QUARTERLY REPORT TO THE UNITED STATES CONGRESS

JANUARY 30, 2013

SIGAR
Special Inspector General for Afghanistan Reconstruction

2530 Crystal Drive
Arlington, VA 22202

www.sigar.mil

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 operations and the necessity for and progress on corrective action.

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


(For a list of the congressionally mandated contents of this report, see Section 3.)
Provinces where SIGAR has conducted audit, inspection, and investigation work

Current SIGAR offices

Provinces where SIGAR has conducted audit, inspection, and investigation work

SIGAR OVERSIGHT PRESENCE IN AFGHANISTAN
I am pleased to submit SIGAR’s eighteenth quarterly report on the status of the U.S.-funded reconstruction effort in Afghanistan.

We find ourselves today at a critical juncture. Two years from now, the U.S. military will have ended its combat mission in Afghanistan, a new Afghan president will have been elected, and security responsibilities will have been transferred to the Afghan government. These events will fundamentally change the landscape of the Afghanistan reconstruction effort, and it is the recently sworn-in 113th Congress that will preside over this most important period. The members of this Congress will ultimately determine the extent of U.S. assistance to support the Afghan security forces, to strengthen the Afghan economy, and to promote good governance.

The Congress has appropriated nearly $89 billion to rebuild Afghanistan—more than the United States has ever spent on the reconstruction of any other nation. Of the nearly $13.8 billion appropriated to four of the largest reconstruction funds for FY 2012, about $8.6 billion remains to be obligated. The President’s FY 2013 budget request includes nearly $10 billion for Afghanistan’s reconstruction. If appropriated, these funds will bring the amount available to implementing agencies for obligation to more than $19 billion. We must ensure these funds are spent judiciously and achieve desired outcomes.

In light of the narrowing window of opportunity as U.S. forces draw down in Afghanistan and the unprecedented investment of taxpayer dollars, SIGAR has been examining what we have learned about Afghan reconstruction and how our work can ensure that these remaining funds are used wisely.

While there has been major progress in Afghanistan, SIGAR’s work since 2009 has repeatedly identified problems in every area of the reconstruction effort—from inadequate planning, insufficient coordination, and poor execution, to lack of meaningful metrics to measure progress. We have found delays, cost overruns, and poor construction of infrastructure projects. We have also found U.S.-funded facilities that are not being used for their intended purposes. These problems have resulted in lost opportunities and in incalculable waste, but they have also presented opportunities to learn.

**Key Questions**

Based on our work and that of other Inspectors General and the Government Accountability Office, we want to underline the importance of the following questions which can help guide decision makers as they consider whether and how best to use the remaining reconstruction funds. Section 1 of this report discusses these questions in more detail:

- Does the project or program make a clear and identifiable contribution to our national interests or strategic objectives?
- Do the Afghans want it and need it?
- Has it been coordinated with other U.S. implementing agencies, with the Afghan government, and with other international donors?
- Do security conditions permit effective implementation and oversight?
- Does it have adequate safeguards to detect, deter, and mitigate corruption?
• Do the Afghans have the financial resources, technical capacity, and political will to sustain it?
• Have implementing agencies established meaningful, measurable metrics for determining successful project outcomes?

To the extent agencies can answer these questions in the affirmative, we believe that a project or program has a better chance of achieving its objectives. However, if the implementing agencies cannot answer these questions in the affirmative, we also believe they need to reevaluate the project. If they still choose to proceed with it, they need to clearly articulate and justify their reasons for doing so.

SIGAR will also be considering these fundamental questions through our audits, investigations, and inspections. We will be examining project justifications, and we urge Congress to do the same, because nothing is more wasteful at this critical juncture than an unwarranted project or one that realistically has no chance of success.

SIGAR is particularly concerned about the effect the military drawdown will have on our ability to oversee reconstruction spending. SIGAR and other oversight agencies depend in part on military transport and protection in regions outside Kabul. The shrinking U.S. military presence is already making it more difficult to visit reconstruction projects in remote locations. Every government agency implementing reconstruction projects must immediately develop plans to mitigate the challenge of overseeing reconstruction in insecure areas. SIGAR will be reviewing those plans and developing one of its own to ensure that U.S. taxpayer dollars are protected.

Congress gave SIGAR broad responsibilities, empowering us to look at all aspects of the reconstruction effort across departmental and mission boundaries, and to provide recommendations on policies to promote the efficiency and effectiveness of the reconstruction effort. We take this mission seriously and look forward to supporting implementing agencies and Congress to achieve ultimate reconstruction success in Afghanistan.

Respectfully,

John F. Sopko
Special Inspector General for Afghanistan Reconstruction
TABLE OF CONTENTS

SECTION 1
1 KEY QUESTIONS
3 Key Questions for Decision Makers
11 Implications for Policy and Practice

SECTION 2
13 SIGAR OVERSIGHT ACTIVITIES
15 Audits
28 Inspections
33 Investigations
36 Quarterly Highlight: Investigating Fuel Theft
44 Special Projects
46 SIGAR Budget
47 SIGAR Staff

SECTION 3
49 RECONSTRUCTION UPDATE
51 Overview
55 Status of Funds
69 Security
95 Governance
123 Economic and Social Development
# TABLE OF CONTENTS

## SECTION 4

<table>
<thead>
<tr>
<th>Page</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>155</td>
<td>OTHER AGENCY OVERSIGHT</td>
</tr>
<tr>
<td>158</td>
<td>Completed Oversight Activities</td>
</tr>
<tr>
<td>164</td>
<td>Ongoing Oversight Activities</td>
</tr>
</tbody>
</table>

## APPENDICES & ENDNOTES

<table>
<thead>
<tr>
<th>Page</th>
<th>Appendix</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>178</td>
<td>Appendix A:</td>
<td>Cross-Reference of Report to Statutory Requirements</td>
</tr>
<tr>
<td>182</td>
<td>Appendix B:</td>
<td>U.S. Funds for Afghanistan Reconstruction</td>
</tr>
<tr>
<td>184</td>
<td>Appendix C:</td>
<td>SIGAR Written Products</td>
</tr>
<tr>
<td>188</td>
<td>Appendix D:</td>
<td>SIGAR Investigations and Hotline</td>
</tr>
<tr>
<td>191</td>
<td>Appendix E:</td>
<td>Abbreviations and Acronyms</td>
</tr>
<tr>
<td>194</td>
<td>Endnotes</td>
<td></td>
</tr>
</tbody>
</table>
“This year, we’ll mark another milestone—Afghan forces will take the lead for security across the entire country. And by the end of next year, 2014, the transition will be complete—Afghans will have full responsibility for their security, and this war will come to a responsible end.”

—U.S. President Barack Obama
1

KEY QUESTIONS
CONTENTS

Key Questions for Decision Makers 3
Implications for Policy and Practice 11
Since 2002, the United States Congress has appropriated nearly $89 billion for reconstruction of Afghanistan; the current continuing resolution and budget requests entail billions more. These funds have been used as part of a multi-pronged effort to build a stable Afghanistan with a government capable of defending and administering its territory—critical factors for the overriding U.S. goal of defeating al-Qaeda, which used a Taliban-controlled Afghanistan to plan and train for the September 11, 2001, attacks against the United States. Over the next two years, the reconstruction phase will fundamentally change as the footprint of U.S. and coalition forces grows smaller and ultimate security responsibility transfers to the Afghan National Security Forces (ANSF) by the end of 2014.

Between now and then, the newly installed members of the 113th Congress and Executive Branch decision makers have the opportunity to ensure that the next stage of a decade-long reconstruction effort is directed toward those activities and projects that will have the greatest opportunity for long-term success.

Getting this right is urgent and important. Additional spending, whether through appropriations or another continuing resolution, will likely bring total U.S. funding for Afghan reconstruction to nearly $100 billion by the end of FY 2013. While most of these funds have been obligated and expended over the last decade, implementing agencies still have billions of dollars to fund reconstruction efforts during this vital transition period. Of the nearly $13.8 billion appropriated to four of the largest reconstruction funds for FY 2012, $8.6 billion remains to be obligated. In addition, nearly $10 billion in reconstruction funding is proposed to be appropriated for FY 2013. All of these funds will require good stewardship and robust oversight to ensure they are not wasted on projects that the Afghans do not need or cannot sustain, or that simply do not work. See Section 3, pages 55–67, for a complete analysis of appropriations, obligations, and disbursements related to the major U.S. reconstruction funds.

The landscape in Afghanistan is changing. Current U.S. plans call for the withdrawal of most of the 70,900 U.S. troops currently in Afghanistan by the end of 2014; many of the 36,000 other foreign troops currently in Afghanistan
will also depart. This will greatly magnify the difficulty of providing security, transportation, medical assistance, and casualty evacuation for Americans still working on essential reconstruction missions there, including project management, oversight, advising, and training. In their place a force of 352,000 Afghan soldiers and police officers and a state-owned enterprise called the Afghan Public Protection Force will provide security. More than $50 billion—over half of all U.S. reconstruction spending in Afghanistan—has been devoted to paying, housing, feeding, training, equipping, and supplying the Afghan security forces. Their ability to maintain security and prevent insurgent groups from growing will determine whether other reconstruction work can proceed safely and successfully.

Sharpening the focus and improving the results of existing reconstruction programs is necessary if, as the Administration plans, such programs are to replace direct U.S. military intervention. Strategic guidance signed by the President and the Secretary of Defense in 2012 noted that “In the aftermath of the wars in Afghanistan and Iraq, the United States will emphasize non-military means and military-to-military cooperation” to curtail the need for major U.S. force commitments. Furthermore, the guidance adds, “U.S. forces will no longer be sized to conduct large-scale, prolonged stability operations” (emphasis in original). ¹

Based upon its own audit and investigative work as well as that of fellow Inspectors General and the Government Accountability Office (GAO), SIGAR believes that Congress and the relevant Executive Branch agencies should carefully consider a series of questions as they evaluate current and proposed reconstruction projects, including:

- Does the project or program clearly contribute to U.S. national interests or strategic objectives?
- Do the Afghans want it and need it?
KEY QUESTIONS

- Has the project or program been coordinated with the Afghan government, other implementing agencies, and international donors?
- Do security conditions permit effective implementation and oversight?
- Does the project or program include safeguards to detect, deter, and mitigate corruption?
- Do the Afghans have the financial resources, technical capacity, and political will to sustain the project or program?
- Have implementing agencies established real metrics for determining outcomes and measuring success?

Organizations like the U.S.-led International Security Assistance Force, the State Department, and the U.S. Agency for International Development (USAID) are posing similar questions in their reviews of programs and projects during the security-transition period. That is a good thing. The scale of the security, financial, and geopolitical stakes in Afghanistan warrant the highest-level, government-wide effort to check, evaluate, diagnose, and act to make necessary and prudent course corrections while opportunities remain.

The following discussion will present each key question and provide illustrative instances of the issue, then highlight implications for policy and practice.

Does the project clearly contribute to our national interests or strategic objectives?

America’s objective for using force in Afghanistan was laid out in a Congressional resolution in September 2001: “to prevent any future acts of international terrorism against the United States by such nations, organizations or persons” as were involved in the September 11, 2001, terror attacks. In the years since, White House statements on Afghanistan reflected nation-building and counter-insurgency doctrine by extending stated U.S. objectives to include, for example, “establish[ing] a stable, moderate and democratic state that respects the rights of its citizens, governs its territory effectively and is a reliable ally in this war against extremists and terrorists.”

More recently, however, President Obama has returned the national objective in Afghanistan to confronting the threat of global terrorism. During a 2012 visit to Afghanistan, he said, “Our goal is not to build a country in America’s image, or to eradicate every vestige of the Taliban. These objectives would require many more years, many more dollars, and most importantly, many more American lives. Our goal is to destroy al Qaeda, and we are on a path to do exactly that.”

Accordingly, every reconstruction project should be evaluated and regularly reassessed to confirm that it remains relevant to that basic goal. A recent SIGAR audit (Audit 12-2), for example, found several U.S.-funded projects supported by the Afghan Infrastructure Fund (AIF) could actually
work against it. The audit found that the AIF projects “may result in adverse COIN [counter-insurgency] effects because they create an expectations gap among the affected population or lack citizen support.” The problems auditors identified included delays of six to 15 months in most AIF projects, including all power sector projects, except the Kandahar Bridging Solution.5

Do the Afghans want it and need it?
Best practice in offering assistance should include determining that the intended recipient actually wants and needs the project. SIGAR has not always found that to be the case in Afghanistan. Two recent SIGAR inspection reports (Inspections 13-4 and 13-5), for example, found that most of the buildings at five Afghan Border Police facilities costing a total of $26 million in Kunduz and Nangarhar Provinces were either unoccupied or being used for unintended purposes, including one that was being used as a chicken coop.6 It is difficult to consider a project as wanted and needed if its intended recipients are not using it or are using it for an unplanned purpose.

Has the project been coordinated with the Afghan government, other implementing agencies, and international donors?
Part of SIGAR’s mandate is to determine the degree to which implementing agencies are coordinating reconstruction projects. A number of audits have highlighted problems in this area. For example, developing Afghanistan’s financial sector, helping it recover from the fraud-driven failure of a major bank, and improving financial controls to prevent and detect financial crimes are important reconstruction goals. But a SIGAR audit (Audit 11-13) discovered that a financial-sector working group set up after the failure of Kabul Bank failed to include the U.S. Department of Homeland Security (DHS), which has been working on measures to gain visibility on currency flows out of Afghanistan. Auditors also noted that the Department of Defense’s (DoD’s) Task Force on Business Stability Operations, which was assisting Afghan institutions with electronic-funds transfer capabilities, was unaware of DHS’s work on installing bulk-currency counting devices. “Inconsistent Afghan cooperation” was cited as an additional concern. “Limited inter-agency coordination,” the audit said, “puts U.S. agencies at risk of working at cross-purposes or, at a minimum, missing opportunities to leverage existing relationships and programs.”7

On the energy front, SIGAR audits and reports commented for three years on the absence of a master plan to develop Afghanistan’s meager electrical sector. The supply of electricity there is unreliable, depends heavily on imported energy, and serves only 28% of Afghan households. This quarter, the Asian Development Bank—partially supported by U.S. funds—published a draft master plan that would expand electrical coverage and reliability through a 20-year, $10 billion program of generation, transmission, and network-development projects.8 Such planning can help
the United States and other international donors maintain awareness of component efforts and avoid duplicating efforts, leaving unintended gaps in planning, or working at cross-purposes with other agents.

Any reconstruction project should be checked to ensure that it is known to and not destructive of the legitimate plans and operations of other implementing agencies, the Afghan government, and non-governmental organizations active in the region.

Do security conditions permit effective implementation and oversight?

The expected end of the American combat role in Afghanistan by year-end 2014 will greatly increase the operational burden on the ANSF, slated to meet its end-strength goal of 352,000 personnel at that time. The ANSF faces a Taliban-led insurgency that the Department of Defense says “remains adaptive and determined, and retains the capability to emplace substantial numbers of IEDs [improvised explosive devices] and to conduct isolated high-profile attacks” while showing “a significant regenerative capacity.”

If the insurgency continues to present a major challenge to ANSF capabilities, the U.S.-led coalition’s drawdown can only multiply the difficulties of providing adequate security for project sites to permit travel, management, execution, and oversight.

Those difficulties are already significant. As the USAID Office of Inspector General reports, Afghanistan “remains a high-threat environment, and security concerns often constrain the mission’s ability to implement and monitor projects throughout the country.” A SIGAR audit team similarly observed that “USAID has experienced a longstanding inability to adequately monitor program implementation due to security concerns” (Audit 12-9). A 2010 SIGAR audit (Audit 11-3) reported that poor U.S. Army Corps of Engineers oversight of a contractor building Afghan National Police facilities in Helmand and Kandahar Provinces was “in part due to the volatile security condition around each [of the six] site[s].” Meanwhile, the partially USAID-funded Asia Foundation had to replace 168 of the 1,055 locations it sampled in 2011 for its 2012 survey of Afghan public opinion “due to security reasons.”

The U.S. and Afghan governments are currently negotiating an agreement to determine the number and status of U.S. troops in Afghanistan after 2014. Whatever that number turns out to be, the areas within prompt reach of quick-reaction forces and medical-evacuation teams will shrink. If counter-insurgency doctrine continues to entail building or operating reconstruction projects in contested or unstable areas, security-related obstacles to on-site management and oversight can only increase. SIGAR staff are, in fact, already encountering problems in gaining access to some sites in Afghanistan.

Evaluations of continuing or proposed projects should consider carefully whether security conditions will permit effective levels of management and
KEY QUESTIONS

oversight, and if not, whether expected benefits of a constrained level justify the increased risks of waste, failure, or threat to human lives.

**Does the project plan include safeguards to detect, deter, and mitigate corruption?**

Afghanistan’s reputation for corruption is deep-rooted and widespread. When the Germany-based, non-profit Transparency International updated its global Corruption Perceptions Index for 2012, results of its expert-opinion survey placed Afghanistan in a tie for last place with North Korea and Somalia for most corrupt countries. Among Afghans themselves, a 2012 survey found 60% of respondents saw corruption as a major problem in their local government, 70% thought so for provincial government, and 79% believed it of the national government. The joint Monitoring and Evaluation Committee, established in 2010 by the Afghan government and the international community to address corruption issues, has reported that Afghanistan lacks the will to combat and prosecute corruption, and that its capacity to do so is hampered by weaknesses in staffing, legal and administrative structures, and oversight.

Corruption is not, of course, unique to Afghanistan. And corrupt activity there involves many foreigners, including U.S. commissioned and non-commissioned officers and enlisted personnel, federal civilians, contractors, and subcontractors. SIGAR investigations this quarter, for example, have helped lead to a U.S. contractor pleading guilty to smuggling $1 million out of Afghanistan, and to another U.S. Army contractor pleading guilty to accepting $50,000 in bribes. Numerous other SIGAR investigations and audits since 2009 have highlighted corruption issues in Afghanistan reconstruction.

Maintaining a vigorous, cooperative, multi-agency U.S. anti-corruption campaign is vital as a matter of law-enforcement and financial responsibility. The great challenge for reconstruction after the security transition in Afghanistan is to bolster that government’s commitment and capacity to combat corruption. The July 2012 international donors’ conference in Tokyo, for example, produced a “Mutual Accountability Framework” that includes incentives for the Afghan government to carry out commitments to combat corruption. One of these (Audit 10-15) noted that “corruption, widely acknowledged to be a pervasive, systemic problem across Afghanistan, corrodes the Afghan government’s legitimacy and undermines international development efforts,” and urged the U.S. Secretary of State to implement a comprehensive anti-corruption strategy and review the Afghan government’s need for more assistance in its anti-corruption efforts.

Without knowing how that initiative will unfold, and in view of the previously discussed prospects of increasing difficulty in performing oversight, agencies should review their projects’ vulnerability to corruption and their available counter-measures. SIGAR and other oversight and law-enforcement agencies continue to audit and investigate corruption in Afghanistan.
Do the Afghans have the financial resources, technical capacity, and political will to sustain the program?

Afghanistan cannot generate the revenues to support the kind of government and security forces the United States and its allies have helped it build over the last ten years. Instead it must rely on U.S. and international donors to meet its core operating budget requirements for the foreseeable future. The international donor community concluded at its July 2012 conference in Tokyo, “The Afghan Government will have special, significant, and continuing but declining fiscal requirements that cannot be met by domestic revenues.” Moreover, the World Bank and the International Monetary Fund concluded in June 2012 that Afghanistan is unlikely to reach fiscal sustainability until at least 2032. Instead, Afghanistan is expected to have a “financing gap” of $70 billion during the transformation decade of 2015–2024, with billions of additional dollars needed for years to follow.

U.S. and European donors in NATO have pledged $4.1 billion a year—about twice the Afghan government’s current domestic revenues—for security support to Afghanistan in the years 2015–2017, but some have not made their pledges concrete. At a December 2012 NATO meeting in Brussels, Secretary of State Hillary Clinton urged allies to honor their pledges: “We cannot afford to repeat the mistakes of 1989 and just disengage,” opening the way for civil war.

Sustainability involves more than money, however. It also requires careful assessment of maintenance and support needs, a cadre of suitably trained personnel, and the political or administrative will to follow through on essential tasks. All of those considerations are challenges in Afghanistan.

In the Defense Department’s latest “Report on Progress Toward Security and Stability in Afghanistan”—known as the “1230 Report,” for the section of statute that requires it—DoD told Congress that the Afghan Ministry of Defense (MoD) “made steady progress” and “remains one of the most capable parts of the Afghan government.” Nonetheless, “The MoD, like many other Afghan government institutions, lacks sufficient trained, educated, and professional staff in order to plan and execute operations at a requisite pace.”

Routine support for the ANSF also poses a capacity challenge. A 2012 SIGAR audit (Audit 13-1) found the MoD could not provide operations-and-maintenance supplies in timely fashion, that more than half of authorized Afghan operations-and-maintenance jobs were unfilled, and that “The ANSF lacks personnel with the technical skills required to operate and maintain critical facilities, such as water supply, waste water treatment, and power generation.” SIGAR’s audit (Audit 11-7) of the Commander’s Emergency Response Program, or CERP, spending in Laghman Province concluded that all $44.6 million of asphalt roads built there were “at risk due to the lack of maintenance plans.” Another audit (Audit 12-12), this one on the use of AIF projects, determined that State and DoD had not defined project-sustainment costs or communicated this fact to the Afghan government.
DoD, Treasury, and USAID support the Public Financial Management Roadmap project that provides training, advisers, and assistance to the Afghan Ministries of Defense and Interior, as well as to 37 civilian ministries. However, a GAO audit found that agencies and their implementing partners offered incomplete and inconsistent performance data. For USAID in particular, GAO said “the absence of baselines, performance targets, and data” makes it difficult to assess the results of the agency’s efforts to improve Afghan financial-management capacity.\(^{27}\)

USAID and other agencies have issued sustainability-review guidelines, but the need to create a high and enforced hurdle for treating sustainability as a requirement for going forward is government-wide. Apart from possibly obtaining short-term gratitude for foreign donors’ reconstruction efforts, there would seem to be little benefit in setting up projects or programs that the Afghans cannot or will not sustain once international forces depart and international aid declines. That is why sustainability must be a key aspect of project reviews for the transition period and the years beyond.

**Have implementing agencies established real metrics for determining project outcomes and measuring success?**

Decisions to continue projects or launch new ones should include some realistic consideration of whether meaningful and measurable indicators can be devised to judge whether it will be successful.

A recent Congressional Research Service report—one not confined to Afghanistan—notes the difficulty of constructing and consistently applying evaluation metrics to foreign aid programs, and the results of not doing so:

> In most cases, clear evidence of the success or failure of U.S. assistance programs is lacking, both at the program level and in aggregate. One reason for this is that aid provided for development objectives is often conflated with aid provided for political and security purposes. Another reason is that historically, most foreign assistance programs are never evaluated for the purpose of determining their impact, either at the time or retrospectively.…

> Numerous examples exist of hospitals, schools, and other facilities that were built with donor funds and left to rot, unused in developing countries that did not have the resources or will to maintain them. In some instances, critics assert that foreign aid may do more harm than good, by reducing government accountability, fueling corruption, damaging export competitiveness, creating dependence, and undermining incentives for adequate taxation.\(^{28}\)

A 2012 SIGAR audit (Audit 12-8) of USAID operations in the Local Governance and Community Development project in Afghanistan exemplified several of these difficulties. The stabilization project was intended to cost no more than $150 million and last three years. It actually cost $400 million and ran five years, after which a USAID-requested independent review found the project had not achieved its objective of promoting
the legitimacy of the Afghan government. Contributing factors included USAID’s difficulty in setting and measuring objectives, as well as the impact of travel restrictions and security threats on performing oversight and evaluation.29

Devising and applying practical metrics that do not confuse outputs for outcomes, can be objectively measured, and are resistant to gaming and statistical outliers is hard work. But it is an essential task before committing additional resources to reconstruction projects.

**IMPLICATIONS FOR POLICY AND PRACTICE**

International willingness to supply aid will likely decline as donor countries withdraw their troops. Moreover, Afghan projections for increased domestic revenues may be too optimistic given challenges in increasing revenue, particularly from the mining sector. For these reasons, there are real concerns that Afghanistan will simply lack the fiscal, operational, and technical capacity to provide for security and other basic government functions, much less to maintain and operate the hundreds of programs and projects that the United States and other donors have established there. And it is not clear if the Afghan government is prepared to work with the international donor community to develop and apply a systematic triage mechanism to weigh budget needs against resources and make considered judgments on what projects should be suspended, terminated, descoped, or consolidated.

Significant amounts of money are still at risk in Afghanistan, and, as work by SIGAR and other oversight agencies has established, many U.S. policies and practices need attention and improvement. Carrying defective practices and weak oversight into the Afghan “Decade of Transformation,” even at lower levels of funding and effort, would carry great risk of massive new waste, fraud, and abuse. This risk will grow if the troop drawdown and security concerns—already a growing obstacle to SIGAR’s accessing some Afghan sites—restrict opportunities for effective oversight of reconstruction programs and projects in Afghanistan.

During the 113th Congress, lawmakers and Executive Branch agencies have an opportunity to conduct a strategic reexamination of reconstruction issues. That reexamination might reaffirm existing plans, or lead to postponed, reduced, cancelled, reinforced, redesigned, or repurposed projects. To the extent such analysis and action produce projects more likely to function and succeed in post-2014 Afghanistan, they can deliver real benefits to U.S. military and civilian personnel, American taxpayers, the Afghan people, and U.S. national interests.
“My team and I are committed to ensuring that taxpayer dollars are spent wisely and are protected from waste, fraud, and abuse. If we don’t get it right, then those lives and treasure spent over the last 11 years may have been spent in vain—something that we at SIGAR will do everything in our power to avoid.”

—Special Inspector General John F. Sopko
SIGAR OVERSIGHT
CONTENTS

Audits 15
Inspections 28
Investigations 33
Quarterly Highlight: Investigating Fuel Theft 36
Special Projects 44
SIGAR Budget 46
SIGAR Staff 47

Photo on previous page
A SIGAR special agent conducts a field interview in Afghanistan. (SIGAR photo)
SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued nine written products, including three audits, one alert letter, two inspections, two special project reports, and one investigative report. SIGAR also recovered $310,000 worth of government property, saved $825,000 in contract costs, and prevented $4.8 million worth of fuel from being stolen. Its investigations led to four U.S. citizens and five Afghans being arrested and eight U.S. citizens pleading guilty to charges that include bribery, smuggling, and theft. SIGAR announced two new audits, bringing the total number of audits under way to 11. It referred 16 contractors found to have engaged in criminal activity for suspension and debarment. As the U.S. combat mission winds down in Afghanistan, SIGAR will provide the 113th Congress with focused and aggressive oversight of the ongoing reconstruction effort.

This quarter, SIGAR found:

- $4.2 billion in appropriations and future estimates for fuel assets provided to the Afghan National Army (ANA) not supported by validated fuel requirements or actual consumption data and possibly overstated
- A $17.7 million Afghan National Police provincial headquarters that may be unusable and unsustainable
- A $12.8 million in DoD-purchased electrical equipment sitting unused and a contractor paid by USAID for work not done
- A $7.3 million Afghan Border Police facility sitting largely unused
- A $6.83 million unnecessarily paid to service Afghan police vehicles
- Geospatial database for development projects contains some inaccurate locations

AUDITS

Since its last report to Congress, SIGAR has completed three audit reports. This quarter, SIGAR also began two new audits, bringing the total number of ongoing audits to 11. The published reports identified concerns with the commercialization of Afghanistan’s national power utility, a contract for Afghan police vehicle maintenance, and fuel for the ANA. The audits made a total of 15 recommendations to ensure that equipment meant for the power utility does not go to waste, that the U.S. government is not overcharged for Afghan police vehicle maintenance, and that fuel for the ANA is not subject to theft and waste.

COMPLETED AUDITS
- Audit 13-2: Afghanistan’s National Power Utility
- Audit 13-3: ANP Vehicle Maintenance Contract
- Audit 13-4: ANA Petroleum, Oil, and Lubricants

ALERT LETTER
- Inaccuracies in Geospatial Database of Development Projects

COMPLETED INSPECTIONS
- Inspection 13-4: Kunduz ANP Provincial Headquarters
- Inspection 13-5: Imam Sahib Border Police Headquarters

INVESTIGATIVE REPORT
- Investigative Report 13-1: Shredded Fuel Purchase Records

COMPLETED SPECIAL PROJECT REPORTS
- Report SP-13-1: Bulk Cash Flows at Kabul Airport
- Report SP-13-2: Iranian Fuel Purchases
Audit Reports Published

Audit 13-2: Afghanistan’s National Power Utility
$12.8 Million in DoD-Purchased Equipment Sits Unused, and USAID Paid a Contractor for Work Not Done

Afghanistan’s national power utility, Da Afghanistan Breshna Sherkat (DABS), operates and manages electric power generation, import, transmission, and distribution throughout Afghanistan. Since 2009, the U.S. government has supported the Afghanistan government by obligating almost $88 million to assist in commercializing DABS. U.S. government projects—funded by U.S. Forces-Afghanistan (USFOR-A) and the U.S. Agency for International Development (USAID)—focus on assisting DABS in increasing cost recovery, reducing losses, and building its capacity to manage, operate, and maintain a national power system. This report provides information on equipment purchased to support DABS efforts in Kandahar and on fees paid to a USAID contractor. SIGAR will address additional findings related to U.S. government projects to assist in DABS commercialization in a forthcoming audit report.

FINDINGS

As part of its ongoing audit of U.S.-funded projects to help commercialize DABS, SIGAR identified two issues that the agency believes warrant immediate attention.

First, almost $12.8 million in equipment purchased to meet urgent needs in support of the counterinsurgency strategy is sitting unused in storage controlled by the U.S. Army Corps of Engineers-Afghanistan Engineer District South (USACE-TAS) without a clear plan for installation. USFOR-A approved the projects under the Commander’s Emergency Response Program (CERP)—intended to enable U.S. commanders to respond to urgent requirements by carrying out programs that will immediately assist local populations—and originally intended to turn the equipment directly over to DABS-Kandahar for installation. However, due to the lack of an installation plan, nearly all of the equipment is currently stored at Shorandam Industrial Park outside Kandahar City.

USFOR-A funded the procurement of the equipment without considering DABS-Kandahar’s lack of capacity to install and manage the equipment and without requiring an initial, achievable plan for installation. Although the first contract was awarded in August 2010, none of the agencies involved—USFOR-A, USACE-TAS, USAID or DABS—completed an installation plan, either prior to or following procurement of the equipment. USACE-TAS officials now cite the poor technical capacity of DABS-Kandahar as a barrier preventing it from properly installing and managing the equipment independently, but this factor was not considered earlier in the funding or procurement processes.
Further contributing to the ongoing storage of the equipment is confusion regarding which agency is responsible for the installation of some equipment. In response to SIGAR’s initial request for baseline information on commercialization projects, USACE-TAS officials stated that approximately 50,000 customer electric meters would be installed by USAID or its contractor as part of USAID’s task order. However, a modification to the task order states that the contractor only would be responsible for providing an installation plan and not for actual installation. USAID reported that the contractor has not completed the installation plan for the meters as required by the task order modification but has offered no further information about why this has not been done. Although the agencies reported different accounts of who was responsible for the installation of the meters, SIGAR could find no written agreement between the agencies supporting either agency’s assertions.

The meters procured as part of the starter and completion kits have a warranty of two years from the date of dispatch from the manufacturer (March 3, 2012). Given the amount of time that has already lapsed since purchase, if the meters are found to be faulty following installation, the warranty may already have expired. This would leave the U.S. government with no recourse for the manufacturer to replace defective equipment under warranty.

A second issue is that USAID paid a contractor the full allowable fee on a task order, despite the contractor’s failure to complete 26 of the 34 deliverables required. In 2009, USAID awarded the $3.4 million cost-plus-fixed-fee Task Order 22 for the Afghanistan Infrastructure and Rehabilitation Program to Louis Berger Group Inc./Black & Veatch Special Projects Corp. Joint Venture. The task order, with an original period of performance of May 10, 2009 to May 9, 2011, was initially awarded to provide expert technical assistance,
training, and contract advisory support to DABS Corporate in Kabul. However, several modifications followed, resulting in an entirely revised scope of work focusing on commercialization activities in Kandahar; an extended period of performance through December 31, 2011; modified deliverables; and a near doubling of the original contract value to almost $6.8 million.

Although USAID had disbursed approximately $5.76 million to the contractor as of July 31, 2012, the contractor did not complete 70% of the deliverables required by the task order. Specifically, according to the task order and modifications, the contractor was responsible for providing a total of 34 deliverables to USAID. USAID was able to provide evidence that the contractor completed seven deliverables on time and one additional deliverable late. Neither USAID nor the contractor provided evidence that the contractor completed any of the remaining 26 deliverables. Furthermore, SIGAR found no evidence that USAID assessed the deliverables provided by the contractor or held the contractor responsible for providing required outputs. Among the deliverables not completed are a draft and final meter installation plan, procurement and installation of 231 boundary meters, and a transition manual and handover plan for Kandahar commercialization activities.

RECOMMENDATIONS
To ensure equipment purchased will be used to rebuild, repair, and expand electrical distribution grids, SIGAR recommends that the Commanding General, USFOR-A Regional Command-South, determine whether $12.8 million of equipment procured for Kandahar province can and should be installed in Kandahar and either develop a plan for installation or conduct a needs assessment to determine other uses for the equipment. SIGAR also recommends that the USAID Mission Director for Afghanistan instruct the mission’s contracting office to complete a comprehensive assessment of task order deliverables and contractor performance and seek reimbursement for any fixed fee paid in excess of the appropriate amount.

AGENCY COMMENTS
USFOR-A and USAID concurred with SIGAR’s recommendations

Audit 13-3: Afghan Police Vehicle Maintenance Contract
Actions Needed to Prevent Millions of Dollars from Being Wasted
Through November 2012, the United States provided more than 30,000 vehicles to the Afghan National Police (ANP) and plans to distribute thousands more. According to DoD, the ANP is not expected to be self-sufficient until late 2014.

To account for the ANP’s current lack of capacity to conduct logistics and maintenance on U.S.-provided vehicles, the Combined Security Transition Command-Afghanistan (CSTC-A) has relied on contractors to perform these functions. On December 30, 2010, the U.S. Army Contracting
Command, at the direction of CSTC-A, awarded a firm fixed-price contract valued at about $350 million for ANP vehicle maintenance to Automotive Management Services FZE (AMS).

This report assesses whether (1) DoD paid for services for the actual number of vehicles receiving maintenance, (2) the contractor performed within the terms and conditions of the contract, and (3) DoD agencies provided effective oversight of the contract.

SIGAR conducted its work in eight provinces in Afghanistan from January 2012 to December 2012 in accordance with generally accepted government auditing standards.

**FINDINGS**

SIGAR found that CSTC-A unnecessarily paid $6.3 million from April 2011 to September 2012 because the U.S. Army Contracting Command and CSTC-A based the firm fixed-price rates on vehicles purchased for the ANP, but they did not account for vehicles that had not been seen for service in over a year or had been destroyed. In addition, SIGAR estimated that CSTC-A paid at least $530,000 more than necessary because the minimum number of vehicles in the contract exceeded the number of vehicles serviced. For example, once adjusted for vehicles not seen for service in over a year or destroyed, the November 2012 list of vehicles to be serviced contained 21,555 vehicles, but the U.S. government will pay for servicing a minimum of 24,000 vehicles beginning with the second option year on December 29, 2012. In addition, future option years under the contract do not provide CSTC-A the flexibility to lower the list of vehicles to be serviced if the number of vehicles determined to need servicing is lower than the contracted minimum or if the ANP begins to assume maintenance responsibilities. Furthermore, improvements in removing destroyed vehicles from the list of those to be serviced could result in lowering the number of vehicles for which the ANP receives fuel allocations, resulting in decreased fuel costs.

AMS generally performed and billed in accordance with the contract’s terms and conditions, but SIGAR found inaccuracies in AMS’s spare parts inventory. AMS generally met the contract-established 90% operational readiness rate for ANP vehicles. Additionally, AMS’s firm fixed-price invoices were billed at the agreed upon rates. For cost-reimbursable spare parts purchases, AMS invoiced the U.S. government for the price it paid on parts. However, at 11 sites visited by SIGAR, AMS’s electronic inventory management system did not accurately reflect spare parts on hand.

CSTC-A and the Defense Contract Management Agency did not conduct monthly oversight of all AMS facilities. Of the 453 contracting officer representative (COR) reports required between April 2011 and August 2012, 121 reports (27%) were missing. One site did not receive any COR oversight, two sites did not receive any oversight until June and July 2012, and additional sites had large lapses of time when no oversight was reported. Of the

*Destroyed vehicles at Herat Regional Maintenance Center, July 18, 2012, included in lists of vehicles to be serviced.* (SIGAR photo)
453 reports required, 170 were based on site visits, 121 were conducted by phone or email, and 41 were reports that an audit could not be performed. While the lack of site visits was largely due to logistical and security constraints, SIGAR found that many reports lacked support for why an audit could not be performed.

**RECOMMENDATIONS**

SIGAR is making five recommendations to the Commanding General, CSTC-A, and Commanding General, U.S. Army Contracting Command, to adjust contract terms to more accurately reflect ANP vehicle maintenance requirements and to improve inventory accuracy and contractor oversight. In addition, the report includes two recommendations to the Commanding General, CSTC-A and the Director, Defense Contract Management Agency (DCMA), to improve contract oversight.

**AGENCY COMMENTS**

CSTC-A, in coordination with the U.S. Army Contracting Command, concurred with all seven of the recommendations. DCMA also provided technical comments and concurred with recommendations six and seven to improve oversight of CORs and to assist CSTC-A where possible in executing their responsibilities.

**Audit 13-4: Afghan National Army**

**Controls Over Fuel for Vehicles, Generators, and Power Plants Need Strengthening to Prevent Fraud, Waste, and Abuse**

Since 2005, Congress has appropriated almost $50.7 billion to the Afghanistan Security Forces Fund (ASFF) to train, equip and sustain the Afghan National Security Forces (ANSF), which include the Afghan National Army (ANA) and the ANP. The NATO Training Mission-Afghanistan/Combined Security Transition Command–Afghanistan (NTM-A/CSTC-A) has primary responsibility for purchasing ANA's petroleum, oil, and lubricants (POL) and training top-level ANA and Ministry of Defense (MoD) officials. The International Security Assistance Force Joint Command assists CSTC-A by training the rank and file of the ANA. The MoD is responsible for requesting, distributing and accounting for ANA fuel.

This report assesses whether (1) internal controls were in place to account for ANA POL and to prevent fraud, waste, and abuse, (2) funding requests for ANA POL were based on accurate data needed to support requirements, and (3) CSTC-A’s efforts to ensure the MoD has sufficient capacity to manage the purchase, delivery, storage, and consumption of ANA POL following the drawdown of U.S. and Coalition forces by the end of 2014. To accomplish these objectives, SIGAR obtained data and met with officials from the International Security Assistance Force, CSTC-A, Task Force 2010, the DoD Inspector General, U.S. Army Audit Agency, and the Defense Logistics Agency. This
report builds on a September 2012 interim report and alert letter. SIGAR conducted this work in Kabul, Afghanistan from February to November 2012 in accordance with generally accepted government auditing standards.

FINDINGS
The successful U.S. transition of military forces by the end of 2014 depends on, among other things, Afghanistan’s ability to provide for its own security. A logistics capacity—including the ability to purchase, track, and account for POL—underpins the security forces and the transition. However, the fuel process that NTM-A/CSTC-A is preparing to hand over to the Afghan government needs strengthened accountability and financial controls to reduce the risk of fraud, waste, and abuse.

CSTC-A lacked sufficient accountability in the process used to order, accept deliveries, and pay for diesel fuel, aviation fuel, and packaged fuel and firewood for ANA vehicles, generators, and power plants. This lack of accountability increases the risk that U.S. funds and fuel will be stolen. SIGAR found that:

- CSTC-A records relating to fuel purchases paid for between March 2010 to February 2011 were missing;
- CSTC-A's data on fuel purchases covering the period March 2011 to March 2012, was inaccurate and incomplete; and
- CSTC-A could not account for fuel that was spilled or lost.

In addition, CSTC-A's processes for price approval, ordering, receipt, delivery and payment of fuel were beset by major vulnerabilities. For example:

- CSTC-A approved payments for fuel without verifying vendors’ statements that they had made deliveries in full and of acceptable quality.
- CSTC-A fuel orders were not based on required consumption data and, for power plants, the fuel orders did not follow the authorized process.

Furthermore, Congress appropriated over $1.1 billion for ANA POL from fiscal years 2007 through 2012, and CSTC-A estimates that another $3.1 billion will be required for the next six fiscal years (2013 through 2018). This $4.2 billion of appropriations and estimates for fuel, as well as other amounts to be funded by international donors, are not supported by validated fuel requirements or actual consumption data and may be overestimated.

Concurrently, in January 2013, CSTC-A should have more than $266 million of fiscal year (FY) 2012 funds still available to purchase fuel in FY 2013. If CSTC-A implements SIGAR’s recommendation to keep FY 2013 funding at the FY 2012 level of $306 million, there should be sufficient funds to meet ANA POL requirements until CSTC-A develops and validates a systematic process for estimating funds needed to meet fuel requirements.

CSTC-A plans to directly contribute more than $1 billion in U.S. funds to the Afghan government to purchase ANA fuel despite CSTC-A's fuel
SIGAR OVERSIGHT ACTIVITIES

accountability issues, assessments questioning its oversight of prior direct contributions, and reports on the Afghan government’s lack of capacity. During the audit, CSTC-A officials informed SIGAR about various actions they were taking to improve the process for managing ANA POL. This included issuing new blanket purchase agreements to strengthen controls over the delivery and receipt of fuel and reducing the number of fuel delivery sites. SIGAR will validate these actions as part of the audit follow-up process.

RECOMMENDATIONS
SIGAR recommends six actions to the Commander, NTM-A/CSTC-A. Specifically, SIGAR recommends three actions to improve accountability of U.S. funds and purchased fuel through full compliance with required MOD logistics processes; two actions to develop more realistic fuel budget requests and future year funding estimates, with the potential for realizing substantial savings immediately and in the future; and one action to assure proper stewardship and transparency of U.S. funds and fuel purchases when fuel management responsibility is transferred to the MoD.

AGENCY COMMENTS
NTM-A/CSTC-A generally concurred with all six of SIGAR’s recommendations.

Alert Letter Published
SIGAR issued one alert letter this quarter.

Geospatial Database Has Incorrect Coordinates for Some Sites
SIGAR this quarter conducted an analysis of data contained in a web-based geospatial database intended to provide USAID with a comprehensive and accurate picture of infrastructure development in Afghanistan. The Afghanistan Infrastructure and Security Cartography System (AISCS) was developed by a USAID contractor, International Relief and Development Inc. (IRD). The data center was designed to include geospatial information about development activities, including construction of roads, schools, clinics, hospitals, and public buildings such as courthouses and district centers. Under the terms of its contract, IRD was to obtain infrastructure project site information from the USAID mission in Afghanistan, as well as from DoD, and verify the accuracy of that information. According to IRD, it has “stringent ongoing multi-tiered quality control protocols in place to insure accuracy and precision collected data” [sic].

SIGAR decided to conduct its analysis after identifying duplicate records and instances of missing data elements within records and observing that out of 33,000 records in AISCS, only 16% were shown as having confirmed
locations. SIGAR selected 10 projects from AISCS and asked the Criminal Investigation Task Force (CITF) to corroborate the projects’ stated locations using a variety of unclassified and classified sources. CITF found that coordinates for three of the sites were significantly inaccurate, and it could not find three of the projects at all. Because this initial test raised concern, SIGAR conducted a more rigorous analysis. It submitted 227 sample records from AISCS of USAID-funded schools in urban and rural areas to the National Geospatial-Intelligence Agency (NGA) for analysis.

NGA could only confirm 81% of our sample as being located at or near the given coordinates. SIGAR and others rely on complete and accurate data on the location of U.S.-funded infrastructure in Afghanistan to conduct oversight of the reconstruction effort. Incomplete and/or inaccurate data limits agencies’ ability to verify the effectiveness of expended reconstruction funds, to validate that projects are being used for their intended purpose, and to analyze the efficiency and effectiveness of U.S.-led reconstruction efforts. SIGAR therefore encouraged USAID to carefully assess how IRD verifies and maintains AISCS and to hold IRD accountable if shortcomings in this process are identified.

New Audits Announced this Quarter
During this quarter, SIGAR initiated two audits. The audits will assess:
• implementation and oversight of the ANSF literacy training program
• training of Afghan justice sector personnel

ANSF Literacy Training
Illiteracy in the ANSF remains a major obstacle to effectively developing a capable and self-sustaining force that can operate independently and defend the Afghan people. The U.S. has funded three contracts, valued at $200 million through 2015, to provide ANSF literacy training with the goal of significantly reducing its illiteracy levels. SIGAR will evaluate the implementation and oversight of the ANSF literacy training program under the three contracts. It will assess whether the contractors provide qualified instructors and services; the extent to which CSTC-A monitored the contractor’s performance and training outcomes; and the extent to which the contracts are meeting the goal of providing basic, sustainable levels of literacy for the ANSF.

Training of Afghan Justice Sector Personnel
The United States has made it a strategic reconstruction priority to establish rule of law in Afghanistan and is providing assistance programs and funds to support justice-sector development. This audit will focus primarily on the Department of State’s Judicial Sector Support Program. This program aims to train justice-sector personnel and build the overall capacity of the Afghan judicial system. SIGAR also plans to review DoD’s Rule of Law
Field Force-Afghanistan and USAID’s Rule of Law Stabilization Program, both of which also seek to train justice personnel.

Ongoing Audits

**USAID’s Southern Region Agricultural Development Project’s Partnership with International Relief and Development Inc.**
USAID is funding the Southern Region Agricultural Development Project to combat regional instability, increase agricultural employment and income, and assist the region’s transition from an insecure area to one with a sustainable and prosperous agricultural economy. In February 2012, SIGAR received allegations that USAID’s implementing partner, International Relief and Development Inc. (IRD), had failed to coordinate sufficiently with the local government and military officials and was spending funds on solar panels and farm tractors without justification. SIGAR is conducting this examination to assess the basis for the acquisition and distribution of solar panels and farm tractors, and to determine whether IRD’s expenditures complied with the terms of its strategic partnership agreement and the intended goals of the program.

**USAID Planning for Sustainability of its Development Programs in Afghanistan**
The United States risks wasting billions of dollars if U.S.-funded development programs cannot be sustained, either by the Afghan government or by continued donor support. In June 2011, USAID issued guidance to better integrate sustainability planning into the design of its assistance programs for Afghanistan. Congress subsequently mandated that State, in consultation with USAID, certify that the funds would be used in accordance with this guidance. SIGAR is conducting this audit to assess USAID’s planning for the sustainability of its development programs in Afghanistan.

