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GOVERNANCE

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

KEY EVENTS

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

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

The messy aftermath of the Afghan presidential election dominated the quarter. After a June runoff election, presidential candidate Abdullah claimed victory in July and again in September, while the Independent Election Commission (IEC) released preliminary results showing Ghani to be the presumptive victor.⁴¹⁸ The UN Secretary-General warned in September that the elections impasse created “grave destabilizing consequences for the political, security, economic and social environment of the country.”⁴¹⁹ He attributed the disruption to more aggressive actions by the Taliban, other insurgent and terrorist groups, criminals, and local power brokers, and to popular disenchantment reflecting post-election political uncertainty and the international military drawdown.⁴²⁰



On September 29, Ambassador James Cunningham and John Podesta, head of the U.S. delegation to the inauguration of new Afghan President Dr. Ashraf Ghani and Chief Executive Officer Dr. Abdullah Abdullah, held a press conference to congratulate Ghani and Abdullah. (State Department photo)



U.S. Secretary of State John Kerry shakes hands with Afghan presidential candidates Abdullah Abdullah and Ashraf Ghani after a press conference in Kabul on August 8, 2014. (State Department photo)

President Barack Obama and Secretary of State John Kerry made significant interventions encouraging the candidates to agree to an audit process and form a national unity government. Following the June 14 runoff election, President Obama called both candidates six times, Secretary Kerry called the candidates 30 times and twice visited the country, and U.S. Ambassador James Cunningham held 81 meetings with the candidates.⁴²¹

ELECTIONS

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

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

After negotiations with Secretary Kerry, both Abdullah and Ghani stated in his presence on July 12 that they had agreed to a framework for a

national-unity government.⁴²⁷ The following day, however, the candidates' campaigns offered differing interpretations: Abdullah's spokesmen proposed a "shared government" with an executive prime minister who would be appointed by presidential decree; Ghani's spokesmen said the losing candidate could participate in the new government "through legal ways," but that details would be negotiated after the presidential winner was announced.⁴²⁸

Following the agreement between the candidates to establish a government of national unity, protests broke out on August 17 in Kandahar City during which some protesters threatened to support the Taliban if a coalition government were "imposed."⁴²⁹

In a press conference on September 8, Abdullah announced that he was the victor in both the first and second rounds and that he would not "accept a government based on fraudulent votes."⁴³⁰ The following day, the UN Secretary-General urged the two candidates to respect their previous commitments and form a national-unity government.⁴³¹

Following Abdullah's announcement, on September 10, Ghani called for the release of the audit results and said that any political deal should not result in a "two-headed government."⁴³² The next day, September 11, the UN deputy secretary-general visited Afghanistan to meet with the candidates and urge a resolution. Following a meeting with the deputy secretary general, Abdullah's camp said there were no communications between the rival campaigns.⁴³³

The two campaigns continued to disagree on the national-unity government concept until September 21, when they signed a power-sharing deal at the presidential palace.⁴³⁴ This final agreement followed two visits by Secretary Kerry that resulted in previous agreements between the campaigns: the Technical and Political Framework issued on July 12 and the Joint Declaration issued on August 8.⁴³⁵ The Ghani and Abdullah camps committed to the following:

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



Afghan presidential candidates Abdullah Abdullah and Ashraf Ghani sign the Joint Declaration of the Electoral Teams in Kabul on August 8, 2014. (State Department photo)

- ensuring parity between the president and the CEO in selecting personnel at the level of head of key security and economic institutions and independent directorates
- establishing a special commission to reform the election system⁴³⁶

Five hours after the signing of the national-unity government agreement, the IEC announced that Ashraf Ghani was the winner of the election. As a condition of the national-unity government deal, the IEC did not immediately announce the full elections results.⁴³⁷ On September 26, however, the IEC presented then President-Elect Ghani with a winner's certificate stating that Ghani won 55.27% of the total votes (3.93 million out of 7.12 million votes). At the same event, the IEC chairman was quoted saying that "the IEC was not the only institution involved in fraud. Fraud was wide-ranging."⁴³⁸ The Abdullah campaign issued a statement complaining that the results certificate was contrary to the agreement reached between the campaigns and that the certified results were not authentic.⁴³⁹

Assuming the results listed on the IEC certificate given to Ghani are accurate, the audit reduced Ghani's share of the vote by 1.17% and increased Abdullah's by 1.21%.⁴⁴⁰

Audits and Fraud Detection

On July 12, Secretary Kerry, along with candidates Abdullah and Ghani, announced terms of an agreement to overcome the runoff election impasse. One of the items agreed to was a comprehensive audit of all of the 8.1 million votes cast in the second round.⁴⁴¹

On September 14, the IEC announced that the audit was completed. According to the IEC chairman, 1,683 of 2,200 complaints lodged by Abdullah's campaign were found legitimate and 242 of the 729 complaints lodged by Ghani's campaign were found legitimate.⁴⁴² Ultimately, 1,260 out of 23,000 polling stations were invalidated by the IEC.⁴⁴³

The European Union Election Assessment Team (EU EAT) deployed one of the largest international-observer missions to support the runoff audit, with up to 410 observers.⁴⁴⁴ It labeled the audit process "unsatisfactory" and claimed the audit produced clear evidence of large-scale fraud, particularly ballot stuffing.⁴⁴⁵ EU EAT estimated that between two and three million runoff votes were fraudulent.⁴⁴⁶

A senior State Department official, in a background briefing, noted that while the runoff audit sought to meet best international standards, institutionalized fraud by the IEC prevented any audit from resolving all allegations of fraud.⁴⁴⁷ According to EU EAT, effective anti-fraud measures have been neglected for years in Afghanistan. EU EAT assessed that the negotiated audit procedures in the recent audit were inconsistently applied during a time of elevated political tensions. EU EAT did not specify which



Workers of IEC count ballots at a polling center in Kabul during the presidential runoff. (USAID Afghanistan photo)

organizations, international or domestic, they found deficient, but promised to issue a full report shortly.⁴⁴⁸

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

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

Initial Appointments

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

At press time, the following appointments had been made in the new Ghani administration:

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

U.S. Support for the Elections

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

USAID expects to contribute \$65.7 million to the United Nations Development Programme (UNDP) Enhancing Legal and Electoral Capacity

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

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

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

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

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

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TABLE 3.17

USAID PROGRAMS INTENDED TO SUPPORT THE 2014 PRESIDENTIAL AND PROVINCIAL COUNCIL ELECTIONS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 9/30/2014 (\$)
Afghan Civic Engagement Program (ACEP)*	12/4/2013	12/3/2018	\$70,000,000	\$8,804,817
Enhancing Legal and Electoral Capacity for Tomorrow (ELECT) II	9/28/2013	12/31/2014	65,720,825	28,397,554
Electoral Reform and Civic Advocacy (AERCA)	7/7/2009	12/31/2015	38,702,682	30,704,119
Supporting Political Entities and Civil Society (SPECS)	7/7/2013	7/6/2016	18,000,000	9,278,855
International Election Observation (NDI)	2/1/2014	12/31/2014	6,017,700	3,781,699
International Election Observation (DI)	2/1/2014	12/31/2014	6,959,188	5,652,697
Peaceful Elections Campaign**	9/10/2013	9/30/2015	3,000,000	1,362,237
International Election Observation (TAF)	8/4/2014	1/5/2015	2,356,724	161,977

Note:

*ACEP programming that contributed to the April and June 2014 elections cost approximately \$1.4 million as of June 30, 2014.

