

# 3 RECONSTRUCTION UPDATE



# RECONSTRUCTION UPDATE CONTENTS

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**Photo on previous page**

A color guard of the U.S.-led International Security Assistance Force parades during the December 8, 2014, colors-casing ceremony in North Kabul for ISAF Joint Command and the U.S. XVIII Airborne Corps. Both commands were closing their missions in Afghanistan. (U.S. Air Force photo by Staff Sgt. Perry Aston)

## RECONSTRUCTION UPDATE

### OVERVIEW

This quarter witnessed the end of International Security Assistance Force (ISAF) operations and the beginning of NATO's Resolute Support Mission (RSM) to train, advise, and assist the Afghan National Security Forces (ANSF). The remaining 9,500 U.S. troops in Afghanistan will participate in RSM and play a limited counterterrorism role.

In December, the United Nations (UN) Secretary-General reported that 2014 saw the highest number of civilian casualties yet recorded in the Afghanistan conflict, with the UN Assistance Mission in Afghanistan predicting civilian casualties to exceed 10,000 for all of 2014.

Assessments of the ANSF remain positive overall while recognizing capability gaps remain. The UN reported that overall the Afghan security forces were able to counter the insurgency with relative effectiveness and the insurgents were unable to permanently capture their intended targets.

Last quarter, SIGAR expressed concerns about ISAF's classification of a previously unclassified ANSF assessment report summary. This quarter, the new RSM went further, classifying information that SIGAR, until now, has used to publicly report on such matters as ANSF strength, attrition, equipment, personnel sustainment, infrastructure, and training, as well as Afghan Air Force and Special Mission Wing capabilities, and anticorruption initiatives at the Ministry of Defense (MOD) and Ministry of Interior (MOI). As a result, much of the information SIGAR has used for the past six years to report on the \$65 billion U.S. investment in the ANSF is no longer releasable to the public and SIGAR, for the first time, will produce a classified annex to this report.

On December 4, Afghanistan's new national-unity government and representatives of the international community convened the London Conference on Afghanistan. Participants renewed commitments made at the 2012 Tokyo conference and agreed to update these commitments in 2015. The London Conference was not intended to result in new donor promises of assistance; instead, the international community reaffirmed its previous commitment of \$16 billion in assistance through 2015.

Throughout the quarter, there were numerous delays in appointing a new cabinet and other high-ranking Afghan government officials. President

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Ashraf Ghani finally announced nominations for key government positions on January 12, more than three months after his inauguration. The nominations must be approved by the National Assembly.

Afghanistan suffered from an estimated \$500 million budget shortfall in fiscal year (FY) 1393 (December 21, 2013–December 20, 2014) that threatened to affect payments of civil servant salaries and pensions, as well as operating and development spending. In the first 10 months of FY 1393, domestic revenues missed Ministry of Finance (MOF) budget targets by 26% and decreased by about 7.6% from the same period last year. At the same time, Afghan government expenditures increased 11% from the same period in FY 1392, and are expected to continue rising, according to World Bank projections. This quarter, the United States gave Afghanistan \$100 million to help cover the fiscal gap. Afghanistan is operating without an approved budget for FY 1394.

The Asia Foundation released the 2014 *Survey of the Afghan People* based on in-person interviews conducted from June 22 to July 8, 2014. At that time, 54.7% of Afghan respondents said the country is moving in the right direction, down from 57.2% in 2013; 40.4% said it is moving in the wrong direction, up from 37.9% in 2013. Despite yearly fluctuations, the long-term trend since 2006 shows an increase in the perception that the country is moving in the right direction.

This quarter, the United Nations Office on Drugs and Crime (UNODC) published its latest opium survey results for Afghanistan. Once again, the area under poppy cultivation increased, this time to 224,000 hectares—surpassing 2013's all-time record—and eradication results decreased significantly to 2,692 hectares when compared to the 2013 numbers. Meanwhile, on the interdiction front, DOD reported lower interdiction numbers for 2014 as well as for this quarter. The drawdown of Coalition forces has affected the ability of Afghan counternarcotics forces to conduct operations. Even though specialized Afghan units are able to conduct complex counterdrug investigations and operations, results will likely continue to decline without the support of Coalition quick-reaction forces, air support, and dedicated medical evacuation.

On December 16, 2014, President Obama signed the Consolidated and Further Continuing Appropriations Act, 2015, funding the U.S. government for the rest of the fiscal year and increasing cumulative funding for Afghanistan reconstruction to approximately \$107.5 billion, as of December 30, 2014. When this report went to press, final FY 2015 appropriation amounts for State and USAID accounts were still being determined. Total FY 2015 funding levels will increase when these amounts are known. A significant amount of reconstruction funds remain to be disbursed. Of the \$91.2 billion appropriated for the seven major reconstruction funds, approximately \$15.3 billion remained in the funding pipeline for potential disbursement at the end of the fiscal quarter.

# RECONSTRUCTION UPDATE

The United States provides on-budget assistance to Afghan government entities and contributions to multinational trust funds. Since 2002, the United States has provided more than \$8.1 billion in on-budget assistance. This includes about \$4.1 billion to Afghan government ministries and institutions, and more than \$4 billion to three multinational trust funds—the World Bank’s Afghanistan Reconstruction Trust Fund (ARTF), the United Nations Development Programme’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.

TABLE 3.1

<b>U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)</b>	
<b>Government-to-Government</b>	
DOD	\$2,905
State	92
USAID	1,076
<b>Multilateral Trust Funds</b>	
LOTFA	\$1,519
ARTF	2,430
AITF	105

Note: Government-to-government figures reflect amounts the United States has committed in on-budget assistance, excluding commitments to Multilateral Trust Funds. Multilateral Trust Funds figures reflect amounts the United States has paid in to each trust fund.

Source: SIGAR, Audit Report 14-32-AR; *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries’ Ability to Manage Donor Funds, but Weaknesses Remain*, 1/2014; SIGAR, Special Project Report 14-12-SP; *Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of Over \$4 Billion in Direct Assistance Funding*, 12/2013; USAID, response to SIGAR data call, 1/12/2015; World Bank, *ARTF: Administrator’s Report on Financial Status as of December 21, 2014 (end of 12th month of FY 1393)*, p. 5; UNDP, *Law and Order Trust Fund for Afghanistan (LOTFA) 2014 Third Quarter Project Progress Report*, 1/17/2015, p. 47; SIGAR analysis of UNDP’s quarterly and annual LOTFA reports, 1/17/2015.

# RECONSTRUCTION UPDATE

<b>DOD</b>	<b>ASFF:</b> Afghanistan Security Forces Fund
	<b>CERP:</b> Commander's Emergency Response Program
	<b>AIF:</b> Afghanistan Infrastructure Fund
	<b>TFBSO:</b> Task Force for Business and Stability Operations
	<b>DOD CN:</b> DOD Drug Interdiction and Counter-Drug Activities
<b>USAID</b>	<b>ESF:</b> Economic Support Fund
<b>State</b>	<b>INCLE:</b> International Narcotics Control and Law Enforcement

## FUNDING FOR AFGHANISTAN RECONSTRUCTION

Since 2002, Congress has appropriated nearly \$107.5 billion for Afghanistan relief and reconstruction. Of this amount, \$91.2 billion (85%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2. This amount will increase when appropriation amounts for Afghanistan are determined for State and USAID accounts.

As of December 31, 2014, approximately \$15.3 billion of the amount appropriated to the seven major reconstruction funds remained for possible disbursement, as shown in Figure 3.1. These funds will be used to complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; train, equip, and sustain the ANSF; combat narcotics production and trafficking; and advance the rule of law, strengthen the justice sector, and promote human rights.