**Tariffs, Taxes, or Other Fees Imposed by the Government of the Islamic Republic of Afghanistan on U.S. Contractors Conducting Reconstruction Activities in Afghanistan**
The United States relies primarily on contractors and their subcontractors to implement U.S. reconstruction programs in Afghanistan. The Afghan government is reportedly charging tariffs, taxes, and other fees on materials imported for U.S.-funded reconstruction programs. This audit will determine what fees are being levied and whether these fees are in accordance with applicable international agreements. As part of this audit, SIGAR will also assess the impact that declining coalition activity after the 2014 transition will have on the Afghan government’s operating budget.
Air-Mobility Support for Afghan Drug Interdiction Operations

Despite efforts by the international community and the Afghan government to reduce poppy cultivation and illicit drug trafficking, Afghanistan still produces about 90% of the world’s opium. The illicit drug trade also supports the insurgency. The U.S. counter-narcotics strategy strives to cut off the flow of funds to the insurgency through interdiction operations. These operations depend on U.S.-funded air-mobility support to U.S. and Afghan law-enforcement officials. U.S. efforts to enhance the capabilities of the Afghan Special Missions Wing—also known as the Air Interdiction Unit—are critical to sustaining counter-narcotics operations. This audit will determine the extent to which U.S. assistance provides responsive air-mobility support to law enforcement officials for drug interdiction operations, assess U.S. government agencies’ oversight of their assistance to the Air Interdiction Unit, and evaluate the extent to which U.S. assistance has resulted in developing a sustainable capability to provide air-mobility support for counter-narcotics efforts.

U.S. Government Efforts to Assist in the Commercialization of the Afghanistan Electricity Utility-Da Afghanistan Breshna Sherkat

The United States has been supporting efforts to commercialize DABS, the national power utility, as part of an overall effort to expand a self-sustaining power network. Several USAID-funded projects have come to a close and USAID plans to award several new contracts to continue its support of the development of the electricity utility. This audit will identify the extent to which the United States has funded programs to assist in the commercialization of DABS and assess the outcomes of those efforts. The audit will also evaluate the degree to which U.S. implementing agencies have coordinated their efforts to develop a self-sustaining DABS. SIGAR issued an interim report this quarter (see p. 16). A full audit report will be issued next quarter.

State’s Financial Audit Coverage of Costs in Afghanistan

Since 2002, the State Department has awarded $6.1 billion in Afghanistan reconstruction funds to its implementing partners through 244 contracts, cooperative agreements, and grants. Financial audits of funds expended under such awards provide State with independent assessments of how those funds were used. In 2012, SIGAR completed an audit of USAID’s audit coverage for reconstruction efforts (SIGAR Audit 12-9). Now it is conducting a similar audit of financial audit coverage of costs incurred under State’s cooperative agreements and grants, to be followed by an audit on financial audit coverage of costs incurred under State contracts.
DoD Compliance with the Prohibition on Contracting with the Enemy
The National Defense Authorization Act passed by Congress in 2012 includes Section 841-Prohibition on Contracting with the Enemy in the U.S. Central Command (CENTCOM) Theater of Operations. In this audit, SIGAR plans to identify the processes established by CENTCOM and its contractors to comply with the provisions of Section 841. SIGAR will also (1) assess whether the processes established by CENTCOM and its contractors fully address the requirements stipulated in Section 841, and (2) assess whether CENTCOM and its contractors are fully complying with the established contracting policies and procedures. This audit will also assess the extent to which the State Department and USAID, which are not subject to Section 841, have established policies and procedures to prevent contract awards from funding persons or entities identified as actively supporting the insurgency or opposing U.S. or coalition forces.

USAID’s Direct Assistance to the Ministry of Public Health
In July 2008, USAID approved $236 million in direct funding to the Ministry of Public Health (MoPH) over five years. USAID provided this direct assistance to fund the Basic Package of Health Services in 13 provinces, the Essential Package of Hospital Services in five provinces, and capacity development at the central ministry. The Basic Package of Health Services delineates the services that should be provided by each type of primary health care facility in the Afghan health system. The Essential Package of Hospital Services includes what hospitals in the Afghan health system should provide in terms of general services, staff, equipment, diagnostic services, and medications. SIGAR’s audit will look at whether the direct assistance to the MoPH is being used for intended purposes and is achieving expected outcomes. It will also determine whether USAID and MoPH implemented the financial and other internal controls required by the bilateral direct assistance agreement.

Construction Requirements for the ANSF
As of June 30, 2012, the United States had 311 ongoing construction projects for the ANSF valued at about $3.73 billion and an additional 244 planned projects valued at about $2.4 billion. SIGAR will examine CSTC-A’s justification and support for the project requirements. The audit will also assess: (1) the extent to which U.S. and coalition basing plans for the ANSF reflect ANSF force strength projections; (2) whether CSTC-A fully considered alternatives to new construction; (3) whether CSTC-A developed and used appropriate criteria to ensure that current and proposed construction projects for the ANSF are necessary, achievable, and sustainable by the Afghan government.
Afghan National Police Petroleum, Oils, and Lubricants

SIGAR this quarter published an audit of ANA logistics capacity for petroleum products. SIGAR Audit 13-4 identified the need for controls over ANA POL to prevent fraud, waste, and abuse of more than $1.1 billion in U.S. funds. ANP POL is subject to the same short transition timelines and challenges as ANA POL, and SIGAR anticipates that similar issues will surface in the audit of ANP logistics capacity. The new audit will focus on the two main issues identified in regard to ANA POL: accuracy of fuel requirements, and accountability for fuel purchases.

$230 Million in Missing Repair Parts

In September 2012, the Commander of ISAF’s Advisory and Assistance Team—a military assessment team—reported that CSTC-A could not account for 474 out of 500 shipping containers with $230 million worth of repair parts for ANSF equipment. CSTC-A purchased the repair parts for the Afghan forces between 2007 and 2011. The team that discovered the parts were missing said this may have triggered a requirement that CSTC-A reorder additional repair parts at a cost of nearly $137 million. The team issued a report recommending that SIGAR investigate CSTC-A’s process for ordering and managing these repair parts. The report identified accountability issues throughout the entire logistics life cycle of the repair parts, including the shipment of parts into Afghanistan, acceptance of the parts by the U.S. government in Kabul, storage of the parts by ANSF contractors and subcontractors, and conveyance of the parts to the ANSF.

The SIGAR audit will (1) assess the process CSTC-A uses to determine requirements and to acquire, manage, store, and distribute Class IX repair parts for the ANSF; and (2) evaluate the internal controls in place to determine if they are sufficient to account for Class IX repair parts and to prevent fraud, waste, and abuse.

Financial Audits

SIGAR’s financial-audit program uses a risk-based approach to identify and carry out audits of costs incurred under U.S.-funded contracts, grants, and cooperative agreements for Afghanistan reconstruction. The program was established after Congress and the oversight community expressed concerns about the growing backlog of financial audits for Overseas Contingency Operations contracts and grants. Through this initiative, SIGAR will:

- confirm that costs incurred by the recipients of U.S. contracts and grants for Afghanistan reconstruction are reasonable, allocable, and supportable;
- evaluate the internal control environment related to the contract or grant;
- in instances of noncompliance or weak internal controls, identify potential fraud or abuse; and
- follow up on findings and recommendations from prior audits.
During this reporting period, SIGAR awarded contracts to competitively selected independent audit firms to conduct 12 financial audits. The audits have a combined estimated total of more than $1.1 billion in auditable costs. All twelve audits are currently underway. Eleven of these audits have a targeted completion date of May 2013, while one audit, awarded in January 2013, is expected to be completed in July 2013. A list of the ongoing financial audits can be found in Appendix C on page 185. SIGAR is currently identifying the next tranche of financial audits and will begin the procurement process for these audits in February 2013.

INSPECTIONS

This quarter, SIGAR completed two inspections and has 18 inspections under way. The completed inspections identified usability and sustainability issues at an ANP headquarters and at an Afghan Border Police facility in Kunduz province. The agency also announced two new inspections. The first was a series of inspections of medical, educational, police, and agricultural facilities in the western provinces. The second was of the Kajaki Dam and related construction projects in Helmand province.

Inspections Reports Published

**Inspection 13-4: Kunduz Afghan National Police Provincial Headquarters:**

*After Construction Delays and Cost Increases, Concerns Remain About the Facility’s Usability and Sustainability*

In August 2010, USACE-TAN awarded a $12.4 million contract task order to ECCI-C METAG Joint Venture to design and build facilities at the Afghan National Police (ANP) Provincial Headquarters in Kunduz province. Subsequent modifications to the contract increased its total value to $17.7 million. On November 15, 2012, SIGAR conducted a site inspection at the facility to determine whether construction was being completed in accordance with contract requirements and applicable construction standards.

In preparation for its site inspection, SIGAR reviewed contract documents, technical specifications, design documents, geotechnical reports, and quality control and quality assurance reports. SIGAR conducted its work in Kunduz province and in Kabul, Afghanistan, from September to December 2012, in accordance with Quality Standards for Inspection and Evaluation published by the Council of the Inspectors General on Integrity and Efficiency.
FINDINGS
Construction quality at the Kunduz ANP Provincial Headquarters generally meets contract specifications, although USACE-TAN’s failure to address the potential for collapsible soils as part of the award of the contract caused a 10-month delay and a $5 million cost increase. A collection of 37 structures, the project was approximately 50% complete when SIGAR visited the site on November 15, 2012. Most of the buildings were structurally complete. No significant construction deficiencies were noted.

Nevertheless, SIGAR’s inspection identified usability and sustainability issues with the facility. Specifically, a failure of the facility’s only source of power—a single diesel generator with no back-up or connection to the local electrical grid—could lead to significant sewage overflows that threaten the health and safety of the facility and its occupants. Also, there are no plans for an operation and maintenance contract or to train Afghans to keep complex systems such as sewage treatment and electrical power in good working order. Therefore, in SIGAR’s view, U.S. investment in this facility may be at risk.

RECOMMENDATIONS
SIGAR made recommendations to the Commanding General, USACE, to install electrical back-up at the sewage treatment plant lift station. SIGAR is also making recommendations to the Commanding General, USACE, in coordination with the Commanding General, NTM-A/CSTC-A, to review an earlier decision to not connect the site to the local electrical grid; and, if this decision was warranted, install back-up site electrical power to help ensure a continuous supply of electricity; and to consider awarding an operation and maintenance contract to ensure the facility’s long-term sustainability, particularly in light of the technical complexity and cost of supporting the sewage treatment plant and power plant.

AGENCY COMMENTS
USACE concurred with SIGAR’s three recommendations and plans to address these issues, pending NTM-A/CSTC-A direction and funding. Specifically, USACE is prepared to (1) install an electrical backup at the lift station; (2) to conduct a cost-benefit and technical analysis associated with connecting the site to the local electrical grid and; (3) issue a task order against the existing operations and maintenance contract.

Inspection 13-5: Afghan Border Police Facilities
Imam Sahib Border Police Company Headquarters in Kunduz Province: $7.3 Million Facility Sits Largely Unused
In March 2010, the U.S. Army Corps of Engineers-Afghanistan Engineer District-North (USACE-TAN) awarded a $5.7 million firm fixed-price contract to Omran Construction, Consulting and Engineering Company
to design and build facilities at the Imam Sahib Border Police Company Headquarters in Kunduz province. Subsequent modifications to the contract increased its total value to $7.3 million. The facility was turned over to the Afghan Border Police on September 3, 2012. As part of its inspection program, SIGAR conducted a site inspection at the facility to determine (1) whether construction was being completed in accordance with contract requirements and applicable construction standards; and (2) whether facilities were being used as intended and maintained.

In preparation for its site inspection, SIGAR reviewed contract documents, technical specifications, design documents, geotechnical reports, and quality control and quality assurance reports. SIGAR conducted its site inspection on November 19, 2012. SIGAR conducted its work in Kunduz province and in Kabul, Afghanistan from September to December 2012, in accordance with Quality Standards for Inspection and Evaluation published by the Council of the Inspectors General on Integrity and Efficiency.

FINDINGS
SIGAR's inspection was limited to only two buildings and a portion of a third building of the total 12 buildings at the facility because most buildings were locked and on-site personnel did not have the keys. Of the buildings SIGAR was able to examine, no major construction quality issues were identified. Originally built with a capacity for 175 persons, only about 12 Afghan personnel were on site at the facility at the time of SIGAR’s inspection. Most buildings appeared unused and some previously installed equipment—specifically, wood-burning stoves installed near the site’s dining facility—had been dismantled.

SIGAR also noted that the facility lacks back-up electrical power. In addition, successfully sustaining the facility will require personnel with appropriate skills to keep the electrical generator; fueling station; water treatment system; and heating, ventilation, and air conditioning systems in proper working order. However, there is neither an operation and maintenance contract nor plans to train local Afghan personnel to operate and maintain equipment. This raises questions about the facility’s sustainability.

RECOMMENDATIONS
SIGAR recommends that USACE, in coordination with NTM-A/CSTC-A, review plans for constructing Afghan Border Police facilities to determine whether site construction contracts can be downsized or facilities redesigned to reduce unnecessary costs or if facilities, including this location, are needed. If it is determined that this facility is needed and plans are in place for its use, SIGAR recommends reviewing the feasibility of installing backup power or connecting to the local grid, awarding an operation and maintenance contract or providing training to Afghan personnel, and determining why wood-burning stoves at the site were dismantled.
AGENCY COMMENTS

USACE noted that, in its view, the recommendations should have been more appropriately addressed to NTM-A/CSTC-A because it is responsible for determining project requirements and scope of work. USACE concurred with three of SIGAR’s four recommendations, stating that it is prepared to address these issues, pending NTM-A/CSTC-A direction and funding. Specifically, USACE is prepared to reduce the scope of design and construction contracts, to evaluate the feasibility of installing a backup generator or connect to the local power grid, and to issue a task order against the existing operations-and-maintenance contract. USACE did not concur with SIGAR’s fourth recommendation, stating that because the facilities were completed and turned over to the customer, it has no control or authority over how a customer uses a facility. However, USACE is prepared to assist NTM-A/CSTC-A in assessing the need to provide wood-burning stoves at other facilities currently under construction or planned for the future, pending NTM-A/CSTC-A direction and funding.

SIGAR understands USACE’s position; however, the inclusion of wood-burning stoves in facility construction is a facet of construction standards first adopted in 2009 and revised in 2011. The dismantling of the wood-burning stoves shortly after taking possession of the facility indicates that they may not be an effective element of the new construction standards. Consequently, SIGAR continues to believe that USACE-TAN, in coordination with NTM-A/CSTC-A, should determine why the ANSF dismantled the wood-burning stoves at the Imam Sahib Border Police Company Headquarters and assess the need to provide wood-burning stoves at other facilities currently under construction or planned in the future.

NEW INSPECTIONS

SIGAR is conducting inspections of construction projects awarded with U.S. relief and rehabilitation funds throughout Afghanistan. This quarter it initiated two new inspections. One is for inspections of medical, education, police, and agricultural facilities construction projects in the western provinces of Herat, Farah, Badghis, and Ghor. The other is for a series of inspections of the Kajaki Dam and related construction projects in Helmand province.

Medical, Education, Police, and Agricultural Facilities

These inspections will focus on medical, education, police, and agricultural facilities in the western provinces of Herat, Farah, Badghis, and Ghor. They will determine whether (1) construction was completed, or is being done, in accordance with contract requirements and applicable construction standards; (2) construction deficiencies are corrected before acceptance and transfer; and (3) facilities are used as intended and maintained and appropriately sustained.
Kajaki Dam and Related Construction Projects

This series of inspections will focus on the Kajaki Dam and related construction projects in Helmand province including, but not limited to, USACE and USAID projects. The inspections will determine whether (1) construction was completed, or is being done, in accordance with contract requirements and applicable construction standards; (2) construction deficiencies are corrected before acceptance and transfer; and (3) facilities are used as intended and maintained and appropriately sustained.

Status of SIGAR Recommendations

The Inspector General Act of 1978, as amended, requires SIGAR to report on the status of its recommendations. This quarter, SIGAR closed 29 audit recommendations contained in 13 audit and inspections reports. From 2009 through 2012, SIGAR published 67 audits and investigations and made 225 recommendations to recover funds, improve agency oversight, and increase program effectiveness. To date, SIGAR has closed over 60% of these recommendations. Closing a recommendation indicates SIGAR's assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue.

Corrective actions taken for the closed audit reports this period include:

- developing a system to track issues for vehicles provided with U.S. funds to the Afghan National Security Forces (Audit 12-4)
- recovery in 2011-2012 of over $66,000 from transportation carriers for vehicles damaged or equipment lost or stolen during transit (Audit 12-4)
- recovery of over $46,000 paid by USAID for unallowable shipping and insurance costs associated with armored leased vehicles (Audit 12-11)

The Inspector General Act of 1978, as amended, also requires SIGAR to report on any significant recommendations from prior reports on which corrective action has not been completed. In this quarter, SIGAR monitored agency actions on recommendations of 15 audit and four inspection reports. Two of the reports, which are over 12 months old, contain 13 significant recommendations that are pending resolution. These two reports addressed challenges with $9.9 million in insurance premiums charges to the U.S. Government and the coordination and integration of U.S. agriculture assistance and capacity-building. Specifically, Audit Report 11-15, 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, was published on July 28, 2011. Four of its recommendations are directed at USACE to strengthen a Defense Base Act (DBA) insurance contract and address problems identified with data provided by the current insurance provider. The report also includes four additional recommendations to both USACE and the CENTCOM Joint Theater Contracting Command to strengthen the DBA program and, where possible, recover refunds given to
contractors for their DBA insurance costs. Despite USACE’s commitment to complete actions to resolve the problems SIGAR identified by the end of 2012, the eight recommendations in this report remain open.

In addition, Audit Report 12-1, Actions Needed to Better Assess and Coordinate Capacity-Building Efforts at the Ministry of Agriculture, Irrigation, and Livestock, was published on October 20, 2011. Its five recommendations called for the U.S. Ambassador to Afghanistan to address the integration and coordination of U.S. capacity-building efforts, more closely integrate DoD’s agribusiness development team capacity-building activities with those of civilian agencies, and more accurately and consistently measure civilian-military progress made in building Afghan capacity in Kabul and in Afghanistan’s provinces. These recommendations also remain open.

INVESTIGATIONS
This quarter, SIGAR investigations resulted in nine arrests (four U.S. citizens and five Afghan citizens), eight guilty pleas, five federal charges, and one criminal charge under Afghan law for a range of crimes, including stealing fuel, soliciting kickbacks, and taking bribes. SIGAR recovered stolen government property worth $310,000 and saved $5.6 million in government monies. In addition, SIGAR referred 16 individuals and companies for suspension and debarment. It also produced an investigative report on CSTC-A’s shredding of fuel documents.

During this reporting period, SIGAR initiated 63 new cases and closed 14, bring the total number of active investigations to 268, as shown in Figure 2.1. SIGAR is the lead agency on 217 of these cases.

Investigation Determines CSTC-A Cannot Account for $201 Million in Fuel Purchases
In this reporting period, SIGAR investigators determined that because of CSTC-A’s failure to comply with record-retention polices, the U.S. government still cannot account for $201 million in fuel purchased to support the Afghan National Army (ANA). The SIGAR investigation began after Special Inspector General John F. Sopko reported in Congressional testimony on September 13, 2012, that CSTC-A officers had shredded documents covering some $475 million in ANA fuel purchases from FY 2007 through February 2011. Following the hearing, CSTC-A found the records for FY 2007 to February 2010. SIGAR continued to investigate the records missing from March 2010 to February 2011. Investigators determined that two CSTC-A fuel-ordering officers shredded the documents after scanning them in order to save storage space. However, CSTC-A was unable to locate the scanned documents, despite being provided numerous electronic sites and physical locations identified during the course of SIGAR’s investigation. Investigators
found no evidence that the document shredding was related to criminal activity. But the failure to retain the records violated the Federal Acquisition Regulation pertaining to record retention and CENTCOM orders.

More Than $4.8 MillionSaved by SIGAR Investigation of Fuel Theft

In December 2012, SIGAR, together with the U.S. Army Criminal Investigations Division (CID) and other U.S. Army personnel, conducted two joint operations to identify and shut down a fuel-theft scheme at Forward Operating Base (FOB) Salerno in Khost Province. The successful operations resulted in an estimated annual fuel savings of more than $4.8 million, the recovery of 1,000 gallons of fuel valued at $15,000, the arrest of three Afghan nationals, and the permanent removal of more than 60 Afghan fuel drivers and criminal associates from access to FOB Salerno and other U.S. and NATO military bases in Afghanistan.

SIGAR was brought into the investigation in November 2012, when the U.S. Army FOB Salerno Commander requested the agency’s help in disrupting an ongoing fuel-theft scheme. The commander estimated the U.S. government was losing almost 53,000 gallons a month to fuel thieves. Working together with base personnel, SIGAR investigators soon determined that Afghan fuel trucks arriving at the FOB Salerno fuel depot carried fuel loads that were short 600 to 2,400 gallons of the amounts listed on their manifest. The investigators found no evidence of criminal involvement by American government personnel.

SIGAR investigators met with the U.S. military’s counterterrorism task force, Task Force Rakkasan, or the 3rd Brigade Combat Team, 101st Airborne Division; the Afghan Threat Finance Center (ATFC); U.S. “Rule of Law” attorneys seconded to the Afghan government by DoJ; and Afghan prosecutors and police to develop a plan to address the thefts. Afghan police set up surveillance of the fuel depot where the deliveries took place. SIGAR and CID conducted more than 30 investigative interviews on a short deadline. Task Force Rakkasan and the ATFC provided analytical support. The U.S. “Rule of Law” attorneys and Afghan prosecutors developed a strategy for charging the Afghan suspects identified during the investigation.

The joint investigation culminated in two takedowns on December 23 and 27 at the FOB Salerno fuel yard. Task Force Rakkasan and the Afghan police took control of the fuel depot to allow investigators to identify and interview Afghan drivers and fuel workers involved in the scheme. Based on SIGAR investigation and in coordination with Afghan and U.S. prosecutors, Afghan police authorities arrested three Afghan nationals for stealing the fuel. Investigators recovered some 1,000 gallons of stolen fuel valued at $15,000. Additionally, the FOB Salerno Commander barred more than 60 Afghan fuel-truck drivers and other Afghan nationals involved in the scheme from access to FOB Salerno or other U.S. and NATO installations in Afghanistan.
Influential Afghan Official Arrested, $310,000 in Stolen Government Property Seized, and $825,000 Saved in Contract Costs

SIGAR investigators working out of the agency’s new base in Mazar-e-Sharif uncovered a large-scale fuel-theft scheme targeting U.S. military installations at Camp Jordania and Camp Marmal in Balkh Province. In a joint investigation with military and International Contract Corruption Task Force (ICCTF) law-enforcement officials, SIGAR investigators learned that Ibrihim Ashna, an influential local Afghan official, was engaged in a sophisticated scheme to defraud the U.S. government. Ashna, who provided and brokered fuel deliveries to Camp Jordania and Camp Marmal, was submitting forged or altered “transportation movement requests” (TMRs) that falsely reported the delivery of fuel to a local fuel depot. Ashna then charged the U.S. government for fuel that was never delivered.

SIGAR investigators obtained recorded conversations of Ashna discussing the scheme and confirmed that he was paying bribes to fuel-depot personnel. SIGAR determined that he and his associates were using several different methods for defrauding the U.S. government. Most commonly, Ashna and his associates paid bribes to fuel-depot personnel to illegally overfill fuel trucks by up to 2,500 gallons during loading, allowing them to depart with significant quantities of excess fuel. They also submitted forged or altered documents falsely claiming that fuel had been delivered. In addition, Ashna paid bribes to fuel-depot personnel to falsely report that fuel was delivered when it had (Continued on p. 38)
INVESTIGATING FUEL THEFT

Fuel is “liquid gold” in Afghanistan—easy to steal, easy to sell on the black market. Buyers of stolen fuel can be local gasoline stations, roadside vendors, U.S. contractors without access to military fuel depots, or Afghan insurgents. Whether gasoline, jet fuel, or diesel, fuel is readily transportable by truck, rail, or pipeline. Each mode has vulnerabilities to theft that SIGAR is trying to alleviate. At stake are hundreds of millions of dollars worth of fuel that the United States buys each year to supply its personnel and the Afghan National Security Forces (ANSF).

SIGAR has 24 open investigations concerning fuel. This quarter a SIGAR audit showed that better controls over some $4.2 billion in fuel that has been and will be supplied to the Afghan National Army are needed to prevent fraud, waste, and abuse. SIGAR also published a limited-scope review highlighting the risk that U.S. funds could be used to purchase Iranian fuel in violation of U.S. economic sanctions. Another audit will assess the process of supplying fuel to the Afghan National Police.

Most of SIGAR’s criminal fuel investigations concern drivers, either Afghan or third country nationals, for contractors who have U.S. government or military contracts to deliver fuel to military bases. Such prime-contractor drivers often “short” the fuel they deliver. The fuel left in the trucks is then taken off the base and sold on the black market. SIGAR has used undercover agents, sources, and surveillance videos to record drivers stealing fuel from U.S. installations in Afghanistan. Most recently, SIGAR used infrared surveillance video to show delivery drivers attempting to leave U.S. installations with tanks partially full of fuel that they had not offloaded.

SIGAR works with the Afghan Attorney General’s office to have the Afghan drivers prosecuted locally. The agency has third-country nationals suspended and debarred to prevent them from having future access to military bases. Through the Department of Justice, SIGAR is also putting responsibility on the prime contractors for whom the drivers work to oversee their delivery process. Under their contracts, the contractors have a responsibility to provide fuel and the U.S. government has a responsibility to pay for the fuel delivered.

Until now, the fact that the drivers were routinely shorting their deliveries had no impact on the prime contractors. They were paid the full amount of the invoice with no deduction for the missing fuel. But a SIGAR investigation out of Kandahar is using a new process to make sure that all of the fuel the contractor is responsible for delivering is accounted for. Investigating agents have used computerized data from generators to calculate the total amount of fuel used on a U.S. military installation and compared it to the total amount Supreme Fuels GmbH & Co. KG was paid during a specific time frame. The difference is potentially significant; negotiations are underway with Supreme for repayment.

SIGAR has also sought to go up the ladder and obtain evidence against fuel-theft rings. One recent investigation centered on an Afghan contractor for USAID, Ibrihim Ashna, who could provide several trucks a day to enter military bases and steal fuel. Ashna asked a SIGAR agent, working undercover, to provide forged documents that would allow his trucks to enter a U.S. military base and load fuel, ostensibly for delivery to other military installations. SIGAR used video surveillance to record Ashna discussing the thefts with its agent and to make infrared video of trucks leaving the base with illicitly retained fuel. Afghan prosecutors are using this surveillance evidence in court against Ashna.

With its investigations, audits, and special reports, SIGAR is preventing the waste and theft of U.S.-funded fuel in Afghanistan.
SIGAR investigators conducting field interviews in joint SIGAR/U.S. Army fuel theft investigation. (SIGAR photo)
actually been stolen, thereby avoiding a $75,000 contract penalty charged by the U.S. government for each unsuccessful or “no show” fuel mission.

Ashna was arrested on October 21, 2012, at Camp Marmal by Afghan authorities in the presence of SIGAR agents after he paid a $5,000 bribe to have four fuel tankers each improperly loaded with 2,500 gallons above the authorized load. The theft of 10,000 gallons of U.S. government fuel would have been worth $150,000. SIGAR investigators also seized the four fuel trucks, valued at $180,000; recovered $130,000 in stolen fuel; obtained $825,000 in cost savings by identifying fraudulent TMRs; recovered $42,000 in bribe payments; and secured the permanent expulsion of Ashna and his four drivers from U.S. military installations. As Afghan nationals, Ashna and those assisting him were not subject to U.S. prosecution, but Ashna remains incarcerated on Afghan bribery and fraud charges pending his trial in Balkh Province.

The investigation represents a success for the recent SIGAR decision to create a new base at Mazar-e-Sharif with two Special Agents assigned to it to address potential fraud at the nearby U.S. military facilities. These facilities will be supporting the operations to remove equipment and other material as part of the U.S. military drawdown.

Former Contractor and Two Former U.S. Army Sergeants Plead Guilty to $200,000 Afghanistan Contract Fraud Scheme

A former employee of a U.S. Army contractor and two former U.S. Army staff sergeants pleaded guilty on December 19, 2012, before a U.S. District Judge in the Northern District of Illinois for their roles in a fraud scheme involving a $200,000 contract to provide armored vehicles to the U.S. military in Afghanistan.

The contractor, Raul Borcuta, pleaded guilty to one count of wire fraud while former U.S. Army Staff Sergeants Zachery Taylor and Jarred Close each pleaded guilty to one count of receiving an illegal gratuity.

According to court documents, Borcuta operated a defense contracting firm in Farah Province and Taylor and Close were U.S. Army staff sergeants assigned to a Provincial Reconstruction Team. They belonged to a civil-affairs task force charged with awarding and administering development contracts in Afghanistan. Taylor and Close awarded a $200,000 contract to Borcuta to provide the U.S. military with two armored vehicles to protect the governor of Farah Province, who had been threatened with death by Taliban insurgents. Court documents say Taylor and Close authorized a $200,000 payment to Borcuta before he delivered the vehicles. Borcuta collected the payment, paid Taylor and Close $10,000 each and then failed to deliver the vehicles. The three were arrested after an investigation by SIGAR, the Defense Criminal Investigative Service, the U.S. Army CID and the Federal Bureau of Investigation (FBI).

At sentencing, Borcuta faces a maximum penalty of 20 years in prison; Taylor and Close each face up to two years in prison. Borcuta is scheduled
to be sentenced on April 2, 2013. Taylor and Close are scheduled to be sentenced on April 3, 2013.

**U.S. Contractor Pleads Guilty in Scheme to Smuggle $150,000**

The former manager of a U.S. contracting company engaged in reconstruction work in Afghanistan pleaded guilty in federal court on December 13, 2012, to a scheme to smuggle $150,000 in cash from Afghanistan to the United States. As the result of a joint investigation by SIGAR, the FBI, and other law-enforcement agencies, the manager, Donald Gene Garst, pleaded guilty in the U.S. District Court for the District of Kansas to charges of illegal bulk cash smuggling.

As a civilian manager for a U.S. contractor on Bagram Air Field, Garst developed contract requirements to generate bid requests and award subcontracts to Afghan companies. In the course of his work, Garst received a cash payment of $150,000 from an Afghan citizen who owned Somo Logistics, an Afghan company. Garst tried to send the $150,000 in cash to his ex-wife in Topeka, Kansas, in a DHL package mailed from Bagram Air Base. After security officials discovered the cash in the package, Garst confessed to attempting to smuggle the money to the United States. He awaits sentencing.

A trial attorney on detail from SIGAR to the Department of Justice’s Fraud Section and the U.S. Attorney’s Office for the District of Kansas are prosecuting the Garst case.

**Former U.S. State Department Contractor Arrested for Accepting a $30,000 Illegal Gratuity**

A criminal complaint charging a former U.S. Department of State personal-services contract employee with one count of receipt of an illegal gratuity by a public official and another count of willful receipt by an executive-branch employee of an illegal payment was unsealed on October 15, 2012, in the U.S. District Court for the District of Delaware. The employee, Kenneth Michael Brophy, had been arrested on October 14, 2012, by officials from SIGAR, the FBI, and State Department Office of Inspector General.

Brophy was employed at the U.S. Embassy in Kabul from November 2008 to May 2010 to supervise contracts for a prison-renovation project, among other things, according to the criminal complaint. The complaint alleges that Brophy accepted a $30,000 payment from one of the Afghan companies he was supervising on the prison contracts. The Afghan contractor reportedly sought Brophy’s help in prosecuting a claim against USACE upon the termination of its contracts. According to the complaint, Brophy personally lobbied a USACE official, assisted in drafting documents to be submitted to USACE, and provided general advice regarding the Afghan company’s communications with USACE. The complaint also alleges that Brophy initially provided false statements to federal officials about the gratuity payment. A trial date has not yet been set for Brophy.
Former Employee of U.S. Company Arrested for Receiving More than $90,000 in Illegal Payments and Kickbacks

The former vice president of a contracting company was arrested on December 13, 2012, on charges of accepting more than $90,000 in gratuities from U.S. taxpayer-funded subcontractors during his employment in Afghanistan. After a joint investigation by SIGAR and other federal law-enforcement agencies, contractor Elton Maurice McCabe III was arrested on a federal criminal complaint charging him with receiving illegal kickbacks and committing wire fraud.

McCabe worked for a contracting company that received subcontracts from U.S. government prime contracts to assist in reconstruction efforts in Kandahar. In 2009, McCabe allegedly solicited and accepted cash payments and a wire transfer of some $53,000 to his wife’s bank account from Afghan subcontractors in exchange for awarding subcontracts connected to U.S. reconstruction projects. The same year McCabe accepted cash payments and arranged for a contractor’s consultant to wire $20,000 to McCabe’s wife’s bank account in exchange for construction material that belonged to McCabe’s company. McCabe then used the improperly gained funds, totaling more than $90,000, for his own personal expenses.

This case is being prosecuted by a trial attorney on detail from SIGAR to the Department of Justice’s Fraud Section. A trial date has not been set.

U.S. Army Staff Sergeant Pleads Guilty to Smuggling $1 Million

A U.S. Army staff sergeant pleaded guilty before a federal judge on October 24, 2012, to attempting to smuggle about $1 million in cash from Afghanistan to the United States. SIGAR initiated the investigation of Staff Sergeant Tonya Long Keebaugh after receiving information that the U.S. government was paying Afghan trucking companies for phantom deliveries. Long Keebaugh had been deployed in January 2008 to Kandahar Airfield as a transportation-management coordinator with the 189th Combat Sustainment Battalion, XVIII Airborne Corps. Her job was to coordinate transportation-convoy efforts and services for the U.S. military. Long Keebaugh conspired to falsify transportation movement requests, causing additional payments to be made to two Afghan trucking companies. In return, the two trucking companies provided kickbacks to Long Keebaugh and others who worked with her. The staff sergeant, who also served as a customs inspector, then hid approximately $1 million in VCRs that were then sent to the United States in shipping containers.

U.S. Army Sergeant Pleads Guilty in Conspiracy to Steal More Than $1 Million in U.S. Military Fuel

On October 11, 2012, U.S. Army Sergeant Christopher Weaver appeared in U.S. District Court, Denver, Colorado, where he entered a guilty plea to one count of bribery and one count of conspiracy resulting from his
involvement in a scheme to steal more than $1 million in fuel designated for U.S. military forces at FOB Fenty, Jalalabad, Afghanistan. SIGAR initiated the investigation that led to Weaver’s arrest after receiving information about the theft from two sources.

Weaver and a U.S. military contractor, who was also charged and has already pleaded guilty, worked on FOB Fenty, which serves as a distribution center hub for jet fuel. He and his co-conspirator facilitated the theft of about 100 truckloads of jet fuel. In return for facilitating the thefts, Weaver received cash payments of $5,000 for every 5,000-gallon truck containing stolen fuel he allowed to leave FOB Fenty. Weaver received the cash payments from an Afghan national working with him at FOB Fenty. During the investigation, Weaver admitted the loss to the U.S. government was between $1 million and $2.5 million dollars. Weaver is scheduled to be sentenced in U.S. District Court on January 22, 2013.

Former Army Contractor Pleads Guilty to Bribery
A Houston woman pleaded guilty in the District of Columbia on October 24, 2012, to bribery charges for her role in a plot to fraudulently bill the U.S. Army for trucking services in Afghanistan. SIGAR conducted the investigation of Diyanah Montes, who was employed by Kellogg, Brown and Root from April to December 2008. The firm had been hired to assist the U.S. Army’s Movement Control Branch in contracting with Afghan trucking companies to transport U.S. military equipment, fuel, and other supplies throughout Afghanistan. Under the established system, each time a trucking company made a trip, it filed a TMR. Montes’ job was to collect the TMRs from the contractors and reconcile any discrepancies between the amount of service actually rendered and the amount billed by the contractor. After she approved the TMRs, they would be passed on to U.S. contracting personnel for payment. Starting around May 2008, Montes passed on TMRs from Afghan Trade Transportation (ATT) that she knew to be false. In return, ATT paid her some $50,000 in cash and wire transfers.

U.S. Army Sergeant Charged with Smuggling $10,000
A U.S. Army sergeant was charged before the U.S. District Court for the Eastern District of North Carolina on December 7, 2012, with illegally smuggling cash into the United States. As the result of a joint investigation by SIGAR, the U.S. Army CID, and the Defense Criminal Investigative Service, Sergeant First Class Rene Martinez was charged with smuggling more than $10,000 in bulk cash. The money was concealed in a package shipped to North Carolina from Afghanistan.

Government Contractor Pleads Guilty to Theft of U.S. Funds
A U.S. contractor pleaded guilty in federal court on November 14, 2012, to a charge of theft from the U.S. government in Afghanistan. The charges
against contractor Lavette Domineck in the U.S. District Court for the Eastern District of North Carolina resulted from an investigation by SIGAR and the U.S. Army CID. According to court documents, Domineck defrauded the U.S. government by having another person telephone the Fayetteville, North Carolina, office of the American Red Cross to falsely claim that her brother had died in Milwaukee, Wisconsin. After the American Red Cross transmitted this false death notification to Afghanistan, Domineck used it to claim and obtain advance paid leave and travel benefits to attend the supposed funeral at a cost fraudulently billed to the U.S. government. A sentencing date has not yet been set.

SIGAR Aggressively Refers Corrupt Contractors for Suspension and Debarment

This quarter, SIGAR’s suspension and debarment program referred 16 individuals and companies for suspension or debarment, bringing the total number of such referrals made by SIGAR to 222, or 113 individuals and 109 companies, as seen in Figure 2.2. When individuals or companies are suspended and debarred, they are excluded from receiving federal contracts or assistance because of misconduct. By the end of December 2012, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan had resulted in a total of 58 suspensions, 95 proposals for debarment, and 46 finalized debarments of individuals and companies engaged in U.S.-funded reconstruction projects. SIGAR bases its referrals on completed investigations in which the agency

FIGURE 2.2
SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q1 FY 2013

participates. These referrals provide a discussion of the basis for a suspension or debarment decision by an implementing agency as well as all of the supporting documentation needed for an agency to take action.

SIGAR’s program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the U.S. government’s ability to deter corrupt contractors through the innovative use of information resources and investigative assets both in Afghanistan and the United States.

Singling Out Predatory Contractors
Since June 2011, SIGAR has taken steps to single out what are known in Afghanistan as “predatory contractors” for punishment. Predatory contractors obtain prime or sub-contracts for construction projects that they have no intention of completing. Instead they receive as much of the contract price as possible before walking off the job without paying their subcontractors. Predatory contracting is particularly common in areas where contracting oversight is minimal and the contractor has exclusive authority over its subcontractors and suppliers. Predatory contractors not only cause the U.S. government to lose money and time. They also harm the overall U.S. mission in Afghanistan by failing to pay their Afghan suppliers and subcontractors, causing the Afghan public to believe that the U.S. government fails to pay Afghans who perform work for it. Since June 2011, SIGAR has referred 50 companies and individuals for debarment based on such practices, resulting in four suspensions, 20 proposed debarments, and 16 finalized debarments. In the second quarter of 2013, SIGAR will continue to address the problem of predatory contracting by presenting a proposal to the contracting community that contracting officers require a certification of payments to subcontractors as a part of the final closeout of a contract.

Contractor Who Failed to Install Culvert Denial Systems Proposed for Debarment
This quarter, a contractor who endangered coalition forces and Afghan civilians by failing to install grates aimed at preventing insurgents from planting improvised explosive devices (IEDs) in culverts was proposed for debarment. The contractor, Abdul Anas Sultani, and his company, Afghan Mercury Construction Company, improperly installed 122 culvert denial systems along a portion of Highway 1 between Ghazni City and the border of Wardak province, immediately to the north of Ghazni province. Instead of using concrete to anchor the grates, Sultani and Afghan Mercury used spot welding, making it easier for insurgents to tamper with them. The firm’s workers also left gaps around the edges of the rebar grills used to prevent the emplacement of IEDs. Sultani and Mercury also fraudulently submitted misleading
photographs claiming that culverts had protection systems installed when, in fact, no work had been completed. U.S. military personnel reported that this failure to adhere to contract specifications led to the creation of an “IED engagement zone” along a critical stretch of road, placing soldiers and civilians in jeopardy of IED attacks and leading to traffic build-up. The risk was so severe that SIGAR issued an alert letter on October 10, 2012, warning USFOR-A and CENTCOM of the danger.

SIGAR Attorney Invited to Discuss Suspension and Debarment
The Council of Inspectors General on Integrity and Efficiency invited one of SIGAR’s attorneys to lead a panel discussion on best practices in fact-based suspension and debarment at its annual Suspension and Debarment Conference in Alexandria, Virginia. Topics discussed included the best practices regarding the development of suspension and debarment referrals, the use of evidentiary materials, and the standards for providing notice and due process to contractors who have been accused of wrongdoing. By participating in this conference, SIGAR continued its support for the suspension and debarment community of practice, including its membership in the Department of Defense Procurement Fraud Working Group.

SPECIAL PROJECTS
SIGAR’s Office of Special Projects is a rapid-response team set up by the Special Inspector General to examine emerging issues in prompt, actionable reports to federal agencies and the Congress. This quarter the office produced reviews of the problems that persist in monitoring bulk cash flows at Kabul International Airport and the risk that fuel purchased with U.S. funds in Afghanistan could violate U.S. economic sanctions. The office’s responses to developments and new information, and the sensitivity of some topics, may lead it to produce products that were not previously announced.

Special Project Reports Published

**SP-13-1: Anti-Corruption Measures**
*Persistent Problems Exist in Monitoring Bulk Cash Flows at Kabul International Airport*
The U.S. government has long had serious concerns about the flow of cash out of the Kabul International Airport. According to the Congressional Research Service, some $4.5 billion was taken out of Afghanistan in 2011. These bulk cash flows raise the risk of money laundering and bulk cash smuggling—tools often used to finance terrorist, narcotics, and other illicit operations. In July 2011, SIGAR reported on U.S. government efforts to strengthen oversight over the flow of U.S. funds through the Afghan economy, including a “bulk cash flow action plan” developed in 2010 to better regulate cash flowing out of the airport. In August 2012, SIGAR initiated the
review to follow up on concerns about an initiative to place bulk currency counters at the airport to monitor the outflow of funds from Afghanistan.

SIGAR found that more than a year after its last visit to the airport, the cash counters were still not being used for their intended purpose and passengers designated by the Afghan government as Very Important Persons (VIPs) were bypassing currency controls. The cash counters were located in a small, closet-like area not easily accessible to Customs and other officials in the international terminal. Neither machine was connected to the internet or a computer server, which is essential if the counters are to be used to send back information about serial numbers for financial tracking. In addition, no bulk currency counter was available for the counting or data collection of currency declared by VIPs, and Very Very Important Persons, both of whom are allowed to transit without main customs screenings or use of a bulk currency counter. DHS officials told SIGAR that Afghan customs officials were afraid that they would experience negative repercussions from the Afghan government if they made progress instituting controls at the airport. As of October 2012, according to DHS officials, efforts to connect the bulk currency counters to the internet or a computer server were “at a standstill.”

SIGAR concluded that it was imperative that the Afghan government use the bulk currency and the video security system as intended and immediately end the practice of exempting VIPs and VVIPs from the customs procedures required of other passengers.

SP-13-2: Afghan National Security Forces
Limited Visibility over Fuel Imports Increases the Risk That U.S.-Funded Fuel Purchases Could Violate U.S. Economic Sanctions Against Iran

Over the last five years, Congress has appropriated $1.1 billion to purchase fuel for the ANA. CSTC-A acquires the fuel through blanket purchase agreements with largely Afghan vendors. In turn, these vendors in some cases subcontract with different transport and delivery vendors. Although Iran is a primary supplier of Afghanistan’s fuel, the U.S. economic sanctions program prohibits virtually all trade and investment activities with Iran by U.S. persons and U.S. funds. This limited-scope review by SIGAR examined whether sufficient controls have been established in the ANSF fuel-supply process to ensure the use of U.S. funding complies with U.S. sanctions against Iran.

In late 2012, CSTC-A took steps to establish contracting mechanisms intended to prevent its vendors from purchasing fuel in violation of U.S. economic sanctions. Despite these recently added controls, oversight weaknesses in the fuel acquisition process may continue to limit the ability of U.S. officials to verify the sources of fuel purchased with U.S. funds for the ANSF. Furthermore, given the Afghan government’s continued challenges in overseeing and expending direct assistance funds, SIGAR found that it will become even more difficult for DoD to account for the use of U.S. funds as it
begins to transfer funds directly to the Afghan government in March 2013 to purchase fuel for the ANSF. SIGAR concluded that the U.S. government may need to place safeguards on its direct-assistance funding—over $1 billion for ANSF fuel alone in 2013–2018—to ensure the Afghan government does not use the funds in violation of U.S. economic sanctions and national policies.

### New Special Projects

**Evaluation of Culvert Denial Systems**

Serious concerns have been raised during an ongoing SIGAR investigation that contractors may have been fraudulently billing the U.S. government for culvert denial systems which were either never installed or incorrectly installed. In addition to the potential for fraud, these improperly installed or absent culvert denial systems endanger coalition and Afghan lives by allowing insurgents to plant IEDs in culverts. In the next quarter, SIGAR will conduct a targeted evaluation of the installation of culvert denial systems in Afghanistan. This evaluation will follow up on the issues raised in the ongoing investigation and an October 10, 2012, SIGAR safety alert letter citing these concerns that was issued to the CENTCOM and USFOR-A commanders respectively. It will determine the universe of contracts awarded for culvert denial systems and the extent to which management and oversight of the contractors installing the culvert denial systems was conducted.

