QUARTERLY REPORT TO THE UNITED STATES CONGRESS | JANUARY 30, 2014

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

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

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


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

Temporarily closed for repairs after 2013 insurgent attack

Current SIGAR offices
I am pleased to submit to Congress, and to the Secretaries of State and Defense, SIGAR’s 22nd quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

The United States plans to complete the withdrawal of most of its combat forces from Afghanistan by the end of this critical transition year. However, the most expensive reconstruction effort ever undertaken in a single country will continue. Achieving U.S. strategic goals in Afghanistan now rests, more than ever, on the effective use of funds appropriated to build competent Afghan security forces, foster a legitimate government, and promote economic and social development.

This quarter, President Obama signed the National Defense Authorization Act for fiscal year (FY) 2014 and the FY 2014 Consolidated Appropriations Act, which pushes U.S. support for Afghan reconstruction past the $100 billion mark. The FY 2014 appropriation, which is significantly less than the President had requested for the major reconstruction funds, recognizes that implementing agencies still have about $14 billion in unspent funds from prior years’ appropriations.

The legislation also includes provisions highlighted by SIGAR’s work, and is designed to better safeguard taxpayer dollars, such as by expanding the prohibition on contracting with the enemy, providing that U.S. assistance must be exempt from Afghan taxation, and establishing conditions for on-budget assistance to the Afghan government.

During this reporting period, SIGAR issued 25 audit, inspection, and other reports identifying failures of oversight, construction deficiencies, and poor planning, as well as raising concerns about a program to develop the capabilities of the Afghan security forces and the capacity of Afghan ministries. Section 2 of this report summarizes our findings and recommendations.

The United States and other donors have promised to provide at least 50% of their development aid as on-budget assistance if the Afghan government makes progress towards fighting corruption, improving public finance, and protecting women’s rights, among other goals. The United States and other donors agree that increased on-budget aid would help the Afghan government expand its ability to plan, budget, allocate, manage, and track funds, thereby building its capacity and legitimacy. The issue is whether the Afghan government can effectively use and account for increased on-budget assistance.

A SIGAR audit report published this quarter concluded that USAID has not fully implemented measures designed to fix significant problems within Afghan ministries that will receive over $1 billion in direct, government-to-government assistance. In addition, a SIGAR Special Project report found that the Defense Department has committed more than $4 billion to the Afghan Ministry of Defense and Ministry of Interior without conducting a comprehensive risk assessment of the two ministries’ financial-management capabilities.

Since my last report to Congress, SIGAR has opened 51 new investigations and closed 39, bringing the total number of ongoing cases to 318. SIGAR investigations this quarter saved the U.S. government some $1.7 million, while criminal fines and restitutions brought about by SIGAR amounted to approximately $5.3 million. Based on evidence developed in Afghanistan and the United States, SIGAR also referred 10 individuals and 24 companies for possible suspension or debarment. SIGAR has increased its focus on money laundering,
and we are investing in information technology to enable our agents to better follow money obtained illicitly from fraud, corruption, and narcotics.

On January 15 this year, I testified before the Senate Caucus on International Narcotics Control about the perilous state of the U.S. counternarcotics effort in Afghanistan. The United States has invested about $10 billion in programs intended, at least in part, to combat narcotics. Yet, Afghan farmers are growing more opium poppies today than at any time in their modern history. The drug trade is one of the biggest risk factors for the U.S. and international donor investment in Afghanistan.

SIGAR began a new audit this quarter to assess the extent to which U.S. assistance has helped build capable and sustainable provincial units of the Counter Narcotics Police of Afghanistan. SIGAR also plans a comprehensive audit of the U.S. counternarcotics effort to determine how U.S. funds have been spent, assess the degree to which U.S-funded programs have achieved their purposes, and examine the extent to which these programs have been integrated under a cohesive strategy.

I spent two weeks in Afghanistan this quarter visiting projects and talking to American and international officials as well as Afghan citizens about the enormous challenges they face as the U.S. and Coalition presence shrinks. Everyone I spoke with sees 2014 as a pivotal year that will reveal the degree to which U.S. reconstruction efforts have established a foundation for a responsible government and expanding economy in Afghanistan. SIGAR has identified critical issues in security, governance, economic development, narcotics, and corruption as well as on-budget assistance. We have ongoing and planned work in each of these areas.

SIGAR is also extremely concerned that oversight could suffer as the United States shrinks its military and civilian footprint. For this reason, SIGAR, in collaboration with the United States Institute of Peace, is hosting a symposium in February to identify best practices for remote management and monitoring in insecure environments. SIGAR will publish its conclusions as a reference tool for government agencies and nongovernmental organizations.

This quarter, I again reiterate my concerns—which I raised in our last three quarterly reports—about the policies of the U.S. Army’s suspension and debarment program. The Army’s refusal to suspend or debar supporters of the insurgency from receiving government contracts because the information supporting these recommendations is classified is not only legally wrong but also contrary to sound public policy and national security goals. I continue to urge Congress to change this faulty policy and enforce the rule of common sense in the Army’s suspension and debarment program.

This quarterly report highlights the risks and uncertainties confronting the U.S. reconstruction effort during this pivotal year. As the U.S. drawdown continues, implementing agencies and oversight bodies will have far less visibility over the reconstruction programs than in the past. Effective oversight has never been more important than now. I will continue to work with the implementing agencies and other oversight bodies as well as with Congress to ensure that the enormous U.S. investment in the reconstruction of Afghanistan is not wasted.

Respectfully,

[Signature]

John F. Sopko
Special Inspector General for Afghanistan Reconstruction

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EXECUTIVE SUMMARY

This report provides a summary of SIGAR’s oversight work and an update on developments in the three major sectors of Afghanistan’s reconstruction effort. It also includes a discussion of the risks and uncertainties facing the country as the Coalition withdraws most of its troops in this pivotal year of military and political transition. During this reporting period, SIGAR published 25 audits, inspections, alert letters, and other reports assessing the U.S. efforts to build the Afghan security forces, improve governance, and facilitate economic and social development. These reports identified a number of problems, including weaknesses of management and oversight, poor planning, construction deficiencies, and other threats to health and safety. SIGAR investigations saved the U.S. government some $1.7 million, while criminal fines and restitutions brought about by SIGAR amounted to approximately $5.3 million. SIGAR investigations also resulted in three criminal informations, five plea agreements, and six sentencings in the United States and two subjects being arrested and charged in Afghanistan.

SIGAR OVERVIEW

Political and military transitions make 2014 a pivotal year for Afghanistan. National elections in April will be a test of government effectiveness and, if successful, could ease ethnic tensions and increase public acceptance by providing the first democratic and peaceful hand-off of executive power in the country’s history. Meanwhile, the drawdown of foreign military forces continues. This year will give Americans fresh indications of how well the 12-year, nearly $100 billion U.S. reconstruction effort—running in parallel with America’s longest war—may have succeeded. SIGAR’s work, together with a broad survey of reports, analyses, and expert opinion, reveals uncertainties and risks surrounding many aspects of Afghan life and society, including but not confined to: security, elections, governance, narcotics, corruption, economy, and international aid, including on-budget assistance. The most pressing questions are whether the Afghan security forces can stand firm against the insurgency with increasingly limited international support, and whether the Afghan government can hold open and honest elections to facilitate a peaceful political transition and build public acceptance of its legitimacy and effectiveness.

AUDITS

SIGAR produced four performance audits, eight financial audits, and three inspections this quarter. The performance audits found:

- The Afghan central bank’s capacity to regulate commercial banks remains weak.
- The State Department’s programs to support the Afghan justice sector need better management and stronger oversight.
- Despite reported successes, concerns remain about the results, contract oversight, transition, and sustainment of the Afghan National Security Forces (ANSF) literacy programs.
- The United States Agency for International Development (USAID) has not fully implemented measures designed to fix significant problems within Afghan ministries that will receive over $1 billion in direct, government-to-government assistance.

The financial audits identified more than $10.7 million in questioned costs as a result of internal control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, reclassification of costs in excess of line item budgets, ineligible personnel costs, missing timesheets, failure to conduct vendor suspension and debarment checks, property loss due to theft and fire, poor record retention, lack of supporting documentation, unapproved international travel and property purchases, and failure to adhere to procurement procedures.

The inspection reports of U.S.-funded facilities found the following problems:

- $5.4 million was spent for inoperable incinerators, prolonging the use of potentially hazardous open-air burn pits at Forward Operating Base (FOB) Sharana.
- An education facility in Balkh remains unfinished and is unsafe to occupy after nearly five years.
- A lack of water and power and major construction deficiencies at Salang Hospital compromise Afghan citizens’ access to safe, reliable health care.
NEW AUDITS
This quarter, SIGAR initiated four new performance audits and three new financial audits. The four performance audits begun this quarter will assess:

- U.S. support for Afghanistan’s Information and Communication Technology Sector
- U.S. support for the Afghan Air Force
- Department of Defense (DOD) efforts to train, equip, and sustain the National Engineer Brigade
- U.S. efforts to develop and strengthen the provincial units of the Counter Narcotics Police of Afghanistan

The three new financial audits will examine DOD-funded contracts with combined incurred costs of approximately $500.6 million, bringing the total number of ongoing financial audits to 20, with more than $2.1 billion in costs incurred.

SPECIAL PROJECTS
During this reporting period, the Office of Special Projects issued:

- a special report on the safeguards created by DOD to protect $4 billion provided directly to Afghanistan’s Ministries of Defense and Interior
- an alert letter concerning evidence that a contractor identified as supporting the insurgency had gained access to a Coalition-controlled facility
- an alert letter concerning possible weaknesses in oversight provisions in a USAID agreement for providing direct, bilateral assistance funds to Afghanistan’s national power utility
- a fact sheet identifying USAID’s largest implementing partners
- a fact sheet identifying reconstruction projects that will not be readily accessible to oversight after the U.S. troop drawdown in 2014
- letters to nongovernmental organizations working with federal agencies in Afghanistan to identify best practices
- three letters to DOD: requesting information about the Commanders’ Emergency Response Program; announcing that SIGAR is reopening its investigation of the decisions that led to the construction of a 64,000-square-foot building at Camp Leatherneck in Helmand Province that the military will be using; and announcing that SIGAR has started a review of the terminated plan to provide G-222 aircraft to the Afghan Air Force.

INVESTIGATIONS
During this reporting period, a SIGAR investigation saved the U.S. government approximately $1.7 million. SIGAR investigations also resulted in three criminal informations, five plea agreements, and six sentencings in the United States. In Afghanistan, two subjects were arrested and charged. Criminal fines and restitutions brought about by SIGAR amounted to approximately $5.3 million. SIGAR initiated 51 new investigations and closed 39, bringing the total number of ongoing cases to 318. In addition, SIGAR’s suspension and debarment program referred 10 individuals and 24 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States.

Investigations highlights include:

- a former U.S. Army staff sergeant sentenced after pleading guilty to conspiracy to commit mail fraud, theft, and conversion of government property
- a sting operation at FOB Ghazni resulting in two arrests
- a U.S. Army sergeant first class pleading guilty to bribery and theft schemes
- a fraud investigation resulting in four criminal convictions
- two sentenced for fuel theft
- a U.S. Army sergeant convicted for theft of government funds

FUNDING UPDATE
The Consolidated Appropriations Act, 2014, provided an additional $5.4 billion for relief and reconstruction in Afghanistan, increasing cumulative appropriations since FY 2002 to approximately $102 billion. This figure excludes appropriations for State and USAID accounts, which had not been finalized when this report went to press. Approximately $19 billion of the amount appropriated for the seven major reconstruction funds highlighted in this report remained to be disbursed, as of December 31, 2013.
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“The longer this uncertainty about the future international commitment to Afghanistan continues, the more anxiety will increase, potentially dominating the upcoming presidential elections, threatening to turn these into a polarizing, rather than a unifying, experience in the country. Prolonged uncertainty over the BSA will also erode larger international support for Afghanistan.”

—Special Representative to Afghanistan James Dobbins

Source: Testimony at the Senate Foreign Relations Hearing on The Transition in Afghanistan, December 10, 2013.
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NATO foreign ministers and non-NATO participants in the International Security Assistance Force (ISAF) discuss Afghanistan security issues in a meeting at NATO headquarters in Brussels on December 4, 2013. Under United Nations Security Council resolutions, NATO leads the ISAF. The United States supplies about two-thirds of ISAF’s 57,000 troops in Afghanistan. (State Department photo)
2014: A PIVOTAL YEAR OF RISK AND UNCERTAINTY

Political and military transitions make 2014 a pivotal year for Afghanistan. National elections in April will be a test of government effectiveness and, if successful, could ease ethnic tensions and increase public acceptance by providing the first democratic and peaceful handoff of executive power in the country’s history. Meanwhile, the drawdown of foreign military forces continues. About 39,000 U.S. military personnel remain in Afghanistan, down from 66,000 at the start of 2013. Afghan forces formally took the lead in combat operations in June, and most U.S. and other North Atlantic Treaty Organization (NATO) troops will leave by the end of 2014.

Foreign troops are leaving, but Afghanistan’s social and economic problems, a U.S. pledge of billions of dollars in aid for years to come, and a tough and persistent insurgency all remain. This pivotal transition year will give Americans fresh indications of how well the 12-year, more than $100 billion U.S. reconstruction effort—running in parallel with America’s longest war—may have succeeded. The stakes involve much more than reckoning return on investment. As the Congressional Research Service observed in its most recent report on Afghanistan:

This is a critical time for U.S. efforts in the war in Afghanistan. … While troop levels tend to steal the headlines, more fundamentally at stake is what it would take to ensure the long-term protection of U.S. interests in Afghanistan and the region. Arguably, the United States may have a number of different interests at stake in the region: countering al Qaeda and other violent extremists; preventing nuclear proliferation; preventing nuclear confrontation between nuclear-armed states; standing up for American values, including basic human rights and the protection of women; and preserving the United States’ ability to exercise leadership on the world stage.

SIGAR’s work, together with a broad survey of reports, analyses, and expert opinion reveal uncertainties and risks surrounding many aspects of Afghan life and society, including but not confined to:
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- Security
- Elections
- Governance
- Narcotics
- Corruption
- Economy
- International aid, including on-budget assistance

The most pressing questions are whether the Afghan security forces can stand firm against the insurgency with increasingly limited international support, and whether the Afghan government can hold open and honest elections to facilitate a peaceful political transition and build public acceptance of its legitimacy and effectiveness.

SECURITY

More than half of all U.S. reconstruction dollars—$59 billion—have gone toward building up the Afghan National Security Forces (ANSF) to prevent al-Qaeda and other terrorist groups from establishing sanctuaries in Afghanistan. Although the ANSF—composed of the Afghan National Army and the Afghan National Police—assumed lead responsibility for security operations in June 2013, the United States and its NATO allies have planned to keep several thousand military personnel in Afghanistan to provide training and support to the Afghan security forces, as well as to conduct small counter-terrorism operations after 2014.

Coalition officials say the ANSF will continue to need NATO mentoring after most international combat troops have departed. Moreover, the Afghan government does not have the financial resources to pay salaries, purchase equipment, maintain facilities, and mount ANSF operations. NATO has estimated that it could cost as much as $5 billion a year to sustain the ANSF.

The post-2014 U.S. and NATO mission depends heavily on the Afghan government’s agreeing to a new U.S.-Afghan Bilateral Security Agreement (BSA) that will define the role and legal status of foreign troops. A newly negotiated BSA has been approved by a Loya Jirga consultative assembly convened by President Hamid Karzai, but as of press time, he has refused to sign it.

U.S. Secretary of Defense Chuck Hagel warned that if Afghanistan does not accept the BSA, a total U.S. withdrawal—the so-called “zero option”—could occur at the end of 2014. "If we cannot conclude a BSA promptly," a State Department briefer said in January 2014, “then we will initiate planning for a post-2014 future in which there would be no U.S. and—or no NATO troop presence in Afghanistan." She added, “The further this slips into 2014, the more likely such an outcome is.”
NATO plans to leave an 8,000–12,000 soldier force in Afghanistan after 2014, but without a signed U.S.-Afghan BSA followed by a NATO-Afghan pact, “We don't have a proper legal framework in place and it will not be possible to deploy a 'train, advise, assist' mission to Afghanistan,” said NATO Secretary General Anders Fogh Rasmussen. At the same time, the Chairman of the Joint Chiefs of Staff, General Martin Dempsey, has warned that a full withdrawal could contribute to regional instability: “All of us would be concerned about the possibility of ungoverned space producing safe havens for terrorism, so stability in the region is in our national interest.”

The consequence of having no U.S. or other NATO troops in Afghanistan after 2014 for training, advising, or limited counter-terror responses could be dire for Afghan security. Rasmussen reported to the United Nations in December 2013 that the ANSF “is well on the way to becoming a completely fielded force, although its combat capability is not yet self-sustainable.” He added, however, that “much work remains to be done” to develop and maintain a modern army and national police, and to build ministerial capacity in military and police planning, budgets, program operation, acquisition, and personnel processes.

A Brookings Institution scholar, Vanda Felbab-Brown, has observed that the Afghan security forces “continue to suffer from deeply inadequate logistical, sustainment, and other support capabilities and are also deeply pervaded by corruption, nepotism, and ethnic and patronage fissures.” Other challenges to ANSF effectiveness include widespread illiteracy, high rates of casualties and desertion, and the tenacity and resilience of its insurgent foes.
Because the United States has committed so much to developing the ANSF and views these forces as vital to the success of the U.S. mission, SIGAR continues to focus audit, inspection, and investigative work on programs to build the Afghan security forces. This quarter SIGAR published an audit report and a special project that raised concerns about the ANSF.

The NATO-led International Security Assistance Force (ISAF) has used a number of systems over the years to assess progress in manning, equipping, and training ANSF units. In July 2013, ISAF replaced the Commander’s Unit Assessment Tool (CUAT) with the Regional Command/ANSF Status Report (RASR).

The RASR is intended to yield more accurate, consistent, and useful results than the CUAT system. A SIGAR audit now under way is examining whether the disparities and inconsistencies that limited the value of the CUAT persist under the RASR. Moreover, ISAF does not yet have a plan for ensuring continued collection, analysis, validation, and reporting of ANSF capability assessments as foreign forces draw down and the number of advisor teams shrinks.9 (More detail on SIGAR oversight reports appears in Section 2 of this Quarterly Report; full texts are posted on the SIGAR website, www.sigar.mil)

Another SIGAR audit issued during this reporting period identified a number of problems with three U.S.-funded contracts with a total value of $200 million intended to increase ANSF literacy.

SIGAR found that not one of the contracts requires independent verification of literacy test results. Further, a definitive measure of current, overall literacy in the ANSF is unobtainable because the literacy-training program does not facilitate tracking of graduates, many recruits have been sent to the field with little or no training, and estimated attrition levels are 30–50%. Meanwhile, the NATO Training Mission-Afghanistan and the Combined Security Transition Command-Afghanistan (CSTC-A) have not yet developed a new transition and sustainment strategy defining Afghan ministries’ post-transition responsibilities, commitments, goals, milestones, metrics, and timelines for literacy training.10

At a broader level, SIGAR has observed issues in CSTC-A’s commitment of more than $4 billion to the Afghan Ministry of Defense and the Ministry of Interior to sustain army and police forces. Although CSTC-A uses some risk-mitigation tools, current practices focus on specific offices, providing an incomplete view of ministry-wide budget processes, and only limited risk assessments. The Office of the Secretary of Defense concurred with SIGAR’s Office of Special Projects suggestion that it consider conducting a comprehensive assessment of the two ministries’ financial-management capacity.11

SIGAR remains extremely concerned about the ANSF capabilities and the use of U.S. funding for the security forces. A forthcoming SIGAR audit will examine U.S. support for developing the Afghan Air Force. DOD asked for more than $1 billion in FY 2014 appropriations to buy new equipment for
the Afghan Air Force; the bill passed by Congress in mid-January reduced that amount by more than a third, reflecting DOD’s cancelling a plan to buy more Russian-built helicopters for the Afghans. The audit will look at the Afghan Air Force’s ability to operate and maintain the additional aircraft and equipment. Another audit will examine DOD efforts to train, equip, and sustain the Afghan National Army’s National Engineer Brigade, which is due to receive large quantities of equipment to carry out its support functions.

Security concerns also affect oversight. Continuing oversight of security progress is vital: Afghanistan’s pervasive insecurity hinders delivery of public services, deters investment, encourages human and capital flight, and undermines public confidence and support for the government.

The drawdown of U.S. military and civilian personnel, however, is imposing new limits on security, movement, and medical support for in-country oversight officials. SIGAR teams have already encountered difficulties traveling in Afghanistan, especially in rural or remote areas. Implementing agencies’ and oversight officials’ visibility into Afghan reconstruction projects—not only for security, but governance and economic development as well—seems likely to continue to shrink.

To address this issue, SIGAR and the U.S. Institute of Peace (USIP) are cosponsoring a symposium February 12–13, 2014, to examine ways to conduct effective program and project oversight in insecure environments like Afghanistan. Participants will discuss best practices and innovations, including varieties of remote monitoring. SIGAR will report symposium conclusions to Congress.

ELECTIONS

The Afghan presidential election scheduled for April 2014 could provide the first peaceful, democratic handover of power in the country’s history. Balloting will also determine the makeup of the country’s 34 provincial councils. However, as in the past, Afghanistan faces problems with voter registration, female voter participation, voter identification, polling-place security, tampering, fraud, and insurgent interference.

Seth Jones, an author and RAND Corporation scholar, expects the presidential and council voting “will almost certainly be marred by violence and corruption, as was the 2009 presidential election.” However, his main worry is that “the election could further weaken the state if substate actors, especially power brokers from northern and western Afghanistan, lose faith in the central government and accelerate efforts to rearm. These fissures would undermine the cohesiveness of the Afghan National Army and other security agencies, as well as affect the scope and degree of support from neighboring states.”

A USIP report on issues and concerns for the April voting listed the principal obstacles to holding a successful election:
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- lack of polling-place-specific voter registries to guard against fraud
- security challenges that could permit operation of “ghost polling centers” that produce masses of fraudulent votes
- legally required scheduling that forces preparations and voting in the spring, when weather hinders access to much of the country and when rural voters must prepare their farms for new crops
- a requirement for a new vote if any presidential candidate dies before vote results are announced—an invitation to insurgents to plan assassinations

The USIP report reflects the widely held view that “a failure of the 2014 elections would have catastrophic consequences for peace and stability, not only in Afghanistan but also across the entire region.”

GOVERNANCE

Security is an essential, but not a sufficient condition to establish Afghanistan as a modern bureaucratic state. As Clare Lockhart, director of the Institute for State Effectiveness, has said:

A well-functioning army is insufficient to govern a country. Vital state functions include maintaining a public-finance system; providing health services and education; planning infrastructure for transportation, communications, irrigation, and energy; and managing sources of revenue, including municipalities, tenders, and licenses.

Although official U.S. policy recognizes that improved governance must accompany efforts to build the Afghan security forces, some analysts have expressed concern that not enough attention has been paid to helping Afghans build enduring governing institutions. For example, Pauline Baker, president emeritus of the Fund for Peace, wrote after a 2013 visit to Afghanistan:

Over the past dozen years, ISAF has created a virtual state within a state that will shrink dramatically once combat forces depart. This will leave a much weakened, highly militarized and deeply corrupt narco-state that could descend into outright civil war and, possibly, partition. The central question is not whether the Western-trained, supplied and financed Afghan security forces will be able to contain the Taliban insurgency, as is commonly thought. Even if they can, the more critical question is whether the state itself will hold together once Western life support is removed.

That critical question does not receive a heartening answer in the Fund for Peace’s 2013 edition of its “Failed States Index.” The index ranks states by scores on measures including demographic pressures, refugees or displaced persons, aggrieved groups seeking revenge, uneven economic development, poverty, economic decline, public services, security apparatus,
and rule of law. Afghanistan ranks seventh-worst of 171 nation-states, trailing only Somalia, Congo, Sudan, South Sudan, Chad, and Yemen. SIGAR and other organizations have noted common and persistent problems in Afghan ministries’ ability to plan and execute budgets, deliver adequate levels of public services, and account for the use of funds. For example, a 2013 World Bank assessment of Afghan public financial management and accountability noted “remarkable progress” and found Afghanistan’s ratings on a par or better than in 15 other “fragile states,” but said Afghan finance functions suffer from weak internal audit, lack of standards application, and lack of publication of compliance-review results. In general, “performance is still largely dependent on donor-funded technical assistance for policy advice and operational support.”

Donor technical assistance is not always welcomed. This quarter, SIGAR issued an audit of the Afghan banking system that found the central bank’s financial-supervision department’s capacity to regulate the banking sector is “severely limited and in need of outside technical assistance.” The central bank has refused, however, to agree on standards for further foreign technical support. That refusal has left the system “unstable and at risk of experiencing another crisis similar to the near collapse of Kabul Bank.” (See Section 3 of this Quarterly Report for an update on the 2010 Kabul Bank scandal involving fraud and losses of hundreds of millions of dollars.)

Recognition of Afghanistan’s problems with effective governance is widespread. In its latest semiannual report to Congress on Afghanistan, the U.S. Department of Defense delivers a sharp summary:

Effective governance, rule of law, and sustainable economic development are all necessary for long-term stability in Afghanistan. However, these are hindered by multiple factors, including widespread corruption, limited formal education and skills, illiteracy, minimal access by officials to rural areas, lack of coordination between the central government and the Afghan provinces and districts, and uneven distribution of power among the branches of the Afghan government. … The Afghan government is highly centralized, with revenue, budgeting, spending, and service delivery authority residing with the central ministries in Kabul. This level of centralization limits the efficiency of service delivery at the provincial and district levels. Development of capacity at local levels is slowed by limited human capital as well as by delays in enactment of structural reforms by the central government. … While Afghans are increasingly capable of solving near-term issues, they still lack a systematic and proactive planning method for strategic planning, budget development, and sustainment processes.

**NARCOTICS**

Despite years of costly efforts to suppress opium cultivation, attract farmers to alternative livelihoods, interdict drug shipments, and prevent drug-trade...
money laundering, the UN Office of Drugs and Crime reported this quarter that the amount of Afghan land in opium production has hit “a sobering record high” of 209,000 hectares—a more than half a million acres, and an 8% increase over the previous record of 193,000 hectares set in 2007. While opium production provides many farmers with a higher income than they can gain from any legal crop, the opium business also provides revenue to insurgents, supports criminal networks, fosters addiction, and diverts effort and resources from more beneficial uses.

The U.S. Congress has appropriated nearly $7 billion to combat the narcotics trade in Afghanistan: more than $4 billion for the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs, which manages the International Narcotics Control and Law Enforcement account; and more than $2.6 billion for DOD’s Drug Interdiction and Counter-Drug Activities fund. This does not include funds appropriated for agriculture programs designed to encourage Afghans to develop alternative livelihoods. The DOD fund supports military operations against drug traffickers and Afghan interdiction operations while providing counternarcotics training, equipment, and facilities to Afghan law enforcement.

The results of all this spending and activity leave something to be desired. Special Inspector General John F. Sopko testified in Congress in January 2014 that the counternarcotics effort suffers from low prioritization, lack of a comprehensive strategy, and the challenge posed by a declining U.S. law-enforcement presence in Afghanistan. Despite the large U.S. investment in counternarcotics programs, he told Congress:

The narcotics trade is poisoning the Afghan financial sector and fueling a growing illicit economy. This, in turn, is undermining the Afghan state’s legitimacy by stoking corruption, nourishing criminal networks, and providing significant financial support to the Taliban and other insurgent groups. ... In sum, the expanding cultivation and trafficking of drugs is one of the most significant factors putting the entire U.S. and international-donor investment in the reconstruction of Afghanistan at risk.

CORRUPTION

Afghanistan remains one of the most corrupt countries in the world. Corruption diverts funds from intended uses, undermines the rule of law, and erodes popular support for the Afghan government.

SIGAR audits have assessed Afghanistan’s anti-corruption bodies and evaluated monitoring of bulk cash flows through the Kabul International Airport. SIGAR reports have repeatedly noted that despite the enormous risk corruption poses to the entire reconstruction effort, the United States does not have a comprehensive anticorruption strategy. SIGAR investigators at six field offices in Afghanistan seek to apprehend individuals
engaged in bribery and extortion. Meanwhile, SIGAR has found serious shortcomings in Afghan capacity and determination to combat corruption. Implementing agencies are calling upon the international community to make reconstruction funds conditional to Afghanistan addressing its endemic corruption. For example, in its latest Report on Progress Toward Security and Stability in Afghanistan, DOD observed:

Although the ANSF are ahead of GIRoA [Government of the Islamic Republic of Afghanistan] in some counter-corruption efforts, the lack of political will to address these serious issues across the rest of GIRoA will continue to threaten the government’s legitimacy and ultimately poses a significant risk to the ISAF [International Security Assistance Force] mission. The elimination of egregious corruption in Afghanistan cannot be achieved without coordinated action from the international community to enforce conditions placed on GIRoA. In short, the only weapon available to affect the situation on a national level is control of “purse strings” that finance GIRoA functionality.24

ECONOMY
Isolated, mostly rural, infrastructure-sparse, energy-import-dependent, conflict-torn Afghanistan is one of the world’s most impoverished countries. Its per capita gross domestic product is estimated at $1,100, versus $51,700 for the United States.25 U.S. support pays for the great bulk of Afghanistan’s security costs, ranging from uniforms and weapons to food and fuel, but the Afghan government also faces demands for public services and development that it cannot fund from domestic sources.

During this reporting period, the Afghan government submitted its budget, which totaled $7.9 billion, to parliament. That is almost four times the government’s annual domestic revenue of about $2 billion a year, which is slightly less than the FY 2013 operating budget for Baltimore, Maryland (population 621,000).26 Afghanistan’s fiscal deficit of nearly 9% of GDP is one of the worst in the world.27 Consequently, Afghanistan relies on international assistance to pay most of its civilian operating and development budgets as well as the bulk of its security costs.

Afghanistan’s economic indicators are not promising. Afghanistan’s economy grew an average 9.2% per year—albeit from a very low base—from 2003 through 2012, but the World Bank attributes much of this growth to high levels of international assistance. The Bank notes that “private investment, on the other hand, has played a rather small role.”28 The Asian Development Bank has reported high agricultural output in Afghanistan reflecting “highly favorable” rains, but notes that tax and customs revenues have declined while industry and services have weakened, apparently due to “business and consumer uncertainty in view of insurgents’ stepped up

ANTICORRUPTION EFFORTS FOR AFGHANISTAN FAIL TO IMPRESS

- The latest ranking by the independent organization Transparency International has Afghanistan, North Korea, and Somalia in a tie for world’s most corrupt country.
- In its response to SIGAR’s data call for this report, the U.S. Department of State said the Afghan High Office of Oversight and Anti-Corruption (HOO) suffers from “the lack of political will and seriousness of purpose at the upper echelons of government in fighting corruption, especially when it involves the powerful and political elite.”
- State and USAID have agreed that the HOO, while technically capable of functioning as an effective anticorruption agency, is dysfunctional, ineffective and politicized. As a result, USAID terminated its support of the HOO this quarter.
- State has also concluded that Afghanistan’s Major Crimes Task Force shows little inclination or ability to pursue high-level corruption, that the Afghan Attorney General’s Office prosecutes few politically connected people, and that the Supreme Audit Office has had limited effectiveness in auditing ministries.
- Afghanistan did create an Independent Joint Anti-Corruption Monitoring and Evaluation Committee with foreign-national participation, but its authority is confined to monitoring corruption, developing benchmarks and recommendations, and reporting.
- Meanwhile, SIGAR has found the U.S. government has no comprehensive strategy to combat corruption in Afghanistan.

Sources: Agency responses to SIGAR data calls, SIGAR Quarterly Reports.
attacks in connection with the 2014 full transfer of security responsibility to local forces.”

None of this bodes well.

Last year, the U.S. Director of National Intelligence told Congress, “Kabul has little hope of offsetting the coming drop in Western aid and military spending, which has fueled growth in the construction and services sectors.” Some observers expect that drop to have severe consequences. Nader Nadery, director of the independent, international-community-funded Afghanistan Research and Evaluation Unit, predicts:

The withdrawal of Western forces will be accompanied by the drawdown of international development agencies, the reduction of aid, and an uncertain investment climate. The immediate effects will be capital flight, heightened risks for investments, and the collapse of drivers of economic growth such as reconstruction, logistics, and transportation.

Ambassador James Dobbins, the U.S. special envoy to Afghanistan and Pakistan, recently told reporters that he also expects aid to shrink along with the foreign footprint: “My judgment is no troops, no aid, or almost no aid. The [donors’] political support for the aid comes from the military presence.”

The World Bank describes Afghanistan as “an extreme outlier in terms of dependence on aid.” International assistance has at times exceeded 100% of Afghanistan’s gross domestic product. However, the Bank has also pointed out that “most international spending ‘on’ Afghanistan is not spent ‘in’ Afghanistan; it leaves the economy through imports, expatriated profits of contractors, and outward remittances.” This is particularly true, the Bank notes, of the off-budget aid that constitutes most of foreign donors’ assistance. Therefore, the bank suggests that with a shift to more on-budget assistance “the impact of large aid reductions on economic growth may be less than expected.”

INTERNATIONAL AID, ON- AND OFF-BUDGET
The World Bank has projected that Afghanistan will require at least $7 billion a year during the coming decade to fill the fiscal gap between its domestic revenues and its outlays for security, other operations, and development. The United States is expected to be the largest source of that aid, as it has been since 2002. However, the future of international aid for Afghanistan remains precarious.

One question is whether Afghanistan will demonstrate adequate performance against the benchmarks of the 2012 Tokyo Accountability Framework, developed in a donors’ conference and agreed to by Afghanistan. The Framework conditions delivery of additional billions in donor assistance upon Afghan progress against specified governance and development benchmarks in areas including elections, corruption, narcotics, public finance, and human rights. The international community,
including the United States, conditionally pledged over $16 billion through 2015, and “sustaining support, through 2017, at or near the levels of the past decade,” and to channel at least 50% of aid “on budget,” through the Afghan government.35

The United States has been providing both on-budget and off-budget assistance to Afghanistan since 2003. However, most of the assistance has been off-budget.

The United States provides on-budget assistance to Afghanistan through direct (government-to-government) payments to Afghan ministries and payments supporting host-country contracting; or through contributions to trust funds such as the Afghan Reconstruction Trust Fund (ARTF) administered by the World Bank or the Law and Order Trust Fund for Afghanistan (LOTFA) administered by the United Nations Development Programme, which thereby serve as intermediaries for U.S. aid.36 In either case, funds are recognized in Afghan national and ministerial budgets and the Afghan government exercises some control over them. Afghan control may, however, be limited by agreements with other nations or with international organizations on objectives, progress benchmarks, documentation of costs, or other metrics and conditions.

U.S. off-budget assistance involves funds that do not become part of the Afghan government’s budget process and are controlled by donors. Off-budget U.S. assistance to Afghanistan includes, for example, local projects executed through DOD’s Commander’s Emergency Response Fund (CERP) and the DOD-State-managed Afghanistan Infrastructure Fund.37 Projects and programs such as technical assistance and aid to civil-society organizations that are executed by international and non-governmental organizations are also typically off-budget, even if they are coordinated with the Afghan government and if their objectives and deliverables are “aligned” with Afghanistan’s National Priority Programs.38

The State Department has argued that increasing government-to-government assistance is “critical” to meeting “the need to strengthen Government of Afghanistan systems and capacity to increase its legitimacy in the eyes of the Afghan public as part of the overarching civilian-military strategy in Afghanistan.”39 As of December 31, 2013, USAID had committed over $1 billion in such direct assistance to Afghan ministries and other government entities.40

The commitment to increase on-budget assistance, whether direct or via multilateral trust funds, entails reduced U.S. control and visibility over the use of American taxpayers’ money. SIGAR believes it is critical to ensure that Afghan government entities receiving on-budget assistance have some reasonable capability to manage and account for those funds.

That capability is currently not all that it might be. In late 2010, after the United States had committed to providing more on-budget assistance to Afghanistan, USAID contracted with two U.S. accounting firms—Ernst &
2014: A PIVOTAL YEAR

Young and KPMG—to assess 16 Afghan ministries’ ability to manage U.S. funds. USAID subsequently conducted internal risk reviews of seven of the 16 ministries assessed.

This quarter, SIGAR completed its audit of the ministerial assessments and USAID’s internal reviews of seven ministries. Both Ernst & Young and KPMG concluded that none of the ministries they assessed could manage and account for funds properly without implementing many risk-mitigation measures recommended in the auditors’ assessment reports.

SIGAR found that the accountants made a total of 696 recommendations, of which 41% were “critical” or “high risk.” USAID’s subsequent internal review of seven ministries found 104 major risks. These included “concealing vital monitoring and evaluation information” and “misappropriation of cash arising from payment of salaries in cash.” Although USAID concluded that the ministries were unable to manage direct assistance without a risk-mitigation strategy in place, USAID has signed agreements with each of the reviewed ministries for direct-assistance programs. Moreover, USAID adopted only a small portion of the hundreds of risk-reducing recommendations as conditions for the ministries must meet for receiving assistance.

SIGAR agrees that giving the Afghan government the responsibility to allocate, manage, and track funds through the increased use of direct assistance is important because the Afghan government must ultimately sustain the reconstruction effort. At the same time, conditions in Afghanistan make it equally critical that U.S. implementing agencies use every safeguard at their disposal to protect U.S. funds.

As the Special Inspector General for Afghanistan Reconstruction, John F. Sopko, told lawmakers last year:

A greater proportion of the funds will be going toward Afghans, rather than foreign contractors or NGOs, and this may result in increased government capacity and more sustainable development. On the other hand, capacity challenges in the Afghan ministries coupled with the difficulties of providing assistance in a conflict zone riddled with corruption will also put direct assistance funds at risk of being wasted. Whatever type of aid the United States provides, U.S. government officials must address the systemic problems inherent in every aspect of the reconstruction effort—inadequate planning, poor quality assurance, poor security, questionable sustainability, and pervasive corruption.

The World Bank has also expressed concerns about the ability of the Afghan government to absorb on-budget assistance. It noted that “Increasing on-budget aid and managing O&M [operations and maintenance] through government systems would greatly improve aid effectiveness,” but the Afghan government “will need to overcome serious absorptive capacity constraints if it is to be in a position to receive additional donor money on budget.” Similarly, Anthony Cordesman, a former...
DOD and State official now with the independent Center for Strategic and International Studies, has said, "It is far from clear that Afghanistan has the ability to absorb anything like the disbursements that did occur—much less the [donors’] total commitments," partly because of "the incompetence and corruption of the Afghan central government."44

Unfortunately, not all the challenges to effective oversight originate in Afghanistan. SIGAR and other U.S. oversight agencies have noted numerous failures by federal agencies in overseeing projects and accounting for funds. Issues include widespread lack of accountability and compliance with existing regulations and standards that affect reconstruction projects, such as requirements for site visits, documentation, and certifications.45

If gathering good evidence for judging U.S. assistance programs is difficult, doing so for programs executed by Afghan ministries with funds partially veiled by the process of on-budget assistance can only be more difficult.

CONCLUSION
During this pivotal transition year, the U.S. reconstruction effort to build capable security forces, improve governance, and foster economic development will take place in an environment of increased risk. As the U.S. reduces its military and civilian presence while increasing on-budget assistance, implementing agencies and oversight bodies will have far less visibility over reconstruction programs than in the past. SIGAR is working with other agencies to identify ways to continue to provide robust oversight of the most costly effort to rebuild a single nation in U.S. history.

The year began with grave concern over acceptance of the new Bilateral Security Agreement, questions about the ANSF’s ability to maintain security, fear that upcoming elections will not be seen as legitimate, and serious doubts whether the Afghan government will implement reforms needed to ensure continued international assistance. Afghanistan’s future will be powerfully shaped by Afghan and international-community actions to resolve these uncertainties as 2014 proceeds.
“Since 2010 SIGAR has been voicing concern about the lack of an anticorruption strategy in one of the world’s most corrupt countries. Despite the fact that the narcotics trade and corruption are inextricably linked, we recently reported that the United States still does not have a comprehensive strategy to guide U.S. anticorruption activities.”

—Special Inspector General John F. Sopko
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This quarter SIGAR issued 25 audits, inspections, alert letters, and other reports. This work identified failures of oversight, construction deficiencies, poor planning, and other threats to health and safety in areas of Afghanistan’s reconstruction ranging from the national ministries to the Afghan National Security Forces (ANSF).

An audit report warned that the United States Agency for International Development (USAID) has not fully implemented measures designed to mitigate risks associated with awarding $1 billion of direct assistance to the Afghan government. Another audit found that the State Department’s justice sector development programs need better management and stronger oversight if $47.8 million in taxpayer funds is not to be put at risk. A third audit determined that the Afghan central bank’s capacity to regulate commercial banks remains weak and in need of robust oversight, yet U.S. advisors have been banned from working at the bank. Still another audit raised concerns about the ANSF’s literacy program results, contract oversight, transition, and sustainment. Three inspection reports showed that $5.4 million had been spent on inoperable incinerators at Forward Operating Base Sharana, that the Balkh Education Facility remains unfinished and unsafe to occupy, and that a lack of power and water and major construction deficiencies limit hospital services and raise safety concerns at Salang Hospital.

SIGAR’s Office of Special Projects found that comprehensive risk assessments of the Ministry of Defense (MOD) and the Ministry of Interior (MOI) could improve oversight of over $4 billion in direct assistance funding. The Office of Special Projects wrote to the Department of Defense (DOD) to announce it was reinstituting its investigation of the decisions that led to the construction of an unoccupied 64,000-square-foot building at Camp Leatherneck and to warn DOD of a dangerous security lapse that appeared to allow a contractor identified as supporting the insurgency access to a Coalition-controlled facility. Special Projects also wrote to USAID about possible weaknesses in oversight provisions in a USAID agreement to provide direct bilateral assistance to Afghanistan’s national power utility.

A SIGAR investigation saved the U.S. government some $1.7 million. SIGAR investigations also resulted in three criminal informations, five plea

**TESTIMONY GIVEN**
- Testimony 14-21-TY: The State of the U.S. Counternarcotics Effort in Afghanistan

**COMPLETED AUDITS**
- Audit 14-16-AR: Afghan Banking Sector
- Audit 14-26-AR: Support for Afghan Justice Sector
- Audit 14-30-AR: ANSF Literacy Programs
- Audit 14-32-AR: USAID Ministerial Assessments
- Eight Financial Audits, see page 32

**COMPLETED INSPECTIONS**
- Inspection 14-13-IR: FOB Sharana Incinerators
- Inspection 14-24-IR: Balkh Education Facility
- Inspection 14-31-IR: Salang Hospital

**COMPLETED SPECIAL PROJECT REPORTS**
- Special Project 14-12-SP: MOD and MOI Financial Management Capacity
- Special Project 14-22-SP: CERP Inquiry
- Special Project 14-25-SP: 64K Building Follow Up
- Special Project 14-27-SP: USAID Assistance to Afghanistan Reconstruction
- Special Project 14-28-SP: Oversight Access Map

**SPECIAL PROJECT ALERT LETTERS**
- Alert Letter 14-17-AL: Kajaki Dam Turbine
agreements, and six sentencings in the United States. In Afghanistan, two subjects were arrested and charged. Criminal fines and restitutions brought about by SIGAR amounted to approximately $5.3 million. SIGAR’s suspension and debarment program referred 10 individuals and 24 companies for suspension and debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States.

SIGAR TESTIFIES TO CAUCUS ABOUT COUNTERNARCOTICS IN AFGHANISTAN

On January 15, 2014, Special Inspector General John F. Sopko testified before the Senate Caucus on International Narcotics Control on the perilous state of the U.S. counternarcotics effort in Afghanistan. Sopko told the caucus that the situation in Afghanistan is dire with little prospect for improvement in 2014 or beyond. The expanding cultivation and trafficking of drugs is one of the most significant factors putting the entire U.S. and international donor investment in the reconstruction of Afghanistan at risk. Meanwhile, the United States and other western donors assisting Afghanistan have, by and large, made counternarcotics a lower strategic priority at the same time that the 2014 drawdown of U.S. and Coalition forces increases the security risks in the country.

Since 2002, the United States has spent at least $7 billion on a wide variety of programs to reduce poppy cultivation, prevent narcotics production, treat drug addiction, and improve the criminal justice system to combat drug trafficking. The United States has provided another $3 billion in additional funds for agriculture and stabilization programs, which under the current U.S. strategy are considered an important part of the counternarcotics effort. Despite this mammoth investment, more Afghan land is under poppy cultivation today than it was when the United States overthrew the Taliban in 2002.

During a recent trip to Afghanistan, international officials, law enforcement agencies, and analysts who have been involved in the narcotics effort in Afghanistan all told Sopko that they are very worried that the United States and its Coalition partners are no longer sufficiently focused on counternarcotics.

Sopko noted that, as a part of SIGAR’s quarterly report data call, DOD has reported to SIGAR that without military support, Drug Enforcement Administration (DEA) operations will center on Kabul with little ability to extend beyond the Afghan capital. DOD also said that Afghan counterdrug forces’ ability to conduct complex interdictions will be affected by the military drawdown. The department reported a sharp decline in the amount of illicit narcotics seized from fiscal year (FY) 2011 to FY 2013, from 98,327 kilograms of opium seized in 2011 to 71,814 in 2012 to 41,218 in 2013. The interdiction of precursor chemicals also dropped 73% and hashish declined
SIGAR OVERSIGHT ACTIVITIES

by 79% between FY 2012 and FY 2013. The total number of counterdrug operations declined 26% between FY 2012 and FY 2013. “Most troubling, DOD told my staff that when combat operations conclude at the end of 2014, the NATO-led training, advisory, and assistance mission in Afghanistan (Resolute Support Mission or RSM) will not have the resources and capacity to support law enforcement counterdrug missions at current levels,” he said.

Sopko said he was particularly concerned that as the U.S. Embassy Kabul “right sizes” itself—mirroring on a smaller scale the U.S. military drawdown—law enforcement components are losing critical manpower at precisely the time that poppy cultivation and drug trafficking is expanding. He said SIGAR is very concerned that the civilian drawdown does not reflect a considered analysis of the personnel the United States needs to have in Afghanistan to mount an effective counternarcotics effort.

SIGAR believes that a robust law enforcement presence is an essential part of any effort to effectively combat the narcotics trade. As the United States withdraws soldiers, it is also drastically reducing its law enforcement presence. It is particularly important that the United States continue to mentor and assist the Afghan institutions responsible for countering the narcotics trade. These institutions are the key to reversing cultivation and production trends that endanger every single thing the United States has tried to accomplish.

The people Sopko spoke with in Afghanistan on his last few trips talked about two possible outcomes following the 2014 transition in Afghanistan: a successful modern state, or an insurgent state. However, there is a third possibility: a narco-criminal state. Absent effective counternarcotics programs and Afghan political will to seriously tackle this grave problem, that third outcome may become a reality.

CONGRESS ACTS ON ISSUES HIGHLIGHTED BY SIGAR

SIGAR regularly briefs members of Congress and their staffs on SIGAR’s audits, investigations, special projects, and specific areas of concern. This quarter, Congress addressed many issues highlighted by SIGAR through provisions in the FY 2014 Consolidated Appropriations Act and the FY 2014 National Defense Authorization Act, including the following:

FY 2014 Consolidated Appropriations Act

• Funding of $1.12 billion for Department of State (State) and USAID assistance to Afghanistan, a decrease of 50% from FY 2013 and from the President’s request for FY 2014. A provision stated that the congressional appropriations committees reduced the funding to “a more sustainable level that can be responsibly programmed and subject to effective oversight.”
• A provision stating that assistance provided by the United States shall be exempt from taxation or that the foreign government shall
reimburse the United States for any taxes levied. It requires that an amount equivalent to 200% of the total taxes assessed during FY 2014 on funds appropriated by the act by a foreign government or entity against U.S. assistance programs be withheld from funds appropriated for assistance to the central government of that country for FY 2015. SIGAR had called attention to nearly $1 billion in Afghan government taxes on U.S. companies supporting the U.S.-funded reconstruction.

- A provision stating that the Economic Support Fund and International Narcotics and Law Enforcement account funding for Afghanistan may not be used to initiate any new program, project, or activity for which regular oversight by State or USAID, as appropriate, is not possible.
- A section stating that funds may only be used for direct government-to-government assistance of more than $10 million if each implementing agency or ministry has been assessed and is considered to have the systems required to manage such assistance, and only if any identified vulnerabilities or weaknesses have been addressed.
- A provision directing the Secretary of Defense to report to the House and Senate Appropriations Committees, no later than 180 days after the law’s enactment, details of personnel, maintenance, and logistics milestones met or still to be achieved so that the Afghan Special Mission Wing (SMW) is able to operate and maintain its fleet of aircraft. The report must also analyze alternative platforms that could meet SMW mission requirements over the long term.


- A section expanding the prohibition on contracting with contractors affiliated with insurgents or other enemies of the United States to apply to combatant commands in addition to U.S. Central Command (CENTCOM).
- A requirement for the Secretary of Defense to report to the congressional defense committees on the amount of taxes assessed the previous year on U.S. defense contractors, subcontractors, and grantees. It would also mandate that an amount equivalent to 100% of the total taxes assessed by the Afghan government on that assistance be withheld from funds appropriated for Afghanistan assistance for the succeeding fiscal year to the extent that such taxes have not been reimbursed.

**AUDITS**

SIGAR conducts performance audits, inspections, and financial audits of programs and projects connected to the reconstruction in Afghanistan. Since its last report to Congress, SIGAR has issued four performance audits, three inspections, and eight financial audit reports. This quarter SIGAR also...
began four new performance audits, bringing the total number of ongoing performance audits to 10. It also initiated three financial audits and three inspections. The published performance audit reports, among other things, raised concerns about the Afghan central banks capacity to regulate commercial banks, the State Department’s justice sector programs, the ANSF’s literacy programs, and USAID’s direct assistance to the Afghan government. The performance audits made a total of 13 recommendations. The financial audits identified more than $10.7 million in questioned costs as a result of internal control deficiencies and noncompliance issues.

Audit Reports Published
This quarter, SIGAR completed four performance audit reports that reviewed the Afghan central bank’s capacity to regulate commercial banks, the State Department’s support for Afghanistan’s justice sector, the results of ANSF literacy training, and the assessments of Afghan ministries.

Audit 14-16-AR: Afghanistan’s Banking Sector
Central Bank’s Capacity to Regulate Commercial Banks Remains Weak
The near collapse of Kabul Bank in September 2010 raised major concerns among U.S. and other international donor agencies regarding the capacity of Afghanistan’s central bank, Da Afghanistan Bank (DAB), to regulate Afghanistan’s commercial banks through its Financial Supervision Department (FSD). SIGAR conducted this audit to determine the extent to which various U.S. government agencies, as well as key international donors, have taken steps since the near collapse to strengthen the regulatory capacity of DAB.