FIGURE 3.1

### STATUS OF CUMULATIVE APPROPRIATED FUNDS (\$ BILLIONS)

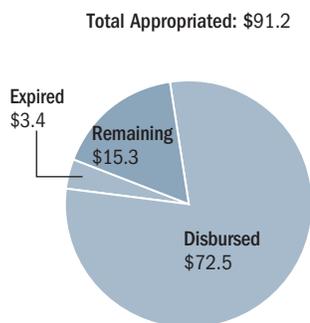


TABLE 3.2

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2015 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$60.67	\$52.35	\$50.74	\$8.67
CERP	3.68	2.28	2.26	0.03
AIF	1.04	0.84	0.33	0.57
TFBSO	0.81	0.76	0.63	0.15
DOD CN	2.83	2.80	2.80	0.03
ESF	17.71	16.38	12.49	4.74
INCLE	4.44	4.16	3.29	1.09
<b>Total 7 Major Funds</b>	<b>\$91.20</b>	<b>\$79.57</b>	<b>\$72.54</b>	<b>\$15.28</b>
Other Reconstruction Funds	7.33			
Civilian Operations	8.96			
<b>Total</b>	<b>\$107.48</b>			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$3.4 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/19/2015.

On December 16, 2014, President Obama signed the Consolidated and Further Continuing Appropriations Act, 2015, funding the U.S. government for the rest of the fiscal year and appropriating the following amounts for the seven major reconstruction funds:

- \$4.1 billion for the ASFF
- \$10 million for CERP
- No additional funding for AIF
- No additional funding for TFBSO
- \$110.1 million for DOD CN
- ESF amount for Afghanistan still being determined
- INCLE amount for Afghanistan still being determined

# RECONSTRUCTION UPDATE

Congress appropriated nearly \$8.1 billion to the seven major reconstruction funds for FY 2013. Of that amount, nearly \$2.6 billion remained for possible disbursement, as of December 31, 2014, as shown in Table 3.3 and Figure 3.2.

TABLE 3.3

<b>FY 2013 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED</b> (\$ MILLIONS)				
	<b>Appropriated</b>	<b>Obligated</b>	<b>Disbursed</b>	<b>Remaining</b>
ASFF	\$4,946	\$4,856	\$4,616	\$240
CERP	200	42	37	5
AIF	146	130	41	89
TFBSO	138	134	113	22
DOD CN	256	256	256	0
ESF	1,803	1,741	26	1,715
INCLE	594	594	89	505
<b>Total 7 Major Funds</b>	<b>\$8,082</b>	<b>\$7,753</b>	<b>\$5,176</b>	<b>\$2,576</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$329 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/19/2015.

Congress appropriated nearly \$5.5 billion to the seven major reconstruction funds for FY 2014. Of that amount, nearly \$4.5 billion remained for possible disbursement, as of December 31, 2014, as shown in Table 3.4 and Figure 3.3.

TABLE 3.4

<b>FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED</b> (\$ MILLIONS)				
	<b>Appropriated</b>	<b>Obligated</b>	<b>Disbursed</b>	<b>Remaining</b>
ASFF	\$3,962	\$1,013	\$826	\$3,136
CERP	30	7	4	3
AIF	199	138	1	198
TFBSO	122	107	66	57
DOD CN	105	105	105	0
ESF	852	0	0	852
INCLE	225	9	9	216
<b>Total 7 Major Funds</b>	<b>\$5,496</b>	<b>\$1,379</b>	<b>\$1,011</b>	<b>\$4,462</b>

Note: Numbers have been rounded. Pub. L. 113-235 rescinded \$764.38 million from FY 2014 ASFF. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$23 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/19/2015.

FIGURE 3.2

FY 2013 STATUS OF APPROPRIATED FUNDS  
(\$ MILLIONS)

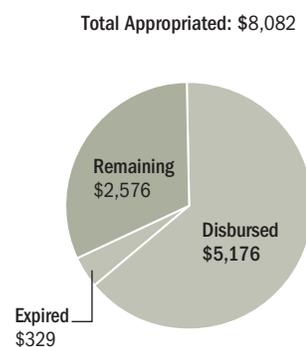
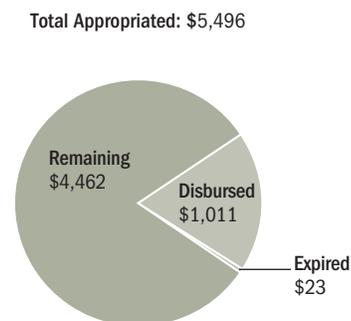


FIGURE 3.3

FY 2014 STATUS OF APPROPRIATED FUNDS  
(\$ MILLIONS)



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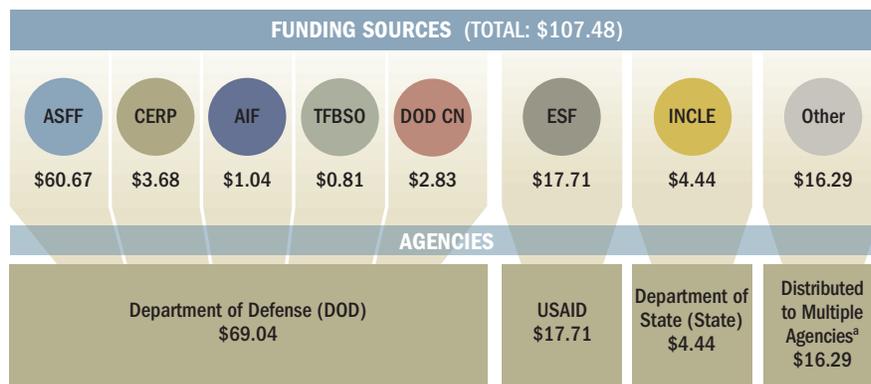
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of December 31, 2014, the United States had appropriated approximately \$107.48 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$65.02 billion for security (\$4.20 billion for counternarcotics initiatives)
- \$30.65 billion for governance and development (\$3.81 billion for counternarcotics initiatives)
- \$2.86 billion for humanitarian aid
- \$8.96 billion for civilian operations

Figure 3.4 shows the major U.S. funds that contribute to these efforts.

FIGURE 3.4

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



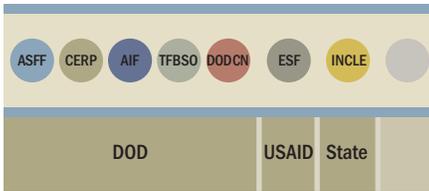
- ASFF:** Afghanistan Security Forces Fund
- CERP:** Commander’s Emergency Response Program
- AIF:** Afghanistan Infrastructure Fund
- TFBSO:** Task Force for Business and Stability Operations
- DOD CN:** DOD Drug Interdiction and Counter-Drug Activities
- ESF:** Economic Support Fund
- INCLE:** International Narcotics Control and Law Enforcement
- Other:** Other Funding

Note: Numbers have been rounded. Final FY 2015 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

<sup>a</sup> Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, BBG, and SIGAR.

Source: DOD, response to SIGAR data call, 1/20/2015, 1/17/2015, 1/14/2015, 1/5/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 1/16/2015, 1/15/2015, 1/14/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 10/9/2014; OMB, response to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 1/14/2015, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 1/8/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2014, 1/17/2015; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS



The amount provided to the seven major U.S. funds represents over 84.8% (almost \$91.20 billion) of total U.S. reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 87.3% (more than \$79.57 billion) has been obligated, and over 79.5% (more than \$72.54 billion) has been disbursed. An estimated \$3.38 billion of the amount appropriated for these funds has expired.