### SIGAR BUDGET

Since establishing SIGAR in 2008, Congress has appropriated $137.7 million to cover the organization’s operating expenses mid-way through FY 2013. At present, SIGAR operates under the Continuing Resolution Authority

---

**TABLE 2.1**

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>Public Law</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.R. 2642, Supplemental Appropriations Act, 2008</td>
<td>PL 110-252</td>
<td>7</td>
</tr>
<tr>
<td>H.R. 2638, Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009</td>
<td>PL 110-329</td>
<td>9</td>
</tr>
<tr>
<td>H.R. 2346, Supplemental Appropriations Act, 2009</td>
<td>PL 111-32</td>
<td>7.2</td>
</tr>
<tr>
<td>H.R. 2346, Supplemental Appropriations Act, 2009</td>
<td>PL 111-32</td>
<td>(7.2)*</td>
</tr>
<tr>
<td>H.R. 3288, Consolidated Appropriations Act, 2010</td>
<td>PL 111-117</td>
<td>23</td>
</tr>
<tr>
<td>H.R. 4899, Supplemental Appropriations Act, 2010</td>
<td>PL 111-212</td>
<td>7.2</td>
</tr>
<tr>
<td>H.R. 1473, Department of Defense and Full-Year Continuing Appropriations Act, 2011</td>
<td>PL 112-10</td>
<td>25.5</td>
</tr>
<tr>
<td>H.R. 2055, Consolidated and Further Continuing Appropriations Act, 2012</td>
<td>PL 112-74</td>
<td>44.4</td>
</tr>
<tr>
<td>H.J. Res. 117, Continuing Appropriations Resolutions, 2013</td>
<td>PL 112-175</td>
<td>21.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>137.7</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Congress rescinded $7.2 million of funds made available for SIGAR in 2009 (Title XI in PL 111-32) and then made them available again—through September 30, 2011—in PL 111-212 in 2010.
provided through March 27, 2013. In the Continuing Appropriations Resolution 2013 (P.L. 112-175), SIGAR was provided with approximately $21.6 million to maintain mission operations. Currently, SIGAR is awaiting more specific guidance on the status of appropriations and possible sequestration effects for FY 2013, as well as the President’s review and approval of the FY 2014 Budget Request.

**SIGAR STAFF**

During this reporting period, Special Inspector General Sopko announced the selection of veteran federal investigator Douglas J. Domin as Assistant Inspector General for Investigations. Domin served most recently as an executive at Science Applications International Corp. Previously, he was a career FBI agent whose work ranged from a posting at the U.S. Embassy in London to serving as Assistant Special Agent in Charge of the Dallas field office and Special Agent in Charge of the bureau’s Minneapolis Division.

In total, SIGAR increased its staff from 177 to 181 federal employees. SIGAR extended offers of employment that will bring the number of full-time staff to 188 by the end of February 2013. SIGAR is on target to reach its goal of 200 full-time employees and will continue toward a workforce of 205 for FY 2014.

This quarter, SIGAR had 36 authorized positions for personnel at the U.S. Embassy Kabul and 16 authorized at locations outside the U.S. Embassy, giving it the largest U.S. oversight presence in Afghanistan. SIGAR has staff members stationed at seven locations across the country, including Kandahar and Bagram airfields, Camp Marmal in Mazar-e-Sharif, Camp Leatherneck, Forward Operating Base Salerno, USFOR-A headquarters in Kabul, and the U.S. Consulate in Herat. SIGAR employs four local Afghan citizens in its Kabul office to support audits and investigations in Afghanistan. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had 22 personnel on temporary duty in Afghanistan for a total of 313 days.
“Lasting peace and security will require governance and development that delivers for the Afghan people and an end to safe havens for al Qaeda and its ilk. All this will continue to be our work.”

—U.S. President Barack Obama
3 RECONSTRUCTION UPDATE
CONTENTS

Overview 51
Status of Funds 55
Security 69
Governance 95
Economic and Social Development 123

Photo on previous page
Afghan refugee in Iran. A young woman learns carpet weaving at a workshop in Torbate-Jam settlement.
(UNHCR photo by M. H. Salehiara)
OVERVIEW

Section 3 presents updates on accomplishments, challenges, and initiatives in Afghanistan reconstruction to provide context for oversight. Sidebars identify SIGAR audits, completed and ongoing, relating to those efforts. Cross-references to Section 1 point to more detail.

SIGAR presents the data in this section in compliance with Public Law 110-181, which mandates that each of SIGAR’s quarterly reports to Congress on reconstruction activities in Afghanistan include, among other things:

• obligations and expenditures of appropriated funds
• discussions of U.S. government entities’ contracts, grants, agreements, or other mechanisms
• funds provided by foreign nations or international organizations to programs and projects funded by U.S. government entities

TOPICS
This section has four subsections: Status of Funds, Security, Governance, and Economic and Social Development.

The Status of Funds subsection describes monies appropriated, obligated, and disbursed for Afghanistan reconstruction, including U.S. funds and international contributions.

The organization of the other three subsections mirrors the three pillars in the Prioritization and Implementation Plan developed in an international conference in July 2010 and announced by the Afghan government.

The Security subsection describes U.S. efforts to bolster the Afghan National Security Forces (the Army and Police), the transition away from private security contracting, and the battle against the narcotics trade.

The Governance subsection provides an overview of the Afghan government’s progress toward good governance through capacity-building efforts, rule of law initiatives, and human rights recognition. This subsection also describes the status of reconciliation and reintegration, Afghan government control in various provinces, and initiatives to combat corruption.

The Economic and Social Development subsection looks at reconstruction activities by sectors like energy, mining, and health. 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.

**METHODODOLOGY**
Section 3 was compiled from open-source and U.S. agency data. Attributions appear in endnotes or notes to tables and figures. Multiple organizations provide data, so numbers may conflict. SIGAR has not verified data other than that in its own audits or investigations. Information from other sources does not necessarily reflect SIGAR’s opinion. For details on SIGAR audits and investigations this quarter, see Section 2.

**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. U.S. agencies responding to the latest data call include the Departments of State, Defense, Transportation, and Treasury, and the U.S. Agency for International Development. Responding agencies received a preliminary draft of this section so they could verify and comment on specific data they provided for this quarterly report.

**Open-Source Research**
Open-source research draws on the most current, publicly available data from reputable sources. Sources used include the U.S. agencies represented in the data call, the International Security Assistance Force, the United Nations (and relevant branches), the International Monetary Fund, the World Bank, and Afghan ministries and other government organizations.
UNDERSTANDING THE GRAPHICS AND DATA TERMS

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.

UNITS IN BILLIIONS 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.

CALENDAR AND SOLAR YEARS
Afghanistan follows the solar Hejri calendar, which began in 622 A.D. in the Gregorian calendar. SIGAR converts Hejri solar years to Gregorian equivalents. The current Afghan solar year (SY) is 1391. It began on March 21, 2012, and ends on March 20, 2013. The Afghan government’s fiscal year has been the solar year, but the current fiscal year will run only from March 21, 2012, to December 20, 2012. This one-time, nine-month fiscal year accommodates the Afghan government’s upcoming change to a fiscal year that runs from December 21 to December 20.
CONTENTS

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Reconstruction Funding for Afghanistan</td>
<td>56</td>
</tr>
<tr>
<td>Afghanistan Security Forces Fund</td>
<td>58</td>
</tr>
<tr>
<td>ASFF Budget Activities</td>
<td>59</td>
</tr>
<tr>
<td>Commander’s Emergency Response Program</td>
<td>60</td>
</tr>
<tr>
<td>Afghanistan Infrastructure Fund</td>
<td>61</td>
</tr>
<tr>
<td>Task Force for Business and Stability Operations</td>
<td>62</td>
</tr>
<tr>
<td>DoD Drug Interdiction and Counter-Drug Activities</td>
<td>63</td>
</tr>
<tr>
<td>Economic Support Fund</td>
<td>64</td>
</tr>
<tr>
<td>International Narcotics Control and Law Enforcement</td>
<td>65</td>
</tr>
<tr>
<td>International Reconstruction Funding for Afghanistan</td>
<td>66</td>
</tr>
</tbody>
</table>
STATUS OF FUNDS

To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of December 31, 2012, the United States had appropriated approximately $88.76 billion for relief and reconstruction in Afghanistan since fiscal year (FY) 2002. This total has been allocated as follows:

- $51.15 billion for security
- $22.39 billion for governance and development
- $6.15 billion for counter-narcotics efforts
- $2.44 billion for humanitarian aid
- $6.64 billion for operations and oversight

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: $88.76)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASFF</td>
</tr>
<tr>
<td>CERP</td>
</tr>
<tr>
<td>AIF</td>
</tr>
<tr>
<td>TFBSO</td>
</tr>
<tr>
<td>DoD CN</td>
</tr>
<tr>
<td>ESF</td>
</tr>
<tr>
<td>INCLE</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>$49.63</td>
</tr>
<tr>
<td>$3.45</td>
</tr>
<tr>
<td>$0.70</td>
</tr>
<tr>
<td>$0.60</td>
</tr>
<tr>
<td>$2.44</td>
</tr>
<tr>
<td>$15.05</td>
</tr>
<tr>
<td>$3.58</td>
</tr>
<tr>
<td>$13.31</td>
</tr>
</tbody>
</table>

AGENCIES

- Department of Defense (DoD) $56.81
- USAID $15.05
- Department of State (State) $3.58
- Distributed to Multiple Agencies $13.31

Note: Numbers have been rounded.

Multiple agencies include DoJ, State, DoD, USAID, Treasury, and USDA.

U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of December 31, 2012, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately $88.76 billion. This figure includes more than $266.56 million in FY 2013 obligations against the FY 2013 continuing resolution. For FY 2013 the President requested approximately $9.66 billion in additional funding. If Congress appropriates the full budget request, cumulative appropriations will increase to approximately $98.15 billion, as shown in Figure 3.2. For complete information regarding U.S. appropriations, see Appendix B.

On September 28, 2012, President Obama signed the Continuing Appropriations Resolution, 2013, funding the U.S. government through March 27, 2013. This quarter, few agencies reported obligations for Afghanistan reconstruction against the FY 2013 continuing resolution because most agencies had FY 2012 funds remaining. At the close of the...
first fiscal quarter of 2013, nearly $8.60 billion of the more than $13.76 billion appropriated to four of the largest U.S. reconstruction funds for FY 2012 remained available for obligation, as shown in Table 3.1. Other Afghanistan relief and reconstruction funding highlights:

- Security accounts for more than 57.6% ($51.15 billion of the total $88.76 billion) of total appropriations.
- The approximately $48.9 billion appropriated over the last three fiscal years (2010–12) make up nearly 55.1% of total appropriations since the start of the reconstruction effort in 2002.
- While a full-year appropriations bill has not been passed, the FY 2013 funding level is expected to decrease compared to the approximately $16 billion appropriated in each of the last three fiscal years, as shown in Figure 3.3.

### TABLE 3.1

**FY 2012 APPROPRIATIONS AND OBLIGATIONS, AS OF DECEMBER 31, 2012 ($ MILLIONS)**

<table>
<thead>
<tr>
<th>Appropriated</th>
<th>Obligated</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASF</td>
<td>$11.200</td>
</tr>
<tr>
<td>AIF</td>
<td>$400</td>
</tr>
<tr>
<td>ESF</td>
<td>$1,837</td>
</tr>
<tr>
<td>INCLE</td>
<td>$324</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$13,761</strong></td>
</tr>
</tbody>
</table>

**To Be Obligated** | **$8,599**

Note: Numbers have been rounded.

AFGHANISTAN SECURITY FORCES FUND

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

As of December 31, 2012, total cumulative appropriations through FY 2012 amounted to nearly $49.63 billion. DoD reported no obligations against the FY 2013 continuing resolution because only $4.9 billion of the $11.2 billion appropriated for the ASFF for FY 2012 had been obligated.

This quarter, DoD obligated more than $1.05 billion and disbursed nearly $1.63 billion, bringing cumulative obligations to $43.09 billion and cumulative disbursements to nearly $38.14 billion. Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

Throughout this section, the figures that show appropriations by fiscal year and cumulative comparisons for the major funds provide data on the President’s FY 2013 Request, indicated by red floating points and red shading.
ASFF BUDGET ACTIVITIES
DoD allocates funds to three budget activity groups within the ASFF:
• Defense Forces (Afghan National Army, ANA)
• Interior Forces (Afghan National Police, ANP)
• Related Activities (primarily Detainee Operations)

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.\(^\text{36}\)

As of December 31, 2012, DoD had disbursed nearly $38.14 billion for ANSF initiatives. Of this amount, more than $24.92 billion was disbursed for the ANA, and more than $12.94 billion was disbursed for the ANP; the remaining more than $0.27 billion was directed to related activities.\(^\text{37}\)

As shown in Figure 3.6, the largest portion of the funds disbursed for the ANA—nearly $9.77 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—more than $4.58 billion—supported Sustainment, as shown in Figure 3.7.\(^\text{38}\)

**FIGURE 3.6**
ASFF DISBURSEMENTS FOR THE ANA
By Sub-Activity Group
FY 2005–December 31, 2012 (\($\) BILLIONS)

<table>
<thead>
<tr>
<th>Sub-Activity Group</th>
<th>($$$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>$3.69</td>
</tr>
<tr>
<td>Equipment and Transportation</td>
<td>$9.77</td>
</tr>
<tr>
<td>Sustainment</td>
<td>$9.01</td>
</tr>
<tr>
<td>Training and Operations</td>
<td>$2.45</td>
</tr>
</tbody>
</table>

**FIGURE 3.7**
ASFF DISBURSEMENTS FOR THE ANP
By Sub-Activity Group
FY 2005–December 31, 2012 (\($\) BILLIONS)

<table>
<thead>
<tr>
<th>Sub-Activity Group</th>
<th>($$$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>$3.44</td>
</tr>
<tr>
<td>Equipment and Transportation</td>
<td>$2.12</td>
</tr>
<tr>
<td>Sustainment</td>
<td>$4.58</td>
</tr>
<tr>
<td>Training and Operations</td>
<td>$2.79</td>
</tr>
</tbody>
</table>

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

As of December 31, 2012, total cumulative CERP appropriations amounted to nearly $3.45 billion. DoD reported obligations of nearly $9.94 million against the FY 2013 continuing resolution. Of the nearly $3.45 billion appropriated, nearly $2.28 billion had been obligated, of which more than $2.17 billion had been disbursed. Figure 3.8 shows CERP appropriations by fiscal year, and Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

CERP FUNDS TERMINOLOGY
DoD reported CERP funds as appropriated, obligated, or disbursed
- Appropriations: Total monies available for commitments
- Obligations: Commitments to pay monies
- Disbursements: Monies that have been expended

Sources: DoD, response to SIGAR data call, 4/14/2010.
AFGHANISTAN INFRASTRUCTURE FUND
The Ike Skelton National Defense Authorization Act for FY 2011 established the Afghanistan Infrastructure Fund (AIF) to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DoD and State. Thirty days before obligating or expending funds on an AIF project, the Secretary of Defense and Secretary of State are required to notify the Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.

As of December 31, 2012, total cumulative appropriations through FY 2012 amounted to $699 million. This figure excludes $101 million transferred from the FY 2011 AIF to the FY 2011 Economic Support Fund for USAID to implement an infrastructure project. DoD reported no obligations against the FY 2013 continuing resolution. As of December 31, 2012, approximately $512.76 million of total AIF funding had been obligated, of which approximately $68.29 million had been disbursed. Figure 3.10 shows AIF appropriations by fiscal year, and Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for AIF projects.

AIF FUNDS TERMINOLOGY
DoD reported AIF funds as appropriated, obligated, or disbursed

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

Source: DoD, response to SIGAR data call, 4/13/2012.
**TFBSO FUNDS TERMINOLOGY**

DoD reported TFBSO funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended


**TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS**

The Task Force for Business and Stability Operations (TFBSO) was established in June 2006 and operated for several years in Iraq. In 2010, TFBSO began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.\(^{45}\)

As of December 31, 2012, DoD reported that TFBSO received funding under the FY 2013 continuing resolution of more than $45.82 million, bringing the total cumulative funding for the task force to more than $601.13 million.\(^{46}\) Of this amount, nearly $539.46 million had been obligated and more than $334.97 million had been disbursed.\(^{47}\) Figure 3.12 displays the amounts appropriated for TFBSO projects by fiscal year, and Figure 3.13 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.

---

**FIGURE 3.12**

*TFBSO APPROPRIATIONS BY FISCAL YEAR*  
($ MILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriations</th>
<th>Obligations</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$555.31</td>
<td>$523.79</td>
<td>$264.13</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

**FIGURE 3.13**

*TFBSO FUNDS, CUMULATIVE COMPARISON*  
($ MILLIONS)

<table>
<thead>
<tr>
<th>As of Sept 30, 2012</th>
<th>Appropriated $555.31</th>
<th>Obligated $523.79</th>
<th>Disbursed $264.13</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Dec 31, 2012</td>
<td>$648.31 with FY 13 Request</td>
<td>$601.13</td>
<td>$334.97</td>
</tr>
</tbody>
</table>

Notes: Numbers have been rounded. Data may include inter-agency transfers.
DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DoD’s Drug Interdiction and Counter-Drug Activities Fund (DoD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DoD uses the DoD CN to provide assistance to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies with specialized training, equipment, and facilities.46

DoD CN funds are appropriated by Congress to a single budget line for all military services. DoD reprograms the funds from the Counter-narcotics Central Transfer Account to the military services and defense agencies, which track obligations of the transferred funds. DoD reported DoD CN accounts for Afghanistan as a single figure for each fiscal year.49

As of December 31, 2012, DoD reported that DoD CN received nearly $132.35 million for Afghanistan under the FY 2013 continuing resolution. As of December 31, 2012, DoD CN had received total cumulative funding of nearly $2.44 billion since FY 2004.50 Figure 3.14 shows DoD CN appropriations by fiscal year, and Figure 3.15 provides a cumulative comparison of amounts appropriated and transferred to the military services and defense agencies for DoD CN projects.

Notes: Numbers have been rounded.
ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.51

As of December 31, 2012, USAID reported that the total cumulative funding for the ESF amounted to more than $15.05 billion. Of this amount, nearly $12.90 billion had been obligated, of which more than $10.38 billion had been disbursed.52 Figure 3.16 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2012, increased by nearly $91.57 million over cumulative obligations as of September 30, 2012. Cumulative disbursements as of December 31, 2012, increased by nearly $218.50 million over cumulative disbursements as of September 30, 2012.53 Figure 3.17 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

Notes: Numbers have been rounded.

<table>
<thead>
<tr>
<th>FY 13 Request</th>
<th>As of Sept 30, 2012</th>
<th>As of Dec 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriated</td>
<td>$14.95</td>
<td>$16.90 with FY 13 Request</td>
</tr>
<tr>
<td>Obligated</td>
<td>$12.80</td>
<td>$15.05</td>
</tr>
<tr>
<td>Disbursed</td>
<td>$10.16</td>
<td>$10.38</td>
</tr>
</tbody>
</table>

Notes: Numbers have been rounded. Data may include interagency transfers. Figures include $101 million from FY 2011 that was transferred to the ESF from the Afghanistan Infrastructure Fund.
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.54

As of December 31, 2012, State reported that the total cumulative funding for INCLE amounted to nearly $3.58 billion. Figure 3.18 displays INCLE appropriations by fiscal year. Of this amount, nearly $3.24 billion had been obligated, of which nearly $2.51 billion had been disbursed.55

State reported that cumulative obligations as of December 31, 2012, increased by more than $29.35 million over cumulative obligations as of September 30, 2012. Cumulative liquidations as of December 31, 2012, increased by more than $112.86 million over cumulative disbursements as of September 30, 2012.56 Figure 3.19 provides a cumulative comparison of amounts appropriated, obligated, and disbursed 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 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).

The Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to December 20, 2012, the World Bank reported that 33 donors had pledged nearly $6.18 billion, of which more than $6.11 billion had been paid in.

According to the World Bank, donors have pledged nearly $1.01 billion to the ARTF for the Afghan fiscal year—solar year 1391—which ran from March 21, 2012 to December 20, 2012 (when the Afghan fiscal year shifted to a December 21 start date). Figure 3.20 shows the 12 largest donors to the ARTF for SY 1391.

FIGURE 3.20

ARTF CONTRIBUTIONS FOR SY 1391 BY DONOR, AS OF DECEMBER 20, 2012 ($ MILLIONS)

Notes: Numbers have been rounded. SY 1391 = 3/1/2012–12/20/2012, when the Afghan fiscal year shifted to run from December 21–December 20.

As of December 20, 2012, the United States had paid in more than $1.74 billion. The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing nearly 47% of its total funding, as shown in Figure 3.21.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window. As of December 20, 2012, according to the World Bank, more than $2.67 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants. The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.

The Investment Window supports the costs of development programs. As of December 20, 2012, according to the World Bank, nearly $2.61 billion had been committed for projects funded through the Investment Window, of which nearly $1.87 billion had been disbursed. The World Bank reported 21 active projects with a combined commitment value of nearly $1.56 billion, of which approximately $819.46 million had been disbursed.

The Law and Order Trust Fund for Afghanistan
The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior. Since 2002, donors have pledged more than $2.65 billion to the LOTFA, of which nearly $2.57 billion had been paid in, according to the most recent data available. The LOTFA’s sixth support phase started on January 1, 2011, and runs through March 31, 2013. In the 21 months since Phase VI began, the UNDP had transferred nearly $955.75 million from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional $17.90 million for capacity development and other LOTFA initiatives. As of September 30, 2012, donors had committed more than $1.12 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly $425.92 million, and Japan had committed nearly $476.62 million. Their combined commitments make up more than 80% of LOTFA Phase VI commitments. The United States had contributed nearly $897.74 million to the LOTFA since the fund’s inception. Figure 3.22 shows the four largest donors to the LOTFA since 2002, based on the latest data available.
CONTENTS

Continuing Resolution ........................................... 69
Key Events This Quarter ........................................ 70
Security Environment ............................................ 70
Insider Attacks ..................................................... 71
Transition Progress .............................................. 71
ANSF Set To Achieve 352,000 End Strength by December 2014 73
ANSF Numbers Not Validated ................................ 74
ANSF Capability Assessments .................................. 75
Ministry of Defense and Ministry of Interior Assessments 78
Afghan National Army ............................................ 79
Afghan National Police .......................................... 84
ANSF Medical/Health Care ..................................... 87
Afghan Local Police .............................................. 87
Afghan Public Protection Force ............................... 87
U.S. Forces ........................................................... 88
Removing Unexploded Ordnance ............................ 88
Counter-Narcotics .................................................. 89
As of December 31, 2012, the U.S. Congress had appropriated more than $51.1 billion to support the Afghan National Security Forces (ANSF). Most of these funds ($49.6 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided to the Combined Security Transition Command-Afghanistan (CSTC-A). Funds provided by ASFF for the Afghan National Army (ANA) and the Afghan National Police (ANP) are divided into four categories:

- Sustainment (including salaries, ammunition, and logistical supplies)
- Equipment and Transportation
- Infrastructure
- Training and Operations

Of the $49.6 billion appropriated for the ASFF, approximately $43.1 billion had been obligated and $38.1 billion disbursed as of December 31, 2012.70

This section discusses assessments of the ANSF and the Ministries of Defense and Interior; gives an overview of U.S. funds used to build, equip, train, and sustain the ANSF; and provides an update on efforts to combat the cultivation of and commerce in illicit narcotics in Afghanistan. This section also discusses the challenges to transitioning to Afghan-led security by the end of 2014.

CONTINUING RESOLUTION

On January 2, 2013, President Obama signed into law the National Defense Authorization Act (NDAA), which authorized $5.7 billion for ASFF in 2013, the amount requested by the Administration.71 However, as this report went to press, Congress had not passed an appropriations bill for fiscal year (FY) 2013. Therefore, ASFF funding will fall under the continuing resolution passed by Congress on September 28, 2012. Under that law (Public Law 112-175), projects or activities designated for Overseas Contingency Operations/Global War on Terrorism, including those funded by ASFF, would be continued “at a rate for operations that would be permitted by…the amount in the President’s fiscal year 2013 budget request.”72
KEY EVENTS THIS QUARTER

According to the Department of Defense (DoD), the ANSF is increasingly taking the lead in operations throughout Afghanistan. DoD reported to Congress that during the period October 1, 2011, through September 30, 2012, ANSF conducted 80% of all operations on its own. In another 5% they led operations that also included International Security Assistance Force (ISAF) personnel. In addition, DoD said the ANSF had taken 60% of total ANSF/coalition casualties in 2012, with coalition forces taking 40%. This was a reversal of the casualty ratio of 2010.73

As the ANSF takes the lead in security, ISAF is assuming its new role as the Security Force Assistance and Training (SFAT) mission. This transition includes redeploying forces and closing and aligning ISAF bases.74 SFAT will be supported by Security Force Assistance Brigades (SFABs) that will oversee force protection and provide enabler support to the SFAT mission.75 SFABs will also provide security-force assistance and provide enabler support to the ANSF.76

President Obama and President Karzai Discuss Transition

President Obama and Afghan President Karzai met on January 11, to discuss transition, security, and the way forward in Afghanistan. In a joint statement, the Presidents said that Afghan forces had exceeded expectations and were now leading most operations in Afghanistan. As the fourth tranche of the transition commences (see “Transition Progress” in this section), the ANSF will be leading security in areas that contain 90% of the Afghan population.77

The Presidents also reiterated the commitment of leaders at the Chicago Summit to shift ISAF from combat to a support mission. This milestone—currently slated for mid-2013—would coincide with the announcement of the fifth (and final) tranche of transition, at which time most unilateral U.S. combat operations should end. They also recognized that, as the ANSF assumes more responsibility, improving the Afghan forces’ quality and accelerating the provision of equipment and enablers remains a priority.78

SECURITY ENVIRONMENT

The number of enemy-initiated attacks from April 1 to September 30, 2012, increased by 1% compared to the same period in 2011, according to DoD. In addition, high-profile attacks increased by 2%, and direct-fire attacks increased by 10%. However, incidents of improvised explosive devices (IEDs) and mine explosions were down 12%.79 Most enemy-initiated attacks occurred in the eastern (41%), southern (21%), and southwestern regions (30%) of the country during the reporting period.80 DoD noted that the capital region (Kabul) remained the safest area in Afghanistan; Kabul saw a 25% reduction in enemy-initiated attacks in 2012 versus 2011.81


In response to a vetting draft of this report, DoD noted that enemy-initiated attacks were fewer and other security metrics had improved when all of 2012 was considered. DoD said that while “violence in general was higher in the summer” it was “much lower in fall and spring.”

INSIDER ATTACKS

The number of insider attacks (people in ANSF uniform attacking their coalition partners) has been on the rise, from two attacks in 2008 to 37 attacks in 2012 (through the end of September). Those 37 attacks resulted in the deaths of 51 coalition personnel, 32 of them U.S. personnel. In addition, ANSF-on-ANSF insider attacks have risen from three in 2008 to 29 in 2012 (through the end of September).

Countering this threat has been a top priority for ISAF and the Afghan government. As noted in SIGAR’s October 2012 quarterly report, ISAF had implemented several measures to prevent future attacks. Among them was a “guardian angel” program to protect U.S. and coalition personnel and helping the Ministry of Defense (MoD) and Ministry of Interior (MoI) reexamine their vetting program and identify insurgent infiltrators. According to DoD, “insider attacks declined substantially in September 2012 as compared to August, potentially providing an early indication that countermeasures are working effectively in reducing the threat.” To mitigate infiltration of the ANSF by insurgents, ANSF recruits are subject to an eight-step process:

- issuing an Afghan ID card
- gathering background information from tribal elders
- gathering personal information about family members
- conducting criminal-background checks
- completing a formal application process
- drug screening
- medical screening
- collecting the individual’s biometric data

TRANSITION PROGRESS

With three of five tranches transitioning, the transition process is on track to be completed by the end of 2014, according to DoD. As of the end of September 2012, the ANSF had begun to assume the lead for security in 261 of the country’s 405 districts where approximately 76% of Afghans were living. In all, 11 of Afghanistan’s 34 provinces were completely in transition and areas in all 34 provinces were in some stage of transition, including important population centers, economically significant districts, and the corridors that connect them, as shown in Figure 3.23 on the following page.

During the quarter, no new tranches began transition, according to DoD. However, Tranche 4 was announced in late December 2012. This new
Tranche 2 is expected to begin transition in February 2013 at which point 23 of the country’s 34 provinces will be completely in transition. Tranche 4 will comprise an additional 11% of the Afghan population.

As the ANSF demonstrates its capability, the level of ISAF support is being adjusted, allowing the ANSF to take more responsibility. According to DoD, the ANSF are progressively taking the lead in transition areas and helping to expand Afghan government influence, most notably in northern provinces where the coalition will begin withdrawing its forces. Kabul remains the most secure area in the country. DoD also noted that the ANSF demonstrated increased capabilities and sophistication in the eastern and southern parts of Afghanistan, where they planned and conducted large-scale, multi-day operations and showed increased coordination and integration between military and police. However, DoD said governance and development will require continued assistance through the “Decade of Transformation” (2015-2024).
Security

ANSF Set to Achieve 352,000 End Strength by December 2014

Since June 2011, the target for ANSF end strength has been a force of 352,000 personnel by October 2012: 195,000 ANA and 157,000 ANP. According to DoD, the ANSF sustainment plan calls for the 352,000-strong force to remain at that size for three years (through 2015). As noted in prior quarterly reports, the ANSF is expected to be reduced to a more sustainable 228,500 strength in 2017.

In its April 2012 report to Congress, DoD noted that “the ANSF are ahead of schedule to achieve the October 2012 end strength of 352,000, including subordinate goals of 195,000 soldiers and 157,000 police.” In September 2012, a DoD official remarked that “the goal remains to train and field 352,000 ANSF by October, and we remain on track to reach that milestone.” However, the ANSF did not meet this end strength goal by October 2012—or by the end of the year—but did reach a recruited strength of 352,000.

In its December 2012 report to Congress, DoD noted that “the ANSF met its goal of recruiting a force of approximately 352,000 Soldiers and Police by October 1, 2012” and that “the Army and Police personnel not currently in training or fielded units are recruited and awaiting induction at the training centers. The ANA is scheduled to achieve its surge-level end strength of 187,000 soldiers inducted by December 2012, and to have these personnel trained, equipped, and fielded by December 2013.”

According to that report, “the current approved end strength for the ANSF—the projected end strength required to support transition to Afghan security lead—is 352,000 personnel by December 2014, comprising 187,000 for the Army by December 2012, 157,000 for the Police by February 2013, and 8,000 for the Afghan Air Force by December 2014.”

As of November 21, 2012, CSTC-A reported ANSF force strength as 331,597: 174,645 ANA, 151,080 ANP, and 5,872 Afghan Air Force, as shown in Table 3.2. This total—which also includes personnel in training—is more than 20,000 personnel fewer than the October 2012 end-strength goal for the ANSF, but is on track to meet the approved end-strength goal of 352,000 by December 2014.

### Table 3.2

<table>
<thead>
<tr>
<th>ANSF Component</th>
<th>Current Target</th>
<th>Status as of 11/2012</th>
<th>Difference Between Current Strength and October 2012 Target End-Strength Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghan National Army (including Afghan Air Force)</td>
<td>195,000(^a)</td>
<td>180,517</td>
<td>-14,483</td>
</tr>
<tr>
<td>Afghan National Police</td>
<td>157,000(^b)</td>
<td>151,080</td>
<td>-5,920</td>
</tr>
<tr>
<td>ANSF Total</td>
<td>352,000</td>
<td>331,597(^b)</td>
<td>-20,403</td>
</tr>
</tbody>
</table>

\(^a\) By October 2012  
\(^b\) Includes 2,581 CNPA Personnel

SPECIAL INSPECTOR GENERAL  I  AFGHANISTAN RECONSTRUCTION

Security

December 2014. However, as noted in previous SIGAR quarterly reports, the number of forces assigned does not necessarily equal the number of personnel present for duty (see “ANA Strength” in this section).

ANSF NUMBERS NOT VALIDATED
Determining ANSF strength is fraught with challenges. U.S. and coalition forces rely on the Afghan forces to report their own personnel strength numbers. Moreover, the Combined Security Transition Command-Afghanistan (CSTC-A) noted that, in the case of the Afghan National Army, there is “no viable method of validating [their] personnel numbers.” SIGAR will continue to follow this issue to determine whether U.S. financial support to the ANSF is based on accurately reported personnel numbers.

Several U.S. government agencies—including CSTC-A, SIGAR, and the DoD Office of Inspector General (DoD OIG)—have noted challenges to accurately accounting for ANSF personnel. The current method for accounting for Afghan force strength involves several steps and relies on ANSF submitting paper reports through their command structures. According to CSTC-A, the ANA process starts with army personnel collecting sub-unit force strength information, then passing that information through brigades to their respective corps. These reports are then consolidated by corps-level personnel officers and sent by mail to the ANAs general staff office for personnel.

For the ANP, the process was much the same. An April 2011 SIGAR audit of ANP payroll and workforce strength found that the MoI could not determine the actual number of personnel that work for ANP because it had been unable to reconcile personnel records or verify data in its personnel systems and databases. SIGAR also found that the MoI maintained hand-prepared personnel records in “decentralized, unlinked, and inconsistent systems.” However, SIGAR also noted that, at the time of the audit, the MoI was manually scanning thousands of records into an automated Human Resources Information System.

Another challenge has been the inclusion of civilians in counts of ANSF personnel. A February 2012 DoD OIG report on ANA payroll funding found that ANA finance officers were including civilians in their count of ANA personnel for the purposes of payroll reporting (despite an agreement between CSTC-A and the MoD that only military personnel would be funded using ASFF). CSTC-A also noted that civilians had been counted as part of ANSF assigned force strength, but were later removed from those counts. However, civilians are still included in authorized strength numbers. In a
response to a vetting draft of this report, NTM-A/CSTC-A (the joint NATO/U.S. mission responsible for training, equipping, and sustaining the ANSF) stated that authorized numbers still include 11,384 civilians.\textsuperscript{101}

**ANSF CAPABILITY ASSESSMENTS**

In assessing the capability of ANA and ANP units, ISAF uses the Commander’s Unit Assessment Tool (CUAT), which has five rating levels:\textsuperscript{102}

- **Independent with Advisors:** 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. Leaders, staff, and unit adhere to a code of conduct and are loyal to the Afghan government. Coalition forces provide only limited, occasional guidance to unit personnel and may provide “enablers” as needed. Coalition forces augment support only on occasion.

- **Effective with Partners:** 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. Leaders, staff, and most of the unit adhere to a code of conduct and are loyal to the Afghan government. ANSF enablers provide support to the unit; however, coalition forces may provide enablers to augment that support.

- **Developing with Partners:** 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. Leaders and most of the staff usually adhere to a code of conduct and are loyal to the Afghan government. 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. Leadership and staff may not adhere to a code of conduct or may not be loyal to the Afghan government. 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.

The assessments of the ANA and the ANP are indicators of the effectiveness of U.S. efforts—and, by extension, of U.S. funding—to build, train, equip, and sustain the ANSF. These assessments also provide both U.S. and

**Enablers:** specialized units that support combat units such as engineering, civil affairs, military intelligence, helicopter, military police, and intelligence, surveillance, and reconnaissance assets.

Afghan stakeholders with regular updates on the status of these forces as transition continues and Afghanistan assumes responsibility for its own security. SIGAR continues to closely monitor these assessments through its audit products and quarterly reports to Congress.

In 2010, SIGAR audited the previous assessment tool—the Capability Milestone (CM) rating system which had been in use since 2005—and found that it did not provide reliable or consistent assessments of ANSF capabilities. During the course of that audit, DoD and NATO began using a new system, the CUAT, to rate the ANSF.103 In May 2010, the ISAF Joint Command (IJC) issued an order to implement the new system which would "provide users the specific rating criteria for each [ANSF] element to be reported by the CUAT including leader/commander considerations, operations conducted, intelligence gathering capability, logistics and sustainment, equipping, partnering, personnel readiness, maintenance, communications, unit training and individual education, as well as the partner unit or advisor team’s overall assessment."104

Since the implementation of the CUAT, the titles of the various rating levels have changed, as shown in Table 3.3. In July 2012, the Government Accountability Office (GAO) raised concerns that the change of the title of the highest rating level from “independent” to “independent with advisors” was, in part, responsible for an increase in the number of ANSF units rated at the highest level. GAO also noted that “the change lowered the standard for unit personnel and equipment levels from ‘not less than 85’ to ‘not less than 75’ percent of authorized levels.”105 In a response to SIGAR last quarter, the IJC disagreed with GAO’s assessment, saying a change in title does not “equal a change in definition.”106 Since last quarter, the IJC has initiated a CUAT Refinement Working Group to standardize inputs and outputs in the areas covered by the assessments.107

This quarter, IJC included all units that had been reported in previous assessments in the category “not assessed.” In prior quarters, only units that were required to be assessed (but were not assessed) were included in that category.108 This may, in part, have contributed to a rise in the total number

---

**TABLE 3.3**

<table>
<thead>
<tr>
<th>April 2010</th>
<th>July 2010</th>
<th>September 2010&lt;sup&gt;a&lt;/sup&gt;</th>
<th>October 2010</th>
<th>August 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective with Advisors</td>
<td>Independent</td>
<td>Independent</td>
<td>Independent</td>
<td>Independent with Advisors</td>
</tr>
<tr>
<td>Effective with Assistance</td>
<td>Effective with Advisors</td>
<td>Effective with Advisors</td>
<td>Effective with Advisors</td>
<td>Effective with Advisors</td>
</tr>
<tr>
<td>Dependent on CF for Success</td>
<td>Effective with Assistance</td>
<td>Effective with Assistance</td>
<td>Effective with Assistance</td>
<td>Effective with Partners</td>
</tr>
<tr>
<td>Barely Effective</td>
<td>Dependent on CF for Success</td>
<td>Dependent on CF for Success</td>
<td>Developing</td>
<td>Developing with Partners</td>
</tr>
<tr>
<td>Ineffective</td>
<td>Ineffective</td>
<td>Ineffective</td>
<td>Established</td>
<td>Established</td>
</tr>
<tr>
<td>Not Assessed</td>
<td>Not Assessed</td>
<td>Not Assessed</td>
<td>Not Assessed</td>
<td>Not Assessed</td>
</tr>
</tbody>
</table>

<sup>a</sup> The CUAT report includes color coding for each rating level; the difference between July and September 2010 was changes to the color coding for the ratings. “CF” = coalition forces.

Source: IJC, response to SIGAR data call, 12/20/2012.
of ANA units from 267 to 292 and the number of units “not assessed” from 51 to 81, as shown in Figure 3.24. For the ANP, the total number of units rose from 408 to 536 and the number “not assessed” from 131 to 301.

Because not every unit is reported in every CUAT cycle, the IJC used the most recent assessment (within the last 18 months) to “enable cycle to cycle comparisons.” When compared this way, 19 more ANA units were “independent with advisors” since last quarter; three more were “effective with advisors.” For the ANP, 31 more units were “independent with advisors” and 10 fewer units were “effective with advisors.”

Because this is the first time unit changes had been reported in this way, Figure 3.24 only shows the changes for those units assessed last quarter and this quarter but does not include units that had been assessed within the past 18 months. Starting next quarter, SIGAR will compare the number of changes to rating levels using the new method for comparing quarterly data.

Out of the 292 reported ANA units, 168 (58%) were rated at the two highest levels: 14% were “independent with advisors” and 43% were “effective with advisors.” Out of 536 reported ANP units, 172 (32%) were rated at those levels: 13% were “independent with advisors” and 19% were “effective with advisors.”
SECURITY

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

Assessments of the MoD and the MoI continued to show progress this quarter. To rate the operational capability of these ministries, NTM-A uses the Capability Milestone (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) using four primary and two secondary ratings:111

- 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

At the MoD, all 45 staff sections and cross-functional areas were assessed this quarter as shown in Figure 3.25. Of those, one progressed. Three offices...
that had not been assessed in prior quarters were rated CM-2B (Director of General Staff), CM-3 (MoD Chief of Health Affairs), and CM-4 (Afghan Air Force Command).112

All 32 staff sections at the MoI were assessed; five progressed since last quarter. Notably, the MoI Office of Public Affairs achieved a CM-1A rating—the highest possible rating—making it the first ministerial office within either the MoD or MoI to be deemed capable of autonomous operations. The other offices that progressed were the offices for Gender Affairs (CM-3), Force Readiness (CM-2A), Afghan Uniform Police (CM-2A), and the Afghan Public Protection Force (CM-3). A new staff section was included this quarter—an office that manages fire services—and received a CM-3 rating.113

AFGHAN NATIONAL ARMY

As of December 31, 2012, the United States had obligated $28.1 billion and disbursed $24.9 billion of ASFF funds to build, train, and sustain the ANA.114

ANA Strength

As of November 21, 2012, the overall strength of the ANA was 180,517 personnel (174,645 Army and 5,872 Air Force), according to CSTC-A. This is a decrease of 10,331 since last quarter, as shown in Table 3.4. Of the 174,645 Army personnel, 23,138 are officers, 54,372 are noncommissioned officers (NCOs), 93,265 are enlisted personnel, and 3,870 are cadets. Of the

<table>
<thead>
<tr>
<th>ANA Component</th>
<th>Authorized</th>
<th>Assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>authorized</td>
<td>assigned</td>
</tr>
<tr>
<td></td>
<td>Q3 2012</td>
<td>Q4 2012</td>
</tr>
<tr>
<td></td>
<td>Quarterly Change</td>
<td>Q3 2012</td>
</tr>
<tr>
<td>201st Corps</td>
<td>18,421</td>
<td>18,421</td>
</tr>
<tr>
<td>203rd Corps</td>
<td>20,614</td>
<td>20,614</td>
</tr>
<tr>
<td>205th Corps</td>
<td>19,075</td>
<td>19,075</td>
</tr>
<tr>
<td>207th Corps</td>
<td>14,706</td>
<td>14,706</td>
</tr>
<tr>
<td>209th Corps</td>
<td>14,852</td>
<td>14,852</td>
</tr>
<tr>
<td>215th Corps</td>
<td>17,542</td>
<td>17,542</td>
</tr>
<tr>
<td>111th Capital Division</td>
<td>9,608</td>
<td>9,608</td>
</tr>
<tr>
<td>Special Operations Force</td>
<td>12,525</td>
<td>12,525</td>
</tr>
<tr>
<td>Echelons Above Corpsa</td>
<td>44,712</td>
<td>44,712</td>
</tr>
<tr>
<td>TTHSb</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>ANA Total</strong></td>
<td><strong>172,055</strong></td>
<td><strong>172,055</strong></td>
</tr>
<tr>
<td>Afghan Air Force (AAF)</td>
<td>7,639</td>
<td>7,639</td>
</tr>
<tr>
<td><strong>ANA + AAF Total</strong></td>
<td><strong>179,694</strong></td>
<td><strong>179,694</strong></td>
</tr>
</tbody>
</table>

Notes: Q4 data is as of 9/6/2012. Q1 data is as of 1/1/2012.

a Includes MoD, General Staff, and Intermediate Commands
b Trainee, Transient, Holdlee, and Student; these are not included in counts of authorized personnel
c Includes civilians

Source: CSTCA, responses to SIGAR data calls, 10/1/2012, 1/2/2013, 1/4/2013, 1/6/2013, and 1/14/2013.
5,872 Afghan Air Force personnel, 2,199 are officers, 2,100 are NCOs, and 1,573 are enlisted personnel. However, the number of forces assigned does not necessarily equal the number of personnel present for duty. Within the main combat forces (the six Army corps, the 111th Capital Division, and the Special Operations Force) only 62.3–80.4% of personnel were present for duty; 84% of Afghan Air Force personnel were present for duty.115

**ANA Sustainment**

As of December 31, 2012, the United States had obligated $9.5 billion and disbursed $9 billion of ASFF funds for ANA sustainment.116

In a January 2013 audit report of U.S.-funded fuel for the ANA, SIGAR found that CSTC-A lacked sufficient accountability to order, accept deliveries of, and pay for various types of fuel. In addition, estimates of the ANA’s future fuel needs (which would require approximately $3.1 billion in U.S. appropriations over the next six fiscal years) were not supported by validated fuel requirements or actual consumption data and may be overstated. The audit called for tighter controls over petroleum, oil, and lubricants for the ANA’s vehicles, generators, and power plants.

As part of sustainment funding, the United States has provided the ANA with ammunition at a cost of approximately $1.03 billion, according to CSTC-A.117

**ANA Salaries, Food, and Incentives**

As of December 8, 2012, the U.S. government had provided more than $1.5 billion through the ASFF to pay for ANA salaries, food, and incentives, including $142.6 million disbursed to the Afghan government this quarter, according to CSTC-A.118 The MoD tracks ANA expenditures for salaries, food, and incentives in the Afghanistan Financial Management Information System.119 According to CSTC-A, it is assumed that the Afghan government expends its own funds ($133.3 million in solar year 1391 [March 20, 2012 to March 20, 2013]) before U.S. funds are expended. CSTC-A estimated that the ANA will require $686.1 million per year for base salaries, bonuses, food, and incentives once it reaches its authorized strength.120

CSTC-A said that all ANA personnel (including those in the Afghan Air Force) receive some sort of incentive pay as of November 20, 2012. CSTC-A also noted that payroll numbers are lower than end-strength numbers due to time delays in reporting between the payroll system and the personnel accounting system. For example, personnel who are absent without leave will stop receiving pay, but will be counted as part of the ANA’s end strength until they are dropped from personnel rolls.121

Both SIGAR and DoD OIG have performed audits of U.S. funding support for the ANSF payroll. In February 2012, DoD OIG found that NTM-A/ CSTC-A did not implement adequate controls to ensure that $410.4 million of ANA payroll funds were properly advanced and reported to the MoD.
In addition, DoD OIG found that CSTC-A needed to improve its mentoring of the MoD so that the ministry can sustain the ANA payroll process without coalition support. As part of that audit, DoD OIG recommended that CSTC-A implement procedures to ensure the accuracy of the reconciliation and distribution process.\textsuperscript{122}

**ANA Equipment and Transportation**

As of December 31, 2012, the United States had obligated $9.9 billion and disbursed $9.8 billion of ASFF funds for ANA equipment and transportation.\textsuperscript{123} Most of these funds were used to purchase weapons and related equipment, vehicles, communications equipment, and aircraft and aviation-related equipment.\textsuperscript{124} More than half of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Table 3.5.

<table>
<thead>
<tr>
<th>Type of Equipment</th>
<th>Procured</th>
<th>Remaining to be Procured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weapons</td>
<td>$726,724,135</td>
<td>$858,920</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$5,547,186,248</td>
<td>$4,436,000</td>
</tr>
<tr>
<td>Communications Equipment</td>
<td>$580,511,688</td>
<td>$0</td>
</tr>
<tr>
<td>Total</td>
<td>$6,854,422,071</td>
<td>$5,294,920</td>
</tr>
</tbody>
</table>

Source: CSTC-A, response to SIGAR data call, 1/2/2013.