**As of September 15, 2014. These disbursements do not reflect operational expenditures.

Source: USAID, responses to SIGAR data call, 9/29/2014 and 10/9/2014.

awareness that future peace and stability in Afghanistan required a peaceful transfer of power.⁴⁶⁷

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

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

U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

The World Bank reported this quarter that Afghanistan is headed for a fiscal crisis. Government cash balances are low and it is behind in operations and maintenance as well as discretionary development spending.⁴⁶⁹ The Ministry of Finance (MOF) reported that Afghanistan is suffering from acute budgetary shortfalls⁴⁷⁰ and the World Bank estimates a shortfall of \$500 million in FY 1393 (December 21, 2013–December 20, 2014), threatening to affect payments of civil servant salaries, pensions, and operating and development spending. However, the Bank warns that the fiscal gap will be even larger if revised government-revenue targets are not reached and donor grants are not paid.⁴⁷¹ For more information on the revenue challenges, please see pages 164–167 in this report.

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

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

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

Source: SIGAR, *Quarterly Report to the United States Congress*, 7/30/2014, p. 130; Ministry of Finance, "Aid Management Policy for Transition and Beyond," 12/10/2012, p. 8.

government, creating “a major hole in [the Afghan government’s] development budget.”⁴⁷² In August, a MOF spokesman warned that a host of development projects to build and maintain roads, schools, and clinics had been suspended for lack of funds.⁴⁷³ The MOF instituted control measures to reduce discretionary spending and operations and maintenance expenses.⁴⁷⁴

According to USAID, most nonsecurity donor contributions to the Afghan government are to the development budget and intended to be spent on development-project activities. In practice, however, the provision of donor funding for a particular purpose can free Afghan government funds that would have otherwise been expended for that particular item. Donor funding can, in effect, provide the Afghan government with the budgetary latitude to prioritize and redistribute its own funding based on its most pressing needs, including covering recurrent costs such as salaries.⁴⁷⁵

In August and September, the deputy minister of finance and the director general of the treasury publicly expressed concerns regarding Afghanistan’s fiscal solvency, forcing a delay in salary payments to civil servants in late September.⁴⁷⁶ According to USAID, the Afghan government is facing its greatest shortfall in discretionary spending, something that is generally not supported by on-budget assistance. Only the ARTF Recurrent Cost Window, including the Incentive Program, would relate directly to the current shortfall.⁴⁷⁷ State said U.S. officials are in discussions with the MOF about the scope and cause of the shortfall. USAID said the MOF has not yet formally requested support from the international community.⁴⁷⁸ According to U.S. Ambassador James Cunningham, Afghanistan has discussed the funding shortfall through the end of the year; however, any requested funds would have to be borrowed from coming years’ donor commitments. According to Cunningham, “There isn’t going to be new money.”⁴⁷⁹

SIGAR SPECIAL PROJECT

SIGAR sent an inquiry letter this quarter to the Special Representative for Afghanistan and Pakistan and the U.S. Ambassador to Afghanistan regarding the reports of budget shortfalls and the planned US response. See Section 2, page 44.

Summary of On-Budget Agreements

To improve governance and align development efforts with Afghan priorities, international donors have committed to increase the proportion of development aid delivered on-budget through the Afghan government.⁴⁸⁰

Four years ago, international donors at the 2010 Kabul Conference committed to increase the proportion of civilian development aid delivered on-budget through the Afghan government to at least 50% to improve governance and align development efforts. The donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference.⁴⁸¹

At the 2012 Chicago Conference, the international community committed to financially support the Afghan security forces through separate mechanisms for the army and police with an estimated annual budget of \$4.1 billion.⁴⁸² This quarter at the Wales Summit, NATO allies and partners renewed their commitment to contribute significantly to financial sustainment of the ANSF through the end of 2017 and to financially sustain the ANSF over the next 10 years. The international community has pledged

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nearly €1 billion, approximately \$1.29 billion,⁴⁸³ annually to sustain the ANSF for 2015 through the end of 2017. The United States has requested up to \$4.1 billion in the 2015 budget, which would help sustain the ANSF surge end strength of 352,000 through 2015. The United States expects that Afghanistan will assume an increasing portion of ANSF sustainment costs, beginning with \$500 million in 2015, as agreed to at the Chicago Summit.⁴⁸⁴

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

TABLE 3.18

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

Note:

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

Source: USAID, OPPD, response to SIGAR data call, 10/9/2014.

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grant agreement between USAID and the World Bank.⁴⁸⁵ USAID also plans to contribute more than \$417.6 million to the AITF.⁴⁸⁶

DOD expects to spend approximately \$2.09 billion through the LOTFA and disbursed approximately \$1.16 billion as of June 30.⁴⁸⁷ DOD also expects to spend approximately \$826.3 million this year on direct contributions to MOD with approximately \$227.7 million in development disbursements and \$587.1 million in operating disbursements.⁴⁸⁸

Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with seven Afghan government entities and (2) through contributions to two multidonor trust funds, the Afghanistan Reconstruction Trust Fund (ARTF) and the Afghanistan Infrastructure Trust Fund (AITF).⁴⁸⁹ According to USAID, all bilateral-assistance funds are deposited in a separate bank account established by the MOF expressly for each program.⁴⁹⁰