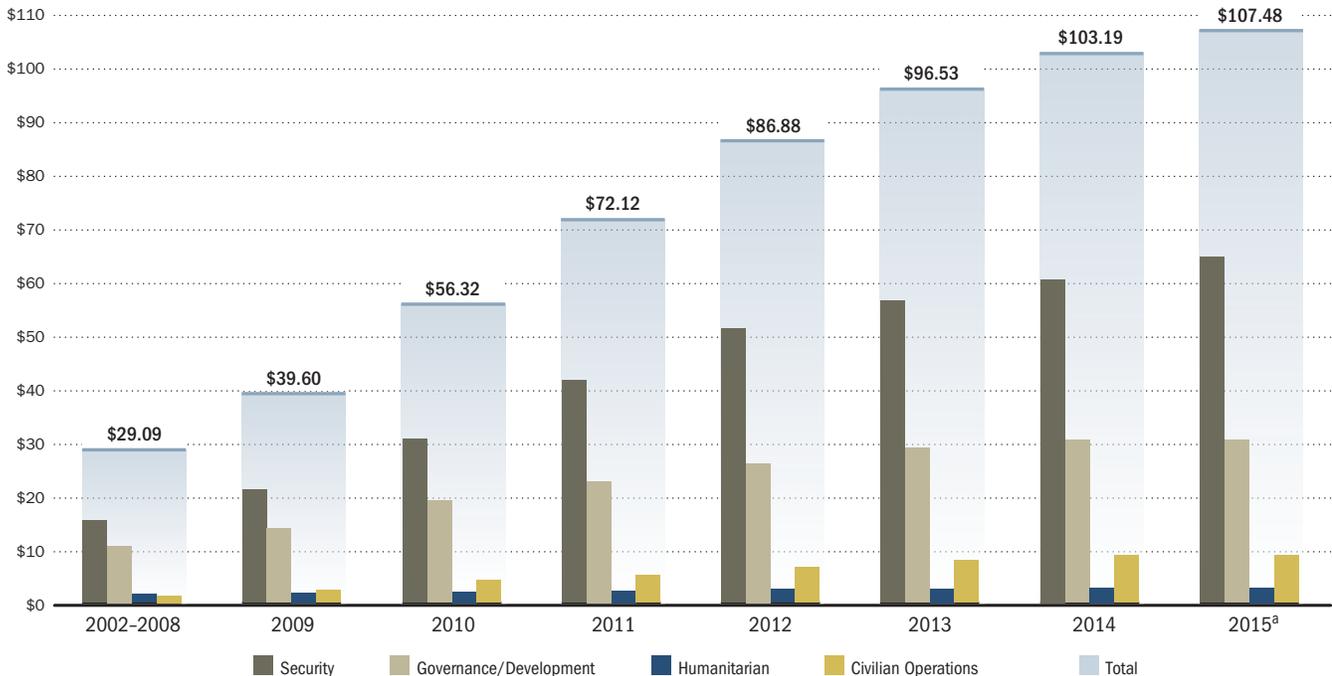
## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of December 31, 2014, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$107.48 billion, as shown in Figure 3.5. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and oversight and operations. Approximately \$8.01 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.20 billion) and governance and development (\$3.81 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

On December 16, 2014, President Obama signed the Consolidated and Further Continuing Appropriations Act, 2015, funding the U.S. government for the rest of the fiscal year. When this report went to press, final FY 2015 appropriation amounts for State and USAID accounts were still being determined. The amount reported as appropriated for FY 2015 will increase from the \$4.29 billion, shown in Figure 3.6, when funding levels for these accounts are known.

FIGURE 3.5

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF DECEMBER 31, 2014 (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. Pub. L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD reprogrammed \$1.78 million from FY 2013 ASFF. Pub. L. 113-235 rescinded \$764.38 million from FY 2014 ASFF. DOD transferred \$101 million from FY 2011 AIF and \$179.5 million from FY 2013 AIF to the ESF to fund infrastructure projects implemented by USAID.

<sup>a</sup> Final FY 2015 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

Source: DOD, response to SIGAR data call, 1/20/2015, 1/17/2015, 1/14/2015, 1/5/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 1/16/2015, 1/15/2015, 1/14/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 10/9/2014; OMB, response to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 1/14/2015, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 1/8/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2014, 1/17/2015; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

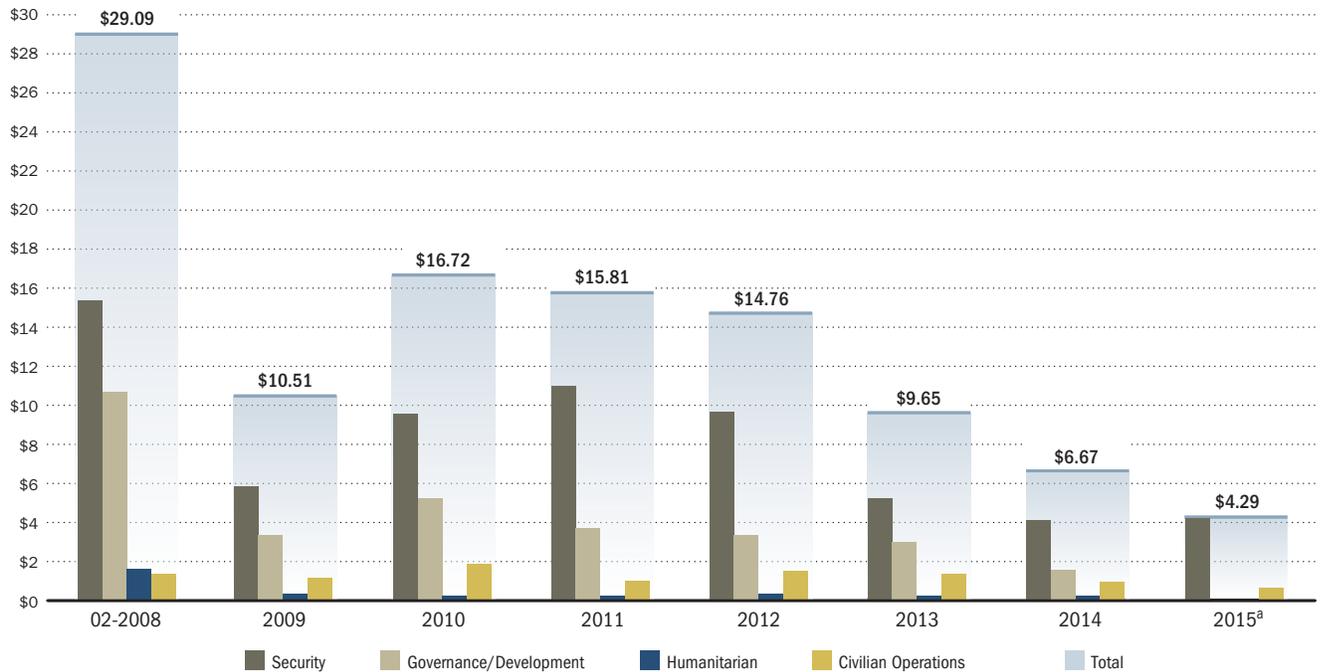
# STATUS OF FUNDS

Two of the seven major reconstruction funds—the Afghanistan Infrastructure Fund (AIF) and the Task Force for Business and Stability Operations (TFBSO)—did not receive an appropriation for FY 2015. While many AIF-funded projects are still in progress with a significant amount remaining to be disbursed, the TFBSO plans to cease operations by March 31, 2015. The Afghanistan Security Forces Fund was appropriated the nearly \$4.11 billion DOD requested for FY 2015; however, the FY 2015 Appropriations Act rescinded \$764.38 million from FY 2014 ASFF.

Despite U.S. troop reductions in Afghanistan, a considerable amount is still in the reconstruction funding pipeline. More than \$15.28 billion remains for potential disbursement even after the FY 2015 ASFF rescission. For more information about the reconstruction funding pipeline, see pages 74–75.