This quarter, the Afghan Air Force inventory consisted of 109 aircraft, according to CSTC-A:\textsuperscript{125}

- 48 Mi-17s (transport helicopters)
- 11 Mi-35s (attack helicopters)
- 16 C-27As (cargo planes)
- 22 C-208s (light transport planes)
- 6 C-182s (four-person trainers)
- 6 MD-530Fs (light helicopters)

DoD’s FY 2013 budget requested only $241.5 million to be allocated through the ASFF for ANA equipment and transportation—an 83% decrease from the amount authorized for this purpose in FY 2012. The decrease mainly reflects reduced need for additional equipment as the ANA nears full target strength. The request did not include amounts for weapons or vehicles; the requested funds would support the Afghan Air Force ($169.8 million), provide communications and intelligence equipment ($1.7 million), and support airlift operations ($70 million).\textsuperscript{126}

**ANA Infrastructure**

As of December 31, 2012, the United States had obligated $6.2 billion and disbursed $3.7 billion of ASFF funds for ANA infrastructure.\textsuperscript{127} As
of December 31, 2012, the United States had completed 207 infrastructure projects (valued at $2.57 billion), with another 107 projects ongoing ($2.57 billion) and 58 planned ($1.09 billion), according to CSTC-A.128

This quarter, the largest ongoing ANA infrastructure projects were a brigade garrison for the 201st Corps in Kunar (at a cost of $115.8 million), phase one of the MoD’s headquarters in Kabul ($89.5 million), and a brigade garrison for the 205th Corps in Kandahar ($89.1 million).129

As noted in SIGAR’s April 2012 quarterly report, DoD’s FY 2013 budget request for ANA infrastructure was 85% less than the amount authorized in FY 2012. The FY 2013 request is not for construction projects, but for upgrades and modernizations of garrisons and force-protection systems, and to prepare coalition facilities for handover to the ANSF as U.S. forces are drawn down.130

ANA and MoD Training and Operations
As of December 31, 2012, the United States had obligated $2.5 billion and disbursed $2.5 billion in ASFF funds for ANA and MoD operations and training.131 This quarter, 69,776 ANA personnel were enrolled in some type of training—of which 54,881 were enrolled in literacy training, according to CSTC-A. In addition, 6,946 enlisted personnel were enrolled in basic warrior training courses, 2,360 were training to become officers, and 1,751 were training to become noncommissioned officers (NCOs). Other training programs include combat specialty courses such as infantry training; combat support courses such as engineering, signals, and logistics; and courses to operate the high-mobility multipurpose wheeled vehicle (HMMWV).132

According to CSTC-A, the United States funds a variety of contracts to train the ANA. CSTC-A estimates that these training activities cost approximately $560 million per year (or $140 million per quarter) and include costs for personnel, food, fuel, ammunition, facilities, and medical support.133

ANA Literacy
The ANA’s literacy program is based on a 312-hour curriculum. According to CSTC-A, in order to progress from illiteracy to functional literacy, a student may take as many as seven tests. The student’s performance determines if he or she progresses to the next training level. As of December 1, 2012, the ANA success rates for the passing these tests were: 95% for Level 1 literacy, 97% for Level 2, and 97% for Level 3.134 As noted in prior SIGAR quarterly reports, Level 1 literacy provides an individual with the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At Level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At Level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create,
communicate, compute and use printed and written materials.” NTM-A/
CSTC-A noted that at Level 3 the student is transitioning from learning to
read to reading to learn.135 Since the start of the ANA literacy program in
October 2009, the number of ANA graduates at Level 3 was 22,794 as of
November 2012.136

Since 2010, the United States has funded three literacy contracts for the
ANSF. Each has a base year and a five-year limit—one-year options may
be exercised in August of each year—and a maximum cost of $200 million.
According to CSTC-A, these contractors were providing 1,391 literacy train-
ers to the ANA:137

- OT Training Solutions, a U.S. company, was providing 517 trainers.
- Insight Group, an Afghan company, was providing 318 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was
  providing 556 trainers.

CSTC-A said responsibility for literacy training for ANA personnel in the
field will transition to the ANA between July 1, 2013, and January 31, 2014.
Literacy training at ANA training centers will transition by December 2014.
In the meantime, a new contract is being coordinated to provide training for
Afghan literacy trainers ahead of the transition.138

Women in the ANA

As of November 20, 2012, ANA personnel included 380 women—268 offi-
cers, 105 NCOs, and seven enlisted personnel—according to CSTC-A.
This is about the same number as last quarter. CSTC-A noted that these
numbers include 34 Afghan Air Force personnel. The current target is for
women to make up 10% of the 195,000-strong combined ANA and Afghan
Air Force.139

Recruitment of women remains a low priority for the ANA, according to
CSTC-A. The ANA lacks a centralized and structured process to screen, test,
and process women applicants. However, the ANA has recognized the need
for women in fields such as intelligence and law, and has been supportive of
hiring women to fill such positions.140

NTM-A has two priorities for supporting recruitment and integration
of women into the ANA: establishing a Human Rights, Ethnic Balancing,
and Gender Integration Office within the MoD, and a program to support
recruiting women into the Intelligence Branch.141

In response to a vetting draft of this report, DoD noted that recruit-
ment and employment of women continues to be problematic for a range
of factors. However, DoD said, “training capacity continues to be set
aside for female recruits.” For example, two officer-candidate school
classes with a capacity of 60 female students were scheduled for 2012;
however, only one class had graduated students—11 of them—as of
September 2012.142
AFGHAN NATIONAL POLICE

As of December 31, 2012, the United States had obligated $14.6 billion and disbursed $12.9 billion of ASFF funds to build, train, and sustain the ANP.143

ANP Strength

As of November 20, 2012, the overall strength of the ANP was 151,080 personnel—106,235 Afghan Uniform Police (AUP), 21,928 Afghan Border Police (ABP), 14,383 Afghan National Civil Order Police (ANCOP), 2,581 in the Counter Narcotics Police of Afghanistan (CNPA), and 5,953 students in training—according to CSTC-A. This is an increase of 2,160 personnel since last quarter, as shown in Table 3.6. Of these personnel, 24,567 are officers, 43,660 are NCOs, 74,319 are patrolmen, and 5,953 are students in training. CSTC-A noted that the CNPA are included in overall ANP numbers.144

<table>
<thead>
<tr>
<th>ANP Component</th>
<th>Authorized</th>
<th>Assigned</th>
<th>Quarterly Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUP</td>
<td>110,279</td>
<td>106,538</td>
<td>-303</td>
</tr>
<tr>
<td>ABP</td>
<td>23,090</td>
<td>22,243</td>
<td>-315</td>
</tr>
<tr>
<td>ANCOP</td>
<td>14,541</td>
<td>14,383</td>
<td>-202</td>
</tr>
<tr>
<td>NISTAa</td>
<td>None</td>
<td>2,437</td>
<td>+3,516</td>
</tr>
<tr>
<td>Otherb</td>
<td>None</td>
<td>536</td>
<td></td>
</tr>
<tr>
<td><strong>ANP Total</strong></td>
<td><strong>156,910c</strong></td>
<td><strong>148,961</strong></td>
<td><strong>+2,119</strong></td>
</tr>
<tr>
<td>CNPA</td>
<td>2,986</td>
<td>2,622</td>
<td>-41</td>
</tr>
<tr>
<td><strong>ANP + CNPA Total</strong></td>
<td><strong>157,000c</strong></td>
<td><strong>151,080</strong></td>
<td><strong>+2,160</strong></td>
</tr>
</tbody>
</table>

Notes: Q3 data is as of 8/21/2012. Q4 data is as of 11/20/2012; NR = Not reported

SIGAR AUDIT

SIGAR’s audit of ANP vehicle maintenance found that the United States spent $6.8 million over 17 months to maintain vehicles that had already been destroyed. For more information, see Section 2, p. 18.

ANP Sustainment

As of December 31, 2012, the United States had obligated $4.8 billion, and disbursed $4.6 billion of ASFF funds for ANP sustainment.145

This quarter, a SIGAR audit of ANP vehicle maintenance found that the United States could save millions of dollars if the manner of determining the number of vehicles to be serviced was changed.

As part of sustainment funding, the United States has provided the ANP with ammunition at a cost of approximately $288 million.146

ANP Salaries

From 2008 through December 31, 2012, the U.S. government had provided $818 million through the ASFF to pay ANP salaries and incentives (extra pay for personnel engaged in combat or employed in specialty fields), CSTC-A

TABLE 3.6

SECURITY
reported. However, that number does not include non-ASFF funds. Since 2002, the United States has provided approximately $1.01 billion through the Law and Order Trust Fund for Afghanistan (LOTFA) to support the ANP. The LOTFA is a multi-national trust fund, administered by the United Nations Development Programme (UNDP), that provides funds to the Afghan government to support the police. The United States also provided $51.5 million outside of LOTFA for Afghan Local Police (ALP) salaries and incentives.147

According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require an estimated $628.1 million per year to fund salaries ($265.7 million), incentives ($224.2 million), and food ($138.2 million).148 This estimated cost is less than the $726.9 million reported last quarter. CSTC-A noted that this was due to temporary pay increases moved from salaries to incentives, the exclusion of ALP expenses now reported separately, and a change in exchange rates.149

ANP Equipment and Transportation
As of December 31, 2012, the United States had obligated $3.5 billion, and disbursed $3.4 billion of ASFF funds for ANP equipment and transportation.150 Most of these funds were used to purchase weapons and related equipment, vehicles, and communications equipment.151 Most U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Table 3.7.

TABLE 3.7

<table>
<thead>
<tr>
<th>Type of Equipment</th>
<th>Procured</th>
<th>Remaining to be Procured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weapons</td>
<td>$366,079,788</td>
<td>$14,288,272</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$2,687,549,123</td>
<td>$19,386,607</td>
</tr>
<tr>
<td>Communications Equipment</td>
<td>$201,958,600</td>
<td>$42,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,255,587,511</strong></td>
<td><strong>$33,717,379</strong></td>
</tr>
</tbody>
</table>

Source: CSTC-A, response to SIGAR data call, 1/2/2013.

ANP Infrastructure
As of December 31, 2012, the United States had obligated $3.5 billion and disbursed $2.1 billion of ASFF funds for ANP infrastructure.152 As of December 31, 2012, the United States had completed 478 infrastructure projects (valued at $1.45 billion), with another 247 projects ongoing ($1.38 billion) and 38 planned ($403 million), according to CSTC-A.153

This quarter, the largest ongoing ANP infrastructure projects were regional police-training centers in Kandahar (at a cost of $62.3 million) and Herat ($62.2 million), and administrative facilities at the MoI Headquarters ($59.5 million).154 During this reporting period, SIGAR issued an inspection report which highlighted a number of concerns with a U.S.-funded Afghan
SIGAR INSPECTIONS

SIGAR’s inspections of two ANP facilities in Kunduz found that a U.S.-funded Afghan Border Police Company headquarters was sitting largely unused and raised concerns about the long-term usability and sustainability of an ANP provincial headquarters. For more information, see Section 2, pp. 28-29.

Border Police Company headquarters in Kunduz. SIGAR found that the $7.3 million project was sitting largely unused. Another SIGAR inspection report of a $17.7 million ANP provincial headquarters in Kunduz raised concerns about the facility’s long-term usability and sustainability.

DoD’s FY 2013 budget request for ANP infrastructure was 85% less than the amount authorized in FY 2012. The FY 2013 request is not for construction projects, but for upgrades and modernizations of garrisons and force-protection systems, and to prepare coalition facilities for handover to the ANSF as the U.S. forces are drawn down.155

ANP Training and Operations

As of December 31, 2012, the United States had obligated $2.8 billion, and disbursed $2.8 billion of ASFF funds for ANP and MoI training and operations.156

ANP Literacy

The ANP’s literacy program, like the ANA’s, is based on a 312-hour curriculum. According to CSTC-A, in order to progress from illiteracy to functional literacy, a student may take as many as seven tests. The student’s performance determines if he or she progresses to the next training level. As of December 1, 2012, the ANP success rates for the passing these tests were: 90% for Level 1 literacy, 90% for Level 2, and 86% for Level 3. As noted in prior SIGAR quarterly reports, Level 1 literacy provides an individual with the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At Level 2 an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At Level 3 an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute and use printed and written materials.” Since the start of the ANP literacy program in October 2009, the number of ANP graduates at Level 3 is 23,743.157

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a base year and a five-year limit—one-year options may be exercised in August of each year—and a maximum cost of $200 million. According to CSTC-A, these contractors were providing 1,776 literacy trainers to the ANP.158

• OT Training Solutions, a U.S. company, was providing 468 trainers.
• Insight Group, an Afghan company, was providing 401 trainers.
• The Higher Education Institute of Karwan, an Afghan company, was providing 907 trainers.

CSTC-A said responsibility for literacy training for ANP personnel in the field will transition to the ANP between July 1, 2013, and January 31, 2014. Literacy training at ANP training centers will transition by December 2014.159
Women in the ANP
As of November 20, 2012, ANP personnel included 1,457 women—221 officers, 590 NCOs, and 646 enlisted personnel—according to CSTC-A. The goal is for the ANP to recruit 5,000 women by March 2014. According to CSTC-A, Minister of Interior Patang has made gender issues one of his top 10 priorities. His deputy minister announced that he will host a gender conference and invite professional police women from other Islamic countries to discuss strategies for recruiting women in the ANP. A U.S. advisor from NTM-A/CSTC-A continues to work with and mentor the MoI on gender issues.160

ANSF MEDICAL/HEALTH CARE
As of the end of this quarter, the ANSF health care system had 746 physicians—a decrease of 139 since last quarter—out of 1,032 needed. Of these, 544 were assigned to the ANA and 202 were assigned to the ANP. In addition, it had 7,552 medical personnel (including nurses and medics)—a decrease of 975 since last quarter—out of 10,825 needed.161

AFGHAN LOCAL POLICE
This quarter, the number of trained and equipped Afghan Local Police (ALP) personnel—called “guardians”—was 18,435.162 On December 9, 2012, the MoI increased the target number for ALP strength from 30,000 to 45,000, according to the Special Operations Joint Task Force-Afghanistan (SOJTF-A). SOJTF-A said that coalition forces support the increase as part of their overall security plan.163 According to the U.S. Central Command, the ALP are operational at 92 sites. The United States has obligated $108.6 million to support the ALP. Of that amount, $40.6 million are direct contributions to the Afghan Ministry of Finance and $68 million are “in-kind” funds that are used by U.S. forces to support the ALP.164

AFGHAN PUBLIC PROTECTION FORCE
SIGAR has closely followed the development of the Afghan Public Protection Force (APPF) from its creation to its current role as Afghanistan’s state-owned security force. Following President Karzai’s 2010 decree to disband all national and international private security companies (PSCs), the Afghan government implemented a bridging strategy for a phased transition process.

As of the end of the quarter, 36 PSCs continue to operate in Afghanistan, most of which will be disbanded; 12 PSCs will continue to provide diplomatic security after the transition. The APPF has signed 198 contracts for their services.165
As part of the transition, the APPF, a state-owned enterprise under the authority of the MoI, was expected to assume responsibility for security of development and humanitarian projects in March 2012. However, as noted in SIGAR’s October 2012 quarterly report, it was unclear if the APPF had achieved that goal. IJC noted that the APPF had yet to provide security for all sites and was not providing convoy security. The APPF is scheduled to assume responsibility for security at military installations in March 2013.

The APPF has been growing rapidly and continues to integrate former PSC guards into its ranks. Last quarter, the number of personnel in the APPF nearly doubled over the preceding quarter. As of December 26, 2012, the number of personnel assigned to the APPF was 14,141—a 25% increase since last quarter—according to CSTC-A. Of these, 826 were officers, 1,539 were NCOs, and 11,776 were guards. As of June 4, 2012, the target goal for the APPF was approximately 30,000 guards by March 2013.

**U.S. FORCES**

According to the U.S. Central Command, 70,900 U.S. forces were serving in Afghanistan as of December 31, 2012. Of those, approximately 52,000 were assigned to ISAF and 2,000 to NTM-A/CSTC-A. Of the remaining U.S. personnel, 7,400 were assigned to the U.S. Forces-Afghanistan and 9,500 were designated “other military personnel.”

**REMOVING UNEXPLODED ORDNANCE**

From 2002 through 2012, the U.S. Department of State has provided $253.2 million in funding for weapons destruction and de-mining assistance to Afghanistan, according to its Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA). Through its Conventional Weapons Destruction program, the Department of State funds five Afghan nongovernmental organizations (NGOs), five international NGOs, the United Nations Mine Action Service, and a U.S. government contractor. These funds enable the clearance of areas contaminated by explosive remnants of war, support the removal and destruction of abandoned weapons used by insurgents to construct improvised explosive devices, and provide mentoring to the Afghan government’s Department of Mine Clearance.

PM/WRA uses data from the Mine Action Coordination Center of Afghanistan (MACCA) to gauge program effectiveness and highlight the challenges that remain. In prior quarters, MACCA had only included minefields in estimating contaminated areas remaining in Afghanistan. This quarter, MACCA revised its reporting format to also include—in addition to minefields—areas contaminated by other weapons and ordnance. For this reason, the estimated contaminated areas increased by 24,700,000 square meters from the last reporting period. Despite this change, over...
a year-long reporting period, the total estimated contaminated areas still decreased, as shown in Table 3.8.

**COUNTER-NARCOTICS**

As of December 31, 2012, the United States had appropriated $6.1 billion for counter-narcotics initiatives in Afghanistan since efforts began in 2002. Most of these funds were appropriated through two sources: State’s International Narcotics Control and Law Enforcement (INCLE) account ($3.6 billion), and the DoD Drug Interdiction and Counter-Drug Activities (DoD CN) fund ($2.4 billion).171

DoD and State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) coordinate to support the counter-narcotics efforts of the MoI and the Counter-Narcotics Police of Afghanistan (CNPA), INL stated. For example, in some provinces, DoD funded the construction of forward operating bases used by the CNPAs National Interdiction Unit; INL funded the maintenance of those bases.172

**Poppy Eradication**

INL provides financial support to the Afghan government’s Governor-Led Eradication (GLE) program. INL said 9,672 hectares of poppy were eradicated in 2012 through the GLE program. The United States has provided $6.4 million to Afghan government institutions as part of this program.173

In response to a vetting draft of this report, DoD questioned whether “GLE by itself or coupled with an [Alternative Livelihood] campaign has a positive or negative effect on the Coalition’s goal of reducing insurgent funding.” DoD said that GLE may push some opium farmers away from Afghan government-controlled areas and into insurgent-influenced areas. DoD also said that the Afghan Ministry of Counter Narcotics (MCN) “believes GLE is most effective when paired with an Alternative

---

**TABLE 3.8**

<table>
<thead>
<tr>
<th>Date Range</th>
<th>AT/AP Destroyed</th>
<th>UXO Destroyed</th>
<th>SAA Destroyed</th>
<th>Fragments Cleared</th>
<th>Minefields Cleared (m²)</th>
<th>Estimated Contaminated Area Remaining (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/1–12/31/2011</td>
<td>2,616</td>
<td>88,998</td>
<td>449,589</td>
<td>13,376,738</td>
<td>13,097,574</td>
<td>588,000,000</td>
</tr>
<tr>
<td>1/1–3/31/2012</td>
<td>2,113</td>
<td>62,043</td>
<td>467,071</td>
<td>3,364,885</td>
<td>14,604,361</td>
<td>585,000,000</td>
</tr>
<tr>
<td>4/1–6/30/2012</td>
<td>1,559</td>
<td>28,222</td>
<td>20,580</td>
<td>3,601,378</td>
<td>7,251,257</td>
<td>563,000,000</td>
</tr>
<tr>
<td>7/1–9/30/2012</td>
<td>5,542</td>
<td>165,100</td>
<td>121,520</td>
<td>2,569,701</td>
<td>11,830,335</td>
<td>587,700,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,830</strong></td>
<td><strong>344,363</strong></td>
<td><strong>1,058,760</strong></td>
<td><strong>22,912,702</strong></td>
<td><strong>46,783,527</strong></td>
<td><strong>587,700,000</strong></td>
</tr>
</tbody>
</table>

Notes: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition. Fragments are reported because their clearance requires the same care as for other objects until their nature is determined.

1 Increase due to a change in MACCA’s reporting format that now includes areas contaminated by weapons and ordnance in addition to minefields.

Source: DoS, PM/WRA, response to SIGAR data call, 12/31/2012 and 1/2/2013.
Livelihood (AL) campaign designed to give subsistence farmers a viable alternative to growing poppy. INL also works with the MCN to achieve and sustain poppy-free provinces. For example, INL funds the MCN’s Good Performer’s Initiative (GPI) which helps governors see the benefit of reducing poppy cultivation in their provinces through incentives. According to INL, a province becomes eligible for $1 million in GPI development projects if it is deemed poppy-free or has fewer than 100 hectares under cultivation during the year. The United States has provided $128.9 million to provincial governments through this program. In 2012, the number of provinces that qualified for GPI awards was 17, the same number as in 2011. INL noted that since the start of the GPI in 2007, more than 100 development projects—including the construction of schools, roads, bridges, agricultural, and medical facilities—are either complete or in progress in 33 provinces.

In 2012, INL funded the Counter-Narcotics Public Information program in 18 provinces to prevent and combat illicit drug cultivation, production, and consumption in both poppy-free and high-cultivating areas. In addition, INL funds a grant to the Aga Khan Foundation which focuses on helping six key provinces hold on to success in eliminating poppy cultivation by working with communities and local NGOs to increase opportunities for residents to find non-narcotics-related jobs.

**INL-funded Counter Narcotics Reports**

INL funded several reports and surveys on narcotics in Afghanistan, four of which were released this quarter.
UNODC Opium Survey 2012

INL funded the United Nations Office on Drugs and Crime’s (UNODC’s) Afghanistan Opium Survey for 2012. In that report, the UNODC found that the number of hectares being used to cultivate poppy increased from 131,000 in 2011 to 154,000 in 2012. However, the amount of opium yielded per hectare dropped from 44.5 kg in 2011 to 23.7 kg in 2012—a 47% decrease. UNODC noted reports from the eastern, western, and southern regions of Afghanistan that a significant area had been affected by disease and/or weather conditions that reduced the opium yield. In addition, the numbers of hectares eradicated by the GLE program nearly tripled from 3,810 in 2011 to 9,672 in 2012.177

UNODC estimated that the potential production of opium will drop from 5,800 tons to 3,700 tons. The value (based on farm gate price) of that opium also fell by nearly half—$1.4 billion in 2011 to $700 million in 2012. Moreover, the gross income from opium per hectare fell from $10,700 in 2011 to $4,600 in 2012.178

Urban Drug Use in Afghanistan

In December 2012, INL released the Afghanistan National Urban Drug Use Survey 2012. The survey was conducted to “provide an objective assessment of drug use in the country of Afghanistan that helps its government, the United States Department of State and the international community develop strategies for illicit drug demand reduction.” The report combined surveys of urban households with scientific testing of hair, saliva, and urine to determine the extent of drug use in the capitals of 11 provinces. In the urban areas studied, the report estimated the following rates of drug use prevalence:179

- 11.4% of households
- 5.3% of the total urban population
- 7.5% of adults (10.6% of males; 4.3% of females)
- 2.3% of children

Evaluation of Drug Treatment

In 2005, INL began funding the operations of several drug treatment centers in Afghanistan. In 2009, INL asked an independent research firm to evaluate drug abuse treatment in Afghanistan. One of the aims of the evaluation was to assess the change in illegal drug use, alcohol use, and criminal behavior following treatment. Seven drug abuse treatment centers participated in the evaluation—four centers for men and three for women and children—in cities in five provinces.180

In October 2012, the evaluation found that patients participating in treatment were positively impacted. For example, it showed a 12% decrease in the number of patients that had used drugs following treatment. There was also a 31% decrease in the number of opiate users

Farm Gate Price: the price of the product available at the farm, excluding any separately billed transport or delivery charge.

reverting to drug use and a 76% decrease in the number of alcohol users using alcohol after treatment.181

Opiate Trafficking and Trade in Western and Central Asia
INL also funded a UNODC report that analyzed the role of dry ports in regional trade networks of Western and Central Asia and highlighted the risk of their abuse by drug traffickers. A number of the report’s findings were directly related to Afghan narcotics trafficking. For example, UNODC found that the volume of Afghan imports and exports had more than tripled between 2004 and 2010; however, law enforcement capacity had not been enhanced to combat narcotics trade. Of the 48 dry ports in the region, the largest number (17) were in Afghanistan. Most drug seizures were at main hubs along the trade routes in Central Asia and in Afghanistan, Iran, and Pakistan. In addition, since the Central Asian rail network was extended to Afghanistan, several heroin seizures had been reported along it. Due to the large amount of trade in the region, only a limited number of containers can be inspected by customs officials at ports and border control points.182

Counter-Narcotics Police of Afghanistan
This quarter, the number of personnel assigned to the Counter-Narcotics Police of Afghanistan (CNPA) was 2,581—a decrease of 41 since last quarter. The drop was directly related to attrition, according to CSTC-A.183 NTM-A and the Drug Enforcement Administration (DEA) provide mentors and advisors to the CNPA. According to CSTC-A, NTM-A provides 16 advisors and U.S. Central Command funds 33 counter-narcotics trainers (of which 20 are in country at a time). According to CSTC-A, a U.S. company (CACI) provides 37 staff to assist the CNPA.184

Interdiction Operations
From October 1 through December 31, 2012, the ANSF partnered with U.S. and ISAF to conduct 51 interdiction operations—partnered patrols, cordon and search operations, and deliberate detention operations—according to DoD. These operations resulted in 81 detentions and led to the seizure of the following narcotics contraband:185

- 24,180 kg of hashish
- 13,528 kg of opium
- 224 kg of morphine
- 692 kg of heroin
- 3,490 kg of narcotics-related chemicals

The U.S. military provided general logistics and intelligence support in addition to on-ground quick-reaction assistance, according to DoD. DEA mentored specialized units throughout the country to establish investigative and law enforcement capability. In addition, the U.S. Intelligence
Security

Community continued to provide targeting and analytical support to the Afghan military and law enforcement agencies at the strategic, operational, and tactical levels.  

As in past quarters, most interdiction activities continued to occur in the south and southwest, where the majority of opiates are grown, processed, and smuggled out of Afghanistan. According to DoD, Afghan forces in these areas increasingly led patrols and military operations as ISAF units withdrew in line with transition plans. DoD noted that Afghan specialized units continued to demonstrate an ability to operate independently, aided in part by logistical and intelligence support from ISAF. Afghan counter-narcotics investigators continued to refine their intelligence-collection priorities in combating known drug-trafficking networks and identifying drug-processing labs, storage sites, and trafficking routes.  

Conventional and specialized Afghan units executed a number of operations with support from interagency elements, including the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC). CJIATF-N and IOCC integrate information from various military and law enforcement sources to enable operations against corrupt narco-insurgent elements. According to DoD, all operations were coordinated with and received support from U.S. and coalition military commanders.
CONTENTS

Reconciliation and Reintegration  95
National and Sub-National Governance  99
Judicial Reform and Rule of Law  111
Anti-Corruption  116
Human Rights  120
GOVERNANCE

As of December 31, 2012, the United States had appropriated $22.4 billion to support governance and economic development in Afghanistan. Most of this funding, $15.1 billion, was appropriated to the Economic Support Fund (ESF), which is administered by the United States Agency for International Development (USAID). The country’s endemic corruption, underperforming judicial sector, difficulties in establishing and maintaining governmental authority, and persistent human-rights violations continued to complicate U.S. efforts to establish a stable and mature Afghan government.

RECONCILIATION AND REINTEGRATION

Afghanistan’s political and economic strategy—as articulated in the National Priority Programs (NPP) it has been developing since 2010—makes peace and reconciliation a primary objective. Afghans have generally supported reconciliation efforts, as shown in Figure 3.26. This quarter, the Afghan and Pakistani governments met on reconciliation. In addition, the Afghan

FIGURE 3.26

AFGHAN PUBLIC’S VIEWS ON AFGHAN GOVERNMENT’S RECONCILIATION EFFORTS AND NEGOTIATIONS WITH ARMED OPPOSITION

Notes: Survey margin of error is plus or minus 5.1%. Numbers have been rounded.
government and its High Peace Council, members of the Taliban, and Hizb-e-Islami met in France. The Afghan government also produced a “Peace and Reconciliation Roadmap” to guide negotiations. President Barack Obama and Afghan President Hamid Karzai discussed the proposed roadmap in Washington and agreed to support opening an office in Doha, Qatar, for the Taliban to facilitate the process and involve other regional players, including Pakistan. However, enormous challenges remain, including the Taliban's continued reluctance to negotiate with the Afghan government, which it characterizes as a “puppet of the foreign invaders.”

High Peace Council

The chairman of Afghanistan’s High Peace Council, Salahuddin Rabbani, led a delegation to Islamabad to meet with Pakistan’s president, prime minister, and army chief of staff on November 12–14. Pakistan will play a crucial role in any peace negotiations because the Taliban’s senior leadership operates from sanctuaries in northwest Pakistan. Rabbani hoped to convince Pakistan to encourage reconciliation between the Afghan government and insurgents, some of whom have been supported by Pakistan. Following the meeting, Pakistan in November and December released a number of Taliban members it had detained. The Taliban’s former justice minister was reportedly included in the December release.

Rabbani also sought ways for the international community to aid reconciliation. He visited the United Nations (UN) in November to consult with the UN Security Council on its role in supporting an Afghan peace process. His efforts helped lead to the adoption of UN Security Council Resolution 2082, which temporarily lifts travel restrictions on senior Taliban leaders engaging in peace efforts, increasing the Taliban’s ability to negotiate.

Afghanistan Peace and Reintegration Program

In the first two months of the quarter, the Afghanistan Peace and Reintegration Program (APRP) grew modestly with 531 insurgents enrolling in the program, bringing the total number of reintegrees enrolled in the program since its inception to 5,577. The vast majority (79%) of reintegrees throughout the program’s history have come from the less volatile north and west regions of the country, as shown in Figure 3.27.1

The APRP finalized a grievance-resolution strategy in June 2012 that would promote reintegration by identifying and prioritizing disputes that drive violence and by conducting outreach to alleviate them, but the strategy had not been put into practice at year’s end. The U.S. Embassy Kabul and the International Security Assistance Force’s (ISAFs) Force Reintegration Cell have repeatedly discussed this issue with the APRP’s Joint Secretariat, but the Secretariat claims that political sensitivities have prevented the strategy’s implementation. The Joint Secretariat did initiate a reintegration program specifically tied to insurgent commanders in December 2012.
Department was optimistic this quarter that this program could jump-start reintegration in the south and east. The Afghan public views the presence of foreign troops, the desire to gain power, corruption in the government, and Pakistani support as the four most important reasons for individuals to join the insurgency, as shown in Figure 3.28.

The development of the APRP has not precluded informal reintegration, in which insurgents lay down their weapons but do not officially join the APRP out of fear for their safety if they enter an open program.

**Capacity Development for Reintegration**

The capacity, competency, and activity levels of Provincial Joint Secretariat Teams (PJSTs) continue to vary throughout the country. The PJSTs were created along with the APRP to help manage the implementation of the APRP and its recovery programs at the provincial level. In provinces where the governor supports the APRP and there is cohesiveness among Provincial Peace Councils, PJSTs, and provincial security personnel, the APRP functions fairly well and reintegration levels are reasonably high—conditions that prevail mostly in the north and west.

The APRP’s Joint Secretariat recognizes the need to provide provincial teams with more training. This quarter, the Secretariat, with financial assistance from the Department of Defense’s (DoD’s) Afghanistan Reintegration

---

*Notes: Data for this quarter did not include all of December 2012. Data for RC-Capital was not given until June 2012. The decrease in RC-North in March 2012 was due to the Joint Secretariat disqualifying approximately 250 previous enrollees from Sar-e Pul.*

Program (ARP), conducted several training programs in Kabul for the PJSTs. These training sessions should raise skills among PJSTs until a new ARP-funded PJST-capacity-building program begins in the spring. At the end of the quarter, this program awaited U.S. Central Command’s approval. This quarter, the United Nations Assistance Mission in Afghanistan (UNAMA) also held three regional training programs on grievance resolution for the Provincial Peace Councils.197

Financial Management of Reintegration Programs
The Joint Secretariat executes the APRP’s budget with UNDP oversight. According to State, the APRP spent about $60 million of its $123.65 million budget (a utilization rate of about 48.5%) in Afghan fiscal year (FY) 1391—more than three times the execution rate of recent years. State noted that the Joint Secretariat has implemented standard operating procedures for disbursing reintegration funds at the local level.198

U.S. funding has not flowed into reintegration programs smoothly. As of September 30, 2012, the United States had provided $50 million to the World Bank’s Afghanistan Reconstruction Trust Fund to support the Ministry of Rural Rehabilitation and Development’s (MRRD’s) National Solidarity Program, which seeks to help communities identify, plan, manage, and monitor their own development plans. However, the MRRD has done little to link APRP funds to its National Solidarity Program and appears to be retroactively assigning APRP funds to projects located in non-priority areas. State saw this as an attempt to satisfy donors’ disbursement expectations. The MRRD’s lack of transparency, contradictory reporting, and project-allocation procedures all contribute to challenges in tracking and confirming the use of international donor funds for APRP to benefit reintegration and the peace process.199

Community Recovery Programs
The APRP has encouraged individuals who might not otherwise lay down their arms to rejoin their communities by providing essential economic and social support, according to State. The number of APRP community-recovery projects like demining, agriculture, small grants, and vocational and literacy projects created to entice potential reintegrees continued to grow this quarter. APRP small-grants projects increased from 80 to 140, of which 17 were completed. State reported that four line ministries (Rural Reconstruction and Development; Public Works; Agriculture, Irrigation and Livestock; and Labor, Social Affairs, Martyrs, and Disabled) were implementing more than 1,500 APRP community-recovery programs. These programs provide support to deliver basic services and create employment opportunities. More than 178,000 individuals, both reintegrees and members of their communities, have benefited from these projects since the program’s inception. However, not all communities with reintegration taking place have benefited from these programs.200
Reintegration Support from the Afghan National Security Forces

The ANSF’s cooperation with the APRP continued to improve this quarter, according to State. The Ministry of Defense (MoD) trained the remaining Afghan National Army (ANA) corps (the 205th, based in Kandahar) on the APRP and their support role. The MoD plans to provide follow-up training on all ANA corps over the next quarter. The MoI issued a directive in November that outlines the Afghan National Police’s (ANP’s) roles and responsibilities in its support for the program.[201]

NATIONAL AND SUB-NATIONAL GOVERNANCE

The United States funds a number of efforts to improve Afghanistan’s national and sub-national governance in such areas as capacity building, local governance, and civil service training. In its semi-annual “Report on Progress Toward Security and Stability in Afghanistan,” DoD this quarter questioned the long-term sustainability of the Afghan government. It said that corruption, ineffective program monitoring, budget shortfalls for sub-national governance, an inability to generate sufficient revenues, and limited public financial management all continue to impair the development of a stable Afghan government. Weak connections and coordination persist between national and local governments. A lack of formal training and education within the civil service means the government has limited human capacity to carry out complex tasks.[202] Recent surveys show the Afghan public views administrative corruption, insecurity, and a lack of sufficient job opportunities as the three most important failings of the central government, as shown in Figure 3.29.

FIGURE 3.29

AFGHAN PUBLIC’S VIEWS ON THE CENTRAL GOVERNMENT’S MOST IMPORTANT FAILINGS

<table>
<thead>
<tr>
<th>Issue</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Corruption</td>
<td>32</td>
</tr>
<tr>
<td>Insecurity</td>
<td>23</td>
</tr>
<tr>
<td>Lack of Job Opportunities</td>
<td>18</td>
</tr>
<tr>
<td>Suicide Attacks</td>
<td>11</td>
</tr>
<tr>
<td>Weak Government</td>
<td>9</td>
</tr>
<tr>
<td>Removing the Taliban</td>
<td>8</td>
</tr>
<tr>
<td>Weak Economy</td>
<td>8</td>
</tr>
<tr>
<td>Removing Drugs</td>
<td>7</td>
</tr>
<tr>
<td>Injustice</td>
<td>5</td>
</tr>
<tr>
<td>Bad Education System</td>
<td>5</td>
</tr>
</tbody>
</table>

Notes: Numbers have been rounded. Margin of error is plus or minus 5.1%.
USAID Governance Programming Future Strategies

USAID’s Office of Democracy and Governance (ODG) has aligned its strategy for the transformation decade of 2015–2024 with the strategy outlined by the Afghan government in its Tokyo Conference commitments and in its National Priority Programs (NPPs). The USAID strategy encompasses governance, rule of law, elections and political processes, and civil society. Improved governance in Afghanistan will be key to maintaining stability during the transition 2012–2014, as well as to enabling the country to achieve its vision and goals during the transformational decade, according to USAID.203

USAID’s governance portfolio will focus on increasing the professional skills and technical capacity of members and staff of Provincial Councils (PCs), the local governing bodies in Afghanistan’s 34 provinces. The PCs seek to advise local governments on development priorities and planning, and conduct oversight of provincial administration. USAID also seeks to improve coordination among PCs, the national Parliament, district-level bodies, and relevant executive officials at the national and sub-national levels. USAID’s governance programs try to complement other donor efforts to strengthen the functional capabilities and reach of the central and local institutions by building capacity in financial management, budget formulation and execution, human resource management, policy and strategic planning, community outreach and representation, service delivery, public works, and revenue generation.204

At the municipal level, USAID will continue to train municipal officials and support groups of concerned citizens to lay the foundation for effective, responsive, democratic, transparent, and accountable Afghan city governments. However, USAID is shifting its contributions from investing in urban infrastructure and service-delivery equipment to investing in the human capacity needed to operate and maintain existing initiatives. The geographic-area focus of USAID-supported sub-national programs will be determined in accordance with Afghan priorities and U.S.-identified priority economic zones.205

Elections

This quarter, Afghan and international stakeholders intensified their efforts to prepare for the 2014 presidential and Provincial Council elections. These elections will both determine President Karzai’s successor—he is not eligible for a third term—and set the stage for the transformation decade. Widespread fraud has marred previous elections and there are significant concerns about the readiness of the Afghan government to hold credible elections in 2014. The United States is supporting the Independent Elections Commission’s (IEC) efforts to implement fraud mitigation measures. If the elections are widely contested, it could weaken the political stability of the country just as the United States and its international partners complete their drawdown.206
Concerns about the elections center on the following issues:\textsuperscript{207}
- the ability of the Afghan government to administer elections
- the ability of the Afghan led-security forces to provide security for the elections
- the capacity of the government and civil society, especially domestic monitoring groups, to conduct the oversight necessary to prevent fraud
- the ability of the government to properly register voters

This quarter, the IEC scheduled the elections for April 5, 2014. The United States welcomed the announcement and said it demonstrated Afghanistan’s commitment to holding credible, inclusive, and transparent elections within the timeline enshrined in Afghanistan’s constitution.\textsuperscript{208} Some have criticized the date as being too early in the spring, when cold-weather storms could hamper logistical preparations and voter turnout, particularly in the northern and central areas. In addition, State noted that a new multi-purpose national identification card system called the “e-tazkera” will not be ready for use throughout large areas of the country by 2014. State observed that the system’s rollout would be particularly low if the responsible government bodies manage the process poorly. The IEC also developed a draft concept of operations which was being reviewed by the Office of the President. The draft includes a proposed budget and strategy to improve poll performance.\textsuperscript{209}

Also this quarter, the Parliament, the President’s Office, civil society electoral organizations, and the IEC deliberated over a new electoral law. These deliberations included the Electoral Complaints Commission’s (ECC’s) role as the final dispute resolution body; duties, structures, and appointment process of the IEC and ECC; characteristics of the electoral system (single, non-transferable vote versus proportional representation, and multiple-member versus single-member districts); allocation of seats to women; polling security; and candidate eligibility. At the end of 2012, these issues remained unresolved with less than 16 months until the elections.\textsuperscript{210}

State noted that President Karzai’s draft included two significant changes to the current electoral law: one would establish single-member districts for Wolesi Jirga seats; the other would give the Supreme Court power to establish a special court to resolve electoral complaints after the elections.\textsuperscript{211}

Creating single-member districts would require redrawing up to 249 voting districts—a process likely be highly politicized. Redistricting could also affect apportionment of the constitutionally required 68-member women’s quota for the Parliament, although that effect is still unclear. State noted that tying parliamentary membership to specific, small constituencies is a reasonable goal.\textsuperscript{212}

Karzai had earlier proposed to allow the Supreme Court to establish a final arbitrator for disputes in the 2010 elections. At that time, results of the Wolesi Jirga elections and the locus of authority to certify results were heavily disputed. Karzai attempted to circumvent the IEC and ECC’s roles
in the election by creating a new Special Tribunal with broad electoral decision-making powers. This drew widespread condemnation from winning candidates and the international community, as noted in previous SIGAR quarterly reports.213

USAID Election Support
USAID leads U.S. assistance and programs to build Afghan capacity for elections.214 USAID plans to support the 2014 elections with $80–120 million of assistance. This funding will support election administration, political party development, civil society strengthening, training domestic and partisan monitoring organizations, and civic education initiatives.215

With 21 elections scheduled between 2014 and 2025, USAID said it intends to concentrate its efforts on supporting electoral authorities so that they can run credible, inclusive, and transparent elections with their own budgets. USAID will use the periods between elections to work to strengthen political participation among political parties, coalitions, movements, civil-society organizations, and domestic monitoring groups. Most projects will be nationwide, but there may be some support for increased political participation in priority regions.216

USAID’s Support for Increased Electoral Participation in Afghanistan
USAID’s Support for Increased Electoral Participation program in Afghanistan has had some success in improving the political process in Afghanistan, but many challenges remain. As of December 30, 2012, USAID had obligated $87.5 million for the program. The program has helped parties, coalitions, and independent candidates organize and compete in elections. Increased public awareness about elections shows signs that historically marginalized groups, including women, youth, and minorities, are engaging with the political process. However, political groups still have difficulties articulating issue-based platforms that appeal to a wide variety of people. They do not yet have the ability to provide oversight and hold government officials accountable.217

National Assembly
The National Assembly continues to be a fairly weak institution with no solid role in the Afghan government, according to an evaluation conducted for USAID by Democracy International. The evaluation noted institutional progress over the Parliament’s eight years in an environment fraught with political violence and national and personal insecurity. However, the evaluation also found a number of problems with the Assembly and its place in the overall government:218

• The Assembly has little to no financial or administrative independence.
• Its rules of procedures are a mix of practices borrowed from multiple sources which have not yet been vetted through trial and error.
• The body is extremely understaffed, and its staff is significantly underpaid.
• There are numerous internal divisions within the Parliament that track along religious, ethnic, and geographic lines.
• Charges of fraud and corruption are constantly leveled at members.

The National Assembly established an internal ad hoc commission to explore corruption within the body, according to State. The Assembly also established a commission on nationwide corruption, with a particular emphasis on illegal land grabs.219

**USAID’s Afghanistan Parliamentary Assistance Program**

USAID’s Afghanistan Parliamentary Assistance Program (APAP) had expended more than $4.1 million as of December 30, 2012. The program was recently extended until March 31, 2013, at which time it will be replaced with a follow-on program. USAID said the program had helped develop the National Assembly and cited a number of accomplishments, including:220

• managing the parliamentary labor force’s extreme growth during its first 18 months of existence
• facilitating establishment of procedural and operational protocols for parliamentary operations
• raising the level of administrative, oversight, and legislative performance with regard to committee hearings, meetings, reports, and legislation actions
• increasing Parliament’s ability to hold the executive branch more accountable and increasing overall budget transparency through its work with the Budget Committee
• raising the profile of Parliament in the national media and among civil society organizations
• improving the Parliament’s institutional capacity
• creating the Afghan Parliamentary Institute to train parliamentarians and staff

In the transformational decade, USAID intends to fund efforts to build a Parliament that is better able to check executive power and fulfill its constitutionally mandated duties, such as legislative drafting and review as well as budget formulation. USAID will continue its support for the Afghan National Assembly by focusing on four components: oversight of the executive; legislative drafting, research, and analysis; budget formulation and review; and constituency outreach.221

**National Budgeting**

The Afghan budget-approval process was completed in January 2013. In November 2012, the Ministry of Finance (MoF) had submitted the FY 1392
budget to the National Assembly. The budget reflects the new fiscal-year start date, December 21. In its submission, the MoF emphasized the urgency of ensuring greater self-sufficiency through revenue generation. After a series of budget rejections by the Parliament, and modification of the MoF, the budget was finally approved in late January. The budget totals about $6.81 billion ($3.77 billion in the operational budget and $3.03 billion in the development budget). For the first three quarters of 1391, the Afghan government collected only about $1.56 billion.

**Public Financial Management**

The Afghan government’s capacity to effectively manage its public finances remains strained. According to DoD, the lack of sufficient capacity to plan, budget, and execute programs continues to be one of the greatest hindrances to effective public-sector program implementation and service delivery. These financial management issues included the following:

- capacity constraints at the national and sub-national levels
- weak planning and budget formulation
- donor earmarking of funds and funding delays
- communication challenges across ministries, donors, and sub-national entities

The Treasury Department said it had worked with the Provincial Budget Unit to alleviate some of these issues, including developing a draft provincial budgeting policy for the MoF. If the policy were implemented, it would clarify some of the processes in provincial budgeting. To improve communication with the central and provincial governments, the Treasury Department worked with the Unit to develop a communications plan for the provinces to improve their communications with central and provincial line ministries.

The Treasury Department assisted in training the finance director of each of the Afghan government’s ministries. This standardized training, delivered in Dari, one of the Afghan government’s two official languages, covers the use of a new accounting manual and chart of accounts. Afghans led the training sessions this quarter.

DoD noted a longer-term concern is that international donors have created what is basically a parallel civil service, comprising skilled civil servants paid by international donors at higher rates than the regular service. This externally funded civil service makes up only 3.9% of the total workforce, but accounts for an estimated 31.9% of total payroll costs, according to a 2011 World Bank survey of eight key ministries and one agency. According to DoD, the Afghan government cannot fully absorb the cost of these higher salaries, and this fiscal reality may jeopardize transfer of valuable program-management and service-delivery competencies into the regular service.
Although international partners have long worked toward making the Afghan government less centralized, the government structure continues to concentrate power in Kabul, according to DoD. Budgeting and spending authority is still primarily held by the MoF and other central ministries, and service delivery is still mostly implemented by central ministries. There are limited coordination, planning, and service-monitoring roles through the sub-national administrations.\(^{228}\)

**Internal Auditing**

With Treasury Department assistance, the MoF’s Internal Audit Office has made substantial progress in meeting its auditing goals. According to Treasury, the Office has met all of the benchmarks established for Article 61 audits under the Public Expenditure and Financial Management Law that allows the MoF to audit other line ministries. These revenue audits identify streamlined collection processes within the ministries that could eliminate unnecessary process steps. These audits also discovered overlaps in authorization and approval processes which slowed down collection times. Since Article 61 audits were initiated at the end of 2010, the Office has completed revenue process audits in 23 ministries and conducted an additional four follow-up audits.\(^{229}\)

**Afghan Financial Management Information System**

The Afghan Financial Management Information System (AFMIS) was put into place with Treasury Department assistance and is used to manage the core budget. The AFMIS has led to many improvements in accounting, record keeping, and transparency, including:\(^{230}\)

- implementing a standard chart of accounts, allowing rapid consolidation of revenue and expenditure information, and publishing monthly financial statements for the operating and development budget within 25 days after the end of the month
- implementing automated budgetary controls that prevent overspending of appropriations and allotments
- creating immediate information exchanges from Kabul to the provinces concerning budgetary allocations, in contrast to a system that meant three-to-four-month delays in expenditures for some provinces

**Provincial Governance**

Provincial line departments of central line ministries continue to have primary responsibility in deciding how resources are allocated at the provincial level, with little regard for local priorities. Poor coordination and communication between the provinces and Kabul compound this problem. The Provincial Budget Pilot Program, created in 2011 by the MoF, was supposed to improve budgetary planning and communication between the levels of government, but has stalled due to funding difficulties.\(^{231}\)
District Governance

District governors continue to have difficulty coordinating and communicating with provincial authorities, limiting their involvement in strategic planning and budgeting for their districts. District governors depend on the international community for their programmatic funding and are hampered by the same problems with centralized line-ministry control of the budget that affect provincial governments.

