
<td>11/5/2010</td>
<td>Afghan Capacity Building To Manage Budget and Finances</td>
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<td>GAO</td>
<td>351525</td>
<td>8/26/2010</td>
<td>DoD Task Force for Business and Stability Operations</td>
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<tr>
<td>GAO</td>
<td>351514</td>
<td>8/4/2010</td>
<td>Army Advise and Assist Brigades</td>
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<td>GAO</td>
<td>320794</td>
<td>7/21/2010</td>
<td>Accountability of U.S. Direct Assistance to Afghanistan</td>
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<td>GAO</td>
<td>320766</td>
<td>5/3/2010</td>
<td>U.S. Civilian Presence in Afghanistan</td>
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<td>GAO</td>
<td>351492</td>
<td>4/30/2010</td>
<td>Afghanistan Logistics Support</td>
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<td>USAID OIG</td>
<td>Not Provided</td>
<td>2Q/FY11</td>
<td>Commander’s Emergency Response Program-Afghanistan</td>
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<tr>
<td>USAID OIG</td>
<td>Not Provided</td>
<td>3Q/FY11</td>
<td>Audit of Assistance to the Ministry of Public Health in Support of the Partnership Contracts for Health Program</td>
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<tr>
<td>USAID OIG</td>
<td>Not Provided</td>
<td>3Q/FY11</td>
<td>Review of Responses to Internal Audit Findings on the Local Governance and Community Development (LGCD) Program</td>
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<tr>
<td>USAID OIG</td>
<td>Not Provided</td>
<td>3Q/FY11</td>
<td>Audit of Internal Controls over the Separate Maintenance Allowance at USAID/Afghanistan</td>
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<tr>
<td>USAID OIG</td>
<td>Not provided</td>
<td>2Q/FY11</td>
<td>Audit of USAID/Afghanistan’s Afghanistan Stabilization Initiative – Southern Region</td>
</tr>
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</table>

U.S. Department of Defense Office of Inspector General

DoD continues to face many challenges in executing its Overseas Contingency Operations (OCO). The Department of Defense Office of Inspector General (DoD OIG) has identified priorities based on those challenges and high risks and has responded by expanding its coverage of OCO operations and its presence in Southwest Asia. Matching DoD’s current Southwest Asia operational tempo and focus, the DoD OIG primary oversight focus is operations in Afghanistan while maintaining the necessary oversight in Iraq and its remaining operations.

The DoD OIG–led Southwest Asia Joint Planning Group coordinates and deconflicts federal and DoD OCO–related oversight activities. The Group held its 17th meeting in May 2011.

DoD OIG’s ongoing Operation Enduring Freedom (OEF)–related oversight addresses the safety of personnel with regard to construction efforts, force protection programs for U.S. personnel, accountability of property, improper payments, contract administration, distribution and reconciliation of funds for the ANA payroll, oversight of the contract for training the Afghan police, logistical distribution within Afghanistan, information operations, armoring capabilities, and acquisition planning and controls over funding for the Afghan National Security Forces (ANSF).

For the third quarter of fiscal year (FY) 2011, DoD OIG had 40 ongoing oversight activities and issued 7 reports that support OEF. Of those 40 ongoing projects, 18 directly relate to reconstruction or security operations in Afghanistan and are incorporated in this quarterly report. Of the 7 reports issued, 2 directly relate to reconstruction or security operations in Afghanistan as defined by SIGAR.

Management of Pharmaceuticals Within the Afghan National Security Forces Health System
(Project No. D2011-D000JA-0240.000, Initiated 6/15/2011)

DoD OIG is determining the effectiveness of pharmaceutical distribution within the Afghan National Security Forces health care system. Specifically, DoD OIG will evaluate the procurement, delivery, and inventory control processes for pharmaceuticals at ANSF medical facilities and depots.

Assessment of U.S. and Coalition Plans To Train, Equip, and Field the Afghan Air Force
(Project No. D2011-D00SPO-0234.000, Initiated 5/20/2011)

DoD OIG is determining whether U.S. government and coalition forces goals, objectives, plans, and guidance to train, equip, and field a viable and sustainable Afghan Air Force are prepared, issued, operative, and relevant.
Development of Individual Equipment Requirements for the Afghan National Army
(Project No. D2011-D000AT-0222.000, Initiated 4/29/2011)
DoD OIG is determining whether the development process for ANA individual equipment requirements was adequate. Specifically, DoD OIG will determine the adequacy of the acquisition, sustainment, and training requirements established for individual equipment items for the ANA.

Accountability for Night Vision Devices Procured for the Afghan National Security Forces
(Project No. D2011-D000AT-0221.000, Initiated 4/29/2011)
DoD OIG is evaluating the accountability for night vision devices and associated spare parts procured for the ANSF.

Fees and Surcharges on Intragovernmental Orders Funded by Afghanistan Security Forces Fund Appropriations
(Project No. D2011-D000FD-0121.000, Initiated March 30, 2011)
DoD OIG is determining what fees and surcharges DoD Components charge on intragovernmental orders funded by Afghanistan Security Forces Fund appropriations. DoD OIG will also evaluate whether the cost data exist to support those charges.