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

TABLE 3.19

US GOVERNMENT AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF) PREFERENCES*					
Preferred Projects	Agency	Afghan Government On-Budget Partner	Year of First Preference	Year of Latest Preference	Cumulative Amount Preferred (\$)
National Solidarity Program (NSP)	USAID	Ministry of Rural Rehabilitation and Development (MRRD)	Solar Year (SY) 1383 (3/20/2004-3/20/2005)	Fiscal Year (FY) 1391 (3/21/2012-12/20/2012)	\$865,000,000
Education Quality Improvement Program (EQUIP II)	USAID	Ministry of Education (MOE)	SY 1387 (3/20/2008-3/20/2009)	FY 1392 (12/21/2012-12/21/2013)	92,000,000
Strengthening Health Activities for the Rural Poor (SHARP)	USAID	Ministry of Public Health (MOPH)	FY 1393 (12/22/2013-12/21/2014)	FY 1393 (12/22/2013-12/21/2014)	107,230,000
National Solidarity Program (NSP)**	DOD	MRRD	SY 1389 (3/21/2010-3/20/2011)	SY 1389 (3/21/2010-3/20/2011)	50,000,000
National Emergency Employment Program (NEEP)	USAID	MRRD & Ministry of Public Works (MOPW)	SY 1384 (3/21/2005-3/20/2006)*	SY 1387 (3/20/2008-3/20/2009)	23,000,000
On-Farm Water Management Project (OFWM)	USAID	Ministry of Agriculture, Irrigation, and Livestock (MAIL)	FY 1393 (12/22/2013-12/21/2014)	FY 1393 (12/22/2013-12/21/2014)	15,000,000
Public Financial Management Reform Project (PFMR II)	USAID	Ministry of Finance (MOF)	FY 1392 (12/21/2012-12/21/2013)	FY 1392 (12/21/2012-12/21/2013)	6,000,000
Microfinance for Poverty Reduction Project	USAID	Microfinance Investment and Support Facility Afghanistan (MIFSA)	SY 1383 (3/20/2004-3/20/2005)	SY 1383 (3/20/2004-3/20/2005)	5,000,000
Capacity Building for Results Facility Project (CBR)	USAID	Independent Administrative Reform and Civil Service Commission (IARCSC)	FY 1393 (12/22/2013-12/21/2014)	FY 1393 (12/22/2013-12/21/2014)	5,000,000
(Unpreferred funding, total)	USAID	Multiple	SY 1381 (3/21/2002-3/20/2003)	FY 1393 (12/22/2013-12/21/2014)	927,020,295

Note:
 *This table includes programs for which the US government expressed a minimum of \$5 million preference as well as the cumulative unpreferred funds. According to the agreement with the ARTF Administrator (World Bank), donors can only express a preference on how their donations are used up to 50% of their total contribution. The remaining ARTF funds are unpreferred and may be used at the World Bank's discretion.
 **These funds were transferred from the DOD Commander's Emergency Response Fund (CERP) to the NSP Community Recovery Intensification and Prioritization (CRIP) as part of the Afghanistan Peace and Reintegration Program (APRP).

Source: USAID, OPPD, response to SIGAR data call, 10/9/2014; World Bank, *Administrator's Report on Financial Status*, 9/22/2014, p. 6.

of Afghan government operations, policy reforms, and national priority programs.⁴⁹¹ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.⁴⁹² According to USAID, the majority of on-budget funding has been and will continue to be directed through the multidonor trust funds, particularly the ARTF.⁴⁹³

As shown in Table 3.19, the US government has “preferenced” portions of its contributions to the ARTF to the following programs. According to the agreement with the ARTF Administrator (World Bank), donors cannot dictate how their donations are used. They can only express preferences, up to 50% of their total contribution. The remaining ARTF funds are unpreferenced and may be used at the World Bank’s discretion.⁴⁹⁴

In May 2012, the Norwegian Agency for Development Cooperation (NORAD) issued an evaluation of Norway’s donor assistance to Afghanistan. NORAD noted that multidonor trust funds reduce donor exposure to risk and may reflect donors’ desire to reduce their management and oversight burden.⁴⁹⁵ The review found that the World Bank-hired monitoring agent for nonsecurity Afghan government operating costs had, from March 2009 to issuance of the report, not conducted any site visits outside of Kabul due to security risks.⁴⁹⁶

This quarter, SIGAR requested USAID to provide information on the ARTF monitoring agent for operating costs (recurrent-cost window). USAID said it does not know how frequently monitoring agents visit the provinces and has no findings from these visits. The agency added that while the World Bank may share monitoring-agent reports with donors at its discretion, it does not regularly provide them.⁴⁹⁷ USAID has previously reported that the monitoring agent at the time of the NORAD report has been replaced and that the new monitoring agent has staff stationed in the provinces.⁴⁹⁸

According to USAID, the actual disbursement of funds through bilateral on-budget programs is slower than either side would like. USAID has attributed the low budget-execution rate to limited Afghan government capacity and the risk-mitigation measures USAID applies to on-budget assistance.⁴⁹⁹

At the 2010 Kabul Conference, the Afghan government was directed to develop National Priority Programs (NPP) in response to limited donor resources and the weak implementation capacity of ministries. Each NPP contains key objectives, goals, and a medium-term implementation plan with results, outcomes, deliverables, and key activities. Unlike previous strategies where the international community took the lead role, NPPs are led by the Afghan government with donors, civil society, and private sector serving as partners for the whole process.⁵⁰⁰

According to the USAID Assistance to Legislative Bodies of Afghanistan program (ALBA), there has been no fundamental change in the way the Afghan budget is aligned or implemented despite the introduction of NPPs. The development-budget execution rate continues to be around 50% or

less. According to ALBA, most ministries and donors have not shown any noticeable change in the way projects within the NPPs are aligned and implemented to achieve the performance indicators and goals outlined in the NPPs. ALBA attributed the lack of NPP progress to limited Afghan cabinet-level commitment contributing to a “business as usual” attitude toward NPPs, fragmented donor efforts, and a general lack of performance orientation in ministries that focus mainly on expenditures rather than ministry-level performance monitoring. ALBA acknowledged that ministries have articulated performance indicators; however, they are in the form of narratives and are not supported by a sound accountability framework and follow-up mechanisms.⁵⁰¹

On-Budget Assistance to the ANSF

A large portion of on-budget assistance is for the Afghan security forces. DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Ministry of Defense (MOD) and the Ministry of Interior (MOI), and (2) ASFF contributions to the multidonor Law and Order Trust Fund for Afghanistan, or LOTFA. Administered by the UNDP, LOTFA primarily funds Afghan National Police (ANP) salaries.⁵⁰² Direct-contribution funding is also provided to the MOF, and later allotted incrementally to the MOD and MOI, as required.⁵⁰³

According to DOD, the Combined Security Transition Command-Afghanistan (CSTC-A) has several mechanisms for monitoring U.S. direct contributions to the Afghan budget for the Afghan security forces. CSTC-A uses a bilateral-commitment letter to ensure that the Afghan government understands the terms and conditions for proper utilization of CSTC-A funds (including purpose, time, and amount) and the possible consequences of improper use of funds.⁵⁰⁴

In August 2013, CSTC-A adopted a “financial levers” strategy which, combined with an incremental disbursement of donor funds, aims to incentivize Afghan partners to implement accountable and transparent financial processes (see pages 149–151 of SIGAR’s April 2014 *Quarterly Report to the United States Congress* for more information on the lever strategy including key phases). CSTC-A commitment letters stipulate that the MOD and MOI must allocate funds to specific accounting codes and require the ministries to use automated accounting systems such as the Afghanistan Financial Management Information System (AFMIS). CSTC-A established an audit division to perform independent assessments, which place greater scrutiny over Afghan financial processes.⁵⁰⁵

CSTC-A audits of MOI fuel purchases, MOI clothing purchases, and MOD payroll in Herat Province are currently in the withhold phase of the financial levers process, in which CSTC-A delays disbursement of 50% of the affected budget code.⁵⁰⁶ As of September 2014, CSTC-A identified