SIGAR found that Afghanistan’s banking sector remains fragile and in need of robust regulation by DAB. Further, audits of major commercial banks in Afghanistan have identified systemic weaknesses in many areas of banking governance and operations, including personnel capacity, internal controls, accounting, credit analysis, and compliance with regulations. DAB’s ongoing limitations and inability to conduct robust oversight allow such weaknesses in Afghan banks to remain unchecked, heightening the risk of another banking crisis.

USAID, the Department of the Treasury (Treasury), State, and DOD have not provided technical assistance to DAB since 2011, when Afghan President Hamid Karzai banned U.S. advisors from working with the central bank. However, DAB FSD’s capacity to fulfill its banking sector regulatory functions is limited and in need of outside technical assistance to help it meet international standards. Treasury and USAID expressed a willingness to resume technical assistance to DAB and have established conditions that the Afghan government and DAB must fulfill before the agencies will take steps to resume activities at DAB. To date, however, the Afghan government has not accepted these conditional offers of assistance.

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

COMPLETED PERFORMANCE AUDITS
• Audit 14-16-AR: Afghanistan’s Banking Sector: The Central Bank’s Capacity to Regulate Commercial Banks remains Weak
• Audit 14-26-AR: Support for Afghanistan’s Justice Sector: State Department Programs Need Better Management and Stronger Oversight
• Audit 14-30-AR: Afghan National Security Forces: Despite Reported Successes, Concerns Remain about Literacy Program Results, Contract Oversight, Transition, and Sustainment
• Audit 14-32-AR: Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries’ Ability to Manage Donor Funds, but Weaknesses Remain
In addition, technical support from international organizations remains quite limited. U.S. agency officials stated that, following the Kabul Bank crisis, international organizations, such as the World Bank and the International Monetary Fund (IMF), became the primary providers of capacity development programs at DAB’s FSD. However, World Bank officials told SIGAR that they are terminating one of the Bank’s two programs with DAB due to unsatisfactory results, caused, in part, by “a deteriorating security environment,” and the IMF does not currently have any advisors assisting DAB.

Given the current impasse between the U.S. and Afghan governments regarding conditions that must be met before additional technical assistance is provided to DAB, SIGAR is not making any recommendations at this time. However, because of the fragile state of the banking sector and its importance to the overall stability of Afghanistan, SIGAR will continue to carefully monitor the situation.

**Audit 14-26-AR: Support for Afghanistan’s Justice Sector**

State Department Programs Need Better Management and Stronger Oversight

Since 2005, State has spent at least $223 million on justice sector development programs in Afghanistan, including State’s Bureau of International Narcotics and Law Enforcement Affairs’ (INL) programs to train Afghan justice sector personnel such as judges, prosecutors, and defense attorneys. The Justice Sector Support Program (JSSP) is one of these programs and is comprised of three main components: regional training of justice sector officials, developing a case management system, and building administrative capacity at Afghan ministries.

In January 2013, INL signed a letter of agreement with the International Development Law Organization (IDLO), a public international organization with a mission to promote the rule of law worldwide, which transferred the regional justice training component from the contractor that previously implemented the JSSP—PAE Incorporated (PAE)—to IDLO.

This audit assessed (1) INL’s management of the JSSP contract and the extent to which the JSSP’s contribution to the development of the Afghan justice sector can be measured, (2) the extent to which INL’s decision to transfer the JSSP’s Regional Justice Sector Training component—now known as the Justice Training Transition Program (JTTP)—from PAE to IDLO affects INL’s oversight of the program, and (3) State’s efforts to coordinate justice sector programs in Afghanistan across U.S. government agencies.

SIGAR found that INL’s management and oversight of the JSSP contract with PAE limited its ability to assess the contractor’s performance and the JSSP’s contribution to justice sector development.

INL’s decision to transfer the Regional Justice Sector Training component of the JSSP to IDLO raises concerns about INL’s oversight of the
$47.8 million IDLO program. This component, now known as the JTTP, was transferred from PAE to IDLO in January 2013, despite the fact that IDLO was facing management and financial challenges at the time. SIGAR also found that INL has limited its authority to oversee IDLO’s work on the JTTP. In particular, INL’s letter of agreement with IDLO omits provisions that would give INL the authority to access IDLO records that is similar to its authority to access PAE records related to the JSSP.

SIGAR recommends that the Secretary of State: (1) include in future JSSP and/or successor program contracts specific, detailed explanations of the requirements to which the contractor will be held accountable as well as baseline data and target indicators to be used for evaluating program success; (2) expedite completion of PAE’s evaluation of the JSSP’s Regional Justice Sector Training component and ensure it is shared with IDLO immediately upon its completion so that oversight can be provided in a timely, effective manner, and that the lessons learned identified in this evaluation are used in the design and implementation of the JTTP; (3) renegotiate INL’s letter of agreement with IDLO to include provisions that would secure the right of the U.S. government to audit and inspect IDLO records related to funds furnished to IDLO under the JTTP, and to obtain any information from IDLO necessary to evaluate the performance and effectiveness of IDLO’s implementation of the JTTP and safeguard U.S. funds dedicated to the program; and (4) in cooperation with other U.S. agencies managing rule of law programs in Afghanistan, finalize the updates to the 2009 U.S.
Government Rule of Law Strategy within three months, so that timely decisions can be made to guide the development and coordination of current and future justice sector programs in Afghanistan.

Audit 14-30-AR: Afghan National Security Forces
Despite Reported Successes, Concerns Remain About Literacy Program Results, Contract Oversight, Transition, and Sustainment

The North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A) considers literacy to be critical to developing capable, professional, and sustainable ANSF. In 2009, the command established a goal of having 100% of ANSF personnel achieve level 1 literacy (basic literacy equivalent to first-grade proficiency) and at least 50% of the ANSF attain level 3 (functional literacy equivalent to third-grade proficiency) by December 31, 2014.

In an effort to achieve its program goals, the Command implemented a literacy training program delivered through three U.S.-funded contracts with OT Training Solutions, Insight Group, and the Higher Education Institute of Karwan. Issued in August 2010, these contracts have a combined value of $200 million for up to five years. NTM-A/CSTC-A plans to transfer the program to the Afghan Ministries of Defense and Interior by December 31, 2014.

The objectives of this audit were to assess the extent to which (1) NTM-A/CSTC-A’s literacy training is meeting goals for improving literacy within the ANSF; (2) NTM-A/CSTC-A has provided effective contract oversight; and (3) NTM-A/CSTC-A has taken steps to transfer and sustain the training program.

NTM-A/CSTC-A reported that its literacy training program has been generally successful in providing basic, functional literacy to ANSF personnel. As of October 2013, the command reported that 224,826 ANSF personnel had passed basic level 1, with 77,700 passing level 3 since the program’s inception in November 2009. The command indicated that the literacy program will meet its goal of 100% of ANSF personnel proficient at level 1 and 50% proficient at level 3 by the end of 2014. However, these goals were based on the ANSF’s authorized end strength of 148,000 personnel that was established in 2009, rather than the current authorized end strength of 352,000. Several NTM-A/CSTC-A officials told SIGAR they do not know how the goal for the literacy program was developed, but that attaining it based on the current authorized ANSF end strength may be “unrealistic” and “unattainable.”

The command’s ability to measure the effectiveness of its literacy training program and determine the extent to which overall literacy of the ANSF has improved is limited. None of the three literacy training contracts requires independent verification of testing for proficiency or identifies recruits in a way that permits accurate tracking as the recruits move on.
to army and police units. SIGAR also found that NTM-A/CSTC-A initially did not perform effective oversight of the three ANSF literacy training contracts, but that the command has taken steps since then to enhance its ability to oversee the contracts.

NTM-A/CSTC-A’s strategy and plan for the literacy training program called for the command to transfer the program to the Afghan government by the end of 2014, with all classes in the field transferred by July 2013. However, NTM-A/CSTC-A had difficulty obtaining agreement on the plan from the Ministries of Defense and Interior. In particular, they have been reluctant to increase the length of basic recruit training to allow for literacy training through level 3 for illiterate recruits.

Despite the slow transfer of responsibilities to the Afghan government, other international donors have continued to support the ANSF literacy training effort. However, NTM-A/CSTC-A has not yet developed a new transition and sustainment strategy that defines these stakeholders’ responsibilities and commitments, program goals, milestones, metrics, and timelines.

SIGAR is making six recommendations to the Commander of the International Security Assistance Force (ISAF) Joint Command, in coordination with other relevant entities: two to improve the usefulness of literacy training program reporting and measures of progress toward achieving overall program goals; three to strengthen the oversight of the three ongoing literacy training contracts and the new quality assurance contract; and one to increase the likelihood of a successful transfer and sustainment of the literacy training program by developing and implementing a formal, coordinated transition and sustainment strategy.
Audit 14-32-AR: Afghan Ministry Assessments
Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries’ Ability to Manage Donor Funds, but Weaknesses Remain

USAID has current commitments of over $1 billion in direct assistance, which comprises host country contracts and government-to-government awards. Since 2010, both Congress and USAID have strengthened policies to regulate direct assistance.

In an effort to improve accountability and meet congressional requirements, USAID contracted with Ernst & Young and KPMG in late 2010 and early 2011 to assess 16 Afghan ministries’ abilities to manage U.S. funds. In addition, to help ensure the proper management and implementation of direct assistance worldwide, USAID developed Automated Directives System 220: Use of Reliable Partner Country Systems for Direct Management and Implementation of Assistance in August 2011.

The objectives of this audit were to (1) assess the extent to which Ernst & Young and KPMG adhered to USAID contract requirements when conducting the ministry assessments, (2) describe assessment findings and conclusions about the ability of the Afghan ministries to manage U.S. funds and analyze how USAID has used, or plans to use, the assessments to inform its direct assistance to the Afghan government, and (3) examine State’s certification and USAID’s notification provided to Congress, pursuant to congressional requirements for providing direct assistance to the Afghan government.

In their assessments, Ernst & Young and KPMG concluded that all ministries assessed were unable to manage and account for funds unless they implemented recommendations included in the assessment reports. Following the completion of these assessment reports, USAID/Afghanistan completed internal risk reviews of seven of the 16 Afghan ministries—Ministry of Public Health; Ministry of Mines and Petroleum; Ministry of Agriculture, Irrigation, and Livestock; Ministry of Communication and Information Technology; Ministry of Education; Ministry of Finance; and Da Afghanistan Breshna Sherkat. These seven ministries all have planned or active direct assistance programs. Although USAID/Afghanistan concluded in each of the seven risk reviews that the ministry was unable to manage direct assistance funds without a risk mitigation strategy in place and that the mission would not award direct assistance to the ministry “under normal circumstances,” USAID/Afghanistan signed agreements with each of the reviewed ministries to approve direct assistance programs.

In addition, in 2012, USAID waived Automated Directives System (ADS) 220 requirements in Afghanistan for all direct assistance funds through fiscal year 2013. ADS 220 established the Public Financial Management Risk Assessment Framework—a multi-stage, risk-based methodology that USAID uses to assess partner country systems’ suitability for receiving direct assistance. The agency justified the waiver by stating the U.S. foreign
policy decision to provide direct assistance to Afghanistan rendered the initial macro-level review of Afghanistan’s risk environment unnecessary.

Although all Afghan ministries receiving direct assistance met conditions precedent before disbursing money, SIGAR found that USAID/Afghanistan has only required the ministries to implement 24 of the 333 identified risk mitigation measures prior to receiving funds. After a preliminary briefing on SIGAR’s findings in September 2013, USAID/Afghanistan provided documentation delineating how it has or will mitigate each of the risks identified in its review of Da Afghanistan Breshna Sherkat. This is a positive development, but USAID/Afghanistan has not developed similar mitigation plans that identify how it will address the remaining risks for the six other ministries it reviewed.

SIGAR made three recommendations to USAID. Specifically, SIGAR recommends that the USAID Administrator (1) require compliance with all parts of ADS 220—except for the Stage 1 macro-level review—for the use of all direct assistance funds for fiscal year 2014 and beyond. SIGAR also recommends that USAID/Afghanistan (2) fully inform Congress of the status of ministry assessments USAID or its contractors have completed, the mitigating measures Afghan ministries have implemented, and the level of risk to U.S. funds; and (3) develop a plan, similar to the one created for Da Afghanistan Breshna Sherkat, for each Afghan ministry that has a completed USAID risk review that defines how each of the risks identified are being or will be mitigated, and suspend direct assistance disbursements to these ministries until these plans are completed.

New Audits Announced This Quarter
This quarter SIGAR initiated another in a planned series of sector-wide audits. This one concerns U.S. government efforts to assist in the reconstruction and commercialization of Afghanistan’s information and communication technology (ICT) sector. The agency also initiated an audit of U.S. support for developing the Afghan Air Force and ANA National Engineer Brigade. Additionally, SIGAR began an audit of U.S. government efforts to develop and strengthen the capacity and sustainability of the provincial units of the Counter Narcotics Police of Afghanistan (CNPA).

Afghanistan’s Information and Communication Technology Sector
Building an adequate national telecommunications infrastructure has been a top priority for the Afghan government since 2002. Over the past few years, the ICT sector has grown to become one of the largest revenue-generating sectors for the Afghan government, contributing roughly $150 million annually in revenue and accounting for nearly 12% of total government revenues. To guide the ICT reconstruction and commercialization effort, USAID and ISAF have assisted the Afghan government in establishing (1) a country-wide microwave network to support mobile services and wireless
connectivity and (2) the national fiber optic network connecting provincial capitals, major cities, and neighboring countries. In addition, the Afghan government and other U.S. government agencies are working on multiple efforts to commercialize or otherwise apply various telecommunications technologies to better enable governance and commerce. SIGAR's review will assess the U.S. government’s efforts to support ICT reconstruction and commercialization in Afghanistan and the outcomes of those efforts.

**Afghan Air Force**
SIGAR has initiated an audit of U.S. support for developing the Afghan Air Force. The audit will examine U.S. investments, planning, and training to develop an independent Afghan Air Force. The audit will look at the Afghan Air Force's ability to operate and maintain the aircraft and equipment purchased with the ASFF that are planned to be delivered.

**Afghan National Army’s National Engineer Brigade**
SIGAR has initiated an audit of DOD efforts to train, equip, and sustain the National Engineer Brigade (NEB). This audit will examine the U.S. government’s efforts to account for, assign, and provide training on the use of engineering equipment that will be transferred to the NEB. Specifically, SIGAR plans to (1) assess the extent to which DOD efforts to train and equip the NEB will build an independent and capable engineering force for the ANA and (2) identify challenges, if any, to building and sustaining the NEB.

**Counter Narcotics Police of Afghanistan**
SIGAR has initiated an audit of U.S. government efforts to develop and strengthen the capacity and sustainability of the provincial units of the Counter Narcotics Police of Afghanistan (CNPA). This work will evaluate the extent to which development and capacity-building of the CNPA's provincial units are based on a comprehensive interagency plan, facilities constructed for CNPA provincial units are being used as intended, and U.S. government assistance has contributed to building sustainable and capable provincial unit forces.

**Financial Audits**
SIGAR launched its financial audit program in 2012, after Congress and the oversight community expressed concerns about oversight gaps and the growing backlog of incurred cost audits for contracts and grants awarded in support of overseas contingency operations. SIGAR competitively selects independent accounting firms to conduct the financial audits and ensures that the audit work is performed in accordance with U.S. government auditing standards. Financial audits are coordinated with the federal inspector general community to maximize financial audit coverage and avoid duplication of effort.
This quarter, SIGAR completed eight financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. SIGAR also announced three new financial audits of DOD-funded contracts with combined incurred costs of approximately $500.6 million, bringing the total number of ongoing financial audits to 20 with more than $2.1 billion in costs incurred, as shown in Table 2.1.

SIGAR issues the financial audit reports to the implementing agencies, which are responsible for making the final determination on questioned costs. Since the program’s inception, SIGAR’s financial audits have identified more than $60.8 million in questioned costs. When the implementing agency determines that a questioned cost is allowable, the agency issues a bill for collection. To date, funding agencies have issued bills for collection to recover more than $3.8 million in questioned costs. It takes time for implementing agencies to carefully consider questioned costs, and final determinations for many questioned costs remain to be made.

SIGAR’s financial audits have four specific objectives:

- Express an opinion on whether the Fund Accountability Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.
- Evaluate and obtain a sufficient understanding of the audited entity’s internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- Perform tests to determine whether the audited entity complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.
- Determine and report on whether the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements.

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

### Table 2.1

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>20 Completed Audits</td>
<td>$1.4</td>
</tr>
<tr>
<td>20 Ongoing Audits</td>
<td>$2.1</td>
</tr>
<tr>
<td>Total</td>
<td><strong>$3.6</strong></td>
</tr>
</tbody>
</table>

**Notes:** Numbers have been rounded. Coverage includes auditable costs incurred by recipients of U.S.-funded Afghanistan reconstruction contracts, grants, and cooperative agreements.

**Source:** SIGAR Audits Directorate.

**Questioned Costs:** are costs determined to be potentially unallowable. This includes ineligible costs (violation of a law, regulation, contract, grant, cooperative agreement, etc., or an unnecessary or unreasonable expenditure of funds) and unsupported costs (those not supported by adequate documentation or proper approvals at the time of an audit).

**Bill for Collection:** a letter or form sent to a debtor for the amount due, including interest, administrative charges, and late penalties, if applicable.

**Fund Accountability Statement:** a special purpose financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

SIGAR OVERSIGHT ACTIVITIES

COMPLETED FINANCIAL AUDITS

- Financial Audit 14-9-FA: (Completed last quarter, audit summary previously unavailable) USAID’s Afghanistan Rule of Law-Informal (ARL-I) Project and Services Under Program and Project Offices for Results Tracking (SUPPORT) Project: Audit of Costs Incurred by Checchi and Company Consulting, Inc.
- Financial Audit 14-11-FA: Department of State’s Demining Activities in Afghanistan: Audit of Costs Incurred by Afghan Technical Consultants
- Financial Audit 14-20-FA: USAID’s Community Development Program: Audit of Costs Incurred by Central Asia Development Group, Inc.
- Financial Audit 14-29-FA: USAID’s Food Insecurity Response for Urban Populations: Audit of Costs Incurred by CARE International


(Completed last quarter, audit summary previously unavailable)

USAID awarded Checchi & Company Consulting Inc. (Checchi) two contracts to support two USAID initiatives: (1) the Afghanistan Rule of Law–Informal (ARL-I) project and the Services Under Program and Project Offices for Results Tracking (SUPPORT) project. The audit was performed by Crowe Horwath LLP and covered $55,176,633 in expenditures.

The main objective of the ARL-I contract was to strengthen and facilitate the operation of traditional alternate dispute resolution, support state justice mechanisms, and increase the capacity of the state justice system in Afghanistan. Under this contract, Checchi incurred costs of $14,380,884 from March 19, 2010, through September 15, 2011.

The SUPPORT contract was designed to provide third party monitoring support services to USAID/Afghanistan’s Program and Project Development Office. These services included updating, improving, and overseeing implementation of USAID/Afghanistan’s management information system, monitoring of program results against inter-agency and State Department performance indicators, producing interim or final evaluations of programs and projects, and organizing and providing logistical support to workshops, conferences, and meetings. From October 9, 2006, through August 27, 2012, Checchi incurred costs of $40,795,749 to support this initiative.

Crowe Horwath LLP found that the Fund Accountability Statement presented fairly, in all material respects, program revenues and costs incurred under the SUPPORT and ARL-I contracts. However, the auditors found seven internal control deficiencies and six instances of noncompliance. The audit also questioned $694,736 in ineligible costs and identified $179 in estimated interest that is payable to the U.S. government.

SIGAR made four recommendations to the contracting officer:
- Determine the allowability of and recover, as appropriate, $694,736 in questioned costs identified in the report.
- Recover the estimated $179 in interest revenue earned from advances provided.
- Advise Checchi to address the seven internal control findings identified in the report.
- Advise Checchi to address the six compliance findings identified in the report.
Financial Audit 14-11-FA: Department of State’s Demining Activities in Afghanistan: Audit of Costs Incurred by Afghan Technical Consultants

The Department of State awarded Afghan Technical Consultants (ATC) five grants to execute demining activities in various regions of Afghanistan. SIGAR’s audit covered the period April 1, 2007, through August 31, 2012, and was performed by Crowe Horwath. It covered $13,422,356 in expenditures.

ATC’s program called for conducting operations with specially trained mine-detection dogs from 2007 to 2012. ATC reported that the program cleared over two million square meters of land by locating and destroying anti-personnel mines, unexploded ordnance, fragments, and anti-tank mines. ATC trained human demining teams as well as dogs and employed more than 30 individuals.

Crowe Horwath found that the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under the grants and identified no findings from prior audits or assessments for follow-up or corrective action. Crowe Horwath identified six internal control weaknesses and five instances of material noncompliance with either the terms of the grants or applicable regulations. These findings prompted the auditors to question a total of $202,854 in unsupported costs. The audit did not identify any ineligible costs.

SIGAR made four recommendations to the grants officer:

• Determine the allowability of and recover, as appropriate, $202,854 in questioned costs identified in the report.
• Recover, as appropriate, the estimated $8,762 in interest revenue earned from advances provided.
• Advise ATC to address the six internal control findings identified in the report.
• Advise ATC to address the five compliance findings identified in the report.


USAID awarded the World Council of Credit Unions Inc. (WOCCU) a contract in support of its Rural Finance and Cooperative Development project. The project’s purpose was to expand access to credit markets by providing loans to small businesses, farmers, low and middle income households, and women in southern and eastern Afghanistan. This effort was completed through expansion of the Islamic Investment and Finance Cooperative Network. SIGAR’s audit covered the period December 6, 2009, through December 5, 2012, and was performed by Crowe Horwath. It covered $41,047,327 in expenditures.

Crowe Horwath found that the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under
the contract and identified no findings from prior audits or assessments for follow-up or corrective action. However, Crowe Horwath identified three material weaknesses in internal control, three significant deficiencies in internal control, and five instances of material noncompliance. These findings prompted the auditors to question a total of $97,363 in unsupported costs. The audit did not identify any ineligible costs. In addition, Crowe Horwath identified an instance where WOCCU had not remitted an estimated $1,053 in interest on advances provided by USAID.

SIGAR recommended that the contracting officer:
- Determine the allowability of and recover, as appropriate, $97,363 in questioned costs identified in the report.
- Recover, as appropriate, the estimated $1,053 in interest revenue earned from advances provided.
- Advise WOCCU to address the six internal control findings identified in the report.
- Advise WOCCU to address the five compliance findings identified in the report.


USAID awarded a cooperative agreement to Counterpart International Inc. in connection with its Initiative to Promote Afghan Civil Society project. The purpose of the project was to assist in the “expansion of a vibrant Afghan civil society” through capacity building and technical assistance, implementation of an enabling nongovernmental organization law, and the award and administration of small grants to civil society organizations. The audit covered the period January 3, 2005, through September 30, 2010, and was performed by Mayer Hoffman McCann P.C. It covered $27,179,524 in expenditures.

Mayer Hoffman McCann P.C. found that, except for the possible effects of questioned costs totaling $815,317, the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under the agreement. Mayer Hoffman McCann P.C. identified 25 prior audit findings with a potential material effect on the statement. Adequate corrective actions were taken on all of them. Mayer Hoffman McCann P.C. identified one material weakness in internal control and one instance of noncompliance. These findings prompted the auditors to question a total of $815,317 in unsupported costs. The audit did not identify any ineligible costs.

SIGAR made two recommendations to USAID:
- Determine the allowability of and recover, as appropriate, $815,317 in questioned costs identified in the report.
- Advise Counterpart International Inc. to address the one internal control finding identified in the report.

USAID awarded Creative Associates International Inc. (CAII) a contract to implement the Building Education Support Systems for Teachers (BESST) project and a cooperative agreement to implement the Community Based Stabilization Grants (CBSG) project. SIGAR’s audit covered the periods January 27, 2006, through August 31, 2011, for the BESST project, and March 7, 2010, through March 6, 2012, for the CBSG project. The audit was performed by Mayer Hoffman McCann P.C. It covered $134,997,303 in total expenditures.

The purpose of the BESST project was to (1) strengthen teaching by training Afghan teachers in 11 provinces, and (2) strengthen institutional capacity and systems in the Ministry of Education that support high-quality school teaching, including annual printing and distribution of textbooks. The purpose of the CBSG project was to address community development needs in the north, west, and central regions of Afghanistan by providing small grants for infrastructure construction and repair services to help insulate those unstable communities from insurgent intrusion.

Mayer Hoffman McCann P.C. found that the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under the awards. In addition, Mayer Hoffman McCann P.C. identified two recommendations from a prior audit of BESST and found that adequate corrective action had not been taken on one of these recommendations. The open recommendation required a closeout audit of a CAII subcontractor. To address the outstanding requirement, Mayer Hoffman McCann P.C. tested samples of the CAII subcontractor. Mayer Hoffman McCann P.C. observed no findings in the tested samples, effectively closing the open prior audit recommendation.

Mayer Hoffman McCann P.C. reported one internal control deficiency (in the BESST project) and three instances of noncompliance (two in the BESST project and one in the CBSG project), which prompted the auditors to question a total of $344,479 in costs. These questioned costs included $342,846 in ineligible costs and $1,633 in unsupported costs.

SIGAR made three recommendations to the Mission Director of USAID/Afghanistan:
• Determine the allowability of and recover, as appropriate, $344,479 in questioned costs identified in the report.
• Advise CAII to address the one internal control finding identified in the report.
• Advise CAII to address the three compliance findings identified in the report.
Financial Audit 14-19-FA: USAID’s Community Development Program: Audit of Costs Incurred by Mercy Corps

USAID awarded Mercy Corps, in partnership with Save the Children Federation, a cooperative agreement to support the Community Development Program. SIGAR’s audit covered the period March 10, 2009, through December 31, 2011, and was performed by Mayer Hoffman McCann P.C. It covered $69,050,785 in expenditures.

The Community Development Program provided cash-for-work wages to local participants in 11 provinces throughout Afghanistan. The program aimed to provide the most vulnerable segments of the population temporary employment on public projects such as repairing roads, clearing debris, or rebuilding infrastructure.

Mayer Hoffman McCann P.C. issued a qualified opinion on the fairness of the presentation of the Fund Accountability Statement based upon the identification of $682,241 of questioned costs, which represent a material misstatement of the Fund Accountability Statement. Mayer Hoffman McCann P.C. also noted two prior recommendations that could have a material effect on the Fund Accountability Statement and determined that adequate corrective action was not taken on one of the recommendations. Specifically, Mercy Corps has not taken adequate actions to address a weakness in an internal control designed to monitor Save the Children Federation’s use of federal funds. In addition, Mayer Hoffman McCann P.C. found six other internal control deficiencies and three instances of non-compliance, which prompted the auditors to question a total of $682,241 in costs. These questioned costs included $2,296 in ineligible costs and $679,945 in unsupported costs.

SIGAR made three recommendations to the Mission Director of USAID/Afghanistan:

- Determine the allowability of and recover, as appropriate, $682,241 in questioned costs identified in the report.
- Advise Mercy Corps to address the six internal cost control findings identified in the report.
- Advise Mercy Corps to address the three compliance findings identified in the report.

Financial Audit 14-20-FA: USAID’s Community Development Program: Audit of Costs Incurred by Central Asia Development Group, Inc.

USAID awarded Central Asia Development Group Inc. (CADG) a cooperative agreement to support its Community Development Program. SIGAR’s audit covered the period March 12, 2009, through June 30, 2013, and was performed by Mayer Hoffman McCann P.C. It covered $254,540,870 in expenditures.

The purpose of the Community Development Program (formerly called the Food Insecurity Response for Urban Populations) was to provide
temporary employment and income through cash-for-work programs to targeted individuals and communities in 16 provinces in Afghanistan.

Mayer Hoffman McCann P.C. found that except for $7,853,478 in questioned costs and $9,613 of lost interest earnings, the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under the cooperative agreement. They identified no recommendations from prior audits or assessments for follow-up or corrective action. Nevertheless, Mayer Hoffman McCann P.C. reported nine internal control findings and five instances of noncompliance, which prompted the auditors to question $7,853,478 in costs. These questioned costs included $563,477 in ineligible costs and $7,290,001 in unsupported costs.

SIGAR made four recommendations to the Mission Director of USAID/Afghanistan:

- Determine the allowability of and recover, as appropriate, $7,853,478 in questioned costs identified in the report.
- Recover the estimated $9,613 in lost interest revenue.
- Advise CADG to address the nine internal control findings identified in the report.
- Advise CADG to address the five compliance findings identified in the report.


USAID awarded World Vision Inc. (World Vision) a cooperative agreement to provide support to the Food Insecurity for Urban Populations (FIRUP) program. The audit, performed by Crowe Horwath LLP (Crowe Horwath), covered the period March 11, 2009, through January 15, 2011, and total expenditures of $11,034,373.

USAID’s cooperative agreement with World Vision was to support the FIRUP program by providing short-term cash-for-work opportunities, assisting in the development of the agriculture industry, and expanding and improving local infrastructure in the western Afghanistan provinces of Herat, Ghor, and Badghis.

Crowe Horwath issued a disclaimer of opinion on the Fund Accountability Statement because the audit firm was unable to quantify the impact on the statement of World Vision’s practice of classifying some national office operating costs, first as direct costs to the FIRUP program, and then as indirect costs allocated to multiple awards. World Vision reclassified the direct costs as indirect to avoid exceeding budget restrictions imposed by the cooperative agreement. As a result, an unquantified amount of federal award costs may have been shifted to other projects World Vision had at the time (including other federal awards) through indirect cost charges. World Vision’s reclassification practice violates OMB Circular A-122, which requires that, to be allowable, costs must be afforded consistent
treatment. Additionally, Section II of the Negotiated Indirect Cost Rate Agreement requires that similar types of costs be accorded consistent treatment. The scope of this audit was limited to USAID’s cooperative agreement with World Vision, preventing Crowe Horwath from assessing the impact of the cost reclassification on other awards. This matter has been referred to SIGAR’s Investigations Directorate.

Crowe Horwath identified two prior audit findings pertinent to the FIRUP program and found that World Vision did not take adequate corrective action to address one of the prior recommendations. Crowe Horwath reported seven internal control deficiencies and nine instances of noncompliance, which prompted the auditors to question $674,049 in costs. These questioned costs included $667,795 in ineligible costs and $6,254 in unsupported costs.

SIGAR made four recommendations to the Mission Director of USAID/Afghanistan:

- Determine the allowability of and recover, as appropriate, $674,049 in questioned costs identified in the report.
- Recover the estimated $295 in interest revenue earned from advances provided.
- Advise World Vision to address the seven internal control findings identified in the report.
- Advise World Vision to address the nine compliance findings identified in the report.

Financial Audit 14-29-FA: USAID’s Food Insecurity Response for Urban Populations Program: Audit of Costs Incurred by CARE International

USAID awarded CARE International a cooperative agreement to provide support to FIRUP. The audit, performed by Crowe Horwath Crowe Horwath, covered the period March 8, 2009, to November 30, 2011. It covered $59,964,229 in expenditures.

CARE International was to support the FIRUP Program by promoting temporary employment to targeted populations in Kabul and its suburbs through cash-for-work activities such as ditch draining and construction, road resurfacing and gravelling, canal cleaning, vineyard and orchard plowing, and other agricultural-related activities.

Crowe Horwath LLP issued an unmodified opinion on the fairness of the presentation of the Fund Accountability Statement. Crowe Horwath LLP did not identify any open corrective actions from prior audits that pertained to the program or deficiencies in internal controls. The audit found one instance of noncompliance that was the result of the late submission of the agreement’s final federal financial report, but this finding did not prompt Crowe Horwath LLP to question any costs.

SIGAR made one recommendation to the Mission Director of USAID/Afghanistan:
• Advise CARE International to address the one compliance finding identified in the report.

INSPECTIONS
This quarter, SIGAR published three inspection reports. The completed inspections found $5.4 million spent for inoperable incinerators and continued use of open-air burn pits at Forward Operating Base (FOB) Sharana, an unsafe building at the Balkh Education Facility, and construction deficiencies and a lack of water and power that severely limits services at Salang Hospital.

In addition to ongoing work, SIGAR also initiated inspections of the Pol-i-Charki provincial prison east of Kabul, the Gereshk Cold and Dry Storage Facility in Helmand Province, and the provincial prison in Baghlan Province.

Inspection 14-13-IP: Forward Operating Base Sharana: Poor Planning and Construction Resulted in $5.4 Million Spent for Inoperable Incinerators and Continued Use of Open-Air Burn Pits

The U.S. Army Corps of Engineers (USACE) awarded a $5.6 million contract on September 18, 2009, to International Home Finance & Development LLC, a company based in Denver, Colorado, to construct solid waste management facilities at FOB Sharana. At the time the contract was awarded, the base was using open-air burn pit operations to dispose of its solid waste. ISAF officials installed incinerator facilities at military bases throughout Afghanistan, including FOB Sharana, for several reasons. Of particular concern was the possible health hazard to base personnel from emissions generated by open-air burn pits used to dispose of solid waste material.

SIGAR assessed whether (1) construction was completed in accordance with contract requirements and applicable construction standards and (2) the incinerators and supporting facilities were being used as intended and maintained.

SIGAR found that nearly three years after the initial scheduled completion date for the incinerator facility at FOB Sharana, the incinerators have never been used. In spite of known construction and safety deficiencies and poor contractor performance leading to construction delays, USACE accepted possession of the incinerators and paid the contractor $5.4 million without having tested the incinerators to determine whether they were operational. In addition, even if the incinerators had been made operational, the poor physical layout of the facility, as constructed, would have limited the facility to only 80% of the processing capacity called for under the contract and would have required extensive manual labor to load waste and remove ash residue.

If the incinerator facility had been put into operation in August 2010, as planned, FOB Sharana would have been able to close its open-air burn pit.
However, because of the delays and eventual acceptance of an unusable incinerator facility, base personnel faced continued exposure to potentially hazardous emissions, and $5.4 million of U.S. taxpayer dollars could have been put to better use.

SIGAR recommended that the Commanding General, USACE: (1) conduct an inquiry into the circumstances of the acceptance of the incinerator facility at FOB Sharana and the payment of $5.4 million to the contractor and (2) based on the results of this inquiry, determine if any action should be taken against the contracting officer(s).

**Inspection 14-24-IP: Balkh Education Facility: Building Remains Unfinished and Unsafe to Occupy After Nearly Five Years**

In May 2008, USAID entered into a Participating Agency Program Agreement (PAPA) with USACE to award and oversee the construction of a number of “Faculties of Higher Education” to serve as teacher training facilities in Afghanistan. Beginning in February 2009, USACE awarded three contracts under the PAPA for the construction of facilities in three northern provinces, including a facility in Mazar-e-Sharif in Balkh Province. In January 2013, USAID terminated the PAPA and took over responsibility for completing these facilities.

For this inspection, SIGAR assessed the project site in Balkh Province to determine whether (1) construction was completed in accordance with contract requirements and applicable construction standards, and (2) the facilities were being used as intended and maintained.

SIGAR found that the Balkh education facility has not been completed or constructed in accordance with contract requirements and technical specifications. As a result, nearly five years after construction began, USAID is unable to transfer the facility to Afghan authorities. USAID and USACE identified a number of repairs that need to be made to address, among other things, a leaking roof, defective electrical wiring, and an improperly sloped terrace roof. USAID technical office and contracting staff have developed a revised procurement strategy to contract out this remaining construction and repair work, which they expect to be completed by mid-2014.

SIGAR identified some additional deficiencies requiring repair that are not currently part of USAID’s expected procurement action. For example, sewer lines crossing above water lines are not encased in concrete and exterior stairway dimensions are not compliant with required International Building Code specifications. SIGAR also found that USAID lacks building roof and septic tank structural calculations; an analysis of which is critical to ensure that the roof and septic tank as constructed will support the loads imposed on them. The absence of such calculations raises potential health and safety concerns because USAID lacks adequate assurance that these structures will not collapse at some point.
SIGAR also found that, although the Balkh facility was not approved for occupancy, Afghan faculty and students had been using the facility. Following a briefing on SIGAR’s inspection, USAID instructed the Afghan Ministry of Higher Education to vacate the facility pending final repairs and the building’s official transfer to Afghan authorities.

To help ensure that the Balkh education facility meets the needs of faculty and students and all applicable safety requirements, and to protect the U.S. government’s investment, SIGAR recommended that the USAID Mission Director (1) expand the scope of work for the pending procurement action to address the deficiencies identified by SIGAR; and (2) develop roof and septic tank structural calculations based on the construction documents, progress photos, and quality assurance reports, to determine whether these building components comply with the required 2003 International Building Code and adequately protect life and property, and report to SIGAR within 90 days with the results of this analysis and any planned corrective actions.

**Inspection 14-31-IP: Salang Hospital: Lack of Water and Power Severely Limits Hospital Services, and Major Construction Deficiencies Raise Safety Concerns**

On September 11, 2009, Bagram Regional Contracting Center awarded a firm fixed-price contract to Shafi Hakimi Construction Company, an Afghan company, for $597,929 to provide labor, materials, and equipment to construct and furnish the 20-bed Salang hospital. The Commander’s Emergency Response Program (CERP)-funded contract, with a 365-day period of performance, specified construction of a hospital including surgical and X-ray areas, a pharmacy, a laboratory, wards for men and women, and areas for pediatric, dental, and mental health services. The contract also required the installation of electrical, water, and septic systems, as well as a separate building with toilet facilities and a guard shack. In September 2012, the Governor of Parwan Province took possession of the hospital, which began accepting patients in January 2013.

For this inspection, SIGAR assessed whether (1) construction had been completed in accordance with contract requirements and applicable construction standards, and (2) the facilities were being used as intended and maintained.

SIGAR found that Salang hospital was not built in accordance with contract requirements. In mid-2012, a U.S. Forces-Afghanistan (USFOR-A) task force inspected the site during construction and found a number of deficiencies, including water, sewer, electrical, and heating systems that were incomplete or needed repair. The task force noted the inhabitants of Salang district would have inadequate access to health care until construction deficiencies were remedied and missing equipment provided. In October 2012, the contractor was paid in full. However, SIGAR’s November
A 2013 inspection found that the deficiencies identified by the task force had not been corrected. For example, the water well, solar power system, and second 30-kilowatt generator required by the contract had not been provided. Because there was no clean water, staff at the hospital were washing newborns with untreated river water. SIGAR’s inspectors identified additional problems. For example, the original design drawings called for three one-story buildings—a 15-room hospital, a four-stall toilet, and a guard shack—but SIGAR found that a single, poorly constructed, two-story building had been built.

SIGAR’s inspection also found significant safety issues with the two-story construction. A three-inch wide vertical expansion joint basically cut the hospital in half, effectively making it two buildings under one corrugated metal roof. Unreinforced brick walls between concrete columns made up most of the hospital’s outer structure. Since Salang district is located in one of the most active seismic zones of Afghanistan, these problems with the structural integrity of Salang hospital increase the risk of structural collapse during an earthquake.

SIGAR also found that the Salang hospital was not providing many of the services it was intended to provide, that the hospital staff were using only about 35% of the square footage of the constructed facility, and that the hospital employed less than 20% of the staff it was expected to employ. According to the doctors and nurses on site, the limited use—due primarily to the lack of electricity, water, furniture, and equipment—has prevented them from providing optimal medical care.

SIGAR recommended that the Commanding General, USFOR-A, direct the appropriate USFOR-A units to take the following steps and report to SIGAR within 90 days: (1) identify the contracting officer(s) responsible for oversight of the Salang hospital construction activities and determine: (a) why the hospital was not built according to contract specifications and acceptable construction standards; (b) why required documents were not placed in the CIDNE database; and (c) what disciplinary action, if any, should be taken against the contracting officer(s) responsible for failing to provide required oversight; (2) perform a physical inspection of the building, including appropriate engineering tests and analyses, and, given its location in a high seismic activity zone, determine what corrections are required to ensure the structural integrity of the building.

**STATUS OF SIGAR RECOMMENDATIONS**

The Inspector General Act of 1978, as amended, requires SIGAR to report on the status of its recommendations. This quarter, SIGAR closed 38 recommendations contained in nine audit and inspection reports. These recommendations resulted in over $10 million of savings to the U.S. taxpayer.

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

A propane-fueled refrigerator is the only way to keep vaccines cool due to insufficient electricity inside the Salang hospital. (SIGAR photo by Brian Flynn)
SIGAR OVERSIGHT ACTIVITIES

- Revisions to State-funded contracts requiring implementing partners to make payments only through electronic funds transfers or licensed hawalas. (Audit 11-13);
- The recovery of nearly $9.9 million in refunded premiums to USACE for its Defense Base Act Insurance Program. The refunds were either returned to applicable contracts, to contractors and appropriation accounts, or to the U.S. Treasury where appropriations were cancelled. (Audit 11-15);
- The transfer of $101 million from DOD to the State Department and ultimately to USAID for the implementation of a Northeast Power System project. (Audit 12-12); and
- The refund of $45,454 in disallowed contract billings by an implementing partner of USAID. (Financial Audit 13-3)

From 2009 through December 2013, SIGAR published 114 audits, alert letters, and inspection reports and made 366 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed 69% of these recommendations. Closing a recommendation generally indicates SIGAR’s assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue. In some cases, a closed recommendation will be the subject of follow-up audit work.

The Inspector General Act of 1978, as amended, also requires SIGAR to report on any significant recommendations from prior reports on which corrective action has not been completed. In this quarter, SIGAR continued to monitor agency actions on recommendations in 30 audit and inspection reports.

There were no audit or inspection reports with recommendations over 12 months old for which the agency or department has failed to propose a corrective action that SIGAR believes will resolve the identified problem. However, there are five audit and inspection reports over 12 months old where SIGAR is waiting for a department or agency to take the agreed upon corrective action.

SPECIAL PROJECTS
SIGAR’s Special Projects team was created to examine emerging issues and deliver prompt, actionable reports to federal agencies and the Congress. The team conducts a variety of assessments, producing reports on all facets of Afghanistan reconstruction. The directorate is made up of auditors, analysts, investigators, lawyers, subject-matter experts, and other specialists who can quickly and jointly apply their expertise to emerging problems and questions. During this reporting period, SIGAR’s Office of Special Projects issued a special report on the safeguards created by DOD to protect $4 billion provided directly to Afghanistan’s Ministry of Defense (MOD) and

COMPLETED SPECIAL PROJECT REPORTS
- Special Project 14-12-SP: Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of Over $4 Billion in Direct Assistance Funding
- Special Project 14-22-SP: Commanders Emergency Response Program Funding Inquiry
- Special Project 14-25-SP: Unoccupied 64,000-Square-Foot Building
- Special Project 14-28-SP: Geospatial Fact Sheet: Oversight Access for Selected U.S. Army Corps of Engineers Projects and the Kajaki Dam Project
Ministry of Interior (MOI). It also issued alert letters concerning evidence that a contractor identified as supporting the insurgency had gained access to a Coalition-controlled facility, and possible weaknesses in oversight provisions in a USAID agreement for providing direct bilateral assistance funds to Afghanistan’s national power utility. It issued fact sheets identifying USAID’s largest implementing partners and reconstruction projects that may not be readily accessible to oversight after the U.S. troop drawdown in 2014. It wrote letters to nongovernmental organizations working with federal agencies in Afghanistan to identify best practices used in Afghanistan. It also wrote a letter to DOD requesting information about CERP.

Special Projects also issued letters announcing that SIGAR is reopening its investigation of the decisions that led to the construction of a 64,000-square-foot building at Camp Leatherneck in Helmand Province and has started a review of the terminated plan to provide G-222 aircraft to the Afghan Air Force.

### Special Project 14-12-SP: Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of Over $4 Billion in Direct Assistance Funding

Since 2005, Congress has appropriated over $52 billion to DOD’s ASFF to equip, train, base, and sustain the ANSF. DOD reports that as of September 2013 it has committed $4.2 billion and disbursed nearly $3 billion in direct assistance to the MOD and MOI for the sustainment of the ANSF (procurement of food, goods, and services; funding salaries; and funding minor construction). These funds are overseen by CSTC-A, the military command responsible for the training and development of the ANSF.

As part of SIGAR’s ongoing effort to monitor federal agencies’ use of direct assistance in Afghanistan, SIGAR initiated this project to review DOD’s safeguards for ensuring that funds provided to the MOD and MOI are properly managed and safeguarded to protect against possibilities of waste, fraud, and abuse. This report (1) describes the process used by DOD to assess the MOD and MOI’s capacity to manage and account for direct assistance, and (2) assesses measures put in place by DOD to mitigate any financial management and internal controls weaknesses identified at the MOD or MOI. SIGAR also provided observations and proposed suggestions that may improve oversight of direct assistance funding.

SIGAR identified a number of oversight weaknesses that increased the risk that the direct assistance funds provided to the ANSF were particularly vulnerable to waste, fraud, and abuse. For example, the process used by CSTC-A examines the capacity and controls of individual offices within the ministries and does not include an understanding of the capabilities and risks associated with executing funds across the ministries and within the Afghan government budget and execution processes. The current process does not enable CSTC-A to determine core functional capacity across each
ministry, provide trainers and decision makers with a holistic understanding of systemic shortcomings of each ministry’s overall financial management capacity, or identify risks associated with capacity weaknesses. Moreover, the financial risk assessments conducted by CSTC-A are limited to financial risks associated with the procurement of a particular good or service.

Although the United States has already provided billions in direct assistance for the ANSF and DOD plans to provide increased amounts of direct assistance for the ANSF, a comprehensive risk assessment has never been conducted by DOD to determine the financial management capacity or associated risks for U.S. funds. Those who work most closely with these ministries—CSTC-A advisors—are aware of weaknesses in capacity at the defense and interior ministries, but they have limited visibility or influence over the ministries’ overall financial management process. Without a comprehensive assessment, DOD cannot fully identify the risks to U.S. funds nor develop sufficient mitigation measures to address those risks. Consequently, DOD cannot be assured that the funds provided directly to the Afghan government to fund and equip the ANSF are sufficiently protected and used as intended.

SIGAR made one suggestion to the Secretary of Defense and two suggestions to the CSTC-A commander to assist in more accurately assessing and mitigating weaknesses in the financial management and internal control of direct assistance funds provided to the MOD and MOI. The Office of the Secretary of Defense concurred with our suggestion that the Secretary of Defense consider conducting a comprehensive assessment of MOD and MOI financial management capacity. In commenting on a draft of this report, CSTC-A concurred with SIGAR’s suggestion to ensure that CSTC-A’s Comptroller Directorate (CJ8) mentors and advisors are included in the assessment process. CSTC-A also concurred with SIGAR’s suggestion to reassess CJ8 staffing levels to ensure adequate capacity to fulfill its oversight mission. However, CSTC-A stated that it conducts risk assessments in the form of capability milestone (CM) ratings as well as using CSTC-A’s and outside agencies’ reports and audits. CSTC-A also highlighted its plans to move from an office-based to a functionally based mentoring and advising model and highlighted its plans to implement “levers” to ensure better budgetary controls in the ministry.

Special Project 14-22-SP: Commander’s Emergency Response Program Funding Inquiry

On January 16, 2014, SIGAR wrote to DOD to request financial and performance information for CERP in Afghanistan. SIGAR said the information would help it continue its ongoing oversight of CERP and facilitate SIGAR’s contribution to a report mandated by Congress on CERP lessons learned and best practices.
SIGAR analysts recently determined that a significant portion of FY 2013 CERP funds appropriated by Congress were never used. Specifically, DOD only obligated $43.5 million of $200 million appropriated for CERP before the funds expired at the end of September 2013. SIGAR found that this is not a new phenomenon. Over the past six fiscal years the DOD has used only 59% of the CERP funds provided by Congress.

**Special Project 14-25-SP: Unoccupied 64,000-Square-Foot Building**

SIGAR wrote to DOD to announce that it was reinstituting its investigation of the decisions that led to the construction of an unoccupied 64,000-square-foot building at Camp Leatherneck. SIGAR had written in July to ask why the building, originally intended to serve as a command headquarters in support of the troop surge in Helmand Province, had been built.

Five months later, SIGAR received a response to its original letter as this report was going to press. SIGAR had earlier received an incomplete Army Regulation (AR) 15-6 investigation of the 64,000-square-foot building, signed by Major General James M. Richardson, Deputy Commander-Support, USFOR-A. General Richardson’s report raised additional questions and prompted SIGAR’s decision to restart its investigation. SIGAR announced this decision in a November 27, 2013, letter to the Secretary of Defense. In that letter SIGAR asked that all records pertaining to this investigation, as well records related to an earlier May 2013 AR 15-6 investigation of this building, be preserved so they will be available for SIGAR’s investigators. Subsequent to that letter SIGAR sent another recent letter asking for the additional documents cited in the AR 15-6 investigation report.

**Special Project 14-27-SP: USAID Assistance to Afghanistan Reconstruction: $13.3 Billion Obligated Between 2002 and 2013**

According to SIGAR analysis of USAID data, USAID obligated $13.3 billion for reconstruction in Afghanistan between the beginning of FY 2002 and June 2013.

USAID awarded these funds to implementing partners including multilateral organizations, nongovernmental organizations, for-profit corporations, Afghan government entities, and U.S. government entities. USAID legal instruments for reconstruction assistance in Afghanistan include contracts, grants, cooperative agreements, and government-to-government (G2G) agreements.

Contracts were the most commonly used legal instrument, accounting for over 50% of total awards. The project sector with the largest portion of total awards was the Construction and Infrastructure project sector, which accounted for 31% of the total $13.3 billion in awards.

USAID awarded Afghan government entities approximately $688 million in G2G agreements. The top Afghan government recipient of USAID

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**AR 15-6:** is used as the basis for many U.S. Army investigations requiring the detailed gathering and analyzing of facts and the making of recommendations based on those facts. AR 15-6 procedures may be used on their own, such as in an investigation to determine facts and circumstances, or the procedures may be incorporated by reference into directives governing specific types of investigations, such as reports of survey and line of duty investigations.

reconstruction funds was the government-owned electric utility Da Afghanistan Breshna Sherkat (DABS). DABS received the USAID award in order to fund the Power Transmission Expansion and Connectivity (PTEC) project, a project to improve Afghanistan’s electricity transmission system, and the installation of a second turbine at the Kajaki Dam in Helmand Province. Of the 203 organizations that received USAID reconstruction awards, the top-10 recipients by total award amount received 58% of the total $13.3 billion. The World Bank was the top recipient of total funds from USAID with $1.7 billion in total awards. The World Bank administers the Afghanistan Reconstruction Trust Fund (ARTF), which provides financing for the Government of Afghanistan’s budget and supports World Bank reconstruction projects. The top for-profit entity by total awards was a joint venture between the Louis Berger Group Incorporated and the Black and Veatch Special Projects Corporation (LBG/B&V) with $1.1 billion in total awards. The LBG/B&V joint venture is implementing USAID’s Afghanistan Infrastructure and Rehabilitation Program (AIRP). The AIRP is focused on building and improving Afghan energy and transportation infrastructure. USAID awarded Afghan government entities approximately $688 million in G2G agreements.