Development of Afghan National Army Logistics Capability
(Project No. D2011-D00SPO-0172.000, Initiated February 14, 2011)
DoD OIG is determining whether planning and operational implementation of efforts by U.S./coalition forces to train, advise, and assist in the development of an enduring logistics sustainability capability for the ANA is effective. This includes evaluating output/outcome in ANA logistical and operational organizations resulting from U.S./coalition involvement in developing Ministry of Defense (MoD)/ANA logistics support processes. In addition, DoD OIG will determine whether plans, training, preparation, and designated missions of International Security Assistance Force (ISAF)/U.S. Forces - Afghanistan, NTM-A/CSTC-A, and ISAF Joint Command to train, advise, and assist in the development of an enduring logistics sustainability capability for the ANA are integrated across all levels of U.S./coalition commands/staffs, as well as with the MoD, and address ANA operational needs.

Facilities Management Training Provided Under the National Operations and Maintenance Contracts in Afghanistan
(Project No. D2011-D000JO-0137.000, Initiated January 18, 2011)
DoD OIG is determining whether the vocational training provided under the National Operations and Maintenance contracts is effective in developing the infrastructure maintenance capabilities of the ANSF.
Pricing and Oversight of the Afghan National Army Air Corps Pilot and English Language Training Task Order
(Project No. D2011-D000AS-0153.000, Initiated January 11, 2011)

DoD OIG is conducting the second in a series of audits relating to the Warfighter Field Operations Customer Support (FOCUS) contract. In this second review, DoD OIG is determining whether the U.S. Army Program Executive Office for Simulation, Training, and Instrumentation obtained fair and reasonable prices for the goods and services on the ANA Air Corps Pilot and English Language Training task order and appropriately defined contractor surveillance and oversight processes and procedures for the task order.

Procurement of High-Mobility Multipurpose Wheeled Vehicles and Troop Enclosures for the Afghan National Security Forces
(Project No. D2011-D000AS-0133.000, Initiated January 3, 2011)

DoD OIG is determining whether the program and contracting officials are effectively and efficiently procuring high-mobility multipurpose wheeled vehicles and troop enclosures.

Internal Controls Over Distribution and Reconciliation of Funds for the Afghanistan National Army Payroll
(Project No. D2011-D000FR-0089.000, Initiated November 30, 2010)

DoD OIG is determining whether adequate controls are in place to ensure that NTM-A/CSTC-A is distributing DoD funds accurately and timely to the Afghan ministries for the ANA payroll. In addition, DoD OIG is determining whether NTM-A/CSTC-A has implemented an adequate mentoring process to assist Afghan ministries in providing accurate payments to ANA personnel.

Requirements Development Process for Military Construction Projects in Afghanistan
(Project No. D2011-D000JB-0068.000, Initiated November 17, 2010)

DoD OIG is evaluating the requirements development process for military construction projects in Afghanistan. Specifically, DoD OIG is determining whether the requirements development process results in statements of work that clearly define required results, has measurable outcomes, and meets DoD needs.

DoD Oversight of the Northern Distribution Network
(Project No. D2011-D000JA-0075.000, Initiated November 2, 2010)

DoD OIG is assessing DoD oversight of the Northern Distribution Network and evaluating the ability of DoD to plan, coordinate, and execute sustainment operations for Afghanistan through the Northern Distribution Network.
Management and Oversight for DoD Acquisition and Support of Non-Standard Rotary Wing Aircraft  
(Project No. D2011-D000AS-0030.000, Initiated October 1, 2010)

DoD OIG is determining whether DoD officials properly and effectively managed the acquisition and support of non-standard rotary wing aircraft, such as the Russian Mi-17 aircraft, to include those acquired using the Afghanistan Security Forces Fund or any DoD-related requirements. Multiple projects may be initiated under this objective.

Afghan National Police Training Program (joint audit)  
(Project No. D2011-D000JA-0009.000 [DoS 11AUD3001], Initiated September 30, 2010)

DoD OIG and DoS OIG are performing this joint audit to meet an anticipated requirement in the FY 2011 National Defense Authorization Act that will require DoD OIG, in consultation with DoS OIG, to issue a report on the Afghan National Police (ANP) Training Program. The audit is evaluating DoD and DoS efforts to transfer contract administration for the ANP Program. Specifically, DoD OIG/DoS OIG will assess the cost, performance measures, and planning efforts associated with the transfer to ensure enhanced contract oversight, adequate funding and support, and effective program management. The joint team also plans to follow up on the joint DoD OIG Report No. D-2010-042 and DoS OIG Report No. MERO-A-10-6, “Department of Defense Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police,” February 9, 2010.

Controls Over the Reporting and Propriety of Commander’s Emergency Response Program Payments in Afghanistan  
(Project No. D2010-D000FL-0276.000, Initiated September 2, 2010)

DoD OIG is determining whether the internal controls over CERP payments made to support operations in Afghanistan are adequate. Specifically, DoD OIG will review the controls to ensure payments are proper and that complete, accurate, and meaningful data is reported to those decision-makers responsible for managing the CERP. This audit is the second in a series of audits that addresses the internal controls over the CERP payments made to support operations in Afghanistan.

(Project No. D2010-D000JA-0165.001, Initiated June 21, 2010)

DoD OIG is determining whether the security provisions of a U.S. Army Intelligence and Security Command contract for linguist support in Afghanistan (W911W4-07-D-0010) were implemented effectively. This project is one in a series of reviews regarding linguist support in Afghanistan. Project D2010-D000JA-0165.000 addresses whether contract for linguist support in Afghanistan (W911W4-07-D-0010) included appropriate security provisions.
Construction of the Detention Facility in Parwan, Afghanistan
(Project No. D2010-D000JO-0229.000, Initiated June 14, 2010)
DoD OIG is determining whether the U.S. Army Corps of Engineers (USACE) and USFOR-A procured construction services and administered the construction contract for the Detention Facility in Parwan, Afghanistan, in accordance with the Federal Acquisition Regulation and other applicable laws and regulations. Specifically, DoD OIG will determine whether USACE properly monitored contractor performance during construction of the Detention Facility in Parwan and whether USACE has taken or should take recourse against the contractor because of potential latent defects, negligence, or fraud.