FIGURE 3.6

## APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY (\$ BILLIONS)

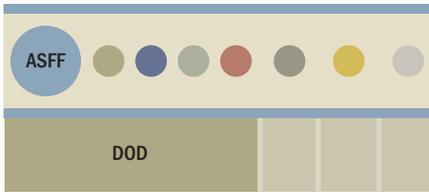


Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. Pub. L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD reprogrammed \$178 million from FY 2013 ASFF. Pub. L. 113-235 rescinded \$764.38 million from FY 2014 ASFF. DOD transferred \$101 million from FY 2011 AIF and \$179.5 million from FY 2013 AIF to the ESF to fund infrastructure projects implemented by USAID.

<sup>a</sup> Final FY 2015 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

Source: DOD, response to SIGAR data call, 1/20/2015, 1/17/2015, 1/14/2015, 1/5/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 1/16/2015, 1/15/2015, 1/14/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 10/9/2014; OMB, response to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 1/14/2015, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 1/8/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2014, 1/17/2015; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS



## ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

## AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.<sup>44</sup> The primary organization responsible for building the ANSF is the Combined Security Transition Command-Afghanistan.<sup>45</sup> A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.<sup>46</sup>

The Consolidated and Further Continuing Appropriations Act, 2015, appropriated nearly \$4.11 billion for the ASFF for FY 2015, increasing total cumulative funding to more than \$60.67 billion.<sup>47</sup> As of December 31, 2014, more than \$52.35 billion of total ASFF funding had been obligated, of which nearly \$50.74 billion had been disbursed.<sup>48</sup> Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by nearly \$582.52 billion over the quarter, and cumulative disbursements increased by nearly \$1.80 billion.<sup>49</sup> Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

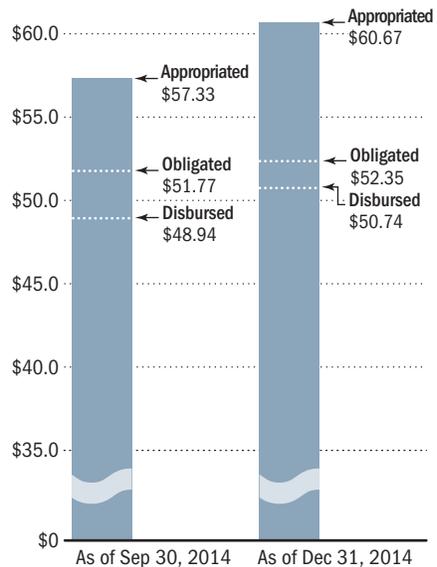
FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR (\$ BILLIONS)



FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)



Note: Numbers have been rounded.

<sup>a</sup> DOD reprogrammed \$1 billion of FY 2011 ASFF.

<sup>b</sup> DOD reprogrammed \$1 billion of FY 2012 ASFF; another \$1 billion was rescinded in Pub. L. 113-6.

<sup>c</sup> DOD reprogrammed \$178 million of FY 2013 ASFF.

<sup>d</sup> \$764.38 million of FY 2015 ASFF was rescinded in Pub. L. 113-235.

Source: DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2014, 1/17/2015; DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2014, 10/16/2014; Pub. L. Nos. 113-235, 113-76, and 113-6.

## 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.<sup>50</sup> The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any non-standard equipment requirement in excess of \$100 million.<sup>51</sup>

As of December 31, 2014, DOD had disbursed nearly \$50.74 billion for ANSF initiatives. Of this amount, more than \$33.74 billion was disbursed for the ANA, and more than \$16.62 billion was disbursed for the ANP; the remaining nearly \$372.26 million was directed to related activities.<sup>52</sup>

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$13.51 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$6.59 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.<sup>53</sup>

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

**Subactivity Groups:** accounting groups that break down the command's disbursements into functional areas

Source: DOD, "Manual 7110.1-M Department of Defense Budget Guidance Manual," accessed 9/28/2009; Department of the Navy, "Medical Facility Manager Handbook," p. 5, accessed 10/2/2009.

FIGURE 3.9

ASFF DISBURSEMENTS FOR THE ANA BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2014 (\$ BILLIONS)

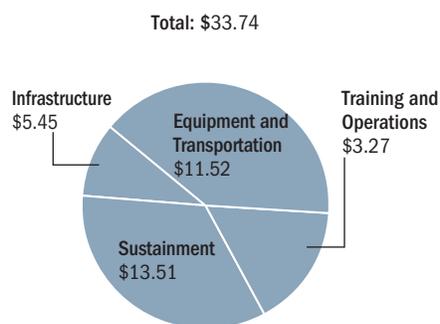
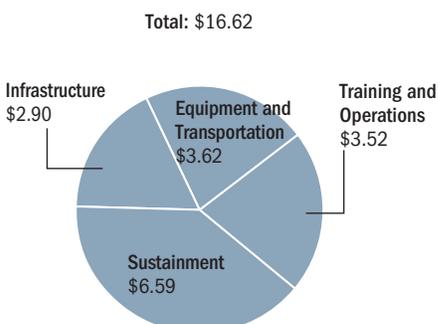


FIGURE 3.10

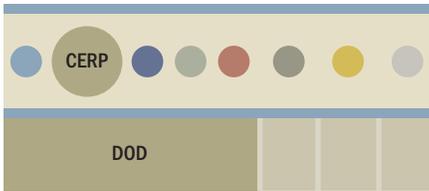
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2014 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2014, 1/17/2015.

# STATUS OF FUNDS



## CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/14/2010.

## 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.<sup>54</sup> CERP-funded projects may not exceed \$2 million each.<sup>55</sup>

The Consolidated and Further Continuing Appropriations Act, 2015, appropriated \$10 million for CERP, increasing total cumulative funding to nearly \$3.68 billion.<sup>56</sup> Of this amount, DOD reported that nearly \$2.28 billion had been obligated, of which nearly \$2.26 billion had been disbursed as of December 31, 2014.<sup>57</sup> Figure 3.11 shows CERP appropriations by fiscal year, and Figure 3.12 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.11

**CERP APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

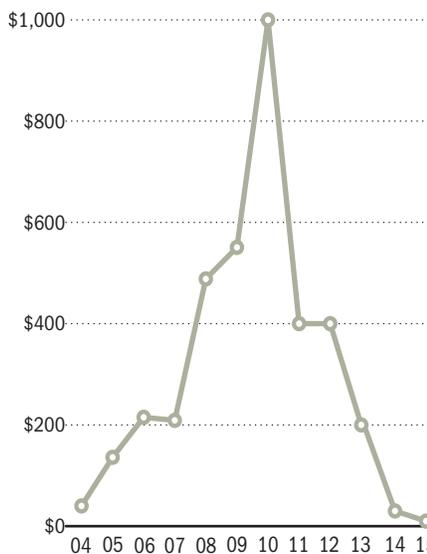
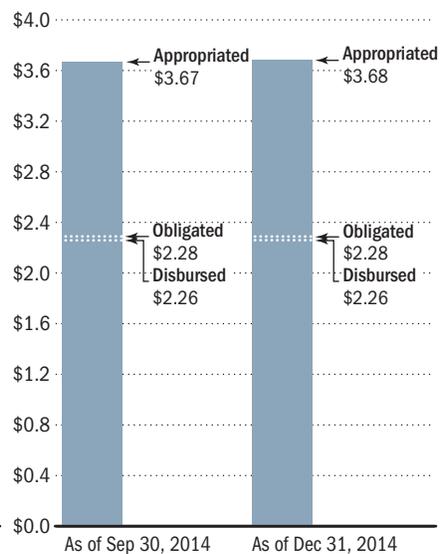


FIGURE 3.12

**CERP FUNDS, CUMULATIVE COMPARISON**  
(\$ BILLIONS)



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

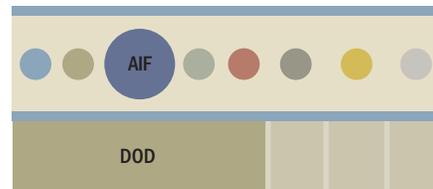
Source: DOD, response to SIGAR data call, 1/20/2015 and 10/20/2014; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, 112-10.