The Afghan government’s recently endorsed district-representation roadmap was a precondition for international approval of the local governance NPP, according to DoD. Under the plan, interim District Coordination Councils (DCC) are to be created to replace the multiple forms of currently active and donor-created district-representation bodies. These interim DCCs will be voluntary unpaid bodies, led by the Independent Directorate of Local Governance (IDLG), and with Ministry of Rural Rehabilitation and Development support for development issues. The Councils are intended to reform the existing, and often conflicting, sub-national structures. DCCs will serve mainly as conflict-resolution structures that prepare development plans without implementing them. Precise roles and responsibilities of the Councils were expected to be clearly defined and endorsed by the Afghan government by the end of 2012; operations are to begin by the end of 2013. Thereafter, a District Council roadmap in line with the Afghan Constitution will be finalized, paving the way for formal and constitutional district council elections, which should be held in 2015, according to the Afghan constitution.

Southern Afghanistan Governmental Control

Improved security in the south has helped the Afghan government hold most urban centers, but the government continues to compete with insurgent groups for control of the population in more rural areas.

Helmand Province

The Afghan government’s authority in Helmand remained relatively stable this quarter, according to State. With solid connections established between the provincial capital and district centers in central and southern Helmand, local officials are able to operate effectively. In these areas, Afghan government officials are able to provide government services with little or no support from the Provincial Reconstruction Team (PRT) and District Support Teams (DSTs). Moreover, local administrators are becoming more technically capable. Overall, the government’s influence in the province is expanding, but Kabul’s ministries need to improve their performance to sustain and expand influence. For example, State said an increasingly unreliable IDLG and irregular funding levels have undermined local governance.

State also reported this quarter that Helmand’s new provincial governor and local civil servants can travel regularly to the southern and central districts. Kajaki and Now Zad still present security challenges, but local
officials are increasingly able to travel to these areas by road. The district centers in northern Helmand are under Afghan control, but efforts to expand control outside of those areas have largely been unsuccessful. The Taliban shadow government controls no areas in Helmand, although they do still have a presence and conduct operations to maintain and build their influence.235

Kandahar Province
The Afghan government has continued to improve its capacity to govern Kandahar, particularly because of the security gains in key terrain districts, according to State. However, most of this government functionality continues to be concentrated in the provincial capital and larger municipalities; governing the outlying districts remains more difficult to maintain. There are still many under-governed areas in Kandahar, particularly in the Zharay, Panjwai, and Maiwand districts, which basically remain under Taliban shadow government. State did note that, overall, the Afghan government’s influence in the province appears to be increasing.236

State said the improving security situation in Kandahar has allowed Afghan government officials to travel more widely and frequently in the region. Provincial Governor Wesa travels freely in most districts. Despite a high-profile, vehicle-borne, improvised explosive attack on Provincial Chief of Police Razziq in August, high-level Afghan officials are still able to travel without ISAF support. However, a significant number of district officials reside in Kandahar City, instead of their assigned districts, due to perceived security risks.237

PRT Transition Planning
This quarter, President Karzai tasked the IDLG to lead a working group on developing mechanisms to transfer authority from PRTs to the Afghan government. The IDLG has requested coalition countries to provide data on their activities to the Council of Ministers in January 2013.238

U.S. Stability Programs
The Department of Defense and USAID conduct stability programs to extend the reach of the Afghan government into less secure areas, help mitigate security backsliding, and enable the conditions for transition and longer-term development.239

USAID has a number of stability programs, the three largest being the Community Cohesion Initiative (CCI), the Community Development Program (CDP), and the Stability in Key Areas (SIKA) Program.240

USAID’s Community Cohesion Initiative
USAID’s CCI seeks to increase resilience in areas vulnerable to insurgent exploitation by strengthening ties between local actors, customary
GOVERNANCE

governance structures, and the formal Afghan government. It also seeks to improve cohesiveness between different communities. The CCI began in March 2012, has a contract ceiling of $161.5 million, and operates in the east, south, and southwest regions of Afghanistan. The initiative’s implementing partner is Creative Associates International. As of December 12, 2012, 44 projects were under development, implementation, or closed in 12 districts in southern and eastern Afghanistan. These projects targeted nearly 7,000 beneficiaries.

USAID pointed to a number of CCI program activities, including:

• sponsoring two one-day events in recognition of “International Day for the Elimination of Violence Against Women,” hosted by the Department of Women’s Affairs in Kandahar and Zabul
• providing organizational assistance and civics training for youth organizations in Khost, Ghazni, and Kunar provinces
• developing strategic-communication grants to support the Afghan government’s district outreach
• implementing community-cohesion jirgas across the program’s provinces

USAID noted that training and mentoring Afghan staff has been difficult due to reduced staffing levels at USAID. The CCI also has a stringent grant clearing process, where each individual grant is cleared by all levels of staff, from the field level to the country representative.

As USAID moves further into the transition period, the CCI is also on track to pilot an Independent Monitoring Unit. The transition will add to USAID’s management challenges, but the new unit will act to ensure further transparency, accountability, and verification of metrics to include outputs and overall impacts.

USAID’s Community Development Program

USAID’s CDP seeks to promote stability and support the Afghan government through short-term employment of community laborers working on critical local infrastructure projects. The projects include irrigation systems, rural farm-to-market and feeder roads, public buildings, and drainage systems in Helmand, Kandahar, Zabul, Paktika, Paktia, Khost, and Ghazni. These activities are designed to link government officials to local populations, providing credibility to nascent Afghan government entities. As of December 27, 2012, USAID had obligated $256.5 million for the program.

The CDP currently focuses on implementing community projects to restore normalcy after military operations. With its emphasis on strengthening relations between the government and the populace, the program closely involves local Afghan officials in development plans. The intensive involvement of local officials in planning and executing community infrastructure projects also helps ensure that these projects can be sustained.
As of December 2012, CDP had implemented more than 321 community-stabilization projects, reduced the gap between local government institutions and their constituents, and generated more than 13.3 million employment days through labor-intensive community infrastructure projects in highly unstable areas.246

**USAID’s Stability in Key Areas Program**

USAID’s SIKA program is intended to promote good governance and service delivery in targeted districts to reduce the impact of the insurgency and pave the way for transition. The program has four regional components: SIKA West, East, North, and South. The program became operational in 2012, and USAID had obligated more than $57.6 million for it as of December 2012. The total anticipated budget for SIKA is $203.2 million. SIKA partners closely with the Ministry of Rural Rehabilitation and Development (MRRD) and the Independent Directorate of Local Governance (IDLG). Its work is designed to strengthen existing sub-national development and governance structures like the Community Development Councils and District Development Assemblies that work to tie local needs with development projects.247

**Village Stability Operations**

The Department of Defense’s Village Stability Operations (VSO) program and Afghan Local Police (ALP) program are counterinsurgency programs intended to reestablish traditional governance mechanisms at the village level while also linking this informal system to the formal Afghan district governments. The VSO program builds local governance through improving security so that follow-on development can take place. Ultimately, the success of VSO and ALP is contingent on Afghans’ ability to assume control of their own local security and to connect with their government. According to DoD, in areas where VSO operates, governance activity is usually higher and local citizens become more resistant to the Taliban than in areas without the program.248

**U.S. Capacity-Building Programs for Public Administration**

Developing Afghanistan’s human resources is a key goal of the U.S. reconstruction effort. The United States is implementing a number of programs to build Afghan governing capacity at the national, provincial, and local levels. This sub-section reviews some of those efforts.

**USAID On-Budget Support for IARCSC**

USAID provides on-budget support for the Afghan government’s Independent Administrative Reform and Civil Service Commission (IARCSC). This assistance has helped the Commission to produce structural reforms to the Afghan civil service, according to USAID. As of December 30, 2012, USAID...
110

GOVERNANCE

had disbursed $7.25 million out of the $10 million sub-obligated to the IARCSC. According to USAID, this support has aided the IARCSC in meeting 20 of its 23 benchmarks by the end of 2012. The Commission has made significant progress in instituting reforms; developing policies and procedures on financial management, procurement, and human resources; and providing staff training and orientation on the new policies and procedures. The Commission also developed an inventory-management system to control, manage, and dispose of fixed-asset properties.249

These reforms have enabled ministries at the national and sub-national level to effectively manage their civil servants through improved record-keeping and data management, and a new system of performance-based evaluations. They have also allowed the ministries to recruit civil servants in insecure provinces. In response to Presidential Decree 45 (PD45), which Karzai issued last quarter to improve governance and anti-corruption efforts, the Commission has drafted laws outlining the scope and structure of government ministries, agencies, and the civil service. The president has approved a mechanism for recruiting entry-level civil servants through a general entrance exam.250

USAID Sub-National Governance Program

In early July 2012, USAID increased funding and extended its Support to Sub-National Governance Structures project from July 2012 until September 30, 2013. The project’s ceiling was also raised from almost $12 million to $20.9 million. According to USAID, the project continues to develop the capacity of the 34 provincial councils and provide technical assistance to the IDLG. The program has strengthened the capacity of provincial councils to represent constituent interests in development planning. It also provides assistance to provincial councils in their oversight of implementation of provincial development processes. The project directly supports part of the NPP for local governance. This quarter, the program conducted a number of public hearings, site visits, NGO briefings, and cross-regional visits and training on different topics in most of Afghanistan’s provinces.251

Civil Society’s Transformation Decade

USAID expects that by 2024, Afghan citizen groups will be able to better organize and demand improved performance by the government. As the Tokyo Declaration emphasized, productive civil society and inclusive dialogue are key to promoting human rights, good governance, and sustainable social, economic, and democratic development. USAID said it intends to support implementation of the Tokyo Framework goals by helping civil-society organizations develop their watchdog and monitoring functions, and by influencing policymaking and service delivery through cooperation and advocacy. USAID plans to enable development of capable and accountable civil-society organizations that establish effective partnerships between
government and citizens. This work will seek to advance human rights, rule of law, and free speech. The civil-society program will continue to promote gender equality as a key goal of the transformation decade.

**JUDICIAL REFORM AND RULE OF LAW**

According to DoD, international assistance to the judicial branch has allowed for increased training and staffing at the sub-national level of the judiciary in recent months. However, many serious issues remain to be addressed if Afghanistan is to establish a competent and sustainable justice system.

Insecurity has continued to impede expansion of rule of law, especially at the district level. Prolonged dispute resolutions in the formal justice system have led many rural Afghans to view it as ineffective and inaccessible. In addition, widespread corruption and inadequate transparency continue to stifle development of a self-sustaining rule of law system. Furthermore, DoD noted that the Afghan government’s lack of political will to operate and maintain justice programs and facilities has hindered justice development. USAID noted that the judiciary has also not had sufficient political will to establish genuine independence from the executive branch. Rule of law activities will need to be included in the overall transition effort and will be most successful in the areas where capable governance has followed stabilization, according to DoD.

Although the Afghan government and the international community have identified “law and justice for all” as an NPP, they have not agreed on program specifics that would lay out a clear and verifiable roadmap to improve the Afghan justice system. This quarter, donor dissatisfaction at the continued failure to finalize the justice program led the European Union to indicate that it will put on hold its future funding for the sector until the program has been endorsed. All of the NPPs were supposed to be endorsed by July 2011. The UN Secretary-General noted that the program’s complexity and wide scope presented challenges, although there was hope for an endorsement of the NPP in early 2013.

**Taliban Justice**

Weaknesses within both the formal and informal justice systems, along with ineffective linkages between the two systems, continue to lead many Afghans to go to the Taliban for dispute resolution. The Taliban process is based on stern religious precepts, but is also rapid, enforced, and often considered by Afghans as less corrupt than the formal system.

**Criminal Procedure Code**

This quarter, the Afghan government remained unable to approve an updated Criminal Procedure Code. The Department of Justice is coordinating with the
Parliament on a new draft. The government pledged at the Kabul Conference in 2010 to enact a new Code by the beginning of 2011.  

U.S. Justice Sector Support Program  
The State Department’s Bureau of International Narcotics and Law Enforcement (INL) manages the Justice Sector Support Program (JSSP). The JSSP trains prosecutors, defense attorneys, investigators, and judges, and aims to improve the overall capacity of the criminal justice system. As of December 30, 2012, State had obligated more than $212.7 million for the JSSP, of which more than $186 million had been expended. The JSSP employed 154 attorneys, including 113 Afghans and 41 American and third-country-national legal advisors. This quarter, the JSSP's training and mentorship for Afghan legal professionals included:

- an anti-corruption seminar for 35 students in Kunar that focused on the use of informants and recording devises, surveillance procedures, and obtaining search warrants
- JSSP and Ministry of Justice (MoJ) development of an internet-based database that compiles and details the trainings and workshops attended by MoJ legal-aid department attorneys throughout the country so the department can use the data to determine needs and schedule staff training
- training in Wardak to educate 41 justice professionals on the country's Trafficking in Persons law (As mentioned in previous SIGAR Quarterly Reports, Afghanistan is on the Department of State's Tier 2 Watch list for human trafficking, partially as a result of its poor enforcement of the law.)
- seminars in Kunduz for 17 participants on the Elimination of Violence Against Women Law, running away, and forced marriage

State noted that the JSSP's training is now completely led by the program’s Afghan legal advisors. As a measure of the program's effectiveness, State reported that participants in training programs in October 2012 scored 20.5% higher on post-training exams than on the pre-training tests.  

Legal Education Program  
State's INL conducts programs to expand the skills of Afghan lawyers by reforming traditional Afghan university legal education. Traditional legal education in Afghanistan has normally relied on rote memorization and offers limited opportunity for interactive and experiential learning, according to State. INLs legal-education program partners with Afghan public and private universities, American law schools, and legal professionals to develop a legal-education system that provides aspiring Afghan legal professionals greater access to education both inside and outside the country. State noted that the sustainability of the justice system is contingent on
building a well-trained cadre of lawyers and legal educators. The major legal-education programs include:

- The Legal Education Support Program-Afghanistan: This program, a partnership with the University of Washington’s School of Law, began in March 2012 and will continue through August 2017 at a projected cost of $13 million. Afghan alumni from the program serve on law and Sharia faculties at every public university in Afghanistan. The program also provides legal training in English for law students and faculty at public universities.
- The Afghan Legal Education Project: This five-year program, which is being implemented in partnership with Stanford University, began in August 2012 and has a projected cost of almost $7.3 million. The program aims to build a high-quality bachelor of laws program at the American University of Afghanistan.
- Public-Private Partnership for Legal Reform in Afghanistan: This partnership provides full academic scholarships to approximately 10 Afghan scholars each year to study at U.S. law schools.

**USAID’s Rule of Law Stabilization Programs**

USAID’s Rule of Law Stabilization programs for the informal and formal justice sectors continue to face challenges in building a formalized judicial system that also recognizes and incorporates the informal system that dominates most of the country’s rural areas. As of December 30, 2012, more than $14 million had been obligated to support the formal and informal programs.

**USAID’s Formal Rule of Law Stabilization Program**

USAID noted a number of positive accomplishments as a result of its formal program, including completion of a two-year training program by 790 of the country’s 1,800 judges. The program had also trained 600 judges on substantive law, judicial ethics, and women’s rights. In addition, 130 program-trained judges were assigned to insecure areas not previously staffed.

Despite these achievements, USAID’s formal-sector programming may face sustainability problems if the government does not prioritize judicial training as donor resources are reduced. The two-year training program is supported mostly through USAID funding, as is most of the rest of the training for the judiciary. The Afghan government has showed little willingness to take responsibility for financing judicial training. In addition, many judge trainers refuse to travel to insecure areas of the country. Furthermore, rampant corruption within the judiciary has caused many graduates of USAID training programs either to leave the judiciary or to conform to the corrupt system to avoid trouble.

USAID’s formal program also provides legal education, which has had significant success in updating and standardizing law and Sharia
curriculums, according to USAID. This programming has helped develop moot-court teams in seven law schools, establish legal clinics, build the capacity of law school libraries, and train law-school faculty to use interactive modern teaching methodologies. USAID noted that while students have a high demand for legal education and while political will for improving legal education is strong, women’s inclusion in legal education has not been robust. Many more women are enrolling in legal education, but cultural barriers often exclude women from practical educational opportunities.\textsuperscript{271}

**USAID’s Informal Rule of Law Stabilization Program**

USAID’s informal program works with legal officials at the local level and informal justice sector actors, such as village elders and clerics, to improve connections between the informal and formal systems. These connections include registering traditional dispute resolutions with the formal system and adopting mutually agreed procedures to refer some disputes from the formal to the informal system and vice versa. USAID noted that its informal system had established six community centers to increase citizens’ understanding of rights, trained over 20,000 people on key principles of Afghan law, and aided women’s dispute-resolution groups in resolving or defusing 486 disputes that might otherwise have escalated to violence.\textsuperscript{272}

The national government’s widespread hostility to the traditional dispute resolution system continues to hamper USAID’s work in that area. The MoJ and Supreme Court believe the traditional sector routinely violates the constitution; they dismiss it as illegitimate. This aggressive posture limits the program’s ability to engage with national stakeholders in project discussions. In addition, provincial authorities have been inconsistent in their support for the informal program. For example, the governor of Kandahar publicly opposed the program, agreeing to it only after PRT and program representatives alleviated his concerns. Growing insecurity in many of the districts where the program is located has also challenged implementation.\textsuperscript{273}

**Afghan Prison System**

Afghanistan’s prison population increased by an average of 17\% annually from 2007 to 2012. As of January 2013, 25,735 inmates were housed in Afghan prisons. According to State, the justice system’s capacity improvements and a reluctance to utilize incarceration alternatives are the main drivers of prison population growth. The State Department is working with the Afghan government to increase the use of incarceration alternatives and modify sentencing guidelines to lower the growth of the prison population.\textsuperscript{274}

Prisoner treatment by the Central Prison Directorate (CPD) staff is professional and appropriate, according to reports from Correction System Support Program (CSSP) advisors, INL program staff, and other observers. Within CPD facilities, incarcerated women generally live in housing units...
with sight and sound separation from male inmates. But women frequently suffer from the same infrastructure and overcrowding issues as male prisoners, and Afghan prisons offer few specialized programs to rehabilitate female inmates. INL is attempting to encourage development of such programs through small grants in addition to providing advisory and material support through CSSP.275

Female juveniles are generally incarcerated apart from the male population in Juvenile Rehabilitation Centers (JRCs) run by the Juvenile Rehabilitation Directorate. Except for Kabul and Herat, provincial JRCs occupy rented facilities and suffer from poor infrastructure and insufficient resources. In these facilities, space for educational and recreational programming is often severely limited, and access to social services is typically infrequent.276

**U.S. Corrections System Support Program**

As of December 30, 2012, State INL’s CSSP had expended almost $202.6 million to improve the capacity of the Afghan prison system. This assistance funds rehabilitation and education opportunities for inmates, and prison administration training and advisory support. An additional $33.5 million was expended for the construction of prisons and detention centers.277

The CSSP focuses on improving the overall function of the General Directorate of Prisons and Detention Centers’ institutions and their sustainable administration. INL plans to provide much of its future support to Afghanistan’s prisons through grants and local implementers to increase cost efficiency and support sustainability.278
This quarter, Transparency International released its latest corruption-perception report indicating that Afghanistan’s public-sector corruption continues to be a major problem. Last year Afghanistan was ranked as the third-most-corrupt country. This year Afghanistan was tied with Somalia and North Korea to be perceived by corruption experts as the most corrupt country in the world. In a separate survey conducted in Afghanistan by the Asia Foundation, almost 80% of the Afghan public views corruption as a major problem in their national government, as shown in Figure 3.30.

According to the Afghan Coalition of Transparency and Accountability, the budget submitted by the MoF this quarter contained no allocations for combating corruption despite the international community’s demand that the MoF make governmental integrity a priority. The Coalition said the document indicated no clear intent to fight corruption and fulfill Afghan government commitments made at the Tokyo Conference in July 2012. Some Afghan lawmakers criticized the Coalition’s findings as inaccurate.

Notes: Numbers have been rounded. Survey margin of error is plus or minus 5.1%.

* In 2006, respondents were not asked about corruption by local authorities.

Afghan Attorney General’s Office

Despite the importance the United States and the international community place on progress in punishing high-level officials guilty of corruption, the Afghan Attorney General Office (AGO) made no significant anti-corruption indictments or prosecutions this quarter. Afghan prosecutors continued to complain that they lack supervisors’ support for prosecutions.281

A group of prosecutors in the AGO’s Anti-Corruption Unit (ACU) set up the Unit’s Director General by supplying him with alcohol and encouraging him to denigrate the Attorney General while videotaping the incident, according to State. This led to his arrest and subsequent removal from his post. State noted that although the replacement is a reputable prosecutor, it will be difficult for the ACU to function effectively if it continues to be full of internal rivalry and intrigue. Moreover, a lack of dedicated resources and inadequate political will at the highest levels of the government severely limit the ability of the Unit to investigate and prosecute cases. Despite these issues, the State Department and the Department of Justice intend to continue to engage with the ACU and provide education and training to improve its investigatory and prosecutorial abilities.282

The AGO has claimed progress in his compliance with President Karzai’s anti-corruption and governance decree (PD45), but that claim does not reflect State’s understanding of events and omits important facts. For example, the Attorney General is responsible for issuing indictments on corruption, but two of the major stakeholders in the Kabul Bank scandal, President Karzai’s brother and Vice President Fahim’s brother, were not on the list of those indicted for crimes related to the bank’s collapse. The Attorney General also fired a reportedly reputable government whistleblower in the AGO because of the whistleblower’s determination to build corruption cases against government officials, according to State. The Attorney General brought charges against the whistleblower for libeling ministries by accusing them of corruption in front of the Parliament.283

This quarter, the Military Anti-Corruption Unit (MACU) did prosecute the former governor of Nuristan, a finance director, and a police chief for embezzling several months’ worth of salaries from their ANP subordinates. While the police chief and finance director received significant sentences (six and 10 years, respectively), the governor was released for two months’ time served.284

Special Cases Committee

Nearly a year after its creation, the Special Cases Committee (SCC) has made no significant progress in prosecuting major corruption cases. The SCC was able to prosecute some lower-level officers in the National Military Hospital case on minor charges of negligent abuse of authority involving expired pharmaceuticals valued at $120. The men were convicted and...
In 2011, the media reported on the deplorable conditions for patients at the Dawood National Military Hospital in Kabul. Widespread corruption led to the siphoning off of U.S. funds as well as theft of medical supplies intended to support hospital operations. In addition, patients often did not receive care because they or their families could not bribe hospital staff. Officials in the MoD and ANA, including the ANA’s Surgeon General, Gen. Yaftali, were implicated in the scandal. Some U.S. military officials were also criticized for not doing more to investigate and prevent the scandal.

sentenced to a three-month restriction (limitation on leaving the country) and three years’ probation. However, the MoD and MACU have brought no charges against any high-level officials in the case, according to State. MACU prosecutors claim that there were at least two charges ready to be made against the Surgeon General. However, delays by the prosecutors’ superiors and the international community’s inability to provide certain documentation regarding the value of items furnished by the military which were allegedly stolen or diverted by individuals at the hospital have stifled the investigation. Apart from the work in the National Military Hospital, none of the original cases proposed for review by the SCC were being investigated at the end of 2012. Recently, the ACU and MACU have expressed support for revising and formalizing the SCC.285

Major Crimes Task Force
In February 2013, the FBI will end its support of the Major Crimes Task Force (MCTF) having determined that it has met its capacity-building objectives. State noted that with adequate financial and political support, the MCTF has the potential to serve as an effective anti-corruption unit. However, the Task Force’s future as a cohesive entity is uncertain because of its legal and political vulnerabilities, according to State. The AGO has yet to demonstrate the political will necessary to prosecute the MCTF’s corruption cases.286

Monitoring and Evaluation Committee
The Monitoring and Evaluation Committee (MEC) was set to issue a report next quarter on the Afghan government’s implementation of the 39 anti-corruption specific measures that were contained in PD45, President Karzai’s governance and corruption decree released last quarter.287 The MEC also released a report criticizing the Afghan government’s actions in the lead-up and response to the fall of the Kabul Bank. For more information, see the Economic and Social Development Section in this report.

High Office of Oversight and Anti-Corruption
The High Office of Oversight and Anti-Corruption (HOO) has the capacity to fulfill its mandate, but admits to making little progress in fighting corruption, according to USAID. The Director General of the HOO has publicly stated that the HOO’s ability to fight corruption is hampered by a lack of cooperation from responsible ministries, especially the AGO. The HOO has published a list of corruption cases it forwarded to the AGO, and on which the HOO Director General has repeatedly alleged the AGO has taken no action, according to USAID. However, even in areas where the HOO can take the initiative and has more control over the process, such as with asset registration, publication, and verification, the HOO has not evidenced much commitment, so results have been poor.288
USAID’s Assistance to Afghanistan’s Anti-Corruption Authority

As of December 30, 2012, USAID had obligated $7.9 million for its Assistance to Afghanistan’s Anti-Corruption Authority (4A), which is designed to assist the HOO in its anti-corruption responsibilities. According to USAID, the 4A has fulfilled most of its four anti-corruption capacity building objectives, including:

- The 4A had partially completed its objective in training HOO staff on implementing the Office’s strategic plan, as well as bringing changes to the HOO’s organizational structure and human resource profile to make it a more effective and sustainable institution.
- The 4A had completed its assistance to enable the HOO to carry out its main responsibilities in asset declaration and verification; complaints management and case tracking; and anticorruption action planning support. The 4A assisted the HOO by completing asset registration workshops in all central ministries and government departments, testing pilot asset verification processes, and utilizing partnerships with FinTRACA on encrypted information exchanges. The 4A also provided the HOO with the required database equipment to register and manage complaints. In addition, the 4A has drafted 13 MOUs with ministries and government agencies to assist the HOO in its verification work.
- The 4A completed its improvements to the HOO’s security and office infrastructure, upgrading internal and external physical security, and providing office furniture and equipment.
- The 4A completed its objective in collaborating with assisting civil society groups to promote public awareness, education and action on corruption issues. Seven Afghan civil society organizations and non-governmental organizations have promoted anti-corruption efforts with 4A grants.

Civil Society’s Role in Countering Corruption

Individual civil-society organizations and coalitions are mobilizing to address corruption issues broadly, and specifically within the executive branch, according to State. Integrity Watch Afghanistan, a leading anti-corruption organization, is focusing on transparency in Afghanistan’s budding extractive industries sector. In 2012, civil society organizations formed the Coalition Against Corruption with the support of the USAID-funded 4A project. It is developing a plan for constructive engagement with the Afghan government on corruption issues. It also is already working with commissions of the National Assembly.

Corruption in Afghan Security Forces

Corruption and organized crime are major threats to the coalition’s campaign objectives, according to DoD. The threat of “criminal capture,” or infiltration of the leadership of government institutions by criminal
elements, is particularly evident within some sections of the Afghan Air Force, some provincial police forces, and border police units. However, progress was made this quarter in preventing criminal interference and subversion of institutions in the Afghan security sector.\(^{291}\)

This quarter, in response to allegations of corruption within the LOTFA, the UNDP announced major changes in procurement policies and practices, increased the number of internationally-recruited professional staff, and conducted a management review of the trust fund. The UN also has suggested some changes to the LOTFA's governance structure.\(^{292}\)

**Corruption in Customs Collections**

Corruption in customs-duty collection at Afghan points of entry has long been a problem, and little progress has been made. According to State, the main issue in fighting corruption and fraud in customs is resolving the question of which Afghan government agencies should be present at the border and what specific authority they should have to impose duties and/or other fees.\(^{293}\) For the first three quarters of SY 1391, customs accounted for 43\% of total Afghan revenues. However, some inland customs depots reportedly lose an estimated 70\% of potential border revenue due to corruption.

The Presidential Executive Commission (PEC) is designed to resolve administrative issues in customs collections to tamp down fraud but was still in an indeterminate state at the end of 2012. From August to December, ISAF and the U.S. Embassy Kabul made several engagements on the matter with President Karzai. The Afghan government has advised that the Commission, still not formally established by governmental decree, should be activated under the chairmanship of Minister of Finance Omar Zakhilwal. The MoF informed the U.S. Embassy Kabul that they are redrafting the Commission’s mandate to broaden its leadership to include the Office of National Security Council, thus giving the PEC more latitude in tasking.\(^{294}\)

**HUMAN RIGHTS**

Afghanistan’s record in protecting human rights remains inconsistent. This quarter, SIGAR reviews issues related to women’s rights and refugees.

**Gender Equity**

This quarter, UNAMA released a report on the Afghan government’s enforcement of the Elimination of Violence Against Women (EVAW) Law. According to the report, while Afghan prosecutors and courts were increasingly applying the law for cases of violence against women, the overall use of the law was still low. Incidents of violence against women remain largely underreported because of cultural and social norms, religious beliefs, widespread discrimination against women, and other issues. In 2012 there was an increase in the number of reported violent incidents

---

**LOTFA:** a multi-national trust fund administered by the UN Development Programme that pays for ANP salaries and builds the capacity of the MoI. LOTFA funds are provided to the Afghan government. Since 2002, donors have pledged nearly $2.7 billion for the LOTFA, according to the most recent data. The United States has contributed nearly $897.7 million to the LOTFA since the fund’s inception. The LOTFA has been the subject of criticism for its oversight and its payment system, which some see as rife for waste and fraud.
that were sent to the responsible government entities. The report noted that this increase might be due more to better public awareness and sensitivity to the issue of violence against women than to an increase in the actual number of incidents.295

Prosecutors and primary courts were better at applying the EVAW law in 2012 as city courts issued more convictions under the law. However, of the more than 4,000 reported incidents of violence that the Afghan Independent Human Rights Commission recorded from March to October 2012, very few were resolved through the judicial conviction process.296

Battery and laceration were the most prevalent crimes recorded under the EVAW law. There was also an increase in “honor” killings. The long-running practice of prosecuting women and girls for “running away” from home to escape domestic violence and unwanted marriages continued.297

The ANP and prosecutor’s office were found to frequently refer cases concerning women, including serious crimes, to jirgas and shuras for advice or resolution. Given the traditional attitudes prevalent at these venues, the referrals often undermined implementation of the EVAW law and reinforced harmful practices.298

Refugees
On December 12, 2012, the Pakistani government extended the tripartite agreement and proof of registration cards until June 2013 for the approximately 1.7 million Afghan refugees living in Pakistan. The tripartite agreement between the United Nations Refugee Agency (UNHCR), Pakistan, and Afghanistan grants Afghan refugees official refugee status in Pakistan and was to come to an end on December 31, 2012. For much of 2012, the extensions of the agreement and cards were in doubt, causing concern that the refugees could face a humanitarian crisis and forced return when the cards and agreement were set to expire. Pakistani Prime Minister Ashraf has tasked a cabinet committee to formulate a strategy regarding refugees for after the June 2013 expiration of the extension.299

The approximately 800,000–1 million registered Afghan refugees in Iran continue to have access to education, free primary health care, and eligibility for work permits through Iranian and UNHCR protection and assistance efforts. Access to health care was provided through a joint Iranian Government-UNHCR insurance program. The Iranian government has previously threatened to invoke mass deportations, although these have not occurred and there were no signs at year-end 2012 that they were imminent. Returns from Iran to Afghanistan remain relatively high, mostly due to the recessionary Iranian economy, Western economic sanctions, and a sharp decline in the value of the Iranian rial. While some press reporting in the past year indicated that Iran stepped up deportation of Afghan refugees, UNHCR exit interviews found that the individuals deported were illegal migrants rather than registered refugees.300
# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Events</td>
<td>123</td>
</tr>
<tr>
<td>Economic Indicators</td>
<td>124</td>
</tr>
<tr>
<td>Budget</td>
<td>124</td>
</tr>
<tr>
<td>Fiscal Sustainability</td>
<td>125</td>
</tr>
<tr>
<td>Revenue Collection</td>
<td>126</td>
</tr>
<tr>
<td>U.S. Economic Support Strategy</td>
<td>127</td>
</tr>
<tr>
<td>Banking and Finance</td>
<td>128</td>
</tr>
<tr>
<td>Development of Natural Resources</td>
<td>131</td>
</tr>
<tr>
<td>Agriculture</td>
<td>134</td>
</tr>
<tr>
<td>Essential Services/Development</td>
<td>136</td>
</tr>
<tr>
<td>Transportation</td>
<td>142</td>
</tr>
<tr>
<td>Education</td>
<td>146</td>
</tr>
<tr>
<td>Health</td>
<td>148</td>
</tr>
<tr>
<td>Private Sector Development</td>
<td>150</td>
</tr>
<tr>
<td>Communications</td>
<td>152</td>
</tr>
<tr>
<td>Trade</td>
<td>152</td>
</tr>
</tbody>
</table>
ECONOMIC AND SOCIAL DEVELOPMENT

As of December 31, 2012, the U.S. government had appropriated nearly $22.4 billion to support governance and economic development in Afghanistan. Most of the funds flowed through four major programs and accounts: the United States Agency for International Development’s (USAID’s) Economic Support Fund (ESF), the Department of Defense’s (DoD’s) Commander’s Emergency Response Program (CERP), the Task Force for Business Stability Operations (TFBSO), and the DoD-State Department jointly administered Afghanistan Infrastructure Program (AIP) supported by DoD’s Afghanistan Infrastructure Fund (AIF).301

Despite tangible progress made across development sectors since 2002, Afghanistan remains one of the poorest countries in the world and ranks among the lowest in almost every development indicator.302 The services sector, led by telecommunications, transport, and public services, contributed approximately 50% to Gross Domestic Product (GDP) in 2011, a rise of 12% over 2010.303 This sector, particularly telecommunications, is expected to continue driving economic growth and development next year.304

Afghanistan depends on international donor assistance.305 This dependence on external funds fuels concerns about its ability to sustain economic growth in light of the planned drawdown of U.S. troops in 2014, as well as the accompanying reduction in international donor assistance. This quarter, the United States and the international community sought to further prepare Afghanistan to transition successfully to full control of its national security and to minimize economic contraction in the coming transformation decade.

KEY EVENTS

During this reporting period, President Karzai met with President Obama in Washington, DC, where they discussed ways to support Afghanistan’s continued progress toward sustainable economic growth and fiscal self-reliance. President Obama reaffirmed America’s commitment to Afghanistan’s long-term economic and security assistance in line with the Tokyo Mutual Accountability Framework.306

This quarter, the World Bank predicted that Afghanistan’s 2012–2013 GDP growth would rise due to bountiful wheat and other cereal harvests in the agricultural sector. Overall, 2012 government revenues increased
over 2011 figures, although they fell short of government targets, and were eclipsed by expenditures. With revenue-generating sectors such as mining in their infancy, agricultural output dependent on the weather, and demand for services correlated with the international presence, it remains uncertain whether Afghanistan can sustain economic development as U.S. and coalition forces withdraw by year-end 2014.

In line with International Monetary Fund (IMF) requirements, Afghanistan made modest headway in its fight against corruption. It made progress in restoring some confidence in its fledging banking sector by starting high-level prosecutions of those responsible for theft against Kabul Bank, including the main architects of the fraud. In other developments, oil extraction began from Afghanistan’s first major commercial production site; the Ministry of Mines (MoM) received one bid for another major oil and gas production project, and announced the winners of four copper and gold tenders. Furthermore, in a move that could affect reconstruction efforts, the Wolesi Jirga, Afghanistan’s lower house of parliament, voted to begin impeachment proceedings against 11 cabinet ministers, including the ministers of economy, mines, education, and energy and water, for failing to execute at least 50% of their budgets.

ECONOMIC INDICATORS
Afghanistan’s economy has improved significantly since 2002. Its GDP growth rate is on par with or exceeds that of many neighboring countries. The World Bank estimated Afghanistan’s calendar-year 2012 real GDP growth at 10%, driven by a near-record breaking wheat and cereal harvest. This is up from 7.3% in 2011 and exceeded the Asian Development Bank’s (ADB’s) estimate of 6.9%, reported by SIGAR last quarter.

Until December 21, 2012, Afghanistan calculated its fiscal years according to solar years. The country’s per capita income increased fivefold from $130 in Afghan fiscal year (FY) 1386 (March 2007–March 2008) to $650 in FY 1391 (March 2012–December 2012). And as of November 2012, Afghanistan’s foreign-exchange reserve stood at close to $7 billion.

BUDGET
Afghanistan’s Parliament approved the FY 1392 national budget on January 20, 2013. The budget totals about $6.81 billion, as compared to $5.91 billion in FY 1391 (12-month comparison). The budget consists of the operating budget ($3.78 billion), which covers current government expenditures—security, salaries, operations and maintenance, capital, etc.—and the development budget ($3.03 billion), which covers reconstruction costs.

Details of the approved budget were not available at press time. Descriptions that follow refer to the initial proposed budget. About 72% of the
proposed operating budget is for salaries, 14% to acquire goods and services, and 13% for road operations and maintenance and various kinds of pensions, including those for government staff, the armed forces, the disabled, and the families of those killed in Afghanistan's wars. The Minister of Finance said he expects internally generated revenues to fund 56% of the $3.78 billion operating budget, with the international community covering the 44% shortfall.318

The FY 1392 proposed development budget is 37% higher than in FY 1391 (12-month comparison).319 It focuses on strengthening Afghanistan’s economic infrastructure and encouraging job creation so the country can wean itself from international assistance. It prioritizes renovating infrastructure, investing in human capital, promoting the private-sector, and providing oversight of the agriculture and rural development sectors. It also calls for effective and efficient exploitation of Afghanistan’s natural resources, and envisions using investments in Afghanistan’s extractive industry as a lever for broader economic development.320

This large increase in the FY 1392 development budget may be a cause for concern. Given the government’s historically poor execution rate of the development budget—just 52% in FY 1390—it is unclear whether it will be able to execute the increased FY 1392 development budget. DoD cautioned that the imminent increase of substantial on-budget donor funding, as called for under the Tokyo Mutual Accountability Framework, will require the Afghan government to quickly, “and potentially unsustainably,” improve its budget spend rate.321

FISCAL SUSTAINABILITY
The Ministry of Finance (MoF) projects domestic revenue for FY 1392 at $2.4 billion, an increase of 33% over FY 1391. The ministry cautions, however, that the rate of revenue growth will decline going forward. The government will have to pass new tax measures and amend the country’s laws to raise the revenue necessary to fund its portion of the budget.322

Afghanistan’s fiscal sustainability ratio—domestic revenues versus operating expenses—is one of the lowest in the world, according to DoD. Domestic revenue in 2012 is estimated to cover only two-thirds of the government’s operating expenditures, and will comprise less than 20% of the public expenditures budget. The fiscal sustainability ratio will be further strained throughout the transition as Afghanistan takes on more reconstruction and infrastructure projects, and their associated fixed operations and maintenance costs.323

In its semi-annual “Report on Progress Toward Security and Stability in Afghanistan,” DoD said some of this pressure can be alleviated through savings from civil service reforms, ongoing government capacity-building programs, cost-savings efficiencies in budgeting, planning, spending, and contracting, further economic and infrastructure development, an improved business environment, and a dedicated tax base.324 DoD points out that implementing these reforms can also help ameliorate private-sector
concerns about investing in Afghanistan during the political and security uncertainty of the transition.325

**REVENUE COLLECTION**

Afghanistan’s two main sources of revenue are customs and domestic taxes. Taxes make up an estimated 68% of total collections.326 Afghanistan increased its domestic revenue collection in FY 2012 by 24% over the previous year, netting approximately $950 million for the first two quarters, according to the World Bank.327 Tax collection improved 16% over the previous year due to better compliance, administration, and oversight.328 Customs revenues also improved by 10% over FY 2011 levels, but further growth was hampered by trade disruptions at the Pakistani border, according to the World Bank.329 However, the increases in revenue did not keep pace with expenditures, which increased by 26% in FY 2012 due to higher security spending and a higher government wage bill. The international community filled the fiscal gap between revenues and expenditures.330

Afghanistan has implemented new taxes, including property, business, and agricultural-surplus taxes, as well as new customs tariffs. While the Afghan government and DoD see agriculture, communications, and the extractive industries as having the most potential to bring in additional revenues from these new taxes, DoD expects business taxes to contribute only marginally due to corruption, the largely informal economy, and geographical remoteness of significant segments of the population.331

This quarter, Treasury’s Office of Technical Assistance (OTA), Revenue Policy and Administration team completed a three-year non-tax revenue project, which assisted the Afghan government in generating non-tax revenue and advised them on proper control of the funds after receipt. OTA evaluated fees and policies for assessment, collection, and sanctions in land transportation, including the toll road system and railroads. It developed and presented a plan to the Ministry of Public Works to revise fees for commercial vehicles so the ministry has more control over revenue, improving transparency, and reducing corruption.332

OTA also helped Kabul International Airport transition to a new automated air traffic-control system that replaced paper-based record keeping of commercial flight activity. Additionally, it implemented an automated revenue-management system overseen by the International Air Transport Association (IATA) at Afghanistan’s four international airports to replace cash payments for airport fees and reduce the potential for corruption. Revenues are now deposited directly to the central bank. According to Treasury, this revenue-management system brings accountability and transparency to the revenue generation process in civil aviation, and allows more simplified auditing.333

“Our first priority is increasing revenue and it requires us to create a system to counter corruption, prevent tax evasion and we need to seek out new tax measures in order to create an environment feasible for private sector.”

*Minister of Finance Dr. Hazrat Omar Zakhilwal*

Treasury noted that fee collections at the airports have improved by 25% since the automated system was initiated. Automated collection of the airport security fee is expected to net $13–15 million in 2013. Additional revenue should be generated by shifting the responsibility for collecting passenger-facility use fees from airlines (who currently owe the government $10 million in non-transferred remittances) to the IATA.\textsuperscript{334} FY 2013 funding for OTA’s Revenue Policy and Administration team is $60,768, down from $537,000 in FY 2012.\textsuperscript{335}

Despite improvements in revenue collection, the United States and its coalition partners recognize that under current and medium-term economic conditions, the Afghan government cannot generate enough revenue to cover its operating expenditures. The World Bank projects this fiscal gap to reach the equivalent of 25% of GDP by 2021/2022 and has said the international community will have to bridge that gap.\textsuperscript{336}

Continued donor support for Afghanistan’s reconstruction will depend in part on Afghanistan fulfilling the commitments it made at the Tokyo Conference in July 2012. Afghanistan and the international donor community agreed to the Tokyo Mutual Accountability Framework, which requires the Afghan government to meet 16 specific reform benchmarks, including a call to fulfill its responsibilities under the IMF’s Extended Credit Facility (ECF) Arrangement to improve accountability and reduce corruption.\textsuperscript{337} According to the Afghan Coalition for Transparency and Accountability, the FY 1392 (2013) budget did not include any statement about combating corruption in terms of budget targets or budget execution.\textsuperscript{338}

The United States is focused on ensuring consistent and visible progress on all of the Framework’s indicators to strengthen Afghanistan’s development, and to justify continued donor assistance.\textsuperscript{339} Without progress, aid could be threatened. Several media outlets this quarter reported on the European Union decision to defer $25 million from Afghanistan’s justice sector until more efficient reform is demonstrated.\textsuperscript{340} The United States has made clear to the Afghan government that future funding levels are contingent on progress in implementing the Framework’s benchmarks, according to State.\textsuperscript{341} If international donors do not provide the funding to bridge this gap, Afghanistan will have to decrease spending and develop its own resources for sustainable economic growth and revenue.\textsuperscript{342}

**U.S. Economic Support Strategy**

The Coalition’s economic transition strategy in Afghanistan seeks to mitigate negative economic impacts from the withdrawal of international security forces by 2014 and the expected reduction in donor assistance, and to help Afghanistan develop its resources for sustainable growth.\textsuperscript{343} U.S. economic assistance is focused on promoting private-sector development, increasing revenue collection, creating jobs, improving food security, and building capacity to sustain economic growth through the transition and beyond.\textsuperscript{344}

“So, even as we move forward with the security transition under NATO ISAF in 2014, and the end of our coalition combat mission, we are focused on shoring up Afghanistan’s economic future, because we know that, without that, stability and security will certainly be elusive….The long, hard work of economic development may not be glamorous, but it is essential, even in war zones.”

*Secretary of State*  
*Hillary Rodham Clinton*
An important U.S. goal is to support “sustainable, inclusive economic growth that will help Afghanistan to be increasingly integrated economically within the region.” This is sometimes referred to as the New Silk Road initiative, in reference to the ancient trade route across south Asia. SIGAR has previously noted that regional economic integration as called for in the New Silk Road initiative includes the free movement of goods, services, capital, and people between Afghanistan and its neighbors. The initiative also calls for developing roads, rail lines, electric-transmission networks, pipelines, and other infrastructure as a means to encourage regional integration and private sector development.

This following section describes developments and U.S.-funded efforts in the major economic sectors: banking and finance, natural resources, agriculture, and essential services, including the provision of electricity, transportation, health, and education.

**BANKING AND FINANCE**

Private-sector development depends on establishing solid financial institutions to provide capital and facilitate the exchange of money for goods and services. However, Afghanistan’s financial sector remains largely underdeveloped, makes limited capital investments in businesses, and contributes little to Afghanistan’s private-sector activity. The banking sector still has not recovered from the 2010 near-collapse of Kabul Bank, and further reforms are needed, including stronger financial supervision, anti-corruption measures, and reduced exposure to risk. DoD cautions that while a new banking law is planned to address these issues, a lack of leadership and professional capacity in the banking sector could hinder meaningful reform.

**The Kabul Bank**

This quarter, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) issued the results of its public inquiry into the Kabul Bank crisis. The report provided a full accounting of the financial crisis, including naming companies and referencing some individuals responsible for the massive fraud. The MEC also made recommendations to address weaknesses in Afghanistan’s financial system. The government announced that it is reviewing these recommendations for implementation with assistance from technical advisors.