U.S. and Coalition Efforts To Develop the Medical Sustainment Capability of the Afghan National Security Forces
(Project No. D2009-D00SPO-0115.000, Initiated December 17, 2008)
DoD OIG is determining whether U.S. government, coalition, and Afghan MoD and MoI goals, objectives, plans, and guidance to develop and sustain the current and projected ANSF health care system are issued and operative.

Department of State Office of Inspector General

Audit of the Afghan National Police Training Program (Joint Audit)
(Project No. 11AUD3001 [DoD D2011-D000JA-0009.000], Initiated September 30, 2010)
Objectives: Per an anticipated requirement in the FY 2011 National Defense Authorization Act that will require DoD OIG, in consultation with DoS OIG, to issue a report on the ANP training program, DoS OIG’s objective is to evaluate DoD and DoS efforts to transfer contract administration for the ANP program. Specifically, DoS OIG will assess the cost, performance measures, and planning efforts associated with the transfer to ensure enhanced contract oversight, adequate funding and support, and effective program management. DoS OIG also plans to follow up on the joint DoD OIG Report No. D-2010-042 and DoS OIG Report No. MER-0-A-10-6, “Department of Defense Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police,” February 9, 2010.

Afghanistan Civilian Uplift (Joint Audit)
(Project No. 11AUD3003, Initiated October 2010)
Objective: The objective of this audit is to determine the costs of the civilian uplift in Afghanistan, including how much has been spent to date (2009 to present) and an estimate of how much it will cost to sustain the effort (present through 2012). The work will focus on the costs associated with the hiring, training, deployment, and necessary life and operational support of civilian uplift personnel assigned to Afghanistan.
U.S. Department of State Office of Inspector General – Middle East Regional Office

Evaluation of the Bureau of International Narcotics and Law Enforcement Affairs’ Justice Sector Support Program Assistance to the Attorney General’s Anti-Corruption Unit in Afghanistan (Contract Evaluation)
(Project No. 11-MERO-3013, Initiated February 2011)

This evaluation will determine (1) the amount of funding DoS has obligated and expended; (2) how DoS ensures that costs are properly allocated and supported; (3) to what extent DoS’s anti-corruption mentoring and justice sector support program assistance has achieved its objectives and the impediments; and (4) the effectiveness of the U.S. Embassy Kabul in managing and overseeing the assistance program.

Limited-Scope Review of the Needs Assessments and Facilities Conditions for Newly Developed Department of State Positions in Afghanistan (Program Evaluation)
(Project No. 11-MERO-3007, Initiated December 2010)

The primary objectives of this evaluation are to determine (1) the degree to which DoS conducted needs assessments to identify, develop, and staff new positions at the U.S. Embassy Kabul and its constituent posts; and (2) whether available office facilities and housing or that already provided to staff filling these new positions are adequate, safe, and secure.

(Project No. 11-MERO-3003, Initiated October 2010)

The primary objectives of this evaluation are to determine (1) the requirements and provisions of the contract; (2) the amount of funding DoS has obligated and expended to provide facility operations and maintenance; (3) DynCorp’s contract performance in providing facility operations and maintenance to the Major Crimes Task Force at Camp Falcon; and (4) how DoS ensures that costs incurred are properly allocated and supported.
Review of the Bureau of Population, Refugees, and Migration (PRM) Program Effectiveness to Reintegrate and Resettle Afghan Refugees (Program Evaluation)
(Project No. 11-MERO-3004, Initiated September 2010)

The objectives of this performance audit are to determine (1) the requirements and provisions of agreements with the United Nations High Commissioner for Refugees, the International Committee for the Red Cross, and non-governmental organizations; (2) how assistance requirements were calculated, (3) whether assistance reached intended targets, (3) if program performance measures were established and achieved; and (4) the effectiveness of the U.S. Embassy Kabul and Provincial Reconstruction Teams to manage and coordinate the humanitarian response in Afghanistan.

Government Accountability Office

Review of Joint Report on Contracting in Iraq and Afghanistan
(Project No. 120974, Initiated April 1, 2011)

This review will focus on (1) assessing the data and data sources used by DoD, DoS, and USAID to produce a joint report regarding contracts with performance in Iraq or Afghanistan, associated personnel, and related matters; (2) reviewing how DoD, DoS, and USAID are using the data and data sources used to develop the joint report in managing, overseeing, and coordinating contracting in the two countries; and (3) assessing the plans the departments and agency have for strengthening or improving their common databases for tracking statutorily required information on contracts and associated personnel.

State Contracting for Conflict Countries
(Project No. 120976, Initiated March 31, 2011)

This review will focus on assessing (1) the organizational alignment of DoS’s acquisition functions with its missions and needs; (2) DoS’s acquisition workforce, both in terms of number of personnel and their expertise; (3) DoS’s use and management of contracts awarded and/or administered on its behalf by other federal departments or agencies; (4) the statutory and regulatory authorities available for use in conflict environments; and (5) the efforts planned or underway to enhance the capacity of DoS’s acquisition workforce and reform its acquisition practices and processes.
Intelligence, Surveillance, and Reconnaissance (ISR) Collection and Tasking Management  
(Project No. 351603, Initiated March 1, 2011)  
This review will focus on (1) assessing the data and data sources used by DoD, DoS, and USAID to produce a joint report regarding contracts with performance in Iraq or Afghanistan, associated personnel, and related matters; (2) reviewing how DoD, DoS, and USAID are using the data and data sources used to develop the joint report in managing, overseeing, and coordinating contracting in the two countries; and (3) assessing the plans the departments and agency have for strengthening or improving their common databases for tracking statutorily required information on contracts and associated personnel.