SIGAR SPECIAL PROJECTS

SIGAR issued inquiry letters to CSTC-A and UNDP this quarter expressing concern regarding the administration of LOTFA. See Section 2, pages 43–44.

recoupment of 651 million afghani (\$13 million) inappropriately paid in clothing purchases due to noncompliance with the Berry Amendment (a 1941 law meant to promote purchase of certain U.S. goods, including textiles)⁵⁰⁷ and an estimated 96 million afghani (\$2 million) in unbilled expenses subject to the Berry Amendment.⁵⁰⁸

Every week CSTC-A monitors AFMIS expenditure reports to detect abnormalities that warrant further investigation. According to CSTC-A, these abnormalities generally occur when expenditures are registered in accounting codes that CSTC-A does not fund or when expenditures in the correct accounting code exceed the amounts specified in the commitment letter.⁵⁰⁹ CSTC-A also uses AFMIS data to note whether a particular expenditure code, for example, wages and salaries or acquisition of assets, is “under-executed” (below the expected disbursements).⁵¹⁰ According to CSTC-A, direct contributions to the Afghan government are at risk for reduction due to their failure to fully execute (spend) the current Afghan fiscal-year budget. Interestingly, CSTC-A considers slow execution rates of items such as goods and services as undercutting the ability of Afghan ministries to show they are good stewards of donor contributions.⁵¹¹

CSTC-A acknowledges that AFMIS data is entered by Afghan ministry staff, making the reliability of AFMIS data dependent on those same Afghan government staff. If a transaction is omitted, for example, CSTC-A would not necessarily be aware of it. CSTC-A does not know of any periodic data-validity checks of AFMIS data quality.⁵¹²

Additionally, ISAF Commander General John Campbell has noted that going forward, international forces face new challenges in overseeing funds for the Afghan security forces. According to General Campbell, international forces no longer have the presence—“touch points”—at brigade and battalion levels to observe the end use of international funds. Instead, international forces will be restricted to the corps and ministries to focus on Afghan government budget planning and execution systems. He acknowledged that these systems are challenging for outsiders to understand.⁵¹³

CSTC-A’s assessment is that once funds enter the Afghan government’s bank account, oversight becomes significantly more challenging. According to the CSTC-A commanding general in February 2014, “It is important to remember that once funds are donated to the Government of the Islamic Republic of Afghanistan, the sovereign nation may use those funds without further coordination with the United States Department of Defense.”⁵¹⁴ CSTC-A direct contributions are pooled with all sources of Afghan government revenues (including other donor-nation and domestic revenues) deposited in the single treasury account of the central bank. According to CSTC-A, this approach has the advantage of simplicity and provides the Afghan government flexibility, but requires additional effort from CSTC-A to reconcile the reported use of funds.⁵¹⁵ The Department of Defense Inspector General (DOD OIG) found that as a result of CSTC-A’s



Ashraf Ghani, president of the Islamic Republic of Afghanistan, speaks during a meeting held at the presidential palace in Kabul. (U.S. Army photo)

use of the Treasury Single Account, CSTC-A could not verify that the ASFF direct contributions were used for their intended purposes as defined by the commitment letters.⁵¹⁶ This quarter, CSTC-A reported that it has requested MOF to establish a special bank account and provide bank statements for direct contributions.⁵¹⁷

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

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

NATIONAL GOVERNANCE

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

The Tokyo Mutual Accountability Framework (TMAF) serves as a cornerstone of international engagement and is the agreed instrument for measuring mutual accountability.⁵²³ The international community and Afghan government agreed to the TMAF at the Tokyo Conference of Donors in July 2012. Later the TMAF was augmented with intermediate targets for the Afghan government and the international community called “hard deliverables,” such as the passage of a mining law.⁵²⁴

SIGAR has previously reported on the progress of TMAF “hard deliverables.” (See pages 127–129 of SIGAR’s April 2014 *Quarterly Report to the United States Congress* for more information.) A Special Joint Coordination and Monitoring Board (JCMB) meeting was held on January 29, 2014, to assess TMAF progress and to formulate guidance in anticipation of a new Afghan government following the elections.⁵²⁵ According to USAID, the JCMB meeting was the final opportunity for reviewing the existing set of hard deliverables. The United States temporarily extended the window for passage of a mining law to April 16, 2014, but the window closed before the government passed the law.⁵²⁶

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

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

Capacity-Building Programs

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

TABLE 3.20

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL						
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 9/30/2014 (\$)	
Leadership, Management, and Governance Project	Ministry of Public Health Ministry of Education	9/25/2012	10/31/2014	\$31,248,400	\$24,963,134	
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	23,455,326	5,367,139	
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2015	14,182,944	3,686,349	

Source: USAID, responses to SIGAR data call, 10/9/2014.

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

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

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

In August 2014, the World Bank found moderately unsatisfactory progress toward the CBR development objective of assisting the Afghan government in improving the capacity and performance of select line ministries carrying out their mandates and delivering services. The World Bank noted that the ministries themselves are the only data source for indicators covering improved business processes and service-delivery progress, and that this data is not confirmed by the CBR program.⁵³⁸

Overall progress has been slow due to aspects of the project design, capacity issues, and political-economic factors. According to USAID, there is now clear demand for the program across government with two major service-delivery ministries now participating and over 50% of eligible ministries having submitted their pre-qualification applications. USAID believes that CBR will ultimately be more sustainable than relying on donor-funded staff.⁵³⁹ However, the pace of project implementation requires significant acceleration to reach the project objectives within the targeted time frame.⁵⁴⁰

USAID funds the \$23.5 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan's parliament operate as an independent and effective legislative, representative, and oversight body.⁵⁴¹ Over the past few months, ALBA worked closely with the Meshrano Jirga secretariat leadership to support the Meshrano Jirga orientation session scheduled for October 2014. This orientation is meant to provide information and training to newly elected senators. This orientation/training will help senators understand rules and procedures, the Meshrano Jirga structure, and their key legislative, oversight, and representational duties. During the past quarter, ALBA also held a series of widely attended trainings for *Wolesi Jirga* and Meshrano Jirga secretariat staff during the recent parliamentary recess. ALBA also supported interactions between Afghan civil society and the parliament through regular parliamentary reporting—including daily plenary reports, key commission reports, and legislative tracking reports—that were widely disseminated to the civil society community.⁵⁴²

An ALBA report on NPPs found that the Afghan parliament has not been involved with the NPPs and was never consulted or formally informed about them. This is despite Article 90 of the Afghan constitution that gives the parliament the power to “approve plans for economic, social, cultural and technological developments, [and] approve the state budget.”⁵⁴³

National Assembly

Parliament was on recess from July 23 to September 6.⁵⁴⁴ According to State, the recess and the resolution of the election slowed parliamentary approval of executive-branch activities.⁵⁴⁵