Of the total reported awards between the beginning of FY 2002 and June 2013, 73%, or $9.8 billion, are reported by USAID as either completed or inactive.

Special Project 14-28-SP: Geospatial Fact Sheet: Oversight Access for Selected U.S. Army Corps of Engineers Projects and the Kajaki Dam Project

This report is the first in a series of reports illustrating the potential oversight access challenges for U.S. reconstruction projects and programs in Afghanistan. It identifies various USACE projects and one USAID reconstruction project which may not be readily accessible to U.S. civilian oversight personnel if they are still ongoing when the oversight access areas reduce by the end of 2014. SIGAR’s audit and inspection work has repeatedly identified project delays.

SIGAR has been concerned about the impact of the coalition troop drawdown on security and the related implications for ensuring adequate oversight of the U.S. funded reconstruction effort in Afghanistan. U.S. military officials have advised SIGAR that in the future they can only provide U.S. civilian access to areas within a one-hour round trip of an advanced medical facility. State Department officials have told SIGAR that their ability to reach reconstruction sites will be extremely limited due to this. This report includes the map shown in Figure 2.1 on the following page showing USACE projects and USAID’s on-budget infrastructure project at Kajaki Dam and the relationship of these projects to the reduced oversight-access areas projected to exist at the end of 2014.
Special Project Alert Letter 14-17-AL: Kajaki Dam Alert Letter

On December 31, 2013, SIGAR wrote to alert USAID to possible weaknesses in oversight provisions in a USAID agreement for providing direct bilateral assistance funds to DABS—Afghanistan’s national power utility—for the installation of an additional turbine at Kajaki Dam. As of August 2013, USAID had obligated $338.3 million in direct bilateral assistance funds to DABS for two reconstruction projects—the PTEC project and the Kajaki
Dam turbine generator project. Of this amount, $75 million has been obligated to the Kajaki Dam project. The PTEC project is intended to improve Afghanistan's electrical transmission system, while the Kajaki Dam project would increase power generation by installing an additional turbine.

USAID has two separate agreements in place for the PTEC and the Kajaki Dam projects. While the agreements for both projects have many of the same oversight provisions, SIGAR found that the Kajaki Dam has fewer oversight provisions than the PTEC agreement. The provisions in the PTEC agreement but not in the Kajaki Dam agreement include:

- USAID review of key procurement actions
- USAID vetting of organizations and key individuals
- USAID access

Although a Strategic Objective Grant Agreement between the United States and the Government of the Islamic Republic includes oversight provisions governing both projects, SIGAR believes that including specific oversight provisions in one implementation letter but not the other may create ambiguity about USAID's oversight rights. Thus, SIGAR suggested USAID incorporate these oversight provisions into the Kajaki Dam agreement unless there were compelling reasons why they were not included.

**Security Lapse Alert letter**

On November 8, 2013, SIGAR wrote to alert DOD to evidence that a contractor identified by the CENTCOM commander as supporting the insurgency in Afghanistan had gained access to a Coalition-controlled facility. SIGAR uncovered this matter while investigating construction defects at the Parwan Justice Center complex. During the course of the investigation, SIGAR learned that the builder of the complex, CLC Construction Company (CLC), hired Zurmat Material Testing Laboratory (ZMTL), a subsidiary of the Zurmat Group, to conduct various construction safety tests. Evidence obtained by SIGAR indicates that for two days in November 2012, employees of ZMTL were given access to the Parwan Justice Center Complex. However, these individuals should not have had access to a Coalition-controlled facility, because the U.S. government determined as early as April 2012, when the Department of Commerce listed it on its Entity List, that the Zurmat Group poses a threat to U.S. and Coalition forces.

SIGAR pointed out that this lapse in security highlights the need for a simple process to ensure that individuals and companies identified as supporters of the insurgency are prevented from accessing U.S.-and Coalition-controlled facilities. Additionally, there is no indication that the prime contractor CLC was notified that the Zurmat Group had been listed on the Entity List. The incident also highlights the potential consequences of the Army's failure to act on SIGAR's prior request to debar Zurmat and other supporters of the insurgency.
NGO Best Practices Letter

On December 12, 2013, SIGAR wrote to 89 nongovernmental organizations (NGOs) who are U.S. agencies’ implementing partners, grantees, or contractors, or who may coordinate activities with federal entities in Afghanistan. The agency asked for information that can help SIGAR extract useful lessons on reconstruction and development initiatives, and shape its ongoing efforts to improve agencies’ processes and practices. It invited the NGOs to identify programs or projects that they consider have achieved significant levels of success, as well as examples of others that encountered serious obstacles leading to less successful outcomes than intended; their biggest challenges while operating in Afghanistan; any policies, regulations, or practices of the federal agencies from whom they receive funding, or with whom they coordinate, that create unnecessary impediments to achieving agreed-upon undertakings; and suggested improvements to federal entities’ engagement and interaction with NGOs. SIGAR asked for written responses by January 23, 2014. The NGOs’ comments will be treated as not-for-attribution unless the organizations tell SIGAR otherwise.

INVESTIGATIONS

During this reporting period, SIGAR’s ongoing investigations saved the U.S. government approximately $1.7 million. SIGAR investigations also resulted in three criminal informations, five plea agreements, and six sentencings in the United States. In Afghanistan, two subjects were arrested and charged. Criminal fines and restitutions brought about by SIGAR investigations amounted to approximately $5.3 million. SIGAR initiated 51 new investigations and closed 39, bringing the total number of ongoing cases to 318, as shown in Figure 2.2. In addition, SIGAR’s suspension and debarment program referred 10 individuals and 24 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States.

Investigation Results in $1.7 Million Savings to the U.S. Government

A SIGAR investigation this quarter saved the U.S. government $1,714,269 that it would have spent on shoddy construction for a courthouse in Parwan Province.

Located inside Bagram Airfield, the Justice Center in Parwan (JCIP) is a multi-building project funded by the United States to support the rule of law in Afghanistan and to demonstrate Afghanistan’s national sovereignty in operating its criminal justice system. The JCIP was a joint project of the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) and DOD. It was supposed to consist of 11...
buildings, including a forensic lab, a dining facility, and a courthouse. Six of these were funded by INL, including the courthouse, the primary building, and centerpiece of the JCIP. Each JCIP building had an independent cost estimate that the military procurement unit at Bagram Regional Contracting Center (BRCC) put together.

The courthouse project was awarded through competitive bidding. The BRCC developed the statement of work for the project, which included the technical requirements for the construction. On April 18, 2011, CLC Construction Co. (CLC) submitted a price bid for $2,348,424, along with its technical proposal. The owners of CLC are Brad Rhoden, a Jamaican national with a U.S. green card, Masiuddin Mohammad, an Indian national residing in Dubai, and Mohammad Faiz, an Afghan national. On June 13, 2011, the BRCC awarded the courthouse contract to CLC in the amount of $2,381,456. Work on the courthouse commenced in July 2011. On November 11, 2011, the courthouse contract was modified, bringing the total contract cost to $2,667,495.

One year later, in November 2012, INL conducted a site visit of the JCIP courthouse. The INL engineers observed cracks in the courthouse foundation. Suspecting that CLC had provided false information about the project to BRCC, the INL contracting officer referred the matter to the State Department Office of Inspector General (State OIG) and SIGAR. The investigation by State OIG and SIGAR and other members of the International Contract Corruption Task Force revealed, among other things, that CLC had illegally received information about other bidders and the government’s estimate of the cost to build the courthouse. The contracting officer concluded that CLC had performed poorly enough that it was doubtful that it could ever complete the courthouse project in a satisfactory manner.

On June 15, 2013, BRCC issued a letter to CLC terminating the contract for convenience. In response, CLC’s president, Brad Rhoden, wrote to BRCC to say that CLC was due $1,714,269.

On September 10, 2013, agents from SIGAR and the Federal Bureau of Investigation (FBI) met with the chief of contracting at BRCC. They disclosed the investigative findings, including emails between Rhoden and a former BRCC source selection member who had revealed the independent cost estimate to build the courthouse. The chief of contracting and a SIGAR special agent informed the Deputy Command Judge Advocate, CENTCOM, Joint Theater Support Contracting Command, of the emails. Based on the information, he subsequently issued a termination for default letter to CLC on October 3, 2013. Under a termination for default, the government does not have to pay the contractor.

Former U.S. Army Staff Sergeant Sentenced
In October 2013, Phillip Wooten, a former U.S. Army staff sergeant, was sentenced in the Eastern District Court of North Carolina. He received
a sentence of 15 months’ incarceration in a federal correctional facility in Pensacola, Florida, followed by 36 months of supervised probation. Wooten’s sentence was based on his prior plea of guilty to conspiracy to commit mail fraud, theft, and conversion of government property. Wooten also was ordered to pay restitution in the amount of $110,250 and a special assessment fee of $200.

In early 2011, SIGAR launched an initiative to analyze postal money-order purchases by U.S. personnel stationed in Afghanistan for indications of reconstruction fraud. When the initiative identified Wooten and an accomplice as having possibly engaged in suspicious monetary transactions during their deployment, an investigation was launched in February 2011.

Additional investigation and analysis indicated that both individuals, while assigned to the 7th Special Forces Group based in Fort Bragg, North Carolina, stole U.S. funds earmarked for the operation and reconstruction efforts in Kandahar, Afghanistan. From July 2009 until April 2010, the two conspired to inflate and falsify receipts to vendors, thereby allowing them to steal and send more than $215,000 to their spouses in the United States.

Sting Operation at FOB Ghazni Results in Two Arrests

Two Afghans were arrested and charged with bribery after a SIGAR agent helped set up a sting operation at FOB Ghazni in December 2013.

The investigation began on December 9, 2013, when a U.S. soldier assigned to download fuel at the base informed a SIGAR agent that an Afghan driver representing Deans Logistic and Transportation Company had offered to pay him cash in return for leaving fuel in his truck. SIGAR immediately contacted the Ghazni prosecutor and proposed that a sting operation be set into motion. The prosecutor and the soldier agreed to participate in the operation.

The following day, the driver, Gul Agha Khairullah, drove a fuel truck onto FOB Ghazni. While the fuel was being downloaded, Khairullah told the soldier that a second truck would be arriving shortly. He said that he would pay the soldier to leave fuel in the second truck and allow the driver to drive it off FOB Ghazni.

A short while later, the second driver, Hazrat Nabi Yar-Mohammad, drove his truck onto the fuel point. While Yar-Mohammad’s truck was being downloaded of fuel, Khairullah approached the soldier and told him to leave at least 1000 gallons of fuel in Yar-Mohammad’s truck and he would pay him $500. Subsequently, the soldier shut off the valve when there was a sufficient amount of fuel remaining in the truck. Khairullah then handed $500 to the soldier. The soldier in turn immediately gave the cash to the Afghan prosecutor waiting in a surveillance truck.

The two fuel trucks and the $500 in cash were seized as evidence. Yar-Mohammad’s truck was downloaded of the remaining fuel. The Afghan police arrested Khairullah and Yar-Mohammad and transported them to
the Ghazni detention facility, where they were charged with bribery under the Afghan Penal Code. On December 16, 2013, William Brown, Command Sergeant Major (CSM), U.S. Army, Task Force White Eagle, FOB Ghazni, reported that both Khairullah and Yar-Mohammad have been barred from U.S. installations.

**Sergeant First Class Pleads Guilty to Bribery and Theft Schemes**

On December 9, 2013, James Edward Travis pled guilty in the Eastern District of North Carolina to a criminal information charging him with demanding, seeking, and accepting bribes and to theft of government property.

Travis was a sergeant first class in the U.S. Army assigned to the Operational Detachment-Bravo for Alpha Company, 4th Battalion, 3rd Special Forces Group. Between January 3, 2012, and October 4, 2012, Travis was working out of FOB Sharana in Afghanistan, acting as both a paying agent and a contracting officer representative. As a contracting officer representative, he was responsible for approving completion of contracts and approving payments. Travis was also in charge of contracting for cargo vehicles or “jingle trucks” to move supplies and equipment as well as small construction projects. A SIGAR investigation found that he accepted kickbacks from various vendors in exchange for awarding them various contracts. The kickbacks ranged from $4,000 to $7,000 per contract. In total, Travis received approximately $211,890 in kickbacks.

The investigation also revealed that Travis, a local Afghan, and another U.S. soldier conspired to steal fuel from FOB Sharana. On numerous occasions, Travis paid the soldier to escort an Afghan driver to the fuel point on FOB Sharana, to load fuel into the Afghan’s tanker truck, and to escort the driver with the stolen fuel off FOB Sharana. The monetary loss to the U.S. government from this fuel theft scheme is estimated at $422,302.

In the criminal information, the court ordered Travis to forfeit various financial assets totaling in excess of $200,000 and a vehicle valued at $46,131.

**Fraud Investigation Results in Four Criminal Convictions**

On November 12, 2013, Keith Johnson and Angela Johnson pled guilty in the U.S. District Court for the Eastern District of Virginia to charges of conspiracy to commit wire fraud in a scheme to steer more than $10 million in military subcontracts through kickbacks and the use of assumed names. The Tennessee couple used part of the proceeds of the scheme to purchase, among other items, luxury vehicles and more than $191,000 in jewelry.

SIGAR, Defense Criminal Investigative Service (DCIS), FBI, and Army Criminal Investigative Command (CID) opened their investigation after an Army CID report alleged that Keith Johnson, a program manager for a U.S. contractor, and his family members were steering supply contracts and
rigging bids toward a company owned and operated by Angela Johnson and another relative. Keith Johnson allegedly had his wife establish a separate company and then positioned her as the sales manager. Other close associates of the Johnson couple had established other companies to allow Keith Johnson to steer contracts to them. These associates then reportedly paid kickbacks to Keith Johnson through a shell company operated in the name of Johnson’s relative.

In October 2013, criminal informations were filed in the U.S. District Court for the Eastern District of Virginia against two coconspirators, John Eisner and Jerry Kieffer, who were also involved in this scheme. They were charged with wire fraud and conspiracy to commit wire fraud and both pled guilty on all counts.

On December 18, 2013, Eisner and Kieffer were sentenced in a U.S. Federal District Court in Alexandria, Virginia. Kieffer received a sentence of six months’ incarceration; two years’ supervised release, and a forfeiture of $30,964. Eisner received a harsher sentence of 12 months’ incarceration; two years’ supervised release, and a forfeiture of $2,240,120.

Keith and Angela Johnson await sentencing set for February 14, 2014. Forfeiture of assets for $2,117,966 will be imposed as part of the sentence according to the November 12 plea agreement.

**Two Sentenced for Fuel Theft**

On October 28, 2013, Sergeant Christopher Weaver, U.S. Army, was sentenced in the U.S. District Court, Denver, Colorado. He was ordered to 37 months’ incarceration for bribery and 37 months for conspiracy, to run concurrently. Additionally, the court sentenced Weaver to three years’ supervised release and to pay $1,225,000 in restitution, jointly with Jonathan Hightower, a former contractor in Afghanistan, and Specialist Stephanie Charboneau, U.S. Army.
That same day Hightower, a former employee of FLUOR Corporation, was sentenced to 27 months' incarceration for bribery and 27 months for conspiracy, to run concurrently. Hightower's sentence also included three years' supervised release and $1,225,000 in restitution, jointly with Weaver and Charboneau.

Weaver, Hightower, and Charboneau had engaged in bribery and conspiracy to steal fuel at FOB Fenty, Afghanistan, in 2010. Hightower entered a plea of guilty to two counts of conspiracy to commit bribery in August 2012. During an interview with prosecutors, Hightower admitted receiving between $60,000 and $80,000 in bribe payments. Weaver pled guilty to bribery and conspiracy to commit bribery in October 2012 after admitting to receiving between $80,000 and $100,000 in bribe payments. Charboneau was convicted in September 2013.

**U.S. Army Sergeant Convicted for Theft of Government Funds**

On October 21, 2013, Sergeant First Class Robert S. Farmer, U.S. Army Special Forces, was sentenced in the Eastern District of North Carolina. He was ordered to three years' supervised probation, a fine of $15,400, and a special assessment fee of $100. Farmer was also ordered to receive substance-abuse treatment.

Farmer had appeared on July 22, 2013, before a federal judge and agreed to a one-count guilty plea of theft of government monies for his participation in a theft of $15,000 in government-appropriated funds during his deployment to Afghanistan from July 2008 until 2010. He had stolen the money while assigned as a military paying agent.

In March 2012, DCIS received information led to allegations that members of the U.S. Army Special Forces 3rd Group, Fort Bragg, North Carolina, purchased a substantial number of $1,000 money orders from FOB Fenty and sent the funds to their spouses, electronic bank accounts or various vendors. Farmer and the other subjects had been deployed as a team to Jalalabad, Afghanistan. Each team member had either direct or indirect access to U.S. reconstruction funds administered by the U.S. Army. The allegations resulted in an investigation led by SIGAR, DCIS, FBI, and CID.

The investigation is ongoing.

**Suspensions and Debarments**

This quarter, SIGAR's suspension and debarment program referred ten individuals and 24 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. Of these 34 contractors, four individuals and ten companies were referred for debarment based on allegations that they engaged in fraud and non-performance as part of contracts valued at $240,343,585. These referrals bring the total number of individuals and companies
referred by SIGAR since 2008 to 402—encompassing 213 individuals and 162 companies to date, as shown in Figure 2.3.

As of the end of December 2013, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption and poor performance in Afghanistan have resulted in a total of 71 suspensions and 133 finalized debarments of individuals and companies engaged in U.S.-funded reconstruction projects.

Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR’s program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the U.S. government’s responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States. SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations that SIGAR participates in. In most cases, SIGAR’s referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and are therefore the primary remedy to address contractor misconduct. In making referrals to
agencies, SIGAR provides the basis for a suspension or debarment decision by the agency as well as all of the supporting documentation needed for an agency to support that decision should it be challenged by the contractor at issue. Based on the evolving contracting environment in Afghanistan and the available evidence of contractor misconduct and/or poor performance, on occasion SIGAR has found it necessary to refer individuals or companies on multiple occasions for consideration by agency suspension and debarment officials.

SIGAR has increased its emphasis on suspension and debarment in recent years in response to the contracting environment in Afghanistan. This is demonstrated by the fact that of the 402 referrals for suspension and debarment that have been made by the agency to date, 375 have been made since the second quarter of 2011. During calendar year 2013, the efforts of SIGAR’s suspension and debarment program resulted in actions by agency suspension and debarment officials to exclude 131 individuals and companies from contracting with the U.S. government. SIGAR’s referrals over this period represent allegations of theft, fraud, poor performance, financial support to insurgents and mismanagement as part of reconstruction contracts valued at $509,274,215.

Proposed Debarment of Aria Target Logistics Services

On December 20, 2013, as a result of a referral by the SIGAR’s suspension and debarment program, the Air Force proposed Aria Target Logistics Services (ATL) and two members of the company’s management for debarment from contracting with the U.S. government. The basis for this action was the company’s submission of a proposal for transportation of bulk fuels, dry cargo, and heavy cargo throughout Afghanistan under the National Afghan Trucking II (NAT II) contract. In its proposal, ATL asserted that it owned a fleet of vehicles enabling it to perform the contract without the need to use subcontractors. At the request of SIGAR, 31 of the vehicle identification numbers submitted by ATL were reviewed by the Afghanistan Ministry of Interior’s Traffic Department in Kabul. As a result, it was determined that 25 were registered to companies other than ATL and six were not registered at all. These results from the Traffic Department were further corroborated by statements from individuals that ATL had allegedly submitted false statements regarding its trucks as part of its proposal. As a result, SIGAR referred ATL, its chief executive officer, and its program manager to the Air Force suspension and debarment official (SDO) for proposed debarment. The expedited decision by the Air Force in this matter resulted in ATL being excluded from the NAT II contract, protecting $237,962,129 from being awarded to the company by the U.S. Transportation Command.
Proposed Debarment of Clark Logistic Services Company
On November 14, 2013, as a result of a referral by the SIGAR’s suspension and debarment program, the Army proposed Clark Logistic Services Company, as well as its two owners, for debarment based on allegations of false claims and statements made regarding contracts for electrical work on airfield lighting at Kandahar Airfield, Afghanistan. As a result of SIGAR’s investigation, Clark Logistic Services Company’s owners admitted that they had fraudulently claimed to have employed a U.S. citizen, certified as a master electrician, when, in fact, the company subcontracted the work to an Afghan subcontractor or used third-country nationals instead of properly certified electricians. In addition, Clark Logistic Services Company had allegedly failed to comply with regulations concerning personnel accountability and badging, non-tactical vehicles’ registration, and environmental and ground safety procedures, among other violations, resulting in the company’s removal from Kandahar Airfield by the ISAF installation commander on July 30, 2013. Based on SIGAR’s investigation, Clark Logistic Services Company and its two owners have been excluded from contracting with the U.S. government pending a final debarment determination by the Army suspension and debarment official.

Suspension of Hikmatullah Shadman, Hikmat Shadman Logistics Services Company, and Eight Affiliated Companies and Individuals
On October 30, 2013, based upon the unsealing of a Complaint for Forfeiture In Rem filed by the Department of Justice, Asset Forfeiture and Money Laundering Section on November 20, 2012, the Army suspended Hikmatullah Shadman, Hikmat Shadman Logistics Services Company, six affiliated companies and two business partners of Shadman from contracting with the government. The complaint, filed based on an investigation conducted by SIGAR, alleges that Shadman and his coconspirators paid kickbacks to individuals to receive trucking subcontracts and submitted inflated invoices that were later submitted to the U.S. government by a prime contractor for the transportation of military cargo in Afghanistan. The complaint filed by the Department of Justice, as amended, alleged that as a result of the fraudulent actions of Shadman and his coconspirators, Hikmat Shadman Logistics Services Company received payments totaling $77,920,605 from the government. The complaint also alleges that, as part of this scheme to defraud the government, Shadman and his coconspirators used multiple companies and bank accounts under their control to hide the proceeds of their unlawful activity. The civil forfeiture complaint that is the basis for the suspension is currently pending in the U.S. District Court for the District of Columbia.
SIGAR BUDGET

On January 17, 2014, Congress provided SIGAR with $49.65 million in the Consolidated Appropriations Act for FY 2014. The budget supports SIGAR’s oversight activities and products by funding SIGAR’s five directorates: (1) Audits and Inspections, (2) Special Projects, (3) Investigations, (4) Management and Support, and (5) Research and Analysis Directorate.

The Research and Analysis Directorate (RAD) is the new name of SIGAR’s Information Management Directorate. SIGAR changed the name to more accurately describe RAD’s efforts to help SIGAR, Congress, and the public understand the reconstruction effort in Afghanistan. In addition to producing SIGAR’s Quarterly Report to Congress, RAD provides the rest of SIGAR and the public with analysis and evaluation about the reconstruction effort.

SIGAR STAFF

Since its last report to Congress, SIGAR increased its staff, bringing the FY 2014 total staffing number to 197 federal employees.

This quarter, SIGAR had 34 authorized personnel at the U.S. Embassy Kabul and 12 authorized at locations outside the embassy. SIGAR staff members were stationed at five locations across the country, including Kandahar and Bagram airfields, Mazar-e-Sharif, Camp Leatherneck, and USFOR-A headquarters in Kabul. The Herat office is temporarily closed while the consulate is under repair following a 2013 insurgent attack.

SIGAR employed a local Afghan in its Kabul office to support investigations and audits. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had 13 personnel on temporary duty in Afghanistan for a total of 220 days.
“What role America and its allies continue to play in Afghanistan to help the people of that country after 2014 must be clearly defined, and it must be defined very soon. A bilateral security agreement between Afghanistan and the United States must be signed promptly.”

—Secretary of Defense Chuck Hagel

3 RECONSTRUCTION UPDATE
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Photo on previous page
President Obama and President Karzai talk on the White House colonnade after a meeting in the Oval Office. (White House photo)
RECONSTRUCTION UPDATE

OVERVIEW

The following section summarizes the status of U.S. funding and developments SIGAR observed this quarter in the security, governance and economic sectors of the reconstruction effort in Afghanistan. President Obama signed the FY 2014 Consolidated Appropriations Act, which provided an additional $5.4 billion to rebuild Afghanistan, bringing the total U.S. investment in Afghanistan’s reconstruction to more than $102 billion. This amount will increase when final appropriations for State and USAID accounts are known. This quarter saw increasing uncertainty about the fate of the reconstruction effort and decreased visibility into its many programs and projects. The security situation remained in flux, as President Hamid Karzai declined to sign a bilateral security agreement with the United States, causing U.S. officials to warn that the United States might pull all of its troops out of the country after 2014 and drastically cut back its aid. At the same time, the Afghan economy is beginning to feel the effects of the drawdown and the country is producing more opium poppies than ever before in its history.

The continuing closures of forward operating bases and withdrawal of civil-military Provincial Reconstruction Teams (PRTs) mean there are fewer opportunities for U.S. officials to implement programs and conduct oversight outside of cities. As U.S. forces’ footprint shrinks, U.S. agencies and implementing partners are finding it harder to get out into the field to monitor projects and collect data.

Although the United States provides assistance to the Afghan National Security Forces (ANSF) based on its personnel strength, the U.S. military has increasingly limited ability to verify ANSF reporting of its strength. Moreover, data provided by both the ANA and the ANP make it difficult to determine their operational capabilities at any given time. For example, the ANP does not report its personnel who are on leave, AWOL, sick, or on temporary assignment in its personnel reports.

In the governance sector, U.S. agencies were unable to provide data that has been provided in past quarters. SIGAR requested, but did not receive, updates on the number of Afghan civil servants and the state of provincial, municipal, and district governance in five provinces in the south and east.
As asked to assess governance in these provinces, both the State Department (State) and the Department of Defense (DOD) offered only that the PRTs had closed. Although the presence of civil servants is a necessary foundation for local government, USAID appears to no longer be able to track this and other indicators.

On the economic front, the Afghan government's revenues declined in 2013 as public spending increased, according to the World Bank. Afghanistan continues to suffer massive trade deficits as a net importer of goods; produces relatively few tradable goods or services; has a weak currency; and lacks adequate transportation infrastructure. Although access to the World Trade Organization is one of the benchmarks Afghanistan is supposed to attain under the Tokyo Mutual Accountability Framework, the extent of achievable near-term benefits to Afghanistan is debatable.

USAID reported that insecurity continues to challenge full implementation of a number of its programs. For example, insurgent groups threaten staff and farmers in the Commercial Horticulture and Agricultural Marketing Program (CHAMP), particularly in Kandahar, Helmand, Zabul, Wardak, Logar, and Ghazni provinces. Shifting security conditions are also obstacles to Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW), and the Health Policy Project (HPP).

In the health sector, USAID said hospital staff currently has poor capacity to operate autonomously, despite advances at 14 national hospitals. USAID also reported this quarter that one of its main education programs is challenged by the Afghan Ministry of Education's inability to design, procure, and implement on-budget activities in a timely manner, and comply with USAID's government-to-government funding requirements.

This quarter, SIGAR continued to track the cumulative on-budget assistance provided to Afghanistan. The United States provides on-budget assistance to Afghanistan through direct payments to Afghan government entities and through contributions to multinational trust funds. Since 2002 the United States has provided more than $8.5 billion in on budget assistance. This includes nearly $5.4 billion to Afghan government ministries and institutions, and nearly $3.6 billion to three multinational trust funds—the World Bank's Afghan Reconstruction Trust Fund (ARTF), the UNDP's Law and Order Trust Fund for Afghanistan (LOTFA), and the Asian Development Bank's Afghanistan Infrastructure Trust Fund (AITF). Table 3.1, shows U.S. on budget assistance to Afghan government entities.

During this reporting period SIGAR also met with European donors and oversight agencies to discuss mutual challenges related to on-budget assistance as well as the monitoring, evaluation, and oversight of reconstruction projects and the multinational donor trust funds. The highlight section on the next page describes ongoing concerns about LOTFA.

<table>
<thead>
<tr>
<th>U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, 2002–2013 ($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government-To-Government</strong></td>
</tr>
<tr>
<td>DOD $2,440</td>
</tr>
<tr>
<td>State $92</td>
</tr>
<tr>
<td>USAID $1,060</td>
</tr>
<tr>
<td><strong>Multilateral Trust Funds</strong></td>
</tr>
<tr>
<td>LOTFA $1,210</td>
</tr>
<tr>
<td>ARTF $1,960</td>
</tr>
<tr>
<td>AITF $412</td>
</tr>
</tbody>
</table>

For several years, SIGAR has been concerned about the possibility of “ghost workers” on the ANP payroll. In 2011, a SIGAR audit report raised questions about the UNDP's management of the Law and Order Trust Fund for Afghanistan (LOTFA), which is used to pay ANP salaries. SIGAR auditors found that neither the Afghan Ministry of Interior (MOI) nor the UNDP could verify payroll data. SIGAR concluded that there was “limited assurance that only ANP personnel who worked received pay and the LOTFA funds were used to reimburse only eligible costs.”

Developments since SIGAR published its report have only increased these concerns about ghost workers. In 2012, following allegations of mismanagement of LOTFA funds, the UNDP removed the LOTFA project manager and fired three of his top officials for procurement fraud and mismanagement.

Since 2002, the international community has provided $3.17 billion for LOTFA. The United States has provided 38%—or about $1.21 billion—of this total. The European Union has contributed 14%. (See page 81 for details on LOTFA funding.)

This quarter, during conversations with officials from the European Commission and the European Anti-Fraud Office about oversight issues, SIGAR learned that the European Union is withholding €100 million, of its €200 million total contribution for LOTFA until the Commission determines proper controls are in place to ensure that LOTFA funds are spent as intended.

Last November on one of his quarterly visits to Afghanistan, the Special Inspector General for Afghanistan Reconstruction raised the expressed concerns of the European Commission about LOTFA and “ghost workers” with the Combined Security Transition Command-Afghanistan (CSTC-A), which is partly responsible for the U.S. contribution to LOTFA. None of the senior CSTC-A officials who met with the SIGAR was aware of any investigations or the decision to withhold funds from LOTFA. This raises a number of concerns about CSTC-A’s oversight of LOTFA and about the degree to which international donors are sharing information.

SIGAR has an ongoing audit reviewing ANSF personnel data and its reliability. SIGAR hopes to provide a better understanding of how the ANA and the ANP account for personnel. The reliability of these numbers will be a critical metric in determining continued funding for the Afghan security forces. SIGAR’s audit seeks to identify how the U.S. and Afghan governments assess the personnel strength of the ANSF, determine the extent to which this data accurately accounts for personnel assigned and present-for-duty, and evaluate how the U.S. government uses ANSF personnel data to inform financial sustainment activities, including salary payments to the ANSF.
FUNDING FOR AFGHANISTAN RECONSTRUCTION

On January 17, 2014, President Obama signed the Consolidated Appropriations Act of 2014, pushing cumulative funding for the U.S. reconstruction effort in Afghanistan to more than $102 billion since 2002. FY 2014 Afghanistan reconstruction appropriations were significantly reduced from the nearly $12 billion requested in the President’s FY 2014 budget proposal. The Joint Explanatory Statement (JES) accompanying the Act noted that the funding reduction reflects the fact that agencies still had significant funds available for obligation and disbursement from prior years’ appropriations.

DOD Programs

The Congress has appropriated $5.34 billion for the five reconstruction accounts managed by DOD. This represents a 37% reduction from the $8.5 billion that DOD had requested. Most of the funding—about $4.7 billion—is for the Afghan Security Forces Fund (ASFF), which is used to train, equip, house, and sustain the Afghan National Security Forces (ANSF). DOD had requested about $7.73 billion for the ASFF. This included a core request for $5.11 billion and an “enabler” request for $2.62 billion. The JES noted that DOD had reevaluated its request for “enablers” and found that it exceeded current requirements. DOD reduced this part of its request by 60%. In addition, according to the JES, Congress further reduced the ASFF by $365 million because DOD said it no longer intends to purchase Mi-17 aircraft for the Afghans.

The JES observed that DOD budget requests have greatly overstated needs for the past four years and that excess appropriations have been repeatedly carried over into the following fiscal years for obligation. “Rather than rescinding the funds from prior year appropriations,” the JES said, “the bill reduces the current year request as a mechanism to obtain balance within the program and is done without prejudice to the current year’s need.”

State and USAID programs

The Consolidated Appropriations Act of 2014 provides $49 billion for State and Foreign Operations. According to the JES, this includes $1.12 billion in assistance for Afghanistan. The JES said this represents a 50% decrease from both the FY 2013 appropriation and FY 2014 request. According to the JES, the appropriators have taken the “necessary step of reducing new budget authority for Afghanistan to a more sustainable level that can be responsibly programmed and subject to effective oversight.”

The funds for State and USAID reconstruction programs have not yet been determined. According to State, the final levels for Afghanistan reconstruction funds, including the Economic Support Fund (ESF) and the International Narcotics Control and Law Enforcement (INCLE) account have not been finalized.
Table 3.2 shows cumulative appropriations, obligations, and disbursements. Table 3.3 and Table 3.4 show appropriations, obligations, and disbursements for FY 2012 and FY 2013.

**Table 3.2**

<table>
<thead>
<tr>
<th>CUMULATIVE AMOUNT APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2014 ($ BILLIONS)</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
<th>Expired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan Security Forces (ASFF)</td>
<td>$57.50</td>
<td>$47.88</td>
<td>$45.38</td>
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<tr>
<td>Commander’s Emergency Response Program (CERP)</td>
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<td>$2.29</td>
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<tr>
<td>Afghanistan Infrastructure Fund (AIF)</td>
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<td>Task Force for Business &amp; Stability Operations (TFBSO)</td>
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<tr>
<td>DOD Drug Interdiction and Counter-drug Activities (DOD CN)</td>
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<tr>
<td>Economic Support Fund (ESF)</td>
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<td>$14.67</td>
<td>$11.50</td>
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<tr>
<td>International Narcotics Control &amp; Law Enforcement (INCLE)</td>
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<tr>
<td><strong>Total &amp; Major Funds</strong></td>
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<tr>
<td>Other Reconstruction Funds</td>
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<tr>
<td>Operations &amp; Oversight</td>
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<td><strong>Total</strong></td>
<td>$102.13</td>
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**Table 3.3**

<table>
<thead>
<tr>
<th>FY 2012 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED ($ MILLIONS)</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
<th>Expired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan Security Forces (ASFF)</td>
<td>$9,200</td>
<td>$8,837</td>
<td>$7,909</td>
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<tr>
<td>Commander’s Emergency Response Program (CERP)</td>
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<td>$376</td>
<td>$195</td>
<td>$24</td>
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<tr>
<td>Afghanistan Infrastructure Fund (AIF)</td>
<td>$400</td>
<td>$376</td>
<td>$94</td>
<td>$24</td>
</tr>
<tr>
<td>Task Force for Business &amp; Stability Operations (TFBSO)</td>
<td>$242</td>
<td>$233</td>
<td>$195</td>
<td>$24</td>
</tr>
<tr>
<td>DOD Drug Interdiction and Counter-drug Activities (DOD CN)</td>
<td>$423</td>
<td>$423</td>
<td>$423</td>
<td>$0</td>
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<tr>
<td>Economic Support Fund (ESF)</td>
<td>$1,837</td>
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<tr>
<td>International Narcotics Control &amp; Law Enforcement (INCLE)</td>
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<td>$358</td>
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<td><strong>Total &amp; Major Funds</strong></td>
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<tr>
<td>Other Reconstruction Funds</td>
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<tr>
<td>Operations &amp; Oversight</td>
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<tr>
<td><strong>Total</strong></td>
<td>$14,662</td>
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**Table 3.4**

<table>
<thead>
<tr>
<th>FY 2013 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED ($ MILLIONS)</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
<th>Expired</th>
</tr>
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<tbody>
<tr>
<td>Afghanistan Security Forces (ASFF)</td>
<td>$5,124</td>
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<td>Commander’s Emergency Response Program (CERP)</td>
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<td>$23</td>
<td>$157</td>
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<tr>
<td>Afghanistan Infrastructure Fund (AIF)</td>
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<td>$236</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Task Force for Business &amp; Stability Operations (TFBSO)</td>
<td>$137</td>
<td>$135</td>
<td>$66</td>
<td>$0</td>
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<tr>
<td>DOD Drug Interdiction and Counter-drug Activities (DOD CN)</td>
<td>$307</td>
<td>$168</td>
<td>$168</td>
<td>$0</td>
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<tr>
<td>Economic Support Fund (ESF)</td>
<td>$1,623</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>International Narcotics Control &amp; Law Enforcement (INCLE)</td>
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<td>$13</td>
<td>$8</td>
<td>$0</td>
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<tr>
<td><strong>Total &amp; Major Funds</strong></td>
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<td>$1,911</td>
<td>$1,238</td>
<td>$157</td>
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<tr>
<td>Other Reconstruction Funds</td>
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<tr>
<td>Operations &amp; Oversight</td>
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<tr>
<td><strong>Total</strong></td>
<td>$9,805</td>
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</table>

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STATUS OF FUNDS

To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of January 17, 2014, the United States had appropriated approximately $102.13 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- $59.03 billion for security
- $25.05 billion for governance and development
- $7.32 billion for counternarcotics efforts
- $2.68 billion for humanitarian aid
- $8.05 billion for operations and oversight

Figure 3.0 shows the major U.S. funds that contribute to these efforts.

**FIGURE 3.0**

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

<table>
<thead>
<tr>
<th>AGENCIES</th>
<th>ASFF</th>
<th>CERP</th>
<th>AIF</th>
<th>TFBSO</th>
<th>DOD CN</th>
<th>ESF</th>
<th>INCLE</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Defense (DOD)</td>
<td>$57.50</td>
<td>$3.67</td>
<td>$1.22</td>
<td>$0.78</td>
<td>$2.94</td>
<td>$16.69</td>
<td>$4.18</td>
<td>$15.14</td>
</tr>
<tr>
<td>US Agency for International Development (USAID)</td>
<td>$16.69</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Department of State (State)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributed to Multiple Agencies*</td>
<td>$4.18</td>
<td>$15.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Numbers have been rounded. Includes amounts appropriated in the Consolidated Appropriations Act, 2014.

* Multiple agencies include DOJ, State, DOD, USAID, Treasury, USAID, DEA, BBG, and SIGAR.

On January 17, 2014, President Obama signed the Consolidated Appropriations Act, 2014, funding the U.S. government for the rest of the fiscal year and increasing cumulative funding for Afghanistan reconstruction to approximately $102.13 billion, as shown in Figure 3.1. When this report went to press, final FY 2014 appropriation amounts for State and USAID accounts were still being determined. FY 2014 funding levels will increase when these amounts are known. Because the FY 2014 appropriations bill was enacted before this report went to press, this section includes amounts appropriated in the bill; however, obligated and disbursed amounts are as of December 31, 2013. For complete information regarding U.S. appropriations, see Appendix B.

### Figure 3.1
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF JANUARY 17, 2014 ($ BILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Security</th>
<th>Governance/Development</th>
<th>Counternarcotics</th>
<th>Humanitarian</th>
<th>Oversight and Operations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-2007</td>
<td>$23.08</td>
<td>$29.28</td>
<td>$39.66</td>
<td>$56.38</td>
<td>$72.24</td>
<td>$86.90</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
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<td>2010</td>
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<tr>
<td>2011</td>
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<tr>
<td>2012</td>
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<td></td>
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<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Numbers have been rounded. DOD reprogrammed $1 billion from FY 2011 ASFF. DOD reprogrammed $1 billion from FY 2012 ASFF. P.L. 113-6 rescinded $1 billion from FY 2012 ASFF. DOD transferred $101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

* Includes amounts appropriated in the Consolidated Appropriations Act, 2014.

As of January 17, 2014, appropriations for FY 2014 amounted to more than $5.42 billion, as shown in Figure 3.2. Of this amount, nearly $4.73 billion was appropriated to the ASFF.\(^4\) Final appropriations for the ASFF and many other Afghanistan reconstruction accounts were significantly reduced from the FY 2014 budget proposal, as shown in Table 3.5. The Joint Explanatory Statement for the Consolidated Appropriations Act, 2014, notes that the Act “takes the necessary step of reducing new budget authority for Afghanistan to a more sustainable level that can be responsibly programmed and subject to effective oversight…many assistance programs have significant funding pipelines that could take many years to obligate and expend.”\(^4\) Table 3.4 on page 67 of this report shows FY 2013 appropriation amounts yet to be obligated.

**Figure 3.2**
APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY ($ BILLIONS)

**Table 3.5**
FY 2014 APPROPRIATIONS COMPARED TO THE BUDGET REQUEST ($ MILLIONS)

<table>
<thead>
<tr>
<th>Requested</th>
<th>Appropriated</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASFF</td>
<td>$7,726</td>
<td>$4,726</td>
</tr>
<tr>
<td>CERP</td>
<td>$60</td>
<td>$30</td>
</tr>
<tr>
<td>AIF</td>
<td>$279</td>
<td>$199</td>
</tr>
<tr>
<td>TFBSO</td>
<td>$121</td>
<td>$64</td>
</tr>
<tr>
<td>DOD CN*</td>
<td>$321</td>
<td>$321</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$8,508</strong></td>
<td><strong>$5,340</strong></td>
</tr>
</tbody>
</table>

Notes: Numbers have been rounded. Final appropriation figures have not been determined for State and USAID accounts.

\[\text{a}\] DOD CN was appropriated all $376 million requested for Overseas Contingency Operations; of this amount, $318 million was for Afghanistan. DOD CN Base funding provided another $3 million for Afghanistan.

AFGHANISTAN SECURITY FORCES FUND

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

The Consolidated Appropriations Act, 2014, appropriated nearly $4.73 billion for the ASFF for FY 2014, increasing total cumulative funding to more than $57.50 billion. As of December 31, 2013, more than $47.88 billion of total ASFF funding had been obligated, of which nearly $45.38 billion had been disbursed. Figure 3.3 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations as of December 31, 2013, increased by more than $894.63 million over cumulative obligations as of August 31, 2013. Cumulative disbursements as of December 31, 2013, increased by nearly $1.84 billion over cumulative disbursements as of August 31, 2013. Figure 3.4 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

**Figure 3.3**

**Figure 3.4**

Notes: Numbers have been rounded.

a DOD reprogrammed $1 billion of FY 2011 ASFF.

b DOD reprogrammed $1 billion of FY 2012 ASFF; another $1 billion was rescinded in P.L. 113-6.

c FY 2014 figure includes amount appropriated ASFF in the Consolidated Appropriations Act, 2014.
ASFF BUDGET ACTIVITIES
DOD allocates funds to three budget activity groups within the ASFF:
- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.55

As of December 31, 2013, DOD had disbursed nearly $45.38 billion for ANSF initiatives. Of this amount, more than $30.11 billion was disbursed for the ANA, and nearly $14.92 billion was disbursed for the ANP; the remaining nearly $347.98 million was directed to related activities.56

As shown in Figure 3.5, the largest portion of the funds disbursed for the ANA—more than $11.30 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—more than $5.35 billion—supported Sustainment, as shown in Figure 3.6.57

Note: Numbers have been rounded.
Sources: DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013,” 1/18/2014; DOD, response to SIGAR data call, 10/05/2013.
COMMANDER’S EMERGENCY RESPONSE PROGRAM

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

The Consolidated Appropriations Act, 2014, appropriated $30 million for CERP, increasing total cumulative funding to nearly $3.67 billion. Of this amount, DOD reported that nearly $2.29 billion had been obligated, of which more than $2.24 billion had been disbursed as of December 31, 2013. Figure 3.7 shows CERP appropriations by fiscal year, and Figure 3.8 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

Figure 3.7

CERP APPROPRIATIONS BY FISCAL YEAR

Figure 3.8

CERP FUNDS, CUMULATIVE COMPARISON

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

9 FY 2014 figure includes amount appropriated CERP in the Consolidated Appropriations Act, 2014.

AFGHANISTAN INFRASTRUCTURE FUND

The Ike Skelton National Defense Authorization Act for FY 2011 established the Afghanistan Infrastructure Fund (AIF) to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. Thirty days before obligating or expending funds on an AIF project, the Secretary of Defense and Secretary of State are required to notify the Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.62

The Consolidated Appropriations Act, 2014, appropriated $199 million for the AIF, increasing total cumulative funding to more than $1.22 billion.63 This figure excludes $101 million of FY 2011 AIF funds transferred to the FY 2011 Economic Support Fund for USAID’s AIF-funded infrastructure project. As of December 31, 2013, nearly $902.26 million of total AIF funding had been obligated, of which nearly $195.60 million had been disbursed.64 Figure 3.9 shows AIF appropriations by fiscal year, and Figure 3.10 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for AIF projects.

Notes: Numbers have been rounded.

FY 2011 figure excludes $101 million that was transferred to USAID to execute an AIF project.

FY 2014 figure includes amount appropriated AIF in the Consolidated Appropriations Act, 2014.

TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

In 2010, the Task Force for Business and Stability Operations (TFBSO) began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.65

TFBSO has two separate funding streams. The funds authorized for TFBSO in the National Defense Authorization Act are used to pay for activities directly related to reconstructing Afghanistan. The funds TFBSO receives from the Operations and Maintenance, Army, account are used to pay for sustainment of U.S. assets, civilian employees, travel, security, and other operational costs.

The Consolidated Appropriations Act, 2014, appropriated more than $91.24 million for TFBSO, increasing cumulative appropriations for the task force to more than $783.39 million.66 Of this amount, nearly $693.56 million had been obligated and nearly $517.68 million had been disbursed.67 Figure 3.11 displays the amounts appropriated for TFBSO projects by fiscal year, and Figure 3.12 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.
**DOD DRUG INTERDICTION AND COUNTERDRUG ACTIVITIES**

DOD's Drug Interdiction and Counter-Drug Activities fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counternarcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.⁶⁸

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counter-narcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.⁶⁹

DOD reported that DOD CN received nearly $320.79 million for Afghanistan for FY 2014, bringing cumulative funding for DOD CN to more than $2.94 billion since fiscal year 2004. Of this amount, more than $2.48 billion had been transferred to the military services and defense agencies for DOD CN projects, as of December 31, 2013.⁷⁰ Figure 3.13 shows DOD CN appropriations by fiscal year, and Figure 3.14 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.

---

**Notes:** Numbers have been rounded.

- FY 2014 figures includes amount appropriated DOD CN in the Consolidated Appropriations Act, 2014.
- DOD reprograms all funds to the military services and defense agencies for obligation and disbursement.

**Sources:** DOD, responses to SIGAR data call, 1/22/2013, 12/30/2013, and 9/30/2013.
ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended


ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counterterrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.71

When this report went to press, final FY 2014 funding levels for the ESF had not been determined. USAID reported that cumulative funding for the ESF amounted to nearly $16.69 billion. Of this amount, nearly $14.67 billion had been obligated, of which more than $11.50 billion had been disbursed.72

Figure 3.15 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2013, increased by $379,921 over cumulative obligations as of September 30, 2013. Cumulative disbursements as of December 31, 2013, increased by nearly $329.10 million over cumulative disbursements as of September 30, 2013.73

Figure 3.16 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

Notes: Numbers have been rounded. FY 2011 figure includes $101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund.

Sources: USAID, response to SIGAR data call, 1/7/2014 and 10/10/2013; State, response to SIGAR data call, 6/27/2013.
INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counternarcotics, and rule of law and justice.74

When this report went to press, final FY 2014 funding levels for INCLE had not been determined. State reported that cumulative funding for INCLE amounted to more than $4.18 billion. Of this amount, nearly $3.54 billion had been obligated, of which nearly $2.85 billion had been disbursed.75 Figure 3.17 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of December 31, 2013, increased by nearly $3.62 million compared to cumulative obligations as of September 30, 2013. Cumulative disbursements as of December 31, 2013, increased by more than $57.52 million over cumulative disbursements as of September 30, 2013.76 Figure 3.18 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.
INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).77

Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to December 21, 2013, the World Bank reported that 33 donors had pledged more than $7.03 billion, of which nearly $6.91 billion had been paid in.78 According to the World Bank, donors had pledged approximately $916.70 million to the ARTF for Afghan fiscal year 1392, which ran from December 21, 2012, to December 20, 2013.79 Figure 3.19 shows the 11 largest donors to the ARTF for FY 1392.

Figure 3.19

ARTF CONTRIBUTIONS FOR FY 1392 BY DONOR, AS OF DECEMBER 21, 2013 ($ MILLIONS)

Notes: Numbers have been rounded. FY 1392 = 12/21/2012–12/20/2013.
As of December 21, 2013, the United States had pledged nearly $2.02 billion and paid in more than $1.96 billion since 2002. The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing more than 46% of its total funding, as shown in Figure 3.20.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window. As of December 21, 2013, according to the World Bank, nearly $2.93 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants. The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.

The Investment Window supports the costs of development programs. As of December 21, 2013, according to the World Bank, more than $3.06 billion had been committed for projects funded through the Investment Window, of which more than $2.29 billion had been disbursed. The World Bank reported 22 active projects with a combined commitment value of nearly $1.89 billion, of which more than $1.11 billion had been disbursed.

Contributions to the Law and Order Trust Fund for Afghanistan

The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior. Since 2002, donors have pledged nearly $3.18 billion to the LOTFA, of which more than $3.17 billion had been paid in, according to the most recent data available. The LOTFA’s sixth support phase started on January 1, 2011. On March 20, 2013, the UNDP-LOTFA Steering Committee approved an extension of Phase VI to continue the phase beyond the planned end date of March 31, 2013, to December 31, 2013. In the 33 months since Phase VI began, the UNDP had transferred more than $1.39 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional $33.44 million for capacity development and other LOTFA initiatives. As of September 30, 2013, donors had committed nearly $1.65 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly $659.11 million, and Japan had committed more than $614.76 million. Their combined commitments make up more than 77% of LOTFA Phase VI commitments. The United States had contributed nearly $1.21 billion to the LOTFA since the fund’s inception. Figure 3.21 shows the four largest donors to the LOTFA since 2002, based on the latest data available.
SECURITY CONTENTS

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SECURITY

As of January 17, 2014, the U.S. Congress had appropriated more than $50 billion to support the Afghan National Security Forces (ANSF). Most of these funds ($57.5 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided to the Combined Security Transition Command-Afghanistan (CSTC-A). Its purpose is to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the $57.5 billion appropriated for the ASFF, approximately $47.9 billion had been obligated and $45.4 billion disbursed as of December 31, 2013.

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

KEY ISSUES AND EVENTS THIS QUARTER

Key issues and events this quarter include continuing U.S. concerns over the lack of a signed U.S.-Afghan bilateral security agreement, record-breaking poppy cultivation and opium production (see “Counternarcotics” in this section, page 104), and questions about the actual strength of the ANA.