Biometrics, Last Tactical Mile  
(Project No. 351617, Initiated March 1, 2011)  
GAO will examine (1) the extent to which DoD biometrics policies and practices are implemented in predeployment training and in theater, and the adequacy of these policies/practices; (2) the extent to which DoD biometrics equipment is meeting operational needs (e.g., communication, supply, and maintenance); and (3) DoD efforts to achieve efficiencies pertaining to biometrics collection and information management.

U.S. and International Programs To Screen and Conduct Afghan Security Personnel and Recruits  
(Project No. 320851, Initiated February 20, 2011)  
This review will examine (1) To what extent are recruits and other ANA-ANP personnel vetted or screened by the U.S. government for ties to criminal, terrorist, or insurgent forces? (2) What challenges to these efforts exist, if any, and how have U.S. agencies addressed these challenges? (3) To what extent have DoD and DoS modified screening procedures in response to attacks? (4) What, if any, safeguards are in place to protect U.S. personnel training or working with ANA/ANP forces?

DoD Oversight of Private Security Contractors in Afghanistan  
(Project No. 351616, Initiated February 20, 2011)  
GAO intends to examine to what extent (1) DoD has a process to determine if the use of private security contractors (PSCs) in Afghanistan to meet specific missions is appropriate; (2) DoD has a process to ensure that PSCs in Afghanistan are selecting personnel with appropriate backgrounds, training, and capabilities; (3) DoD has established a process to ensure that private security prime contractors and subcontractors are performing their duties in Afghanistan; and (4) DoD has begun to formulate plans to meet security requirements in Afghanistan without the use of PSCs.
OTHER AGENCY OVERSIGHT

**Marine Corps Equipping Strategies To Reset Equipment**  
(Project No. 351552, Initiated December 9, 2010)  
This review will focus on the extent to which (1) the Marine Corps has a strategy in place to manage the reset of ground and aviation equipment returning from Iraq and Afghanistan; (2) the Marine Corps’ strategy for resetting equipment is aligned with the Marine Corps’ plan for force modernization; (3) the Marine Corps is able to determine the total reset costs for equipment used in operations in Iraq and Afghanistan; and (4) the Marine Corps’ budget request from FY 2009 to FY 2012 for equipment reset is consistent with budget guidance.

**Afghan Capacity Building To Manage Budget and Finances**  
(Project No. 320815, Initiated November 5, 2010)  
This review will focus on (1) identifying Afghanistan's national budget (revenues, expenditures) and budgetary shortfall; (2) U.S. efforts to build Afghan capacity to manage and oversee the budget and build a sound financial management system, and the extent to which these efforts are aligned with Afghan and international community goals; and (3) the extent to which U.S. efforts improved the capacity of the Government of the Islamic Republic of Afghanistan (GIRoA) to manage and oversee its budget and develop a sound financial management system.

**DoD Task Force for Business and Stability Operations**  
(Project No. 351525, Initiated August 26, 2010)  
This review will focus on the extent to which (1) the mission of the Task Force has changed since 2006 and whether DoD developed plans to institutionalize the Task Force's mission and expand its scope to other countries; (2) DoD has evaluated the Task Force's activities, including establishing goals and metrics to measure outcomes; (3) the Task Force coordinates its activities with other programs; and (4) the Task Force's activities are similar or dissimilar to other programs, and whether opportunities exist to achieve greater efficiencies among programs.

**Army Advise and Assist Brigades**  
(Project No. 351514, Initiated August 4, 2010)  
The Army is augmenting certain brigade combat teams with additional leaders to advise and assist Iraqi and Afghan security forces. This review will focus on (1) the extent to which Army has defined the roles and missions of augmented brigade combat teams; (2) the extent to which Army has defined the training and resourcing requirements for augmented brigade combat teams, and the extent to which the Army and DoD have assessed their use for security force assistance; and (3) the extent to which Army has been able to fill the requirements for augmented brigade combat teams and what impacts, if any, this is having on reported Army readiness.
Accountability of U.S. Direct Assistance to Afghanistan
(Project No. 320794, Initiated July 21, 2010)
This review will focus on the extent to which the United States has provided direct assistance to the GIRoA, established key control elements to help ensure financial accountability over direct assistance provided bilaterally to Afghan ministries, and established key control elements to help ensure financial accountability over direct assistance provided through multilateral trust funds to Afghan ministries.

U.S. Civilian Presence in Afghanistan
(Project No. 320766, Initiated May 3, 2010)
This review will focus on the extent to which and the processes through which U.S. agencies are prioritizing and fulfilling staffing requirements for the civilian surge in Afghanistan, and the steps U.S. agencies have taken to prepare their personnel for deployment.

Afghanistan Logistics Support
(Project No. 351492, Initiated April 30, 2010)
This review will focus on (1) the extent to which DoD has provided the personnel, equipment, and supplies needed to support operations in Afghanistan in accordance with DoD’s established plans and timeline; (2) the factors, if any, that have impacted DoD’s ability to provide the personnel, equipment, and supplies needed to support operations in Afghanistan, and how DoD has addressed these factors; and (3) the extent to which DoD has established a clear chain of command for the transportation of personnel, supplies, and equipment into and around Afghanistan.