## AFGHANISTAN INFRASTRUCTURE FUND

The **Afghanistan Infrastructure Fund (AIF)** received appropriations from FY 2011 through FY 2014. DOD did not request funds for the AIF for FY 2015. Each AIF-funded project was required to have a plan for its sustainment and a description of how it supported the counter-insurgency strategy in Afghanistan.<sup>58</sup>

The AIF received cumulative appropriations of over \$1.32 billion; however, \$280.5 million of these funds were transferred to the Economic Support Fund (ESF) for USAID’s Northeast Power System transmission lines projects, bringing the cumulative amount remaining in the AIF to \$1.04 billion.<sup>59</sup> Figure 3.13 shows AIF appropriations by fiscal year.

As of December 31, 2014, more than \$837.47 million of total AIF funding had been obligated. Although the AIF will not receive additional funding, many AIF projects are still in progress—more than 60% of obligated AIF funds and all \$280.5 million of the funds transferred to the ESF remain to be disbursed.<sup>60</sup> Only \$332.14 million of AIF funds had been disbursed, as of December 31, 2014, as shown in Figure 3.14.



### AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2012.

FIGURE 3.13

**AIF APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

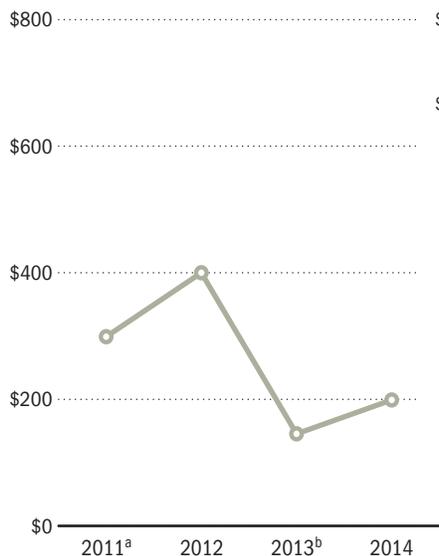
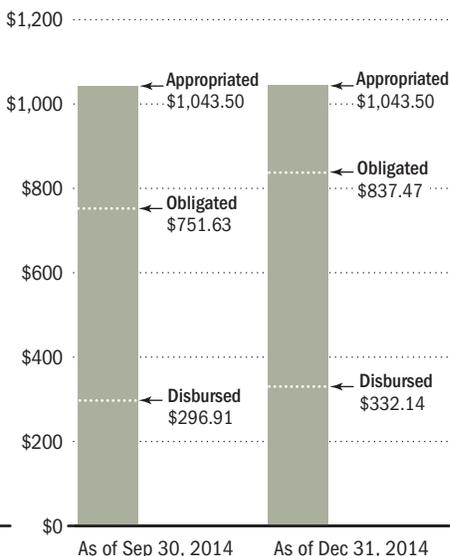


FIGURE 3.14

**AIF FUNDS, CUMULATIVE COMPARISON**  
(\$ MILLIONS)



Note: Numbers have been rounded.

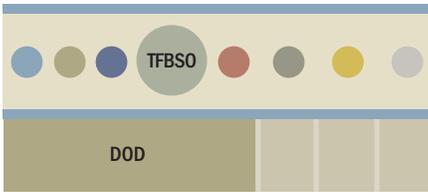
<sup>a</sup> FY 2011 figure excludes \$101 million that was transferred to USAID to execute an AIF project.

<sup>b</sup> FY 2013 figure excludes \$179.5 million that was transferred to USAID to execute an AIF project.

Source: DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2014, 1/17/2015; DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2014, 10/16/2014; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

**Afghanistan Infrastructure Fund (AIF):** established in FY 2011 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.

# STATUS OF FUNDS



## TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

## 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 authorities expired on December 31, 2014, and the TFBSO is concluding its operations, which are planned to cease no later than March 31, 2015. TFBSO projects included activities intended to facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.<sup>61</sup>

Although DOD was not authorized additional funding for TFBSO projects in the FY 2015 National Defense Authorization Act, TFBSO did continue to receive a nominal amount of funding from the Operations and Maintenance, Army, account for costs associated with administrative shutdown.<sup>62</sup> Through December 30, 2014, the TFBSO had been appropriated nearly \$814.92 million since FY 2009. Of this amount, more than \$763.47 million had been obligated and nearly \$631.26 million had been disbursed. DOD reported that approximately \$4.3 million had been deobligated over the quarter.<sup>63</sup> Figure 3.15 displays the amounts appropriated for the TFBSO by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for the TFBSO and its projects.

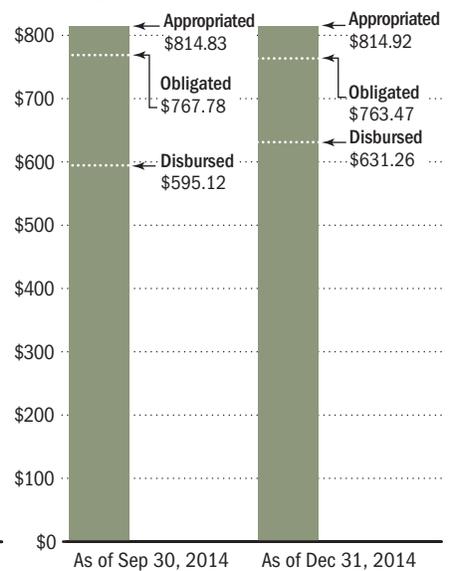
FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR  
(\$ MILLIONS)



FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON  
(\$ MILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower obligated figure than reported last quarter. Of the \$814.92 million appropriated the TFBSO, \$358.12 million was from the Operations and Maintenance, Army, account to pay for the sustainment of U.S. assets, civilian employees, travel, security, and other operational costs; all FY 2015 funding was from this account.

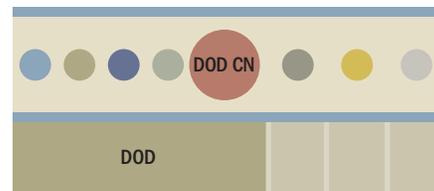
Source: DOD, response to SIGAR data calls, 1/5/2015, 10/6/2014, and 10/4/2011; Pub. L. 113-76, 1/17/2014; Pub. L. 113-6, 3/26/2013; Pub. L. 112-74, 12/23/2011; Pub. L. 112-10, 4/15/2011.

## DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DOD's Drug Interdiction and Counter-Drug Activities fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement agencies—including the Afghan Border Police—with specialized training, equipment, and facilities.<sup>64</sup>

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.<sup>65</sup>

DOD reported that DOD CN received nearly \$110.10 million for Afghanistan for FY 2014, bringing cumulative funding for DOD CN to more than \$2.83 billion since FY 2004. Of this amount, more than \$2.80 billion had been transferred to the military services and defense agencies for DOD CN projects, as of December 31, 2014.<sup>66</sup> Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