Bilateral Security Agreement

The future of the U.S. and international investment in Afghanistan may rest on political events that will develop in 2014. The outcome of current efforts of the United States and Afghanistan to reach a Bilateral Security Agreement (BSA) on future U.S. and Coalition troop levels after the U.S. troops draw down at the end of 2014 will have a profound impact on the willingness of the United States to continue to finance reconstruction programs and on Afghanistan’s ability to maintain progress in the security, governance, and economic sectors. This quarter, the U.S. and Afghan governments reached agreement on a draft text of the BSA and a Loya Jirga (tribal assembly) approved the document. Nevertheless, President
Hamid Karzai has refused to sign it. According to The Washington Post, U.S. Ambassador to Afghanistan James B. Cunningham has warned the Obama Administration that President Karzai is not likely to sign a BSA before the Afghan presidential election scheduled for April.90

The BSA would allow U.S. military trainers and counterterrorism forces to remain in Afghanistan after the end of this year.91 The size of the remaining contingent of U.S. forces has yet to be determined. According to media reports, International Security Assistance Force (ISAF) commander General Joseph F. Dunford Jr. has recommended a post-2014 force of 12,000 troops: 8,000 U.S. and 4,000 international. While most of these troops would support, train, and advise the ANSF, approximately 2,000 would conduct counterterrorism operations.92

U.S. officials have warned that without an agreement, the United States may opt to remove all its troops after 2014, as it did in Iraq in 2011. They have also said that failure to reach an agreement could jeopardize future U.S. and international aid to Afghanistan. If the U.S. exercises the so-called zero option—leaving no troops in Afghanistan after 2014—Coalition partner nations would likely pull their remaining troops, leaving a struggling ANSF to face the insurgency alone. Moreover, billions in future aid could hang in the balance as international donors consider a growing risk to their investments.

Questions about ANA Strength and Availability
This quarter, the ANA consisted of 178,816 personnel (not counting Afghan Air Force personnel), according to data provided to CSTC-A by the ANA. Of those 126,658 personnel were assigned to the ANA’s combat forces—the ANA’s six corps, the 111th Capital Division, and Special Operations Forces. Another, 25,992 were assigned to the MOD’s general staff and intermediate commands (a decrease of 7,695 since last quarter). CSTC-A did not provide an explanation for the 30% decrease in ANA general staff and intermediate command staff, but did note that 1,139 of them were absent without leave (AWOL).93

Of the 126,658 combat personnel, 9,043 were absent without leave (AWOL) and 15,915 were in training, were cadets, or were awaiting transfer to an ANA unit. The rest were “present for duty” or “unavailable.” This quarter, 62,753 personnel were “present for duty.” According to CSTC-A, the term “present for duty” corresponds to “combat strength” and refers to soldiers who are “physically parading with assigned unit, healthy, ready for orders, and [are] accounted in combat strength.”94

Another 63,905 of them (more than 50%) were “unavailable.” The “unavailable” category includes personnel who cannot currently perform military duties because they are missing, arrested, in hospital, on training assignments, on scheduled leave, and for other reasons—but also personnel who are on duty and under ANA control, but are deployed in the field.95 For example, according to data provided to SIGAR by CSTC-A in the course of an ongoing audit, 39,249 ANA personnel were in “combat.”96 It was unclear
why “combat strength” does not include soldiers categorized as in “combat” who are instead categorized as “unavailable.” For a more complete listing of “unavailable” categories, see “ANA Strength” in this section, page 91.

In addition, a SIGAR audit now under way is examining the quality of personnel-numbers reporting for the ANSF, which is an important issue both for assessing the capability of the force and for verifying U.S.-funded sustainment costs that are partly a function of reported personnel numbers.

U.S. FORCES IN AFGHANISTAN
According to the U.S. Central Command (CENTCOM), 55,000 U.S. forces were serving in Afghanistan as of November 30, 2013. Of those, approximately 400 were assigned to the NATO Training Mission-Afghanistan (NTM-A), 300 to CSTC-A, and 32,000 to ISAF. Since operations began in 2001, a total of 2,164 U.S. military personnel have died in Afghanistan—83% of whom were killed in action—and 19,558 were wounded as of January 3, 2014.

ANSF STRENGTH
This quarter, ANSF’s assigned force strength was 334,852, according to data provided by CSTC-A. This is short of the goal to have an end strength of 352,000 ANSF personnel by October 2012. That goal had been in the Department of Defense’s (DOD) April 2012 Report on Progress Toward Security and Stability in Afghanistan. When that end strength was not met, DOD revised the goal to 352,000 ANSF by 2014 (187,000 ANA by December 2012, 157,000 ANP by February 2013, and 8,000 Air Force by December 2014). Neither the ANA nor the ANP met their end-strength goal by the revised deadline, as shown in Table 3.6.

<table>
<thead>
<tr>
<th>ANSF Component</th>
<th>Current Target</th>
<th>Status as of 12/2013</th>
<th>Difference Between Current Strength and Target End-Strength Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghan National Army</td>
<td>187,000 personnel by 12/2012</td>
<td>178,816</td>
<td>-8,184</td>
</tr>
<tr>
<td>Afghan National Police</td>
<td>157,000 personnel by 2/2013</td>
<td>149,466</td>
<td>-7,534</td>
</tr>
<tr>
<td>Afghan Air Force</td>
<td>8,000 personnel by 12/2014</td>
<td>6,570</td>
<td>-1,430</td>
</tr>
<tr>
<td>ANSF Total</td>
<td>352,000</td>
<td>334,852</td>
<td>-17,148</td>
</tr>
</tbody>
</table>


ANSF ASSESSMENT
Assessments of the ANA and ANP are indicators of the effectiveness of U.S. and Coalition efforts to build, train, equip, and sustain the ANSF. These assessments also provide both U.S. and Afghan stakeholders with updates on
the status of these forces as transition continues and Afghanistan assumes responsibility for its own security. Since August 15, 2013, ISAF has used the Regional Command ANSF Assessment Report (RASR) to rate the ANSF. SIGAR has actively monitored ANSF assessments and issued an audit report on the systems and processes used to rate ANSF capability in 2010. SIGAR is now auditing the ISAF Joint Command’s (IJC) Commander’s Unit Assessment Tool (CUAT). When the RASR replaced the CUAT, it became the third different assessment tool used to rate the ANSF since 2005.

According to IJC, the RASR is a “holistic intelligence, operational, and sustainment assessment and reporting mechanism” of the ANSF. The RASR uses rating definition levels (RDLs), based upon ANSF capabilities, to assess ANSF units at the brigade level. The RDLs use a simplified assessment matrix that is tailored to the specific unit type (e.g. infantry, intelligence, signals) and identifies the capabilities a unit must possess in order to be assessed “Fully Capable.” According to IJC, “this simplified system is easily observable, not as labor intensive or complex [as the previous system], and could form the basis of Afghan ‘self reporting’ as ISAF continues to draw down.”

SIGAR’s ongoing audit is also looking at how the withdrawal of Coalition forces will affect ISAF’s ability to accurately assess the ANSF. In addition, the audit will review ISAF plans to (1) ensure the continued collection, analysis, validation, and reporting of ANSF capability assessments and (2) address the challenges associated with having fewer advisor teams available to conduct assessments.

The RASR rates ANA brigades in six areas:

- Combined Arms (planning and conducting joint operations using multiple types of weapons)
- Leadership
- Command & Control
- Sustainment
- Training (conducting training)
- Attrition

For the ANA, the latest RASR report provides assessments of 24 brigades (22 corp brigades and 2 brigades of the 111th Capital Division). Of those, 88% were “fully capable” or “capable” of planning and conducting joint and combined arms operations, as shown in Figure 3.22. According to the latest RASR report, “[equipment] readiness within the ANA Ground Forces Command (GFC) continues to improve.” However, attrition continues to be the major challenge for the ANA as 71% of brigades are still considered “developing” which means that attrition in these brigades is 3% or more per month. In other areas, most ANA brigades were rated “fully capable” or “capable,” including leadership (96%), command and control (100%), sustainment (88%), and training (83%).
The RASR rates ANP components in six areas: 111
- Law Enforcement Operations (making arrests and prosecuting those arrested)
- Leadership
- Command & Control
- Sustainment
- Training (conducting training)
- Attrition

For the ANP, the latest RASR report provides assessments of 16 of 21 regional ANP components—the Afghan Uniform Police (AUP), Afghan Border Police (ABP), and the Afghan National Civil Order Police (ANCOP)—in seven different zones. Of the 16 that were assessed, 94% were “fully capable” or “capable” of making arrests and prosecuting those arrested, as shown in Figure 3.23 on the following page. According to the latest RASR report, “readiness within the ANP continues to be a point of concern” and “the ANP also struggles with maintaining a manageable level of equipment readiness.” In addition, attrition continues to be a challenge for the ANP as 50% of regional components are still considered “developing” which means that monthly attrition in these units is 2% or more. In other areas, the ANP regional components are mostly “fully capable” or “capable”: leadership (94%), command and control (94%), sustainment (94%), and training (88%). 112
Security

Figure 3.23

Afghan National Police Rasr Assessments, December 2013

<table>
<thead>
<tr>
<th></th>
<th>North Balkh</th>
<th>Northeast Nangarhar</th>
<th>Central Kabul</th>
<th>Southeast Paktiya</th>
<th>South Kandahar</th>
<th>Southwest Helmand</th>
<th>West Herat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Law Enforcement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Command &amp; Control</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sustainment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Attrition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Ratings by Type: Fully Capable 39, Capable 45, Partially Capable 5, Developing 11, Not Assessed 26

Notes: AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police


Ministry of Defense and Ministry of Interior Assessments

DOD reported that the MOD and the Ministry of Interior (MOI) continued to increase their capacity to perform critical functions this quarter. To rate the operational capability of these ministries, NTM-A uses the Capability Milestone (CM) rating system. This system assesses staff sections (such as the offices headed by assistant or deputy ministers) and cross-functional areas (such as general staff offices) using four primary and two secondary ratings:113

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

This quarter, SIGAR was provided the CM ratings for only 37 MOD staff sections and cross-functional areas, down from 46 in past quarters. Of the 37 MOD assessments received this quarter, eight showed progress and one received a lower rating, according to CENTCOM. Notably, the office of the Assistant Minister of Defense for Intelligence increased two levels from CM-4 (the lowest rating) to CM-2B. No MOD sections are rated CM-4, as shown in Figure 3.24. The other offices that received a higher rating this quarter were:114
The office that regressed was the Assistant Minister of Defense for Strategy and Policy, which fell to CM-2B.\textsuperscript{115}

All 32 staff sections at the MOI were assessed; seven progressed and none regressed since last quarter, according to CENTCOM. No MOI sections were rated CM-4, as shown in Figure 3.24. Those whose ratings increased this quarter were:\textsuperscript{116}

- Deputy Minister for Strategy and Policy – Strategic Planning (CM-1B)
- Deputy Minister for Security – Afghan Uniform Police (CM-1B)
- Deputy Minister for Security – Anti-Crime Police (CM-1B)
- Deputy Minister for Security – Counter-IED (CM-2A)
- Deputy Minister for Administration – Training Management (CM-2A)
- Chief of Staff Office of Gender Affairs (CM-2B)
- Deputy Minister for Security – Fire Services (CM-2B)

\textbf{FIGURE 3.24}

\textbf{CAPABILITY MILESTONE RATINGS OF MOD AND MOI, QUARTERLY CHANGE}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{capability_milestone_ratings.png}
\caption{Capability Milestone Ratings of MOD and MOI, Quarterly Change}
\end{figure}

\textbf{Sources:} CSTC-A, responses to SIGAR data call, 10/1/2013 and 12/30/2013.
Two MOI staff sections are rated CM-1A (capable of autonomous operations): the Chief of Staff Public Affairs Office and the Deputy Minister for Security Office of the Afghan National Civil Order Police.\textsuperscript{117}

**AFGHAN LOCAL POLICE**

As of January 4, 2014, Afghan Local Police (ALP) comprised 25,477 personnel, according to CENTCOM. The current goal is 30,000 personnel by the end of December 2014. The ALP operates in 126 districts in 29 of Afghanistan’s 34 provinces.\textsuperscript{118}

As of December 31, 2013, more than $190 million of the ASFF had been obligated and more than $184 million expended to support the ALP. According to CENTCOM, the ALP will cost $117 million per year to sustain once it reaches its target strength. To date, 23,496 AK-47 rifles (at a cost of $6.77 million) and 4,149 PKM machine guns ($9.42 million) have been provided to the ALP. In addition, 9.4 million rounds of rifle ammunition and 4.5 million rounds of machine gun ammunition (with a combined cost of $5.07 million) have been provided. CENTCOM noted that the ALP plans to issue an additional 7,000 AK-47 rifles (at a cost of $2.02 million) and has budgeted $13.3 million for ammunition in 2014. For ALP mobility, 2,127 Ford Ranger pickup trucks have been provided. These Ford Rangers cost $21,980 each at point of sale, but $45,000 each including delivery costs (for a total cost of $95.7 million).\textsuperscript{119}

**AFGHAN PUBLIC PROTECTION FORCE**

The Afghan Public Protection Force (APPF) is a state-owned enterprise under the authority of the MOI that provides facility and convoy security services in Afghanistan. Following President Karzai’s 2010 decree disbanding private security companies (PSCs) and transferring protection responsibilities to the APPF, the Afghan government implemented a bridging strategy for a phased transition to the public security company.\textsuperscript{120}

As part of that strategy, security for military installations was scheduled to be transferred to the APPF in March 2013. As of December 30, 2013, only three military forward operating bases (FOBs) were secured by APPF personnel; 43 FOBs were still secured by PSCs. As of November 30, 2013, the APPF comprised 20,005 personnel, according to CSTC-A. This quarter, the APPF had 480 active contracts for their services.\textsuperscript{121}

The APPF recruits officers and non-commissioned officers (NCOs) from the ANP. New recruits attend courses on facility, convoy, and personal security at the APPF Regional Training Center. In some cases, trained guards also transition directly from private security companies into the APPF. According to CSTC-A, the most recent assessment of the APPF indicates they are “partially capable of conducting full spectrum security services with Coalition
Security support. The United States has provided more than $51 million to support the APPF. It was not clear if the money provided was payment for security services rendered or to standup and/or support the APPF.

AFGHAN NATIONAL ARMY

As of December 31, 2013, the United States had obligated $31.7 billion and disbursed $30.1 billion of ASFF funds to build, train, and sustain the ANA.

ANA Strength

As of December 30, 2013, the overall end strength of the ANA was 185,386 personnel (178,816 Army and 6,529 Air Force), according to CSTC-A. The ANA’s end strength showed a modest increase (1%) since last quarter, as shown in Table 3.7. The total includes 10,251 ANA personnel and 41 Air Force personnel who were AWOL, 10,905 trainees, students, and those awaiting assignment, as well as 5,010 cadets, according to CSTC-A. The ANA includes 9,336 civilians (both ANA and Air Force personnel) in its end strength. SIGAR’s reporting of ANA’s end strength does not include these civilians, but does count unassigned military personnel and cadets.

TABLE 3.7

<table>
<thead>
<tr>
<th>ANA Component</th>
<th>Authorized Q3 2013</th>
<th>Authorized Q4 2013</th>
<th>Quarterly Change</th>
<th>Assigned Q3 2013</th>
<th>Assigned Q4 2013</th>
<th>Quarterly Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>201st Corps</td>
<td>18,130</td>
<td>18,130</td>
<td>None</td>
<td>18,636</td>
<td>18,749</td>
<td>+113</td>
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<tr>
<td>203rd Corps</td>
<td>20,798</td>
<td>20,798</td>
<td>None</td>
<td>20,220</td>
<td>21,098</td>
<td>+878</td>
</tr>
<tr>
<td>205th Corps</td>
<td>19,097</td>
<td>19,097</td>
<td>None</td>
<td>19,331</td>
<td>18,963</td>
<td>-368</td>
</tr>
<tr>
<td>207th Corps</td>
<td>14,879</td>
<td>14,879</td>
<td>None</td>
<td>13,753</td>
<td>14,320</td>
<td>+567</td>
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<tr>
<td>209th Corps</td>
<td>15,004</td>
<td>15,004</td>
<td>None</td>
<td>14,681</td>
<td>15,364</td>
<td>+683</td>
</tr>
<tr>
<td>215th Corps</td>
<td>17,555</td>
<td>17,555</td>
<td>None</td>
<td>17,640</td>
<td>18,132</td>
<td>+492</td>
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<tr>
<td>111th Capital Division</td>
<td>9,174</td>
<td>9,174</td>
<td>None</td>
<td>9,492</td>
<td>9,276</td>
<td>-216</td>
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<tr>
<td>Special Operations Force</td>
<td>11,013</td>
<td>11,013</td>
<td>None</td>
<td>10,925</td>
<td>10,756</td>
<td>-169</td>
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<tr>
<td>Echelons Above Corps*</td>
<td>36,275</td>
<td>36,002</td>
<td>-273</td>
<td>33,687</td>
<td>25,992</td>
<td>-7,695</td>
</tr>
<tr>
<td>THS*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,453</td>
<td>15,915</td>
<td>-2,538</td>
</tr>
<tr>
<td>AWOL*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8.797</td>
<td>10,251</td>
<td>+1,454</td>
</tr>
<tr>
<td><strong>ANA TOTAL</strong></td>
<td><strong>161,925</strong></td>
<td><strong>161,652</strong></td>
<td><strong>-273</strong></td>
<td><strong>176,818</strong></td>
<td><strong>178,816</strong></td>
<td><strong>+1,998</strong></td>
</tr>
<tr>
<td>Afghan Air Force (AAF)</td>
<td>7,097</td>
<td>7,370</td>
<td>+273</td>
<td>6,616</td>
<td>6,529</td>
<td>-87</td>
</tr>
<tr>
<td>AAF AWOL</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>41</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ANA + AAF TOTAL</strong></td>
<td><strong>169,022</strong></td>
<td><strong>169,022</strong></td>
<td><strong>NONE</strong></td>
<td><strong>183,434</strong></td>
<td><strong>185,386</strong></td>
<td><strong>+1,952</strong></td>
</tr>
</tbody>
</table>

Notes: Q3 data is as of 8/20/2013; Q4 data is as of 12/30/2013.
* Includes MOD, General Staff, and Intermediate Commands
** Trainee, Transient, Holdie, and Student; these are not included in counts of authorized personnel
* Includes 4,667 cadets
* Includes 4,736 cadets
* Absent without leave
* AWOL personnel were rolled into the assigned strength last quarter

Sources: CSTC-A, responses to SIGAR data calls, 10/1/2013 and 1/6/2014; Teleconference with CSTC-A officials, 1/4/2014.
SECURITY

Personnel “Unavailable” and “Present for Duty”
The number of personnel in the Afghan security forces—coupled with performance assessments and other reporting mechanisms—is one of the main metrics used to determine the effectiveness of U.S. programs to build the ANSF. SIGAR has been tracking the number of ANSF personnel since its inception.

Determining ANSF strength continues to prove challenging. In July 2012, following a request from SIGAR, CSTC-A defined two major terms—“unavailable” and “present for duty”—used to show the status of ANA personnel. In its July 2013 response to a request for data, CSTC-A stated that “The ANA counts those personnel ‘in the field’ or actively engaged in combat operations as unavailable, with present for duty only representing those personnel ‘in barracks.’ This explains the low present for duty numbers for those Corps actively engaged in ops.”

This quarter, the percentage of ANA personnel “unavailable” ranged from 70.1% for the 215th Corps to 20.5% for the 209th Corps. About 1.7% of the Afghan Air Force’s 6,529 personnel were unavailable.

Although limited details were available to account for the 126,658 personnel assigned to the ANAs combat forces this quarter, SIGAR determined that these forces included personnel in the following categories:

- Present for Duty or “Combat Strength”: 62,753 (50%)
- Unavailable (including personnel in combat and on leave, but not personnel AWOL): 54,862 (43%)
- Absent without Leave (AWOL): 9,043 (7%)

However, as part of an ongoing audit, SIGAR was provided data on the ANA’s strength as of October 21, 2013, that can help put these numbers in perspective. At that time, 72,641 personnel were “unavailable,” including the following (partial list):

- In Combat: 39,249
- On leave: 19,570
- AWOL: 8,489
- On temporary assigned duty, inside the Afghan border: 3,541
- Outside TAD, temporary assigned duty, outside the Afghan Border: 2,116
- Course, soldier is currently parading on an authorized course outside the unit: 2,503
- In Hospital, soldier is in a military hospital: 699
- WIA, wounded in action: 645
- Detained, soldier is arrested and in a military jail: 264
- Unit Patient, soldier is in a unit field medical facility: 35
- Detainee in Unit, soldier is in custody of military police: 21
- Unauthorized absence with no weapons: 7
- Unauthorized absence with weapon: 1
- Captured by the enemy: 1
ANA Attrition
Attrition continues to be a major challenge for the ANA. Between January and November 2013, 38,916 ANA personnel left the service. The ANA has also suffered serious losses from fighting. Between December 2011 and November 2013, the ANA had 2,055 personnel killed in action (KIA) and 10,484 wounded in action (WIA).

ANA Sustainment
As of December 31, 2013, the United States had obligated $11.4 billion and disbursed $11.1 billion of ASFF funds for ANA sustainment.

ANA Salaries, Food, and Incentives
As of December 30, 2013, CSTC-A reported that the United States had provided nearly $2 billion through the ASFF to pay for ANA salaries, food, and incentives since FY 2008. CSTC-A also estimated the annual amount of funding required for the base salaries, bonuses, and incentives of the ANA at $542 million. This is a decrease from the estimate provided last quarter of $931 million per year. CSTC-A explained that last quarter’s estimate was based on the money Afghanistan's Defense Ministry actually spent in these areas. The latest figures are based on all disbursements made by DOD’s Defense Finance and Accounting Services to Da Afghanistan Bank—Afghanistan's central bank—in FY 1392 (December 2012–December 2013). CSTC-A noted that funding is provided assuming the ANA is staffed at 100% of its authorized strength. As shown earlier, that assumption generally does not correspond to reported data.

ANA Equipment, Transportation, and Sustainment
Determining the amount and cost of equipment provided to the ANA remains a challenge. Since April 2013, CSTC-A’s reported total cost for weapons procured for the ANA has been falling due to corrections in determining the price of weapons. Between April 2013 and December 2013, the total reported cost for weapons purchased for the ANA has fallen from $878 million to $439 million.

CSTC-A has provided several explanations for the ongoing decrease in cost for weapons procured. In response to a recurring question from SIGAR, requesting the total “cost of weapons and weapons-related equipment procured and fielded to date,” CSTC-A stated in April 2013 that the United States had procured $878 million of weapons for the ANA. In July 2013, CSTC-A reported that the total cost for weapons was actually $623 million due to a $153 million correction in the total cost of some equipment and accounting for nearly $102 million in donated equipment that was not U.S.-funded. In October 2013, CSTC-A stated that the actual total cost of weapons procured for the ANA was $447 million. According to CSTC-A, the “decrease in the number procured from last quarter is a result of an
extensive internal audit that revealed some equipment had been double-counted.”137 This quarter, the total cost fell again to $439 million. CSTC-A said the “decrease in total cost [was] due to discovery of incorrect pricing during [an] internal audit.” Moreover, CSTC-A noted that although the cost for donated weapons was not included, “the refurbishment and transportation cost of donated weapons was included because [reconstruction] funds were used.”138

The ongoing corrections to the cost of equipment procured—a cumulative total that should rise rather than fall every quarter—raises questions about the accountability for U.S. funds used to equip the ANA. SIGAR is currently conducting an audit of ANSF weapons accountability.

CSTC-A also noted that the cost of ANA equipment remaining to be procured has increased from $27 million last quarter to $99 million this quarter due to increased requirements.139

As of December 30, 2013, the United States had obligated and disbursed $11.3 billion of the ASFF for ANA equipment and transportation.140 Most of these funds were used to purchase weapons and related equipment, vehicles, communications equipment, aircraft, and aviation-related equipment. More than 80% of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Table 3.8.

TABLE 3.8

<table>
<thead>
<tr>
<th>Type of Equipment</th>
<th>Procured</th>
<th>Remaining to be Procured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weapons</td>
<td>$439,229,147</td>
<td>$32,390,974</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$4,385,763,395</td>
<td>$14,784,960</td>
</tr>
<tr>
<td>Communications Equipment</td>
<td>$612,205,922</td>
<td>$51,610,799</td>
</tr>
<tr>
<td>Total</td>
<td>$5,437,198,464</td>
<td>$98,786,733</td>
</tr>
</tbody>
</table>

Source: CSTC-A, response to SIGAR data call, 12/30/2013.

The United States has also procured $1.3 billion in ammunition for the ANA and nearly $7 billion worth of other equipment and supplies to sustain the ANA. According to CSTC-A, this latter amount was determined by subtracting the cost of weapons, vehicles, communications equipment, and ammunition from overall equipment and sustainment costs.141 Last quarter, CSTC-A said the United States has spent nearly $774 million on other equipment such as clothing and personal gear.142

ANA Infrastructure

As of December 31, 2013, the United States had obligated $6 billion and disbursed $4.8 billion of the ASFF for ANA infrastructure.143 At that time, the United States had completed 255 infrastructure projects (valued at $2.9 billion), with another 123 projects ongoing ($2.5 billion) and three planned ($22 million), according to CSTC-A.144
This quarter, the largest ongoing ANA infrastructure projects were a brigade garrison for the 201st Corps in Kunar (at a cost of $115.8 million), phase one of the MOD’s headquarters in Kabul ($108 million), and a brigade garrison for the 205th Corps in Kandahar ($89.1 million). In addition, 15 projects were completed this quarter at a cost of $236 million, 9 contracts worth $258 million were terminated, and 10 contracts worth $360 million were transferred.

According to CSTC-A, the projected operations and maintenance (O&M), sustainment, restoration, and minor construction cost for ANA infrastructure for FY 2015 through FY 2019 is $966 million:

- FY 2015: $209 million
- FY 2016: $190 million
- FY 2017: $186 million
- FY 2018: $186 million
- FY 2019: $186 million

CSTC-A noted that any estimated post-transition costs are based on current capacity levels and do not take into account any future policy decisions which could impact future cost estimates.

**ANA and MOD Training and Operations**

As of December 31, 2013, the United States had obligated and disbursed $2.9 billion of the ASFF for ANA and MOD operations and training. This quarter, 17,706 ANA personnel were enrolled in some type of training—down from 43,942 enrollees last quarter. Of that amount, 844 were enrolled in literacy training—down from 31,850—according to NTM-A. NTM-A did not provide an explanation for the massive drop in enrollment from training courses.

Of those ANA personnel in training, 3,795 enlisted personnel were enrolled in basic warrior-training courses, 5,010 were training to become commissioned officers, and 2,680 were training to become NCOs. Other training programs include combat training in the United States, transportation and driving courses, and weapons systems training.

According to NTM-A, the United States funds a variety of contracts to train the MOD and the ANA. The largest of these are a $285 million contract for advising, training, and supporting the MOD; a $203 million contract to build the intelligence-collection capacity of both the ANA and ANP; and a $31 million contract to train ANA criminal investigators.

According to NTM-A, $188 million was obligated for training in 2013. NTM-A is also funding three contracts with a combined value of $200 million to improve literacy in the ANA and the ANP.
ANA Literacy

Since 2009, NTM-A has viewed increasing literacy rates as critical to developing a capable, professional, and sustainable ANSF. An NTM-A commander estimated that the ANSF’s overall literacy rate in 2010 was 14%.\textsuperscript{154} At the time, NTM-A set a goal of having the ANSF achieve 100% proficiency for level 1 literacy and 50% proficiency at level 3 literacy.\textsuperscript{155} Level 1 literacy is the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute and use printed and written materials.”\textsuperscript{156}

In an audit report released this quarter, SIGAR found that NTM-A’s goals were based on the ANSF’s 2009 authorized strength of 148,000 personnel rather than on the current authorized strength of 352,000. The audit also found that NTM-A’s ability to measure the effectiveness of the literacy program is limited because none of the contracts requires independent verification of testing for proficiency or identifies recruits in a way that permits accurate tracking as they move on to army and police units.\textsuperscript{157}

As of December 30, 2013, NTM-A reported that ANA personnel who have completed a literacy program include:\textsuperscript{158}
- 148,738 level 1 graduates
- 43,651 level 2 graduates
- 41,182 level 3 graduates

Although NTM-A earlier reported that the literacy programs had achieved their goal of having 50,000 ANSF personnel achieve level 3 or “functional literacy,” NTM-A could not tell SIGAR how many of the ANA level 3 graduates were still in the ANA. NTM-A said the ANA was not able to track this.\textsuperscript{159} This quarter, NTM-A issued two new literacy goals: train and graduate 30,000 ANSF personnel to level 3 in 2014, and train/graduate 2,500 ANSF trainers (1,500 for the ANA and 1,000 for the ANP) so that the ANSF can conduct their own literacy training. While NTM-A again noted this quarter that the literacy rate of the ANSF remains “unattainable,” it reported that over 9,200 ANA personnel graduated from level 3 training within the last six months.\textsuperscript{160}

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a base year and a five-year limit—one-year options may be exercised in August of each year—and a maximum cost of $200 million.\textsuperscript{161} According to NTM-A, these contractors were providing literacy trainers to both the ANA and the ANP. They have assigned 699 literacy trainers to the ANA:\textsuperscript{162}
- OT Training Solutions, a U.S. company, was providing 271 trainers.
- Insight Group, an Afghan company, was providing 208 trainers.

SIGAR AUDIT

In an audit report released this quarter, SIGAR found that NTM-A/CSTC-A’s goal for achieving literacy in the ANSF was based on outdated ANSF personnel estimates and, therefore, may not be attainable. In addition, CSTC-A’s ability to measure the effectiveness of the literacy training program was limited. None of the three literacy training contracts require independent verification of testing for proficiency or identify and track recruits as they move on to their units. Furthermore, the contracts do not adequately define what constitutes a literacy class. One contractor billed the government for classes held for as little as two hours in a month. For more information, see Section 2, page 26.
The Higher Education Institute of Karwan, an Afghan company, was providing 220 trainers.

The estimated cost of these contracts—including contracts for ANP literacy training—for 2014 is $25 million. NATO has set aside an additional $31 million to fund the last year of these contracts.\footnote{163}

**Women in the ANA and Afghan Air Force**

This quarter, CSTC-A reported two figures for the number of women in the ANA and the Afghan Air Force. The first figure is provided to CSTC-A by the ANA. According to the ANA’s figure, 684 women serve in the ANA and the Afghan Air Force. Of those, 633 serve in the ANA—219 officers, 209 NCOs, 50 enlisted personnel, and 155 cadets—and 51 serve in the Afghan Air Force—21 officers, 13 NCOs, 8 enlisted personnel, and 9 cadets.\footnote{164}

Advisors in the field, however, could confirm only 491 women in the ANA—273 officers, 147 NCOs, 28 enlisted personnel, and 43 cadets.\footnote{165}

According to CSTC-A, the discrepancy “may reflect civilian females who are working in the supply chain (e.g. sewing factories).” CSTC-A noted that over the next 6–8 weeks, a civilian personnel list will be created which “should create greater visibility between civilian employees and military members.” It was unclear if male civilian employees were still being counted as part of the overall ANA’s strength.

The current recruitment and retention goal is for 10% of the ANA—including the Afghan Air Force—to be women.\footnote{166} However, despite some progress, this goal remains elusive. Women make up less than 1% of the force.

**AFGHAN AIR FORCE**

This quarter, CENTCOM reported that the Afghan Air Force has 103 aircraft, excluding aircraft “no longer in service (crashed)” and 10 Mi-17 helicopters are on loan to Afghanistan’s Special Mission Wing.\footnote{167}

The United States has a considerable investment in the Afghan Air Force. Between FY 2010 and FY 2012 alone, the United States provided more than $5 billion to support and develop the 6,529-person Afghan Air Force—including over $3 billion for equipment and aircraft. In addition, DOD requested an additional $2.9 billion—including $1.24 billion for equipment and aircraft—in FYs 2013 and 2014 for the Afghan Air Force, as shown in Table 3.9 on the following page.

According to CENTCOM, the Afghan Air Force inventory consisted of 103 aircraft:\footnote{168}
- 58 Mi-17 transport helicopters (18 more than last quarter)
- 6 Mi-35 attack helicopters (of which 5 are flight capable)
- 26 C-208 light transport planes
- 6 C-182 fixed wing training aircraft

SIGAR Audits

This quarter, SIGAR announced it is initiating an audit of U.S. support for the Afghan Air Force to examine the U.S. investment in, planning for, and training of the Afghan Air Force.

In an audit report released last quarter, SIGAR found that DOD was moving forward with a $771.8 million purchase of aircraft for the SMW despite the SMW having less than one-quarter of the personnel needed, facing steep recruitment and training challenges, and lacking the ability to maintain its current aircraft fleet.
Changes to the inventory since last quarter include: the addition of 18 Mi-17 helicopters and two C-130H aircraft, and the removal of one MD-530F helicopter (destroyed when it landed on an improvised explosive device during a training exercise), five Mi-35 helicopters (no longer operational), and 16 G-222 cargo planes (also referred to as the C-27A). SIGAR had expressed concern about the Afghan Air Force's reported inventory of the 16 G-222 aircraft after a DOD Office of Inspector General (DOD OIG) official told Congress that those aircraft were no longer in service. SIGAR had also received photos showing the 16 G-222 aircraft sitting unused and was concerned that the aircraft were not in service or fit for service in the future. Another four G-222s sit at a base in Germany. According to CENTCOM, the aircraft titles were never transferred to the Afghan government; the program for these aircraft was cancelled because the contractor did not meet its obligations.

In November 2013, SIGAR initiated an audit of U.S. support for the Afghan Air Force. That audit is currently ongoing.

**AFGHAN NATIONAL POLICE**

As of December 31, 2013, the United States had obligated $15.8 billion and disbursed $14.9 billion of ASFF funds to build, train, and sustain the ANP.

**ANP Strength**

In November 2013, the overall strength of the ANP was 149,466 personnel, including 106,784 Afghan Uniform Police (AUP), 20,902 Afghan Border Police (ABP), 13,597 Afghan National Civil Order Police (ANCOP), 2,850 in the Counter Narcotics Police of Afghanistan (CNPA), and 5,333 students in training. The overall ANP strength has decreased by 3,191 since last quarter, as shown in Table 3.10. According to CSTC-A, unlike the ANA, the MOI does
not report ANP personnel who are on leave, AWOL, sick, or on temporary assignment in its personnel reports. For this reason, it is not known what the actual operational strength of the ANP is at any given time.\textsuperscript{173}

### ANP Sustainment

As of December 31, 2013, the United States had obligated $5.5 billion and disbursed $5.4 billion of ASFF funds for ANP sustainment.\textsuperscript{174} According to CSTC-A, the United States has contributed more than $1.1 billion to the Law and Order Trust Fund for Afghanistan (LOTFA) to support the ANP.\textsuperscript{175}

### ANP Salaries

From 2008 through December 30, 2013, the U.S. government had provided $939 million through the ASFF to pay ANP salaries, food, and incentives (extra pay for personnel engaged in combat or employed in specialty fields), CSTC-A reported.\textsuperscript{176}

According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require an estimated $628.1 million per year to fund salaries ($265.7 million), incentives ($224.2 million), and food ($138.2 million). CSTC-A noted that these funding amounts are supported by LOTFA, the Afghan government and CSTC-A.\textsuperscript{177}

### ANP Equipment, Transportation, and Sustainment

As of December 31, 2013, the United States had obligated and disbursed $3.6 billion of ASFF funds for ANP equipment and transportation.\textsuperscript{178} Most of these funds were used to purchase weapons and related equipment, vehicles, and communications equipment.\textsuperscript{179} Most funding was for vehicles and vehicle-related equipment, as shown in Table 3.11 on the following page.
As with the ANA, determining the cost of equipment provided to the ANP remains a challenge. CSTC-A reporting in this area has been inconsistent, raising questions about visibility and accountability for U.S. funding used to procure equipment for the ANP. For example, CSTC-A’s estimate of the total cost of U.S.-funded ANP weapons procured fell from $369 million two quarters ago to $137 million last quarter. At that time, CSTC-A said the “decrease in total cost from last quarter [was] due to actual, contracted equipment pricing being lower than estimated pricing.” This quarter, CSTC-A said the total cost for ANP weapons procured was $187 million, an increase “caused by inclusion of weapons procured through alternate funding vehicles.”

CSTC-A’s estimate of the total cost of vehicles procured for the ANP has also been decreasing. In July 2013, CSTC-A stated the total cost of vehicles was $2.65 billion. Last quarter, CSTC-A stated the actual cost of vehicles procured was $2.03 billion. According to CSTC-A, the “decrease in the number procured from last quarter is a result of an extensive internal audit that revealed some equipment had been double-counted.” This quarter, the total cost of ANP vehicles procured again fell, this time to $1.97 billion. According to CSTC-A, the reason for the decrease from last quarter was “due to actual obligated, contracted equipment pricing being higher.” It was not clear why a higher price would result in an overall decrease in the cost of vehicles procured to date.

The United States has also procured $312 million in ammunition for the ANP and nearly $1.4 billion worth of other equipment and supplies to sustain the ANP. According to CSTC-A, this latter amount was determined by subtracting the cost of weapons, communications equipment, and ammunition from overall equipment and sustainment costs.

**ANP Infrastructure**

As of December 31, 2013, the United States had obligated $3.3 billion and disbursed $2.6 billion of ASFF funds for ANP infrastructure. At that time, the United States had completed 599 infrastructure projects (valued at $2.1 billion), with another 136 projects ongoing ($776 million) and three planned ($21 million), according to CSTC-A.

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**TABLE 3.11**

<table>
<thead>
<tr>
<th>Type of Equipment</th>
<th>Procured</th>
<th>Remaining to be Procured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weapons</td>
<td>$187,251,477</td>
<td>$4,691,866</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$1,966,075,183</td>
<td>$3,744,582</td>
</tr>
<tr>
<td>Communications Equipment</td>
<td>$211,062,672</td>
<td>$845,223</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,364,389,332</strong></td>
<td><strong>$9,281,671</strong></td>
</tr>
</tbody>
</table>

Source: CSTC-A, response to SIGAR data call, 12/30/2013.
This quarter, 20 projects valued at $77 million were completed and 19 valued at $84 million were terminated. The largest ongoing ANP infrastructure projects were administrative facilities ($59.5 million), building and utilities ($34.3 million) at the MOI Headquarters, and an ANCOP patrol station in Helmand ($28.5 million).

ANP Training and Operations
As of December 31, 2013, the United States had obligated $3.4 billion and disbursed $3.3 billion of ASFF funds for ANP and MOI training and operations. This quarter, 9,513 ANP personnel were enrolled in some type of training, according to NTM-A. Of those, 1,422 were training to become officers and 3,404 were training to become NCOs.

NTM-A/CSTC-A contracts with DynCorp International to provide training, mentoring, and support services at multiple training sites around the country. The ASFF-funded contract provides 356 mentors and trainers as well as approximately 1,045 support personnel at regional training centers and in mobile support teams. The contract value is $1.21 billion.

ANP Literacy
NTM-A’s literacy program for the ANP uses the same three contractors, follows the same curriculum, and uses the same standards as the ANA’s literacy program described earlier in this section.

As of December 30, 2013, ANP personnel who have completed a literacy program include:
- 84,905 level 1 graduates
- 54,997 level 2 graduates
- 35,652 level 3 graduates

According to NTM-A, the contractors were providing 531 literacy trainers to the ANP:
- OT Training Solutions, a U.S. company, was providing 297 trainers.
- Insight Group, an Afghan company, was providing 112 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was providing 122 trainers.

Women in the ANP
As in prior quarters, the number of women in the ANP is increasing, but progress has been slow toward reaching the goal to have 5,000 women in the ANP by the end of 2014. CSTC-A said that “the ANP is currently focused more on finding secure areas (i.e., positions with appropriate facilities for females) for recruits than increasing recruiting to reach this target.”

Despite an increase this quarter, women make up only 1% of the force.

As of December 2013, ANP personnel included 1,592 women—232 officers, 636 NCOs, and 724 enlisted personnel—according to CSTC-A. This is an increase of 388 women in two years (since August 22, 2011).
ANSF MEDICAL/HEALTH CARE

As of December 31, 2013, the United States has funded construction of 175 ANSF medical facilities valued at $134 million with an additional 12 projects ongoing valued at $36 million. In addition, Coalition forces obligated $10 million in contracts to provide the ANSF with medical training, according to CSTC-A. Since 2006, Coalition forces have procured and fielded $41 million in ANSF medical equipment.209

This quarter, CSTC-A reported the ANSF health care system had 1,087 physicians out of 1,263 authorized. Of these, 603 were assigned to the ANA and 484 were assigned to the ANP. The ANSF had 7,793 other medical personnel (including nurses and medics) out of 8,337 authorized.200

REMOVING UNEXPLODED ORDNANCE

Since 2002, the U.S. Department of State has provided more than $283 million in funding for weapons destruction and demining assistance to Afghanistan, according to its Bureau of Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA).201 Through its Conventional Weapons Destruction program, State funds five Afghan nongovernmental organizations (NGOs), five international NGOs, and a U.S. government contractor. These funds enable clearance of areas contaminated by explosive remnants of war and support removal and destruction of abandoned weapons that insurgents might use to construct improvised explosive devices.202

From October 1, 2012, through September 30, 2013, State-funded implementing partners cleared more than 25 million square meters (nearly 10 square miles) of minefields, according to the most recent data from the PM/WRA.203 An estimated 537 million square meters (more than 200 square miles) of contaminated areas remain to be cleared, as shown in Table 3.12.

The PM/WRA defines a “minefield” as an area contaminated by landmines, and a “contaminated area” as an area contaminated with both landmines and explosive remnants of war.204

<table>
<thead>
<tr>
<th>Date Range</th>
<th>AT/AP Destroyed</th>
<th>UXO Destroyed</th>
<th>SAA Destroyed</th>
<th>Fragments Cleared</th>
<th>Minefields Cleared (m²)</th>
<th>Estimated Contaminated Area Remaining (m²)</th>
</tr>
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<tr>
<td>10/1–12/31/2012</td>
<td>2,146</td>
<td>62,449</td>
<td>22,373</td>
<td>3,672,661</td>
<td>7,265,741</td>
<td>570,000,000</td>
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<tr>
<td>1/1–3/31/2013</td>
<td>1,984</td>
<td>100,648</td>
<td>105,553</td>
<td>3,722,289</td>
<td>7,978,836</td>
<td>552,000,000</td>
</tr>
<tr>
<td>4/1–6/30/2013</td>
<td>1,058</td>
<td>18,735</td>
<td>49,465</td>
<td>1,079,807</td>
<td>5,586,198</td>
<td>537,000,000</td>
</tr>
<tr>
<td>7/1–9/30/2013</td>
<td>1,243</td>
<td>21,192</td>
<td>98,306</td>
<td>1,673,926</td>
<td>4,229,143</td>
<td>521,000,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,431</strong></td>
<td><strong>203,024</strong></td>
<td><strong>275,697</strong></td>
<td><strong>10,148,683</strong></td>
<td><strong>25,059,918</strong></td>
<td><strong>521,000,000</strong></td>
</tr>
</tbody>
</table>

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

Source: State, PM/WRA, response to SigAR data call, 12/30/2013.
OVERSIGHT OF CONTRACT MANAGEMENT
CSTC-A reported that NTM-A/CSTC-A currently has 71 Contracting Officer Representatives (CORs)—including U.S. and Coalition military and civilian personnel—overseeing the performance of 155 ASFF-funded service contracts worth $2.4 billion. According to CSTC-A, this number “is adequate to deal with the number, complexity, mission criticality, and geographic dispersion of its contracts.” CSTC-A said that this is a decline from six months ago when it had 99 CORs performing oversight on 206 contracts.

NTM-A/CSTC-A also has five contracts managed by the Defense Contract Management Agency with an additional 50 CORs trained and assigned to perform contract oversight.

NTM-A/CSTC-A monitors the number of CORs and ensures COR coverage of contracts using several methods and tools. These include using a contract management database, tracking contracts, and holding monthly general-officer-level meetings to discuss progress, COR coverage, and other issues.

To train its CORs, NTM-A/CSTC-A follows the guidance of the U.S. Army Contracting Command and the CENTCOM Joint Theater Support Contracting Command. CORs are required to complete the three Defense Acquisition University on-line classes. In addition, CORs must be nominated by their chain of command, receive in-person training from a contracting officer, and complete a financial disclosure. According to CSTC-A, lengths deployments for CORs varies by service, but on average a COR would serve the following lengths of time:

- U.S. Air Force: 6 months
- U.S. Army, Navy, Marines, and Coalition: 9 months
- DOD Civilians: 12 months

CSTC-A reported that lack of security will continue to be a challenge in executing, managing, and overseeing reconstruction contracts. CSTC-A noted that it is working to transition responsibility for logistical contracts to the ANSF. CSTC-A said that it has provided “a significant amount of training to the ANSF to improve their procurement processes and contract oversight.” The IJC is also training ANSF organizations, such as the Material Movement Center, to oversee the fuel ordering and reporting process. CSTC-A has helped to stand up the Afghanistan Defense Acquisition and Resource Management Institute, which started its first classes in June 2013. In addition, over the last year, NTM-A/CSTC-A has placed six Contract Advise & Assist Teams composed of a military leader with contracting experience and three to four contracted mentors in six different regions throughout Afghanistan. These teams mentor and advise the ANA and ANP at the Corps and provincial levels.
COUNTERNARCOTICS

Although the United States has spent billions to reduce poppy cultivation and illicit drug trafficking, Afghanistan’s opium cultivation and production continues to rise. In its Afghanistan Opium Survey, released in November, the United Nations Office on Drugs and Crime (UNODC) said, “Opium poppy cultivation in Afghanistan reached a sobering record high in 2013.” According to UNODC’s survey, a record-setting 209,000 hectares were under opium cultivation in 2013—a 36% increase over 2012. The previous record was 193,000 hectares set in 2007. Moreover, 5,500 tons of opium was produced in 2013, a 49% increase over 2012. And two previously poppy-free provinces—Faryab and Balkh—lost their status this year, bringing the number of Afghanistan’s 34 provinces under cultivation to 15.211

Afghanistan is the world’s leading producer and cultivator of opium, and may account for as much as 90% of the world production in 2013. The impact of opium cultivation is significant. It undermines Afghanistan’s licit economy, fuels corruption, finances the insurgency, and fosters drug addiction. The latest data indicate that the export value of opium and its derivatives, such as heroin and morphine, increased by more than 30% to almost $3 billion in 2013.212 Any contraction of the Afghan economy resulting from the U.S. troop drawdown and reduction in international assistance could result in the opium trade accounting for an even greater slice of the Afghan economy.

In 2013, an alarming 48% of the poppy fields were located in Helmand Province, a key focus of the U.S. counterinsurgency effort. From 2012 to 2013, poppy cultivation in Helmand expanded by 34% from 75,176 hectares to 100,693 hectares.213 Seventy-five percent of the Taliban’s revenue from drugs reportedly comes from just 12 districts. Eight of those districts are in Helmand Province.214

The U.S. counternarcotics (CN) strategy focuses primarily on combating the narco-insurgency nexus.215 The main components of the strategy include U.S.-sponsored eradication, promotion of alternative livelihoods, public-awareness initiatives, and interdiction operations. As of January 17, 2014, the United States has appropriated $7.3 billion for CN initiatives in Afghanistan since efforts began in 2002. Most of these funds were appropriated through two channels: the State Department’s International Narcotics Control and Law Enforcement (INCLE) account ($4.2 billion), and the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund ($2.9 billion).216

State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) bears the primary responsibility for funding Afghan-led eradication, alternative livelihoods, and public awareness programs. DOD and INL coordinate to support the CN efforts of Afghanistan.217 The Afghan Ministry of Counternarcotics (MCN), in partnership with UNODC, is responsible for verifying poppy cultivation and eradication.218
Governor Led Eradication Program
INL supports the Afghan government’s Governor Led Eradication (GLE) program. Eradication levels are verified by the UNODC and the MCN. According to a September 2013 final report, the GLE program was responsible for eradicating 7,323 verified hectares in 842 villages in 18 provinces. Compared to 2012, when 9,672 hectares were eradicated, there was a 24% decrease in eradication in 2013. According to INL, MCN attributes the decrease to diminished ANSF support for eradication efforts, Taliban attacks against the Counter Narcotics Police of Afghanistan (CNPA), the presence of cultivation in insecure and remote areas of the country, and hot weather, which shortened eradication time because farmers could harvest their crop earlier than in most years.

GLE occurs at different times of the year depending on the climate of the province, according to INL. Results are tracked on a cumulative basis by the MCN, and are subjected to UNODC verification on a rolling basis. A significant amount of eradication occurs in southern provinces. For example, 2,162 hectares of poppy were eradicated in Helmand and 1,083 hectares in Kandahar, as opposed to 262 hectares in Farah, 447 hectares in Nangarhar, and 352 hectares in Uruzgan. Only Badakhshan in the East had more poppy eradicated: 2,798 hectares.

Good Performer’s Initiative
The MCN’s Good Performer’s Initiative (GPI), funded by INL, provides development assistance as an incentive to provincial governors who significantly reduce or eliminate poppy cultivation within their province, according to INL. Provinces that achieve poppy-free status, reduce poppy cultivation by more than 10%, or demonstrate exemplary counternarcotics efforts receive development assistance to support local development priorities. A province is deemed poppy-free when UNODC, in cooperation with MCN, verifies that it has fewer than 100 hectares under poppy cultivation during the year. In 2013, 15 Afghan provinces qualified for GPI poppy-free awards, two less than in 2012.

GPI projects have included drug rehabilitation and rural development, such as improvements to roads and irrigation structures that provide farmers with access to water and markets. GPI projects provide short-term employment opportunities for local communities. Since the program was initiated, the number of poppy-free provinces in Afghanistan has grown from six to 15, according to INL.