U.S. Army Audit Agency

Commander’s Emergency Response Program - Afghanistan
(Project Code A-2011-ALL-0342.000, Initiated 2Q/FY11)
This audit will determine whether (1) the established project review and approval processes for the Commander’s Emergency Response Program (CERP) in Afghanistan promote selection of projects in compliance with its stated goals of providing immediate benefit to the Afghan people and (2) the process for generating CERP funding requirements was fully supported by the approved project list.
U.S. Agency for International Development
Office of Inspector General

**Audit of Assistance to the Ministry of Public Health in Support of the Partnership Contracts for Health Program**
(Initiated 3Q/FY11)
Objective: To determine whether the Ministry of Public Health, with USAID/Afghanistan’s assistance, was implementing standardized packages of health services that contribute to meeting Afghanistan’s national health objectives.

**Review of Responses to Internal Audit Findings on the Local Governance and Community Development (LGCD) Program**
(Initiated 3Q/FY11)
Objective: To determine if selected costs charged to USAID are reasonable, allowable, and allocable.

**Audit of Internal Controls over the Separate Maintenance Allowance at USAID/Afghanistan**
(Initiated 3Q/FY11)
Objective: To determine whether USAID/Afghanistan has adopted appropriate internal controls to prevent improper use of the separate maintenance allowance benefit.

**Audit of USAID/Afghanistan’s Afghanistan Stabilization Initiative–Southern Region**
(Initiated 2Q/FY11)
Objective: To determine if the USAID’s Afghanistan Stabilization Initiative–Southern Region program is building confidence between communities and the GIRoA.

**Review of USAID/Afghanistan’s Afghan Civilian Assistance Program**
(Initiation date not provided)
Objective: To follow up on indications of waste and fraud reported by evaluators performing a final evaluation of the Afghan Civilian Assistance Program.
INVESTIGATIONS
DoS OIG reported 10 open cases in Afghanistan for its Office of Investigations as of June 30, 2011.

INSPECTIONS
DoS OIG Inspections issued one inspection report on Afghanistan this quarter.

Embassy Kabul Inspection Compliance Follow-up Review (CFR)
Follow up on compliance with recommendations made in DoS OIG/ISP inspection of the U.S. Embassy Kabul (ISP-I-10-32A, February 2010) to (a) close out recommendations and/or (b) reissue recommendations that address conditions that still exist.
The Official Seal of SIGAR
The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal's center is in Dari and means “SIGAR.” The phrase along the bottom side of the seal's center is in Pashtu and has the same meaning.
### APPENDIX A

**CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS**

This appendix cross-references the pages of this report to the quarterly reporting and related requirements under SIGAR's enabling legislation, the National Defense Authorization Act for Fiscal Year 2008, P.L. No. 110-181, § 1229 (Table A.1).

#### TABLE A.1

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Section</th>
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</thead>
<tbody>
<tr>
<td>Supervision</td>
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<tr>
<td>Section 1229(e)(1)</td>
<td>The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense</td>
<td>Report to the Secretary of State and the Secretary of Defense</td>
<td>All sections</td>
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<td>Duties</td>
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<td>Section 1229(f)(1)</td>
<td>OVERSIGHT OF AFGHANISTAN RECONSTRUCTION.— It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out utilizing such funds, including subsections (A) through (G) below.</td>
<td>Review appropriated/available funds</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(1)(A)</td>
<td>The oversight and accounting of the obligation and expenditure of such funds</td>
<td>Review obligations and expenditures of appropriated/available funds</td>
<td>SIGAR Oversight Funding</td>
</tr>
<tr>
<td>Section 1229(f)(1)(B)</td>
<td>The monitoring and review of reconstruction activities funded by such funds</td>
<td>Review reconstruction activities funded by appropriations and donations</td>
<td>SIGAR Oversight</td>
</tr>
<tr>
<td>Section 1229(f)(1)(C)</td>
<td>The monitoring and review of contracts funded by such funds</td>
<td>Review contracts using appropriated and available funds</td>
<td>Note 1</td>
</tr>
<tr>
<td>Section 1229(f)(1)(D)</td>
<td>The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities</td>
<td>Review internal and external transfers of appropriated/available funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(f)(1)(E)</td>
<td>The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]</td>
<td>Maintain audit records</td>
<td>SIGAR Oversight Appendix B Appendix C Appendix D</td>
</tr>
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TABLE A.1 (CONTINUED)

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<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Section</th>
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<tbody>
<tr>
<td>Section 1229(f)(1)(F)</td>
<td>The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy</td>
<td>Monitoring and review as described</td>
<td>Audits</td>
</tr>
<tr>
<td>Section 1229(f)(1)(G)</td>
<td>The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.</td>
<td>Conduct and reporting of investigations as described</td>
<td>Investigations</td>
</tr>
<tr>
<td>Section 1229(f)(2)</td>
<td>OTHER DUTIES RELATED TO OVERSIGHT.—The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)</td>
<td>Establish, maintain, and oversee systems, procedures, and controls</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(3)</td>
<td>DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978.—In addition, . . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978</td>
<td>Duties as specified in Inspector General Act</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(4)</td>
<td>COORDINATION OF EFFORTS.—The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development</td>
<td>Coordination with the inspectors general of DoD, DoS, and USAID</td>
<td>Other Agency</td>
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<td>Federal Support and Other Resources</td>
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<td>Section 1229(h)(5)(A)</td>
<td>ASSISTANCE FROM FEDERAL AGENCIES.—Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee</td>
<td>Expect support as requested</td>
<td>All sections</td>
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## TABLE A.1 (CONTINUED)