### DOD CN FUNDS TERMINOLOGY

DOD reported DOD CN funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

FIGURE 3.17

**DOD CN APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

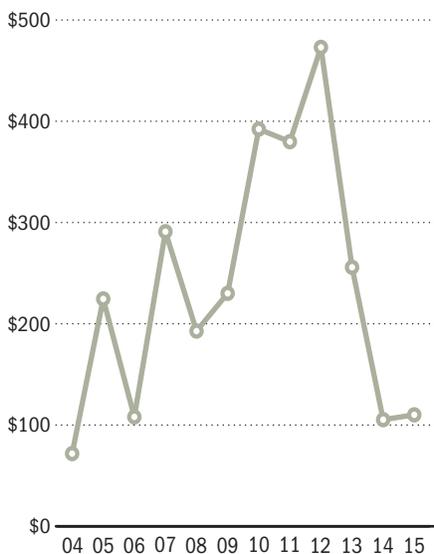
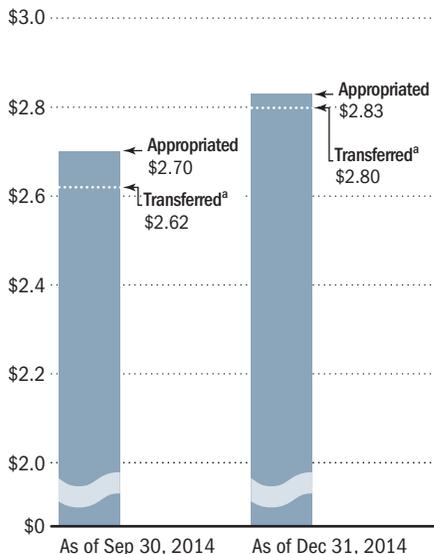


FIGURE 3.18

**DOD CN FUNDS, CUMULATIVE COMPARISON**  
(\$ BILLIONS)

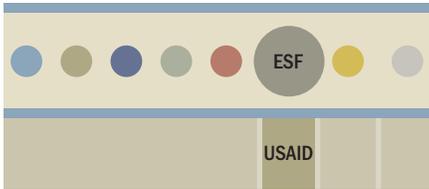


Note: Numbers have been rounded. Prior-year adjustments are done periodically to reflect deobligation and/or realignment of multi-year procurement funding. FY14 DOD CN allocation for Afghanistan was significantly reduced from the planned \$317.7 million to \$105.3 million, as of December 31, 2014.

<sup>a</sup> DOD reprograms all funds to the military services and defense agencies for obligation and disbursement.

Source: DOD, response to SIGAR data calls, 1/14/2015 and 10/20/2014.

# STATUS OF FUNDS



## 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

Source: USAID, response to SIGAR data call, 4/15/2010.

## ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.<sup>67</sup>

When this report went to press, final FY 2015 funding levels for the ESF had not been determined. USAID reported that cumulative funding for the ESF amounted to more than \$17.71 billion, including amounts transferred from the AIF to the ESF for USAID's Northeast Power System transmission lines projects. Of this amount, nearly \$16.38 billion had been obligated, of which nearly \$12.49 billion had been disbursed.<sup>68</sup> Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2014, decreased by more than \$55.17 million and cumulative disbursements increased by more than \$240.42 million from the amounts reported last quarter.<sup>69</sup> Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR  
(\$ BILLIONS)



FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower appropriated and obligated figure than reported last quarter. FY 2011 figure includes \$101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund (AIF). FY 2013 figure includes \$179.5 million that was transferred to the ESF from the AIF. FY 2015 ESF appropriation amount will be determined after State completes the 653(a) consultation process.

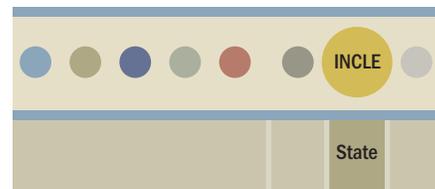
Source: USAID, response to SIGAR data calls, 1/14/2015 and 10/9/2014; State, response to SIGAR data calls, 1/14/2015 and 4/15/2014.

## 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.<sup>70</sup>

When this report went to press, final FY 2015 funding levels for INCLE had not been determined. State reported that cumulative funding for INCLE amounted to more than \$4.44 billion. Of this amount, more than \$4.16 billion had been obligated, of which, nearly \$3.29 billion had been disbursed.<sup>71</sup> Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of December 31, 2014, increased by nearly \$1.40 million compared to cumulative obligations as of September 30, 2014. Cumulative disbursements as of December 31, 2014, increased by more than \$135.85 million over cumulative disbursements as of September 30, 2014.<sup>72</sup> Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



### INL FUNDS TERMINOLOGY

INL reported INCLE and other INL funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: State, response to SIGAR data call, 4/9/2010.

FIGURE 3.21

**INCLE APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)



FIGURE 3.22

**INCLE FUNDS, CUMULATIVE COMPARISON**  
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers. FY 2015 INCLE appropriation amount will be determined after State completes the 653(a) consultation process.

Source: State, response to SIGAR data calls, 1/15/2015 and 10/17/2014.

## INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

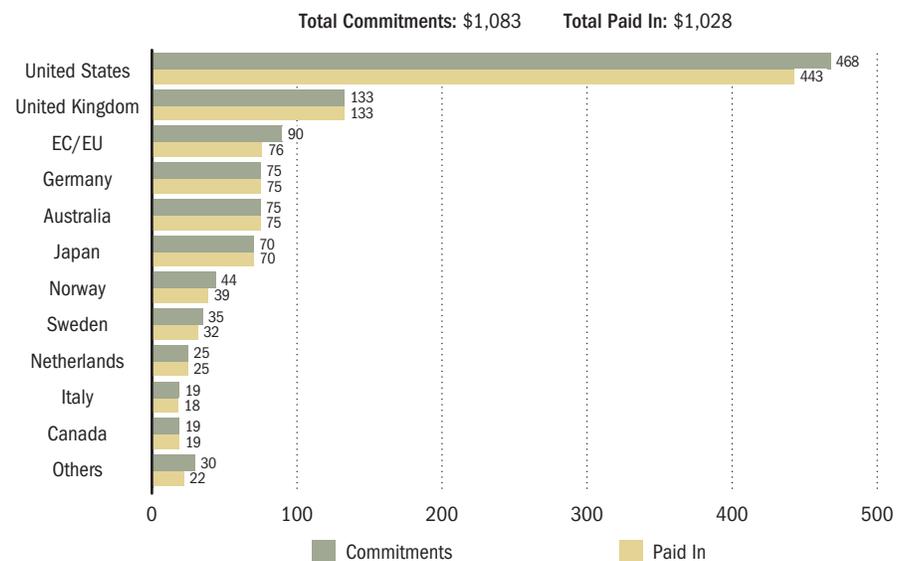
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust 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).<sup>73</sup>

### 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, 2014, the World Bank reported that 34 donors had pledged more than \$7.98 billion, of which more than \$7.93 billion had been paid in.<sup>74</sup> According to the World Bank, donors had pledged more than \$1.08 billion to the ARTF for Afghan fiscal year 1393, which ran from December 21, 2013 to December 20, 2014.<sup>75</sup> Figure 3.23 shows the 11 largest donors to the ARTF for FY 1393.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1393 BY DONOR, AS OF DECEMBER 21, 2014 (\$ MILLIONS)



Note: Numbers have been rounded. FY 1393 = 12/21/2013–12/20/2014.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2014 (end of 12th month of FY 1393)," p. 1.

# STATUS OF FUNDS

As of December 21, 2014, the United States had pledged more than \$2.43 billion and paid in nearly \$2.41 billion since 2002.<sup>76</sup> The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 48% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.<sup>77</sup> As of December 21, 2014, according to the World Bank, nearly \$3.35 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.<sup>78</sup> 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.<sup>79</sup>

The Investment Window supports the costs of development programs. As of December 21, 2014, according to the World Bank, nearly \$3.69 billion had been committed for projects funded through the Investment Window, of which more than \$2.86 billion had been disbursed. The World Bank reported 20 active projects with a combined commitment value of more than \$2.36 billion, of which more than \$1.53 billion had been disbursed.<sup>80</sup>

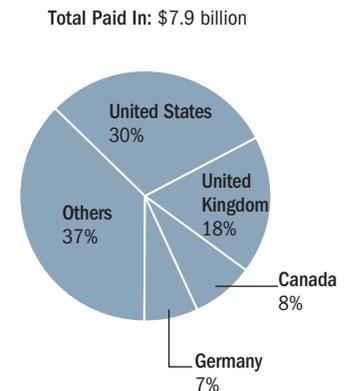
## Contributions to the Law and Order Trust Fund for Afghanistan

The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior.<sup>81</sup> Since 2002, donors have pledged nearly \$3.84 billion to the LOTFA, of which nearly \$3.77 billion had been paid in, as of September 30, 2014—the most recent LOTFA data available.<sup>82</sup> The LOTFA's sixth support phase started on January 1, 2011, and ended on December 31, 2014.<sup>83</sup> From the beginning of Phase VI through September 30, 2014, the UNDP had transferred nearly \$1.90 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional \$53.52 million for capacity development and other LOTFA initiatives.<sup>84</sup> As of September 30, 2014, donors had committed nearly \$2.31 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly \$967.10 million, and Japan had committed more than \$746.76 million. Their combined commitments make up over 74% of LOTFA Phase VI commitments. The United States had committed more than \$1.52 billion since the fund's inception and had paid in all but \$3.9 million of the commitment, as of September 30, 2014.<sup>85</sup> Figure 3.25 shows the four largest donors to the LOTFA since 2002.