Since the start of the GPI program in 2007, more than 200 development projects are either complete or in process in all 34 of Afghanistan’s provinces, including: school construction, road and bridge projects, irrigation structures, farm machinery projects, and hospitals and clinic construction. INL noted that while the backlog in implementing GPI projects has been reduced, the MCN-managed program has faced implementation delays as...
the capacity of the MCN continues to increase and the process is refined. There are also delays in implementation of construction projects due to security challenges in more dangerous areas of the country.223

**Counter Narcotics Community Engagement**

The Counter Narcotics Community Engagement (CNCE) program promotes poppy-free status for provinces through public awareness and media campaigns targeting farmers in poppy-growing areas. According to INL, CNCE is implemented in close coordination with the MCN, ensuring that messages are distributed through the media, provincial conferences, shuras, scholarly events, and youth outreach events. CNCE includes a capacity building component for the MCN, to ensure it can take increasing responsibility for CN media relations, public awareness, and behavioral change activities, ensuring lasting success beyond conclusion of the program.224

**Aga Khan Foundation Grant**

INL administers a grant to the Aga Khan Foundation to help sustain the shift away from poppy cultivation in six key provinces: Bamyan, Takhar, Badakhshan, Daykundi, Samangan, and Baghlan. The grant allows the foundation to work with development councils, local NGOs, and provincial line departments to increase licit livelihood opportunities in those provinces and aims to strengthen community-level linkages between the Afghan National Drug Control Strategy and the Afghan National Development Strategy.225

**Monitoring, Verification, and Regional Cooperation**

This quarter, UNODC coordinated two working groups dedicated to drug demand reduction and combating the availability of precursor chemicals, according to INL. The working groups are part of the Paris Pact initiative, a multilateral partnership to combat the Afghan opiate trade. The U.S. government, 57 other countries and 21 international organizations support the initiative. The Paris Pact emphasizes long-term donor assistance to Afghanistan and focuses on cross-border smuggling and illicit drug abuse in the region.226

In October and November 2013, INL funded a two-week joint CN training for Afghan and Pakistani officers through the UNODC-implemented NATO-Russia Council. The training brought together 12 Afghan CN police officers and 12 Pakistani customs officials for specialized investigative training at the Turkish International Academy Against Drugs and Organized Crime in Ankara, Turkey. Turkish and American CN police led the trainings.227

**Ministry of Counter Narcotics Capacity Building Program**

The MCN Capacity Building program focuses on training, procuring equipment, and upgrading facilities at the MCN. This quarter, INL advisors working with the MCN held two week-long training sessions in
Kabul for approximately 160 MCN provincial staff from more than 30 provinces. MCN advisors also participated in the annual personnel performance review process for INL-funded positions at MCN. This quarter, INL awarded a contract to provide the MCN with an updated vehicle fleet, including six utility vehicles for use at headquarters and one diesel truck for each of the ministry’s 34 provincial offices. Also during the quarter, INL provided MCN provincial offices with information technology equipment, according to INL.228

**Counter Narcotics Police of Afghanistan**

This quarter, 2,850 personnel were assigned to the CNPA, according to CSTC-A.229 By law, the CNPA is the only counternarcotics operational police entity in Afghanistan, according to CENTCOM. The CNPA is headquartered in Kabul and has provincial units in all 34 provinces that operate under the control of the provincial police chief, but take operational direction from CNPA headquarters.230

The DEA has played a key role in training and mentoring elements of the CNPA, developing critical intelligence on counternarcotics, and spearheading interdiction operations. It is mentoring two specialized units within the CNPA—the NIU and the SIU. Established to conduct interdiction operations and target major trafficking organizations, these units have had some successes. According to the DEA, the CNPA led 2,490 operations during the first nine months of this year. These operations, generally conducted with DEA and military support, resulted in 2,258 arrests, 55 drug labs destroyed, and over 121 metric tons of drugs seized.231 However, as DOD noted in its latest report, overall counternarcotics interdiction efforts have not significantly reduced insurgent income from the narcotics trade. Moreover, DOD reported, “the current drawdown of U.S. and coalition military forces has affected the ability of U.S. and international law enforcement personnel to conduct operations throughout Afghanistan.”232

Because the CNPA is a vital component of the entire counternarcotics effort, SIGAR recently announced an audit of the U.S. effort to build the CNPA and particularly its provincial units. This audit will evaluate the extent to which development and capacity-building of the CNPA’s provincial units are based on a comprehensive interagency plan; facilities constructed for CNPA provincial units are being used as intended; and U.S. government assistance has contributed to building sustainable and capable provincial unit forces.

According to CENTCOM, NTM-A/CSTC-A provides funding to the MOI to cover CNPA costs such as salaries, equipment, weapons, and ammunition.233

**Effect of the Coalition Drawdown on Counternarcotics Operations**

DOD anticipates the ability of the CNPA and other Afghan government CN agencies to conduct CN operations in areas with decreased Coalition
presence will diminish as U.S. and Coalition forces draw down. However, DOD said Afghan CN units including the Special Mission Wing, the National Interdiction Unit (NIU), and the Sensitive Investigative Unit (SIU) are trained and capable units that have conducted CN operations independently or with limited U.S. and Coalition support.234

INL provides operation and maintenance support for CNPA and U.S. Drug Enforcement Administration (DEA) facilities. According to INL, the freedom of movement for units funded through the GLE program will be negatively affected by the drawdown, according to INL. Moreover, given the link between insecurity and poppy cultivation, the drawdown could result in higher cultivation.235

Interdiction Operations
From October 1 through December 15, 2013, the ANSF conducted 69 unilateral CN operations—routine patrols, cordon-and-search operations, vehicle interdictions, and deliberate detention operations—according to DOD. The MOI’s General Department of Police Special Units led the effort. The department participated in 17 operations that seized approximately 11,420 kg of various narcotics and precursor chemicals. During this time period, Afghan combined operations seized 9,992 kg of opium, 182 kg of morphine, 872 kg of heroin, 220 kg of hashish/marijuana, and 4,404 kg of precursor chemicals, as well as detaining 96 individuals.236

According to DOD, nearly all U.S. interdiction activities were partnered with Afghan forces. Most of these activities occurred in south and southwest Afghanistan, where the majority of opiates are grown, processed, and smuggled out. U.S. forces conducted three unilateral drug operations during this reporting period, detaining two individuals and seizing eight kilograms of heroin and one kilogram of opium. Interagency elements, including the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC), continued to support combined Afghan and ISAF interdiction efforts. Both CJIATF-N and IOCC integrated data from military and law enforcement sources to enable operations against corrupt-narco-insurgent elements. All operations were coordinated with and received support from U.S. and Coalition military commanders on the ground.237

INL supports the interdiction efforts of specific vetted units of the CNPA—the NIU and the SIU. INL-supported interdiction activities include investigative and strategic mentoring, logistics, housing, food and fuel, and transportation to and from seizure sites. INL’s implementing partner, DEA, mentors NIU/SIU officers on investigative skills development and conducts joint raids with both NIU and ISAF.238
Interdiction Results
Since 2008, a total of 2,564 Afghan and Coalition interdiction operations have resulted in 2,604 detentions and seizure of the following narcotics contraband:239
- 729,109 kg of hashish (1 kilogram = approximately 2.2 pounds)
- 364,705 kg of opium
- 47,214 kg of morphine
- 27,037 kg of heroin
- 411,787 kg of precursor chemicals

Aviation Support
From October 1 to December 16, 2013, the Department of State’s “Embassy Air” in Afghanistan provided 322 flight hours, conducted 164 sorties, moved 509 passengers, and transported 58,737 pounds of cargo in support of DEA and INL efforts. According to INL, counternarcotics support to the DEA consisted of 34 flight hours supporting intelligence, surveillance, and reconnaissance missions, 199 flight hours supporting interdiction efforts, and 55 hours supporting NIU and DEA passenger movements (of which 15 hours were dedicated to transporting NIU weapons and cargo). Notably, this quarter, Embassy Air supported an interdiction operation resulting in the seizure of four active narcotics processing laboratories, 478 kg of opium, 700 kg of morphine base, 13 kg of heroin, 5,800 liters of morphine solution, 650 kg of homemade explosives, and one incendiary explosive device.240

**Precursor chemical:** substance that may be used in the production, manufacture and/or preparation of narcotic drugs and psychotropic substances.

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GOVERNANCE

As of January 17, 2014, the United States had provided more than $25 billion to support governance and economic development in Afghanistan. Most of this funding, nearly $17 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department and the United States Agency for International Development (USAID).

KEY EVENTS

Preparations for the April 2014 presidential and provincial council elections continued this quarter. The Asia Foundation released their annual survey that reported more than half of those interviewed (56%) said they think the outcome of the presidential election will make their lives better. The survey also found an overwhelming majority of Afghans (90%) agree that everyone should have equal rights under the law, regardless of gender. Three elections polls were also released with no candidate registering over 50%, making a second round of voting likely.

The Afghan parliament confirmed nominations of five ministers and two Supreme Court justices.

In January, the Afghan government said it intended to release 72 high-profile detainees accused of killing U.S. and Afghan troops, despite U.S. and International Security Assistance Force (ISAF) protests that the release undermined the Afghan rule of law and Afghan relations with the United States. The United States had transferred 88 prisoners to Afghan custody last year in a move intended to show confidence in the Afghan judiciary. However, a spokesman for President Karzai said only 16 are to face trial. The spokesman said the Afghan government considered the evidence collected by the Afghan intelligence service and U.S. military insufficient to further detain the other 72 individuals.

The quarter also saw the release of several surveys and polls as well as a report on implementation of Elimination of Violence Against Women (EVAW) law. The United Nations report on implementation of the EVAW law, however, found both progress and problems, including a 28% increase in registration of reported incidents, but only a 2% increase in use of the law as a basis for indictment.
ELECTIONS

Special Representative for Afghanistan and Pakistan Ambassador James Dobbins continued to stress the importance of the April 5, 2014, presidential and provincial council elections this quarter, calling them the “critical event” of 2014. The United Nations Secretary-General said in December that a timely and inclusive election is the surest basis of internal and international legitimacy.

The newly established Electoral Complaints Commission (ECC) received 1,056 objections and complaints about the eligibility of 27 presidential tickets, each with two vice-presidential nominees, and 3,057 provincial candidates starting October 22. Following adjudication, the ECC released on November 20 a list of 11 presidential tickets and 2,713 provincial council candidates. The 11 presidential candidates, in the order that they will appear on the ballot, are: Abdullah Abdullah, Daud Sultonzoy, Abdul Rahim Wardak, Abdul Qayum Karzai, Mohammad Ashraf Ghani Ahmadzai, Sardar Mohammad Nader Naim, Zalmay Rassul, Qutbudin Hilal, Mohammed Sahfiq Gul Agha Sherzai, Abdul Rab Rasul Sayyaf and Hedayat Amin Arsala. Three of the vice-presidential nominees and 308 of the provincial council candidates are women.

Although the November 20 list was supposed to be final, there may be additional changes to the slate of candidates. The head of the ECC told Tolo News in December that “there are war criminals among the presidential candidates.” The ECC head offered no specifics or names, but said additional presidential candidates may be ruled ineligible on the basis of war crimes, corruption, land grabbing, or dual nationality. The ECC in January said it would refer criminal complaints against presidential candidates to the Afghan Attorney General’s Office. Two weeks later, however, the Attorney General’s Office said that they would drop the investigation of presidential candidates due to a lack of specific charges against the candidates.

The National Democratic Institute (NDI) made a seven-day visit to Afghanistan in December and reported that recent election reforms have led to “guarded optimism among many political and civic actors that the 2014 polls would be an improvement over previous elections.” An NDI statement said reforms must be faithfully enforced to improve the electoral process. NDI also noted that since President Karzai will not be running, “a new political contest is possible.”

According to NDI, it is generally accepted that a second round of presidential balloting will be required. Three polls released in December, some of which were funded by the State Department, seem to support that belief: none of the front-runners polled over 50%. The contractor for one of the three polls told National Public Radio that the polls were intended to inform voters and candidates and reduce the potential for election fraud. An analyst with the Afghanistan Research and Evaluation Unit has warned in the same article, however, that polling is new to Afghanistan, and Afghans sometimes tell interviewers what they think the interviewer wants to hear.
In The Asia Foundation’s 2013 Survey of the Afghan People, also released in December, Afghans expressed generally positive feelings about the coming elections. More than half of those interviewed (56%) said they think the outcome of the presidential election will make their lives better, as shown in Figure 3.26.258 Despite the evidence of extensive fraud in the 2009 elections, 61% said that in general, elections in Afghanistan are free and fair. Respondents’ reasons for thinking elections are not free and fair mostly concerned corruption: for example, corruption in counting the votes (23%), corruption in the election process in general (16%), and vote-buying (14%). Only 11% mentioned the lack of security.259 Majorities, however, said they would be afraid to run for public office (58%) and afraid to vote in a national or provincial election (59%), as shown in Figure 3.25. The Asia Foundation claims a margin of error of +/- 2.25% due to an increase in the sample size to 9,260 respondents surveyed between July 17 and July 25, 2013.260

Project Summary
SIGAR reported extensively on the election support programs in the last quarter. Please see pages 110–119 of the October 2013 Quarterly Report for more detail. A summary of USAID programs intended to support the 2014 presidential and provincial elections appears in Table 3.13 on the following page.

Opportunities for Fraud
Independent observers highlighted the potential for fraud offered by Afghanistan’s chaotic voter registration system. As NDI pointed out, there
is no voter registry, voter list, or census, making it impossible for accurate checks on voter registration and voter participation figures. The Afghanistan Analysts Network (AAN) says the large discrepancy between the estimated number of voters and the number of voter cards may facilitate election manipulation. In addition to recent voter-registration drives, the Afghan government has allowed voter registration cards from past elections to remain valid. AAN reports that immediately before the 2010 poll, in which the Independent Election Commission (IEC) estimated the number of eligible voters to be 12.5 million and the UN estimated 10.5 million, a total of 17.5 million voter cards were distributed. According to USAID, in November 2013 the IEC finalized the voter registration “top-up” campaign through a registration campaign that covered 395 out of 399 districts and added another 3.1 million voters. The IEC plans to recruit and train more than 100,000 polling staff starting in

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 12/31/2013 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting Afghan Civic Education (PACE)</td>
<td>12/4/2013</td>
<td>12/3/2018</td>
<td>77,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Enhancing Legal and Electoral Capacity for Tomorrow (SELECT) II</td>
<td>9/29/2013</td>
<td>12/31/2015</td>
<td>55,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Electoral Reform and Civic Advocacy (ERCA)</td>
<td>7/13/2009</td>
<td>6/30/2014</td>
<td>29,208,419</td>
<td>28,053,544</td>
</tr>
<tr>
<td>Supporting Political Entities and Civil Society (SPECSS)</td>
<td>7/7/2013</td>
<td>7/6/2016</td>
<td>18,000,000</td>
<td>2,484,815</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.
March. According to NDI, candidates and civic groups expressed concern that the IEC will have difficulty recruiting and training such a large number of poll workers. NDI noted that in 2009, areas that suffered from poor recruitment and training of election officials also were likely to experience ballot box stuffing.

According to news reports, the Free and Fair Election Foundation of Afghanistan announced they would field 10,000 observers for the April presidential and provincial council elections. USAID said the USAID Supporting Political Entities and Civil Society (SPECS) program plans to award subgrants for domestic election monitoring in order to deploy approximately 2,200 observers (1,253 male and 947 female) to 34 provinces and 270 districts. USAID also plans to fund international observers but has not yet extended any contracts.

The IEC has instituted several changes to mitigate fraud including improved tracking of ballots through packing numbers displayed on individual ballots, results sheet envelopes, and results forms; security features on the ballot; the use of both an invisible ultraviolet ink and indelible ink; and use of transparent tamper-resistant evidence bags.

The Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) issued a statement that highlighted the lack of a monitoring and oversight mechanism to ensure that the presidential campaigns do not go beyond the allowable expenditure limit, currently 10 million afghanis (AFN), or approximately $177,000 with an exchange rate of 56.52 AFN to USD, for presidential elections. The MEC also noted that sources of income and assets of presidential candidates are not verified.

NDI pointed out that in past elections, the areas of the country most affected by the insurgency were also the most plagued by fraud. Because these areas were beyond the scrutiny of observers, they were highly vulnerable to electoral wrongdoing.

**Election Security**

Afghan authorities are planning security for the 2014 elections much earlier than in the past. NDI considers this a significant improvement over the 2009 presidential election, when the list of polling stations was released just days before the election. The Ministry of Interior (MOI) has established a special commission on electoral security to work in close coordination with the IEC. The Afghan National Police (ANP) will guard polling stations while the Afghan National Army (ANA) will provide a second perimeter of defense. The MOI is currently using this system in support of the voter registration process and notes that voter registration has faced fewer security incidents than anticipated.

In January, the MOI said that about 95% of polling centers are expected to be open for the April election. 6,431 polling sites will be open and 414 are planned to be closed. The IEC submitted a list of approximately 7,000
polling sites 14 months ago to Afghan security forces and requested a security assessment in advance of the polls.\textsuperscript{280}

In a review of the 2009 presidential elections, Democracy International found that insecurity was exploited to commit fraud. Insecurity meant that more fraud could be carried out because there were fewer observers, agents, and IEC officials present at insecure polling locations. The report quotes the United Nations Development Programme’s (UNDP) Enhancing Legal and Electoral Capacity for Tomorrow (ELECT) project:

> The [Afghan] security forces indicated they could secure all locations and had to be pushed for a more realistic assessment—either they did not want to admit for political reasons, that they were not in control of significant parts of the country, or were directly complicit in lining up the process for fraud... Security forces insisted on polling centres opening that could not be secured and where fraud eventuated.\textsuperscript{281}

The report further quotes UNDP ELECT stating that it had “powerfully advocated resistance to security ministries’ calls for polling centres almost certain to be for ‘ghost voters.’”

According to State, the Afghan government has made no specific requests for security or logistical support during the reporting period, except that ISAF provide six air missions to transport senior-level Afghan National Security Forces (ANSF) delegations to regional coordination centers for advanced election security planning.\textsuperscript{282}

In a November report, the United States Institute of Peace (USIP) found that the Taliban, represented by its Peshawar and Quetta arms, have a mixed strategy for opposing the 2014 elections. The Peshawar arm has reportedly established an electoral office with electoral commissioners who are expected to dissuade elders from participating in the elections, burn registration cards, and disrupt the elections in the final week before the polls. Other reports say Taliban commissioners from the Peshawar arm have been purchasing voter registration cards, possibly in an attempt to influence the election or to raise funds by selling cards to candidates. The Quetta arm is reportedly split between commander networks vehemently opposed to the election (with strength in Zabul and Ghazni provinces) and those more willing to undertake limited negotiations with the Afghan government (in Kandahar, Helmand, and Farah provinces).\textsuperscript{283}

USIP concludes that despite the Afghan government’s efforts to have elders lobby local Taliban commanders to allow voting, elders appear to be less willing than in the 2009–10 elections to petition the Taliban, given that such efforts proved mostly ineffectual or dangerous in the past.\textsuperscript{284}

Also during this quarter, the leader of the Islamist party Hizb-e Islami, Golbuddin Hikmatyar, reversed his previous boycotts of Afghan elections and asked his supporters to participate in the April 2014 election.\textsuperscript{285}
The MOI has launched the Female Searcher Program, which aims to improve security as well as female voter turnout by recruiting and training up to 13,000 female volunteers to serve as subsidized searchers at each of Afghanistan’s more than 6,800 designated polling centers. The project intends to train 700 female searcher trainers in Kabul and 11 other locations. The trainers can then be dispersed to multiple locations in each province to conduct searcher training for an approximate 12,300 female searchers. Deploying female searchers is important because Afghan custom forbids men to touch unrelated women. Lack of female searchers might therefore enable women with weapons, or disguised men, to enter polling places to make attacks.

According to NDI, the MOI has allocated resources to support travel of male relatives to accompany these deploying female personnel. State and other international donors are providing technical and financial support for the $4.2 million project via UNDP’s Law and Order Trust Fund for Afghanistan. However, State said the process has been stymied by internal fighting, with the MOI missing deadlines for providing lists of female volunteers, including female police.

**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. U.S. agencies are providing this support in two ways: through contracts, grants, and cooperative agreements, and increasingly, through on-budget assistance. In this final year of transition, the U.S. government is particularly focused on increasing the financial and program management capabilities of Afghan government institutions, and uses a combination of capacity building and on-budget programs to achieve this end.

**On-Budget Assistance**

To improve governance and align development efforts with Afghan priorities, international donors including the United States committed to increase the proportion of development aid delivered on-budget through the Afghan government to at least 50% at the 2010 London Conference. The donors reiterated this pledge at the July 2012 Tokyo Conference. However, donor support depends on the Afghan government’s fulfilling a set of commitments outlined in the Tokyo Mutual Accountability Framework. These commitments include, among other things, improved management of public funds.

To determine the degree to which the Afghan ministries could manage and account for funds, USAID hired two accounting firms to assess 16 Afghan ministries. This quarter, SIGAR published its audit report which analyzed USAID’s process for conducting and using ministerial assessments.
when awarding direct assistance to the Afghan government. SIGAR identified a number of areas where Afghan ministries need to strengthen their capabilities to effectively manage and execute funds. For example, although all Afghan ministries receiving direct assistance met conditions precedent before disbursing money, SIGAR found that USAID/Afghanistan has only required the ministries to implement 24 of the 333 identified risk mitigation measures prior to receiving funds. See Section 2 of this report for a summary of SIGAR’s findings.

The United States is currently providing on-budget assistance through bilateral agreements with seven Afghan government entities and through contributions to two multi-donor trust funds: the Afghanistan Reconstruction Trust Fund (ARTF) and the Afghanistan Infrastructure Trust Fund (AITF). According to USAID, the majority of on-budget funds has been and will continue to be directed through the multi-donor trust funds, particularly the ARTF. The National Solidarity Program (NSP), which is the largest single ARTF-supported program, is discussed in greater detail in the subnational and reintegration sections of this report.

**Conditions precedent:** a condition or set of conditions that must be met before USAID will agree to disburse funding (for example, if the host country laws require legislative approval of the Assistance Agreement, then USAID must receive evidence of that approval before funds disbursement).

*Source: USAID, Glossary of ADS Terms, 10/24/2012.*

**TABLE 3.14**

**USAID ON-BUDGET PROGRAMS**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>On-Budget Partner</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 12/31/2013 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Transmission Expansion and Connectivity (PTEC)</td>
<td>Da Afghanistan Breshna Sherkat (DABS)</td>
<td>1/1/2013</td>
<td>12/31/2016</td>
<td>329,100,000</td>
<td>-</td>
</tr>
<tr>
<td>Partnership Contracts for Health (PCH) Program</td>
<td>Ministry of Public Health</td>
<td>7/20/2008</td>
<td>1/31/2015</td>
<td>236,455,840</td>
<td>151,913,665</td>
</tr>
<tr>
<td>Contribution to Afghanistan Infrastructure Trust Fund (AITF)</td>
<td>Multiple (via Asian Development Bank)</td>
<td>3/7/2013</td>
<td>3/6/2014</td>
<td>180,300,000</td>
<td>105,000,000</td>
</tr>
<tr>
<td>Sheberghan Gas Development Project</td>
<td>Ministry of Mines and Petroleum</td>
<td>5/15/2012</td>
<td>4/30/2015</td>
<td>90,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Agriculture Development Fund (ADF)</td>
<td>Ministry of Agriculture, Irrigation and Livestock</td>
<td>7/18/2010</td>
<td>12/31/2014</td>
<td>74,407,662</td>
<td>29,000,000</td>
</tr>
<tr>
<td>Basic Education, Literacy, and Technical-Vocational Education (BELT) Community Based Education</td>
<td>Ministry of Education</td>
<td>10/29/2013</td>
<td>10/28/2017</td>
<td>56,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Cash Transfer Assistance to Support the Civilian Technical Assistance Plan (CTAP)</td>
<td>Ministry of Finance</td>
<td>9/30/2009</td>
<td>9/30/2014</td>
<td>36,256,560</td>
<td>28,810,610</td>
</tr>
<tr>
<td>Afghanistan Workforce Development Program (AWDP)</td>
<td>Ministry of Education</td>
<td>9/18/2013</td>
<td>4/3/2014</td>
<td>30,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Policy Capacity Initiative Activity</td>
<td>Ministry of Communications and IT</td>
<td>4/9/2009</td>
<td>3/31/2011</td>
<td>1,000,000</td>
<td>989,701</td>
</tr>
</tbody>
</table>

**Notes:*** This includes all USAID contributions to the ARTF. 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. In the 2012 agreement with the World Bank, USAID expressed a preference for 47% of its contributions to be used on the National Solidarity Program (NSP).

*Source: USAID, response to SIGAR data call, 1/7/2014.*
As shown in Table 3.14, USAID expected to spend $896.5 million on active direct bilateral assistance.\textsuperscript{295} It expects to contribute almost $2.7 billion to the ARTF, which is managed by the World Bank, and more than $180 million to the AITF, which is managed by the Asian Development Bank.

According to USAID and as shown in Table 3.14, the actual disbursement of funds through bilateral on-budget programs is slower than either side would like. USAID attributes the low budget-execution rate to limited Afghan government capacity and the risk-mitigation measures USAID applies to on-budget assistance.\textsuperscript{296} However, USAID also notes that execution rates are not directly linked to program results.\textsuperscript{297}

The U.S. and Afghan governments disagree about how much progress the United States has made toward its commitment to provide more funding through the Afghan government budget.\textsuperscript{298} USAID says the Afghan government counts funds when disbursed (when money has actually been spent), while USAID counts commitments and obligations (when the donor reserves the funds for a specific purpose but money has not been spent).\textsuperscript{299} SIGAR reported last quarter that the United Nations Secretary-General said the Afghan government and donors were seeking to develop a consensus regarding on-budget terminology.\textsuperscript{300}

### Capacity-Building programs

USAID capacity-building programs seek to improve central ministries’ performance to prepare, manage, and account for on-budget assistance. As shown in Table 3.15, programs include USAID’s $26 million Leadership, Management, and Governance Project that aims to strengthen Afghan financial-management systems and the capacity of the Ministry of Public Health and the Ministry of Education to help meet requirements set at the 2010 Kabul International Conference for increased on-budget aid.\textsuperscript{301} USAID is also funding the $15 million Ministry of Women’s Affairs Organizational Restructuring and Empowerment (MORE) project, which among other things assists the ministry to improve its financial management, as required for future on-budget assistance.\textsuperscript{302}

<table>
<thead>
<tr>
<th>USAID Capacity-Building Programs at the National Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Title</strong></td>
</tr>
<tr>
<td>Leadership, Management, and Governance Project</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Ministry of Women’s Affairs Restructuring and Empowerment (MORE)</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.
National Assembly

USAID has noted that parliamentary power is very limited since the parliament does not have the authority to determine its own budget and rarely initiates legislation. Most bills originate in the executive branch. 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. The project, which will run through April 2017, recently supported a comprehensive parliamentary review of the Afghan fiscal year 1391 (March 20 to December 20, 2012) development and operating expenditures and revenues. The review uncovered several Afghan ministry/agency budget violations, including inappropriately reclassifying 1.9 billion AFN, or approximately $36.5 million with an exchange rate of 52.04 AFN to USD, in salaries and goods and services, which obscured the actual purpose of the expenditures.

According to State, both chambers of the National Assembly demonstrated increased institutional capabilities during the quarter, especially in holding various government ministries accountable during question-and-answer sessions before the full parliament. For example, both chambers requested leaders of the Ministry of Finance, Ministry of Economy, Ministry of Interior, Independent Election Commission, Ministry of Refugees and Repatriation, and others, to appear before parliament.

During this reporting period, parliament also confirmed five ministers and two Supreme Court justices:

- Din Mohammad Mobarez Rashidi as Minister of Counter Narcotics
- Zarar Ahmad Osmani as Minister of Foreign Affairs
- Akbar Barekzai as Minister of Mines
- Mohammad Aref Noorzai as Minister of Energy and Water
- Mohammad Shakir Kargar as Minister of Commerce and Industry
- Din Mohammad Giran and Abdul Qader Adalatkha for seats on the Supreme Court

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. These programs target rural areas, including districts and villages, as well as provincial centers and municipalities.

The withdrawal of U.S. forces, closure of Provincial Reconstruction Teams (PRTs), and downsizing of the U.S. civilian presence in Afghanistan, raise a number of concerns about the ability of the U.S. government to assess program effects. With the withdrawal of combat forces and the
closure of U.S. and coalition PRTs, the international community has less
direct insight into the presence and performance of the Afghan government
in provinces and districts. Of the five PRTs SIGAR inquired about in the
south and east, all but the Helmand PRT have been closed.311

Responses from the implementing agencies to SIGAR's quarterly request for
information about programs reflect the reduced visibility at the local level.

For the past two quarters, SIGAR has asked USAID to provide infor-
mation on the status of Afghan civil service staffing at the provincial and
district level.312 USAID twice reported the Afghan government had not
responded to its queries.313 USAID also said insecurity presents a challenge
to filling civil service positions in some areas of Afghanistan, but it is very
difficult to quantify.314 The presence of civil servants is a necessary founda-
tion for local government, but USAID no longer appears to be able to track
this and other indicators.

This quarter, SIGAR received no update on the Village Stability Operations
(VSO), a bottom-up counterinsurgency strategy that is supposed to expand
security while connecting local governance to district government, and dis-
trict governance to the national government.315 SIGAR reported last quarter
that, according to the Department of Defense (DOD), team assessments and
survey data suggested gains in governance from the VSO remained steady
once districts transitioned from Coalition control to Afghan government
control. This quarter, SIGAR requested additional detail from DOD on gov-
ernance definitions applied to VSO, an assessment of how VSO initiatives
have connected local governance to formal government, and the proportion
of VSO districts that maintained governance gains compared to those that
did not. DOD replied that the group that provided governance responses
to the July and November 2013 versions of the Report on Progress Toward
Security and Stability in Afghanistan (which had similar language to that
provided to SIGAR last quarter) does not track governance matters despite
past DOD reporting on the governance effects of the initiative.316

Moreover, many U.S.-funded contracts, grants, and cooperative agree-
ments for developing subnational governance outsource the majority of
their work to nongovernmental groups. This raises the question whether the
programs can improve the legitimacy of the Afghan government if it is not
directly involved.

Rural Stabilization Programs
USAID has several stabilization programs aimed at helping the Afghan gov-
ernment extend its reach into unstable areas and build local governance
capacity. These programs include USAID's four Stability in Key Areas
(SIKA) projects, the $161 million Community Cohesion Initiative (CCI), and
$2.67 billion in U.S. support to the ARTF which funds the Afghan govern-
ment’s National Solidarity Program (NSP).317 Table 3.16 on the following
page summarizes total program costs and disbursements to date.
The Kandahar Model: developed in 2007 by the MRRD as a variant of the NABDP. The Kandahar Model features decentralized procurement and financial procedures, community contracting directly with community bodies, rapid decision making, and a reduction of red tape. Additionally, the Kandahar Model involves a written security agreement between the beneficiary community and the MRRD ensuring MRRD access to project NABDP project sites. The Kandahar Model generally uses community contracting without the involvement of external commercial companies or nongovernmental organizations.

National Area Based Development Program (NABDP): developed in 2002 as a joint initiative of the Ministry of Rural Rehabilitation and Development (MRRD) and the UNDP. The goal of NABDP is to contribute to a sustainable reduction of poverty and improve livelihoods in rural Afghanistan.

TABLE 3.16

<table>
<thead>
<tr>
<th>USAID SUBNATIONAL (RURAL) PROGRAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Title</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Afghanistan Reconstruction Trust Fund (ARTF)*</td>
</tr>
<tr>
<td>Stabilization in Key Areas (SIKA) East</td>
</tr>
<tr>
<td>SIKA West</td>
</tr>
<tr>
<td>SIKA South**</td>
</tr>
<tr>
<td>SIKA North</td>
</tr>
</tbody>
</table>

Notes:
*This includes all USAID contributions to the ARTF. 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. In the 2012 agreement with the World Bank, USAID expressed a preference for 47% of its contributions to be used on the National Solidarity Program (NSP).
**This includes the totals for both SIKA South awards.

Source: USAID, response to SIGAR data call, 1/7/2014.

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.” Additionally, the contracts mandate the SIKA programs follow the Kandahar Model (a variant of the National Area Based Development Program), which includes written community-security guarantees to facilitate Ministry of Rural Rehabilitation and Development (MRRD) staff visits to project sites. The four SIKA contracts require the MRRD, the primary partner for the SIKA programs, to have representation in the district in order to operate in that district. The degree of required MRRD presence ranges from an individual MRRD representative to physically monitor projects. For example, USAID data call, 1/7/2014.

Although the MRRD is supposed to be involved in every aspect of the projects, it appears that the SIKA projects are not requiring Afghan government personnel to physically monitor projects. For example, USAID reported that 78% of the monitoring of SIKA South projects was conducted exclusively by SIKA South personnel. About 70% of SIKA East projects were monitored exclusively by SIKA East personnel. USAID said “very few” Afghan government personnel made individual monitoring visits despite the encouragement and constant follow-up by SIKA North. In SIKA West, district governors or their representatives conducted only 20 individual project site visits of the 190 ongoing or completed projects for the region. In the case of SIKA West, USAID reports that a MRRD representative is expected to sign handover documentation when a project is completed despite...
security threats preventing MRRD officials from visiting the project sites.\textsuperscript{322} This raises questions about Afghan ownership and the ultimate sustainability of the SIKA efforts.

Although USAID reports Afghan government involvement in project identification meetings and events at provincial and district centers, this has not translated into involvement in the program by Afghan government civil servants.\textsuperscript{323} On the contrary, according to a joint USAID/MRRD survey administered to all MRRD personnel associated with the SIKA programs, most of the MRRD offices reported that (1) SIKA contractors had not sufficiently coordinated activities with Afghan government officials and (2) SIKA contractors had taken the lead with the communities while the MRRD was left with little or no role.\textsuperscript{324}

Despite the apparent lack of Afghan government involvement in the SIKA programs, there are plans to transfer portions of the programs on-budget to the Afghan government. A SIKA sustainability conference is planned for late January/February 2014 to lay out the parameters for graduating SIKA districts in order to transfer the program on-budget. According to USAID, it is most likely that SIKA will slowly transfer the SIKA training component and parts of the grants implementation to the MRRD and the Independent Directorate of Local Governance (IDLG) by the end of 2014.\textsuperscript{325}

Another program, USAID’s Community Cohesion Initiative (CCI), aims to build what it calls “resilience” in areas that are both important to Afghanistan’s political and security transition and vulnerable to violence and insurgent exploitation. USAID defines resilience as “a measure of the sustained ability of an area (e.g., village, village cluster, district) to mobilize available resources to respond to, withstand, and recover from adverse situations; to resist and withstand insurgent pressures; to safely and effectively communicate with customary and formal governance structures; and to create and mobilize social and cultural networks.”\textsuperscript{326} CCI implements projects such as local community development projects that engage community leaders and government officials in their identification and oversight along with peace advocacy campaigns at sporting events.\textsuperscript{327}

Unlike with SIKA, USAID has not explicitly defined the role of the Afghan government in implementing the CCI. Although the CCI does not require the presence of the Afghan government to go forward with activities, it does say that Afghan civil servants should play an important role in grant monitoring and oversight of the vast majority of CCI activities. According to USAID, this not only serves to improve oversight, but also strengthens ties by bringing government officials to local communities.\textsuperscript{328}

High turnover rates among some district and provincial government personnel have had a negative impact on program implementation, according to USAID.\textsuperscript{329} USAID reports that the CCI contractor conducted 32% of all grant monitoring on its own, Afghan government personnel conducted approximately 38%, and joint groups of Afghan government officials and
CCI contractor staff conducted approximately 30% of all grant-monitoring visits.\textsuperscript{330} CCI expects Afghan government turnover to be less of challenge in the year ahead as the CCI moves away from providing grants to government entities and implements more grants through the community-based organizations.\textsuperscript{331} It is not clear why Afghan government officials appear to participate more in CCI project monitoring than the SIKA projects.

The ARTF supports both Afghanistan's operating and development budget. As part of the development budget it funds the Afghan government's National Solidarity Program (NSP), which was designed to strengthen community level governance and to improve the access of rural communities to social and productive infrastructure and services by channeling resources to democratically-elected Community Development Councils (CDCs). The U.S. government supports the Afghan government’s NSP through the ARTF and is its largest donor.\textsuperscript{332}

Although NSP has been described in a 2011 Senate Foreign Relations Committee majority staff report as the best example of a national program that reinforces the social compact between the Afghan state and citizens,\textsuperscript{333} SIGAR has raised questions regarding the extent of the Afghan government’s role and the ability of the World Bank to effectively oversee the program.\textsuperscript{334}

To its credit, USAID acknowledged that there is a lack of evidence indicating that NSP increases stability in insecure parts of Afghanistan. Therefore, USAID no longer preferences funds to the program through the ARTF. According to USAID, NSP does achieve some positive results, including community level engagement in decision-making. However, USAID does not rely on the program to achieve specific development objectives. While USAID continues to engage with the World Bank to seek improvements in programs like NSP as a part of the broader effectiveness of the ARTF portfolio, USAID does not consider NSP to be a significant element of its assistance strategy in Afghanistan.\textsuperscript{335}

NSP outsources project implementation to nongovernmental organizations. These groups serve as facilitating partners that (1) mobilize communities to form CDCs and (2) provide CDCs technical guidance for managing block grants and planning and implementing subprojects at the village level.\textsuperscript{336} In 2011, SIGAR issued an audit of NSP with several recommendations including the need to show improvements in linkages between local communities and the Afghan government, and the need for close monitoring and evaluation of NSP activities in insecure areas.\textsuperscript{337}

According to the MRRD, NSP has modified its approach, the High Risk Areas Implementation Strategy, in 44 districts across 14 provinces due to insecurity as seen in Figure 3.27.\textsuperscript{338} This approach allows nongovernmental facilitating partners to hire community members to act on their behalf, sub-contract to a local nongovernmental organization, and modify CDC election procedures.\textsuperscript{339} As noted in the 2011 SIGAR audit, this approach may reduce the effectiveness of NSP activities and permit less oversight.\textsuperscript{340}
This quarter, SIGAR asked USAID to provide an assessment of the way NSP operates in insecure areas to better understand if the program facilitates connecting the government to the population. USAID responded that this information is not available.

**Urban and Provincial Centers**

USAID’s four Regional Afghan Municipalities Program for Urban Populations (RAMP UP) projects, extended to March 2014, aim to improve the capacity of the provincial and urban levels of government to improve budgeting and, in the case of municipalities, improve revenue collection. The RAMP UP programs followed the Afghanistan Municipal Strengthening Program which focused on municipalities in 11 provinces and operated from May 2007 to August 2010 with a final disbursement of $25 million dollars.

Table 3.17 on the following page details USAID’s subnational (urban and provincial) programs, including RAMP UP.

The RAMP UP projects aim to assist governments in urban centers to increase the capacity of municipal officials, improve the delivery of municipal services, support economic growth initiatives, and increase own-source
revenues. The RAMP UP projects fund small service delivery projects to develop municipal management capacity. A recent RAMP UP performance evaluation summarized the state of municipal governance across the country:

The problems of Afghan cities are numerous and daunting. Many administrators, who have served 20 years or more in the municipality, have little motivation or knowledge of the ways of a functioning bureaucracy. They arrive at around 7:00 am at a municipal building that often-times has no electricity, sit idly chatting and drinking tea with individuals who drop into their office as if it were a corner barbershop in a US neighborhood, and go home for the day around noon. Most cities have few resources, and employees typically receive less than $100 per month for their work. Citizens expect little, and receive it. Meanwhile corruptions, ranging from kickbacks on large contracts to the obligatory ‘fee’ that typically must be paid any time a signature or action is required from the government, is pervasive.

The review found that, nevertheless, “incremental and slow” progress was being made and that municipalities offered the best hope for democracy to take hold in Afghanistan:

Critically, Afghan municipalities are the only subnational government entities to collect and keep local revenues, and many have moved aggressively to apply this authority. Municipalities operate in a system that, for all of its
problems, provides them revenue collection latitude far
greater than their counterparts in other developing countries,
and provides the country a path to the establishment of a
strong system of local self-governance.345

The experiences of the four RAMP UP projects provide a perspective
on two important aspects of municipal governance: revenue collection and
service delivery. Afghan municipalities have the unique ability to both col-
lect and use locally collected revenue and are expected to be largely fiscally
self-sustaining.346

Municipal Revenue Collection
The performance evaluation of RAMP UP found that program reporting
inflated the role of the four RAMP UP programs in increasing municipal rev-
enue. While property-tax and business-license revenue increased thanks to
RAMP UP efforts, they were dwarfed by other municipal income, including
land sales, upon which the RAMP UP programs had no impact.347 For exam-
ple, the report found that there was no causal relationship between RAMP
UP West program efforts and revenue generated in target municipalities.348
The evaluation report raised concern that municipalities rely on selling pub-
lic land for revenue, as it is a finite resource.349

The evaluation concluded that the key determinants for increased
municipal revenue include mayors’ commitment to collection, the number
of businesses and properties that constitute the tax base, the adoption of
RAMP UP revenue reforms, and, in the case of Ghazni municipality, the outs-
sourcing of tax collection to a private company.350

Municipal Service Delivery
The RAMP UP performance evaluation found that in larger cities supported
by RAMP UP, mayors became disillusioned with the program due to unful-
filled promises of projects. Smaller cities that had fewer promises were
reportedly less disillusioned according to the evaluation.351

Under the RAMP UP program, municipalities were expected to contribute
to the cost of projects, but these contributions varied widely across the four
regions. The willingness of a municipality to contribute funds for projects
may serve as an important indicator of municipal ownership. For example,
the expected municipal cost share was less than 2%—about $330,000 of the
$17.1 million obligated for RAMP UP projects.352 Some of the municipalities
appear to be selective in their contributions by contributing to projects that
may benefit the municipally through future revenue. In RAMP UP South,
three of the 45 projects have a municipal cost share of land. The three RAMP
UP South projects for which the municipalities contributed land included
a slaughterhouse, a women's marketplace, and a parking lot.353 According
to the RAMP UP performance evaluation, a popular strategy for municipal
revenue generation is for the city to act as a landlord by constructing slaugh-
terhouses, wedding halls, business centers, and other facilities to be owned
by the municipality, then leased out to a private business.\textsuperscript{364} The projects for which municipalities contributed land in RAMP UP South appear to be in keeping with the interests of the city as a landlord.

**Provincial Budgeting**

The tentative gains in municipal capacity stand in contrast with the experience of provincial governments that are required to remit revenues to and receive allocations from the central government.\textsuperscript{355} From May 2010 to August 2012, USAID’s Economic Growth and Governance Initiative (EGGI) project sought to develop capacity in 14 ministries in all 34 provinces in support of the Ministry of Finance’s (MOF) provincial budgeting pilot.\textsuperscript{356} According to the MOF, the budget pilot utilized existing ministry programs and produced project nominations from all provinces that were incorporated into the national budget.\textsuperscript{357}

According to USAID, the provincial budget pilot program ultimately failed due to a lack of funding and political will in the Afghan government.\textsuperscript{358} The Afghan government claimed to be unable to fund nominated proposals and asked donors for additional funds. However, donors felt that the Afghan government should tap unspent discretionary development budget funds for the pilot since its budget-execution rate was so low. The issue remained unresolved until August 2012, when the Deputy Minister of Finance requested that USAID stop providing capacity-building support to provincial budgeting.\textsuperscript{359} USAID’s assistance was predicated on dialogue with the MOF, which requested USAID and UNDP support to build Afghan government capacity to implement provincial budgeting. According to USAID, MOF backed its request with planning and budgeting documents that showed its commitment, at the time, to financing the initiative.\textsuperscript{360} Despite this, it appears that funding for the provincial budget pilot was not seriously discussed until after USAID had already made significant investments in capacity building and after the provincial ministry directorates had already submitted project nominations.

International donors remain interested in the provincial budgeting process and continue to track progress as a key deliverable of the Tokyo Mutual Accountability Framework.\textsuperscript{361} However, the fact that the previous USAID attempt to support a provincial budgeting pilot failed due to lack of Afghan government funding and political will does not bode well. As reported in the latest Tokyo Mutual Accountability Senior Officials’ report, there remains a lack of strategic vision at the provincial level due to the disconnect between provincial planning processes and national plans.\textsuperscript{362} This is apparently despite the U.S.-supported provincial budget pilot that was meant to link the local priorities and preferences of ministry provincial offices to national priority programs.\textsuperscript{363} According to USAID, the MOF has developed a new provincial budgeting policy which donors have reviewed.
and commented on, and that the MOF submitted in late December 2013 to the cabinet, which is deliberating on the approval of this new policy.\textsuperscript{364}

**RECONCILIATION AND REINTEGRATION**

The U.S. Civilian-Military Framework views political reconciliation between the Afghan government and insurgency as “the solution to ending the war in Afghanistan.”\textsuperscript{365} However, the United Nations Secretary-General described progress on a peace process as having been “disappointing in recent months.”\textsuperscript{366}

The Afghan government may be unable to reach an enforceable agreement at this time with Taliban leadership. According to the UN’s Security Council Resolution 1988 Sanctions Committee, it is unclear how much direct control Taliban leadership exercises over the movement as a whole. A recent committee monitoring report observes that the Taliban combine centralized authority with significant scope for decentralized action by field commanders. The movement has an elaborate command structure that is not anchored solely in the “Quetta Shura” leaders’ council. The report concludes that the persistent presence and autonomy of other armed groups raises questions about the true extent of the influence exerted by the Taliban leadership.\textsuperscript{367} The Congressional Research Service also noted that the insurgency as a whole has grown increasingly fractured and is particularly divided politically in its views regarding political settlement efforts.\textsuperscript{368}

**Reconciliation**

According to State, the High Peace Council (HPC) continues to hold meetings to strengthen cooperation and achieve unity among different layers of the Afghan society in support of the peace process. In addition, HPC leadership continues to travel to the region and overseas to advance the HPC’s reconciliation goals. Overall, however, State is not able to assess the utility of HPC Executive Board meetings and did not offer SIGAR an assessment of HPC reconciliation efforts in the region.\textsuperscript{369}

President Karzai and Pakistani Prime Minister Nawaz Sharif met in Kabul in late November to discuss “practical steps” to bring the Taliban to the negotiating table. According to *The Wall Street Journal*, Mr. Sharif stated that Pakistan is interested in a stable Afghanistan, but neither he nor President Karzai offered specifics.\textsuperscript{370} In the view of the AAN, the publicly available transcripts were vague and gave no indication of any substantial progress.\textsuperscript{371}

HPC members traveled to Pakistan in November with the intention of meeting with Mullah Abdul Ghani Baradar, the former Taliban second-in-command. It is unclear, however, whether Mullah Baradar can or will advance the peace process, or even whether a meeting with him occurred.\textsuperscript{372}
The HPC also traveled to Saudi Arabia to attend the Islamic Countries Conference in December. HPC representatives called on participants to help with Afghanistan’s peace process.\textsuperscript{273}

**Afghanistan Peace and Reintegration Program**

DOD reported last quarter that the Afghanistan Peace and Reintegration Program (APRP) has succeeded in reintegrating former insurgents, but is not a major influence on the conflict.\textsuperscript{274} The APRP is an Afghan-led reintegration program targeted towards low-level foot soldiers and their commanders, and financed through $182.3 million in contributions from twelve donor nations. Operational funding for the program is provided by seven donor nations (primarily Japan and Germany), while the United States provides funding towards community recovery efforts administered by the World Bank.\textsuperscript{275}

According to State and DOD, the $50 million U.S. contribution in support of APRP via the MRRD’s NSP Community Recovery Intensification and Prioritization (CRIP) mechanism has not been linked to the APRP for fear of endangering NSP nongovernmental facilitating partners. The U.S. funds have instead been subsumed into the broader ARTF budget rather than being used in support of specific reintegration initiatives. A recent DOD report states, “Due to its unique focus in insecure districts, CRIP delivery is by nature indirect, limited, and unannounced, relying on the overall stabilization effect attributed to NSP III rather than direct programming of activities to APRP reintegrees or their communities” [emphasis added].\textsuperscript{276}

SIGAR asked DOD to clarify how an “indirect, limited, and unannounced” approach for NSP/CRIP facilitates the APRP. According to the U.S. Embassy Kabul and the Force Reintegration Cell (FRIC), an ISAF element supporting the APRP, it is not necessary on a programmatic level for assistance to CRIP districts to be “indirect, limited, and unannounced,” nor does this approach facilitate the APRP. Rather, the low profile of NSP/CRIP programming prevents and/or limits the program from securing the

[A reintegree accepted by the Afghan government in Panjwai District, Kandahar Province, Afghanistan. (U.S. Army photo)]
peace dividends it seeks to establish by failing to link community recovery benefits with the return of reintegrees. According to State, the presence of reintegrees does not drive NSP/CRIP programming.377

The U.S. Embassy Kabul has reportedly raised the issue repeatedly with the Afghan government Joint Secretariat and the MRRD, but has been advised that the MRRD is reluctant to publicly identify projects in NSP/CRIP districts with the APRP for fear of reprisal attacks. The FRIC also notes that it is impossible to track individual NSP/CRIP projects because the funds for APRP are commingled with other funds.378

The fear of associating NSP with the reconciliation program is not a new concern. During the course of the audit of NSP by SIGAR in 2010, the director for one of the NSP facilitating partners stated that having NSP involved in APRP would cause facilitating partners to stop working with MRRD because nongovernmental organizations do not wish to damage their reputation with the communities through associating with APRP.379 It may be that NSP is not the optimal delivery mechanism for APRP to advance the political objectives.

During the quarter, 328 new reintegrees joined the program increasing the total to 7,599 reintegrees, as shown in Figure 3.28.380 According to State and the FRIC, the APRP has a robust vetting process to confirm that individuals who want to join the program are legitimate insurgents. The process mostly involves Afghan civil government and ANSF officials at the

FIGURE 3.28
CUMULATIVE REINTEGREES BY REGIONAL COMMAND

Note: Sources did not explain why the cumulative number in RC-West and RC-Southwest decreased this quarter; the current number of confirmed recidivists is 16 individuals.
provincial and national levels who negotiate and administratively process the reintegree. The international role is limited to being able to access the Reintegration Tracking and Monitoring Database.\textsuperscript{381}

The FRIC said elimination of national-level bottlenecks in the MOI reintegree vetting processes have resulted in much greater efficiency in enrollment procedures. The Joint Secretariat has reportedly improved the processes to ensure potential reintegrees are actual insurgents, possess serviceable weapons, and have been accepted by their receiving community. The FRIC suggests the vetting process is functioning by noting that 140 out of a list of 300 applicants in Baghlan province were rejected by the Afghan government on the basis of not meeting one or more of the required criteria.\textsuperscript{382}

The FRIC reported that the APRP has a rigorous process to determine whether an individual has become a recidivist and returned to the insurgency. Recidivism is determined on an individual basis and is usually based on Coalition intelligence and Afghan provincial governmental reporting. The evidence against a suspected recidivist must be substantiated and presented to the ISAF Joint Command (JIC) Reintegration Team and the FRIC. According to the FRIC, the requirement for verifiable reporting keeps the overall recidivism number fairly low. However, the FRIC believes the likely number of actual recidivists exceeds the official number of 16.\textsuperscript{383} The process for being declared a recidivist involves several Coalition entities, unlike the process for being labeled a reintegree which is almost exclusively Afghan. There is no requirement for reintegrees to continue contact to confirm reintegree status. Reintegrees are expected to contact officials to receive up to six months of transition-assistance payments, but need make no contact after that as they are considered regular Afghan citizens.\textsuperscript{384}

**RULE OF LAW AND ANTICORRUPTION**

The geographic coverage and effectiveness of Afghanistan’s formal justice sector is unclear. In his Presidential Decree 45, President Karzai requested that the Supreme Court activate all inactive courts in the provinces and districts, and staff them with professional personnel by March 21, 2013.\textsuperscript{385} The Supreme Court of Afghanistan and the Afghan Attorney General’s Office reported that all districts have prosecutors assigned and all districts have functioning courts.\textsuperscript{386} Insecure districts that do not physically host prosecutors or judges, however, are still labeled “functioning” so long as cases are processed in provincial capitals. For example, the prosecutors for the 51 most insecure districts work from their assigned provincial centers, which may be outside of those districts.\textsuperscript{387} State notes that positions remain unfilled and cases continue to be referred to provincial justice centers.\textsuperscript{388}

According to The Asia Foundation’s *Survey of the Afghan People*, 19% of the respondents say that in the past two years they have taken a dispute to either the formal justice system or local informal justice system. The
survey also reports that 67% say informal bodies resolve cases in a timely and prompt fashion, while only 46% say the same of the state courts. There was also a varying degree of confidence between the state court system and informal local systems, with informal systems rated higher, as shown in Figure 3.29.389

**Project Summary**

The United States has provided assistance to the formal and informal justice sectors through several mechanisms. These include the USAID/Rule of Law Stabilization Formal and Informal Components (RLS-F and RLS-I), the USAID/Assistance to Afghanistan Anti-Corruption Authority Program (4As), and the State Department Justice Training Transition Program (JTTP).