The 2010 near-collapse of Kabul Bank brought to light the loss of nearly $1 billion in stolen funds, more than 92% of which went to 19 individuals and companies. Afghanistan’s central bank—Da Afghanistan Bank—covered these losses, representing approximately 5–6% of Afghanistan’s total GDP. Under the IMF’s ECF Arrangement, the government is required to recapitalize the central bank; recover assets and hold accountable those responsible for the Kabul Bank crisis; strengthen banking reforms and supervision through
Afghanistan’s central bank; improve the management and transparency of public funds; and combat money laundering and terrorist financing.353

This quarter, the Afghan government updated the total money owed to the Kabul Bank from $935 million to $982 million after adding “significant non-loan claims” like unauthorized cash disbursements and expense claims. The government also reported recovering $8.8 million in cash during this reporting period, bringing total recoveries to $138 million.354 The State Department reported cash recoveries of about $4 million this quarter, largely the result of the sale of two residential properties in Dubai, compared to $100,000 last quarter.355

Afghanistan’s Supreme Court set up a special tribunal in April 2012 to investigate and prosecute economic crimes at Kabul Bank.356 Initial hearings began on November 14 and 17, 2012, covering 22 indictments, including those of Kabul Bank’s former chairman Sherkhan Farnood and former CEO Khalilullah Ferozi, considered the main architects of the fraud. No verdicts have been announced, nor have timelines been given for further judicial proceedings.357

The Financial Dispute Resolution Commission (FDRC), which was set up to resolve civil cases against the bank, has yet to finalize any repayment agreements. According to State, of the nine civil cases received from the Kabul Bank receiver, the FDRC has completed four. Of these, two borrowers agreed in principle to FDRC rulings and two cases have been submitted to the Special Tribunal and Attorney General’s Office (AGO).358 The FDRC’s cases can be referred to the Special Tribunal and AGO if criminal components to the cases are found, or to appeal the FDRC’s rulings, or if the FDRC cannot resolve the case on its own.359 There is currently no timeline to complete these cases.360

Sale of New Kabul Bank to Private Investors
The privatization of New Kabul Bank (NKB) remains an ECF benchmark. NKB is a temporary “bridge bank” containing the good assets, loans, and deposits from Kabul Bank. The MoF has said it intends to sell NKB to private investors or liquidate it by the end of 2013.361 Investor conferences were held in Kabul on October 4, 2012, and in Dubai on November 14, 2012. Request for expressions of interest were due November 27, 2012.362 The five submissions received reportedly included one from a North American bank and four from Afghan banks.363 The submissions are currently being reviewed by the Privatization Steering Committee.364 If the privatization process fails and NKB is liquidated, payments of civil service salaries currently routed through the bank could be delayed.365

Terrorist Financing/Sanctions
On November 5, the United Nations Security Council (UNSC) added the Pakistan-based Haqqani Network to its list of sanctioned entities and groups under UNSC Resolution 1988 for its links to the Taliban and al-Qaeda, as well as its responsibility for suicide attacks, targeted assassinations, and
kidnappings across Afghanistan. Sanctions include asset freezes, travel bans, and an arms embargo. This supplements the Network’s formal U.S. designations under Executive Order (E.O.) 13224 as a Foreign Terrorist Organization, and as a Specially Designated Global Terrorist by the State Department last quarter.366

The Haqqani Network is a family-run insurgent group that the Congressional Research Service describes as “one of the Taliban’s most capable militant factions as well as an enterprising transnational criminal organization.”367 The Network is financially diversified and benefits from both licit and illicit activities. It profits extensively from extortion and protection rackets, robbery, smuggling, and kidnapping for ransom. The network can also launder its proceeds through its legitimate business interests, including transportation, real estate, and construction firms, some of which allegedly have contracts with the United States and its coalition partners.368

According to Treasury, the Haqqani Network’s listing under E.O. 13224 will make it easier for the U.S. government to pursue “derivative designations” of Network members and their facilitators because they will no longer need to be linked to the Taliban. Since 2008, 11 individuals associated with the Haqqani Network have been designated under E.O. 13224—six by Treasury and five by the State Department. Ten of the 11 individuals are also sanctioned under UNSC Resolution 1988. Previously, the United States could only request UN member states to take action against the Haqqani Network in response to U.S. domestic designation; the UNSC designation now obligates member states to take concrete steps.369

Iran Sanctions

U.S. sanctions against Iran, detailed in SIGAR’s October 2012 quarterly report, could expose Afghanistan to sanctions in several ways, according to Treasury. These include Afghan purchases of Iranian petroleum products and provision of U.S. bank notes to facilitate trade with Iran. Aside from designating Kabul-based Arian Bank as Iranian-owned, the United States has so far not levied penalties on any Afghan entity for violating sanctions against Iran. However, given the extent and complex nature of U.S. sanctions law, as well as Afghanistan and Iran’s common border and long-standing trade relationship, there is a risk that Afghan entities could be affected by the sanctions.370 Additional sanctions were added in December as part of the FY 2013 National Defense Authorization Act. A SIGAR report this quarter found that, as the United States shifts to providing direct assistance funding to buy fuel for the ANSF, it may need to take safeguards to ensure that the Afghan government does not buy the fuel from Iran in violation of U.S. economic sanctions.

U.S. and international sanctions have weakened Iran’s currency, the rial. As previously reported, there are no reliable public data on the impact of Iran sanctions on Afghanistan’s economy, its pattern of trade, or commerce. However, cheap Iranian imports are reportedly benefiting Afghan
consumers in the western part of the country, although some Afghan factories are said to be closing as a result of product prices being undercut by cheaper Iranian goods. It is also thought that the falling value of the rial has, in turn, caused the value of remittances from Afghan expatriate workers in Iran to decrease significantly. Many Afghan migrant workers have returned from Iran, affecting the spending power of their families, and possibly contributing to higher unemployment.371

DEVELOPMENT OF NATURAL RESOURCES

The Afghan government and the international donor community count on developing Afghanistan’s natural resources, particularly in mining, to underpin economic development. Geological surveys indicate that Afghanistan may have as much as $1 trillion dollars in mineral assets as well as coal, petroleum, and gas reserves. However, it is unclear how much of that could translate into revenue and when it could be realized.

The United States, through the Task Force for Business Stability Operations (TFBSO) has supported the Afghan government’s efforts to attract investment in the mining sector. As of December 31, 2012, TFBSO obligated $3.8 million for mining-sector development. This quarter, the Afghan government awarded four tenders to explore for copper and gold. TFBSO also continued to support Afghan government efforts to issue and award tenders for the development of oil and gas reserves in the Afghan-Tajik Basin. In another development, modest oil production began in the Amu Darya block in Sare-Pul and Faryab provinces.

Although mining has contributed less than 1% to the country’s GDP to date, the Afghan government expects to receive significant revenues from large-scale investments in the Aynak (copper) and Hajigak (iron-ore) mines. However, lack of security has continued to prevent development of these mines.

Realizing Afghanistan’s mineral wealth will not be easy. Extracting minerals and getting them to market assumes a basic level of security and requires a reliable transportation network, electricity, and a skilled labor force. The World Bank has cautioned that while progress to date is encouraging, without a new mining law to shore up legal and regulatory authorities, critical private-sector investment could be delayed. Current law separates exploration and extraction rights, providing no guarantee that a company exercising exploration rights will be able to recoup their investment through the extraction phase.

Minerals

On December 6, 2011, the Ministry of Mines (MoM), using TFBSO’s legal, geological, and transactional assistance, tendered four mineral-exploration packages. On November 26, 2012, the MoM announced preferred bidders
for three, and on December 10, 2012, it announced the fourth. Contract negotiations are expected to commence in January 2013, with financial details available upon contract awards. The packages and bidders are:

- Balkhab (Sar-e Pul): copper – Afghan Gold and Minerals Company
- Shaida (Herat): copper – Afghan Minerals Group
- Badakshan (Badakshan): gold – Turkish-Afghan Mining Company
- Zarkashan (Ghazni): copper and gold – Sterling Mining/Belhasa International Co. LLC

Afghanistan’s two largest mining projects—the Mes Aynak copper mine in Logar province and the Hajigak iron-ore deposit in Bamiyan—continue to experience delays. No extraction has begun at the Aynak copper mine, which was awarded to China Metallurgical Group (MCC) in 2007, for reasons including the discovery of cultural relics in the area, difficulties in land acquisition, a lack of development of necessary infrastructure, and security concerns. SIGAR previously reported 10 rocket-propelled grenade attacks against the MCC personnel compound in 2011; these attacks continued through June 2012. According to State, the Ministry of Interior and the MoM have failed to adequately address these concerns, and MCC may be deferring further investment until it evaluates the post-transition security environment.

The Afghan government is relying on this revenue stream. According to published summaries of the Aynak contract, the government is slated to receive royalty rates of up to 19.5%, $808 million in pre-royalty payments, a 400 MW coal-fired power plant, and an associated coal mine.

Contract negotiations for Hajigak, awarded to state-owned Steel Authority India Ltd. in November 2011, are still ongoing. DoD attributes the delay to the absence of a new or amended mining law. It estimates production will start in 2017, and the Afghan government will receive $200 million annually in revenue.

On December 31, the MoM announced two signed coal contracts: one with the Hashimi Group for the Nahreen coal mine in Baghlan province, and one with Khalid Aziz Company for the Gazistan mine in Takhar province. The Nahreen coal mine contract requires a $4 million investment and 1,150 Afghani (approximately $22.50) in royalties per metric ton extracted. The Gazistan coal-mine contract requires a $4.5 million investment and 1,220 Afghani (approximately $24.00) in royalties per metric ton extracted.

**Hydrocarbons**

Afghanistan’s efforts to develop its oil and gas reserves currently focus on two areas: the Afghan-Tajik Basin and Amu Darya Basin, both in northern Afghanistan. This quarter, TFBSO, with the help of the United States Geological Survey (USGS) began evaluating an area in Logar province that could be a candidate for further exploration.
With TFBSO assistance to the MoM, the tender for the exploration, development, and production of hydrocarbons in six blocks in the western portion of the Afghan-Tajik Basin of northern Afghanistan (Phase I) moved forward this quarter. The TFBSO provides technical, legal, and commercial support to the MoM. That support included subject-matter experts and transparency consultants to ensure the bidding and evaluation process was fair, transparent, competitive, and conformed to international standards. TFBSO also provided funding for the MoM’s August 2012 Bidder Information Conference in Istanbul, and for the travel of Afghan officials.

On November 12, 2012, the MoM announced that of the six blocks offered in the Afghan-Tajik Phase I tender, it received one bid for two blocks—Sanduqli and Mazar-e-Sharif—from a consortium consisting of Dragon Oil, a publicly listed company 54%-owned by the Emirate National Oil Company; Kuwait Energy, a privately held firm; state-owned Turkish Petroleum Corporation; and the Ghazanfar Group, an Afghan conglomerate. The MoM’s contract-evaluation team will begin contract negotiations and will make financial details available upon the contract award. TFBSO believes that the Sanduqli and Mazar-e-Sharif blocks were targeted because they had higher potential for oil development and lower capital and investment risk than the remaining four.

Meanwhile, production began in the three blocks in the Amu Darya Basin in October 2012. DoD reported that a total of approximately 5,000 barrels of crude oil was extracted from three blocks in Amu Darya in 2012. TFBSO estimates that the China National Petroleum Corporation Watan Energy Afghanistan, Ltd. (CNPCI-W) is capable of producing 2,700 barrels per day. The State Department estimates a lower barrel-per-day production rate of 1,950. The company has invested $82 million so far in the Amu Darya Basin, and finished several production facilities, camps, and roads.

The World Bank estimated that production will ramp up over the next two years to 15,000–30,000 barrels per day. If Afghanistan’s oil production were to reach this rate, annual revenue estimates range from $80 million to $200 million. The World Bank estimates annual revenues of $150 million to $200 million, but State projects lower revenues of $80 million based on an average crude oil price of $112/barrel. The government will receive 15% of production value in royalties, 20% in income tax revenues, and a 50–70% share of profits accrued after the royalty is deducted and CNPCI-W recovers its operating costs.

However, when calculating production and associated revenues, DoD noted that Afghan crude oil has extremely high sulfur content, which can corrode steel pipes and storage vessels if the oil is not refined. Afghanistan currently lacks such refining capacity, prompting CNPCI-W to seek off-take agreements with regional refineries to purchase its Amu Darya oil, according to DoD.

This quarter, TFBSO, with USGS assistance, began drilling in the north Aynak area of Logar province in order to determine if it could be tendered.
This project will allow TFBSO to gather detailed geological data, and prepare the area for rapid tender, exploration, and extraction. At the same time, it will provide on-site training and experience for Afghan Geological Survey staff. TFBSO funding allocations are $11.4 million for drilling and $5 million for USGS.396 TFBSO is also supporting the Combined Forces Special Operations Component Command’s Village Stability Operations program by focusing on small artisanal mining projects in strategic areas, and working with the MoM to develop a licensing program to encourage legal mining, processing, and exporting activities.397

Other U.S. Assistance for Mining and Hydrocarbon Development

In addition to assisting Afghan government efforts to issue tenders for mining and hydrocarbon development, the United States has provided support in the following areas:398

• USAID is funding technical advisors at the MoM, through the Civilian Technical Assistance Program.
• The Commerce Department is funding a human capital development project in the marble sector.
• The Commerce Department is helping Afghanistan develop its commercial laws.
• TFBSO is continuing to support USGS efforts to house, analyze, and interpret geological data.
• TFBSO is supporting the Afghan Geological Survey to identify mineral prospects for future tenders.

AGRICULTURE

Agriculture plays a dominant role in the Afghan economy. Only 12% of the land is arable and less than 6% is cultivated, yet 80% of Afghans directly and indirectly earn a living from agriculture.399 Given its importance to the labor force, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.400 Since 2002 USAID has provided about $1.9 billion to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL), increase access to markets, and provide alternatives to poppy cultivation.401

USAID is providing assistance to the agriculture sector through several ongoing programs. The three largest programs, worth more than $300 million, are:

• Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE)
• Incentives Driving Economic Alternatives—North, East, and West (IDEA-NEW)
• Commercial Horticulture and Agricultural Marketing Program (CHAMP)
**Agricultural Development Fund and Agricultural Credit Enhancement**

Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE), a $150 million agricultural-credit project, has two complementary activities that support MAILs efforts to provide loans and at the same time build MAILs capacity to manage the loans.

ADF was established through a $100 million on-budget grant from USAID to MAIL to provide rapid disbursement of loans across the agricultural value chain through banks, farm stores, leasing companies, and food processors, which in turn provide agricultural credits to farmers. The program seeks to make credit available to small- and medium-scale commercial farmers (1–30 hectares).

ACE, a $50 million technical assistance project, manages all ADF lending activities and helps build MAIL capacity. As of December 31, 2012, 15,000 farmers have benefitted from $38 million in loans. ACE also organized more than 30 agricultural-credit shuras, or councils of elders, to raise awareness.

USAID is tracking outputs and program effectiveness, and measuring them against fiscal year targets. For example, in FY 2012, 15,879 people directly benefitted from ADF-ACE financial agreements (reaching 66% of USAID’s FY 2012 goal), while 101,711 people benefitted indirectly (exceeding USAID’s goal by 212%). Additionally, household income of the program’s direct beneficiaries increased on average 56%, exceeding USAID’s target by 560%.

**Incentives Driving Economic Alternatives—North, East, and West**

Incentives Driving Economic Alternatives—North, East, and West (IDEA-NEW) provides agricultural assistance and economic alternatives to growing poppies in select provinces in eastern Afghanistan and in poppy regions in the northern and western parts of the country. As of December 31, 2012, USAID has obligated $124 million to the IDEA-NEW program and $108 million has been disbursed through nine contracts. IDEA-NEW helps farmers shift to legal agricultural production, assists with rural enterprise and infrastructure development, extends access to financial services, and promotes value-chain development for key regional industries and trade corridors. It provides increased commercial agricultural opportunities for Afghans in poppy-prone areas, and facilitates connections between producers, traders, and buyers through market information activities and sales promotion.

**Commercial Horticulture and Agricultural Marketing Program**

Commercial Horticulture and Agricultural Marketing Program (CHAMP), a $40.3 million program that began in 2010, aims to help farmers shift from growing low-value crops such as wheat and corn to planting more profitable orchards and vineyards. CHAMP promotes export and trade corridors and works with farmers to improve crop quality. The program also works with traders to improve harvesting, packing, cold storage, and shipping methods.
In the south—Kandahar, Uruzgan, Helmand, and Zabul provinces—CHAMP focuses on trellising existing vineyards, which is estimated to double the farmers’ income within two years.\textsuperscript{405}

The CHAMP program has faced several challenges. One is competition from other programs that have provided free assistance, while CHAMP requires fees for participation. Through the life of this project, farmers will contribute $4.5 million of their own funds to pay the costs of the new orchards and vineyards. Another is a lack of security in areas of implementation. Some of USAID’s staff have been threatened in the course of their work. Despite these issues, CHAMP has trained more than 20,000 farmers in horticulture techniques, helped Afghans export more than 3,000 tons of dry and fresh fruit internationally, and constructed seven cold-storage and seven raisin-drying facilities. As of December 31, 2012, USAID has obligated and disbursed almost $20.8 million for CHAMP through five contracts.\textsuperscript{406}

**ESSENTIAL SERVICES/DEVELOPMENT**

Since 2002, the United States has provided reconstruction funds to increase electricity, build roads and bridges, improve health and education, and grow Afghan capacity across service sectors. This section addresses key developments in U.S. efforts to improve the government’s ability to deliver essential services such as electricity, transportation, health, and education.

**Energy**

Because electricity is so critical to Afghanistan’s development, the United States has made developing an integrated energy sector one of its top reconstruction priorities since 2002. USAID alone has provided more than $1.7 billion from the ESF to build generators, substations, and transmission lines as well as build the capacity of the Da Afghanistan Breshna Sherkat (DABS). It is planning to spend at least $700 million more over the next few years.\textsuperscript{407} In addition, DoD has provided more than $292 million for electricity projects through CERP and $525 million through AIF, which is jointly managed by DoD and State.

Afghanistan currently has two separate power systems: the Northeast Power System (NEPS) and the Southeast Power System (SEPS).\textsuperscript{408} This quarter, the ADB presented a draft of a new energy master plan to augment and connect these two systems over the next 20 years with the goal of increasing power generation and connecting 100% of the urban populations and 65% of rural households to the networks. Currently only 28% of Afghan households are connected to power-supply systems. The Power Sector Master Plan, as seen in Figure 3.31, calls for an investment of more than $10 billion for generation, transmission, and network development projects in four stages through 2032.\textsuperscript{409} Since 2009, SIGAR has conducted three
audits related to Afghanistan’s energy sector. In each of them, the agency has called for the development of an integrated master plan to guide donors in the development of Afghanistan’s energy sector.

Afghanistan imports about 73% of its electricity: 57% of the imports is from Uzbekistan, 22% from Iran, 16% from Turkmenistan, and 4% from Tajikistan. Five transmission lines from Uzbekistan, Turkmenistan, and Tajikistan feed into the NEPS. Afghanistan imports electricity from Iran on three lines. These import lines are not interconnected. The rest of Afghanistan’s power comes from hydroelectric plants, thermal plants fired by imported diesel fuel, and small diesel plants. The SEPS consists of four substations, including Kandahar and Helmand, that relay electricity from the Kajaki hydropower plant and diesel-fueled plants in Kandahar.410

USAID has two projects to increase the electricity supply in the north and south. It is also in the process of signing implementation letters with Afghanistan’s MoF and the DABS, the country’s electric utility, for a major expansion of transmission capacity in both the northern and southern regions of the country. DoD’s AIF and TFBSO are funding a number of other projects. In some cases, USAID and DoD are both funding elements of major electricity projects. The combined value of these ongoing and planned projects is nearly $1.2 billion.411
Sheberghan Program

USAID, in partnership with the U.S. government’s Overseas Private Investment Corporation, the ADB, and the Afghan government, is helping fund a $580 million joint project to design a roadmap for the development of the Sheberghan gas fields in the northern province of Jowzjan and attract a private investor to construct and operate a 200 MW gas-fired power plant with associated transmission lines by 2016. USAID is implementing its part of the Sheberghan Program through two mechanisms, the on-budget Sheberghan Gas Development Project (SGDP) and the off-budget Sheberghan Gas Generation Activity (SGGA).

Under the terms of an implementation letter signed by USAID, the MoF, and the MoM, the SGDP will create a plan to develop the Sheberghan gas fields by drilling or reworking four gas wells, designing and installing a gas processing plant, and attracting private investment for an independent power producer. The SGDP will cost an estimated $97 million, of which $90 million will come from the United States and $7 million from the Afghan government. USAID has obligated an initial $30 million for this project.

The SGGA, the off-budget part of the program, is building the capacity of the MoM and departments involved to design, manage, and oversee development of the gas fields and processing plant. This capacity-building aspect of the program will help the Afghan authorities identify the infrastructure needed to support development of the gas field and power plant, prepare tender documents, and identify funding gaps. USAID has obligated $12 million from the ESF on the $20.5 million SGGA contract.

USAID’s contribution accounts for about 21% of the total program costs. The MoM is funding 5% and the ADB will provide an additional 22%. Project plans call for private investors to provide the remaining 52% as seen in Figure 3.32. The United States sees this as a priority project to reduce Afghanistan’s dependence on imported electricity.

This quarter, USAID received permission to start procuring services to rehabilitate two wells and drill two new ones in the adjoining Bashikurd and Juma gas fields to confirm that there are enough reserves to sustain the project. On December 3, 2012, the Afghan government’s procurement organization, Afghanistan Reconstruction & Development Services, approved a tender to move that process forward.

Kandahar-Helmand Power Project

The Kandahar-Helmand Power Project (KHP), shown in Figure 3.33, aims to simultaneously increase the power supply in Kandahar and make it more accessible to the population. USAID awarded a $266 million contract to Black and Veatch to design and build new diesel-powered generators, rehabilitate power substations, upgrade the electrical distribution system, and install a third turbine at the Kajaki Dam. This project, considered
an important element of the counterinsurgency strategy in southern Afghanistan, is intended to improve the quality of life for the people of Kandahar. As of December 31, 2012, USAID had obligated $139.5 million of ESF funds for the KHPP.419

U.S. Forces–Afghanistan, U.S. Army Corps of Engineers (USACE), and USAID are working closely on related components of the project. However, the project has encountered a number of challenges. Security issues have caused the timeline for completion of the project to extend to mid-2015. During this reporting period, USACE scrapped plans to establish a project integration office at Kajaki and terminated its security contract for the Kajaki site. Afghan Public Protection Force guards forced an eight-day work stoppage, adding $200,000 in costs. In a separate issue, the lack of U.S.-flag carriers, whose use is legally required for transporting a percentage of USAID-financed commodities, has delayed the ocean shipment of transformers and circuit breakers from Mumbai to Karachi.420

Power Transmission Expansion and Connectivity Program

Power Transmission Expansion and Connectivity (PTEC), a U.S.-funded program designed to modernize Afghanistan’s power generation, transmission, and distribution systems, directly supports the National Energy Supply Program of the Afghanistan National Development Strategy. The strategy
calls for improving the collection rate and increasing the supply of power. A component of PTEC is connecting the NEPS and the SEPS.

During this reporting period, USAID signed the first implementation letter laying out the project’s scope and disbursement procedures and now awaits counter-signatures by the MoF and DABS. Three other implementation letters have been drafted and are in the clearance process. Also this quarter, bids were released for rehabilitating the Darunta Hydroelectric Power Plant, which was incorporated under PTEC on November 4, 2012.

PTEC, as seen in Figure 3.34, will be implemented in stages, will cost an estimated $814 million, and be the largest U.S.-funded effort in the energy sector. Of this, $713 million will come from ESF funds and $101 million from AIF funds. The United States is providing the bulk of this funding—$698.9 million—on budget to build 490 kilometers of transmission line, construct seven substations, improve and expand the NEPS, and build capacity for DABS. Off-budget funds amounting to $115.1 million will go for

FIGURE 3.34

design services, quality assurance of construction activities, capacity building for the Ministry of Energy and Water, and rehabilitating the Darunta Hydroelectric Power Plant.\textsuperscript{423}

Implementation of the PTEC faces a number of challenges, including security and DABS capacity. Security has been deteriorating in Regional Command-East, particularly along the stretch of road (Afghan Route 1) that the PTEC will follow. Although DABS has expanded its capabilities and shown itself to be a willing partner, USAID noted that DABS has never been involved in anything on this scale. Finally, USACE had to cancel a solicitation for an AIF-funded transmission line because of legal issues.\textsuperscript{424}

**DoD-Funded Programs**

This quarter, DoD continued implementing several priority energy-sector projects using FY 2012 Afghanistan Infrastructure Funds. These included:

- the Kandahar Power Bridging Solution
- Kandahar-to-Durai Junction transmission lines
- Charikar-to-Bazirak and Mahmood Raqi transmission lines and power substations

**Kandahar Power Bridging Solution**

This project, which cost $79.8 million in FY 2012, provides fuel for the diesel power generators in Kandahar City until the KHPP has been completed. DoD sees this electricity as critical to the counterinsurgency strategy to help stabilize Kandahar by supporting economic development and improving the citizens’ quality of life. The goal is to instill confidence in the government’s ability to provide public services, while diminishing support for the insurgency. DoD stated that the Kandahar Bridging Solution is a central piece of the government’s Afghanistan Electrification Plan and key to the State Department’s development plan for Afghanistan.\textsuperscript{425}

A July 2012 SIGAR audit of FY 2011 AIF projects found that the Kandahar Power Bridging Solution relies on completing additional projects such as the SEPS and its connection to the NEPS, as well as the KHPP, which have completion dates beyond 2014. The audit also found that until alternative fuel sources can be found to replace the diesel generators or increase the amount of fuel going to Kandahar City, there is no indication that the costs of the bridging solution will decrease.\textsuperscript{426}

DoD plans to continue purchasing fuel and providing operations and maintenance support through FY 2015.\textsuperscript{427} However, USAID stated that Regional Command-South’s base closure plan might force the shutdown of the diesel plants in 2013.\textsuperscript{428}

**Kandahar to Durai Junction Transmission Lines**

Part of the effort to expand the SEPS, this project continues earlier efforts to install or repair transmission lines from Kandahar City to Durai Junction
and to construct or repair substations at Maiwand and Pashmul. The project cost $40 million in FY 2012 and will help address the need for reliable electricity in Afghanistan’s south and southeast. As with the Kandahar Power Bridging Solution, DoD’s goal is to promote economic growth, security, stability, and confidence in the government. Completion of this project is essential to distribute power generated by the third turbine at Kajaki Dam, according to DoD. The transmission line also constitutes a key element for the larger PTEC project linking the SEPS and the NEPS.

DoD also sees capacity-building efforts within DABS to improve commercialization of power as essential to generating sufficient revenues to fund capital improvements to the grid. However, a December 2012 SIGAR interim audit of U.S.-funded projects to help the commercialization of DABS found that DABS-Kandahar, which is to assume responsibility for this portion of the grid, has little capacity to acquire, operate, install, or manage systems equipment independently.

Charikar to Bazikar and Mahmood Raqi Transmission Lines and Power Substations
This $48.8 million project will install 52 kilometers of transmission lines from Charikar to Bazikar and from Charikar to Mahmood Raqi, and will build three substations to expand the NEPS. According to DoD, completion of the project will bring reliable electricity to 1.15 million Afghans across three provinces and help fuel private-sector growth, especially in the agriculture, processing, manufacturing, and mining sectors. DoD assumes that DABS will take over responsibility for the operations and maintenance portion of the national grid, as well as for the completed infrastructure improvements, and will be able to sustain them with improved revenue sources and capacity. However, as noted above, SIGAR’s recent audit raised questions about DABS capacity and other audits have noted that Afghanistan lacks the resources necessary to fulfill operations and management commitments.

CERP Projects in the Electricity Sector
DoD also uses CERP funds to pay for small-scale electricity projects across the country, such as installing small hydroelectric plants, backup generators, and utility poles.

TRANSPORTATION

Road Construction
The United States has funded road construction through the ESF and CERP. Since 2002, USAID has provided nearly $1.5 billion of the $2.1 billion total the U.S. government obligated to build roads and bridges. According
to USAID, these projects have completed more than 2,000 kilometers of regional, national, provincial, and rural roads.\textsuperscript{435}

CERP funds amounting to $484.2 million have been spent on completed road projects in Afghanistan since the first recorded project in September 2005. As of December 20, 2012, DoD reports there are 75 CERP road projects in progress valued at an estimated $68.1 million. DoD’s goal is to complete all existing projects before the end of 2014.\textsuperscript{436}

According to DoD, Afghanistan has 5,430 kilometers of completed roads, with an additional 2,266 kilometers under construction.\textsuperscript{437} The primary network connecting major Afghan cities is the Ring Road. Since 2004, the United States and the international community has built or refurbished almost the entire length of the 2,700 kilometers road, as shown in Figure 3.35 on the following page.\textsuperscript{438} Donors hope that the Ring Road will stimulate regional trade and cooperation, create jobs, and provide security.\textsuperscript{439} Its completion remains a top U.S. priority in the road sector, along with the development of an Afghan road authority, according to the State Department.\textsuperscript{440}

The ADB, to which the United States is the largest contributor along with Japan, committed $340 million in January 2011 to fund the final 233 kilometers of the Ring Road to connect the towns of Qaisar, Bala Murghab, and Laman in northwest Afghanistan.\textsuperscript{431} This long-delayed project remains dormant, largely due to security concerns. Construction was expected to begin in 2012 and is a year behind schedule, according to State.\textsuperscript{442} However, DoD reported that construction has already begun in Badghis Province.\textsuperscript{443} The Afghan Public Protection Force is now responsible for site security because
the Afghan government restricts the use of private security contractors for development projects.\textsuperscript{444}

Despite Afghan and donor commitments, Afghanistan’s road infrastructure is deteriorating, mainly because of the poor quality of initial construction, poor maintenance, and overloading, according to the U.S. Department of Transportation (DoT). DoT is helping address these issues by building the Ministry of Public Works’ technical capacity to ensure construction quality, and is providing ongoing assistance in developing plans.

**FIGURE 3.35**

**RING ROAD PROGRESS: SECTIONS COMPLETED**

Note: Donors indicated below dates.

Source: The International Institute for Strategic Studies, 1/10/2012.
specifications, and standards for construction and maintenance, as well as oversight and regulation standards of vehicles and vehicle operations. This includes a maintenance-management system, a commercial-vehicle size and weight enforcement program, and efforts to establish a road authority, road fund, and a transportation institute for sustainability.445

Rail
The United States and its international partners have been helping Afghanistan develop its rail sector, with the goal of building a profitable and sustainable system. Afghanistan has no meaningful railroad development, operational experience, or capacity of its own at this time.446 Only one completed rail line exists—a 75 kilometers line from Hairatan, on the border with Uzbekistan, to Mazar-e-Sharif. Donor stakeholders hope that will change with the establishment of the Afghan Rail Authority, which received cabinet approval in September 2012. The Authority will be responsible for developing and maintaining Afghanistan’s rail infrastructure, and for providing regulatory structure in the transportation sector.447

This quarter, the United States worked with the Ministry of Public Works to help stand up the Authority. U.S. Central Command is helping develop a National Rail Plan, which will provide recommendations to developing rail infrastructure.448 U.S. Embassy Kabul and DoT’s Federal Railroad Administration official in Kabul continue working with other U.S. entities and Coalition partners to support development of the Authority’s requirements for sustainable regulatory oversight and enforcement, including strategic planning, core competencies, and staffing. There is no direct U.S. project funding dedicated to building rail infrastructure, although indirect U.S. funding continues through contributions to the ADB and other entities.449

Aviation
The United States is helping Afghanistan implement the civil-aviation law passed by Parliament in September 2012. The law included the creation of a Civil Aviation Authority. This quarter, Federal Aviation Administration officials inspected Kabul International Airport, to provide a baseline assessment for International Civil Aviation Organization compliance and transition plans to Afghan control. Assessments of Kandahar, Herat, and Mazar-e-Sharif airfields are planned.450 DoD is preparing to transition airspace management from the U.S. Combined Air Component Command to Afghan control, as well as helping to build up Ministry of Transport and Civil Aviation capacity to international standards so that it can conduct civil-aviation operations independently.451

Toward that end, DoT is embarking on a three-year, $10.6 million USAID-funded training program to teach International Civil Aviation Organization-compliant fundamentals to Afghan air traffic controllers, technicians, and flight safety inspectors.452 These U.S. efforts are also aimed at
overturning the European Union’s current ban against Afghan airlines due to safety standards concerns.\footnote{53}

**EDUCATION**

Since 2002, USAID has supported education through the building of schools, the development of curricula, and training programs. USAID’s ongoing priority programs in the Education sector funded through the ESF this quarter include:

- Basic Education, Literacy, and Technical-Vocational Education and Training (BELT)
- Higher Education Project (HEP)
- American University of Afghanistan (AUAF)

**Basic Education, Literacy, and Technical-Vocational Education and Training**

Basic Education, Literacy, and Technical-Vocational Education and Training (BELT) is a three-year (December 2011–October 2014), $173 million on-budget program that aims to improve access to quality basic education through community-based education in areas typically outside the reach of the government. It provides technical-vocational education and training, as well as literacy programs. As of December 31, 2012, USAID allocated $32 million for teacher training ($12 million through the Afghanistan Reconstruction Trust Fund) and textbooks for grades

---

**A U.S. Air Force** officer helps an Afghan child with a school exercise at Bagram Airfield, part of an effort to reduce insurgency through positive interactions with local people. (U.S. Air Force photo)
The biggest challenges to BELT’s success are the ministry’s weak capacity to monitor activities and results at the provincial, district, and school level, and to distribute USAID-funded textbooks. Lack of security and winter weather make some locations unreachable. USAID said it will monitor results through the ministry’s Education Information Management System, which tracks student attendance, school location, and maintenance needs, as well as teacher numbers and qualifications. The ministry, with World Bank support, will report on teacher training and associated activities. Finally, an annual review of achievements will be conducted with new targets set for the next year.

**Higher Education Project**

Since the Higher Education Project (HEP) began in 2006, it has successfully supported the Ministry of Higher Education with the execution of its National Higher Education Strategic Plan, according to USAID. In its latest iteration (February 2011–August 2013), HEP provides technical assistance to increase ministry capacity, including professional training, quality assurance and accreditation, curriculum review, university partnerships, academic policies, and regulation. HEP also established a master’s in public policy and administration at Kabul University with the first class of 10 men and 10 women admitted in August 2012. As of December 31, 2012, USAID had allocated $21.2 million toward HEP.

According to USAID, HEP’s greatest strengths are its ability to continuously create and implement high-quality education programs, in accordance with international standards, in an environment replete with logistical and security challenges. However, while the program successfully monitors inputs and outputs through quarterly reports, it currently does not have significant outcome data to quantify its impact. USAID is considering an evaluation design for the follow-on HEP (2013–2017) that will include greater attention to outcome measures and data collection.

**American University of Afghanistan**

This five-year (August 2008–July 2013), $42 million program is designed to support development of American University of Afghanistan’s (AUAF’s) English-language undergraduate and continuing-education programs, with a concentration on liberal arts. Undergraduate degrees include business administration, information technology and computer science, political science and public administration, and mass communication. AUAF also offers a master’s degree in business administration. As of December 31, 2012, USAID had allocated $39.6 million toward this effort. The biggest challenge for AUAF is financial. USAID cautions that without funding at or near current levels for at least the next five years, AUAF cannot survive and perform at its current level.
Labor Market Surveys

SIGAR has previously noted the generally poor quality of Afghanistan’s higher-education curriculum. The country’s public-sector technical schools and vocational trainers do not have career-specific goals or targets for numbers of students to meet business or industry requirements. To start aligning Afghanistan’s education goals with industry needs, USAID is conducting four labor-market surveys of small and medium enterprises in the six largest urban areas: Kabul, Mazar-e-Sharif, Jalalabad, Herat, Kandahar, and Kunduz. These four surveys are being repeated at six-month intervals over a two-year period.\(^{460}\)

The first survey was completed in April 2012 and found, in part, that 36% of small and medium enterprises indicated a demand for skilled employees (workers with technical skills) while 35% indicated a demand for professional employees (workers with advanced training and usually a degree).\(^{461}\)

This quarter, survey results indicated: \(^{462}\)

- Kunduz suffers from high underemployment rates, yet its employers are highly dissatisfied with the availability of labor skills. This market should respond well to technical-vocational education training; USAID will focus on this province.
- Kabul has average underemployment rates and general employer satisfaction with the current availability of labor force skills. Because of Kabul’s large population, USAID will focus technical-vocational education training to promote positive Afghan perceptions about, and encourage participation in, the technical-vocational training program.
- Jalalabad has low underemployment and little incentive to partake in technical-vocation training.
- Kandahar, Mazar-e-Sharif, and Herat offer a more receptive market for technical-vocational training.
- Technical-vocational training should emphasize broadly transferable skills, combining industry-specific skills like accounting, marketing, and computer literacy with industry-transferable skills like machine repair and operations.

HEALTH

Despite having one of the highest mother-and-child mortality rates in the world, Afghanistan has experienced marked improvements in its health indicators since 2002. Afghan children and adults are living longer, with fewer maternal deaths during childbirth. Adult life expectancy has improved by as much as 15–20 years according to the USAID-funded Afghanistan Mortality Study 2010, described by SIGAR in its January 2012 quarterly report.\(^{463}\)

DoD reports that there are more than 1,970 primary healthcare facilities in Afghanistan compared to only 498 in 2002.\(^{464}\) The United States supports approximately 540 of these, including six hospitals, across 13 provinces.
With this assistance, 60% of the population can now reach a healthcare facility within one hour by foot, compared to 9% in 2002.\textsuperscript{465} Healthcare in urban areas is accessible to 97% of the populace, but that number drops to 63% in rural areas and 46% among nomads.\textsuperscript{466}

USAID's highest priority programs in the health sector this quarter include:

- Partnership Contracts for Health (PCH) Services
- Health Policy Project (HPP)
- Leadership, Management, Governance Project (LMG)

**Partnership Contracts for Health Services**

A five-year (July 2008–January 2014), $236 million program, Partnership Contracts for Health (PCH) supports the Ministry of Public Health's (MoPH's) efforts to provide the Basic Package of Health Services and the Essential Package of Hospital Services in more than 540 health facilities and over 6,000 health posts across Afghanistan.\textsuperscript{467} As of December 16, 2012, USAID had allocated $190 million to this program.\textsuperscript{468} PCH delivers health care ranging from basic to highly specialized diagnostic and treatment services. It also supports Community Midwifery Education contracts, which help reduce both maternal and child mortality. An estimated 12 million patients, 76% of them women and children, visit USAID-supported health facilities annually.\textsuperscript{469}

**Health Policy Project**

The Health Policy Project (HPP), an 18-month (June 2012–November 2013), $18 million program, is building MoPH capacity to address basic health needs through public-private partnerships. As of December 16, 2012, USAID had obligated $9 million to the program.\textsuperscript{470} HPP works to expand...
private-sector capacity to deliver high-quality services, improve HIV care and prevention policies, and promote behavioral change through social media marketing. Early accomplishments of the HPP include fully staffing a Public Private Partnership Unit within the MoPH, completing a MoPH structural assessment to determine its readiness to implement private-sector policies and regulations, supporting the launch of MoPH’s National HIV Policy and Strategy, and conducting gender-based violence training with public-sector health service providers in Kabul.

Leadership, Management, Governance Project
This 18-month (September 2012–February 2014), $26 million Leadership, Management, Governance (LMG) Project program ($20 million in health funds; $6 million in education funds) works with the MoPH and the Ministry of Education, at both the provincial and central level to build leadership, management, and governance capacity within Afghanistan’s health and education systems. It also aims to improve transparency and accountability within the MoPH and helps both ministries manage on-budget assistance. As of December 16, 2012, USAID had obligated $16.2 million for the program ($13.7 million for health, $3.7 million for education).

USAID tracks programmatic results of their health initiatives through household surveys, the MoPH’s health management information system, USAID-contracted data quality assessments, implementing-partner reports, and external evaluations and assessments. However, USAID faces several challenges to implementing its Afghanistan programs. The government health system is weak and requires continued technical and management assistance. The government cannot generate sufficient revenues to sustain its health system and depends on continued donor assistance. Additionally, a lack of security across the country hampers the delivery of health services, especially for women and children. These issues will become more acute as the transition draws nearer, and as donor assistance wanes.

PRIVATE SECTOR DEVELOPMENT
The United States is supporting private-sector development through the ESF, TFBSO, and CERP. USAID’s priority economic-growth projects, funded through the ESF, include:

- Assistance in Building Afghanistan by Developing Enterprises (ABADE)
- Economic Growth and Governance Initiative (EGGI)
- Trade Accession and Facilitation for Afghanistan (TAFA) I and II

Assistance in Building Afghanistan by Developing Enterprises
This quarter, USAID launched the $105 million Assistance in Building Afghanistan by Developing Enterprises (ABADE) program to help
productive Afghan small-to-medium enterprises add employment, increase investment, and improve sales of domestic products and services. ABADE will support private-sector businesses that offer the best leverage and opportunity for sustained economic growth. As of December 2012, the program is hiring staff and finalizing the work plan and performance metrics.476

Economic Growth and Governance Initiative
The $92 million Economic Growth and Governance Initiative (EGGI) program aims to strengthen government capacity to conduct more effective public financial management. It provides assistance in national and provincial budgeting, tax administration, and revenue generation. It also provides Women in Government internships to increase women’s civil-service participation. The program graduated 110 women in FY 2012, 85% of whom found full-time government employment.477

As of December 27, 2012, EGGI had also helped 38 government entities develop and submit their SY 1391 (2012-2013) program budgets on time to the Budget Committee. Assistance to the MoF’s nationwide provincial budget training program resulted in 88% of provincial governments submitting their first round budget submissions on-time and 98% on time in the second round.478

Currently, EGGI is facing implementation challenges. The MoF suspended activities in its provincial budgeting program, and Afghanistan’s civil service commission is changing recruitment procedures. Once complete, the Women in Government internship program will need to re-align its efforts to adhere to any new requirements.479

Trade Accession and Facilitation for Afghanistan I and II
TAFA I and II, at a combined cost $83 million, are designed to generate economic growth, trade, and investment by improving the conditions for international trade and transit for both the government and private sector. TAFA does so by assisting the Afghan government in three areas: trade-policy liberalization, customs reform, and trade facilitation. TAFA promotes the New Silk Road initiative by facilitating Afghanistan’s accession to the World Trade Organization, developing bilateral and regional trade agreements, and streamlining customs and export procedures. Despite successes in all these areas, TAFA has not been able to reach an agreement with the Afghan government over the composition of future assistance under the Strategic Objective Agreement. This, in turn, has caused delays in TAFA receiving its allocated funding, and threatened its ability to provide timely services.490

Task Force for Business and Stability Operations
In addition to its work in helping the Afghan government develop natural resources, TFBSO has supported other private-sector initiatives. In May 2011, TFBSO established the Business Incubator Project, which
provides business management consulting to small- and medium-sized enterprises across sectors in Herat and Kabul. As of December 31, 2012, TFBSO has sourced and conducted due diligence on over 600 companies as part of an effort to develop individual investment opportunities between Afghan companies and regional investors, and created an investment pipeline for an emerging-market private equity fund. This quarter, the incubator helped 23 companies employing more than 500 Afghans generate over $2.7 million. The Business Incubator Project is looking to expand that success and is finalizing an agreement with the AUAF to house and help manage an incubator in Kabul, and to sustain it after 2014.

**COMMUNICATIONS**

Afghanistan’s private-sector-led telecommunications sector is growing rapidly, and is one of the country’s economic success stories. In 2010/2011, telecom contributed to 45% of total tax revenue and is expected to continue driving economic growth and development next year.

This quarter, the Ministry of Telecommunication and Information Technology (MCIT) signed contracts worth $23 million with three companies to extend Afghanistan’s fiber optic network to five central and northeastern provinces (Bamyan, Daikundi, Ghor, Takhar, and Badakhshan) over the next two years. The network is already in 20 other provinces. Additionally, MCIT signed six contracts to provide mobile governance, capacity building, and culture innovation projects by expanding broadband connectivity and the use of mobile applications across the government, as well as building IT capacity to improve service delivery and economic development.

Also this quarter, the International Security Assistance Force (ISAF) signed a memorandum of agreement with the Afghan government to create the Ministerial Spectrum Management Office (MSMO), which will focus on cooperative radio spectrum management, bring Afghanistan’s security management activities online, and allow it to coordinate with other nations. MSMO will be a national security organization comprising of the Ministries of Defense, Interior, and the National Directorate of Security.

**TRADE**

According to the World Bank’s Ease of Doing Business 2013 report released this quarter, Afghanistan ranks 168 out of 185 countries for ease of doing business, and is last in providing investor protections. While Afghanistan ranks fourth in the least number of procedures required to start a business, and seventh in the number of days to do so, it is also considered one of the most difficult places from which to export goods, taking an average of 10 documents, 74 days, and $3,545 per shipping container.
The results of Afghanistan’s regional economic integration, as called for in the New Silk Road initiative, have been mixed, according to a Congressional Research Service report. U.S. efforts to convince Afghanistan’s neighbors to put the country’s stability in the region above their particular interests have been difficult. A 2012 report from the Center for Strategic and International Studies questioned whether Pakistan, for example, would make cooperation with, and development of, Afghanistan a high priority. The report added that neither Russia nor China has sufficient incentive to support Afghanistan at levels that would take some of the financial pressure off other donors during transition. While Afghanistan-Pakistan relations have improved over the last six months, DoD stated that tensions and mistrust remain a significant challenge to “sustainable cross-border cooperation and coordination.”

On December 1–5, 2012, the U.S. Department of Commerce, with the support of USAID, held the first U.S.-Afghanistan Franchising Trade Conference in Kabul to build trade partnerships between Afghan businesses and U.S. franchise companies. Four U.S. companies participated:
- AlphaGraphics, Inc. – printing and marketing solutions
- Hertz Equipment Rental – high quality equipment rentals
- RadioShack – mobile technology products and services
- Tutor Doctor – personalized tutoring and training services

**World Trade Organization Accession**

At the third Working Party Meeting on December 7, 2012, the World Trade Organization expressed support for making Afghanistan’s early accession into the World Trade Organization a priority in 2013. Afghanistan applied for membership in November 2004 with the goal of joining by the end of 2014. Its membership is still dependent on economic, trade, and legislative reforms. The working group sought clarification in several policy areas, including state-ownership, intellectual property rights, trading rights, and food safety. USAID is assisting Afghanistan in this effort through its Trade and Accession Facilitation program.
4 OTHER AGENCY OVERSIGHT
CONTENTS

Completed Oversight Activities  158
Ongoing Oversight Activities  164

Photo on previous page
An air drop brings supplies to a forward operating base in the Afghan mountains in December 2012 after winter weather made road resupply too difficult. (U.S. Army photo)
SIGAR’s enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs, and to submit a report to Congress on SIGAR’s oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section contains these updates.

The descriptions appear as submitted, with minor changes to maintain consistency with other sections of this report: acronyms and abbreviations in place of full names; standardized capitalization, hyphenation, punctuation, and preferred spellings; and third-person instead of first-person construction.