The LOTFA's seventh phase began on January 1, 2015, and is initially planned to run through a six-month inception phase with an estimated budget of \$296.84 million. During the inception phase, LOTFA activities are to begin transitioning to the Afghan government.<sup>86</sup>

FIGURE 3.24

### ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–DECEMBER 21, 2014

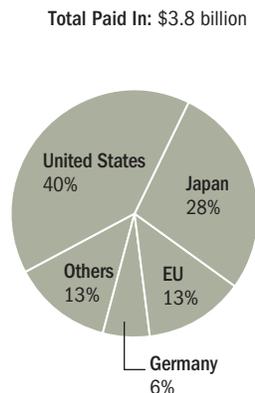


Note: Numbers have been rounded. "Others" includes 30 donors.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2014 (end of 12th month of FY 1393)," p. 5.

FIGURE 3.25

### DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF SEPTEMBER 30, 2014 (PERCENT)



Note: Numbers have been rounded. EU = European Union. "Others" includes 18 donors.

Source: UNDP, Law and Order Trust Fund for Afghanistan (LOTFA) 2014 Third Quarter Project Progress Report, 1/17/2015, pp. 46–47; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 1/17/2015.

# SECURITY CONTENTS

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## SECURITY

As of December 31, 2014, the U.S. Congress had appropriated more than \$65 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$60.7 billion) were channeled through the Afghanistan Security Forces Fund (ASFF) and obligated by either the Combined Security Transition Command-Afghanistan (CSTC-A) or the Defense Security Cooperation Agency. Congress established the ASFF to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the \$60.7 billion appropriated for the ASFF, approximately \$52.4 billion had been obligated and \$50.7 billion disbursed as of December 31, 2014.<sup>87</sup>

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.

### KEY ISSUES AND EVENTS

Key issues and events this quarter include the end of the International Security Assistance Force (ISAF) and its combat mission, the transition from Operation Enduring Freedom to Resolute Support Mission (RSM), record casualties within the ANSF, and the recent classification of previously publicly reported data on the status of the ANSF. In addition, the United Nations (UN) reported the worst year for civilian casualties in Afghanistan.

#### International Security Assistance Force Ends Operations

Thirteen years after its creation, ISAF concluded operations in a ceremony on December 28, 2014. ISAF initially focused on providing security in the capital of Kabul, and evolved into a coalition of some 50 nations combating the Taliban insurgency and rebuilding the Afghan security forces.<sup>88</sup> At its peak, ISAF had 130,000 U.S. and international troops, but it gradually shrank in recent years as Afghan police and soldiers began to assume responsibility for security.<sup>89</sup> ISAF was replaced on January 1, 2015, by RSM, a new NATO-led mission to train, advise and assist the ANSF.

“The road before us remains challenging, but we will triumph.”

*General John F. Campbell,  
Commander, Resolute Support*

Source: ISAF, “Transition ceremony kicks off Resolute Support Mission,” 12/28/2014.



**Ceremony marking the end** of ISAF's mission in Kabul. (U.S. Air Force photo by Capt. Frank Hartnett)

## Resolute Support Mission Begins

NATO's new RSM advisory mission commenced on January 1, 2015.<sup>90</sup> RSM will advise the security ministries, ANSF at the corps level, and Afghan special-operations forces at the tactical level.<sup>91</sup> This train, advise, and assist mission will initially include approximately 12,000 troops. Four NATO members are serving as framework nations: Turkey will lead in the Kabul capital area, Germany in the north, Italy in the west, and the United States in the south and east.<sup>92</sup> RSM will train Afghan soldiers and police and will conduct counterterrorism operations. NATO partners will focus exclusively on training and advising Afghan security forces, while U.S. forces will additionally have a limited combat role, as part of the new force's counterterrorism component.<sup>93</sup> The United States involvement with these two missions is code-named Operation Freedom's Sentinel.<sup>94</sup>

ISAF had developed a security-forces assistance framework, which RSM will now implement, to improve the capacity of the Afghan Defense and Interior ministries and their associated institutions to perform eight essential functions (EF):<sup>95</sup>

- EF 1: Multi-year Budgeting and Execution of Programs
- EF 2: Transparency, Accountability, and Oversight
- EF 3: Civilian Governance of the Afghan Security Institutions
- EF 4: Force Generation (recruit, train, and equip the force)
- EF 5: Sustainment (supply and maintenance)
- EF 6: Strategy and Policy Planning, Resourcing, and Execution
- EF 7: Intelligence
- EF 8: Strategic Communication

SIGAR will follow and report on RSM progress in training, assisting, and advising the Afghan government and its security forces.

## UN Reports Civilian Casualties Highest in 2014

The year 2014 saw the highest number of civilian casualties yet recorded in the Afghanistan conflict, according to the United Nations Assistance Mission in Afghanistan (UNAMA). In the first 11 months of 2014, civilian casualties totaled 9,617, of which 3,188 civilians were killed and 6,429 injured. UNAMA expected civilian casualties to exceed 10,000 for all of 2014.<sup>96</sup>

In his December 9, 2014, report to the UN Security Council, the Secretary-General said antigovernment elements were emboldened to execute multiple assaults on district administrative centers, security-force checkpoints, and major roads.<sup>97</sup> As reflected in Table 3.5, the number of **security incidents** decreased this period. However, overall the 19,469 security incidents recorded since the beginning of 2014 is 10.3% greater than the 17,645 recorded during same period in 2013.<sup>98</sup>

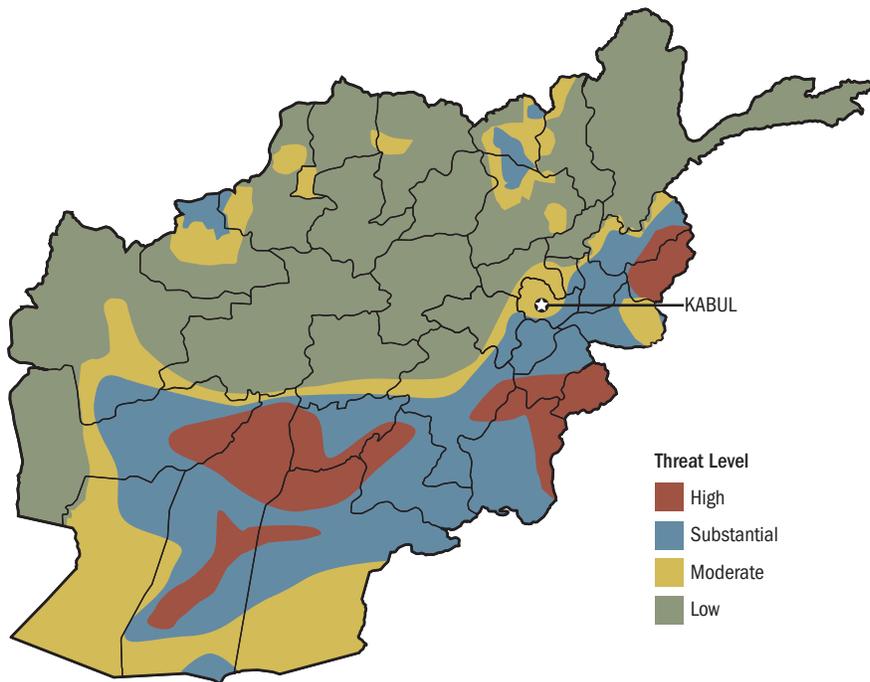
Even though the threat levels are high in the east and south, as reflected in Figure 3.26, and a marked increase in incidents occurred in the east, the

**Security Incidents:** reported incidents that include armed clashes, improvised explosive devices, targeted killings, abductions, suicide attacks, criminal acts, and intimidation. Reported incidents are not necessarily actual incidents.