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
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<tr>
<td>Section 1229(h)(5)(B)</td>
<td>REPORTING OF REFUSED ASSISTANCE.—Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.</td>
<td>None reported</td>
<td>N/A</td>
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<td><strong>Reports</strong></td>
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<tr>
<td>Section 1229(i)(1)</td>
<td>QUARTERLY REPORTS.—Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –</td>
<td>Report – 30 days after the end of each calendar quarter</td>
<td>All sections Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(A)</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(B)</td>
<td>A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program</td>
<td>Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program</td>
<td>Funding Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(1)(C)</td>
<td>Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of donor funds</td>
<td>Funding</td>
</tr>
<tr>
<td>Public Law Section</td>
<td>SIGAR Enabling Language</td>
<td>SIGAR Action</td>
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<td>Section 1229(i)(1)(D)</td>
<td>Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of funds from seized or frozen assets</td>
<td>Funding</td>
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<tr>
<td>Section 1229(i)(1)(E)</td>
<td>Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan</td>
<td>Operating expenses of agencies or any organization receiving appropriated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(F)</td>
<td>In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* — (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition</td>
<td>Describe contract details</td>
<td>Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(3)</td>
<td>PUBLIC AVAILABILITY.— The Inspector General shall publish on a publicly-available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan</td>
<td>Publish report as directed</td>
<td><a href="http://www.sigar.mil">www.sigar.mil</a> Dari and Pashtu translation in process</td>
</tr>
<tr>
<td>Section 1229(i)(4)</td>
<td>FORM.— Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary</td>
<td>Publish report as directed</td>
<td>All sections</td>
</tr>
</tbody>
</table>
### APPENDIX B

#### U.S. GOVERNMENT APPROPRIATED FUNDS ($ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of June 30, 2011.

<table>
<thead>
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<th>U.S. FUNDING SOURCES</th>
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**TOTAL FUNDING** 72,668.43

Notes: Numbers affected by rounding. Updated data resulted in minor differences in appropriation amounts from figures reported last quarter.

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APPENDIX C
SIGAR AUDITS

Completed Audits
During this reporting period, SIGAR completed five audits and a special report to the Congress, as listed in Table C.1.

<table>
<thead>
<tr>
<th>Report Identifier</th>
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<tr>
<td>SIGAR Audit 11-11</td>
<td>USAID's Kabul Community Development Program Largely Met the Agreement's Terms, but Progress Toward Long-Term Goals Needs to Be Better Tracked</td>
<td>7/2011</td>
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<td>SIGAR Audit 11-12</td>
<td>U.S. Agencies Have Provided Training and Support to Afghanistan's Major Crimes Task Force, but Funding and Reimbursement Issues Need to Be Addressed</td>
<td>7/2011</td>
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<td>SIGAR Audit 11-13</td>
<td>Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts to Develop the Afghan Financial Sector and Safeguard U.S. Cash</td>
<td>7/2011</td>
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<td>SIGAR Audit 11-14</td>
<td>The World Bank and the Afghan Government Have Established Mechanisms to Monitor and Account for Funds Contributed to the Afghanistan Reconstruction Trust Fund, but Some Limitations and Challenges Should Be Addressed</td>
<td>7/2011</td>
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<td>SIGAR Audit 11-15</td>
<td>Weaknesses in the USACE Defense Base Act Insurance Program Led to as Much as $58.5 Million in Refunds Not Returned to the U.S. Government and Other Problems</td>
<td>7/2011</td>
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<td>SIGAR Audit 11-ISP</td>
<td>Analysis of Recommendations Concerning Contracting in Afghanistan, as Mandated by Section 1219 of the Fiscal Year 2011 NDAA (Special Report to Congress)</td>
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New Audits
During this reporting period, SIGAR initiated four new audits, as listed in Table C.2.

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<tr>
<td>SIGAR Audit-48A</td>
<td>Reliability of Funding and Contract Data Maintained by the U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC) on Prime Vendors for Major Reconstruction Contracts in Afghanistan</td>
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Ongoing Audits
SIGAR has 10 audits in progress, as listed in Table C.3.

TABLE C.3

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<td>SIGAR 043A</td>
<td>Implementation of the Afghan First Initiative for Contracting</td>
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<td>SIGAR 041A</td>
<td>USAID Contracts for Local Governance and Community Development Projects</td>
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<td>SIGAR 040A</td>
<td>Construction at the Afghan National Security University</td>
<td>1/3/2011</td>
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<td>SIGAR 039A</td>
<td>Construction at the Kabul Military Training Center</td>
<td>11/30/2010</td>
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<td>SIGAR 031A</td>
<td>Accountability for ANSF Vehicles</td>
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<td>SIGAR 035A</td>
<td>U.S. Assistance To Develop Afghanistan’s Capacity in the Agriculture Sector</td>
<td>10/15/2010</td>
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<td>SIGAR 034A</td>
<td>Costs and Sustainability of the U.S. Civilian Uplift in Afghanistan</td>
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<td>SIGAR 017A</td>
<td>Private Security Support Services (I)</td>
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Forensic Audits
SIGAR has three forensic audits in progress, as listed in Table C.4.

TABLE C.4

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<td>SIGAR 027A</td>
<td>Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction</td>
<td>6/24/2010</td>
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<td>SIGAR 026A</td>
<td>Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction</td>
<td>6/24/2010</td>
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<td>SIGAR 022A</td>
<td>Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction</td>
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APPENDIX D
SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations
This quarter, SIGAR opened 29 new investigations and closed 15, bringing the total number of open investigations to 89. Of those new investigations, most involved procurement/contract fraud and corruption, as shown in Figure D.1. Of the 15 closed investigations, 4 resulted in legal action, including 2 that were referred for suspension and debarment, as shown in Figure D.2.