These and other rule of law and anticorruption programs are detailed in Table 3.18 on the following page.

RLS-F provides assistance to the formal justice sector to increase access to justice, strengthen the capacity of the legal education system, and promote transparency and accountability at the district, provincial, and national levels. USAID reports that RLS-F improves the capacity of sitting judges and court staff by providing comprehensive legal training. RLS-F includes the Supreme Court formal training program for new judges, which 81% of Afghan judges have completed. RLS-F also implemented public outreach efforts informing Afghans of rights and responsibilities and strengthening civic awareness of legal rights and judicial processes.390

RLS-I provides assistance to the traditional justice sector to increase the quality of justice services provided and facilitate formal-traditional justice sector linkages. According to USAID, RLS-I has enhanced the dispute-resolution skills of community leaders in 48 districts in southern, eastern, and northern Afghanistan. With USAID assistance, 4,095 elders have pledged to cease traditional justice practices such as baad, the practice of exchanging women to settle a dispute, and 38 women’s elders groups have been established. USAID stated that RLS-I will complete an impact evaluation of activities next quarter to measure project results.\textsuperscript{391}

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. According to State, beneficiaries of JTTP training have demonstrated increased capacity and knowledge, leading to improved effectiveness. However, State indicated that it was unable to assess the state of Afghan court administration.\textsuperscript{392}

This quarter, SIGAR released an audit on State programs in support of the Afghan justice sector. Since 2005, the State has spent at least $223 million on justice-sector development programs in Afghanistan, including State’s Bureau of International Narcotics and Law Enforcement Affairs’ (INL) programs to train Afghan justice-sector personnel. The Justice Sector Support Program (JSSP) is one of these programs and comprises two main components: developing a case-management system and building administrative capacity at Afghan ministries. SIGAR found that INL’s management and oversight of the JSSP contract with PAE Incorporated limited its ability to assess the contractor’s performance and the JSSP’s contribution to

**TABLE 3.18**

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<thead>
<tr>
<th>USAID RULE OF LAW AND ANTICORRUPTION PROGRAMS</th>
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<td><strong>Project Title</strong></td>
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<td>Rule of Law Stabilization - Formal Component</td>
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<td>Rule of Law Stabilization - Informal Component</td>
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<td>Assistance to Afghanistan Anti-Corruption Authority Program (4As)</td>
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<td>Fight Corruption Tooth and Nail</td>
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<td>GAPS Anti-Corruption Grant</td>
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Source: USAID, response to SIGAR data call, 1/7/2014.
The Supreme Court and the Formal Justice Sector

Under the Afghan constitution, Supreme Court justices serve set terms. State previously reported that four Supreme Court justices with expired terms were still serving; however, during this quarter, two new Supreme Court justices were appointed. According to USAID, the Supreme Court broadly lacks political will to support women’s participation in the judiciary and to increase judicial transparency and accountability. State considers three recent court rulings involving women this quarter as evidence that the court is increasing its application of legal protections to women:

- The case of Lal Bibi, 18, a woman from Kunduz province who was abducted by a group of policemen who beat and raped her for five days. The primary court sentenced all four policemen to 16 years’ imprisonment. The Appellate Court and Supreme Court affirmed the decision.
- The case of Sahar Gul, 14, who was forced into marriage. When she refused to accept the marriage, the family she was married into brutally tortured her and locked her away in the basement. The procedural history of the case is unclear, but during the appeals process, the lower court set the abusers free. The Supreme Court issued a public statement expressing its anger, and recently sentenced the mother-in-law and father-in-law to five years in prison. The sister-in-law’s acquittal was affirmed, but the Court said her husband, who arranged the forced marriage, and a brother-in-law should be prosecuted. Finally, the Court said claims for marriage annulment and damages should be heard in civil court. The Sahar Gul case marks the first time a victim of domestic violence in Afghanistan sought criminal and civil action herself against her abusers.
- The case of four people accused in the attempted rape and murder of Zarifa, a provincial representative of Jawzjan province. The primary court sentenced each perpetrator to 14 years in prison. The Appellate Court applied Article 396 of penal code and Article 17 of the EVAW law and sentenced each to 18 years imprisonment. The Supreme Court approved the decision, indicating that courts are in fact utilizing and enforcing, if unevenly at times, the EVAW law.

Afghan Correctional System

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, leading to overcrowding, according to State. As of October 20, 2013, the last date for which data is available, the GDPDC incarcerated 29,140 individuals. The Ministry of Justice’s Juvenile Rehabilitation Directorate (JRD) incarcerated 1,209 juveniles. This total does 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.\textsuperscript{399}

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities. As of October 20, 2013, the total male provincial prison population was at 282% capacity, as defined by International Committee of the Red Cross’ (ICRC) minimum 3.4 square meters per inmate. The total female provincial prison population was at 137% of the ICRC capacity. Data from Herat Provincial Prison exemplifies the severity of the overcrowding in GDPDC facilities: according to a 2011 ICRC assessment, Herat Provincial Prison has the capacity for 491 prisoners, yet data from October 2013 indicates that over 3,100 prisoners are housed in the facility. 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.\textsuperscript{400}

According to State, INL possesses the financial and workforce resources to monitor its contracts, grants, and construction projects throughout Afghanistan. State acknowledges that a lack of security makes it difficult at times for INL to reach locations and because of this, State said INL is developing contingency plans and weighing site accessibility when making decisions on future efforts. For example, INL is investigating the viability of using third-party contractors to supplement direct oversight of infrastructure projects by INL’s American and Afghan engineering staff.\textsuperscript{401}

Anticorruption

Afghan anticorruption efforts demonstrated no significant progress during the quarter. State is not aware of any corruption charges filed against high-level officials and is not able to comment on the existence of any pending investigations. The Afghan government continues to prosecute lower-level government officials for corruption, but prosecutions are generally not pursued for those beyond the lowest-level supervisors.\textsuperscript{402}

Transparency International this quarter issued its latest update to the Corruption Perception Index in which Afghanistan shared last place with North Korea and Somalia. Afghanistan’s score was established on the basis of three data sources that rely upon expert perceptions of corruption: the 2014 Bertelsmann Foundation Transformation Index, the 2012 World Bank Country Policy and Institutional Assessment, and the 2013 Global Insight Country Risk Ratings.\textsuperscript{403}

According to The Asia Foundation’s \textit{Survey of the Afghan People}, 84% of respondents stated that corruption was either a major or minor problem in daily life, a decrease by 3 percentage points from last year. According to respondents who have had to give cash or a gift to, or perform a favor for, a government official, the most frequent situation involved seeking
public healthcare services (38%), applying for jobs (31%), interacting with the judiciary/courts (33%), receiving official documents (28%), in dealing with the Afghan National Police (31%), and in contacting the Afghan National Army (21%).

During the quarter, the mayor of Pul-e-Alam, the provincial capital of Logar province, was accused of corruption and embezzling funds. An official of the MEC is quoted as saying the mayor has illegally appointed and dismissed employees, illegally seized land, and committed forgery, major theft, and bribery. MEC officials reportedly conducted an investigation and found that documents were forged in order to embezzle tens of millions of AFN from municipal revenues. The MEC reportedly recommended legal action several months ago but the central government has not responded.

Afghan Attorney General’s Office
There were no significant changes in the technical capacity or effectiveness of the Attorney General’s Office (AGO). The Anti-Corruption Unit (ACU) of the AGO has seen a decrease in INL and Department of Justice (DOJ) engagement due to reduced interest by the ACU. Although the ACU has demonstrated capacity to prosecute minor corruption cases, it remains ineffective against higher-level corruption. State INL assesses this as being almost entirely due to a lack of will.

The AGO has made little progress on Kabul Bank asset recovery. According to State, the AGO signed off on several mutual legal assistance requests, but all were reportedly prepared by international mentors and there has been limited follow-up. Moreover, the AGO has not yet assigned a full-time prosecutor to focus on asset recovery.

The Major Crimes Task Force (MCTF) is the investigatory arm for the AGO internal control and monitoring unit. In February 2013, Federal Bureau of Investigation mentors disengaged from the MCTF and were succeeded by personnel from the Combined Joint Interagency Task Force-Afghanistan (CJIATF-A). According to reports from CJATF-A mentors, MCTF investigators remain interested in pursuing significant corruption cases. The chief of the MCTF was removed on December 25, 2013. His successor is a professional police officer, with ten years’ experience leading several investigative departments in Kabul. His appointment is seen as a positive development. The MCTF remains frustrated with the lack of cooperation by AGO.

Independent Joint Anti-Corruption Monitoring and Evaluation Committee
Despite demonstrating political will to address some of the toughest corruption-related questions, the MEC was assessed by State as lacking the authority to do more than illuminate poor or corrupt practices.

The MEC recommended during the quarter that the Afghanistan Investment Support Agency (AISA) be the subject of an independent audit.
because of its lack of accountability and ambiguous legal status. AISA is meant to support the development of the private sector and claims to be both an Afghan government entity as well as a limited liability corporation. According to the MEC, AISA was audited only in 2005, when several financial and accounting deficiencies were found. MEC also has concerns that AISA was improperly given responsibility for the development of industrial parks (previously a responsibility of the Ministry of Commerce and Industries).412

Supreme Audit Office

According to USAID, political will for auditing is declining in the current political climate. However, the situation may change due to the anticorruption rhetoric of presidential candidates.413

Under the 1392 Audit Law, the Supreme Audit Office (SAO) is the body responsible for auditing the Afghan government. According to USAID, the office has been responding reasonably well to requests and meeting minimum standards for audits.414

The SAO is responsible for meeting auditing benchmarks as part of the ARTF Incentive Program (IP). The objective of the IP is to support the Afghan government with a reform program that aims at improving fiscal sustainability through increasing domestic revenue mobilization and strengthening expenditure management.415 According to USAID, the World Bank received audits covering 27.5% of total expenditures for the 1391 budget year in November 2013.416 The benchmark for auditing increases year by year with 1391 being at least one audit representing 5% of total expenditures, 1392 being 20%, and 1393 being 25%.417 According to USAID, both the 1391 and 1392 IP auditing benchmarks are on track.418

According to the SAO, their recent audit covered four ministries (Education; Public Health; Public Works; and Labor, Social Affairs, Martyrs & Disabled) that collectively represented 27% of the 1391 core development and operating budget. The SAO states that field work occurred at a sample of locations both the central ministry offices and provincial directorates. The SAO found that:

• The ministries at the center and provinces have not adequately complied with the Public Finance and Expenditure Management Law, Income Tax Laws, or the Procurement Law, as well as other budgetary authorities in making payments, managing expenditures, procurements of goods and services, and execution of development projects.
• The ministries demonstrated weak control in executing contracts.
• The execution of the four ministries’ development budgets was very low.
• The majority (67.9%) of the Ministry of Public Health’s development expenditure in 1391 was transferred to nongovernmental organizations and the Ministry spent only 32.1% directly through its agencies.
• Large sums of the expenditures have been recorded under “Not Elsewhere Classified” and are not identified with any appropriate object of expenditure.

The SAO recommended that the ministries strengthen their controls and monitoring systems to ensure compliance with provisions of applicable rules, statutes, agreements, and budgetary authorities for appropriate deduction of tax-expenditure management, procurement and contracts managements, and execution of development budget projects.419

**High Office of Oversight and Anticorruption**

State and USAID reported last quarter that the High Office of Oversight and Anticorruption (HOO) is dysfunctional, ineffective, and politicized.420 USAID reports that the HOO has adequate administrative and technical capacity to carry out its programs and mandate.421 According to USAID, however, the HOO suffers from a lack of political will and seriousness of purpose at the upper echelons of government in fighting corruption, especially when it involves the powerful political elite. The HOO has had little effect in confronting the issue of high-level corruption, though sometimes low-level corruption is addressed. As a result, USAID assess the HOO as having had little positive impact.422

According to USAID, 1,150 Afghan officials are confirmed to have completed an asset-declaration form, although the High Office of Oversight (HOO) claims that the number is between 2,500 and 5,000. The HOO maintains that 7,000 officials are required to file asset-declaration forms. If so, then at least 35% and at most 70% have complied. USAID admits that there is no way to independently verify the HOO’s figures and notes that while most officials are required to disclose annually, most of those who have declared have done it only once since 2010.423

**Corruption in Afghan Security Forces**

According to DOD, the Combined Security Transition Command-Afghanistan (CSTC-A) has for the first time introduced a “financial levers strategy” that is meant to use direct financial contributions to the MOD and MOI as a lever to change Afghan government behaviors. CSTC-A will begin the process once audit or assessment findings are communicated to the relevant ministry. On Day 30, the Commanding General or Deputy Commanding General of CSTC-A will send a letter of audit recommendations with all open and closed recommendations to the MOD or MOI. If the matter is not resolved by a review board on Day 45, CSTC-A will delay disbursement of 50% of the affected funds or take more serious action if warranted. On Day 60, CSTC-A will conduct a follow-up to determine the status of audit recommendations. Finally, on Day 61, CSTC-A will either decrease funding on the commitment letter or delay disbursement of the affected funds.424
GOVERNANCE

The levers strategy seeks to change behavior at the ministry level. The first audit to go through the process reached the 45/46-day mark around December 23, 2013.425

**Ministry of Defense**

According to DOD, the MOD Transparency & Accountability Working Group (TAWG) is an Afghan-led initiative that was established by the President of Afghanistan to (1) develop and maintain a common understanding of the problems of corruption and organized crime, (2) identify obstacles to reducing the threat of corruption and organized crime, and (3) overcome those obstacles through coordinated action among Afghan government ministries and the international community. The MOD Inspector General last briefed the ISAF commander, CSTC-A commander, and other ISAF leaders on the status of the TAWG in October 2012, but there has been no update since.

Transparency and Accountability Committees (TACs) were established in all corps and central units in mid-2013 for oversight of contracting, procurement, and budget execution at the corps. Each TAC is led by the Corps Deputy Commander and comprises the corps inspector general, staff judge advocate, command sergeant major, and religious and cultural affairs officer. According to DOD, TACs have met only sporadically and without a uniform agenda or reporting schedule.

DOD assesses the TAWG and TACs as marginally effective due to lack of direction and failure to expand the inspection and audit sections of the MOD Inspector General.426

**Ministry of Interior**

According to DOD, there are several anticorruption initiatives within the MOI. The MOI currently lacks the ability to track investigations from case initiation to disposition and lacks the ability to follow investigations that have a strategic impact and coordinate the response with international partners. DOD offered an assessment of several MOI anticorruption bodies that found little overall impact. Several of the committees and working groups have been established but not met since. DOD did highlight two successes in which support from the European Union Police Mission in Afghanistan prompted an antibribery operation in December which resulted in a number of arrests. Additionally, the committee to identify areas within MOI vulnerable to corruption recently cited problems in the MOI Departments of Traffic, Tashkera, and Passport that resulted in additional audits.427

In October 2013, the MOI replaced its inspector general, Major General Masood Ragheb, with Brigadier General Hakim Najrabi. DOD considered the replacement an improvement in terms of attitude and receptiveness to reform.
In July 2013, the Afghan Council of Ministers signed an internal-discipline regulation placing the MOI under the same courts martial system as the MOD. DOD believes the new discipline system is a setback as it leaves the MOI reliant on what has proved to be an unreliable Attorney General’s Office for criminal prosecution, and prevents the MOI from administratively removing bad actors except in limited egregious cases. The Minister of Interior is therefore limited to operational actions such as transfers or removal to the reserves, which usually results in reinstatement at a later date.428

HUMAN RIGHTS

Gender Equity

In December, the United Nations Assistance Mission in Afghanistan (UNAMA) released a progress report on the Elimination of Violence Against Women Law (EVAW). The report found both progress and continuing gaps in the implementation of the EVAW law by judicial and law enforcement institutions. It observed that while registration of reported incidents increased by 28%, the use of the EVAW law as a basis for indictment increased by only 2%. According to UNAMA, Afghan courts this year applied the EVAW law in 60 decisions (59% of 109 indictments filed) compared to 52 decisions (72% of indictments filed) last year, a 17 percentage-point decrease in courts’ use of the EVAW law to decide cases in the current period. Of concern, the overall number of criminal indictments filed by prosecutors in violence against women cases under all applicable laws decreased this year despite the rise in reported and registered incidents. UNAMA observed that increased reporting and registration of incidents of violence against women by police and prosecutors did not lead to a similar

Afghan National Army soldiers pin purple ribbons on themselves in support of elimination of violence against women. (U.S. Army photo)
increase in the use of the EVAW law to resolve cases by prosecutors and courts particularly through criminal prosecution.\textsuperscript{429}

The Afghanistan Research and Evaluation Unit issued a report on women’s economic empowerment that found that Afghan women’s economic engagement has generally been overlooked by donors in favor of vocational training and micro-jobs, which have had no specific market outlets and which, moreover, have had extremely limited impact on income enhancement. Additionally, the report found that in 2011, the female labor-force participation rate for those 15 or older was 15.8\%.\textsuperscript{430}

In The Asia Foundation’s 2013 Survey of the Afghan People, an overwhelming majority of Afghans (90\%) agree with the idea that everyone should have equal rights under the law, regardless of their gender, including 59\% who strongly agree. There is also a notable urban-rural split on this question: while 71\% of urban respondents strongly agree, only 56\% of rural respondents strongly agree that women and men should have equal rights under the law. Women’s rights were high on respondents’ minds when asked about the biggest problems facing women. The top three responses for problems facing women were education/illiteracy (27\%), lack of job opportunities (12\%), and women’s rights issues in general (10\%).\textsuperscript{431}

Refugees and Internal Displacement
According to State, there has been a 54\% decrease in Afghan refugee returnees as of November 30, 2013, as compared to the same period in 2012. State attributes the decrease in the rate of returns in 2013 to the uncertain security situation in Afghanistan, the unknown outcome of the April 2014 Afghan presidential and provincial council elections, and the extension of the proof of registration cards for Afghan refugees in Pakistan.\textsuperscript{432}

The United Nations High Commissioner for Refugees (UNHCR) noted an increase of 34,377 in the number of conflict-related internally displaced persons (IDP) since the last SIGAR quarterly report bringing the total registered conflict-affected IDPs to 624,561.\textsuperscript{433} UNHCR notes, however, that official figures for the number of IDPs are widely considered to under-represent the scale of the displacement problem in Afghanistan as they exclude those dispersed in urban and semi-urban areas, as well as those displaced to rural locations in areas inaccessible to humanitarian actors.\textsuperscript{434} Figure 3.30 shows trends in refugee returnees and conflict-related internally displaced persons.

Human Rights Watch issued a report on the state of Afghan refugees in Iran. According to the report, Afghans represent the largest refugee population in the world with the vast majority residing in Pakistan (1.7 million) and Iran (1 million). At least half of the Afghan refugees in Iran have received forms of temporary status in Iran. In addition to the 1 million registered as refugees, an estimated additional 1.4 to 2 million Afghans living and working in Iran have not registered as refugees.\textsuperscript{435} According to Human Rights Watch, many Afghans living in Iran have a higher quality of life than
would likely be available in Afghanistan. Despite the benefits Iran has provided past refugees, the report concludes that since at least 2007, Iran is failing short of its obligations because it is failing to provide newly arriving asylum seekers access to protection and is subjecting many Afghans to a range of rights abuses including arbitrary arrests and detention.

**Afghanistan Independent Human Rights Commission**

According to State, the Afghanistan Independent Human Rights Commission (AIHRC) continues to do model work on human rights in a difficult environment, but a lack of independence resulting from the Afghan government’s appointment of AIHRC commissioners may threaten its reaccreditation ranking. Last quarter, the top UN human rights official warned that the AIHRC could lose its international “A” status—which signifies compliance with the Paris Principles and is a reflection of the institution’s legitimacy and credibility—as recognized by the International Coordinating Committee (ICC) due to the appointments President Karzai made to the commission last quarter. State reports that it remains unclear what impact a change in ICC “A” status would have on international support for the AIHRC.

**FIGURE 3.30**

*Refugee Returns and Conflict-Affected Internal Displacements in Afghanistan (Thousands)*

Notes: During 2003-2005, numbers represent the highest estimate in a range. ND = No data available.

## ECONOMIC CONTENTS

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ECONOMIC AND SOCIAL DEVELOPMENT

As of January 17, 2014, the U.S. government has provided more than $25 billion to support governance and economic development in Afghanistan. Most of the appropriated funds flowed into four major programs and accounts, as shown in Table 3.19.

TABLE 3.19

<table>
<thead>
<tr>
<th>Fund</th>
<th>Managing Agency</th>
<th>Appropriated</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESF</td>
<td>USAID</td>
<td>$16.7</td>
</tr>
<tr>
<td>CERP</td>
<td>DOD</td>
<td>$3.7</td>
</tr>
<tr>
<td>TFBSO</td>
<td>DOD</td>
<td>$0.8</td>
</tr>
<tr>
<td>AIF</td>
<td>DOD/STATE</td>
<td>$1.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$22.4</strong></td>
</tr>
</tbody>
</table>

Notes: ESF = Economic Support Fund; CERP = Commander’s Emergency Response Program; TFBSO = Task Force for Business and Stability Operations; AIF = Afghanistan Infrastructure Fund.

Source: See Appendix B of this report.

Of the $22.4 billion appropriated for these funds, approximately $18.6 billion had been obligated and $14.5 billion disbursed as of December 31, 2013.

KEY EVENTS

This quarter saw a number of developments that could have a profound impact on the Afghan economy during the coming year. Afghanistan’s domestic revenues decreased by 7.4% in the first nine months of the Afghan fiscal year (FY) from the same period a year ago, and missed Ministry of Finance (MOF) budget targets by 12.2%. Domestic revenues paid for only 40% of Afghanistan’s operating budget and development expenditures in FY 2012; donor grants covered the remainder.

At the same time, the Wolesi Jirga approved the FY 1393 national budget (December 21, 2013–December 20, 2014). It totals $7.5 billion, a 10.3% increase over FY 1392.
During this reporting period the International Monetary Fund's Extended Credit Facility Arrangement review and disbursement remain delayed due to insufficient Afghan progress toward meeting the agreement's quantitative and legislative requirements.444

Finally, the Afghan government has not held any more people accountable for the Kabul Bank scandal, nor has it made significant cash recoveries this quarter.445 Moreover, the government continues to delay the new mining law, which in turn hinders significant private investment in the mining sector.446

**ECONOMIC PROFILE**

Between 2002 and 2012, Afghanistan’s economy, fueled by international military spending and development assistance, grew by an annual average of 9.4%.447 Although Afghanistan’s gross domestic product (GDP) growth is on par with or exceeds that in many neighboring countries, the country still lags in per capita GDP, as shown in Figure 3.31.

There are indications, however, that GDP growth has reached a negative tipping point. The International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB) all projected that Afghanistan’s GDP growth has slowed considerably from about 14% in 2012 to an estimated 3–4% for 2013. The decline in GDP is attributed to increasing uncertainty about the volatile political and security environment and to lower agricultural production and private investment.448 With an expected reduction in international

![Figure 3.31](image_url)

**REGIONAL GDP COMPARISONS (2012)**

Notes: Numbers have been rounded. 2012 data is in 2012 U.S. dollars. PPP = purchasing power parity, a measure for per capita comparisons. GDP at PPP exchange rates is the value of good and services produced in a country, at prices prevailing in the United States. It requires assigning U.S. dollar values to all goods and services even if they have no equivalent in the United States (for example, an oxcart). GDP per capital, PPP (in current international $). GDP Real Growth (annual %).

ECONOMIC AND SOCIAL DEVELOPMENT

aid and spending after 2014, World Bank projections show average real GDP growth declining to 4–6% annually through 2018.449 The services and agriculture sectors have been the most important contributors to real GDP. Increased public spending buoyed demand for services in 2013, according to the World Bank.450 However, the ADB found periodic weakened demand in industry and services due to business and consumer uncertainty about insurgent attacks leading up to the 2014 full transfer of security to Afghan forces.451 Non-poppy agriculture remains the second leading contributor to real GDP, typically accounting for between a quarter and a third of GDP, but output and income fluctuate with the weather.452 Good rains in 2012 led to a near-record-breaking wheat and cereal harvest, but a moderate rainfall in 2013 has led to World Bank expectations of “flat or slightly negative” agricultural growth.453

Fiscal Sustainability
The Afghan government’s revenues declined in 2013 as public spending increased, according to the World Bank.454 Budget expenditures are expected to continue rising, largely due to spending on security, service delivery, building essential infrastructure, and operations and maintenance.455 Afghanistan’s fiscal gap between government revenue and expenditures is growing. Its fiscal sustainability ratio—domestic revenues versus operating expenses—remains one of the lowest in the world, according to the Department of Defense (DOD).456 Recent World Bank calculations show that Afghanistan’s fiscal sustainability ratio declined to 60.1% of GDP in FY 2012, compared to 66.5% in FY 2011. It is projected to drop to 56.7% in 2013.457 Low fiscal sustainability ratios limit a country’s ability to pay for discretionary services and are likely to delay Afghanistan’s progress to self-reliance.458 The Bank describes Afghanistan’s fiscal outlook as subpar and likely to delay progress to self-reliance.459

Budget
The Wolesi Jirga, Afghanistan’s lower house of parliament, approved the FY 1393 national budget (December 21, 2013–December 20, 2014) on January 15, 2014. The $7.5 billion budget—a 10.3% increase over FY 1392—includes $4.9 billion for the operating budget and $2.6 billion for the development budget.460

Revenue Generation
Last year, the Afghan MOF projected domestic revenue for FY 1392 (December 21, 2012, to December 20, 2013) at $2.4 billion (at the January 2013 currency-exchange rate of 51.6 afghani or AFN to the U.S. dollar), an increase of 40% over FY 1391 (March 2012 to December 2012).461 However, in the first nine months of FY 1392, total domestic revenues
ECONOMIC AND SOCIAL DEVELOPMENT

decreased by 7.4% from the same period in FY 1391, and missed MOF budget targets by 12.2%. Figure 3.32 depicts the disparity between the government’s domestic revenues—derived primarily from taxes and customs duties—and budget operating expenditures from FY 1388 to FY 1392.

The World Bank noted that domestic revenues paid for only 40% of Afghanistan’s operating budget and development expenditures in FY 2012; donor grants covered the rest. The Bank attributed Afghanistan’s weak revenue performance to a slowdown in economic activity, changes in the structure of imports, and corruption, particularly in customs collections. The Bank estimates that domestic revenues will amount to about 10.1% of GDP in 2013. Afghanistan’s commitments under the Tokyo Mutual Accountability Framework call for it to increase revenues to 15% of GDP by 2016 and to 19%

FIGURE 3.32

AFGHANISTAN’S DOMESTIC REVENUES COMPARED TO OPERATING BUDGET ($ MILLIONS)

Notes: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1388 corresponds to March 20, 2009, to March 20, 2010, and so on. Nine-month data for fiscal year 1391 reflect a change in the timing of the Afghan fiscal year. The most recent MOF data available for FY 1392 cover the first nine months of FY 1392 (2013).

ECONOMIC AND SOCIAL DEVELOPMENT

by 2025. The Bank warned that the current decline in revenue poses risks to long-term sustainability and to Tokyo Mutual Accountability Framework targets, upon which donor assistance is predicated.464

Trade
As a land-locked nation, Afghanistan is highly dependent on other countries for its trade, transit, security, and stability. As shown in Figure 3.33, Pakistan is Afghanistan’s largest trading partner, followed by the United States, the European Union, and regional neighbors.465

In its latest analysis, the World Bank found that Afghanistan’s trade deficit widened in 2012 to the equivalent of 41.9% of GDP. Total exports in 2012 increased approximately 3% to $2.76 billion, while total imports rose about 11% to $11.4 billion. This gap was largely offset by foreign aid. International assistance allowed for an overall surplus in Afghanistan’s balance of payments and a record $7.1 billion in international reserves at the end of 2012. Reserves declined to $6.9 billion in June 2013.466

World Trade Organization Accession
One milestone that Afghanistan is supposed to achieve under the Tokyo Mutual Accountability Framework is membership in the World Trade Organization (WTO) by the end of 2014.467 The United States and

FIGURE 3.33
AFGHANISTAN’S TOP TRADING PARTNERS (2012)

Notes: Numbers have been rounded. Percentage indicate imports/exports with top trading partners as percent of each category with all countries.

Total Exports: include official exports, estimated smuggling, re-exports, and sales to non-residents.

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Afghanistan completed bilateral negotiations in December 2013 and the next WTO Working Party meeting is anticipated in February 2014, but has not been scheduled as of January 14, 2014. Afghanistan must now pass a series of WTO-compliant laws and regulations. The U.S. government is providing technical assistance in these efforts.

**EXTENDED CREDIT FACILITY ARRANGEMENT**

The three-year, $129 million ECF loan agreement signed in November 2011 makes disbursements contingent upon completion of program reviews, as determined by IMF Management and the Executive Board. So far, the IMF has released two disbursements of $18.2 million—at the initial ECF approval, and again after the first Board review in June 2012. Neither the second IMF review, originally planned for December 2012, nor the third, originally planned for March 2013, has been completed.

This quarter, the Afghan government again made insufficient progress on the specific banking and financial structural reforms required by the IMF to qualify for another ECF Board review and accompanying disbursement of loans. The Afghan government has neither submitted an internationally acceptable revised Anti-Money Laundering (AML/CFT) law to parliament, nor met the quantitative macroeconomic targets set forth under the ECF Arrangement, according to Treasury.

Additionally, Afghanistan has not made progress on submitting several other pieces of economic and financial legislation to parliament or implementing structural reforms, such as signing a memorandum of understanding (MOU) on information sharing between Da Afghanistan Bank (DAB), the Financial Transactions and Reports Analysis Center of Afghanistan, and Afghan law enforcement agencies.

The existence of an ECF agreement is important to the international community because it demonstrates the Afghan government’s political will to enact necessary reforms. Adherence to the IMF benchmarks and fulfilling macroeconomic requirements also has a direct effect on the levels of foreign aid the international community contributes to the Afghanistan Reconstruction Trust Fund (ARTF). In solar year 1390 (March 2011- March 2012), the donor community withheld 85% of the total $933 million in donations to the ARTF until the IMF approved a new ECF agreement for Afghanistan in November 2011.

**U.S. ECONOMIC SUPPORT STRATEGY**

The U.S. economic transition strategy in Afghanistan seeks to mitigate the negative economic impact of the withdrawal of most international security forces in 2014 and the expected accompanying reduction in donor assistance. It also seeks to help Afghanistan develop its resources for sustainable growth.
Although the Consolidated Appropriations Act, 2014, was signed into law on January 17, final FY 2014 funding levels for many Afghanistan relief and reconstruction accounts, including State and USAID accounts like the Economic Support Fund (ESF) are still to be determined. Most ESF support is used for USAID’s development programs. Figure 3.34 shows USAID assistance by sector.

USAID said it will concentrate its resources on three development objectives to reduce Afghanistan’s dependence on international assistance and consolidate peace and stability in Afghan communities. These include:

1. Supporting the foundations of sustainable economic growth, and targeting economic and agricultural programming in four Regional Economic Zones that are most likely to sustain economic growth into what the Afghan government is calling the Transformation Decade (2015–2024).
2. Helping maintain and make permanent gains in education, health, and women’s rights.
3. Supporting continued stability by working to improve government legitimacy and effectiveness.

**USAID On-Budget Assistance to the Afghan Government**

In line with donor commitments made at the 2012 Tokyo Conference and the follow-up 2013 Senior Officials Meeting, the United States has been gradually increasing the amount of on-budget development assistance it provides to the Afghan government.

The United States includes as on-budget assistance both direct, government-to-government transfers and multilateral trust-fund contributions.
to the Law and Order Trust Fund for Afghanistan (LOTFA), the Afghan Reconstruction Trust Fund (ARTF), and the Afghanistan Infrastructure Trust Fund (AITF). These funds, which are managed by the United Nations Development Programme (UNDP), the World Bank, and the ADB respectively, support the Afghan national budget. The Afghan government provides input, guidance and oversight, and some projects are run through the government, but the funds are not fully under the Afghan government’s control. See page 64 for details about all U.S. on-budget funding to Afghanistan.

This quarter, USAID obligated approximately $53 million and disbursed $93 million in on-budget assistance—including ARTF—from prior fiscal-year funds. Cumulatively, USAID obligated $2.88 billion and disbursed $2.11 billion in on-budget assistance, as of December 31, 2013, as shown in Figure 3.35.

SIGAR continues to be concerned about U.S. implementing agencies’ ability to ensure adequate oversight of the U.S.-funded reconstruction effort as international combat forces withdraw from Afghanistan in 2014. A SIGAR audit published this quarter reviewed assessments of Afghan ministries receiving direct bilateral assistance from the U.S. government.

### USAID On-Budget Assistance Subobligated and Disbursed, FY 2002-FY 2013, As of December 31, 2013 ($ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sub-Obligated Afghanistan Reconstruction Trust Fund</th>
<th>Sub-Obligated Bilateral Assistance</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$38</td>
<td>$40</td>
<td>$0</td>
</tr>
<tr>
<td>2003</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2004</td>
<td>$14</td>
<td>$14</td>
<td>$72</td>
</tr>
<tr>
<td>2005</td>
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<td>$2</td>
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</tr>
<tr>
<td>2008</td>
<td>$1</td>
<td>$1</td>
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</tr>
<tr>
<td>2009</td>
<td>$95</td>
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<td>$156</td>
</tr>
<tr>
<td>2010</td>
<td>$290</td>
<td>$290</td>
<td>$378</td>
</tr>
<tr>
<td>2011</td>
<td>$612</td>
<td>$612</td>
<td>$638</td>
</tr>
<tr>
<td>2012</td>
<td>$359</td>
<td>$359</td>
<td>TBD</td>
</tr>
<tr>
<td>2013</td>
<td>$168</td>
<td>$168</td>
<td>TBD</td>
</tr>
<tr>
<td>2012a</td>
<td>$23</td>
<td>$23</td>
<td>TBD</td>
</tr>
<tr>
<td>2013b</td>
<td>$0</td>
<td>$0</td>
<td>TBD</td>
</tr>
</tbody>
</table>

Notes: Numbers have been rounded. Subobligation is funding for project-level agreements.
* Most FY 2012 USAID funding for on-budget assistance had not been disbursed as of December 31, 2013.
* Spending in 2013 was done from prior fiscal-year funds. Subobligations and Disbursements for FY 2013 are not yet known.

Source: USAID, response to SIGAR data call, 1/7/2014.
These assessments reviewed the ministries’ ability to manage and account for donor funds. USAID subsequently completed its own risk reviews of seven of these 16 ministries. SIGAR’s audit found that none of these assessments and reviews identified a ministry capable of effectively managing and accounting for funds without implementing risk-mitigation measures. (See Section 2 of this report for a summary of this audit’s findings).476

Tokyo Mutual Accountability Framework
The Tokyo Mutual Accountability Framework, established by the Afghan government and international community at the donors’ conference in 2012, was created to structure international development assistance to Afghanistan through 2017. The donors made their assistance conditional on the Afghan government’s delivering on its commitments described in the Framework.

At the Senior Officials Meeting in July 2013, the United States announced the establishment of a $175 million bilateral incentive program to support Afghan reforms with the stipulation that “funds will only be available if specific progress is made.” The program is to provide these funds in two tranches—$75 million and $100 million—with disbursements dependent on Afghan progress.477 State told SIGAR that the U.S. Embassy Kabul is leading the assessment, which includes an evaluation of 17 “hard deliverables” that Afghanistan agreed to before the July 2013 Senior Officials Meeting. State said the reviewers will also use Embassy analysis, reports from international organizations, and other objective sources of information in their assessments.478

An initial review of the $75 million tranche occurred on September 30, 2013, with a final review scheduled for January 2014 prior to a meeting of the Joint Coordination and Monitoring Board (JCMB).479 The JCMB, comprising the Afghan government, donors, and the United Nations, will meet to take stock of progress toward the Tokyo Mutual Accountability Framework benchmarks. It will also identify key focus areas for an international development conference to take place later in 2014.480 State said it will review disbursement of the $100 million tranche after the 2014 elections.481

A SIGAR special project found both the Tokyo Mutual Accountability Framework and the U.S. Civil-Military Strategic Framework both lacked specific goals and objectives with measurable outcomes for anti-corruption activities against which the United States government can measure its progress.482 See Figure 3.36 on the following page for a list of “hard deliverables.”

BANKING AND FINANCE
Afghanistan’s banking and financial sector, which has not recovered from the 2010 Kabul Bank crisis, suffers from inadequate regulation and oversight, undercapitalization, and a loss of consumer confidence.483 The United States has offered assistance to the central bank—Da Afghanistan Bank
ECONOMIC AND SOCIAL DEVELOPMENT

FIGURE 3.36
SUMMARY OF AFGHANISTAN’S 17 ‘HARD DELIVERABLES’ UNDER THE TOKYO MUTUAL ACCOUNTABILITY FRAMEWORK

1. Representational Democracy and Equitable Elections
   1. Develop timeline for election preparation and polling through 2015
   2. Set up a ‘qualified and well respected’ elections commission
   3. Support a legislative framework including an impartial, independent mechanism for resolving electoral complaints
   4. Ministries cooperate with elections commission on registration, outreach, fraud mitigation, etc.

5. Governance Rule of Law and Human Rights
   5. Collect and publish asset declarations from high-ranking officials
   6. Follow international standards for appointment of human rights commissioners
   7. Prepare inter-ministry report on application of Elimination of Violence Against Women Law

8. Integrity of Public Finance and Commercial Banking
   8. Take action on recommendations to improve banking system and recover stolen assets
   9. Implement and follow government finance program supported by International Monetary Fund
   10. Implement public finance management plan and improve accountability score
   11. Raise transparency of public funds measured by Open Budget Initiative
   12. Implement international recommendations to fight money laundering and terrorist financing

13. Government Revenues, Budget Execution and Subnational Governance
   13. Develop provincial budgeting process with input to ministries and consultation

14. Inclusive and Sustained Growth and Development
   14. Analyze FY 1392 budget allocations re health, gender, education, environment, and food security
   15. Plan for accession to World Trade Organization by end of 2014
   16. Establish road and civil aviation institutions
   17. Approve international standard mining law to encourage extractive industry investment


SIGAR AUDIT
This quarter SIGAR published an audit of the Afghan banking sector. For more information, see Section 2, page 23.

(DAB)—since early 2011, but was rebuffed upon DAB’s learning the assistance was conditioned. A SIGAR audit released this quarter concluded that without U.S. assistance, and only limited World Bank and IMF involvement, the banking sector remains unstable and at risk of further instability, threatening sustainable economic and financial growth.484

According to Treasury, many banks are undercapitalized and lending is concentrated in a small number of sectors with loans largely to related parties—outside businesses that are controlled by the same individuals or groups that own the bank. This can create a conflict of interest and risk that the bank may incur losses to benefit the businesses. The banking sector is also highly dollarized, which may expose Afghan financial institutions to...
currency risks. The banking sector’s loan-to-deposit ratio dropped from 56.8% in 2010 to 23% in 2012.

Few Afghan banks operate in accordance with international standards. Audits of major banks in Afghanistan conducted in the wake of the Kabul Bank scandal have revealed “systemic fragility and vulnerability in all areas of banking governance and operations,” according to a 2013 World Bank report. State said Afghanistan’s banks also suffer from political interference and lack of oversight. In addition, Afghanistan’s controls against money laundering and terrorist financing are widely viewed as deficient.

Consequently, on November 30, 2013, several of Afghanistan’s banks lost U.S. dollar correspondent banking relationships with German-based Commerzbank. This major money-center bank ended its dealings with Afghan banks to reduce risk and exposure to heightened regulatory scrutiny in the wake of huge fines several British banks agreed to pay to settle U.S. money laundering accusations against them. According to Treasury, it is possible that other banks could also sever their correspondent relationships with Afghan banks.

The general Afghan population distrusts banks, preferring to borrow and save with family and friends, and transfer money through informal, trust- or honor-based hawala networks. Afghans also prefer to use foreign currency rather than their national currency, the Afghani (AFN), which is depreciating against the dollar. In early January 2012, a U.S. dollar cost about 49 AFN; now it costs about 56 AFN, according to the Afghan central bank. Treasury said that both depreciation and the level of dollarization may be a function of the public’s preference for borrowing and keeping deposits in dollars, while depreciation is likely a cause for that preference.

Banking Law
The Council of Ministers approved the Banking Law on January 28, 2013, but a year later it remains pending before parliament. The legislation strengthens corporate governance provisions, regulates capital requirements and large exposures, enhances bank supervision, and facilitates bank resolution. If enacted, the law will help prevent, mitigate, and respond to the problems in the financial sector, according to Treasury. Failure to enact it will likely lead to weaker financial-sector governance and supervision. DAB will have less authority to enforce banking regulations, key existing vulnerabilities will remain in the banking sector, and bank supervisors will have less protection and authority in the conduct of their duties. In the event of another bank collapse, there would still not be a clear legal framework in place for the resolution process for that troubled bank.

The Kabul Bank
The case against two individuals charged with fraud in the Kabul Bank case remains pending before the Kabul Appellate Court. The case stems from

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**Money Center Banks:** banks that raise most of their funds from the domestic and international money markets relying less on depositors for funds.

**Loan-to-Deposit Ratio:** is used to assess a bank’s liquidity (short-term viability) by dividing its total loans by its total deposits, expressed as a percentage. It is used to calculate the financial institution’s ability to cover customer demands to withdraw funds. If the ratio is too high, the bank may have insufficient liquidity to cover unforeseen requirements. If it is too low, banks may not be earning as much as they could.

**Correspondent Accounts:** Accounts maintained by foreign financial institutions at U.S. banks in order to gain access to the U.S. financial system and take advantage of services and products that may not be available in the foreign financial institution’s jurisdiction.

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ECONOMIC AND SOCIAL DEVELOPMENT

a decision by Afghanistan’s Attorney General last year to appeal an earlier verdict that, while finding the bank ex-chairman Sherkhan Farnood and ex-CEO Khalillullah Ferozi guilty of fraud, carried modest five-year prison sentences and required only partial restitution.

According to the U.S. Department of Justice (DOJ), the court held at least two hearings this quarter; at least one was with the defendants, but prosecutors were not invited.495

According to DOJ, Afghan prosecutors are receptive to discreet international assistance with their appeal. Additionally, both the court and the prosecutors have accepted the involvement of Kroll & Associates auditors, who have submitted an evidence binder for the court’s consideration. Kroll conducted the forensic audit of Kabul Bank in the wake of the scandal. It also provided an asset recovery strategy for the receivership in 2012 and assisted with a liquidation plan.496

Before its near-collapse in 2010, the Kabul Bank had been Afghanistan’s largest private bank, distributing most civil salaries on behalf of the Afghan government. Over 92% of $935 million that was stolen from the bank went to 19 individuals and companies associated with the bank. Afghanistan’s central bank, DAB, covered these losses, equivalent to 5–6% of Afghanistan’s GDP at that time.497

Afghanistan’s Attorney General’s Office (AGO) launched no new investigations, filed no new charges, and indicted no additional defendants this quarter, despite the March 2013 order by the Supreme Court’s special tribunal on Kabul Bank that it do so. However, the court ordered that the uncharged shareholders—together with ex-chairman Farnood and ex-CEO Ferozi—appear at a meeting between the defendants, the prosecutors,
and the Kabul Bank receiver to resolve disputes over defendants’ monetary liabilities. Farnood and Ferozi insist they are not liable for the entire monetary judgment against them—$279 million and $531 million, respectively—since some funds have been paid back by shareholders or by sales of real property.498

According to DOJ, the court’s order implied that the uncharged shareholders had also violated the law, describing them as being “on the same page” as Farnood and Ferozi. DOJ is unsure whether this is an order to the AGO to charge the shareholders—a move within the appellate court’s authority—or merely an attempt to include them in a civil recovery.499

**Cash and Asset Recoveries**

During this reporting period, U.S. implementing agencies reported no new information on recoveries of money stolen from the Kabul Bank.500 DAB—Afghanistan’s central bank recorded $6.13 million in cash recoveries from June 30–September 30, 2013, bringing total recoveries to $174.5 million. This includes $16 million in Kabul Bank transfers that were scheduled, but not made after Kabul Bank went into conservatorship, as well as a $1.49 million court ordered deposit and a $0.45 million loan adjustment.501

As noted last quarter, the Senior Officials Meeting Joint Report on the Tokyo Mutual Accountability Framework Implementation recorded $173.2 million as of July 3, 2013, while Afghanistan’s Independent Joint Anti-Corruption and Monitoring and Evaluation Committee’s (MEC) latest six-month report (January 1–June 30, 2013) has cash recoveries at $172.9 million.502 Whatever the precise number may be, each reported number amounts to less than 20% of the stolen funds.503

**New Kabul Bank**

On December 29, 2013, the MOF announced preliminary decisions on two bids to take over New Kabul Bank (NKB). The NKB’s privatization evaluation committee gave top score to the United Arab Emirate-based KRU Capital Partners, which offered $28.5 million ($20 million regulatory capital plus $8.5 million for the purchase of NKB). The Constellation Business Group Inc. came in second.

The Afghan Cabinet must approve the final decision and Afghanistan’s central bank must evaluate whether the winner satisfies “fit-and-proper” criteria.504 The IMF defines “a fit and proper bidder” as one who is subject to high standards of corporate governance, including risk management and internal controls; is in a sound financial and risk-management state; and controls adequate resources and has the necessary capital and capability to ensure ongoing salary-payment services.505

Grant Thornton LLP’s calendar-year 2012 financial audit of NKB expressed unqualified concern regarding the bank’s ability to continue business without successful privatization. NKB lost an average of $1.85 million...
per month in 2012. Last quarter, Treasury quoted an Afghan government official as saying NKB losses are running at $500,000 per month. According to the IMF and Treasury, NKB's lack of a lending portfolio, restrictions on developing lending before being offered for sale, and the need to maintain a conservative asset-management strategy mean it will continue to suffer modest operating losses prior to sale. After an initial privatization effort failed, the Afghan government decided to allow potential investors to bid for 50% to 100% of the bank.

DEVELOPMENT OF NATURAL RESOURCES
The United States, the Afghan government, and the international donor community count on developing Afghanistan's natural resources to underpin future economic growth in the face of declining external aid. Although mining has contributed less than 2% to the country's GDP to date, the Afghan government expects to eventually receive significant revenues from large-scale investments in the Aynak (copper) and Hajigak (iron-ore) mines, and from oil and gas fields in the Afghan-Tajik basin.

DOD maintains that Afghanistan's mineral resources could generate significant revenue and create large numbers of jobs. However, SIGAR has long cautioned that the Afghan government may not be able to earn substantial revenues from Afghanistan's natural resources any time soon because of the considerable infrastructure investment required to develop them, especially given the difficult security environment.

This quarter, State said it does not expect the mining sector to contribute significantly to the Afghan budget until after the mining law is passed and implemented. TFBSO also warned that the global mining economy is limiting new investment, and many companies and financiers view Afghanistan as too risky.

Ministerial Transition
On December 25, 2013, Mohammad Akbar Barakzai was confirmed by the Wolesi Jirga, the lower house of parliament, as the new Minister of Mines and Petroleum. Minister Barakzai replaced Wahidullah Shahrani, who resigned in order to run for first vice president on Qayum Karzai’s ticket. TFBSO reported no major shift in the minister’s strategy or in his willingness to accept U.S. government support, although that may change. According to TFBSO, Minister Barakzai said a new minerals law is one of his priorities, although he stopped short of saying he will push to address international investor concerns about aspects of its current draft.

TFBSO Transition
TFBSO, which will cease its activities in Afghanistan by the end of 2014, will turn over all of its projects to an Afghan ministry, a private business,
or another U.S. government agency. In anticipation, Congress required in the FY 2013 National Defense Authorization Act that DOD develop a plan for transitioning TFBSO programs to either State or USAID to be reviewed, revised, and signed by the Secretary of Defense every 90 days. While no TFBSO programs have yet been proposed for transfer to USAID or any other U.S. government agency, transition reports are being prepared for many of its larger, non-mining programs.

New Minerals Law
This quarter, the long-delayed draft of the new minerals law passed through the Natural Resources Committee of the lower house and as of December 23, awaits consideration by the full parliament. Parliamentarians continue to seek clarification on components of the law from Ministry of Mines and Petroleum (MOMP) officials. TFBSO’s advisory team held an information session for interested members of parliament to help them better understand the law’s provisions. Once passed by both the lower and upper houses, the law will be sent to the president for final approval. TFBSO is not aware of any changes to the law this reporting period, although State reported that parliamentary discussions are ongoing.

Impediments to Investment
Proposed revisions to the minerals law are meant to better protect Afghan resources, encourage investors, and align regulations to international best practices. Passing a new law is an important Tokyo Mutual Accountability Framework benchmark to improve Afghanistan’s revenues and overall fiscal and external sustainability. Submitting amendments to the law and to the Ministry of Justice in order to develop a transparent fiscal regime for natural resources is an outstanding IMF structural benchmark. DOD’s TFBSO warns that without legislative reform that includes linking investor exploration with extraction rights, and institutes a formal and fixed royalty rate, many companies will not bid on new tenders. The current draft law does not include that linkage. The law also requires mining companies to use Afghan labor exclusively and to prioritize purchasing Afghan, rather than foreign, goods. These provisions are unlikely to comply with World Trade Organization rules and could deter private investment, according to State.