On September 7, the Meshrano Jirga (the upper house) held its first plenary session of the fall term. Quorum was reached with 60 of 102 senators present. USAID anticipates future challenges with achieving quorum in the Meshrano Jirga until the provincial-council results are certified and senators are elected from the provincial councils to the Meshrano Jirga.⁵⁴⁶

The Wolesi Jirga (the lower house) also held its first plenary session of the fall term on September 7. Quorum was not reached; only 64 of 249 members were present. However, USAID anticipates that members will return from the provinces, making quorum less of an issue.⁵⁴⁷

The Wolesi Jirga summoned the minister of public works (MOPW) for questioning in the case of MOPW-contracted, Asian Development Bank-supported road in Faryab and Badghis Provinces. Over \$100 million was reported paid to the contractor, who left after completing only 15% of the work. The minister of public works was quoted saying “I have always been against this contract of the Asian Development Bank” and blamed the companies involved in the project.⁵⁴⁸

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

SUBNATIONAL GOVERNANCE

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

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

Rural Stabilization Programs

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

The USAID Measuring Impacts of Stabilization Initiatives (MISTI) project, a third-party monitoring and evaluation program that evaluates the impact of USAID stabilization programs, has conducted 84 verifications in support

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TABLE 3.21

USAID SUBNATIONAL (RURAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 9/30/2014 (\$)
National Solidarity Program (NSP) via the Afghanistan Reconstruction Trust Fund (ARTF)*	2004	2012	\$865,000,000	\$865,000,000
Stability in Key Areas (SIKA) South**	4/10/2012	4/9/2015	234,213,281	48,627,514
SIKA East	12/7/2011	9/6/2015	177,054,663	78,182,534
Community Cohesion Initiative (East, South, Southwest)***	3/1/2012	2/28/2015	161,499,422	60,127,085
Afghanistan Civilian Assistance Program (ACAP II)	9/27/2011	9/26/2014	64,000,000	45,194,000
SIKA West	1/29/2012	8/31/2015	54,000,000	34,412,722
SIKA North	3/15/2012	4/30/2015	38,000,000	24,089,255
Community Cohesion Initiative (North, West)**	9/10/2013	9/9/2015	36,221,640	3,758,532

Note:

*This includes USAID contributions to the ARTF with an express preference for the National Solidarity Program (NSP). According to the agreement with the World Bank, donors can only express a preference on how their donations are used up to 50% of their total contribution. The remaining, unpreferred funds provided to the ARTF may also be used to support NSP

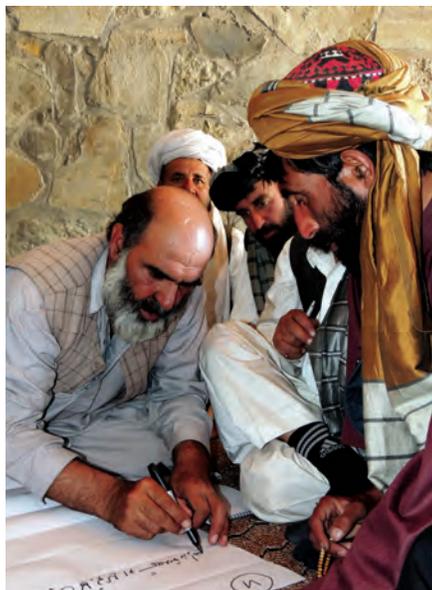
**The total estimated cost and disbursement data includes the totals for both SIKA South awards.

***As of September 15, 2014. These disbursements do not reflect operational expenditures.

Source: USAID, responses to SIGAR data call, 9/29/2014 and 10/9/2014.

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

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



SIKA East conducts governance training in Sharana District, Paktika Province. (SIKA East photo)

Stability in Key Areas (SIKA)

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

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

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

The MRRD has opposed in-kind grants and told MISTI they will disengage from SIKA North should in-kind grants continue. The evaluation found that in-kind grants do not effectively involve the government or the community in the execution portion of the grant,⁵⁶⁴ a concern also raised in the SIGAR audit from July 2013.⁵⁶⁵

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

competitions, also had questionable impact. While SIKa North said the events provided for increased district government exposure, the stabilization impact was not entirely clear. MISTI's evaluation team found that many people showed up solely for the free lunch.⁵⁶⁶

MISTI repeated some of its findings from the SIKa West midterm performance evaluation,⁵⁶⁷ namely, that SIKa North lacks a defined theory of change and that current outcome indicators are actually mislabeled output indicators. A theory of change is a specific and measurable description of a social (behavior) change program that forms the basis for planning, decision making, and evaluation of a program's outcomes. MISTI recommended that SIKa North's outcome indicators should focus on progress towards the intermediate results and assistance objective and be linked to the program's theory of change, rather than simply measuring the number of meetings held or percentage increases in activity participation.⁵⁶⁸

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

Community Cohesion Initiative (CCI)

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

Last quarter, MISTI issued a midterm performance evaluation of CCI as implemented in the east, south, and southwest.⁵⁷¹ The evaluation examined 61 projects from eight CCI districts.⁵⁷²

SIGAR asked the USAID Office of Transition Initiatives (OTI) for a response to the evaluation, particularly on the findings that the CCI objective of supporting cohesion was a conceptually difficult objective and that CCI staff had differing interpretations of how projects supported cohesion. According to the evaluation, some CCI staff viewed the defining aspect of cohesion projects as those that originated from the community, while other



In Khanabad District, Kunduz Province, SIKa North held a youth sports event to strengthen the relationship between the district government officials and youth. (SIKa North photo)

CCI staff saw cohesion projects as those that benefited more people, such as schools and roads, or connected people across communities.⁵⁷³ It was not clear from the evaluation how cohesion projects per the second definition differed from a school or road project implemented by another program without a cohesion objective.

OTI insists that although the MISTI evaluation found that the CCI implementing partners were concerned over the “amorphous nature of the concepts of cohesion and resilience when designing programs,” the CCI theory of change clearly articulates the definitions of these concepts and the program architecture speaks to the core program goals of building community resiliency and cohesion.⁵⁷⁴ According to OTI, a key aspect of CCI is the use of project shuras made up of Afghan government and community leaders who monitor and own the projects.⁵⁷⁵ OTI views CCI as standing apart from other programs in its use of project shuras.⁵⁷⁶ However, other large-scale USAID supported programs, including the four SIKa programs and the National Solidarity Program, integrate community and government project ownership and monitoring as well.⁵⁷⁷

The evaluation also noted that monitoring and evaluation were a challenge for CCI.⁵⁷⁸ Although many of those interviewed testified to the effectiveness of CCI, the evidence they offered in support was not always clear.⁵⁷⁹ According to OTI, assessing and evaluating the CCI program goals of resilience and cohesion requires impact-level analysis. Output-level evaluations are insufficient for making statements about the efficacy of CCI activities in building resilience and cohesion. According to OTI, the MISTI midterm evaluation conducted its fieldwork in January and February of 2014, at a time when CCI was just beginning to complete a sufficient amount of projects to allow for impact-level analysis.⁵⁸⁰