FIGURE D.2
SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, APRIL 1–JUNE 30, 2011

Unsubstantiated Lack of Prosecutorial Merit Suspension and Debarment Closed Pending Arrest\(^a\) Closed Pending Adjustment\(^b\)

Total: 15

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<td>Suspension and Debarment</td>
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<tr>
<td>Closed Pending Adjustment(^b)</td>
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a. Closed pending the arrest of an Afghan citizen by Afghan authorities.
b. Closed pending equitable adjustment with the government.

Source: SIGAR Investigations Directorate, 7/1/2011.

SIGAR Hotline
Of the 71 Hotline complaints received this quarter, most were received by e-mail or telephone, as shown in Figure D.3. The status of these complaints is shown in Figure D.4. Since its inception in 2009, the SIGAR Hotline has received and processed 637 complaints.

FIGURE D.3
SOURCE OF SIGAR HOTLINE COMPLAINTS, APRIL 1–JUNE 30, 2011

Total: 71

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<td>Phone</td>
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Source: SIGAR Investigations Directorate, 7/1/2011.

FIGURE D.4
STATUS OF SIGAR HOTLINE COMPLAINTS: APRIL 1–JUNE 30, 2011

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a. The SIGAR Hotline Complaint Management System pushes Hotline complaints directly to agents, who have 30 days to conduct preliminary investigative work and report to the Hotline with appropriate information and guidance for administrative tracking.

# APPENDIX E
## ABBREVIATIONS AND ACRONYMS

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<td>ACT</td>
<td>Accountability and Transparency Project</td>
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<td>Anti-Corruption Unit</td>
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<td>Air Force Center for Engineering and the Environment (U.S.)</td>
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<td>AIF</td>
<td>Afghanistan Infrastructure Fund</td>
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<td>AIU</td>
<td>Air Interdiction Unit</td>
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<td>ALP</td>
<td>Afghan Local Police</td>
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<td>Afghan National Civil Order Police</td>
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<td>Afghanistan National Development Strategy</td>
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<td>Afghan Public Protection Force</td>
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<td>Afghan Peace and Reintegration Program</td>
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<td>Afghanistan Research and Evaluation Unit</td>
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<td>Afghanistan Social Outreach Program (U.S.)</td>
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<td>ASYCUDA</td>
<td>Automated System for Customs Data</td>
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<td>AUAF</td>
<td>American University of Afghanistan</td>
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<td>AUP</td>
<td>Afghan Uniform Police</td>
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<td>Afghanistan Vouchers for Increased Production in Agriculture</td>
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<td>C-JTSCC</td>
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<td>Community Development Program Kabul</td>
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<td>CEFMS</td>
<td>Corps of Engineers Financial Management System</td>
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<td>CERP</td>
<td>Commander’s Emergency Response Program</td>
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<td>CJITF</td>
<td>Combined Joint Interagency Task Force</td>
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<td>Capability Milestone</td>
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## APPENDICES

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<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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<tr>
<td>CNPA</td>
<td>Counter-Narcotics Police - Afghanistan</td>
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<td>CPC</td>
<td>criminal procedure code</td>
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<td>Central Prison Directorate (Afghan)</td>
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<td>Correctional System Support Program</td>
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<td>CSTC-A</td>
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<td>CUAT</td>
<td>Commander's Unit Assessment Tool</td>
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<td>DAB</td>
<td>Da Afghanistan Bank</td>
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<td>DBA</td>
<td>Defense Base Act</td>
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<td>DCC</td>
<td>District Community Council</td>
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<td>DEA</td>
<td>Drug Enforcement Administration (U.S.)</td>
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<td>DFAS</td>
<td>Defense Finance and Accounting Service (U.S.)</td>
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<td>Department of Homeland Security (U.S.)</td>
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<td>DHS-ICE</td>
<td>DHS Immigration and Customs Enforcement</td>
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<td>Department of Defense (U.S.)</td>
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<td>DoD CN</td>
<td>Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S)</td>
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<td>DoS</td>
<td>Department of State (U.S.)</td>
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<td>DoS Office of Inspector General</td>
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<td>Defense Security Cooperation Agency</td>
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<td>District Support Team</td>
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<td>ECF</td>
<td>Extended Credit Facility</td>
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<td>EFT</td>
<td>electronic funds transfer</td>
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<td>Economic Support Fund</td>
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<td>EVAW</td>
<td>Elimination of Violence Against Women law</td>
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<td>FAIDA</td>
<td>Financial Access for Investing in the Development of Afghanistan</td>
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<td>FBI</td>
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<td>Government Accountability Office (U.S.)</td>
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<td>ICCTF</td>
<td>International Contract Corruption Task Force</td>
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<td>IDEA-NEW</td>
<td>Incentives Driving Economic Alternatives for North, East, and West</td>
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<td>IDLG</td>
<td>Independent Directorate of Local Governance (Afghan)</td>
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<td>IDP</td>
<td>internally displaced person</td>
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<td>IEC</td>
<td>Independent Election Commission (Afghan)</td>
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<td>IED</td>
<td>improvised explosive device</td>
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<td>IHR</td>
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<td>International Security Assistance Force Joint Command</td>
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<td>International Monetary Fund</td>
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<td>International Narcotics Control and Law Enforcement (U.S)</td>
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<td>Bureau of International Narcotics and Law Enforcement Affairs (U.S.)</td>
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<td>IRIN</td>
<td>Integrated Regional Information Network</td>
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<tr>
<td>ACRONYM OR ABBREVIATION</td>
<td>DEFINITION</td>
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<tr>
<td>ISAF</td>
<td>International Security Assistance Force</td>
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<td>Joint Coordination and Monitoring Board</td>
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<td>Justice Sector Support Program</td>
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<td>JSU</td>
<td>Judicial Security Unit</td>
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<td>Law and Order Trust Fund for Afghanistan</td>
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<td>Major Crimes Task Force (Afghan)</td>
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<td>Monitoring and Evaluation Committee</td>
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<td>Ministry of Women’s Affairs (Afghan)</td>
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<td>NGO</td>
<td>non-governmental organization</td>
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<td>National Military Academy of Afghanistan</td>
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<td>NATO Training Mission - Afghanistan</td>
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<td>Officer Candidate School</td>
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<td>PFM review</td>
<td>Public Financial Management and Public Internal Financial Control review</td>
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<td>PM/WRA</td>
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<td>PSC</td>
<td>private security contractor</td>
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<td>Rule of Law and Stabilization - Formal program</td>
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<td>solar year</td>
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<td>TAPI pipeline</td>
<td>Turkmenistan-Afghanistan-Pakistan-India pipeline</td>
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<td>TFBSO</td>
<td>Task Force for Business and Stability Operations in Afghanistan</td>
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<td>UNAMA</td>
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<td>WHCA</td>
<td>War Hazards Compensation Act</td>
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12. See Appendix B of this report.