These agencies perform oversight activities in Afghanistan and provide results to SIGAR:

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

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

<table>
<thead>
<tr>
<th>Agency</th>
<th>Report Number</th>
<th>Date Issued</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DoD OIG</td>
<td>DODIG-2013-030</td>
<td>12/7/2012</td>
<td>Counterintelligence Screening Needed to Reduce Security Threat That Unscreened Local National Linguists Pose to U.S. Forces</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>DODIG-2013-005</td>
<td>10/5/2012</td>
<td>Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program</td>
</tr>
<tr>
<td>GAO</td>
<td>GAO-13-185-R</td>
<td>12/19/2012</td>
<td>Afghanistan Drawdown Preparations: DoD Decision Makers Need Additional Analyses to Determine Costs and Benefits of Returning Excess Equipment</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>F-306-13-001-S</td>
<td>10/12/2012</td>
<td>Audit of USAID/Afghanistan’s Performance Based Governors’ Fund</td>
</tr>
</tbody>
</table>

Sources: DoD OIG, response to SIGAR data call, 12/21/2012; DoD OIG, response to SIGAR data call, 1/2/2013; GAO, response to SIGAR data call, 12/21/2012; USAAA, response to SIGAR data call 12/18/2012; USAID OIG, response to SIGAR data call, 12/17/2012.

U.S. Department of Defense Office of Inspector General

During this quarter, DoD OIG issued three reports related to Afghanistan reconstruction.

Counterintelligence Screening Needed to Reduce Security Threat That Unscreened Local National Linguists Pose to U.S. Forces
This report is for official use only.

U.S. Army Corps of Engineers Needs to Improve Contract Oversight of Military Construction Projects at Bagram Airfield, Afghanistan
U.S. Army Corps of Engineers (USACE) Afghanistan Engineering District-North (TAN) quality assurance (QA) personnel did not properly monitor contractor performance and fulfill quality assurance responsibilities for the four military construction projects reviewed at Bagram Airfield, valued at $49.6 million. Specifically, QA personnel did not: develop supplemental project QA plans; approve contractors’ quality control plans before contractors began construction; maintain QA documentation of QA personnel-surveillance activities; follow responsibilities in the contracting officer’s designation memoranda; and request technical specialists to perform technical inspections. In addition, QA personnel relied on the
Logistics Civil Augmentation Program contractor to perform infrequent technical inspections and relied on their own experience to identify construction deficiencies.

These conditions occurred because USACE-TAN officials did not provide sufficient oversight of QA personnel. For example, QA personnel stated they were not aware of their responsibilities because USACE-TAN officials did not provide enough guidance or training to QA personnel operating in a contingency environment. Further, QA personnel stated they were either unaware of, did not see a need for, did not have time to follow, or did not have proper personnel to follow QA guidance. As a result, USACE did not have reasonable assurance that contractors’ quality control programs were effective and that the four MILCON projects met or would meet contract requirements.

Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program
(Report No. DODIG-2013-005, Issued October 5, 2012)
Ministry of Defense Advisors (MoDA) program officials did not establish a performance management framework to include goals, objectives, and performance indicators to assess progress and measure program results. Instead, program officials relied on North Atlantic Treaty Organization Training Mission-Afghanistan/U.S. Combined Security Transition Command-Afghanistan [the Command] officials to determine whether MoDAs were effectively building ministerial capacity in the Afghanistan Ministry of Defense and Ministry of Interior. Also, program officials did not establish goals and objectives to determine whether an adequate number of MoDA positions were filled in a timely manner.

This occurred because program and Command officials did not establish a cooperative agreement to identify roles and responsibilities and communicate and share information. Other contributing factors cited by program officials included an absence of DoD guidance on building ministerial capacity and the tentative nature of a pilot program creating uncertainty of its future. Without a framework, program officials cannot fully assess the effectiveness of the program in building ministerial capacity or hold individuals accountable for achieving program results.

In addition, Command officials may not have effectively and efficiently managed MoDA resources. Specifically, officials were unable to justify the need for all 97 authorized MoDA positions and placed five of 28 MoDAs interviewed into nonadvisory positions with Afghan officials. This occurred because Command officials did not develop criteria to identify and validate MoDA positions. As a result, MoDAs may be unable to fully exchange expertise and build long-term relationships with Afghan ministry officials.
U.S. Department of State Office of Inspector General–Middle East Regional Office
During this quarter, State OIG issued no reports related to Afghanistan reconstruction.

Government Accountability Office
During this quarter, GAO issued two reports related to Afghanistan reconstruction.

Afghanistan Drawdown Preparations: DoD Decision Makers Need Additional Analyses to Determine Costs and Benefits of Returning Excess Equipment
In summary, GAO found:
• The military services and DoD agencies have applied some, but not all, of the relevant lessons learned from the Iraq drawdown to their planning for equipment reductions in Afghanistan. For example, the drawdown from Iraq demonstrated the importance of early planning for equipment drawdown, and the military services have already issued guidance and orders outlining the processes and procedures for drawing down equipment in Afghanistan. However, not all relevant lessons learned from the Iraq drawdown have been applied in Afghanistan. For example, during the Iraq drawdown, the Army required that contractor equipment be inventoried and entered into an automated records accounting system, yet inventories in Afghanistan did not include contractor equipment. GAO notes, however, that USFOR-A officials told us they are establishing a contractor-drawdown cell that would improve visibility of contractor equipment in Afghanistan.
• DOD has planned for the reduction of equipment from Afghanistan in that it has (a) established command structures and guidance; (b) made efforts to improve property accountability; and (c) established and expanded transportation options; but challenges still remain. Command structures and guidance, property accountability, and transportation options are three areas that GAO has previously identified as important for drawdown operations. Concerning command structures and guidance, CENTCOM has established USFOR-A as the supported command for retrograde operations, and USFOR-A has published a base-closure-and-transfer guide that outlines processes for handling equipment during transition. Regarding planning for property accountability, in September 2011, USFOR-A directed an inventory of all the equipment in Afghanistan to identify items not previously accounted for in DoD’s systems of record. However, as described in Objective 1, DoD officials acknowledge that they lack visibility over contractor
equipment. In the area of transportation options, DoD has established
and increased the potential capacity of transportation routes out of
Afghanistan. However, some of the transportation options have limited
operational capability for the return of equipment due to the region’s
complex geopolitical environment.

• Consistent with DoD’s supply-chain materiel-management policy, DoD
has issued additional guidance requiring the services to analyze the
costs and benefits of transferring or destroying equipment. However,
there is no specific guidance requiring the military services to assess
and document the costs and benefits associated with the return of
equipment from Afghanistan, and they have not done so. Some services
told us that they conduct informal cost-benefit analyses to support
the return of major end items from Afghanistan. However, none of the
services was able to provide us with documentation of these cost-
benefit analyses. As a result, the extent to which these analyses are
being performed is uncertain. Based on analysis, this is particularly
problematic when considering whether or not to return equipment that
is excess to current requirements. When an excess item is returned
without consideration of the costs and benefits, there is increased
risk of unnecessary expenditures on transportation and storage of
unneeded items.

In conclusion, the military services can return major end items without
documentation of cost and benefit considerations or analyses used in the deci-
sion-making process. Because the services have not consistently performed
and documented analyses to support decision making concerning the return
of excess major end items from Afghanistan, there is a risk that the costs of
returning excess items may outweigh the benefits of returning them.

Afghanistan Development: Agencies Could Benefit from a
Shared and More Comprehensive Database on U.S. Efforts
(Report No. GAO-13-34, Issued November 7, 2012)
The four main U.S. agency Afghan development programs and accounts
have similar goals and activities and hence overlap to some degree. In fiscal
year 2011, the Economic Support Fund (ESF) and other smaller accounts
administered by the U.S. Agency for International Development (USAID),
and the Commander’s Emergency Response Program (CERP), administered
by the Department of Defense (DoD), funded similar activities related to
agriculture; democracy and governance; education and health; energy and
electricity; economic growth; and transportation. Both funded activities in
33 of Afghanistan’s 34 provinces and in 249 of Afghanistan’s 399 districts.
The Task Force for Business and Stability Operations (TFBSO), adminis-
tered by DoD, and the Afghanistan Infrastructure Fund (AIF), administered
by DoD and the Department of State (State), also funded efforts in some
of the same categories of assistance as ESF and CERP in fiscal year 2011. According to agency officials, these overlapping development efforts can be beneficial, provided that agencies leverage their respective expertise and coordinate efforts.

GAO’s analysis of USAID’s development activities and DoD’s CERP activities in six Afghan districts identified 28 USAID- and 28 DoD CERP-funded activities that were potentially duplicative. GAO could not, however, conclusively determine whether these efforts had resulted in duplication because of gaps and inconsistency in the level of detail on activity descriptions in USAID’s and DoD’s respective databases. Moreover, some USAID development activities may not have been included because information provided by USAID indicated that Afghan Info—the database designated by the embassy as the official repository for U.S. assistance—did not include 13 active awards, including some assistance to the Afghan government, representing about 10% of USAID’s obligations for development efforts in fiscal year 2011. These omissions limited GAO’s ability to evaluate whether similar activities were providing the same goods or services to the same beneficiaries. USAID also lacks complete standardized procedures for implementing partners to report information on their development activities in Afghan Info, and for USAID personnel to verify the information on these activities.

While U.S. agencies use a variety of methods to coordinate development efforts in Afghanistan, they lack a database to share and retain data. USAID and DoD officials cited informal communication and interagency meetings as the primary method of coordinating USAID and CERP efforts. For AIF efforts, USAID, DoD, and State conduct interagency planning and obtain formal concurrence by relevant agency officials, as required by law. For TFBSO efforts, DoD coordinates through quarterly briefings with USAID and State officials in Kabul and a formal concurrence process. However, the effectiveness of such coordination may depend on the priorities of the staff involved and could be hampered by high staff turnover and the lack of data retention. To address these limitations, GAO has previously recommended that agencies report their development efforts in a shared database. USAID agreed and DoD partially agreed with this recommendation. While Afghan Info has been designated as the central repository of data for U.S. foreign assistance efforts in Afghanistan, DoD still has not reported its CERP projects in a shared database such as Afghan Info, citing concerns with the sensitive nature of its data, which USAID noted could be mitigated by the internal controls in Afghan Info.

**U.S. Army Audit Agency**

The USAAA did not complete any audits related to Afghanistan reconstruction this quarter.
U.S. Agency for International Development Office of Inspector General

During this quarter, USAID OIG issued one report related to Afghanistan reconstruction.

Audit of USAID/Afghanistan’s Performance-Based Governors’ Fund


A management letter was issued October 12, 2012, entitled “USAID/Afghanistan’s Performance-Based Governors’ Fund,” Number F-306-13-001-S. USAID OIG initially conducted the audit to determine whether the Performance-Based Governors’ Fund (PBGF) met its primary goal of providing financial and technical assistance to governors and their teams so that they are better able to meet community outreach needs, enhance their relationships with citizens, and improve their overall management capacity. The management letter includes the following issues:

- Performance targets and baselines were omitted from the performance management plan. Performance indicator targets and baselines are a required component of a complete performance management plan. PBGF’s plan did not contain any baseline values and included only one target value for a single strategic objective among its 103 performance measurements. The one target included focused on the inclusion of all 34 Afghan provinces to be provided with “USG Assistance.”

- PBGF has too many performance indicators. A performance management plan should have as many indicators as are necessary and cost effective for results management and reporting purposes. Although not all labeled as “performance indicators,” the PBGF’s plan contained over 100 performance measurements.

- Performance management plan was not updated. Performance management plans should be updated regularly and such updates are usually performed annually. However, the PBGF’s plan has not been updated to reflect both the reduction in the number of performance indicators used and modifications made to the indicators.

- Program’s results should be clear and universally understood. A principal step in performance management is establishing a performance management framework, which identifies the hierarchy of results that a program is intended to achieve. However, program documents and key program officials do not consistently articulate the intended results of the PBGF.

- Costs charged may represent budgeted amounts that were not actual costs. Generally, costs charged to an award should equal costs incurred. During the pilot phase of the program, the Asia Foundation reported that it had made $9,188,518 in disbursements to provincial governors, which equated to a success rate of 90% of the estimated disbursement.
amount. However, an Asia Foundation financial report, prepared and submitted to USAID/Afghanistan, revealed that the Foundation charged the entire estimated cost of the program without taking into account the undisbursed funds of $1,020,000.

- Most of provincial governor offices’ spending was for purchases of vehicles and equipment. According to PBGF’s cooperative agreement, the purpose of the program is to provide interim assistance to governors so they are better able to meet operational and community outreach needs, enhance their relationships with citizens and improve their overall management capacity. However, overall spending on vehicles and equipment reached an average of 51% of the total program funds disbursed; spending on community outreach averaged 18%; and spending on capacity building averaged 5% of the total spending.

- Database reporting was not performed. PBGF’s cooperative agreement requires that the Asia Foundation provide program information quarterly to USAID/Afghanistan’s management information system. However, to date, the only data reported in the database on PBGF is for the first quarter of fiscal year 2011.

- Performance management plan was not approved. PBGF’s cooperative agreement asserts that it is the responsibility of the Agreement Officer’s Technical Representative (AOTR) to review and provide approval of the monitoring and evaluation plan. When asked to prove that the plan had been approved, neither the implementer nor USAID/Afghanistan staff provided documentation that the plan had been approved.

The management letter included eight suggested actions to address these issues.

ONGOING OVERSIGHT ACTIVITIES

As of December 31, 2012, the participating agencies reported 32 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.

Department of Defense Office of Inspector General

The Department of Defense continues to face many challenges in executing its Overseas Contingency Operations (OCO). The Department of Defense Office of Inspector General (DoD OIG) has identified priorities based on those challenges and high risks. In FY 2013, DoD OIG is focusing oversight on overseas contingency operations with a majority of its resources supporting operations in Afghanistan. The DoD OIG focus in Afghanistan continues in the areas of the management and execution of the Afghanistan Security Forces Fund, military construction, safety of personnel, and the
### TABLE 4.2

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DoD OIG</td>
<td>D2013-000AS-0052.000</td>
<td>11/1/2012</td>
<td>Surveillance Structure on Contracts Supporting the Afghanistan Rotary Wing Program for the U.S. Transportation Command</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2013-000AS-0001.000</td>
<td>10/5/2012</td>
<td>Shindand Training Contracts</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-0000JA-0221.000</td>
<td>9/28/2012</td>
<td>Controls Over the Distribution of Funds for the Ministry of Defense Advisors Program</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-0000JB-0209.000</td>
<td>8/23/2012</td>
<td>Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Advise the Afghan Border Police</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-0000SP-0210.000</td>
<td>8/21/2012</td>
<td>Assessment on Equipping the Afghanistan National Security Forces</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-0000AR-0170.000</td>
<td>5/11/2012</td>
<td>Availability of Spare Parts for the C-27A/G222</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-0000SP-0163.000</td>
<td>4/25/2012</td>
<td>Oversight of U.S. Military and Coalition Efforts to Improve Healthcare Conditions and to Develop Sustainable ANSF Medical Logistics at the Dawood National Military Hospital</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-0000SP-0090.000</td>
<td>2/28/2012</td>
<td>U.S. and Coalition Efforts to Develop Leaders in the Afghan National Army</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-DTO0TA-0002.000</td>
<td>2/14/2012</td>
<td>Technical Assessment of Military Construction Compliance with Fire Suppression Standards at Select Facilities in Afghanistan</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-DTO0TA-0001.000</td>
<td>2/14/2012</td>
<td>Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-0000SP-0085.000</td>
<td>1/6/2012</td>
<td>U.S. Efforts to Develop the Afghan National Security Forces Command and Control System</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-0000AS-0075.000</td>
<td>12/7/2011</td>
<td>Task Orders for Mi-17 Overhauls and Cockpit Modifications</td>
</tr>
<tr>
<td>DoS OIG-MERO</td>
<td>12AUD79</td>
<td>12/2012</td>
<td>Audit of the Department of State Transition Planning for a Reduced Military Presence in Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>351772</td>
<td>9/20/2012</td>
<td>DoD’s Approach to Identifying Post Combat Role of U.S. Forces in Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>320924</td>
<td>7/5/2012</td>
<td>Key Afghan Issues</td>
</tr>
<tr>
<td>GAO</td>
<td>351747</td>
<td>6/11/2012</td>
<td>DoD’s Transition to the Afghan Public Protection Force</td>
</tr>
<tr>
<td>GAO</td>
<td>351742</td>
<td>5/11/2012</td>
<td>Security Force Assistance Roles for DoD Forces</td>
</tr>
<tr>
<td>GAO</td>
<td>351743</td>
<td>5/11/2012</td>
<td>Advisory Teams in Afghanistan</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF100712</td>
<td>11/28/2012</td>
<td>Audit of USAID/Afghanistan’s Transition Plans</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF101412</td>
<td>10/14/2012</td>
<td>Review of USAID/Afghanistan’s Use of Third Country National Employees</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF100612</td>
<td>10/9/2012</td>
<td>Review of USAID/Afghanistan’s Management Controls over Premium Pay</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF101112</td>
<td>5/1/2012</td>
<td>Audit of USAID/Afghanistan’s Kandahar Power Initiative</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF101712</td>
<td>10/25/2011</td>
<td>Review of USAID/Afghanistan’s Use of the Commander’s Emergency Response Program Funds for Selected Projects</td>
</tr>
</tbody>
</table>

Sources: DoD OIG, response to SIGAR data call, 12/21/2012; DoS OIG, response to SIGAR data call, 1/2/2013; GAO, response to SIGAR data call, 12/21/2012; USAAA, response to SIGAR data call, 12/18/2012; USAID OIG, response to SIGAR data call, 12/17/2012.
administration and oversight of contracts supporting coalition forces. DoD OIG oversight in Afghanistan will also address matters pertaining to the drawdown of forces in Afghanistan and shifting of operations.

As billions of dollars continue to be spent in Afghanistan, a top priority will continue to be the monitoring and oversight of acquisition and contracting processes focused on training, equipping, and sustaining Afghanistan National Security Forces (ANSF). The DoD OIG planned oversight efforts address the administration and oversight of contracts for equipping ASF, such as rotary wing aircraft, airplanes, ammunition, radios, and night vision devices. The DoD OIG will also continue to review and assess the Department’s efforts in managing and executing contracts to train the Afghan National Police.

As military construction continues in Afghanistan to build or renovate new living areas, dining and recreation facilities, medical clinics, base expansions, and police stations, DoD OIG will continue to provide aggressive oversight of contract administration and military construction projects. DoD OIG will also continue to focus on the accountability of property, such as contractor-managed government-owned property and Army high-demand items; the Department’s efforts to strengthen institutional capacity at the Afghan Ministry of Defense; and financial management controls.

The DoD OIG-led Southwest Asia Joint Planning Group coordinates and deconflicts Federal and DoD OCO-related oversight activities. The DoD OIG continues to work with the SIGAR as well as fellow Inspectors General and Defense oversight community members to execute the now-issued Fiscal Year 2013 strategic audit plan for the oversight community working in Afghanistan. This SIGAR-led effort provides the Congress and key stakeholders with more effective oversight of reconstruction programs.

**Office of the Deputy Inspector General for Auditing**

Ongoing Operation Enduring Freedom-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 and management including construction and on construction projects; oversight of the contract for training the Afghan police; logistical distribution within Afghanistan; health care; and acquisition planning and controls over funding for Afghan security forces.

**Assessment of Planning for the Effective Development and Transition of Critical Afghanistan National Security Forces Enablers to Post-2014 Capabilities**

(Project No. D2013-D008PO-0087.000, Initiated December 18, 2012)

The DoD OIG is determining whether U.S. and Coalition goals, objectives, plans, guidance, and resources are sufficient to effectively develop, manage,
and transition critical ANSF operational enablers to Afghan National Army and Afghan National Police capabilities. In addition DoD OIG is determining what critical enabling task capabilities will require further development beyond the end of 2014. Also, DoD OIG is determining whether mitigating actions are planned and what they consist of for any critical ANSF enabling capabilities that are expected to be or may still be under development after 2014. In essence, DoD OIG will review what plans and activities are in place to mature enabling force functions deemed critical for the ANSF to conduct and sustain independent operations.

**Examination of Department of Defense Execution of North Atlantic Treaty Organization Contributing Countries Donations to Afghanistan National Army Trust Fund for Approval Sustainment Projects as of September 30, 2012**

(Project No. D2013-D000FL-0056.000, Initiated December 3, 2012)
The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD [USD(C)/CFO] requested this examination. The USD(C)/CFO plans to assert that the following schedules are fairly presented in all material respects:

- Schedule of Contributing Country Donations to Afghanistan National Army Trust Fund Approved Sustainment Projects as of September 30, 2012

The DoD OIG is determining whether the USD(C)/CFO fairly presented receipts and expenditures of funds contributed to the Afghanistan National Army Trust Fund and transferred to DoD for execution under the terms of the Memorandum of Understanding Among the United States of America and North Atlantic Treaty Organization and Supreme Headquarters Allied Powers-Europe Regarding Management and Administration of Trust Fund Donations for Support and Sustainment of the Afghanistan National Army. In addition, DoD OIG will review internal controls over financial reporting and compliance with laws and regulations as it relates to its engagement objective. The USD(C)/CFO is responsible for the aforementioned schedules. The DoD OIG’s responsibility is to express an opinion based on its examination.

**Shindand Training Contracts**

(Project No. D2013-D000AS-0052.000, Initiated November 1, 2012)
The DoD OIG is determining whether pilot training contracts for fixed-wing and rotary-wing aircraft at Shindand Air Base are properly managed and administered in accordance with Federal and DoD requirements. Specifically, DoD OIG will determine whether contract requirements are being met and evaluate the effectiveness of contract oversight.
Surveillance Structure on Contracts Supporting the Afghanistan Rotary Wing Program for the U.S. Transportation Command
(Project No. D2013-D000AS-0001.000, Initiated October 5, 2012)
The DoD OIG is conducting its second in a series of audits on the Afghanistan rotary-wing transport contracts. The overall objective is to determine whether U.S. Transportation Command and U.S. Central Command officials have adequate oversight of processes and procedures for the contracts. The first audit was “Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command” (D2012-D000AS-0031.000).

Contract Management and Oversight of Military Construction Projects for the Special Operation Forces Complexes at Bagram Airfield, Afghanistan
(Project No. D2012-D000JA-0221.000, Initiated September 28, 2012)
The DoD OIG is determining whether DoD is providing effective oversight of military construction projects in Afghanistan. Specifically, DoD OIG will determine whether the U.S. Army Corps of Engineers is properly monitoring contractor performance and adequately performing quality assurance oversight responsibilities for construction projects for Special Operations Forces at Bagram Airfield.

Controls Over the Distribution of Funds for the Ministry of Defense Advisors Program
(Project No. D2012-D000JB-0209.000, Initiated August 23, 2012)
The DoD OIG is determining whether Ministry of Defense Advisors program officials established adequate controls over the distribution of funds to other DoD agencies. This audit is the second in a series of audits on the Ministry of Defense Advisors program (Project No. D2012-D000JB-0093.000 was the first audit in this series).

Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Advise the Afghan Border Police
(Project No. D2012-D00SPO-0210.000, Initiated August 21, 2012)
The DoD OIG is determining whether the planning and operational implementation of efforts by U.S. and Coalition Forces to train, equip, and advise in the development of the Afghan Border Police (ABP) is effective. This includes evaluating output/outcome at ABP locations at various stages of their life cycle to determine the effectiveness of U.S. and Coalition involvement in developing the ABP and Minister of Interior ability to manage the program.
Assessment on Equipping the Afghanistan National Security Forces
(Project No. D2012-D00SPO-0202.000, Initiated August 10, 2012)
The DoD OIG is determining whether equipment and ammunition for the ANSF, using funding provided by the Afghan Security Forces Fund, have been procured in excess of currently stated requirements. In addition, the OIG will also determine whether NATO Training Mission-Afghanistan/Combined Security Transition Command Afghanistan has developed a plan for ANSF utilization of currently identified excess ANSF equipment/supplies, if any. Also, the OIG will determine whether DoD has prepared a proposal to amend the ASFF legislation to provide Congressional authority, should it be needed, for the disposition or reutilization of identified excess equipment and ammunition, if any. Further, the OIG plans to determine whether DoD has prepared plans for the disposition or reutilization, outside of the ANSF, of identified excess equipment and ammunition procured with funding provided by the ASFF, if any.

Availability of Spare Parts for the C-27A/G222
(Project No. D2012-D000AT-0170.000, Initiated May 11, 2012)
DoD OIG is determining whether the cost and availability of spare parts for the C-27A/G222 transport plane will allow for continued sustainability of the aircraft for the Afghan Air Force.

Oversight of U.S. Military and Coalition Efforts to Improve Healthcare Conditions and to Develop Sustainable ANSF Medical Logistics at the Dawood National Military Hospital
(Project No. D2012-D00SPO-0163.000, Initiated April 25, 2012)
The DoD OIG is periodically reviewing the status of U.S. and Coalition efforts to improve the healthcare management and treatment of patients, and the related sanitation conditions and medical logistics processes, at the Dawood National Military Hospital (NMH), Kabul, Afghanistan. This effort responds specifically to the intent of the Inspector General to “Conduct a periodic walk-through at NMH and continue oversight of the development of a sustainable ANSF medical logistics and healthcare capability.” That message was communicated in a DoD OIG memorandum to the Commander, Combined Security Transition Command-Afghanistan, dated December 2, 2011.

Oversight Processes and Procedures for the Afghan National Police Mentoring/Training and Logistics Support Contract
(Project No. D2012-D000AS-0137.000, Initiated March 9, 2012)
DoD OIG is conducting the second in a series of audits on the ANP Mentoring/Training and Logistics support contract. The overall objective for the series of audits is to determine whether DoD officials are using
appropriate contracting processes to satisfy mission requirements and are conducting appropriate oversight of the contract in accordance with federal and DoD policies.

For this audit, DoD OIG will determine whether the Army, NTM-A/CSTC-A, and DCMA had adequate oversight processes and procedures for the contract. Additionally, DoD OIG will determine whether the Army, NTM-A/CSTC-A, and DCMA conducted adequate contractor surveillance. The first audit in this series is “Afghan National Police Mentoring/Training and Logistics Support Contract,” report number DODIG-2012-094, issued May 30, 2012.

Datron Radio Contracts To Support the Afghan National Security Forces
(Project No. D2012-D000AT-0129.000, Initiated March 8, 2012)
DoD OIG is determining whether the U.S. Army Communications-Electronics Command implemented effective policies and procedures for awarding Datron radio contracts, negotiating fair and reasonable prices, verifying timely deliveries, and establishing quality assurance measures in accordance with applicable requirements.

Air Force Center for Engineering and the Environment’s Contract Management and Oversight of Military Construction Projects in Afghanistan
(Project No. D2012-D000JB-0126.000, Initiated March 8, 2012)
DoD OIG is determining whether Air Force Center for Engineering and the Environment officials are providing effective oversight of construction projects in Afghanistan. This is the second in a series of audits on contract management and oversight of military construction projects in Afghanistan. The first project, D2012-D000JB-0071.000, focuses on U.S. Army Corps of Engineers contract management and oversight of military construction projects in Afghanistan.

U.S. and Coalition Efforts to Develop Leaders in the Afghan National Army
(Project No. D2012-D00SPO-0090.000, Initiated February 28, 2012)
DoD OIG is assessing the sufficiency and effectiveness of the coalition’s leader programs for developing ANA officers and non-commissioned officers.

Technical Assessment of Military Construction Compliance with Fire Suppression Standards at Select Facilities in Afghanistan
(Project No. D2012-DT0TAD-0002.000, Initiated February 14, 2012)
DoD OIG is determining whether fire-suppression systems built by military construction in selected U.S.-occupied facilities in Afghanistan are in compliance with the U.S. Central Command Unified Facilities Criteria and
National Fire Protection Association standards. DoD OIG will assess U.S.-occupied facilities at Kandahar Airfield, Bagram Airfield, Camp Eggers, and other locations as necessary. The assessment will also report the status of DoD OIG recommended corrective actions from previous fire-suppression system assessments.

**Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan**  
(Project No. D2012-DT0TAD-0001.000, Initiated February 14, 2012)  
DoD OIG is determining whether electrical systems built by military construction in selected U.S.-occupied facilities in Afghanistan are in compliance with United States Central Command Unified Facilities Criteria and National Electrical Code standards. DoD OIG will assess U.S.-occupied facilities at Kandahar Airfield, Bagram Airfield, Camp Eggers, and other locations as necessary. DoD OIG will also assess the status of DoD OIG–recommended corrective actions from previous electrical system assessments.

**U.S. Efforts To Develop the Afghan National Security Forces Command and Control System**  
(Project No. D2012-D00SPO-0085.000, Initiated January 6, 2012)  
DoD OIG is determining whether DoD will complete development of the ANSF Command and Control System by established end-state dates. Specifically, DoD OIG will assess whether U.S. government and coalition strategy, guidance, plans, and resources are adequate for the development and operational implementation of an effective ANSF Command and Control System.

**Task Orders for Mi-17 Overhauls and Cockpit Modifications**  
(Project No. D2012-D000AS-0075.000, Initiated December 7, 2011)  
DoD OIG is determining whether DoD officials properly awarded and administered task orders for the overhaul and modification of Mi-17 aircraft in accordance with federal and DoD regulations and policies. Contracting officers issued the task orders under IDIQ contract number W58RGZ-09-D-0130.

**Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command**  
(Project No. D2012-D000AS-0031.000, Initiated November 17, 2011)  
DoD OIG plans to conduct a series of audits relating to Afghanistan rotary-wing transportation contracts to determine whether Transportation Command officials are properly managing and administering the contracts in accordance with Federal Acquisition Regulation and DoD guidance while contracting for services performed in a contingency environment. For this first audit in the planned series, DoD OIG will determine whether
contracting officials have adequate controls over the transportation of supplies, mail, and passengers in Afghanistan.

Department of State Office of Inspector General–Middle East Regional Office
State OIG initiated one new project this quarter related to Afghanistan reconstruction.

Audit of the Department of State Transition Planning for a Reduced Military Presence in Afghanistan
(Project No. 12AUD79, Initiated December 2012)
The overall audit objective is to evaluate the Department’s planning for the transition from a predominately military to a civilian-led mission in Afghanistan. Specifically, OIG will determine whether the Department has adequately defined its mission and support requirements, evaluated its personnel and funding needs, and integrated its planning with the Department of Defense and other relevant U.S. agencies, the Government of Afghanistan, and other non-U.S. government agencies. OIG will also determine whether planning has incorporated lessons learned from the transition in Iraq.

Audit of the Bureau of International Narcotics and Law Enforcement Affairs’ Correction System Support Program in Afghanistan
(Project No. 12AUD30, Initiated December 2011)
The audit objective is to evaluate the effectiveness of the INL Correction System Support Program (CSSP) in building a safe, secure, and humane prison system that meets international standards and Afghan cultural requirements. Specifically, OIG will evaluate whether INL is achieving intended and sustainable results through the following CSSP components: training and mentoring; capacity building; Counter-Narcotics Justice Center and Judicial Security Unit compound operations and maintenance; Pol-i-Charkhi management and stabilization team; Central Prison Directorate engagement and reintegration team; and Kandahar expansion and support team.

Evaluation of the Emergency Action Plan – Embassy Kabul
(Project No. 11MERO1875, Initiated June 2011)
The audit objective is to evaluate and assess the status and effectiveness of the Emergency Action Plan for Embassy Kabul to determine the reasonableness and their level of coordination and cooperation with the military commanders in-country.
Government Accountability Office

DoD’s Approach to Identifying Post-Combat Role of U.S. Forces in Afghanistan
(Project No. 351772, Initiated September 20, 2012)
GAO will review the nature and extent of planning underway by DoD for the role of the U.S. military and the Department in Afghanistan post 2014, including progress in: (1) developing a framework for making key decisions such as assigning organizational responsibilities and structures within DoD; (2) establishing a planning approach to include identifying: (a) key assumptions about the environment in Afghanistan and role of the Department, the U.S. military, and contractors; (b) how the Department will collaborate with other agencies; and (c) issues to be resolved such as the level of support DoD will provide to other agencies and the disposition of U.S. equipment and assets; (3) identifying key decision points and related milestones for taking actions to implement decisions; and (4) identifying potential risks and mitigation strategies.

Key Afghan Issues
(Project No. 320924, Initiated July 5, 2012)
GAO has issued several recent reports addressing the billions of dollars allocated toward U.S. efforts in Afghanistan. GAO will update and identify key issues the 113th Congress may wish to consider including: transition of security lead to Afghan National Security Forces; the drawdown of U.S. forces; reliance on donor support, oversight of U.S. contracts; preparation for a permanent diplomatic presence in Afghanistan. For each, GAO will: (1) describe the issue; (2) highlight past work; and (3) identify key questions for oversight.

DoD’s Transition to the Afghan Public Protection Force
(Project No. 351747, Initiated June 11, 2012)
The Afghan Public Protection Force (APPF) is to assume security responsibilities for DoD installations by March 2013. Key questions: (1) To what extent has DoD developed cost estimates related to the transition to the APPF and what actions are being taken to minimize costs? (2) To what extent has DoD identified and implemented oversight and management mechanisms to ensure that the APPF and risk-management companies are providing services as agreed upon? (3) What impact(s) has the transition of convoy security from private security contractors to the APPF had on DoD operations in Afghanistan, and what actions, if any, has DoD taken to mitigate any negative impacts? (4) To what extent has DoD planned for the transition of static security from private security contractors to the APPF, including the degree to which DoD has developed base-security contingency plans?
Security Force Assistance Roles for DoD Forces
(Project No. 351742, Initiated May 11, 2012)
DoD plans to rely on special-operations forces to conduct security-force assistance activities, while continuing to institutionalize these capabilities within the general-purpose force. Objectives are to determine the extent to which DoD has (1) delineated the roles and responsibilities of general-purpose and special-operations forces; (2) distinguished between the types of situations or environments where the respective types of forces would be used to conduct security-force assistance activities; and (3) identified, synchronized, and prioritized the respective requirements and resource needs for building the capabilities of both types of forces.

Advisory Teams in Afghanistan
(Project No. 351743, Initiated May 11, 2012)
Regarding the use of security-force assistance advisory teams in Afghanistan, GAO is to determine the extent to which (1) DoD has defined intended roles, missions, and command relationships for the advisory teams; (2) the Marine Corps and Army have defined personnel, equipment, and training requirements; (3) DoD plans to adjust its current use of augmented brigade/regimental combat teams for advisory missions; and (4) the Marine Corps and Army have been able to fill personnel and equipment requirements for the advisory teams, including any impacts on reported readiness.

U.S. Army Audit Agency
This quarter, the USAAA has no ongoing audits related to reconstruction initiatives.

U.S. Agency for International Development Office of Inspector General

Audit of USAID/Afghanistan’s Transition Plans
(Project No. FF100712, Initiated November 28, 2012)
Does USAID/Afghanistan have plans to address contingencies related to the U.S. Government’s transition in Afghanistan?

Review of USAID/Afghanistan’s Use of Third Country National Employees
(Project No. FF101412, Initiated October 14, 2012)
To determine if USAID/Afghanistan is using third country nationals for implementing mission programs efficiently while training Afghan staff to assume their responsibilities.
Review of USAID/Afghanistan’s Management Controls over Premium Pay
(Project No. FF100612, Initiated October 9, 2012)
Objective: To determine if USAID/Afghanistan is using sufficient management controls over the submission, authorization, approval and certification of premium pay benefits for its staff in accordance with federal time and attendance policies and procedures.

Audit of USAID/Afghanistan’s Kandahar Power Initiative
(Project No. FF101112, Initiated May 1, 2012)
Objective: Is the Kandahar Power Initiative meeting its main goals to increase the supply and distribution of electrical power from Afghanistan’s South East Power System, with particular emphasis given to the city of Kandahar, in support of the U.S. government’s counterinsurgency strategy?

Review of USAID/Afghanistan’s Use of the Commander’s Emergency Response Program Funds for Selected Projects
(Project No. FF101712, Initiated October 25, 2011)
Objective: To determine whether the Commander’s Emergency Response Program (CERP) funds distributed by U.S. Forces-Afghanistan to USAID for specific projects were used for their intended purposes, were in compliance with applicable laws and regulations, and whether the costs charged to CERP-funded projects were reasonable, allowable, and allocable.

DoD OIG, Defense Criminal Investigative Service (DCIS)
The DCIS continues to conduct significant fraud and corruption investigations in Afghanistan and Southwest Asia. Currently, there are six DCIS agents assigned to the International Corruption Task Force in three locations: Kabul, Bagram and Kandahar Airfields. DCIS expects to increase its ICCTF assigned agents to seven within the next several weeks. The DCIS continues to assign one special agent to Task Force 2010. The DCIS and SIGAR are in partnership with seven other agencies to conduct major fraud and corruption investigations that affect DoD and Afghanistan reconstruction programs. In addition to these forward-deployed special agents, 110 DCIS agents based in the United States and Europe are currently conducting investigations related to fraud and corruption in Southwest Asia.

As of December 31, 2012, DCIS has 120 open OCO investigations involving Afghanistan. Of the open investigations, 32 are joint with SIGAR, including one project.

As of December 31, 2012, DCIS has closed 146 OCO investigations involving Afghanistan, including 19 projects.
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.
APPENDICES
AND ENDNOTES
APPENDICES

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>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>To provide for an independent and objective means of keeping the Secretary of State and</td>
<td>Ongoing; quarterly report</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the Secretary of Defense fully and currently informed about problems and deficiencies</td>
<td></td>
<td>Full report</td>
</tr>
<tr>
<td></td>
<td>relating to the administration of such programs and operations and the necessity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>for and progress on corrective action.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision</td>
<td>The Inspector General shall report directly to, and be under the general supervision</td>
<td>Report to the Secretary of State</td>
<td>Full report</td>
</tr>
<tr>
<td></td>
<td>of, the Secretary of State and the Secretary of Defense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duties</td>
<td>OVERSIGHT OF AFGHANISTAN RECONSTRUCTION — It shall be the duty of the Inspector</td>
<td>Review appropriated/available</td>
<td>Full report</td>
</tr>
<tr>
<td></td>
<td>General to conduct, supervise, and coordinate audits and investigations of the</td>
<td>funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>treatment, handling, and expenditure of amounts appropriated or otherwise made</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>available for the reconstruction of Afghanistan, and of the programs, operations,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>and contracts carried out utilizing such funds, including subsections (A) through (G)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>below.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The oversight and accounting of the obligation and expenditure of such funds</td>
<td>Review obligations and</td>
<td>SIGAR Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>expenditures of appropriated/available funds</td>
<td>Funding</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The monitoring and review of reconstruction activities funded by such funds</td>
<td>Review reconstruction activities</td>
<td>SIGAR Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>funded by appropriations and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>donations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The monitoring and review of contracts funded by such funds</td>
<td>Review contracts using</td>
<td>Note 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>appropriated and available funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The monitoring and review of the transfer of such funds and associated information</td>
<td>Review internal and external</td>
<td>Appendix B</td>
</tr>
<tr>
<td></td>
<td>between and among departments, agencies, and entities of the United States, and</td>
<td>transfers of appropriated/available</td>
<td></td>
</tr>
<tr>
<td></td>
<td>private and nongovernmental entities</td>
<td>funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The maintenance of records on the use of such funds to facilitate future audits and</td>
<td>Maintain audit records</td>
<td>SIGAR Oversight</td>
</tr>
<tr>
<td></td>
<td>investigations of the use of such fund[s]</td>
<td></td>
<td>Appendix C</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Appendix D</td>
</tr>
</tbody>
</table>
### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(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>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(3)</td>
<td>DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 — In addition, . . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978</td>
<td>Duties as specified in Inspector General Act</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(4)</td>
<td>COORDINATION OF EFFORTS — The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development</td>
<td>Coordination with the inspectors general of DoD, DoS, and USAID</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td>Federal Support and Other Resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<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>Full report</td>
</tr>
<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>
</tr>
</tbody>
</table>
### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(i)(1)</td>
<td>QUARTERLY REPORTS – Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –</td>
<td>Report – 30 days after the end of each calendar quarter</td>
<td>Full report Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(A)</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(B)</td>
<td>A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program</td>
<td>Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program</td>
<td>Funding Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(1)(C)</td>
<td>Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of donor funds</td>
<td>Funding</td>
</tr>
<tr>
<td>Section 1229(i)(1)(D)</td>
<td>Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of funds from seized or frozen assets</td>
<td>Funding</td>
</tr>
<tr>
<td>Section 1229(i)(1)(E)</td>
<td>Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan</td>
<td>Operating expenses of agencies or any organization receiving appropriated funds</td>
<td>Funding Appendix B</td>
</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>
</tbody>
</table>
Public Law Section | SIGAR Enabling Language | SIGAR Action | Report Section
--- | --- | --- | ---
Section 1229(i)(3) | 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 | Publish report as directed at www.sigar.mil | Full report
| | Dari and Pashtu translation in process | |
Section 1229(i)(4) | 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 | Publish report as directed | Full report
Section 1229(i)(1) | Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense. | Submit quarterly report | Full report

Note 1: Although this data is normally made available on SIGAR’s website (www.sigar.mil), the data SIGAR has received is in relatively raw form and is currently being reviewed, analyzed, and organized for all future SIGAR purposes.

* Covered “contracts, grants, agreements, and funding mechanisms” are defined in paragraph (2) of Section 1229(i) of P.L. No. 110-181 as being:

“any major contract, grant, agreement, or other funding mechanism that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan with any public or private sector entity for any of the following purposes: To build or rebuild physical infrastructure of Afghanistan.

To establish or reestablish a political or societal institution of Afghanistan.

To provide products or services to the people of Afghanistan.”
## APPENDIX B

### U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION ($ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of December 31, 2012.

#### TABLE B.1

<table>
<thead>
<tr>
<th>U.S. FUNDING SOURCES</th>
<th>AGENCY</th>
<th>TOTAL FY 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SECURITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghanistan Security Forces Fund (ASFF)</td>
<td>DoD</td>
<td>49,625.70</td>
</tr>
<tr>
<td>Train &amp; Equip (DoD)</td>
<td>DoD</td>
<td>440.00</td>
</tr>
<tr>
<td>Foreign Military Financing (FMF)</td>
<td>DoS</td>
<td>1,059.14</td>
</tr>
<tr>
<td>International Military Education and Training (IMET)</td>
<td>DoS</td>
<td>11.90</td>
</tr>
<tr>
<td>NDAA Section 1207 Transfer Other</td>
<td></td>
<td>9.90</td>
</tr>
<tr>
<td><strong>Total - Security</strong></td>
<td></td>
<td>51,146.64</td>
</tr>
<tr>
<td><strong>GOVERNANCE &amp; DEVELOPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commander's Emergency Response Program (CERP)</td>
<td>DoD</td>
<td>3,448.94</td>
</tr>
<tr>
<td>Afghanistan Infrastructure Fund (AIF)</td>
<td>DoD</td>
<td>699.00</td>
</tr>
<tr>
<td>Task Force for Business and Stability Operations (TFBSO)</td>
<td>DoD</td>
<td>601.13</td>
</tr>
<tr>
<td>Economic Support Fund (ESF)</td>
<td>USAID</td>
<td>15,053.33</td>
</tr>
<tr>
<td>Development Assistance (DA)</td>
<td>USAID</td>
<td>883.34</td>
</tr>
<tr>
<td>Afghanistan Freedom Support Act (AFSA)</td>
<td>DoS</td>
<td>550.00</td>
</tr>
<tr>
<td>Child Survival &amp; Health (CSH + GHAI)</td>
<td>USAID</td>
<td>554.28</td>
</tr>
<tr>
<td>Commodity Credit Corp (CCC)</td>
<td>USAID</td>
<td>31.65</td>
</tr>
<tr>
<td>USAID (other)</td>
<td>USAID</td>
<td>49.59</td>
</tr>
<tr>
<td>Non-Proliferation, Antiterrorism, Demining &amp; Related (NADR)</td>
<td>DoS</td>
<td>505.70</td>
</tr>
<tr>
<td>Provincial Reconstruction Team Advisors</td>
<td>USDA</td>
<td>5.70</td>
</tr>
<tr>
<td>Treasury Technical Assistance</td>
<td>Treasury</td>
<td>4.45</td>
</tr>
<tr>
<td><strong>Total - Governance &amp; Development</strong></td>
<td></td>
<td>22,387.11</td>
</tr>
<tr>
<td><strong>COUNTER-NARCOTICS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Narcotics Control &amp; Law Enforcement (INCLE)</td>
<td>DoS</td>
<td>3,578.24</td>
</tr>
<tr>
<td>Drug Interdiction &amp; Counter-Drug Activities (DoD CN)</td>
<td>DoD</td>
<td>2,439.85</td>
</tr>
<tr>
<td>Drug Enforcement Administration (DEA)</td>
<td>DoJ</td>
<td>127.37</td>
</tr>
<tr>
<td><strong>Total - Counter-Narcotics</strong></td>
<td></td>
<td>6,145.47</td>
</tr>
<tr>
<td><strong>HUMANITARIAN</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P.L. 480 Title I</td>
<td>USDA</td>
<td>5.00</td>
</tr>
<tr>
<td>P.L. 480 Title II</td>
<td>USAID</td>
<td>716.71</td>
</tr>
<tr>
<td>Disaster Assistance (IDA)</td>
<td>USAID</td>
<td>500.13</td>
</tr>
<tr>
<td>Transition Initiatives (TI)</td>
<td>USAID</td>
<td>36.08</td>
</tr>
<tr>
<td>Migration &amp; Refugee Assistance (MRA)</td>
<td>DoS</td>
<td>812.75</td>
</tr>
<tr>
<td>Voluntary Peacekeeping (PKO)</td>
<td>DoS</td>
<td>69.33</td>
</tr>
<tr>
<td>Emergency Refugee &amp; Migration Assistance (ERMA)</td>
<td>DoS</td>
<td>25.20</td>
</tr>
<tr>
<td>Food for Progress</td>
<td>USDA</td>
<td>109.49</td>
</tr>
<tr>
<td>416(b) Food Aid</td>
<td>USDA</td>
<td>95.18</td>
</tr>
<tr>
<td>Food for Education</td>
<td>USDA</td>
<td>50.49</td>
</tr>
<tr>
<td>Emerson Trust</td>
<td>USDA</td>
<td>22.40</td>
</tr>
<tr>
<td><strong>Total - Humanitarian</strong></td>
<td></td>
<td>2,442.75</td>
</tr>
<tr>
<td><strong>INTERNATIONAL AFFAIRS OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oversight</td>
<td></td>
<td>194.20</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>6,442.40</td>
</tr>
<tr>
<td><strong>Total - International Affairs Operations</strong></td>
<td></td>
<td>6,636.60</td>
</tr>
<tr>
<td><strong>TOTAL FUNDING</strong></td>
<td></td>
<td>88,758.57</td>
</tr>
</tbody>
</table>

Notes: Numbers have been rounded. DoD transferred $101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

Figures in the FY 2013 column show agency-reported obligations against the FY 2013 continuing resolution as of December 31, 2012. At the end of the reporting period, most agencies had FY 2012 funds available for obligation.