Since the MISTI evaluation, CCI has worked to design and implement several outcome- and impact-level case studies that take geographic or thematic clusters of CCI activities and work to analyze their effects in aggregate. One example, a water-conflict case study, examined 10 CCI projects that rehabilitated water-related infrastructure. The case study sought to understand both the efficacy of CCI projects in mitigating water-resource-related conflict as well as their overall ability to enable leaders to manage resources both within and across communities. According to OTI, the case study found that water projects reduced conflicts within and between communities or bolstered community-based systems that were already reported to be distributing water in an acceptable and fair manner. Villages where focus group participants reported conflict over water observed a decline in conflict after the water infrastructure projects were completed.⁵⁸¹

RECONCILIATION AND REINTEGRATION

The current U.S. Civil-Military Framework states that political reconciliation between the Afghan government and insurgency is “the solution to ending the war in Afghanistan.”⁵⁸² However, the UN Secretary-General noted last quarter little progress in establishing a formal dialogue between the Afghan government and armed opposition groups.⁵⁸³

In late July, then-President Karzai defended his policy of releasing Taliban prisoners following the alleged killing of 15 civilians in Ghor by released insurgents. Karzai’s first vice president, Mohammad Younus Qanuni, was recently quoted saying, “I am against the release of those who kill the people of Afghanistan. We knew that when they were released from prison that they would return to the battlefields and commit more crimes.”⁵⁸⁴

Reconciliation

In August, the deputy chairman of the High Peace Council (HPC) said that all meaningful HPC work stopped in the spring during the April 2014 elections. He also indicated that the Taliban refused to engage with the Karzai government as they assumed that the incoming government would have different policies from the old.⁵⁸⁵

In late September, an HPC member was quoted as saying the HPC has “not been successful in restoring peace or talking with Mullah Omar and other Taliban leaders.” He blamed Pakistan for the failure of the HPC.⁵⁸⁶

Afghanistan Peace and Reintegration Program

The Afghanistan Peace and Reintegration Program (APRP), an Afghan-led program to reintegrate low-level insurgent foot soldiers and their commanders into Afghan civil society, is financed by \$182.3 million in contributions from 12 donor nations. Operational funding for the program is provided by seven donor nations (primarily Japan and Germany). The United States provides funding towards community-recovery efforts administered by the World Bank.⁵⁸⁷

According to the Force Reintegration Cell (FRIC), an International Security Assistance Force element supporting the APRP, the APRP Joint Secretariat and Provincial Joint Secretariat Teams continue to make outreach a priority through local peace meetings and radio and television advertisements.⁵⁸⁸ In August, the UNDP and Nangarhar Provincial Peace Council hosted an APRP-supported peace meeting between two imams from the Jordanian Armed Forces and 400 Afghan religious scholars from neighboring provinces. According to the FRIC, the Jordanian imams, who are members of Jordanian Engagement Teams that have been operating in Afghanistan since 2006, stressed peace building and tolerance, but the participating Afghan religious scholars who denounced the role of the international community in Afghanistan received the lion’s share of audience support and cheers.⁵⁸⁹



A member of the Jordanian Engagement Team talks with an Afghan religious scholar at a peace conference in Jalalabad City, Nangarhar Province, August 18, 2014. (U.S. Army photo)

GOVERNANCE

The FRIC also reports 53 small grant projects and 1,246 Afghan government projects are under way in 32 provinces and 130 districts.⁵⁹⁰

In its January 2014 *Quarterly Report to the United States Congress*, SIGAR reported on the challenges associated with the NSP Community Recovery Intensification and Prioritization (CRIP) mechanism of the APRP (pages 130–131). In particular, U.S. Embassy Kabul was concerned that CRIP projects did not have a clear connection to reintegration goals, and had raised this concern with the MRRD.⁵⁹¹

This quarter, U.S. Embassy Kabul disapproved the draft MRRD APRP annual implementation plan on the grounds that the plan sought to formalize the ongoing failure of NSP to identify projects funded through the APRP. According to State, MRRD claimed it was unable to clearly identify APRP projects because (1) it would be “too difficult” from an accounting perspective and (2) could create security problems for NSP implementing partners on the ground. The MRRD remains concerned about publicizing APRP programming at the village level due to possible targeting of its implementing partners because of the political nature of the peace process. This was unacceptable to the United States and Australia, two major APRP donors. The MOF has withheld funding to the MRRD as a result, pending resolution of this issue.⁵⁹²

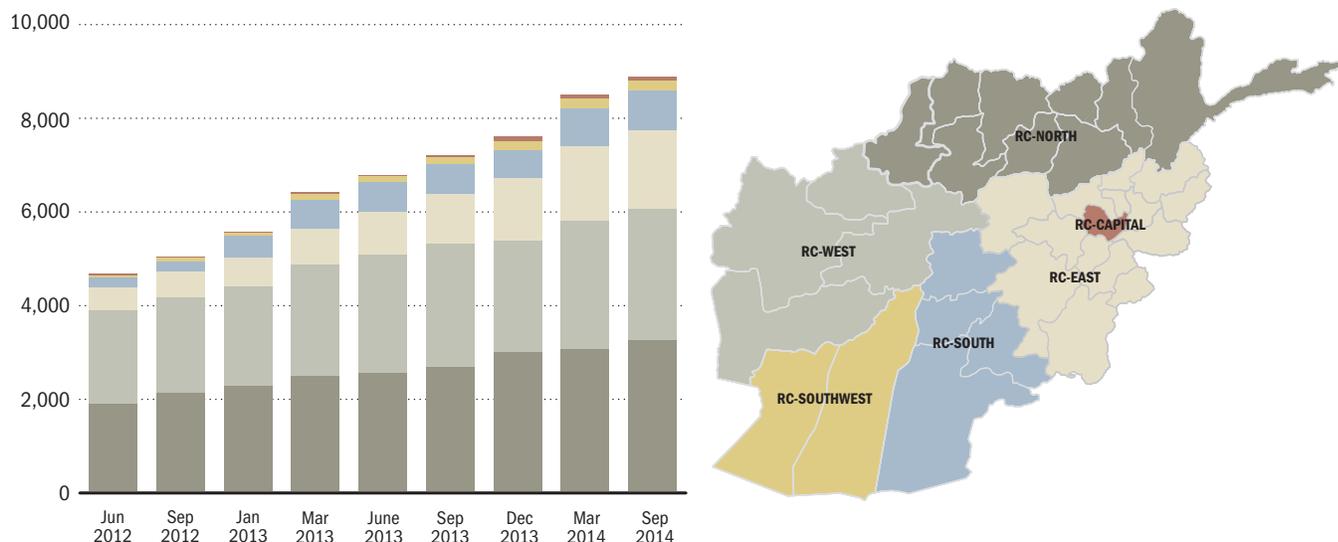
In a follow-on meeting in July with the Joint Secretariat (JS) and MRRD, the MRRD NSP Executive Director and APRP Deputy CEO committed to address donor concerns. First, NSP will provide a list of CRIP projects for which FY 2014 APRP funding will be provided. These projects will be reviewed and visited by the JS development team. This information, along with an assessment of the impact of this programming on reintegration, will be shared with donors. Second, NSP will undertake APRP-funded outreach, beginning at the provincial and district levels. This will include improving communications with provincial governors and Provincial Peace Councils (PPCs), who are generally unaware of NSP APRP programming. NSP Regional Communications Officers will also engage with the public, promoting the APRP. Once PPCs are made aware of which projects are APRP-funded, they will also publicize this information. Third, the NSP section of the draft MRRD annual implementation plan for the APRP will be revised to reflect these changes.⁵⁹³