15. DoD, response to SIGAR data call, 7/14/2011.


18. DoD, response to SIGAR data call, 7/14/2011.


31. See Appendix B of this report.

32. USAID, response to SIGAR data call, 7/13/2011.

33. USAID, responses to SIGAR data call, 7/13/2011 and 4/14/2011.

34. DoS, response to SIGAR data call, 10/13/2009.


37. See Appendix B of this report.


49. SIGAR analysis of UNDP’s quarterly and annual LOTFA reports, 7/22/2011.
51. SIGAR analysis of UNDP’s quarterly and annual LOTFA reports, 7/22/2011.
52. DoD, response to SIGAR data call, 7/14/2011.
54. CENTCOM, response to SIGAR data call, 7/1/2011.
55. CENTCOM, response to SIGAR data call, 7/1/2011.
56. CENTCOM, response to SIGAR data call, 7/1/2011.
57. OSD, response to SIGAR data call, 7/6/2011.
61. DoD, response to SIGAR data call, 7/7/2011.
65. OSD, response to SIGAR data call, 7/6/2011.
66. OSD, response to SIGAR data call, 7/6/2011; UN Secretary-General, “The Situation in Afghanistan and Its Implications for International Peace and Security,” 9/14/2010, p. 5.
67. OSD, response to SIGAR data call, 7/6/2011.
72. DoD, response to SIGAR data call, 7/14/2011.
74. DoD, response to SIGAR data call, 7/19/2011.
76. ISAF-JIC, ANA PERSTAT, 4/2011.
77. CENTCOM, response to SIGAR data call, 7/1/2011.
78. DoD, response to SIGAR data call, 7/14/2011.
79. CENTCOM, response to SIGAR data call, 7/1/2011.
80. CENTCOM, responses to SIGAR data call, 4/1/2011 and 7/1/2011.
81. CENTCOM, response to SIGAR data call, 7/1/2011.
82. CENTCOM, response to SIGAR data call, 7/1/2011.
83. CENTCOM, response to SIGAR data call, 7/1/2011.
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86. DoD, response to SIGAR data call, 7/14/2011.
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171. USAID, response to SIGAR data call, 7/1/2011.
204. USAID, response to SIGAR data call, 7/4/2011.
211. USAID, response to SIGAR data call, 7/4/2011.
221. DoS, response to SIGAR data call, 7/1/2011.
244. DoS, response to SIGAR data call, 7/1/2011.
277. USAID, response to SIGAR data call, 7/19/2011.
311. USAID, response to SIGAR data call, 7/16/2011.
Cover Captions (clockwise from left):

Skilled Afghan workers help complete a micro-hydropower plant in the village of Daste Riwat, harnessing the power of the Panjshir River. The facility is one of 150 power plants that the U.S. Army Corps of Engineers is building in 7 provinces, using CERP funds. The last unit is scheduled to be completed in Parwan province this quarter. (ISAF photo, Majgt Michael O’Connor)

An Afghan child receives care from a U.S. medic during a Village Medical Operations Program clinic in Uruzgan province on May 28. U.S. Special Operations Forces collaborated with a coalition Female Treatment Team, Afghan commandos, and local physicians to provide medical services and build partnerships. (U.S. Army photo, SSgt Kaily Brown)

Afghan road workers upgrade the main route through the Panjshir River Valley on May 21. Supported by U.S. funds, the project will help the G afirm achieve its goal of improving transportation corridors that link Afghan communities with internal and external markets. (ISAF photo, Majgt Michael O’Connor)

ANA trainees learn squad attack skills during basic training at the Regional Military Training Center on May 10 in Kandahar. This quarter, more than 26,000 ANA personnel graduated from training programs funded by the Afghanistan Security Forces Fund—an increase of more than 4,400 since last quarter. (U.S. Air Force photo, TSgt Adrienne Brammer)

Afghan women plant seeds in pots at a nursery in Zabul province on May 8. This quarter, USAID distributed thousands of packages of seeds and fertilizer to Afghan farmers to help increase agricultural output. (ISAF photo, SSgt Brian Ferguson)