<table>
<thead>
<tr>
<th>TOTAL FUNDING</th>
<th>COUNTER-NARCOTICS</th>
<th>GOVERNANCE &amp; DEVELOPMENT</th>
<th>Total - Security</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Security</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Food for Education</th>
<th>Food for Progress</th>
<th>Emergency Refugee &amp; Migration Assistance (ERMA)</th>
<th>Disaster Assistance (IDA)</th>
<th>P.L. 480 Title II</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Drug Enforcement Administration (DEA)</th>
<th>International Narcotics Control &amp; Law Enforcement (INCLE)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DoS 3,578.24 60.00</td>
</tr>
<tr>
<td></td>
<td>Treasury Technical Assistance</td>
</tr>
<tr>
<td>Commodity Credit Corp (CCC)</td>
<td></td>
</tr>
<tr>
<td>Task Force for Business and Stability Operations (TFBSO)</td>
<td>Commander's Emergency Response Program (CERP)</td>
</tr>
<tr>
<td>DoS 3,448.94 0.00</td>
<td>DoD 3,448.94 0.00</td>
</tr>
<tr>
<td></td>
<td>International Military Education and Training (IMET)</td>
</tr>
<tr>
<td></td>
<td>Train &amp; Equip (DoD)</td>
</tr>
</tbody>
</table>

**AGENCY TOTAL FY 2002**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>191.39</td>
<td>564.75</td>
<td>1,655.92</td>
<td>1,909.11</td>
<td>7,407.59</td>
<td>2,761.56</td>
<td>5,608.34</td>
<td>9,168.53</td>
<td>10,620.84</td>
<td>11,201.18</td>
<td>0.00</td>
</tr>
</tbody>
</table>

| 0.00 | 0.00 | 968.18 | 1,908.13| 7,406.40| 2,750.00| 5,606.94| 9,166.77| 10,619.28| 11,200.00| 0.00 |
| 0.00 | 150.00| 290.00 | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00 |
| 191.00| 414.08| 396.80 | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00 |
| 0.39 | 0.67  | 0.95   | 0.98    | 1.19    | 1.66    | 1.40    | 1.76    | 1.56    | 1.18    | 0.00 |
| 0.00 | 0.00  | 0.00   | 0.00    | 9.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00 |

| 534.04| 1,327.33| 1,911.89| 932.19  | 1,724.02| 2,157.99| 2,775.17| 4,564.78| 3,255.29| 2,951.11| 57.59 |
| 0.00 | 220.00  | 709.28  | 232.65  | 232.65  | 251.74  | 307.57  | 484.00  | 589.00  | 400.00  | 324.00 |
| 0.00 | 71.80   | 224.54  | 108.05  | 290.97  | 192.81  | 230.06  | 392.27  | 376.53  | 420.47  | 132.35 |
| 2.87 | 37.22   | 67.77   | 23.66   | 20.38   | 40.59   | 18.80   | 0.00    | 0.00    | 0.00    | 0.00 |
| 5.00 | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00 |
| 46.10| 49.20   | 56.60   | 60.00   | 60.00   | 177.00  | 65.41   | 27.40   | 15.50   | 0.00    | 0.00 |
| 85.52| 11.16   | 4.22    | 0.04    | 0.03    | 16.90   | 27.16   | 29.84   | 66.74   | 61.41   | 0.00 |
| 11.69| 11.22   | 1.60    | 0.00    | 0.00    | 0.00    | 0.75    | 0.87    | 1.13    | 0.73    | 0.02 |
| 61.50| 63.30   | 47.10   | 41.80   | 53.80   | 44.25   | 76.79   | 81.48   | 65.00   | 87.26   | 55.00 |
| 9.90 | 20.00   | 15.50   | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00 |
| 0.00 | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.20    | 0.00    | 0.00    | 0.00    | 0.00 |
| 4.96 | 9.08    | 30.10   | 23.24   | 9.47    | 20.55   | 12.09   | 0.00    | 0.00    | 0.00    | 0.00 |
| 14.14| 34.58   | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00 |
| 9.27 | 6.12    | 10.02   | 25.08   | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00 |
| 0.00 | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00 |

| 248.08| 204.66 | 165.14  | 150.16  | 123.30  | 281.10  | 182.40  | 139.60  | 148.37  | 149.40  | 55.02 |
| 0.00 | 0.00    | 0.00    | 0.00    | 2.50    | 14.30   | 25.20   | 34.40   | 37.20   | 59.00   | 21.60 |
| 35.30| 207.60  | 136.10  | 131.90  | 207.80  | 434.40  | 1,060.70| 1,761.70| 905.10  | 1,406.20| 0.00 |
| 35.30| 207.60  | 136.10  | 131.90  | 210.30  | 448.70  | 1,085.90| 1,796.10| 942.30  | 1,465.20| 21.60 |
| 1,011.68| 2,599.86| 4,819.64| 3,487.72| 10,028.31| 6,190.32| 10,384.67| 16,650.27| 15,743.33| 16,511.36| 266.56 |

| 1,011.68| 2,599.86| 4,819.64| 3,487.72| 10,028.31| 6,190.32| 10,384.67| 16,650.27| 15,743.33| 16,511.36| 266.56 |

**REQUEST**

| 5,749.17 | 0.00 | 350.00 | 93.00 | 1,849.30 | 0.00 | 54.30 | 0.00 | 987.10 | 65.02 |

**REPORT TO THE UNITED STATES CONGRESS | JANUARY 30, 2013**
**APPENDIX C**

**SIGAR WRITTEN PRODUCTS**

**SIGAR AUDITS**

**Completed Audits**

SIGAR completed three audits during this reporting period:

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-4</td>
<td>Afghan National Army: Controls over Petroleum, Oil, and Lubricants for Vehicles, Generators, and Power Plants Need Strengthening to Prevent Fraud, Waste, and Abuse</td>
<td>1/2013</td>
</tr>
<tr>
<td>13-2</td>
<td>Afghanistan’s National Power Utility: $12.8 Million in DoD-Purchased Equipment Sits Unused, and USAID Paid a Contractor for Work Not Done</td>
<td>12/2012</td>
</tr>
</tbody>
</table>

**New Audits**

SIGAR initiated two audits during this reporting period:

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 073A</td>
<td>Training of Afghan Justice Sector Personnel</td>
<td>12/2012</td>
</tr>
<tr>
<td>SIGAR 072A</td>
<td>Afghan National Security Literacy Training</td>
<td>11/2012</td>
</tr>
</tbody>
</table>

**Ongoing Audits**

SIGAR had 11 audits in progress during this reporting period:

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 071A</td>
<td>$230 Million in Missing Repair Parts</td>
<td>10/2012</td>
</tr>
<tr>
<td>SIGAR 070A</td>
<td>Afghan National Police Petroleum, Oils, and Lubricants</td>
<td>9/2012</td>
</tr>
<tr>
<td>SIGAR 069A</td>
<td>Ongoing Construction Projects for the ANSF</td>
<td>9/2012</td>
</tr>
<tr>
<td>SIGAR 068A</td>
<td>USAID’s Direct Assistance to the Ministry of Public Health</td>
<td>8/2012</td>
</tr>
<tr>
<td>SIGAR 066A</td>
<td>DoD Compliance with the Prohibition on Contracting with the Enemy</td>
<td>8/2012</td>
</tr>
<tr>
<td>SIGAR 065A</td>
<td>State’s Financial Audit Coverage of Costs in Afghanistan</td>
<td>8/2012</td>
</tr>
<tr>
<td>SIGAR 063A</td>
<td>U.S. Government Efforts to Assist in the Commercialization of the Afghanistan Electricity Utility—Da Afghanistan Breshna Sherkat (DABS)</td>
<td>7/2012</td>
</tr>
<tr>
<td>SIGAR 064A</td>
<td>Air Mobility Support for Afghan Drug Interdiction Operations</td>
<td>7/2012</td>
</tr>
<tr>
<td>SIGAR 060A</td>
<td>Tariffs, Taxes, or other Fees Imposed by the Government of the Islamic Republic of Afghanistan on U.S. Contractors Conducting Reconstruction Activities in Afghanistan</td>
<td>6/2012</td>
</tr>
</tbody>
</table>
### ONGOING SIGAR AUDITS AS OF JANUARY 30, 2013 (CONTINUED)

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 056A</td>
<td>USAID Planning for Sustainability of its Development Programs in Afghanistan</td>
<td>5/2012</td>
</tr>
<tr>
<td>SIGAR 058A</td>
<td>USAID’s Southern Region Agricultural Development Project’s Partnership with International Relief and Development, Inc.</td>
<td>4/2012</td>
</tr>
</tbody>
</table>

### New Financial Audits

SIGAR initiated 12 financial audits during this reporting period:

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR-F001</td>
<td>DoD Contract with Afghan Integrated Support Services (Joint Venture between Anham FZCO and AECOM) for ANA’s Technical Equipment Maintenance Program</td>
<td>11/2012</td>
</tr>
<tr>
<td>SIGAR-F002</td>
<td>USAID Contract with Chemonics for Alternative Livelihoods Program in Helmand Province</td>
<td>11/2012</td>
</tr>
<tr>
<td>SIGAR-F003</td>
<td>USAID Contract with Development Alternatives, Inc. for Alternative Livelihoods Program in Nangarhar Province</td>
<td>11/2012</td>
</tr>
<tr>
<td>SIGAR-F004</td>
<td>USAID Cooperative Agreement with The Asia Foundation for Strategic Support to the Afghan Government</td>
<td>11/2012</td>
</tr>
<tr>
<td>SIGAR-F005</td>
<td>USAID Contract with International Relief and Development, Inc. for the Human Resources and Logistic Support Program</td>
<td>11/2012</td>
</tr>
<tr>
<td>SIGAR-F006</td>
<td>USAID Cooperative Agreement with Management Sciences for Health for Technical Support to the Ministry of Public Health</td>
<td>11/2012</td>
</tr>
<tr>
<td>SIGAR-F007</td>
<td>USAID Contract with ARD, Inc. for the Alternative Development and Alternative Livelihoods Program Expansion North and West Project</td>
<td>11/2012</td>
</tr>
<tr>
<td>SIGAR-F008</td>
<td>USAID Contract with Emerging Markets Group for the Afghanistan SOE Privatization, Excess Land Privatization, and Land Titling Project</td>
<td>12/2012</td>
</tr>
<tr>
<td>SIGAR-F009</td>
<td>USAID Contract with Futures Group International, LLC for the Expanding Access to Private Sector Health Products and Services Program</td>
<td>12/2012</td>
</tr>
<tr>
<td>SIGAR-F011</td>
<td>State Grants with Huda Development Organization for University Media Operations Center Projects</td>
<td>11/2012</td>
</tr>
<tr>
<td>SIGAR-F012</td>
<td>USAID Cooperative Agreement with International Relief and Development, Inc for the Strategic Provincial Roads Project in Southern and Eastern Afghanistan</td>
<td>1/2013</td>
</tr>
</tbody>
</table>
SIGAR INSPECTIONS

Completed Inspections
SIGAR completed two inspections during this reporting period:

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Inspection 13-5</td>
<td>Imam Sahib Border Police Company Headquarters in Kunduz Province: $7.3 Million Facility Sits Largely Unused</td>
<td>1/2013</td>
</tr>
<tr>
<td>SIGAR Inspection 13-4</td>
<td>Kunduz Afghan National Police Provincial Headquarters: After Construction Delays and Cost Increases, Concerns Remain about the Facility’s Usability and Sustainability</td>
<td>1/2013</td>
</tr>
</tbody>
</table>

New Inspections
SIGAR initiated two inspections during this reporting period:

<table>
<thead>
<tr>
<th>Inspection Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 1009</td>
<td>Inspections of the Kajaki Dam and Related Construction Projects in Helmand Province</td>
<td>1/2013</td>
</tr>
<tr>
<td>SIGAR 1008</td>
<td>Inspections of Medical, Education, Police, and Agricultural Facilities in the Western Provinces</td>
<td>1/2013</td>
</tr>
</tbody>
</table>

Other SIGAR Written Products

SIGAR Alert Letter
SIGAR issued one alert letter during this reporting period:

<table>
<thead>
<tr>
<th>Letter Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geospatial Database Has Incorrect Coordinates for Some Sites</td>
<td>1/2013</td>
</tr>
</tbody>
</table>

SIGAR Investigations

COMPLETED INVESTIGATIVE REPORTS
SIGAR published one investigative report during this period:

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigative Report 13-1</td>
<td>Afghan National Army: $201 Million in DoD Fuel Purchases Still Unaccounted for Because Records Were Shredded</td>
<td>12/2012</td>
</tr>
</tbody>
</table>
**SIGAR Special Projects**

**COMPLETED SPECIAL PROJECTS**
SIGAR published two special project reports during this reporting period:

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR SP-13-1</td>
<td>Anti-Corruption Measures: Persistent Problems Exist in Monitoring Bulk Cash Flows at Kabul International Airport</td>
<td>12/2012</td>
</tr>
</tbody>
</table>

**NEW SPECIAL PROJECTS**
SIGAR announced one new special project during this reporting period:

<table>
<thead>
<tr>
<th>Project Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP-3</td>
<td>Evaluation of Culvert Denial System</td>
<td>12/2012</td>
</tr>
</tbody>
</table>
APPENDIX D

SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations

This quarter, SIGAR opened 63 new investigations and closed 14, bringing the total number of open investigations to 268. Of the new investigations, most involved procurement fraud, public corruption, and bribery, as shown in Figure D.1. Of the closed investigations, most were closed due to unfounded allegations, as shown in Figure D.2.

FIGURE D.1

SIGAR INVESTIGATIONS: NEW INVESTIGATIONS, OCTOBER 1–DECEMBER 31, 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Fraud</td>
<td>24</td>
</tr>
<tr>
<td>Public Corruption/Bribery</td>
<td>11</td>
</tr>
<tr>
<td>Criminal Activity</td>
<td>20</td>
</tr>
<tr>
<td>Theft</td>
<td>4</td>
</tr>
<tr>
<td>Assessment</td>
<td>3</td>
</tr>
<tr>
<td>Civil Investigation</td>
<td>1</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63</strong></td>
</tr>
</tbody>
</table>

Source: SIGAR Investigations Directorate, 1/10/2013.

FIGURE D.2

SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, OCTOBER 1–DECEMBER 31, 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfounded Allegations</td>
<td>9</td>
</tr>
<tr>
<td>Merged with Ongoing Investigations</td>
<td>2</td>
</tr>
<tr>
<td>Declined for Prosecution</td>
<td>2</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>

Source: SIGAR Investigations Directorate, 1/10/2013.

SIGAR Hotline

Of the 55 Hotline complaints received this quarter, most were received by email, as shown in Figure D.3. Of these complaints, most were closed, as shown in Figure D.4.

FIGURE D.3

SOURCE OF SIGAR HOTLINE COMPLAINTS, OCTOBER 1–DECEMBER 31, 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic (email, web, or fax)</td>
<td>53</td>
</tr>
<tr>
<td>Phone</td>
<td>1</td>
</tr>
<tr>
<td>Walk-in Complaint</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
</tr>
</tbody>
</table>


FIGURE D.4

STATUS OF SIGAR HOTLINE COMPLAINTS, OCTOBER 1–DECEMBER 31, 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>20</td>
</tr>
<tr>
<td>Under Review</td>
<td>15</td>
</tr>
<tr>
<td>Assigned for Further Investigation</td>
<td>14</td>
</tr>
<tr>
<td>Referred Out</td>
<td>5</td>
</tr>
<tr>
<td>Referred in for S&amp;D</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
</tr>
</tbody>
</table>

Note: S&D = suspension and debarment.
Suspensions and Debarments From SIGAR Referrals
As of December 31, 2012, SIGAR’s referrals for suspension and debarment have resulted in 58 suspensions and 46 debarments, as shown in chronological order in Table D.1.

| SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2012 |
|-----------------|------------------|
| Suspensions     | Debarments        |
| Al-Watan Construction Company | Farooqi, Hashmatullah |
| Basirat Construction Firm      | Hamid Lais Construction Company |
| Brophy, Kenneth               | Hamid Lais Group  |
| Naqibullah, Nadeem            | Lodin, Rohullah Farooqi |
| Rahman, Obaidur               | Bennett & Fouch Associates, LLC |
| Campbell, Neil Patrick        | Brandon, Gary     |
| Borcata, Raul A.              | K5 Global         |
| Close, Jarred Lee             | Ahmad, Noor       |
| Logistical Operations Worldwide | Noor Ahmad Yousufzai Construction Company |
| Robinson, Franz Martin        | Ayeni, Sheryl Adenike |
| Taylor, Zachery Dustin        | Cannon, Justin    |
| Aaria Group Construction Company | Constantino, April Anne |
| Aaria Group                   | Constantino, Dee  |
| Aaria Herai General Trading   | Constantino, Ramil Palmes |
| Aaria M.E. General Trading LLC | Crilly, Braam    |
| Aaria Middle East             | Drotleff, Christopher |
| Aaria Middle East Company LLC | Fil-Tech Engineering and Construction Company |
| Aaria Middle East Company Ltd. - Herat | Handa, Sdiharth |
| Aaria Supplies Company LTD    | Jabak, Imad      |
| Aaria Supply Services and Consultancy | Jamalil, Rohullah |
| Aftech International          | Khalid, Mohammad |
| Aftech International Pvt., Ltd. | Khan, Daro     |
| Alam, Ahmed Farzad            | Mariano, April Anne Perez |
| Albahar Logistics             | McCabe, Elton Maurice |
| American Aaria Company LLC    | Mihalczko, John  |
| American Aaria LLC            | Qasimi, Mohammed Indress |
| Barakzai, Nangialai           | Radhi, Mohammad Khalid |
| Formid Supply and Services    | Safi, Fazal Ahmed |
| Greenlight General Trading    | Shin Gul Shaheen, a.k.a. “Sheen Gul Shaheen” |
| Kabul Hackle Logistics Company | Espinoza-Loor, Pedro Alfredo |
| Sharpway Logistics            | Campbell, Neil Patrick |
| United States California Logistics Company | Hazrati, Arash |
| Yousef, Najeebullah           | Midfield International |
| Rahimi, Mohammad Edris        | Moore, Robert G.  |
### APPENDICES

#### TABLE D.1 (CONTINUED)

**SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2012**

<table>
<thead>
<tr>
<th>Suspensions</th>
<th>Debarments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wooten, Philip Steven</td>
<td>Noori, Noor Alam, a.k.a. &quot;Noor Alam&quot;</td>
</tr>
<tr>
<td>Domineck, Lavette Kaye</td>
<td>Northern Reconstruction Organization</td>
</tr>
<tr>
<td>Markwith, James</td>
<td>Shamal Pamir Building and Road Construction Company</td>
</tr>
<tr>
<td>All Points International Distributors, Inc.</td>
<td>Wade, Desi D.</td>
</tr>
<tr>
<td>Cipolla, James</td>
<td>Blue Planet Logistics Services</td>
</tr>
<tr>
<td>Hercules Global Logistics</td>
<td>Mahmodi, Padres</td>
</tr>
<tr>
<td>Schroeder, Robert</td>
<td>Mahmodi, Shikab</td>
</tr>
<tr>
<td>AISC LLC</td>
<td>Saber, Mohammed</td>
</tr>
<tr>
<td>American International Security Corporation</td>
<td>Watson, Brian Erik</td>
</tr>
<tr>
<td>Brothers, Richard S.</td>
<td>Afghan Builder’s Consortium, d.b.a. &quot;ABC&quot;</td>
</tr>
<tr>
<td>David A Young Construction &amp; Renovation Inc.</td>
<td>Mohammad, Ghani</td>
</tr>
<tr>
<td>Force Direct Solutions LLC</td>
<td>Mohammad, Taj</td>
</tr>
<tr>
<td>Harris, Christopher</td>
<td></td>
</tr>
<tr>
<td>Hernando County Holdings LLC</td>
<td></td>
</tr>
<tr>
<td>Hide-A-Wreck LLC</td>
<td></td>
</tr>
<tr>
<td>Panthers LLC</td>
<td></td>
</tr>
<tr>
<td>Paper Mill Village, Inc</td>
<td></td>
</tr>
<tr>
<td>Shroud Line LLC</td>
<td></td>
</tr>
<tr>
<td>Spada, Carol</td>
<td></td>
</tr>
<tr>
<td>Taylor, Michael</td>
<td></td>
</tr>
<tr>
<td>Welventure LLC</td>
<td></td>
</tr>
<tr>
<td>World Wide Trainers LLC</td>
<td></td>
</tr>
<tr>
<td>Young, David</td>
<td></td>
</tr>
<tr>
<td>Espinoza, Mauricio</td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX E

### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABP</td>
<td>Afghan Border Police</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AGO</td>
<td>Attorney General’s Office</td>
</tr>
<tr>
<td>AIF</td>
<td>Afghanistan Infrastructure Fund</td>
</tr>
<tr>
<td>AIHRC</td>
<td>Afghanistan Independent Human Rights Commission</td>
</tr>
<tr>
<td>AIP</td>
<td>Afghanistan Infrastructure Program</td>
</tr>
<tr>
<td>ALP</td>
<td>Afghan Local Police</td>
</tr>
<tr>
<td>ANA</td>
<td>Afghan National Army</td>
</tr>
<tr>
<td>ANCO</td>
<td>Afghan National Civil Order of Police</td>
</tr>
<tr>
<td>ANP</td>
<td>Afghan National Police</td>
</tr>
<tr>
<td>ANSF</td>
<td>Afghan National Security Forces</td>
</tr>
<tr>
<td>APAP</td>
<td>Afghanistan Parliamentary Assistance Program</td>
</tr>
<tr>
<td>APPF</td>
<td>Afghan Public Protection Force</td>
</tr>
<tr>
<td>APRP</td>
<td>Afghan Peace and Reintegration Plan</td>
</tr>
<tr>
<td>ARTF</td>
<td>Afghanistan Reconstruction Trust Fund</td>
</tr>
<tr>
<td>ASFF</td>
<td>Afghanistan Security Forces Fund</td>
</tr>
<tr>
<td>ASYCUDA</td>
<td>Automated System for Customs Data</td>
</tr>
<tr>
<td>AUP</td>
<td>Afghan Uniform Police</td>
</tr>
<tr>
<td>CERP</td>
<td>Commander’s Emergency Response Program</td>
</tr>
<tr>
<td>CIA</td>
<td>Central Intelligence Agency (U.S.)</td>
</tr>
<tr>
<td>CJIAF</td>
<td>Combined Joint Interagency Task Force</td>
</tr>
<tr>
<td>CM</td>
<td>Capability Milestone</td>
</tr>
<tr>
<td>CNPA</td>
<td>Counter-Narcotics Police of Afghanistan</td>
</tr>
<tr>
<td>CPD</td>
<td>Central Prison Directorate (Afghan)</td>
</tr>
<tr>
<td>CSSP</td>
<td>Correction System Support Program</td>
</tr>
<tr>
<td>CSTC-A</td>
<td>Combined Security Transition Command-Afghanistan</td>
</tr>
<tr>
<td>CUAT</td>
<td>Commander’s Unit Assessment Tool</td>
</tr>
<tr>
<td>DABS</td>
<td>Afghan national utility company</td>
</tr>
<tr>
<td>DCIS</td>
<td>Defense Criminal Investigative Service (U.S.)</td>
</tr>
<tr>
<td>DEA</td>
<td>Drug Enforcement Administration (U.S.)</td>
</tr>
<tr>
<td>DoD</td>
<td>Department of Defense (U.S.)</td>
</tr>
<tr>
<td>DoD CN</td>
<td>Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>Department of Defense Office of Inspector General</td>
</tr>
<tr>
<td>DoS</td>
<td>Department of State (U.S.)</td>
</tr>
<tr>
<td>DoS OIG</td>
<td>DoS Office of Inspector General</td>
</tr>
<tr>
<td>DoT</td>
<td>Department of Transportation (U.S.)</td>
</tr>
<tr>
<td>DST</td>
<td>District Support Team</td>
</tr>
<tr>
<td>ECF</td>
<td>Extended Credit Facility</td>
</tr>
<tr>
<td>EIA</td>
<td>enemy initiated attack</td>
</tr>
</tbody>
</table>
## APPENDICES

<table>
<thead>
<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESF</td>
<td>Economic Support Fund</td>
</tr>
<tr>
<td>EVAW</td>
<td>Elimination of Violence Against Women law</td>
</tr>
<tr>
<td>FBI</td>
<td>Federal Bureau of Investigation (U.S.)</td>
</tr>
<tr>
<td>FDRC</td>
<td>Financial Disputes Resolution Commission</td>
</tr>
<tr>
<td>GAO</td>
<td>Government Accountability Office (U.S.)</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>HOO</td>
<td>High Office of Oversight for Anti-Corruption (Afghan)</td>
</tr>
<tr>
<td>IARCSC</td>
<td>Independent Administrative Reform and Civil Service Commission</td>
</tr>
<tr>
<td>ICAO</td>
<td>International Civil Aviation Organization</td>
</tr>
<tr>
<td>ICCTF</td>
<td>International Contract Corruption Task Force</td>
</tr>
<tr>
<td>IDEA-NEW</td>
<td>Incentives Driving Economic Alternatives for North, East, and West</td>
</tr>
<tr>
<td>IDLG</td>
<td>Independent Directorate of Local Governance (Afghan)</td>
</tr>
<tr>
<td>IEC</td>
<td>Independent Election Commission (Afghan)</td>
</tr>
<tr>
<td>IED</td>
<td>Improvised explosive device</td>
</tr>
<tr>
<td>IJC</td>
<td>International Security Assistance Force Joint Command</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INCLE</td>
<td>International Narcotics Control and Law Enforcement (U.S.)</td>
</tr>
<tr>
<td>INL</td>
<td>Bureau of International Narcotics and Law Enforcement Affairs (U.S.)</td>
</tr>
<tr>
<td>ISAF</td>
<td>International Security Assistance Force</td>
</tr>
<tr>
<td>JSSP</td>
<td>Justice Sector Support Program</td>
</tr>
<tr>
<td>KCI</td>
<td>Kabul City Initiative</td>
</tr>
<tr>
<td>LOTFA</td>
<td>Law and Order Trust Fund for Afghanistan</td>
</tr>
<tr>
<td>MCC</td>
<td>China Metallurgical Group Corporation</td>
</tr>
<tr>
<td>MCIT</td>
<td>Ministry of Communications and Information Technology (Afghan)</td>
</tr>
<tr>
<td>MCN</td>
<td>Ministry of Counter Narcotics (Afghan)</td>
</tr>
<tr>
<td>MCTF</td>
<td>Major Crimes Task Force (Afghan)</td>
</tr>
<tr>
<td>MEC</td>
<td>Monitoring and Evaluation Committee (Afghan)</td>
</tr>
<tr>
<td>MoD</td>
<td>Ministry of Defense (Afghan)</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance (Afghan)</td>
</tr>
<tr>
<td>Mol</td>
<td>Ministry of Interior (Afghan)</td>
</tr>
<tr>
<td>MoJ</td>
<td>Ministry of Justice (Afghan)</td>
</tr>
<tr>
<td>MoM</td>
<td>Ministry of Mines (Afghan)</td>
</tr>
<tr>
<td>MoPH</td>
<td>Ministry of Public Health (Afghan)</td>
</tr>
<tr>
<td>MRRD</td>
<td>Ministry of Rural Rehabilitation and Development (Afghan)</td>
</tr>
<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
</tr>
<tr>
<td>NIU</td>
<td>National Interdiction Unit (Afghan)</td>
</tr>
<tr>
<td>NKB</td>
<td>New Kabul Bank</td>
</tr>
<tr>
<td>NPP</td>
<td>National Priority Program</td>
</tr>
<tr>
<td>NPTC</td>
<td>National Police Training Center</td>
</tr>
<tr>
<td>NTM-A</td>
<td>NATO Training Mission-Afghanistan</td>
</tr>
<tr>
<td>OCO</td>
<td>Overseas Contingency Operations</td>
</tr>
<tr>
<td>OMB</td>
<td>Office of Management and Budget (U.S.)</td>
</tr>
<tr>
<td>ACRONYM OR ABBREVIATION</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>OTA</td>
<td>Office of Technical Assistance (U.S. Treasury)</td>
</tr>
<tr>
<td>PL.</td>
<td>Public Law</td>
</tr>
<tr>
<td>PIST</td>
<td>Provincial Joint Secretariat Team (Afghan)</td>
</tr>
<tr>
<td>PM/WRA</td>
<td>Bureau of Political-Military Affairs - Office of Weapons Removal and Abatement</td>
</tr>
<tr>
<td>POL</td>
<td>petroleum, oil, and lubricants</td>
</tr>
<tr>
<td>PPC</td>
<td>Provincial Peace Council</td>
</tr>
<tr>
<td>PRT</td>
<td>Provincial Reconstruction Team</td>
</tr>
<tr>
<td>PSC</td>
<td>private security contractor</td>
</tr>
<tr>
<td>PTEC</td>
<td>Power Transmission Expansion and Connectivity</td>
</tr>
<tr>
<td>RAMP-UP</td>
<td>USAID Regional Afghan Municipalities Program for Urban Populations</td>
</tr>
<tr>
<td>RC</td>
<td>Regional Command (ISAF)</td>
</tr>
<tr>
<td>RC Window</td>
<td>Recurrent Cost Window</td>
</tr>
<tr>
<td>SCC</td>
<td>Special Cases Committee (Afghan)</td>
</tr>
<tr>
<td>SIGAR</td>
<td>Special Inspector General for Afghanistan Reconstruction</td>
</tr>
<tr>
<td>SY</td>
<td>solar year</td>
</tr>
<tr>
<td>TAPI</td>
<td>Turkmenistan-Afghanistan-Pakistan-India Pipeline</td>
</tr>
<tr>
<td>TFBSO</td>
<td>Task Force for Business and Stability Operations in Afghanistan</td>
</tr>
<tr>
<td>TMR</td>
<td>transportation movement request</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNHCR</td>
<td>UN High Commissioner for Refugees</td>
</tr>
<tr>
<td>UNODC</td>
<td>UN Office on Drugs and Crime</td>
</tr>
<tr>
<td>USAAA</td>
<td>U.S. Army Audit Agency</td>
</tr>
<tr>
<td>USACE</td>
<td>U.S. Army Corps of Engineers</td>
</tr>
<tr>
<td>USACE-TAN</td>
<td>U.S. Army Corps of Engineers-Transatlantic Afghanistan North</td>
</tr>
<tr>
<td>USAID</td>
<td>U.S. Agency for International Development</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>USAID Office of Inspector General</td>
</tr>
<tr>
<td>USDA</td>
<td>U.S. Department of Agriculture</td>
</tr>
<tr>
<td>USFOR-A</td>
<td>U.S. Forces-Afghanistan</td>
</tr>
<tr>
<td>USGS</td>
<td>United States Geological Survey</td>
</tr>
<tr>
<td>UXO</td>
<td>unexploded ordnance</td>
</tr>
<tr>
<td>VSO</td>
<td>Village Stability Operations</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
2. Public Law 107-40, Joint Resolution to authorize the use of the United States Armed Forces against those responsible for the recent attacks launched against the United States, §2(a), September 18, 2001.
4. White House Office of the Press Secretary, “Remarks by President Obama in Address to the Nation from Afghanistan,” delivered at Bagram Air Base, 5/1/2012.
7. SIGAR Audit 11-13, 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, July 2011.
12. SIGAR Audit 11-3: ANP District Headquarters Facilities In Helmand and Kandahar Provinces Have Significant Deficiencies Due to Lack of Oversight and Poor Contractor Performance, October 2010.
24. SIGAR Audit 13-1, Afghan National Security Forces Facilities: Concerns with Funding, Oversight, and Sustainability for Operation and Maintenance, October 2012.
26. SIGAR Audit 12-12, Fiscal Year 2011 Afghanistan Infrastructure Fund Projects are behind Schedule and Lack Adequate Sustainment Plans, July 2012.
29. SIGAR Audit 12-8, USAID Spent Almost $400 million on an Afghan Stabilization Project despite Uncertain Results, but Has Taken Steps to Better Assess Similar Efforts, April 2012, ii.
31. See Appendix B of this report.
34. See Appendix B of this report; DoD, response to SIGAR data call, 1/17/2013.
35. DoD, response to SIGAR data call, 1/17/2013.
38. DoD, response to SIGAR data call, 1/17/2013.
41. See Appendix B of this report.
42. DoD, response to SIGAR data call, 1/15/2013.
46. See Appendix B of this report.
47. DoD, response to SIGAR data call, 1/4/2013.
50. DoD, response to SIGAR data call, 1/2/2013.
52. USAID, response to SIGAR data call 1/3/2013.
53. USAID, responses to SIGAR data call, 1/3/2013 and 10/2/2012.
70. DoD, response to SIGAR data call, 1/17/2013.
75. CSTC-A, response to SIGAR data call, 12/20/2012; IJC, response to SIGAR data call, 10/30/2012, p. 80.
76. CSTC-A, response to SIGAR data call, 12/20/2012.
77. CSTC-A, response to SIGAR data call, 12/20/2012; LJC, response to SIGAR vetting, 1/10/2012.
78. CSTC-A, response to SIGAR data call, 12/20/2012.
79. CSTC-A, response to SIGAR data call, 12/20/2012.
80. CSTC-A, response to SIGAR data call, 12/20/2012.
81. CSTC-A, response to SIGAR data call, 12/20/2012.
82. CSTC-A, response to SIGAR data call, 12/20/2012.
85. DoD, response to SIGAR vetting, 1/11/2013.
87. DoD, response to SIGAR data call, 1/2/2013.
88. DoD, response to SIGAR data call, 1/2/2013; DoD, response to SIGAR vetting, 1/11/2013.
89. DoD, response to SIGAR data call, 1/2/2013.
96. CSTC-A, response to SIGAR data call, 01/02/2013.
97. CSTC-A, response to SIGAR data call, 01/02/2013; NTM-A/ CSTC-A, response to SIGAR vetting, 1/14/2013.
100. CSTC-A, response to SIGAR data call, 12/20/2012.
101. NTM-A/CSTC-A, response to SIGAR vetting, 1/14/2013.
102. ISAF, response to SIGAR data call, 12/20/2012.
104. CSTC-A, response to SIGAR data call, 12/20/2012.
107. CSTC-A, response to SIGAR data call, 12/20/2012.
108. CSTC-A, response to SIGAR data call, 12/20/2012; LJC, response to SIGAR vetting, 1/10/2012.
109. CSTC-A, response to SIGAR data call, 12/20/2012.
110. CSTC-A, response to SIGAR data call, 12/20/2012.
112. CSTC-A, response to SIGAR data call, 12/20/2012.
113. CSTC-A, response to SIGAR data call, 12/20/2012.
114. CSTC-A, response to SIGAR data call, 12/20/2012.
115. CSTC-A, response to SIGAR data call, 1/17/2013.
117. CSTC-A, response to SIGAR data call, 1/17/2013.
118. CSTC-A, response to SIGAR data call, 1/17/2013.
120. CSTC-A, response to SIGAR data call, 1/2/2013.
ENDNOTES

121. CSTC-A, response to SIGAR data call, 1/2/2013.
123. DoD, response to SIGAR data call, 1/17/2013.
124. CSTC-A, response to SIGAR data call, 1/2/2013.
125. CSTC-A, response to SIGAR data call, 1/2/2013.
128. CSTC-A, response to SIGAR data call, 1/2/2013.
129. CSTC-A, response to SIGAR data call, 1/2/2013.
132. CSTC-A, response to SIGAR data call, 1/2/2013.
133. CSTC-A, response to SIGAR data call, 1/2/2013.
135. NTM-A/CSTC-A, response to SIGAR vetting, 1/14/2013.
137. CSTC-A, response to SIGAR data call, 1/2/2013.
139. CSTC-A, response to SIGAR data call, 1/2/2013.
140. CSTC-A, response to SIGAR data call, 1/2/2013.
141. CSTC-A, response to SIGAR data call, 1/2/2013.
142. DoD, response to SIGAR vetting, 1/11/2013.
143. DoD, response to SIGAR data call, 1/17/2013.
144. CSTC-A, response to SIGAR data call, 1/2/2013.
146. CSTC-A, response to SIGAR data call, 1/2/2013.
147. CSTC-A, response to SIGAR data call, 1/2/2013.
148. CSTC-A, response to SIGAR data call, 1/2/2013.
149. CSTC-A, response to SIGAR data call, 1/2/2013.
150. DoD, response to SIGAR data call, 1/17/2013.
151. CSTC-A, response to SIGAR data call, 1/2/2013.
152. DoD, response to SIGAR data call, 1/17/2013.
153. CSTC-A, response to SIGAR data call, 1/2/2013.
154. CSTC-A, response to SIGAR data call, 1/2/2013.
156. DoD, response to SIGAR data call, 1/17/2013.
158. CSTC-A, response to SIGAR data call, 1/2/2013.
159. CSTC-A, response to SIGAR data call, 1/2/2013; NTM-A/CSTC-A, response to SIGAR vetting, 1/14/2013.
160. CSTC-A, response to SIGAR data call, 1/2/2013.
161. CSTC-A, response to SIGAR data call, 1/2/2013.
162. CENTCOM, response to SIGAR data call, 12/27/2012.
163. SOJTF, response to SIGAR vetting, 1/8/2012.
164. CENTCOM, response to SIGAR data call, 12/27/2012.
165. CSTC-A, response to SIGAR data call, 1/2/2013.
166. CSTC-A, response to SIGAR data call, 1/2/2013.
168. CENTCOM, response to SIGAR data call, 1/2/2013.
171. See Appendix B of this report.
183. CSTC-A, response to SIGAR data call, 1/2/2013.
184. CSTC-A, response to SIGAR data call, 1/2/2013.
185. DoD, response to SIGAR data call, 1/10/2013.
186. DoD, response to SIGAR data call, 1/10/2013.
187. DoD, response to SIGAR data call, 1/10/2013.
188. DoD, response to SIGAR data call, 1/10/2013.
189. See Appendix B of this report.
203. USAID, response to SIGAR data call, 12/23/2012.
204. USAID, response to SIGAR data call, 12/23/2012.
205. USAID, response to SIGAR data call, 12/23/2012.
207. USAID, response to SIGAR data call, 12/23/2012; USAID, response to SIGAR vetting, 1/14/2013; DoS, response to SIGAR data call, 1/11/2013.


215. USAID, response to SIGAR data call, 12/23/2012; USAID, response to SIGAR vetting, 1/14/2013.

216. USAID, response to SIGAR data call, 12/23/2012.

217. USAID, response to SIGAR data call, 12/23/2012.

218. USAID, response to SIGAR data call, 12/23/2012.


220. USAID, response to SIGAR data call, 12/23/2012.

221. USAID, response to SIGAR data call, 12/23/2012.

222. UN Secretary-General, “The Situation in Afghanistan and Its Implications for International Peace and Security,” 12/6/2012, p. 3.


225. Treasury Department, response to SIGAR data call, 12/21/2012.

226. Treasury Department, response to SIGAR data call, 12/21/2012.


229. Treasury Department, response to SIGAR data call, 12/21/2012.

230. Treasury Department, response to SIGAR data call, 12/21/2012.


238. UN Secretary-General, “The Situation in Afghanistan and Its Implications for International Peace and Security,” 12/6/2012, p. 4.

239. USAID, response to SIGAR vetting, 1/14/2013.

240. USAID, response to SIGAR data call, 12/27/2012.

241. USAID, response to SIGAR data call, 12/27/2012.

242. USAID, response to SIGAR data call, 12/27/2012.

243. USAID, response to SIGAR data call, 12/27/2012.

244. USAID, response to SIGAR data call, 12/27/2012.

245. USAID, response to SIGAR data call, 12/27/2012.

246. USAID, response to SIGAR data call, 12/27/2012.

247. USAID, response to SIGAR data call, 12/27/2012.

248. Do/DOSD, response to SIGAR data call, 1/10/2013.

249. USAID, response to SIGAR data call, 12/27/2012.

250. USAID, response to SIGAR data call, 12/27/2012.

251. USAID, response to SIGAR data call, 12/23/2012.

252. USAID, response to SIGAR data call, 12/23/2012.


257. USAID, response to SIGAR data call, 12/23/2012.


259. UN Secretary-General, “The Situation in Afghanistan and Its Implications for International Peace and Security,” 12/6/2012, pp. 10–11.


266. DoS/INL, response to SIGAR data call, 12/31/2012.


268. USAID, response to SIGAR data call, 12/23/2012.

269. USAID, response to SIGAR data call, 12/23/2012.

270. USAID, response to SIGAR data call, 12/23/2012.

271. USAID, response to SIGAR data call, 12/23/2012.

272. USAID, response to SIGAR data call, 12/23/2012.

273. USAID, response to SIGAR data call, 12/23/2012.


288. USAID, response to SIGAR data call, 12/23/2012.

289. USAID, response to SIGAR data call, 12/23/2012.


332. Treasury, response to SIGAR data call, 12/21/2012.


334. Treasury, response to SIGAR data call, 12/21/2012.


341. DoS, response to SIGAR data call, 12/31/2012.


ENDNOTES

357. DoS, response to SIGAR data call, 12/19/2012; Treasury, response to SIGAR data call, 12/21/2012.
358. DoS, response to SIGAR data call, 12/19/2012.
360. DoS, response to SIGAR data call, 12/19/2012.
362. Treasury, response to SIGAR data call, 12/21/2012.
364. Treasury, response to SIGAR data call, 12/21/2012.
369. Treasury, response to SIGAR data call, 12/21/2012.
370. Treasury, response to SIGAR data call, 12/21/2012.
371. Treasury, response to SIGAR data call, 12/21/2012.
381. DoS, response to SIGAR data call, 12/31/2012.
382. DoS, response to SIGAR data call, 12/31/2012.
385. TFBSO, response to SIGAR data call, 1/3/2013.
386. DoS, response to SIGAR data call, 12/31/2012.
388. TFBSO, e-mail follow-up response to SIGAR data call, 1/3/2013; TFBSO, response to SIGAR vetting, 1/8/2013.
394. DoS, response to SIGAR data call, 12/31/2012.
396. TFBSO, response to SIGAR data call, 1/3/2013.
397. TFBSO, response to SIGAR data call, 1/3/2013.
402. USAID, response to SIGAR data call, 12/17/2012.
403. USAID, response to SIGAR data call, 9/30/2012.
404. USAID, response to SIGAR data call, 9/30/2012.
405. USAID, response to SIGAR data call, 9/30/2012.
406. USAID, response to SIGAR data call, 9/30/2012.
407. USAID, response to SIGAR data call, 12/30/2012; SIGAR analysis of USAID contracts.
411. USAID, response to SIGAR data call, 12/30/2012.
412. DoS, response to SIGAR data call, 12/31/2012.
413. USAID, response to SIGAR data call, 12/30/2012.
414. USAID, response to SIGAR data call, 12/30/2012.
415. USAID, response to SIGAR data call, 12/30/2012.
416. USAID, response to SIGAR data call, 12/30/2012.
418. DoS, response to SIGAR data call, 12/31/2012.
419. USAID, response to SIGAR data call, 12/30/2012.
422. USAID, response to SIGAR data call, 12/30/2012.
423. USAID, response to SIGAR data call, 12/30/2012.
424. USAID, response to SIGAR data call, 12/30/2012.
428. USAID, response to SIGAR data call, 12/27/2012.
434. USAID, response to SIGAR data call, 12/27/2012.
436. DoD, response to SIGAR data call, 12/20/2012.
440. DoS, response to SIGAR data call, 12/19/2012.
442. DoS, response to SIGAR data call, 12/19/2012.
443. DoD, response to SIGAR data call, 12/20/2012.
444. DoS, response to SIGAR data call, 12/19/2012; DoD, response to SIGAR data call, 12/20/2012.
446. SIGAR, “Quarterly Report to Congress, 7/2012,” p. 130.
448. DoS, response to SIGAR data call, 12/19/2012.
453. DoS, response to SIGAR data call, 12/19/2012.
454. USAID, response to SIGAR data call, 12/30/2012.
455. USAID, response to SIGAR data call, 12/30/2012; USAID, response to SIGAR vetting, 1/14/2013.
456. USAID, response to SIGAR data call, 12/30/2012.
457. USAID, response to SIGAR data call, 12/30/2012.
458. USAID, response to SIGAR data call, 12/30/2012; USAID, response to SIGAR vetting, 1/14/2013.
459. USAID, response to SIGAR data call, 12/30/2012.
462. USAID, response to SIGAR data call, 12/30/2012.
467. USAID, response to SIGAR data call, 12/29/2012; USAID, response to SIGAR vetting, 1/14/2013.
468. USAID, response to SIGAR data call, 12/29/2012.
469. USAID, response to SIGAR data call, 12/29/2012; USAID, response to SIGAR vetting, 1/14/2013.
470. USAID, response to SIGAR data call, 12/29/2012.
471. USAID, response to SIGAR data call, 12/29/2012.
472. USAID, response to SIGAR data call, 12/29/2012.
473. USAID, response to SIGAR data call, 12/29/2012; USAID, response to SIGAR vetting, 1/14/2013.
474. USAID, response to SIGAR data call, 12/29/2012.
475. USAID, response to SIGAR data call, 12/29/2012.
476. USAID, response to SIGAR data call, 12/29/2012.
477. USAID, response to SIGAR data call, 12/29/2012; USAID, response to SIGAR vetting, 1/14/2013.
478. USAID, response to SIGAR data call, 12/29/2012.
479. USAID, response to SIGAR data call, 12/29/2012.
480. USAID, response to SIGAR data call, 12/29/2012.
493. USAID, response to SIGAR data call, 12/27/2012.

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

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

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

(For a list of the congressionally mandated contents of this report, see Section 3.)

Afghan children get water from a village well, one of more than 3,000 built or rehabilitated with USAID funds to reduce waterborne diseases that kill 40,000 children each year. (USAID photo)
QUARTERLY REPORT TO THE UNITED STATES CONGRESS

QUARTERLY REPORT TO THE UNITED STATES CONGRESS
JANUARY 30, 2013

SIGAR
Special Inspector General for Afghanistan Reconstruction

SIGAR
SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION
2530 Crystal Drive
Arlington, VA 22202

SIGAR
QUARTERLY REPORT TO THE UNITED STATES CONGRESS | JANUARY 30, 2013

SIGAR | QUARTERLY REPORT TO THE UNITED STATES CONGRESS | JANUARY 30, 2013

SIGAR
Special Inspector General for Afghanistan Reconstruction

SIGAR
SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION
2530 Crystal Drive
Arlington, VA 22202

www.sigar.mil

Jan2013_Cover.indd   1
1/15/2013   9:42:47 AM