State and TFBSO differ on the ramifications of the delayed new minerals law. TFBSO said it has significantly hindered private-sector investment, but not the existing contracts still under negotiation, which will be signed under the current minerals law. Unsigned contracts include Hajigak (iron ore, awarded in November 2011); Shaida (copper, November 2012); Badakhshan (gold, November 2012); Balkhab (copper, November 2012); and Zarkashan (copper, gold, December 2012). In contrast, State said that the
delay in passing a new mining law has impeded these existing contracts, but not private-sector investment.532

In addition to the uncertainty about the mining law, State said private companies also saw the uncertainty caused by the security and political transitions underway as major obstacles to investment. However, TFBSO said investors are more concerned about the global mining economy and limited available capital than about an uncertain security environment post-2014.533

Assistance to the Ministry of Mines and Petroleum, Afghanistan Petroleum Authority, and the Afghanistan Geological Survey

The United States continued to provide technical assistance this quarter to the MOMP, the ministry’s Afghanistan Petroleum Authority (APA), and the Afghan Geological Survey (AGS), largely through TFBSO and the U.S. Geological Survey (USGS). These organizations are supporting mineral and hydrocarbon tenders as well as oil-and-gas data management. In addition, TFBSO and the USGS are supporting programs to build capacity at the MOMP and AGS through hands-on training and classroom modules in modern data collection techniques.534

TFBSO and USAID provides subject-matter-expert support to the APA. This includes technical (oil and gas engineering), legal (contract implementation), and financial (accounting and analysis) to assist in the oversight of the Amu Darya Exploration and Production Sharing Contract. TFBSO helped develop APA’s organizational chart, and is advising its human-resources department on recruiting processes.535 Additionally, a TFBSO-funded legal and geology team is working with the MOMP to identify and tender new areas of interest.536

Mining Investment and Development for Afghan Sustainability

The Mining Investment and Development for Afghan Sustainability (MIDAS), USAID’s only mining program, is an $86.6 million program with on- and off-budget components. The $41.6 million off-budget Phase I is focusing on legal and regulatory reform, technical assistance to the MOMP, small and medium-size enterprise development, and assistance in geo-science field investigation. It will provide other support as needed. The $45 million on-budget Phase II has not yet begun, but is designed to strengthen the MOMP so it can procure, implement, and monitor completion of mining tender packages. As of December 10, 2013, USAID had obligated $6 million and disbursed $1.74 million to begin off-budget implementation.537

USAID expects to achieve the following results from MIDAS:
• improve capacity at MOMP in governance, internal controls, procurement procedures, and financial management
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- improve capacity of Afghan small-to-medium enterprises to provide support services to the mining sector
- establish communications between the MOMP, the private sector, and local communities
- implement programs for small-to-medium Afghan enterprises to participate in research, development, and management of mines
- create a system for effective monitoring of on-budget funding

USAID will measure MIDAS’s success against the following metrics: the political will to foster a business-friendly environment for foreign and domestic investment in the mining sector; a business-friendly regulatory environment, aligned with international standards to attract investment; transparency in tendering and awarding contracts; and gender equality in the extractives industries sector.

**Capacity of the Ministry of Mines and Petroleum**

TFBSO’s strategy for promoting economic growth in Afghanistan rests largely on developing Afghanistan’s natural resources. In its transition report to Congress, TFBSO claimed that, as a result of its strategy to partner with Afghans at every stage of project planning and execution, “Afghans will have the capability to handle on-going project requirements.” TFBSO said the MOMP has either taken or is close to taking the lead in tender evaluation and award, and contract negotiation and award. At the same time, TFBSO acknowledged weaknesses in the ministry, especially in the areas of capacity, monitoring, and oversight. TFBSO said the MOMP’s lack of capable employees leaves most of the work in the hands of a small group of knowledgeable and capable, yet overworked, employees.

A SIGAR audit this quarter of assessments of Afghan ministries found that USAID/Afghanistan identified 16 risks and 33 corresponding mitigation measures needed for the MOMP before it receives U.S. direct-assistance funds. Despite USAID’s own conclusion that MOMP controls are inadequate to mitigate the risk of corruption, USAID obligated $30 million for one active direct-assistance program. USAID also committed $45 million for a proposed mining investment and development project, as of August 1, 2013.

**Mine Security**

It is uncertain who is providing mine security and in what numbers. Mine security was supposed to be the responsibility of Afghan Mines Protection Units (MPUs), which still have only 1,500 personnel, according to the MOMP website.

However, this quarter, State reported that the Afghan Public Protection Force (APPF) is responsible for mine security, and that the Ministry of Interior (MOI) and APPF recruit and train security personnel after a contract is signed with the MOMP. As of this reporting period, the MOMP has
only contracted APPF services for Mes Aynak, the northern Amu Darya Basin, and the Sheberghan gas fields.544

Both State and TFBSO said they do not record attacks on mining interests beyond tracking open-source news. Radio Free Europe/Radio Liberty (RFE/RL) reported that workers came under attack from local militia in the Amu Darya Basin in September 2013 (presumably with APPF assigned to secure the area), halting oil production. The news report also highlighted disputes between local leaders over control of gold and precious stones, as well as fights between the central government and provincial and tribal leaders in resource-rich areas. Furthermore, RFE/RL said natural resources are being used by armed groups to fund conflict, while the security environment at major mining operations such as Hajigak, Aynak, and Amu Darya is becoming increasingly unstable due to militant activity.545

TFBSO said because no major mining sites are active, little mining security is currently needed.546 However, as shown in Figure 3.37, former MOMP Minister Shahrani prepared a list of potential sites that would be tendered between 2012 and 2014 and the number of APPF personnel needed for each.547

**Aynak Copper Mine**
The Afghan government awarded the contract for extraction rights at the Mes Aynak copper mine in Logar province to Metallurgical Corporation of China (MCC) in 2008.548 The contract’s details have never been fully disclosed, but according to the MOMPs published summary, MCC’s total investment is to be $2.9 billion. Afghanistan is to receive $808 million upon approval of a feasibility study, $565.6 million upon commencement of commercial production, and a 19.5% maximum royalty rate.549 Last quarter, Afghan media reported MCC’s intention to exercise its option to renegotiate the contract.550

Development of the Mes Aynak copper mine remains delayed by the discovery of cultural relics in the area, difficulties in land acquisition, lack of primary infrastructure, and security concerns.551 TFBSO suspects other contributing factors include unwieldy contract terms, continuing volatility in the minerals market, and China’s penchant for arranging mineral projects, then “shelving” them for the future use.552 Despite these problems, the Afghan government is counting on Aynak to meet its future revenue predictions.553

**North Aynak Drilling**
TFBSO’s $4.5 million North Aynak drilling exploration program, which began in November 2012, ended in spring 2013. It was to be followed by a MOMP tender. However, the MOMP decided not to tender the area at this time even though it has a completed technical report, according to TFBSO. No explanation or timeline was forthcoming.554
In November 2013, 35 Afghan Geological Survey (AGS) employees completed a three-month drilling and maintenance training program facilitated by TFBSO. It combined classroom-based modules and hands-on drill training with AGS-owned equipment that had been sitting dormant since its purchase in 2009. The training sought to continue training AGS employees on operating their own equipment and drilling in their own country, and to demonstrate Afghan capability to the international minerals industry. TFBSO said a variety of exercises and tests were used to track participants’ progress, but did not share the results.555

Hajigak Iron-Ore Mine
Contract negotiations for the Hajigak iron-ore concessions continued this quarter. The MOMP awarded three blocks to Afghan Iron and Steel Consortium (AFISCO), a seven-member consortium led by state-owned Steel Authority of India Ltd. in November 2011, and one block to Canadian Kilo Iron Ore, a subsidiary of Kilo Goldmines.556
AFISCO is considering cutting its initial investment from $11 billion to $1.5 billion, according to a news report, due to uncertainty about security once U.S. troops leave in 2014.557 Kilo Iron Ore has consented in principle to all contract-negotiation terms. Both firms continue to await parliamentary approval of the new minerals law before signing contracts.568

Hydrocarbons
Afghanistan's efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan. Even with two newly operational refineries, Afghanistan lacks adequate refining capacity, and remains heavily import-dependent for fuels. The country imports 10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and Iran.569

Amu Darya Basin
The three blocks of the Amu Darya Basin awarded to the China National Petroleum Corporation Watan Energy Afghanistan (CNPCI-W) in 2011 are estimated to contain 87 million barrels of crude oil, according to State and TFBSO.560 State and TFBSO reported little to no production this quarter because CNPCI-W is still waiting for the Afghan government to negotiate cross-border transit agreements so it can export its crude to a neighboring country to be refined. Without such agreement, buyers are not interested. According to State, the Afghan government is negotiating an agreement with Uzbekistan.561 In the meantime, the MOMP announced a tender on December 31, 2013, for the sale of 230,000 tons minimum per annum of CNPCI-W crude oil.562

On January 7, 2014, the MOMP officially opened a new tender for exploration, development, and production in the Totimaidan block, comprising 7,131 square kilometers in the Amu Darya Basin.563 The contract area contains 28 billion cubic meters of reserves in two known gas fields and 50 proven and prospective subsurface structures. Expressions of interest are due February 8, 2014.564 TFBSO will follow up on its tender preparation assistance to the MOMP and provide technical, legal, commercial, and transparency advisory services, as it did with the Afghan-Tajik tender.565 Afghan-Tajik tender assistance included subject-matter experts to advise the MOMP Contract Evaluation Team and the Inter-Ministerial Commission during the qualification and bid-evaluation processes; transparency consultants; and funding for a MOMP bidder-information conference.566

AGRICULTURE
Agriculture continues to be the main source of employment and subsis-
to the latest World Bank report, provides employment to about 59% of the labor force. Given its importance, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.

Between FY 2002 and FY 2012, USAID has appropriated approximately $2.46 billion for agricultural and alternative development funding to improve production, increase access to markets, and provide alternatives to poppy cultivation. Of that, USAID has obligated about $29 million and disbursed $29 million in direct assistance to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL).

USAID is currently providing on- and off-budget assistance to the agriculture sector through several programs. USAID’s three highest-priority programs, worth more than $350 million total, are:
- Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE)
- Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW)
- Commercial Horticulture and Agricultural Marketing Program (CHAMP)

### Agricultural Credit Enhancement and Agricultural Development Fund

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
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<tr>
<td>Agricultural Credit Enhancement</td>
<td>7/15/2010</td>
<td>1/15/2015</td>
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<td>Agriculture Development Fund</td>
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<td>12/31/2014</td>
<td>$74,407,662</td>
<td>$29,000,000</td>
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</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

The Agricultural Development Fund and Agricultural Credit Enhancement (ADF-ACE), a $150 million agricultural-credit project, has two complementary activities that aim to support MAIL’s efforts to provide loans and build ADF staff capacity to manage them. ADF was established to provide loans across the agricultural value chain through banks, farm stores, leasing companies, and food processors, which in turn provide agricultural credits to farmers. ACE is the technical assistance component that manages all ADF lending activities and helps build MAIL capacity.

This quarter, ACE-ADF finalized loan applications and disbursed $2 million to six clients. It organized an agricultural credit shura on lending opportunities and value chain assistance for 43 farmers. Seventeen ADF client agribusinesses also participated in the Kabul International Agricultural Exhibition. Despite these successes, USAID noted that Afghan political and legal obstacles delayed ADF legal registration and access to lending funds.
which, in turn, reduced the number of loans approved and the number of beneficiaries of its programs.572

Incentives Driving Economic Alternatives-North, East, and West

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
</thead>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW) is a five-year, $160 million, cooperative-agreement project that provides agricultural assistance and economic alternatives to growing poppies in select provinces in eastern Afghanistan and in poppy regions in the northern and western parts of the country. IDEA-NEW is supposed to help farmers shift from growing poppies to legal agricultural production by increasing commercial opportunities, extending access to financial services, and promoting value-chain development for key regional industries and trade corridors. It also facilitates connections between producers, traders, and buyers through market-information activities and sales promotion.573

USAID reported this quarter that 14,000 hectares are under alternative crop cultivation due to IDEA-NEW.574 In addition, USAID said thousands of people have benefitted from agricultural productivity and business skills training, as well as program-supported agricultural inputs. However, USAID also acknowledged low crop production, limited food processing opportunities, and shifting security conditions as challenges to IDEA-NEW.575

Afghanistan had 209,000 hectares of opium under cultivation in 2013, a 36% increase over 2012.576

Commercial Horticulture and Agricultural Marketing Program

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
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<tbody>
<tr>
<td>Commercial Horticulture and Agricultural Marketing Program</td>
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<td>12/30/2014</td>
<td>$40,320,139</td>
<td>$30,522,754</td>
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</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

The Commercial Horticulture and Agricultural Marketing Program (CHAMP), a $40 million program begun in 2010, aims to help farmers plant and operate more profitable orchards and vineyards by enhancing crop quality and promoting export and trade corridors. The program also works with traders to improve harvesting, packing, cool storage, and shipping methods.577
As CHAMP approaches the 2014 transition, USAID said it will shift focus to post-harvest commercialization of high-value crops. The program seeks to increase exports through marketing and to promote import substitution. However, USAID said insecurity continues to challenge full implementation of CHAMP. Insurgent groups threaten both CHAMP staff and farmers, particularly in Kandahar, Helmand, Zabul, Wardak, Logar, and Ghazni provinces.578

Kandahar Food Zone

<table>
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<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
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<td>Kandahar Food Zone</td>
<td>7/31/2013</td>
<td>7/30/2015</td>
<td>$19,695,804</td>
<td>$990,000</td>
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</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

This quarter, USAID announced it was launching the Kandahar Food Zone (KFZ) program with two major components: capacity building at the Ministry of Counter Narcotics (MCN) and alternative livelihood projects. The capacity-building component seeks to build up the MCN’s ability to design, implement, and manage alternative livelihood projects. The alternative-livelihood component aims to improve community infrastructure and increase legal economic opportunities. As of December 8, 2013, KFZ had not yet begun any community-level projects. The initial cooperative agreement has an estimated value of $19.7 million, of which $611,000 was disbursed as of December 8, 2013.579

Although it is partly modeled on the Helmand Food Zone (HFZ), USAID said the KFZ program is taking a different approach. The HFZ program

Kabul International Agricultural Fair attendees display products from a company assisted by IDEA-NEW. (USAID photo)
implementers focused on crop substitution and eradication, an input-driven and unsustainable approach, according to USAID. In contrast, the KFZ program engages with communities to identify the social, political, and economic drivers of poppy cultivation, and then tailor appropriate projects to them. Finally, unlike HFZ, KFZ was designed to treat the MCN as an active partner.580

Afghan Agriculture Research and Extension Development Program

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
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<tbody>
<tr>
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<td>7/16/2017</td>
<td>$23,638,611</td>
<td>$3,227,399</td>
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</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

Afghan Agriculture Research and Extension Development (AGRED) is an on-budget program (with an off-budget mechanism) in partnership with MAIL designed to increase agricultural production and benefit rural livelihoods through the use of improved agricultural technologies. AGRED is rehabilitating research and extension centers for MAIL and the Directorate of Agriculture, Irrigation, and Livestock (DAIL) and across seven provinces and 50 districts. AGRED also provides training to MAIL and DAIL personnel so that they can, in turn, provide technology and advisory services to Afghan farmers and herders.581

After a slow start that required shifting some funding off-budget due to MAIL's limited capacity, USAID reported that AGRED now has a detailed budget, implementation benchmarks, and means of verification approved by MAIL. In addition, AGRED has conducted inventories of targeted research and extension facilities and completed 21 trainings for 504 MAIL/DAIL personnel.582

ESSENTIAL SERVICES/DEVELOPMENT

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

Energy

The latest World Bank report noted that Afghanistan has one of the lowest rates of electric-service connection in the world, with only 28% of its
population connected to the power grid. Of those who are connected, an estimated 77% live in urban areas.583

Because electricity is critical to Afghanistan’s development, the United States, in collaboration with the Afghan government and the international community, has made developing an integrated energy sector one of its top reconstruction priorities since 2002.584 In 2002–2011, USAID alone provided close to $2 billion from the ESF to build generators, substations, and transmission lines, and provide technical assistance to the sector. It plans to spend at least $500 million more over the next few years.585 In addition, DOD has provided approximately $292 million for electricity projects through the Commander’s Emergency Response Program (CERP) and roughly $700 million through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.586

Afghanistan currently has nine separate power systems. The primary two are the Northeast Power System (NEPS) and the Southeast Power System (SEPS). USAID has three projects to connect and increase the electricity supply in both systems— Sheberghan; the Kandahar-Helmand Power Project, which includes Kajaki Dam hydropower; and the Power Transmission Expansion and Connectivity Program. DOD is contributing to both NEPS and SEPS through AIF projects. The Afghan government, coordinating closely with USAID and DOD, prioritized these programs to increase the availability of affordable, grid-based power. Connecting the power grids is intended to promote the best use of lowest-cost generation, reduce the need for duplicative generating reserves, and improve system reliability.587

Sheberghan Program
Afghanistan currently imports more than 70% of the energy it needs, according to USAID.588 Together with the ADB, the Overseas Private Investment Corporation, and the MOMP, USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation.589

USAID is implementing its part of the Sheberghan Program through two mechanisms: the $90 million, on-budget Sheberghan Gas Development Project (SGDP), and the $35 million, off-budget Sheberghan Gas Generation Activity (SGGA).590 USAID will pay $30 million on-budget through SGDP for the rehabilitation of two wells and the drilling of one well in the Juma and Bashikurd field in the Amu Darya Basin. An additional $7 million will come from Afghanistan’s national budget. The National Petroleum Company of Turkey signed a contract with the MOMP on December 14, 2013, to perform the work. Gas reserves are expected to be confirmed in August/September 2014. If, in the end, the wells have sufficient capacity to run a 200 MW gas-fired power plant, USAID will fund a gas gathering system and gas processing plant to fuel it with its remaining $60 million, on-budget through SGDP. No disbursements have yet been made.591
The off-budget SGGA component is being implemented under a contract task order with Advanced Engineering Associates International to provide technical assistance to the MOMP for the drilling portion of this project and to help the MOMP tender the Engineering/Procurement/Construction contract for the gas-gathering system and gas-processing plant. As of December 18, 2013, approximately $23 million has been obligated, of which more than $10 million was disbursed.592

USAID is funding 21% of the Sheberghan program; the Overseas Private Investment Corporation is expected to back financing of a $300 million privately funded 200 MW gas-fired power plant (52% of total funding); the ADB will support construction of the associated transmission lines (22% of total funding); and the MOMP will cover the remaining 5%.593

Kandahar-Helmand Power Project
The Kandahar-Helmand Power Project (KHPP) is intended to increase power supply and reliability in Kandahar and Helmand provinces. It was designed to support interim diesel power for critical needs, increase long-term sustainable hydro power, and reduce losses while strengthening the SEPS transmission and distribution system.594

On October 29, 2010, USAID signed a $266 million contract with Black & Veatch to rehabilitate and build power substations, upgrade the medium-voltage distribution system in Kandahar City, install, test, and commission a third turbine at the Kajaki Dam, and design and install new diesel-powered generators for interim power supply until lower cost, more sustainable power becomes available from the Kajaki Dam and/or the NEPS-SEPS connector.595 The turbine parts, transported to the power station by a U.S.-British military mission that had to fight its way to the dam site in 2008, have remained unassembled in containers and under tarps ever since.596

On April 22, 2013, USAID signed a bilateral, on-budget implementation letter with the Afghan government, and sub-obligated $75 million for installing, testing, and commissioning the third turbine at the Kajaki hydropower station, which had not occurred under the Black & Veatch KHPP contract, as required.597 The turbine installation requirement contained within the Black & Veatch KHPP contract has been descoped.598

Afghanistan’s national utility, Da Afghanistan Breshna Sherkat (DABS), has assumed responsibility for carrying out the terms and conditions of the Implementation Letter.599 On December 9, 2013, DABS signed a $6 million contract with Dubai-based GFA Consulting for the up-front engineering, procurement, and tendering services pertaining to the installation of Kajaki’s third turbine, in addition to security and site support services.600 Meanwhile, on December 17, 2013, USAID announced that it intends to negotiate a sole-source contract extension of KHPP with Black & Veatch for technical support services to DABS and USAID in support of the third turbine installation. Black & Veatch would provide project documentation and
Kajaki hydropower plant design support. USAID based its decision on Black & Veatch’s experience with the Kajaki hydropower plant.601

DOD is funding fuel for the U.S. Army Corps of Engineers-installed generators in Kandahar City through 2014 using AIF. DABS is providing fuel for other existing generators in the area. The U.S. fuel subsidy may be extended, but USAID expects it to decrease as DABS takes the required steps to secure revenue needed to sustain the fuel costs. One step is contracting for the installation of Kajaki’s third turbine, which when operational should generate additional power and revenues.602

Improving revenue collection will be challenging. A SIGAR audit found that despite USAID investments that resulted in some commercialization successes for DABS-Kabul, including increasing cash collections by 60%, the Afghan utility is still operating at a financial loss. Also, DABS may not be able to pay its bills without continued government subsidies that are set to expire in 2014.603 As of December 18, 2013, USAID had obligated $229.6 million of ESF funds for the KHPP, and of that, approximately $209.3 million had been disbursed, an increase of $17.9 million from last quarter.604

Power Transmission Expansion and Connectivity Program
The U.S.-funded Power Transmission Expansion and Connectivity (PTEC) program was designed to strengthen and expand the power-generation, transmission, and distribution systems. This program directly supports the National Energy Supply Program of the Afghanistan National Development Strategy, which calls for improving the collection rate against energy billings and increasing the supply of power.605

In addition to strengthening and expanding NEPS, a key component of PTEC is funding 304 miles of the 329-mile transmission line between Kabul and Kandahar to connect NEPS with SEPS. The NEPS-SEPS connector will include eight substations located at major population centers along the way. This connection, together with the rehabilitation of the Kajaki Hydropower Plant, was identified in 2010 as the only viable, long-term solution to displace costly and unsustainable diesel-power generation in Kandahar.606

Connecting NEPS to SEPS is a multi-donor effort. The ADB is responsible for the first 25-mile section from Kabul to Arghandi.607 USAID will fund construction of the next 75 mile section from Arghandi to Ghazni, which includes $101 million of DOD’s AIF that was transferred to USAID. USAID, the MOF, and DABS formalized the bilateral agreement for this segment in February 2013.608 USAID plans to contribute $417.6 million from its $814 million PTEC project to ADB’s Afghanistan Infrastructure Trust Fund (AITF) with a portion used to construct the remaining 230-mile section of transmission line from Ghazni to Kandahar connecting NEPS with SEPS. Completion of the NEPS-SEPS connector will be delayed by two years to 2017/2018. Of USAID’s contribution to AITF, approximately $290 million
ECONOMIC AND SOCIAL DEVELOPMENT

will be used to construct the remaining transmission line from Ghazni to Kandahar to complete the NEPS to SEPS connection. The ADB established the AITF in December 2010, to allow bilateral, multilateral, and individual contributors to partner with the ADB in financing infrastructure investments. AITF will fund projects on-budget through DABS or other Afghan government ministries. Current contributors to AITF also include the UK’s Department for International Development and the Japanese Embassy.

As of December 31, 2013, USAID has obligated $180.3 million to AITF and disbursed $105 million of which $45 million was disbursed concurrently with the signing of the Program Contribution Agreement in March 2013 and $60 million was disbursed in December 2013 pursuant to an ADB request. USAID has also obligated $263.3 million in on-budget assistance to the MOF and DABS for PTEC, but disbursed no funds in the last two quarters. That is because USAID set 12 conditions for DABS to fulfill. In an implementation letter dated December 5, 2013, USAID declared that DABS recently met the conditions for funds disbursal, so DABS is submitting contracts to USAID for approval.

DOD-Funded Programs

DOD has viewed establishment of reliable and sustainable power generation, transmission, and distribution as the linchpins to security, stability, and economic growth in Afghanistan. This quarter, DOD continued implementing several priority energy-sector projects using FY 2012 and FY 2013 AIF money. These included:

- Kandahar Power Bridging Solution
- Kandahar–Durai Junction transmission lines
- Charikar–Bazirak and Charikar–Mahmood Raqi transmission lines and power substations
- Kajaki Dam to Musa Qalah transmission lines

Kandahar Power Bridging Solution

This project is providing fuel for the diesel generators in Kandahar City until affordable, sustainable power becomes available through the joint DOD-USAID effort to expand and connect NEPS and SEPS systems. The generators at Shorandam Industrial Park and Bagh-e-Pol have a combined average output of 8–13 MW. Funding levels have not changed from last quarter. FY 2012 funding remains at $79.8 million for fuel and operations and maintenance (O&M). The estimated FY 2013 cost is $100 million, which includes $90 million for fuel and $10 million for O&M.

Based on the president’s FY 2014 budget request of $279 million for AIF, DOD proposed to spend $100 million for the diesel power generators and to integrate prior DOD and USAID power projects. DOD will reevaluate this plan based on the final FY 2014 appropriation.
power management in Kandahar by consolidating Kandahar’s “power islands” into an integrated grid. DOD plans to continue purchasing fuel and providing O&M support into FY 2015, but intended to transfer the generators to DABS in December 2013, along with six months of spare parts. DOD said it will provide technical support for one year following the transition.\textsuperscript{617} It sees this electricity as critical to the counterinsurgency strategy to help stabilize Kandahar by supporting economic development and improving citizens’ quality of life. DOD said the Kandahar Bridging Solution is central to the Afghanistan Electrification Plan and the State Department’s development plan for Afghanistan.\textsuperscript{618}

**Kandahar to Durai Junction Transmission Lines**
Part of the effort to expand SEPS, this project continues earlier efforts to install or repair transmission lines from Kandahar City to Durai Junction and to construct or repair substations at Maiwand and Pashmul. The cost for this project, which began in 2012, remains $40 million in FY 2012 funds. This transmission line constitutes a key element for the larger PTEC project linking SEPS and NEPS and addresses the need for reliable electricity in Afghanistan’s south and southeast. DOD’s goal is to promote economic growth, security, stability, and capacity-building efforts within DABS to help it generate sufficient revenues to fund capital improvements to the grid. Completion of this project is essential to distribute power generated by the third turbine awaiting installation at Kajaki Dam, according to DOD.\textsuperscript{619}

**Charikar–Bazirak and Charikar–Mahmood Raqi Transmission Lines and Power Substations**
This project will install 52 miles of transmission lines from Charikar to Bazirak and from Charikar to Mahmood Raqi. It will also build three power substations to expand NEPS. DOD has allocated $38 million in FY 2012 funds and $33 million in FY 2013 funds for the project, for a total estimated cost of $71 million, according to a DOD notification to Congress last quarter. Annual estimated O&M costs for the transmission lines and substations are $580,000.\textsuperscript{620}

DOD told Congress the project will bring reliable electricity to 1.15 million Afghans across three provinces and help fuel private-sector growth, especially in the agriculture, processing, manufacturing, and mining sectors. Consistent with all AIF-funded projects, and by formal agreement, this project will be transferred to the Afghan government upon completion. DABS will assume responsibility for O&M. Increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment, according to DOD.\textsuperscript{621} However, SIGAR has raised questions about DABS’s capacity, and other audits have said Afghanistan lacks the resources necessary to pay for O&M.\textsuperscript{622}
Kajaki Dam to Musa Qalah Transmission Lines
This project is building new transmission lines from the Kajaki Dam hydropower plant to Musa Qalah in Helmand Province. The $12 million in FY 2013 funds allocated for Phase I of the project will construct approximately 9 miles of new 110kV transmission line from Kajaki to a new substation that will join with the existing 20kV transmission line. Phase II plans to use $49 million in FY 2014 funds to build 23 miles of 110kV transmission line from the substation to Musa Qalah, build a new 110kV substation, and rehabilitate the existing 20kV substation at Musa Qalah. The project aims to benefit the approximately 60,000 residents of Musa Qalah, according to DOD.623

Other components of the project are designed to help integrate SEPS projects into a single, interconnected system. Consistent with all AIF-funded projects, and by formal agreement, this project will be transferred to the Afghan government upon completion. DABS will assume responsibility for O&M. Increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment, according to DOD.624 As noted above, SIGAR audits have raised concerns about DABS’ capacity and resources.

PRIVATE-SECTOR DEVELOPMENT
The United States is supporting private-sector development through the ESF, TFBSO, and CERP. From FY 2002 to FY 2012, USAID appropriated $1.06 billion for economic growth in Afghanistan.625 USAID’s top ongoing economic-growth project, funded through the ESF, is Assistance in Building Afghanistan by Developing Enterprises (ABADE).

Assistance in Building Afghanistan by Developing Enterprises

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistance in Building Afghanistan by Developing Enterprises</td>
<td>10/16/2012</td>
<td>10/15/2016</td>
<td>$104,997,656</td>
<td>$12,515,789</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

USAID’s $105 million Assistance in Building Afghanistan by Developing Enterprises (ABADE) program focuses on helping productive, Afghan-registered, small-to-medium enterprises add jobs, increase investment, and improve sales of domestic products and services through public-private alliances. It does so through three components: implementing public-private alliances once they are approved; identifying, selecting and supporting the alliances; and working with the Afghan government to improve the environment for business.626
ECONOMIC AND SOCIAL DEVELOPMENT

Since ABADE’s launch in February 2013, USAID reported that 25 public-private alliances—compared to five reported seven months ago—and 16 applications are awaiting approval, as of January 14, 2014. Additionally, business-outreach and government capacity-building efforts continued this quarter.\textsuperscript{627}

ABADE implementation continues to face restrictions from Presidential Decree 62, which requires the use of APPF and Risk Management Companies for security. The APPF is unable to provide adequate mobile escort units or vehicles, making it difficult for ABADE staff to travel across the region, according to USAID.\textsuperscript{628}

TRANSPORTATION

Afghanistan’s lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said restoring the transportation sector is imperative for economic recovery and development.\textsuperscript{629} Afghanistan’s infrastructure shortcomings particularly constrain the service and agriculture sectors, which currently contribute most to GDP. They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to supplement declining aid.\textsuperscript{630} This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, sustaining operations and maintenance, and complying with international standards.\textsuperscript{631}

Roads

USAID approved its Road Sector Sustainability (RSS) project design on July 14, 2013. The project has four main activities:\textsuperscript{632}

- **Activity 1 - Emergency O&M.** This is in the RFP development phase.
- **Activity 2 - Technical Assistance to the Ministry of Public Works (MOPW).** Firms were pre-qualified to bid in September/October 2013, the RFP was released on November 27, 2013 and proposals are expected January 15, 2014.
- **Activity 3 - Capacity Building for the MOPW.** The Statement of Work is being finalized and a Request for Task Order Proposal is in development.
- **Activity 4 - Road O&M Activity.** USAID is continuing discussions with ADB’s AITF to determine funding options and proposed activities.

USAID’s technical assistance to the MOPW is focused on Activity 2, helping the MOPW establish a Road Authority, Road Fund, and Transportation Institute. USAID said the primary challenge for establishing a road authority is political. The president and the cabinet finally approved establishing a Road Authority and Road Fund on August 12, 2013. Maintaining political
support will be challenging given the country’s political and security uncertainties in 2014.633

Rail
In November 2013, the Afghan Rail Authority (ARA) received the final U.S. Central Command (CENTCOM) rail study and is reviewing the document along with rail master plans developed by other international donors. According to the U.S. Department of Transportation, ARAs immediate priorities are to finalize its legal and regulatory framework legislation and have parliament approve it so that its roles and responsibilities in developing Afghanistan’s rail sector are clearly defined.634

Currently, Afghanistan has no meaningful railroad development, operational experience, or capacity. Only one completed rail line exists—a 47-mile line from Hairatan, on the border with Uzbekistan, to Mazar-e-Sharif.635 The country needs to expand the 47-mile line if it is to further the U.S. government’s New Silk Road vision of regional and economic connectivity. Development of an interlinking 249-mile line between Afghanistan, Turkmenistan, and Tajikistan was inaugurated in June 2013.636

EDUCATION
According to the data available to USAID last quarter from the Ministry of Education’s (MOE) Information Management System (EMIS), Afghanistan had a total of 13,562 primary, lower secondary, and upper secondary schools in solar year (SY) 1390 (March 2011–March 2012). The same data showed more than 185,255 teachers employed across all education programs in Afghanistan, and approximately 7.5 million students enrolled in primary, government lower secondary, and government upper secondary schools.637

However, USAID said it was concerned about the reliability of the MOE/EMIS, which is the only database tracking education metrics at the MOE. USAID relies primarily on EMIS for its information, but told SIGAR it cannot verify the data. With more USAID assistance now going on-budget, USAID is working to support the MOE to improve the reliability of EMIS data. USAID said it also uses internal reports from its officers, the International Security Assistance Force (ISAF), other donors, and implementing partners to help verify and check information.638 SIGAR is concerned that U.S. government agencies and international donors are unable to verify Afghanistan’s oft-cited gains in education.

A SIGAR audit this quarter of assessments of ministries receiving direct bilateral assistance from the U.S. government found that USAID/Afghanistan identified 12 risks and 39 corresponding mitigation measures needed for the MOE before it receives U.S. direct assistance. Despite USAID’s own conclusion that the U.S. government cannot rely on MOE internal controls to manage donor funds, USAID disbursed $11.8 million for...
one active direct-assistance program. USAID also committed $206.1 million for two planned basic-education and workforce-development programs, as of August 1, 2013.639

Since 2002, USAID has supported education through aid for building and refurbishing schools, developing curricula, and conducting teacher training. USAID’s ongoing priority programs in the education sector funded through the ESF this quarter include:

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

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

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELT-Community Based Education</td>
<td>10/29/2013</td>
<td>10/28/2017</td>
<td>$56,000,000</td>
<td>$0</td>
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</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

Basic Education, Literacy, and Technical-Vocational Education and Training (BELT) aims to improve access to quality basic education in communities typically beyond the reach of the government. The program provides textbooks, technical-vocational education, and training, as well as community-based education programs.640

BELT has five separate components: capacity building for the MOE, teacher training, Technical Vocational Education and Training (TVET) to meet unmet labor-market needs, procurement of MOE textbooks for grades 1–6, and community-based education.641

For BELT CBE, Implementation Letter Number 39-01 was signed with the MOE and MOF on September 18, 2013, and spells out substantive matters such as student targets, performance milestones, means of verification, and funding levels. BELT TVET is currently being redesigned to focus on youth development and aims to provide quality basic skills, workforce readiness and TVET training for out-of-school youth.642

**Higher Education Project**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
</thead>
</table>

Source: USAID, response to SIGAR data call, 12/31/2013.
Since the Higher Education Project (HEP) project began in 2006, it has supported the Ministry of Higher Education in executing its National Higher Education Strategic Plan. HEP’s latest phase, extended to February 28, 2014, provides technical assistance to increase ministry capacity through professional training, quality assurance and accreditation, curriculum review, university partnerships, academic policies, and regulation. This quarter, the Wolesi Jirga did not approve the Higher Education Law, which grants, in part, public universities the autonomy to generate and manage revenues and donations. However, an associate-degree program for Kabul Polytechnic University was finalized with HEP’s assistance and the first class convened in January 2014.

**American University of Afghanistan**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
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<tbody>
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<td>American University of Afghanistan</td>
<td>8/1/2013</td>
<td>8/31/2018</td>
<td>$40,000,000</td>
<td>$2,054,928</td>
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Source: USAID, response to SIGAR data call, 1/7/2014.

USAID’s second, five-year cooperative agreement is designed to continue support for developing the American University of Afghanistan’s (AUAF) English-language undergraduate and continuing-education programs. Support will come from USAID’s forthcoming STEP-UP program and will help introduce new science, education, and management curricula, as well as a new master’s program, distance learning, and online resources. The four components of this agreement aim to strengthen academic and professional development programs, enhance program quality, expand programs for women, and increase financial self-sufficiency.

**Other Active USAID Education Programs**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
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<tr>
<td>Global Partnership for Education</td>
<td>10/11/2012</td>
<td>3/31/2015</td>
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<td>Afghanistan Reads</td>
<td>6/30/2013</td>
<td>5/31/2015</td>
<td>$625,000</td>
<td>$150,000</td>
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<td>Afghanistan Technical Vocational Institute</td>
<td>6/15/2013</td>
<td>1/14/2015</td>
<td>$1,000,000</td>
<td>$355,000</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

**HEALTH**

Afghanistan has experienced significant improvements in its health indicators since 2002, according to USAID. Although the country still has some of the highest maternal- and child-mortality rates in the world, the
USAID-funded Afghanistan Mortality Survey 2010 found that life expectancy has increased by as much as 20 years to an average of 62–64 years.\textsuperscript{647} However, other institutions have cited more modest gains. The CIA World Factbook gives the Afghan life expectancy from birth as 50 years, while the World Bank calculated life expectancy at 48.\textsuperscript{648}

From FY 2002 through FY 2012, U.S. on- and off-budget assistance to Afghanistan’s health sector totaled $1.06 billion.\textsuperscript{649} On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, medical and non-medical supplies, in-service training, minor renovations of facilities, medical equipment, and monitoring and supervision. Off-budget assistance includes activities to strengthen health systems, engage the private sector, and procure pharmaceuticals and contraceptives.\textsuperscript{650}

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

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

### Partnership Contracts for Health Services

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
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<tr>
<td>Partnership Contracts for Health Services</td>
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<td>1/31/2015</td>
<td>$236,455,840</td>
<td>$151,913,665</td>
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Source: USAID, response to SIGAR data call, 1/7/2014.

The host-country contract Partnership Contracts for Health (PCH) program supports the MOPH’s efforts to provide the Basic Package of Health Services (BPHS) and the Essential Package of Hospital Services (EPhS) in 13 provinces. The United States supports 553 of these health facilities—26.4% of total health facilities in Afghanistan—including:

- 5 Provincial Hospitals
- 27 District Hospitals
- 13 Comprehensive Health Centers+ ("+") indicates expanded services
- 157 Comprehensive Health Centers
- 271 Basic Health Centers
- 64 Health Sub-Centers
- 10 Prison Health Facilities

USAID also supports 6,402 health posts throughout Afghanistan—48.5% of all health posts. On average, over 1.3 million patients are served each month.\textsuperscript{652}

PCH delivers health care ranging from primary care to highly specialized diagnostic and treatment services. It also supports the Community Midwifery Education program, which helps to increase the number of female health-care workers and contributes to reducing maternal and child mortality.\textsuperscript{653}
USAID reports the growing health demands of communities cannot be addressed through existing BPHS and EPHS. Furthermore, turnover of PCH staff within the Grants and Contracts Management Unit, as well as deteriorating security conditions, have temporarily closed health facilities, delayed management activities, staff deployment, monitoring, and supervision activities.654

PCH reports semi-annually to USAID.655 Yet, SIGAR’s audit of the MOPH found that USAID provides advance, incremental funding to cover operational expenses every 45 days. These and other MOPH internal-control deficiencies put U.S. funds provided under the PCH program at risk of fraud, waste, and abuse. The audit also noted that USAID officials said they have not verified what, if any, actions the MOPH has taken to address these deficiencies.656

USAID Oversight
USAID funds a team within MOPH’s Grants and Contracts Management Unit (GCMU), which is responsible for monitoring USAID-funded facilities through regular site visits and monthly reports from implementing NGOs. USAID reported that the GCMU team conducted 55 field monitoring visits in FY 2013, visiting 242 (44%) health facilities supported by the PCH program. The NGOs are supposed to provide routine monitoring of each health facility and their monthly reports are supposed to document the number of active health facilities, and the number of staff on hand.657 The numbers of patients present, the type, quality, or outcome of health services were not included.

For now USAID relies on the MOPH’s Health Management Information System (HMIS) for Afghan health data, as it does for the MOE’s EMIS. Unlike with EMIS, USAID, through its Leadership, Management, and Governance (LMG) project is assisting the MOPH implement a data-quality assessment tool to better ensure that HMIS data is more complete, timely, and accurate. USAID also helped the MOPH conduct a data-quality assurance sampling survey this quarter. Data collection was completed in October 2013; results are forthcoming.658 For more information about the LMG program, see page 181.

Health Policy Project

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Policy Project</td>
<td>6/2012</td>
<td>10/2014</td>
<td>$28,000,000</td>
<td>$13,700,000</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 12/31/2013; USAID, response to SIGAR vetting, 10/13/2013.

The Health Policy Project (HPP) is building MOPH capacity to address basic health needs through design, negotiation, and management of hospital public-private partnerships (PPPs). The project also aims to build the capacity of local private-sector organizations to partner with the Afghan
government in generating demand for and delivery of high-quality health services through social-media marketing.\(^{659}\)

USAID said MOPH and other stakeholders have a poor understanding of market economies, and there is insufficient political support for private health-sector initiatives, which is a major barrier for private health-sector investment. Limited availability of qualified international consultants to help support hospital PPPs; lack of office space within MOPH to house a central PPP unit; insecurity; and a lengthy legislative process to reform private health sector price fixing regulations are delaying PPP activities.\(^{660}\)

Despite these challenges, HPP continued its training programs this quarter, including on the correct use of socially marketed health products aimed at reducing maternal and child mortality, and gender-based-violence training for health providers. Also, MOPH’s Directorate of Private Sector Coordination, with HPP assistance, established a commission to streamline the medicine licensing process, which aims to reduce transaction costs and encourage private health sector growth.\(^{661}\)

**Leadership, Management, and Governance Project**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Management, and Governance</td>
<td>9/25/2011</td>
<td>9/24/2016</td>
<td>$26,000,000</td>
<td>$13,612,927</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

The Leadership, Management, Governance (LMG) Project works with the MOPH and the MOE at the provincial and central levels to build leadership, management, and governance capacity within Afghanistan’s health and education systems. It also aims to improve transparency and accountability within the MOPH and helps both ministries manage on-budget assistance.\(^{662}\)

This quarter, with LMG help, two data-quality analyses were conducted, the results of which will be forthcoming next quarter; the Financial Management Information System (FMIS) was introduced at four Kabul-area hospitals so expenditure information can be uploaded directly to the MOF system; and a community-shura guide was finalized and is being presented to MOPH leadership for endorsement.\(^{663}\)

Despite advances at 14 national hospitals, USAID said hospital staff currently has poor capacity to operate autonomously. USAID hopes that human-resources autonomy—the right to hire and fire staff—will pave the way for additional reforms. This quarter, the MOPH agreed to delegate human-resource authority to a Kabul-based hospital. A proposal to the Civil Service Commission is awaiting approval.\(^{664}\) Last quarter, USAID reported that LMG efforts to provide technical assistance to the hospitals specifically for human resources autonomy were challenged by social and political interference affecting hospitals’ internal staffing decisions.\(^{665}\)
Additionally, the MOPH technical departments and implementing LMG partners are having difficulty aligning their respective roles to respond to Community-Based Health Care needs throughout Afghanistan, making it a challenge to LMG to help the ministry ramp up health initiatives nationwide. Increasing insecurity and limited air transportation options are also reducing LMG efforts in the field.\(^{666}\)

Other Active USAID Health Programs

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polio Eradication Activities</td>
<td>7/20/2008</td>
<td>1/31/2014</td>
<td>$10,750,000</td>
<td>$9,415,102</td>
</tr>
<tr>
<td>TB + Field Support</td>
<td>9/29/2010</td>
<td>9/28/2015</td>
<td>$4,600,000</td>
<td>$600,000</td>
</tr>
<tr>
<td>University Research + Field Support</td>
<td>9/30/2009</td>
<td>9/29/2013</td>
<td>$13,950,000</td>
<td>$12,950,000</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/7/2014.

**COMMUNICATIONS**

Building an adequate national telecommunications infrastructure has been a top priority for the Afghan government since 2002. Over the past few years, the Information and Communication Technology (ICT) sector has grown to become one of the largest revenue-generating sectors for the Afghan government, contributing roughly $140 million annually in revenue and accounting for nearly 12% of total government revenues.\(^{667}\)

A SIGAR audit this quarter of assessments of ministries receiving direct bilateral assistance from the U.S. government found that USAID/Afghanistan identified 13 risks and 56 corresponding mitigation measures needed for the Ministry of Communications and Information Technology (MCIT) before it receives U.S. direct-assistance funds. Yet despite the auditing firm’s 2012 conclusion that MCIT is a high-risk entity and USAID’s own conclusion that the U.S. government cannot rely on MCIT systems operation and internal controls to manage donor funds, USAID committed $3.9 million for a planned on-budget E-Government program, as of August 1, 2013.\(^{668}\)

ATAT primarily helps develop the fiber-optic network used by U.S. forces, which in turn supports Afghanistan’s ICT sector. This benefits governance, stability, and social development, according to DOD. Goals include improving cyber security, spectrum, support to government regulatory authorities and the ANSF, mobile-money implementation, and emergency calling services.\(^{669}\)

While the lack of a skilled ICT workforce and insufficient training are challenges, inadequate cyber security threatens the entire ICT sector, according to TFBSO. Moreover, fiber-optic network access is monopolized
by Afghan Telecom, which struggles to meet reliability, responsiveness, and availability demands.  

Afghan Telecom is 100% owned by the MCIT. Afghan Telecom’s management responds to the company’s board of directors, which is chaired by MCIT Minister Amirzai Sangin and composed of MCIT and MOF officers, as well as representatives of other Afghan corporations. According to State, Afghan Telecom operates in line with its commitments under its business license and all applicable Afghan laws. It owns and operates all infrastructure transferred to it by the MCIT, including networks constructed with donor funding and infrastructure it acquired through its own financial means. It is also profitable, and receives no subsidies from the Afghan Government.  

State did not respond to SIGAR on whether Afghan Telecom’s relationship with the MCIT constituted a conflict of interest or whether its sole national unified license gave it an unfair advantage over other telecom operators. It is unsurprising that Afghan telecom is profitable while using and setting prices on networks built and funded by donors. DOD cited Afghan telecom’s fiber monopoly as a challenge and risk to the ICT sector, and the World Bank said Afghan Telecom’s management of the national backbone network (tying together interconnecting networks) helped keep internet prices artificially high compared to regional countries. At least one internet service provider has expressed concerns to SIGAR about the lack of fair competition in the ICT sector.  

According to State, Afghan Telecom offers managed-bandwidth services to Mobile Network Operators (MNOs), Internet Service Providers (ISPs), and other organizations on commercial terms. State also said MNOs and ISPs can, and often do, use alternative transmission infrastructure (based on satellite and their own terrestrial microwave networks). Additionally, MNOs are allowed to build and operate their own fiber networks where there is no Afghan Telecom fiber. This does not, however, address the advantage Afghan Telecom currently enjoys from its official-monopoly status.

SIGAR AUDIT

This quarter SIGAR initiated a sector-wide audit of U.S. government efforts to assist in the reconstruction and commercialization of Afghanistan’s information and communication technology (ICT) sector. For more information, see Section 2, page 29.
4 OTHER AGENCY OVERSIGHT
OTHER AGENCY OVERSIGHT CONTENTS

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OTHER AGENCY OVERSIGHT

SIGAR’s enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs, and to submit a report to Congress on SIGAR’s oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section contains these updates.

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

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

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

**COMPLETED OVERSIGHT ACTIVITIES**

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

<table>
<thead>
<tr>
<th>Agency</th>
<th>Report Number</th>
<th>Date Issued</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOD OIG</td>
<td>DODIG-2014-020</td>
<td>12/5/2013</td>
<td>U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>DODIG-2014-010</td>
<td>11/22/2013</td>
<td>U.S. Army Corps of Engineers Transatlantic District North Needs To Improve Oversight of Construction Contractors in Afghanistan</td>
</tr>
<tr>
<td>State OIG</td>
<td>AUD-MERD-14-05</td>
<td>12/2013</td>
<td>Audit of the Department of State Transition Planning for a Reduced Military Presence in Afghanistan</td>
</tr>
</tbody>
</table>

OTHER AGENCY OVERSIGHT

U.S. Department of Defense Office of Inspector General
During this quarter, DOD OIG issued three reports related to Afghanistan reconstruction.

Planning for the Effective Development and Transition of Critical ANSF Enablers to Post-2014 Capabilities Part II-Cross-Cutting Issues of Afghan National Army Enabler Development
(Report No. DODIG-2014-027, issued December 23, 2013)
This report is classified.

U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment
(Report No. DODIG-2014-020, Issued December 5, 2013)
This report is For Official Use Only.

U.S. Army Corps of Engineers Transatlantic District North Needs To Improve Oversight of Construction Contractors in Afghanistan
(Report No. DODIG-2014-010, Issued November 22, 2013)
U.S. Army Corps of Engineers (USACE) Transatlantic District-North (Bagram Area Office) Quality Assurance (QA) and contracting officials’ oversight of two Special Operations Forces military construction projects at Bagram Airfield, valued at $37.6 million, was not conducted in accordance with the Federal Acquisition Regulation and USACE guidance. Since 2010, when the projects were initiated, area and resident engineers did not provide project engineers and construction representatives with a Statement of Understanding and Compliance; project engineers did not always follow contract oversight responsibilities, were working with incomplete contractors’ quality controls plans, did not prepare QA plans, and could not substantiate that contractors fully executed the three-phase inspection process; and USACE TAN technical inspections of contractors’ construction efforts were limited. This occurred because current QA officials did not always have critical QA documents available before their arrival and could not explain why QA requirements were not fully executed from the projects’ start. However, the area engineer stated that documenting the QA process was secondary and that completing the Special Operations Forces military construction projects was the top priority. As a result, there is an increased risk that, although the two Special Operations Forces military construction projects will get completed, the projects may not meet contract requirements.

U.S. Department of State Office of Inspector General–Middle East Regional Office
During this quarter, State OIG issued one report related to Afghanistan reconstruction.
Audit of the Department of State Transition Planning for a Reduced Military Presence in Afghanistan
(Report No. AUD-MERO-14-05, Issued December 2013)
State OIG determined that the Department's planning for the transition from a predominantly military to a civilian-led mission in Afghanistan was generally effective and incorporated lessons learned from Iraq. The report has no recommendations.

Government Accountability Office
During this quarter, GAO issued no reports related to Afghanistan reconstruction.

U.S. Army Audit Agency
The USAAA did not complete any audits related to Afghanistan reconstruction this quarter.

U.S. Agency for International Development Office of Inspector General
During this quarter, USAID OIG completed no reports related to Afghanistan reconstruction.