According to State, since MRRD has now agreed to address U.S. concerns, State does not recommend attempting to recover the funds donated to APRP. USAID advised State there is no way to recover funds donated to the Afghanistan Reconstruction Trust Fund (ARTF) (of which the APRP donation forms a part) and that the grant documentation signed by USAID makes it clear that the World Bank has no obligation to reimburse or compensate any donor.⁵⁹⁴

As of September, 2,387 new reintegrees joined APRP, increasing the total to 8,890 reintegrees, as shown in Figure 3.31.⁵⁹⁵ According to State

FIGURE 3.31

REINTEGREES BY REGIONAL COMMAND, CUMULATIVE



Note: DOD provided updated numbers as of September 2014.

Source: State, response to SIGAR data call, 10/4/2013, 7/1/2013, 4/2/2013, 1/2/2013, 10/2/2012, 7/5/2012, 3/30/2012; DOD, response to SIGAR data call, 6/30/2014, 3/31/2014, 12/31/2013, and 9/29/2014.

and the FRIC, the APRP has a robust vetting process to confirm that individuals who want to join the program are actually insurgents. Afghan civil government and ANSF officials at the provincial and national levels are responsible for processing reintegrees. The international role is limited to being able to access the Reintegration Tracking and Monitoring Database.⁵⁹⁶

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

RULE OF LAW AND ANTICORRUPTION

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

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

One of the last major acts of Hamid Karzai as president of Afghanistan was ordering the execution of five men convicted in a high-profile rape case. The five men were among seven convicted of raping and robbing four women who were stopped on August 23 by assailants in police uniforms as they returned from a wedding party just outside of Kabul. The convictions were based on confessions, which all five men testified were obtained through torture by Afghan police. The United Nations High Commissioner for Human Rights and Human Rights Watch both expressed concern with the way the case was handled.⁵⁹⁹ The five men, along with a kidnapper, were executed on October 8.⁶⁰⁰

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

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

Project Summary

The United States has provided assistance to the formal and informal justice sectors through several mechanisms. These include the USAID Rule

GOVERNANCE

TABLE 3.22

RULE OF LAW AND ANTICORRUPTION PROGRAMS					
Project Title	Agency	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 9/30/2013 (\$)
Justice System Support Program II (JSSP II)	State	5/31/2010	12/31/2014	\$301,971,225	\$169,947,752
Corrections System Support Program (CSSP)	State	5/1/2010	12/31/2014	198,586,208	196,544,324
Rule of Law Stabilization - Formal Component	USAID	7/16/2012	7/14/2014	22,581,128	19,068,556
Justice Training Transition Program (JTTP)	State	1/2/2013	7/1/2015	20,000,000	20,000,000
Rule of Law Stabilization - Informal Component	USAID	7/16/2014	3/13/2014	15,651,679	15,080,799

Source: USAID, response to SIGAR data call, 9/30/2014. SIGAR analysis of State responses to data call, 5/27/14, 6/3/14, 6/5/14, 7/16/2014, and 10/20/2014.

of Law Stabilization Formal and Informal Components (RLS-F and RLS-I), the State Department JSSP, and the State Department Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.22.

The RLS-F program, designed to increase public confidence in Afghanistan's justice sector and support the improved performance and accountability of governance, concluded during the quarter. According to the program's final report, RLS-F successfully partnered with the Supreme Court, the MOJ, and the Ministry of Higher Education to achieve sustainable reforms in the formal justice sector in Afghanistan.⁶⁰³

RLS-F noted, however, that there is a lack of willingness among Afghan counterpart institutions to support and adopt reforms. According to RLS-F, leadership at Afghan counterpart institutions continues to demonstrate a lack of commitment to justice-sector reforms by delaying approval of tools and technologies recommended by RLS-F. This, RLS-F argues, indicates reluctance by Afghan government counterparts to embrace new processes and procedures that increase the efficiency, transparency, accountability, and fairness in the justice sector. In addition, counterpart institutions have failed in some instances to demonstrate a willingness to assume responsibility for training initiatives without technical and financial support from donors.⁶⁰⁴

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

pay all of the salaries for the Judicial Stage staff. According to RLS-F, in the past donors provided salary supplements to the Judicial Stage staff, including the director, as well as instructor honorariums.⁶⁰⁵

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

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

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

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

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

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

SIGAR AUDIT

SIGAR has an ongoing audit of U.S. government efforts to assist and improve the rule of law in Afghanistan. SIGAR plans to (1) identify U.S. government programs or initiatives to develop rule of law in Afghanistan; (2) assess the progress that these programs or initiatives have made; (3) identify challenges, if any, that the U.S. government has encountered in achieving its rule of law objectives and the extent to which it has addressed these challenges.

JSSP provided technical support to the AGO, MOJ, Ministry of Women's Affairs (MOWA), and the Supreme Court. Overall, JSSP reports increasing capacity in human resources, budgeting, and procurement but notes in several instances the continuing need for JSSP assistance. For example, JSSP advisors noted that the AGO's Elimination of Violence Against Women (EVAW) Unit was not using computers donated two years ago because they were nonfunctional. JSSP advisors refurbished the computers and installed updated software. According to JSSP, the EVAW Unit is now using the computers with JSSP continuing to provide support.⁶¹⁵ JSSP also helped the MOJ Human Resources Directorate prepare proposals for funding through the World Bank's Capacity Building for Results (CBR) program. CBR aims to provide training capacity and transition away from external donor training programs, such as JSSP.⁶¹⁶

The State Department's JTTP provides regional training to justice-sector officials, including police, prosecutors, judges, and defense attorneys, on a wide range of criminal justice topics, including anticorruption. JTTP also provides mentoring on specific cases and legal issues to justice-sector officials, including prosecutors and judges. In the last quarter, JTTP delivered 50 training courses for 1,091 participants in 19 provinces.⁶¹⁷

The Supreme Court and the Formal Justice Sector

On September 22, then-President-Elect Ghani pledged to appoint a woman to the Supreme Court.⁶¹⁸