ONGOING OVERSIGHT ACTIVITIES
As of December 30, 2013, the participating agencies reported 22 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOD OIG</td>
<td>D2013-D00SP0-0181.000</td>
<td>6/13/2013</td>
<td>Assessment of U.S. Government Efforts to Transition Security Cooperation and Assistance Activities Supporting the Government of the Islamic Republic of Afghanistan from Department of Defense Authority to Department of State Authority</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2013-D00SP0-0154.000</td>
<td>4/26/2013</td>
<td>Assessment of the U.S. Military and Coalition Efforts to Develop Effective and Sustainable Healthcare Capability for the Afghan National Police</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2013-D000AS-0097.000</td>
<td>2/8/2013</td>
<td>Mi-17 Cockpit Modifications Under Task Order W58RGZ-09-D-0130-0102</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2013-D000MF-0083.000</td>
<td>1/3/2012</td>
<td>Price Reasonableness Determinations for Datron World Communications, Inc. Contracts Awarded by the U.S. Army Contracting Command for the Afghan National Security Forces</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2013-D00SP0-0087.000</td>
<td>12/18/2012</td>
<td>Assessment of Planning for the Effective Development and Transition of Critical Afghanistan National Security Forces Enablers to Post-2014 Capabilities</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2013-D000FL-0056.000</td>
<td>12/3/2012</td>
<td>Examination of Department of Defense Execution of North Atlantic Treaty Organization Contributing Countries Donations to Afghanistan National Army Trust Fund for Approval Sustainment Projects as of September 30, 2012</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2013-D000AS-0052.000</td>
<td>11/1/2012</td>
<td>Shindand Training Contracts</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2013-D000AS-0001.000</td>
<td>10/5/2012</td>
<td>Surveillance Structure on Contracts Supporting the Afghanistan Rotary Wing Program for the U.S. Transportation Command</td>
</tr>
</tbody>
</table>
TABLE 4.2 (CONTINUED)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>State OIG-MRO</td>
<td>13AUD082</td>
<td>6/13/2013</td>
<td>Audit of Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Assistance to Afghanistan</td>
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<tr>
<td>State OIG-MRO</td>
<td>12AUD79</td>
<td>12/2012</td>
<td>Audit of the Department of State Transition Planning for a Reduced Military Presence in Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>351851</td>
<td>8/16/2013</td>
<td>Drawdown of DOD Contractors in Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>320985</td>
<td>6/28/2013</td>
<td>Use of Foreign Labor Contractors Abroad</td>
</tr>
<tr>
<td>GAO</td>
<td>351819</td>
<td>5/9/2013</td>
<td>Costs of DOD's Transition to the Afghan Public Protection Force</td>
</tr>
<tr>
<td>GAO</td>
<td>121119</td>
<td>3/6/2013</td>
<td>Department of State and U.S. Agency for International Development Contingency Contracting</td>
</tr>
<tr>
<td>GAO</td>
<td>351798</td>
<td>1/18/2013</td>
<td>Afghanistan Equipment Reduction and Base Closures</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF100113</td>
<td>4/1/2013</td>
<td>Audit of USAID/Afghanistan's Elections Assistance Program</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF100712</td>
<td>11/28/2012</td>
<td>Audit of USAID/Afghanistan’s Transition Plans (suspended)</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF100612</td>
<td>10/9/2012</td>
<td>Audit of USAID/Afghanistan’s Management Controls over Premium Pay</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF101712</td>
<td>10/25/2012</td>
<td>Review of USAID/Afghanistan’s Use of the Commander’s Emergency Response Program Funds for Selected Projects</td>
</tr>
</tbody>
</table>


Department of Defense Office of Inspector General

The Department of Defense continues to face many challenges in executing its Overseas Contingency Operations (OCO). The Department of Defense Office of Inspector General (DOD OIG) has identified priorities based on those challenges and high-risks. In FY 2014, DOD OIG oversight focuses on overseas contingency operations with a majority of the OIG’s resources supporting operations in Afghanistan. The DOD OIG focus in Afghanistan primarily continued in the areas of the management and execution of the Afghanistan Security Forces Fund, military construction, safety of personnel, and the administration and oversight of contracts supporting coalition forces. In addition, DOD OIG oversight in Afghanistan includes focus on matters pertaining to the drawdown of forces in Afghanistan and transition of operations.

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

The DOD OIG-led Southwest Asia Joint Planning Group assists in the coordination and deconfliction of Federal and DOD OCO related oversight activities. The DOD OIG, working with the SIGAR as well as
fellow Inspectors General and Defense oversight community members, 

have finalized the Fiscal Year (FY) 2014 strategic audit plan for the over-

sight community working in Afghanistan and plans to issue the FY 2014 

Comprehensive Oversight Plan for Southwest Asia in October 2013. A key 

theme in the FY 2014 plan development is the anticipated force restruc-

turing/drawdown of operations in Afghanistan.

DOD OIG’s ongoing OEF related oversight addresses accountability of

property; improper payments; contract administration and management

including construction projects; transition planning; logistical distribution

within Afghanistan; retrograde operations, health care; and acquisition plan-

ning and controls over funding for ASF.

Assessment of U.S. Government Efforts to Transition
Security Cooperation and Assistance Activities Supporting
the Government of the Islamic Republic of Afghanistan
from Department of Defense Authority to Department of
State Authority

(Project No. 2013-D00SPO-0181.000, Initiated June 13, 2013)

DOD OIG is assessing plans and activities that have been accomplished or

implemented thus far to transfer the security cooperation and assistance

activities in Afghanistan from DOD to State Department authority, and

to make recommendations to facilitate or improve the transition of these

functions to the State Department in accordance with existing security

cooperation guidance and security assistance regulations that may pertain.

Specific objectives are to determine whether:

a. U.S. government goals, objectives, plans, and guidance are

sufficient, issued and operative for the transition of the Combined

Security Transition Command-Afghanistan (CSTC-A) security

assistance activities in Afghanistan from DOD authority to a security

cooperation organization under Department of State authority.

b. Ongoing efforts by U.S. forces to provide security assistance to

the Government of Afghanistan are adversely impacted by the

implementation of drawdown plans for U.S. Forces-Afghanistan

(USFOR-A) and the transition of International Security Assistance

Force (ISAF) and ISAF Joint Command (IJC) to a command

organization under NATO authority.

Assessment of the U.S. Military and Coalition Efforts to
Develop Effective and Sustainable Healthcare Capability for
the Afghan National Police

(Project No. D2013-D00SPO-0154.000, Initiated April 26, 2013)

DOD OIG is assessing the progress of U.S. and Coalition efforts to develop

effective and sustainable healthcare capability in support of the Afghan

National Police (ANP). Specifically, the assessment will determine whether:
• plans to develop effective and sustainable healthcare services to the ANP are sufficiently comprehensive, coordinated with the Government of Afghanistan, and being implemented so as to meet the timeline for transition goals,
• advisory resources are sufficient and appropriate in order to develop the healthcare services necessary to support the medical needs of the ANP, and
• developmental efforts are on schedule and effective in ensuring there is adequate medical capability to provide proper medical support to ANP personnel from the point of injury to the next required level of care.

**Mi-17 Cockpit Modifications under Task Order W58RGZ-09D-0130-0102**

(Project No. D2013-D000AS-0097.000, Initiated February 8, 2013)

DOD OIG is conducting a follow-on audit to the Audit of Task Orders for Mi-17 Overhauls and Cockpit Modifications (Project No. D2012-D000AS-0075.000). In this follow-on audit, DOD OIG is determining whether DOD officials properly awarded and administered indefinite-delivery, indefinite-quantity contract W58RGZ-09-D-0130, Task Order 0102, for the modification of DOD-owned Mi-17 variant aircraft in accordance with federal and DOD regulations and policies. Under the prior project, DOD OIG reviewed the procurement of overhaul services and parts for Pakistan-owned Mi-17 variant aircraft, awarded by modification to Task Order 0102.

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

(Project No. D2013-D000FL-0056.000, Initiated December 3, 2012)

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DOD [USD(C)/CFO] requested this examination. The USD(C)/CFO plans to assert that the following schedules are fairly presented in all material respects:

• Schedule of Contributing Country Donations to Afghanistan National Army Trust Fund Approved Sustainment Projects as of September 30, 2012
• Schedule of Financial Status of Contributing Country Donations to Afghanistan National Army Trust Fund Transferred to the United States of America for Approved Sustainment Projects as of September 30, 2012

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

**Shindand Training Contracts**
(Project No. D2013-D000AS-0052.000, Initiated November 1, 2012)
DOD OIG is determining whether pilot-training contracts for fixed-wing and rotary-wing aircraft at Shindand Air Base are properly managed and administered in accordance with federal and DOD requirements. Specifically, DOD OIG will determine whether contract requirements are being met and evaluate the effectiveness of contract oversight.

**Surveillance Structure on Contracts Supporting the Afghanistan Rotary Wing Program for the U.S. Transportation Command**
(Project No. D2013-D000AS-0001.000, Initiated October 5, 2012)
DOD OIG is conducting its second in a series of audits on the Afghanistan rotary-wing transport contracts. The overall objective is to determine whether U.S. Transportation Command and U.S. Central Command officials have adequate oversight of processes and procedures for the contracts. The first audit was “Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command” (D2012-D000AS-0031.000).

**Department of State Office of Inspector General–Middle East Regional Office**
State OIG has two ongoing projects this quarter related to Afghanistan reconstruction.

**Audit of Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Assistance to Afghanistan**
(Project No. 13AUD082, Initiated June 2013)
The audit objective is to evaluate the management and oversight of the Bureau of International Narcotics and Law Enforcement Affairs (INL) counternarcotics program for Afghanistan, including whether INL has achieved intended and sustainable outcomes and whether INL has applied adequate internal controls over the administration of direct assistance for the Afghanistan counternarcotics program.

**Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Orders 2, 9, and 11 for Movement and Static Security Services in Jerusalem and Afghanistan**
(Project No. 13AUD52, Initiated February 2013)
The overall audit objective is to determine the effectiveness of the Department’s management and oversight of the Worldwide Protective
Services Contract Task Orders 2, 9, and 11. Specifically, the audit team will determine whether the contractor is performing in accordance with contract terms and conditions, the contractor’s work is adequately monitored, and invoice review and approval procedures are in place to ensure accuracy and completeness of costs.

**Government Accountability Office**

GAO has six ongoing projects this quarter related to Afghanistan reconstruction.

**U.S. Civilian Presence in Afghanistan**

(Project No. 320997, Initiated October 22, 2013)

U.S. civilian agencies in Afghanistan are in the process of planning for the transition by the end of 2014 from a predominantly military presence in Afghanistan to a civilian presence led by the Department of State. This report will examine (1) how U.S. civilian agencies have planned for the transition, including post-transition programs and the staffing, security, and logistics needed to support them, (2) the estimated costs to maintain a civilian presence in Afghanistan after the transition, and (3) the factors that could affect these plans and any associated cost estimates.

**Drawdown of DOD Contractors in Afghanistan**

(Project No. 351851, Initiated August 16, 2013)

The key objectives are to determine (1) the extent to which DOD is applying operational contract support lessons learned as it begins its drawdown of contractors and their equipment in Afghanistan; (2) the processes established by DOD and USFOR-A to drawdown its contractor workforce and associated equipment and whether this process is consistent with established guidance; (3) the extent to which DOD is using cost and other information to help ensure it is making cost-effective operational contract support decisions, including decisions on the disposition of contractor-managed government-owned equipment; (4) actions the Department has taken to ensure that there are sufficient oversight personnel in place to oversee contractors as it reduces the number of military forces in Afghanistan; and (5) the extent to which DOD and USFOR-A have begun planning for the use of contractors after December 2014. In addition, GAO will identify the factors that are being considered as DOD begins to plan its post-2014 contractor requirements and what actions DOD is taking to ensure that the operational contractor support needed to support the post-2014 footprint is being provided in the most cost-effective manner possible.

**Use of Foreign Labor Contractors Abroad**

(Project No. 320985, Initiated June 26, 2013)

The United States relies on contractors to provide diverse services overseas. Despite prohibiting the use of trafficked labor for all U.S. government
contracts, concerns remain about the protections afforded to foreign workers recruited by U.S. contractors because prevailing practices in some host countries diverge from U.S. standards. Key questions: (1) What are the practices of U.S. government contractors in recruiting foreign workers for work outside the United States? (2) What legal and other authorities do U.S. agencies identify as providing protection to foreign workers employed by U.S. government contractors outside the United States? (3) To what extent do federal agencies provide oversight and enforcement of such authorities?

**Costs of DOD’s Transition to the Afghan Public Protection Force**
(Project No. 351819, Initiated May 9, 2013)
The Afghan Public Protection Force (APPF) began assuming security responsibilities in March 2012. Private security contractors (PSCs), used to secure military bases, were to have been replaced by either the APPF or military personnel by March 2013. Key questions: To what extent has: (1) DOD implemented the transition of security services from private security contractors to the APPF; (2) DOD developed cost estimates related to the transition to the APPF and what actions are being taken to minimize these costs; and (3) DOD assessed the current and potential security risks to U.S. personnel and logistics as a result of the transition to the APPF and taken measures to minimize these risks?

**Department of State and U.S. Agency for International Development Contingency Contracting**
(Project No. 121119, Initiated March 6, 2013)
The Department of State and USAID have relied extensively on contractors in Iraq and Afghanistan. While the use of contractors in such contingency operations is not new, GAO and others have found that State and USAID experienced challenges managing contracts in these operations. The project will ask, to what extent have State and USAID: (1) assessed their organizational structures related to contracting for contingency operations and determined whether related changes are needed; (2) assessed their contract award and management policies for contingency operations and determined whether changes to those policies are needed; and (3) assessed their workforces, including reliance on contractors, for contingency operations and determined whether changes are needed?

**Afghanistan Equipment Reduction and Base Closures**
(Project No. 351798, Initiated January 18, 2013)
DOD has stated that it will cost at least $5.7 billion to draw down an estimated 90,000 containers of material and 50,000 vehicles from Afghanistan. Given the large number of bases and difficult conditions in Afghanistan, an efficient and cost-effective drawdown will likely depend on DOD knowing how much equipment it has in Afghanistan and making cost-effective
decisions about its disposition. Key questions: To what extent (1) has DOD implemented base-closure procedures, including the accountability of equipment, to meet command-established objectives and timelines? (2) Are command-established objectives and timelines for the Afghanistan equipment drawdown supported by DOD facilities and processes? (3) Is DOD using cost and other information to help ensure it is making cost-effective disposition decisions?

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

U.S. Agency for International Development Office of Inspector General
This quarter, USAID OIG has eight ongoing audits related to reconstruction initiatives. Two projects included in the list below have been suspended.

Review of USAID/Afghanistan’s Activities and Sustainability of Operations at Tarakhil Power Plant
(Project No. FF100914, Initiated December 18, 2013)
Review Objectives:
• Does the Tarakhil Power Plant currently have the resources in place to ensure the sustainability of its operations and protect USAID’s investment?

Review of USAID/Afghanistan’s Basic Education, Literacy, and Technical-Vocational Education and Training (BELT) Project
(Project No. FF100314, Initiated November 14, 2013)
Review Objective:
• Is USAID/Afghanistan improving access to quality basic education, literacy, technical-vocational education, and training for girls and other marginalized populations?
(This review is currently suspended to de-conflict with SIGAR and GAO oversight activities.)

Audit of USAID/Afghanistan’s Financial Assistance for Investing in the Development of Afghanistan (FAIDA)
(Project No. FF100513, Initiated October 21, 2013)
Audit Objective:
• Is the FAIDA project building a sustainable, diverse, and inclusive financial sector that can generate and sustain quality employment to meet the needs of micro, small, and medium enterprises throughout the country?
Audit of USAID/Afghanistan’s Afghan Civilian Assistance Program (ACAP II)
(Project No. FF100114, Initiated October 16, 2013)
Audit Objective:
• Is USAID/Afghanistan’s assistance through the Afghan Civilian Assistance Program II reaching its intended beneficiaries and having its intended impact?

Review of USAID/Afghanistan’s Elections Assistance Program
(Project No. FF100113, Initiated April 2, 2013)
Review Objectives:
• To determine whether USAID’s assistance strengthened the ability of the Government of the Islamic Republic of Afghanistan institutions, Afghan civil society, and other organizations to enable credible, inclusive, and transparent presidential and provincial council elections in 2014.
• To determine if USAID’s assistance contributed to Afghan solutions to the longer-term issues identified in the OIG’s previous audit of elections assistance (Report No. F-306-11-003-P, June 19, 2011).

Audit of USAID/Afghanistan’s Transition Plans
(Project No. FF100712, Initiated November 29, 2012)
Audit Objective:
• Does USAID/Afghanistan have plans to address contingencies related to the U.S. Government’s transition in Afghanistan? (Note: this audit is currently suspended).

Audit of USAID/Afghanistan’s Management Controls over Overtime Compensation
(Project No. FF100612, Initiated October 9, 2012)
Audit Objective:
• To determine if USAID/Afghanistan is following adequate control procedures for overtime compensation.

Follow-up on DOD Audit of Commander’s Emergency Response Program (CERP) Funds Provided to USAID/Afghanistan
(Project No. FF101712, Initiated October 25, 2011)
Audit Objective:
• To determine whether the CERP funds provided by DOD to USAID for specific projects were used for their intended purposes, and were in compliance with applicable laws and regulations.
### APPENDICES AND ENDNOTES CONTENTS

<table>
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<th>Appendix</th>
<th>Page</th>
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<tbody>
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<td>Appendix B</td>
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<td>Appendix C</td>
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<td>Appendix E</td>
<td>217</td>
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<tr>
<td>Endnotes</td>
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</table>

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**The Official Seal of SIGAR**

The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal’s center is in Dari and means "SIGAR." The phrase along the bottom side of the seal’s center is in Pashtu and has the same meaning.
APPENDICES AND ENDNOTES
## APPENDICES

### APPENDIX A

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

This appendix cross-references the pages of this report to the quarterly reporting and related requirements under SIGAR's enabling legislation, the National Defense Authorization Act for Fiscal Year 2008, P.L. 110-181, § 1229 (Table A.1).

<table>
<thead>
<tr>
<th>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. 110-181, § 1229</th>
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<tbody>
<tr>
<td><strong>Public Law Section</strong></td>
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<tr>
<td>Purpose</td>
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<tr>
<td>Section 1229(a)(3)</td>
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<tr>
<td>Supervision</td>
</tr>
<tr>
<td>Section 1229(e)(1)</td>
</tr>
<tr>
<td>Duties</td>
</tr>
<tr>
<td>Section 1229(f)(1)</td>
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</table>
### APPENDICES

#### TABLE A.1 (CONTINUED)

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(f)(1)(G)</td>
<td>The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.</td>
<td>Conduct and reporting of investigations as described</td>
<td>Investigations</td>
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<tr>
<td>Section 1229(f)(2)</td>
<td>OTHER DUTIES RELATED TO OVERSIGHT — The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)</td>
<td>Establish, maintain, and oversee systems, procedures, and controls</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(3)</td>
<td>DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 — In addition, …the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978</td>
<td>Duties as specified in Inspector General Act</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(4)</td>
<td>COORDINATION OF EFFORTS — The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development</td>
<td>Coordination with the inspectors general of DoD, DoS, and USAID</td>
<td>Other Agency Oversight</td>
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<td><strong>Federal Support and Other Resources</strong></td>
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<tr>
<td>Section 1229(h)(5)(A)</td>
<td>ASSISTANCE FROM FEDERAL AGENCIES — Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee</td>
<td>Expect support as requested</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(h)(5)(B)</td>
<td>REPORTING OF REFUSED ASSISTANCE — Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.</td>
<td>None reported</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Reports</strong></td>
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<tr>
<td>Section 1229(j)(1)</td>
<td>QUARTERLY REPORTS — Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –</td>
<td>Report – 30 days after the end of each calendar quarter</td>
<td>Full report Appendix B</td>
</tr>
</tbody>
</table>

| | Summary of all activities under the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. | | |
| | Detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan. | | |
| | | | |

**Additional Notes:**
- Full report and Appendix B details are provided for further reference and analysis.
- The cross-referencing of SIGAR quarterly reporting requirements under P.L. 110-181, § 1229 is essential for transparent and accountable oversight of international development projects.
APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
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<tr>
<td>Section 1229(i)(1)(A)</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(B)</td>
<td>A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program</td>
<td>Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program</td>
<td>Funding Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(1)(C)</td>
<td>Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of donor funds</td>
<td>Funding</td>
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<tr>
<td>Section 1229(i)(1)(D)</td>
<td>Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of funds from seized or frozen assets</td>
<td>Funding</td>
</tr>
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<td>Section 1229(i)(1)(E)</td>
<td>Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan</td>
<td>Operating expenses of agencies or any organization receiving appropriated funds</td>
<td>Funding Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(F)</td>
<td>In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* — (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition</td>
<td>Describe contract details Note 1</td>
<td></td>
</tr>
<tr>
<td>Section 1229(i)(3)</td>
<td>PUBLIC AVAILABILITY — The Inspector General shall publish on a publicly available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan</td>
<td>Publish report as directed at <a href="http://www.sigar.mil">www.sigar.mil</a> Dari and Pashtu translation in process</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(i)(4)</td>
<td>FORM — Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary</td>
<td>Publish report as directed</td>
<td>Full report</td>
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</tbody>
</table>
TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(j)(1)</td>
<td>Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense.</td>
<td>Submit quarterly report</td>
<td>Full report</td>
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</table>

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

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

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

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

To provide products or services to the people of Afghanistan.”
APPENDICES

APPENDIX B

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

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of January 17, 2014.

<table>
<thead>
<tr>
<th>U.S. FUNDING SOURCES</th>
<th>AGENCY</th>
<th>TOTAL</th>
<th>FY 2002</th>
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<tr>
<td><strong>SECURITY</strong></td>
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<td>Afghanistan Security Forces Fund (ASFF)</td>
<td>DOD</td>
<td>57,503.41</td>
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<td>Train &amp; Equip (DOD)</td>
<td>DOD</td>
<td>440.00</td>
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<td>Foreign Military Financing (FMF)</td>
<td>State</td>
<td>1,059.14</td>
<td>57.26</td>
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<td>International Military Education and Training (IMET)</td>
<td>State</td>
<td>13.32</td>
<td>0.18</td>
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<td>NDA Section 1207 Transfer</td>
<td>Other</td>
<td>9.90</td>
<td>0.00</td>
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<td><strong>Total - Security</strong></td>
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<td>59,025.77</td>
<td>57.44</td>
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<td><strong>GOVERNANCE &amp; DEVELOPMENT</strong></td>
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<tr>
<td>Commander's Emergency Response Program (CERP)</td>
<td>DOD</td>
<td>3,669.00</td>
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<tr>
<td>Afghanistan Infrastructure Fund (AIF)</td>
<td>DOD</td>
<td>1,223.00</td>
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<td>Task Force for Business and Stability Operations (TFBSO)</td>
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<td>783.39</td>
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<td>Economic Support Fund (ESF)</td>
<td>USAID</td>
<td>16,686.22</td>
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<td>Development Assistance (DA)</td>
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<td>885.55</td>
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<td>Afghanistan Freedom Support Act (AFSA)</td>
<td>DOD</td>
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<td>Child Survival &amp; Health (CHS + GHAI)</td>
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<td>554.58</td>
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<td>Commodity Credit Corp (CCC)</td>
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<td>USAID (other)</td>
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<td>Non-Proliferation, Antiterrorism, Demining &amp; Related (NADR)</td>
<td>State</td>
<td>606.29</td>
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<td>Provincial Reconstruction Team Advisors</td>
<td>USAID</td>
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<td>Treasury Technical Assistance</td>
<td>Treasury</td>
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<td><strong>Total - Governance &amp; Development</strong></td>
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<td>25,049.09</td>
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<td><strong>COUNTER-NARCOTICS</strong></td>
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<td>Drug Interdiction &amp; Counter-Drug Activities (DOD CN)</td>
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<td>Disaster Assistance (IDA)</td>
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<td>Transition Initiatives (TI)</td>
<td>USAID</td>
<td>36.49</td>
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<td>Migration &amp; Refugee Assistance (MRA)</td>
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<td>Voluntary Peacekeeping (PKO)</td>
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<td>Emergency Refugee &amp; Migration Assistance (ERMA)</td>
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<td>Food for Progress</td>
<td>USDA</td>
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<td>416(b) Food Aid</td>
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<td>Emerson Trust</td>
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<td><strong>Total - Humanitarian</strong></td>
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<td>Oversight</td>
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<td>Other</td>
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<td><strong>Total - International Affairs Operations</strong></td>
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<td><strong>TOTAL FUNDING</strong></td>
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<td>102,129.39</td>
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Notes: Numbers have been rounded. DOD reprogrammed $1 billion from FY 2011 ASFF. DOD reprogrammed $1 billion from FY 2012 ASFF. PL. 113-6 rescinded $1 billion from FY 2012 ASFF. DOD transferred $101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

Includes amounts appropriated in the Consolidated Appropriations Act, 2014.

### APPENDICES

**Revenue Sources**

- **International Affairs Operations**
- **Governance & Development**
- **Security**


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<tr>
<td><strong>Total</strong></td>
<td>1,908.13</td>
<td>995.00</td>
<td>1,908.13</td>
<td>7,406.40</td>
<td>2,750.00</td>
<td>5,606.94</td>
<td>9,166.77</td>
<td>10,619.28</td>
<td>9,200.00</td>
<td>5,124.17</td>
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<td><strong>P.L. 480 Title I USDA</strong></td>
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<td>0.00</td>
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<td><strong>International Narcotics Control &amp; Law Enforcement (INCLE) State</strong></td>
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<td>0.00</td>
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<tr>
<td><strong>Afghanistan Security Forces Fund (ASFF) DOD</strong></td>
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<td>0.00</td>
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<td>0.00</td>
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<td><strong>Emerson Trust USDA</strong></td>
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</tr>
<tr>
<td><strong>Emergency Refugee &amp; Migration Assistance (ERMA) State</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td><strong>Voluntary Peacekeeping (PKO) State</strong></td>
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<tr>
<td><strong>Migration &amp; Refugee Assistance (MRA) State</strong></td>
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<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
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<tr>
<td><strong>Disaster Assistance (IDA) USAID</strong></td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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</tr>
<tr>
<td><strong>Drug Enforcement Administration (DEA) DOJ</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td><strong>Child Survival &amp; Health (CSH + GHAI) USAID</strong></td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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</tr>
<tr>
<td><strong>Afghanistan Freedom Support Act (AFSA) DOD</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
<td>0.00</td>
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<tr>
<td><strong>Development Assistance (DA) USAID</strong></td>
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<tr>
<td><strong>Economic Support Fund (ESF) USAID</strong></td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
</tr>
<tr>
<td><strong>NDAA Section 1207 Transfer Other</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Total**:
- **FY 2003**: 1,908.13
- **FY 2004**: 995.00
- **FY 2005**: 1,908.13
- **FY 2006**: 7,406.40
- **FY 2007**: 2,750.00
- **FY 2008**: 5,606.94
- **FY 2009**: 9,166.77
- **FY 2010**: 10,619.28
- **FY 2011**: 9,200.00
- **FY 2012**: 5,124.17
- **FY 2013**: 4,726.72

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**Jan2014_QR.indb** 205

**Repo R t to the united st Ates cong R ess  i  January 30, 2014**
APPENDICIES

APPENDIX C
SIGAR WRITTEN PRODUCTS

SIGAR AUDITS

Completed Performance Audits
SIGAR completed four performance audits during this reporting period.

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Audit 14-32-AR</td>
<td>Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries’ Ability to Manage Donor Funds, but Weaknesses Remain</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Audit 14-30-AR</td>
<td>Afghan National Security Forces: Despite Reported Successes, Concerns Remain about Literacy Program Results, Contract Oversight, Transition, and Sustainment</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Audit 14-26-AR</td>
<td>Support for Afghanistan’s Justice Sector: State Department Programs Need Better Management and Stronger Oversight SIGAR</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Audit 14-16-AR</td>
<td>Afghanistan’s Banking Sector: The Central Bank’s Capacity to Regulate Commercial Banks Remains Weak</td>
<td>1/2014</td>
</tr>
</tbody>
</table>

New Performance Audits
SIGAR initiated four performance audits during this reporting period.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 091A</td>
<td>Audit of U.S. Government Efforts to Develop and Strengthen the Capacity of the Counternarcotics Police of Afghanistan’s (CNPA) Provincial Units</td>
<td>12/2013</td>
</tr>
<tr>
<td>SIGAR 090A</td>
<td>Audit of ANA National Engineer Brigade’s Engineering Equipment</td>
<td>11/2013</td>
</tr>
<tr>
<td>SIGAR 088A</td>
<td>Audit of U.S. Government Efforts to Assist in Reconstruction and Commercialization of Afghanistan’s Information and Communication Technology Sector</td>
<td>11/2013</td>
</tr>
</tbody>
</table>

Ongoing Performance Audits
SIGAR had 10 audits in progress during this reporting period.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 087A</td>
<td>Women’s Initiatives</td>
<td>8/2013</td>
</tr>
<tr>
<td>SIGAR 086A</td>
<td>Education Sector</td>
<td>8/2013</td>
</tr>
<tr>
<td>SIGAR 085A</td>
<td>Mobile Strike Force Vehicles for the Afghan National Army</td>
<td>7/2013</td>
</tr>
<tr>
<td>SIGAR 083A</td>
<td>U.S. Agency for International Development (USAID) and Department of Homeland Security Customs and Border Protection (CBP) Efforts to Develop and Strengthen Afghanistan’s Capacity to Assess and Collect Customs Revenue</td>
<td>7/2013</td>
</tr>
</tbody>
</table>
Appendices

**ongoing sigar performance audits as of january 30, 2014**

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 082B</td>
<td>U.S. Efforts to Develop and Strengthen the Capacity of Afghanistan's Central Bank</td>
<td>6/2013</td>
</tr>
<tr>
<td>SIGAR 079A</td>
<td>Reliability of Afghan National Security Forces Commanders Unit Assessment Tool</td>
<td>2/2013</td>
</tr>
<tr>
<td>SIGAR 079B</td>
<td>Reliability of Afghan National Security Forces Personnel Data</td>
<td>2/2013</td>
</tr>
<tr>
<td>SIGAR 078A</td>
<td>Accountability of Weapons and Equipment Provided to the Afghan National Security Forces (ANSF)</td>
<td>5/2013</td>
</tr>
<tr>
<td>SIGAR 077A</td>
<td>USAID Assistance to Afghanistan's Water Sector</td>
<td>2/2013</td>
</tr>
</tbody>
</table>

**completed financial audit**

SIGAR completed eight financial audits during this reporting period.

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Financial Audit 14-20-FA</td>
<td>USAID's Community Development Program: Audit of Costs Incurred by Central Asia Development Group, Inc.</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Financial Audit 14-19-FA</td>
<td>USAID's Community Development Program: Audit of Costs Incurred by Mercy Corps</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Financial Audit 14-11-FA</td>
<td>Department of State's Demining Activities in Afghanistan: Audit of Costs Incurred by Afghan Technical Consultants</td>
<td>12/2013</td>
</tr>
</tbody>
</table>

**new financial audits**

SIGAR initiated three financial audits during this reporting period.

<table>
<thead>
<tr>
<th>New Sigar Financial Audits as of January 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Identifier</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>F-040</td>
</tr>
<tr>
<td>F-039</td>
</tr>
<tr>
<td>F-038</td>
</tr>
</tbody>
</table>
Ongoing Financial Audits
SIGAR had 17 financial audits in progress during this reporting period.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-037</td>
<td>USAID Task Order with Tetra Tech ARD for technical support to the Rule of Law Stabilization Program-Formal</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-036</td>
<td>State Grant with Sayed Majidi Architecture and Design (SMAD) for project management services for architectural and engineering design of the new national museum in Kabul</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-035</td>
<td>State Cooperative Agreement and Grant with CETENA Group for support to the Afghan TV Content Production Manager project and the Nationwide Adult Literacy project</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-034</td>
<td>State Grants with the Mine Clearance Planning Agency to provide support for the removal of land mines and unexploded ordnance</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-033</td>
<td>State Task Order with PAE for technical support to the Civilian Police Program</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-032</td>
<td>USAID Task Order with IRG (now part of Engility) for technical support to the Afghan Clean Energy Program (ACEP)</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-031</td>
<td>USAID Cooperative Agreement with ICMA for technical support to the Afghanistan Municipal Strengthening Program (AMSP)</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-030</td>
<td>USAID Task Order with Tetra Tech DPK for technical support to the Rule of Law Stabilization Program-Formal</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-029</td>
<td>USAID Cooperative Agreement with CARE International for technical support to the Partnership for Advancing Community-based Education in Afghanistan (PACE-A)</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-028</td>
<td>USAID Task Order with AECOM for technical support to the Afghanistan Social Outreach Program (ASOP)</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-027</td>
<td>USAID Cooperative Agreement with PACT to strengthen the independent media sector in Afghanistan</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-026</td>
<td>USAID Task Order with ARD (now part of Tetra Tech) to provide technical support to the Sustainable Water Supply and Sanitation (SWSS) project</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-025</td>
<td>USAID Cooperative Agreement with IRD to implement the Afghan Vouchers for Increased Production in Agriculture (AVIPA) program</td>
<td>9/2013</td>
</tr>
<tr>
<td>F-024</td>
<td>USAID Contract with Chemonics for Afghanistan Stabilization Initiative to Support Countersurgency Operations by Improving Economic and Social Conditions in Afghanistan (Southern Region) &amp; Accelerated Sustainable Agriculture Program (ASAP)</td>
<td>7/2013</td>
</tr>
<tr>
<td>F-023</td>
<td>USAID Contract with Development Alternatives Inc for Afghan Small and Medium Enterprise Development (ASMED) Project &amp; Afghanistan Stabilization Initiative</td>
<td>7/2013</td>
</tr>
<tr>
<td>F-016</td>
<td>USAID Cooperative Agreement with JHP EGO Corporation for support to the Health Service Support Project (HSSP)</td>
<td>4/2013</td>
</tr>
<tr>
<td>F-012</td>
<td>USAID Cooperative Agreement with International Relief and Development Inc for the Strategic Provincial Roads Project in Southern and Eastern Afghanistan</td>
<td>12/2012</td>
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</table>
SIGAR INSPECTIONS

Completed Inspections
SIGAR completed three inspections during this reporting period:

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Inspection 14-31-IP</td>
<td>Salang Hospital: Lack of Water and Power Severely Limits Hospital Services, and Major Construction Deficiencies Raise Safety Concerns</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Inspection 14-24-IP</td>
<td>Balkh Education Facility: Building Remains Unfinished and Unsafe to Occupy After Nearly Five Years</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Inspection 14-13-IP</td>
<td>Forward Operating Base Sharana: Poor Planning and Construction Resulted in $5.4 Million Spent for Inoperable Incinerators and Continued Use of Open-Air Burn Pits</td>
<td>12/2013</td>
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</table>

SIGAR SPECIAL PROJECTS

Completed Special Projects
SIGAR completed five Special Project reports this reporting period:

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
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<tbody>
<tr>
<td>SIGAR Special Project 14-28-SP</td>
<td>Geospatial Fact Sheet: Oversight Access for Selected U.S. Army Corps of Engineers Projects and the Kajaki Dam Project</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Special Project 14-27-SP</td>
<td>USAID Assistance to Afghanistan Reconstruction: $13.3 Billion Obligated Between 2002 and 2013</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Special Project 14-25-SP</td>
<td>Unoccupied 64,000-Square-Foot Building</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Special Project 14-22-SP</td>
<td>Commanders Emergency Response Program Funding Inquiry Letter</td>
<td>1/2014</td>
</tr>
<tr>
<td>SIGAR Special Project 14-12-SP</td>
<td>Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of Over $4 Billion in Direct Assistance Funding</td>
<td>12/2013</td>
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</table>

Special Project Alert Letter
SIGAR completed one Special Project alert letter this reporting period.

<table>
<thead>
<tr>
<th>Letter Identifier</th>
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<tbody>
<tr>
<td>Alert Letter 14-27-AL</td>
<td>Kajaki Dam Turbine Installation</td>
<td>12/31/2013</td>
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</tbody>
</table>

OTHER SIGAR WRITTEN PRODUCTS

The Special Inspector General for Afghanistan Reconstruction, John F. Sopko, testified before the Congress once this reporting period.

<table>
<thead>
<tr>
<th>Testimony Identifier</th>
<th>Testimony Title</th>
<th>Testimony Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 14-21-TY</td>
<td>Future U.S. Counternarcotics Efforts in Afghanistan</td>
<td>1/15/2014</td>
</tr>
</tbody>
</table>
APPENDICES

APPENDIX D

SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations

This quarter, SIGAR opened 51 new investigations and closed 39, bringing the total number of open investigations to 318. Of the new investigations, most involved money laundering and procurement fraud, as shown in Figure D.1. Of the closed investigations, most were closed due to unfounded allegations, as shown in Figure D.2.

SIGAR Hotline

Of the 101 Hotline complaints received this quarter, most were received electronically, as shown in Figure D.3. In addition to working on new complaints, the Investigations directorate continued its work this quarter on complaints received prior to October 1, 2013. This quarter, the directorate processed 141 complaints, most of which were closed, as shown in Figure D.4.

FIGURE D.1
NEW SIGAR INVESTIGATIONS, OCTOBER 1–DECEMBER 31, 2013

Source: SIGAR Investigations Directorate, 1/10/2014.

FIGURE D.2
SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, OCTOBER 1–DECEMBER 31, 2013


SIGAR Investigations Directorate, 1/9/2014.

FIGURE D.3
SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, OCTOBER 1–DECEMBER 31, 2013


SIGAR Hotline

Of the 101 Hotline complaints received this quarter, most were received electronically, as shown in Figure D.3. In addition to working on new complaints, the Investigations directorate continued its work this quarter on complaints received prior to October 1, 2013. This quarter, the directorate processed 141 complaints, most of which were closed, as shown in Figure D.4.

FIGURE D.4
SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, OCTOBER 1–DECEMBER 31, 2013

Suspensions and Debarments From SIGAR Referrals

SIGAR's referrals for suspension and debarment as of December 31, 2013 are shown in chronological order in Table D.1.

TABLE D.1

<table>
<thead>
<tr>
<th>SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suspensions</td>
</tr>
<tr>
<td>Al-Watan Construction Company</td>
</tr>
<tr>
<td>Basirat Construction Firm</td>
</tr>
<tr>
<td>Brophy, Kenneth</td>
</tr>
<tr>
<td>Naqibullah, Nadeem</td>
</tr>
<tr>
<td>Rahman, Obaidur</td>
</tr>
<tr>
<td>Campbell, Neil Patrick</td>
</tr>
<tr>
<td>Borcata, Raul A.</td>
</tr>
<tr>
<td>Close, Jared Lee</td>
</tr>
<tr>
<td>Logistical Operations Worldwide</td>
</tr>
<tr>
<td>Robinson, Franz Martin</td>
</tr>
<tr>
<td>Taylor, Zachery Dustin</td>
</tr>
<tr>
<td>Aaria Group Construction Company</td>
</tr>
<tr>
<td>Aaria Group</td>
</tr>
<tr>
<td>Aaria Herai General Trading</td>
</tr>
<tr>
<td>Aaria M.E. General Trading LLC</td>
</tr>
<tr>
<td>Aaria Middle East</td>
</tr>
<tr>
<td>Aaria Middle East Company LLC</td>
</tr>
<tr>
<td>Aaria Middle East Company Ltd.-Herat</td>
</tr>
<tr>
<td>Aaria Supplies Company LTD</td>
</tr>
</tbody>
</table>
### APPENDICES

#### TABLE D.1 (CONTINUED)

<table>
<thead>
<tr>
<th>Suspensions</th>
<th>Debarments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaria Supply Services and Consultancy</td>
<td>Jamally, Rohullah</td>
</tr>
<tr>
<td>Aftech International</td>
<td>Khalid, Mohammad</td>
</tr>
<tr>
<td>Aftech International Pvt., Ltd.</td>
<td>Khan, Daoro</td>
</tr>
<tr>
<td>Alam, Ahmed Farzad</td>
<td>Mariano, April Anne Perez</td>
</tr>
<tr>
<td>Albahar Logistics</td>
<td>McCabe, Etton Maurice</td>
</tr>
<tr>
<td>American Aaria Company LLC</td>
<td>Mihalczo, John</td>
</tr>
<tr>
<td>American Aaria LLC</td>
<td>Qasimi, Mohammed Indress</td>
</tr>
<tr>
<td>Barakzai, Nangialai</td>
<td>Radhi, Mohammad Khalid</td>
</tr>
<tr>
<td>Formid Supply and Services</td>
<td>Sali, Fazal Ahmed</td>
</tr>
<tr>
<td>Greenlight General Trading</td>
<td>Shin Gul Shaheen, a.k.a. “Sheen Gul Shaheen”</td>
</tr>
<tr>
<td>Kabul Hackle Logistics Company</td>
<td>Espinoza-Loor, Pedro Alfred</td>
</tr>
<tr>
<td>Sharpway Logistics</td>
<td>Campbell, Neil Patrick*</td>
</tr>
<tr>
<td>United States California Logistics Company</td>
<td>Navarro, Wesley</td>
</tr>
<tr>
<td>Yousef, Najeebullah</td>
<td>Hazrat, Arash</td>
</tr>
<tr>
<td>Rahimi, Mohammad Edris</td>
<td>Midfield International</td>
</tr>
<tr>
<td>Wooten, Philip Steven</td>
<td>Moore, Robert G.</td>
</tr>
<tr>
<td>Domineck, Lavette Kaye</td>
<td>Noori, Noor Alam, a.k.a. “Noor Alam”</td>
</tr>
<tr>
<td>Markwith, James</td>
<td>Northern Reconstruction Organization</td>
</tr>
<tr>
<td>All Points International Distributors, Inc.</td>
<td>Shomal Pami Building and Road Construction Company</td>
</tr>
<tr>
<td>Cipolla, James</td>
<td>Wade, Desi D.</td>
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<tr>
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SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2013
### APPENDICES

**TABLE D.1 (CONTINUED)**

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SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2013

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Note: * indicates previously in suspended status following criminal indictment. Final debarment imposed following criminal conviction in U.S. federal district court.
### APPENDIX E

#### ABBREVIATIONS AND ACRONYMS

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<th>ACRONYM OR ABBREVIATION</th>
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<td>4A</td>
<td>Assistance to Afghanistan's Anti-Corruption Authority</td>
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<td>AAN</td>
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<td>ABADE</td>
<td>Assistance in Building Afghanistan by Developing Enterprises</td>
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<td>ABP</td>
<td>Afghan Border Police</td>
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<td>Agricultural Credit Enhancement</td>
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<td>Anti-Corruption Unit</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>ADF</td>
<td>Agricultural Development Fund</td>
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<td>ADS</td>
<td>Automated Directives System</td>
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<td>AERCA</td>
<td>Afghanistan Electoral Reform and Civic Advocacy</td>
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<td>AFISCO</td>
<td>Afghan Iron and Steel Consortium</td>
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<td>Afghans (currency)</td>
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<td>Attorney General’s Office</td>
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<td>AGS</td>
<td>Afghan Geological Survey</td>
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<td>AIF</td>
<td>Afghanistan Infrastructure Fund</td>
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<td>AIHRC</td>
<td>Afghanistan Independent Human Rights Commission</td>
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<td>AIRP</td>
<td>Afghanistan Infrastructure and Rehabilitation Program</td>
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<td>AITF</td>
<td>Afghanistan Infrastructure Trust Fund</td>
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<td>ALBA</td>
<td>Assistance to Legislative Bodies of Afghanistan</td>
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<td>Afghan Local Police</td>
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<td>ANA</td>
<td>Afghan National Army</td>
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<td>ANCAP</td>
<td>Afghan National Civil Order Police</td>
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<td>ANP</td>
<td>Afghan National Police</td>
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<td>ANSF</td>
<td>Afghan National Security Forces</td>
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<td>APPF</td>
<td>Afghan Public Protection Force</td>
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<td>APRP</td>
<td>Afghanistan Peace and Reintegration Plan</td>
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<td>AR</td>
<td>Army Regulation</td>
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<td>Afghanistan Reconstruction Trust Fund</td>
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<td>AUAF</td>
<td>American University of Afghanistan</td>
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<td>AUP</td>
<td>Afghan Uniform Police</td>
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<td>AWOL</td>
<td>Absent Without Leave</td>
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<td>BELT</td>
<td>Basic Education, Literacy, and Technical-Vocational Education and Training</td>
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<td>BSA</td>
<td>Bilateral Security Agreement</td>
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<td>CCI</td>
<td>Community Cohesion Initiative</td>
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<td>CENTCOM</td>
<td>U.S. Central Command</td>
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</table>
## APPENDICES

**ACRONYM OR ABBREVIATION** | **DEFINITION**
--- | ---
CERP | Commander's Emergency Response Program
CHAMP | Commercial Horticulture and Agricultural Marketing Program
CIGIE | Council of the Inspectors General on Integrity and Efficiency
CIR | CSTC-A's Comptroller Directorate
CIATF | Combined Joint Interagency Task Force
CM | Capability Milestone
CNC | Counternarcotics Justice Center
CPA | Counternarcotics Police of Afghanistan
CNPCI-W | China National Petroleum Corporation Watan Energy Afghanistan Ltd.
COR | Contracting Officer's Representative
CRIP | Community Recovery Intensification and Prioritization
CSTC-A | Combined Security Transition Command-Afghanistan
CUAT | Commander's Unit Assessment Tool
DAB | Da Afghanistan Bank
DABS | Da Afghanistan Breshna Sherkat
DCIS | Defense Criminal Investigative Service (U.S.)
DEA | Drug Enforcement Administration (U.S.)
DISA | Defense Information Systems Agency (U.S.)
DOD | Department of Defense (U.S.)
DOD CN | Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)
DOD OIG | Department of Defense Office of Inspector General
DJI | Department of Justice (U.S.)
ECC | Electoral Complaints Commission
ECF | Extended Credit Facility
ECT | Enhancing Legal and Electoral Capacity for Tomorrow program
EMIS | Ministry of Education's Information Management System (Afghan)
ESF | Economic Support Fund
EVAW | Elimination of Violence Against Women law
FBI | Federal Bureau of Investigation (U.S.)
FOB | Forward Operating Base
FSD | Financial Supervision Division of DAB (Afghan)
FY | Fiscal Year
G2G | government-to-government
GAGAS | Generally Accepted Government Auditing Standards
GAO | Government Accountability Office (U.S.)
GDP | Gross Domestic Product
GDPDC | General Directorate of Prisons and Detention Centers
GFC | Ground Forces Command (Afghan)
GLE | Governor-Led Eradication
GP | Good Performer's Initiative
HEP | Higher Education Program
HFZ | Helmand Food Zone
HOO | High Office of Oversight for Anti-Corruption (Afghan)
### APPENDICES

<table>
<thead>
<tr>
<th>Acronym or Abbreviation</th>
<th>Definition</th>
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<tr>
<td>HPP</td>
<td>Health Policy Project</td>
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<td>ICC</td>
<td>International Coordinating Committee</td>
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<td>ICG</td>
<td>International Crisis Group</td>
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<td>ICRC</td>
<td>International Committee of the Red Cross</td>
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<td>ICT</td>
<td>Information and Communications Technology Sector (Afghan)</td>
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<td>IDEA-NEW</td>
<td>Incentives Driving Economic Alternatives-North, East, and West</td>
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<td>IDLG</td>
<td>Independent Directorate of Local Governance (Afghan)</td>
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<td>IDLO</td>
<td>International Development Law Organization</td>
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<td>IEC</td>
<td>Independent Election Commission (Afghan)</td>
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<td>IED</td>
<td>Improvised Explosive Device</td>
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<td>IUSF</td>
<td>International Security Assistance Force Joint Command</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INCLE</td>
<td>International Narcotics Control and Law Enforcement (U.S.)</td>
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<td>INL</td>
<td>Bureau of International Narcotics and Law Enforcement Affairs (U.S.)</td>
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<td>IOCC</td>
<td>Interagency Operations Coordination Center</td>
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<td>ARTF Incentive Program</td>
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<td>Initiative to Promote Afghan Civil Society</td>
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## APPENDICES

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<th>ACRONYM OR ABBREVIATION</th>
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<td>Radio Free Europe/Radio Liberty</td>
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<tr>
<td>SGDP</td>
<td>Sheberghan Gas Development Program</td>
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<tr>
<td>SIGAR</td>
<td>Special Inspector General for Afghanistan Reconstruction</td>
</tr>
<tr>
<td>SIKA</td>
<td>Stability in Key Areas</td>
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<tr>
<td>SMW</td>
<td>Special Mission Wing (Afghan)</td>
</tr>
<tr>
<td>SPECS</td>
<td>Supporting Political Entities and Civil Society program</td>
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## APPENDICES

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<thead>
<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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<tr>
<td>S-RAD</td>
<td>Southern Regional Agricultural Development Program</td>
</tr>
<tr>
<td>State OIG</td>
<td>Department of State Office of the Inspector General</td>
</tr>
<tr>
<td>STEP-UP</td>
<td>Strengthening Tertiary Education Program-University Partnerships</td>
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<tr>
<td>SY</td>
<td>Solar Year</td>
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<td>TAC</td>
<td>Transparency and Accountability Committees</td>
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<td>TAWG</td>
<td>Transparency &amp; Accountability Working Group</td>
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<tr>
<td>TFBSO</td>
<td>Task Force for Business and Stability Operations in Afghanistan</td>
</tr>
<tr>
<td>TVET</td>
<td>Technical Vocational Education and Training</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNAMA</td>
<td>United Nations Assistance Mission in Afghanistan</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNODC</td>
<td>UN Office on Drugs and Crime</td>
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<tr>
<td>USAAA</td>
<td>U.S. Army Audit Agency</td>
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<tr>
<td>USACE</td>
<td>U.S. Army Corps of Engineers</td>
</tr>
<tr>
<td>USACE-TAN</td>
<td>USACE Afghanistan Engineer District North</td>
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<tr>
<td>USAID</td>
<td>U.S. Agency for International Development</td>
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<td>USAID OIG</td>
<td>USAID Office of the Inspector General</td>
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<td>USFOR-A</td>
<td>U.S. Forces-Afghanistan</td>
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<tr>
<td>USGS</td>
<td>United States Geological Survey</td>
</tr>
<tr>
<td>USIP</td>
<td>U.S. Institute for Peace</td>
</tr>
<tr>
<td>VSO</td>
<td>Village Stability Operations</td>
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5 Reuters, "NATO says Karzai failure to sign pact would end Afghan mission," 12/2/2013.


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12 See the “SIGAR Oversight” section, pp. 46-47 of SIGAR’s October 2013 Quarterly Report to the United States Congress for a discussion, with illustrative maps, of the increasing oversight-access challenge as U.S. military forces in Afghanistan are withdrawn. DOD recently confirmed to SIGAR by letter that “there will be locations in Afghanistan that will not be easily accessible by U.S. personnel,” but noted that the specific areas affected will depend on U.S. basing decisions yet to be made.


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21 UN Office on Drugs and Crime, Afghanistan Opium Survey 2013: Summary Findings, November 2013, p. 3.


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SIGAR’s oversight mission, as defined by the legislation, is to provide for the independent and objective
• conduct and supervision of audits and investigations relating to the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.
• leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of the programs and operations, and to prevent and detect waste, fraud, and abuse in such programs and operations.
• means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operation and the necessity for and progress on corrective action.

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


(For a list of the congressionally mandated contents of this report, see Section 3.)

Cover photo: An armored vehicle of the U.S. 9th Marine Regiment moves through the desert during a patrolling operation in Helmand Province, Afghanistan, December 20, 2013. (USMC photo)
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