During his inauguration speech, Ghani made reference to corruption in the judicial branch and requested the Supreme Court to review all its employees for corruption. The Supreme Court issued a statement rejecting Ghani's claims and argued that he is misinformed regarding corruption in the judiciary.⁶¹⁹ The newly appointed special representative to the president in the national-unity government, Ahmad Zia Massoud, reiterated Ghani's concerns and called for "substantial reforms in all aspects, especially in the judiciary and legal organs."⁶²⁰

Afghan Correctional System

According to State, the inmate population of Afghanistan's prisons managed by the General Directorate of Prisons and Detention Centers (GDPDC) has continued to increase at a rate of 16.4% annually over the past five years. As of August 20, the GDPDC incarcerated 26,816 individuals.⁶²¹ As of July 20, the Ministry of Justice's Juvenile Rehabilitation Directorate (JRD) incarcerated 909 juveniles.⁶²² These incarceration totals do not include detainees held by any other Afghan governmental organization, as State's Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to data for other organizations.⁶²³

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities, although reduced by new prison beds added

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

SIGAR INSPECTION

SIGAR issued an inspection report of the Pol-i-Charkhi prison renovations funded by INL. SIGAR found that although INL paid approximately 92% of the contract's value to the contractor, only about 50% of the required work was completed. For more information, see Section 2, page 36.

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

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

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

Anticorruption

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

the Supreme Court and AGO are independent in their performance per Articles 116 and 134 of the Afghan constitution.⁶³⁰ For more information on the Kabul Bank case, please see page 172 in this report.

According to the Department of Justice (DOJ), by all accounts the Afghan central government is riddled with problems of patronage, nepotism, bribery, embezzlement and misappropriation or other diversions of public and private property, influence peddling, abuse of office, illicit enrichment, laundering of criminal proceeds, concealment of crimes constituting corruption, and obstruction of justice. There is virtually no part of the central government, or the governments in the districts and provinces, that is not affected and weakened by public corruption.⁶³¹

To cite one example, the former mayor of Khowst was arrested eight months after he was sentenced to seven years in jail for corruption that cost the municipality approximately \$226,165. The mayor was reportedly able to remain free despite the conviction due to his personal connections with government authorities.⁶³²

Afghan Attorney General's Office

According to State, there were no significant changes in the technical capacity or effectiveness of the AGO. The AGO declined offers from DOJ to train AGO prosecutors in the Anticorruption Unit (ACU) in novel investigative methods.⁶³³ According to DOJ, the primary challenge to Afghan government anticorruption efforts is the unwillingness of the AGO to pursue complex corruption cases.⁶³⁴

At a meeting to discuss reforms of the AGO, President Ghani was quoted saying that Afghanistan “should have an AGO the people trust in” and said that reforming the AGO is a matter of Afghanistan’s survival.⁶³⁵ The AGO also lost its power to monitor government entities and the private sector following a cabinet decision in mid-October that such powers conflicted with the law.⁶³⁶

According to State, ACU of the AGO is able to prosecute lower-level corruption cases, but faces obstacles prosecuting higher-level corruption. The ACU has been unreceptive to State and DOJ engagement, and suffers from low morale. The ACU has little technical capacity and has demonstrated little interest in developing the techniques to effectively pursue more sophisticated corruption cases. However, it is capable of prosecuting simple cases of graft. The U.S. Embassy Kabul’s Office of the Justice Attaché has refocused their assistance on the Internal Control and Monitoring Unit and Financial Dispute Resolution Committee where there is greater receptivity.⁶³⁷

The Major Crimes Task Force (MCTF) is the investigatory arm for the AGO internal-control and monitoring unit.⁶³⁸ According to State, the MCTF continues to be an increasingly capable investigatory force, but is stymied by the AGO’s refusal to pursue corruption cases. Following the presidential elections, State plans to assess whether the new government has sufficient

political will for an effective MCTF. State will examine Afghanistan's anti-corruption initiatives to determine whether Afghanistan enacts financial regulation legislation; whether it brings corruption charges against higher-status/rank defendants; whether MCTF's resource needs have changed; and how the MOI, AGO, and other Afghan agencies incorporate, or ignore, MCTF's role in their anticorruption efforts.⁶³⁹

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

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

According to State, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) continues to demonstrate competent administrative and technical capacity. State notes, however, that the MEC lacks the authority to do more than illuminate poor or corrupt practices.⁶⁴²

During the quarter, the MEC issued reports on Da Afghanistan Breshna Sherkat (DABS) and Kabul Bank. These two reports are covered in the Economic and Social Development Section, pages 167 and 173 respectively.

High Office of Oversight and Anticorruption

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

Security Services

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

The Combined Joint Interagency Task Force-Afghanistan (CJIATF-A), the lead ISAF element for counter- and anticorruption efforts, is scheduled to terminate on October 31, 2014. Portions of CJIATF-A may transfer

to U.S. Embassy Kabul or be transferred out of Afghanistan in order to remain under the maximum number of U.S. military personnel allowed in Afghanistan.⁶⁴⁶

Ministry of Defense

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

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

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

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

Ministry of Interior

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

HUMAN RIGHTS

Refugees and Internal Displacement

According to State, there have been no large increases or decreases in refugee movements and no new developments affecting Afghan refugees in Pakistan or Iran during this quarter. The UN High Commission for Refugees (UNHCR) recorded 2,728 Afghan refugees returning in July and August compared to 6,881 returning in the previous quarter. In the first eight months of 2014, returns totaled 11,949 individuals, which is 61% lower than the 30,666 returns during the same period in 2013.⁶⁵²

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

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

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

The Afghanistan National Disaster Management Authority's current ability to implement new IDP policy and respond to emergencies is mixed, with reports of improving performance in a number of locations, according to State. Similarly, the capacity of local and municipal authorities to implement the new IDP policy and respond to emergencies varies greatly. International organizations, bilateral donors, and NGOs worked hard to build the capacity of local government authorities. There are reports that subprovincial local governments in Nangarhar and Sar-e Pul Provinces

are becoming more proactive in addressing local needs, but even with increased skills and training, the provincial branches of several key ministries often lack cash and have problems paying salaries.⁶⁵⁶

Afghanistan Independent Human Rights Commission

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

This quarter, the AIHRC issued a report on causes and negative consequences of *bacha bazi*, a practice in which young boys are used as sex slaves. According to AIHRC, *bacha bazi* is not clearly defined in Afghan law; however, the practice violates international conventions, is a form of human trafficking, and therefore is a criminal and human-rights violation. The AIHRC attributes the spread of *bacha bazi* to the absence of rule of law, corruption, ambiguity and gaps in the law, limited access to justice, poverty, insecurity, and the existence of armed groups. The AIHRC recommended that the Afghan government modify the penal code to clearly declare *bacha bazi* illegal.⁶⁵⁸ According to State, contacts at the AIHRC have indicated that public reaction to the report has been largely positive and that religious leaders have begun to paint the practice as anti-Islamic.⁶⁵⁹