Source: SIGAR analysis of the United Nations report.

FIGURE 3.26

## THREAT LEVELS FROM ANTIGOVERNMENT FORCES



Source: Die Bundesregierung (German federal government), 2014 Progress Report on Afghanistan, 11/2014, p. 19.

rest of Afghanistan also experienced a significant number of security incidents.<sup>99</sup> The UN recorded 5,199 security incidents from August 16 through November 15, 2014, that included 235 assassinations and 92 abductions, an increase of 9% for both over the same period in 2013.<sup>100</sup> Armed clashes (48.9%) and improvised explosive device (IED) events (27.1%) accounted for 76% of all security incidents.<sup>101</sup> Eight of the 46 suicide attacks occurred in Kabul City.<sup>102</sup>

The UN reported that overall the Afghan security forces were able to counter the insurgency with relative effectiveness and none of the attacks succeeded in permanently capturing the intended targets.<sup>103</sup> An intensive, Taliban effort to take control of the Sangin district in Helmand Province failed.<sup>104</sup>

In Faryab Province, insurgents used heavier weapons than they had previously, resulting in part to security forces' suffering more losses during 2014 than in past years (over 2,000 police officers and about 950 soldiers were killed in the country since March 21, 2014).<sup>105</sup>

TABLE 3.5

NUMBER OF SECURITY INCIDENTS			
Date Range	Number of Security Incidents	Number of Days	Average Number of Security Incidents per Day
11/16/2013–2/15/2014	4,649	92	50.5
3/1/2014–5/31/2014	5,864	92	63.7
6/1/2014–8/15/2014	5,456	76	71.8
8/16/2014–11/15/2014	5,199	92	56.5
<b>TOTAL</b>	<b>21,168</b>	<b>352</b>	<b>60.1</b>

Source: UN Security Council, *The situation in Afghanistan and its implications for international peace and security reports*, 12/9/2014, p. 5; 9/9/2014, p. 6; 6/18/2014, p. 5; and 3/7/2014, p. 5.

## NATO CLASSIFICATIONS

**NATO Cosmic Top Secret:** applied to information the unauthorized disclosure of which would cause exceptionally grave damage to NATO.

**NATO Secret:** applied to information the unauthorized disclosure of which would cause serious damage to NATO.

**NATO Confidential:** applied to information the unauthorized disclosure of which would be damaging to the interests of NATO.

**NATO Restricted:** applied to information the unauthorized disclosure of which would be disadvantageous to the interests of NATO.

**NATO Unclassified:** applied to information for official NATO purposes and access only granted to individuals or organizations for official NATO purposes.

Source: NATO North Atlantic Council, "The Management of Non-classified NATO Information," 7/11/2002.

## After Six Years of Being Publicly Reported, ANSF Data Classified

Last quarter SIGAR expressed concern about ISAF's decision to classify a key measure of ANSF capabilities, the executive summary of the Regional ANSF Status Report (RASR). This quarter the new NATO-led Resolute Support Mission (RSM) that has taken over from ISAF went much further, classifying additional data that SIGAR has been using in every quarterly report for the past six years to discuss the progress of the ANSF, the MOD, and the MOI.

Every quarter SIGAR sends out a request for data to U.S. implementing agencies in Afghanistan with a list of questions about their programs. This quarter SIGAR received its data call responses from USFOR-A in the usual unclassified format on December 29, 2014. Five days later, SIGAR received an email stating that RSM planned to retroactively classify many of the responses. On January 8, Special Inspector General Sopko requested that Resolute Support Commander General John F. Campbell have his staff review the classification of the responses to SIGAR's data call.

On January 14, SIGAR was informed that its data call responses concerning ANSF strength, equipment, infrastructure, anticorruption measures and many other matters had been classified under NATO guidelines at the Secret, Confidential, or Restricted levels. On January 16, SIGAR received an update that three of those responses had been changed back to unclassified, leaving the vast majority classified.

The classification of this volume of data for SIGAR's quarterly report is unprecedented. The decision leaves SIGAR for the first time in six years unable to publicly report on most of the U.S.-taxpayer-funded efforts to build, train, equip, and sustain the ANSF. On January 18, General Campbell wrote the Special Inspector General a memo explaining why information that had previously been unclassified was now being treated as classified. The memo is reprinted in full in Appendix F of this report.

The types of data classified are addressed in the Security and Governance chapters of this section. The actual questions SIGAR asked—the responses to which RSM classified—are listed in Appendix E of this report. As authorized by its enabling statute, SIGAR will publish a classified annex containing the classified data.

## U.S. Forces in Afghanistan

According to USFOR-A headquarters, 9,500 U.S. forces were serving in Afghanistan as of December 20, 2014, a decrease of 23,300 since June 1, 2014. Another 6,000 personnel from other Coalition nations were also serving at that time.<sup>106</sup>

On May 27, 2014, President Obama announced U.S. forces in Afghanistan will reduce to approximately 9,800 by January 2015 and will be reduced further throughout 2015.<sup>107</sup> Since operations began in 2001, a total of 2,216 U.S.

military personnel have died in Afghanistan—83% of whom were killed in action—and 19,950 were wounded as of December 30, 2014.<sup>108</sup>

There were six insider attacks against U.S. forces during 2014 resulting in four deaths, including that of a U.S. Army major general on August 5, 2014.<sup>109</sup> This quarter, an investigation into that attack determined that the killing was an isolated, opportunistic act by a determined shooter who acted without indicators or warnings.<sup>110</sup> They concluded that the incident could not have been reasonably foreseen or prevented. However, they also found that the general’s visit to the university that day included an unusually large number of visitors, there was no comprehensive security plan, and changes made to the schedule of events that day were not coordinated with security personnel.<sup>111</sup> Recommendations were made to help mitigate future risk.<sup>112</sup>

## ANSF STRENGTH

This quarter RSM classified the information SIGAR has used for the past six years to report on ANSF troop strength. The questions SIGAR asked about ANSF troop strength can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

In December, the outgoing IJC commander, Lieutenant General Joseph Anderson, addressed the challenge of sustaining Afghan troops with soaring casualties and desertions. He said nearly 20% of ANA positions were unfilled as of October and recruiting and retention were not making up for personnel losses.<sup>113</sup> CBS News reported that last year was the deadliest of the war, with more than 5,000 Afghan soldiers and police killed. General John Campbell, RS Commander, said the ANSF were going out on four times as many operations last year than previously, so it could be expected to entail more casualties.<sup>114</sup>

## NATO Set to Change ANSF Assessment Reporting

Last quarter the IJC notified SIGAR that the executive summary of the Regional ANSF Status Report (RASR) assessing ANSF capabilities had been classified. The previous version of the RASR that SIGAR received provided reporting at the brigade level with synthesized analysis of observations and shortfalls, highlighting priority issues hampering long-term ANSF sustainability, and assessments of ANSF operational and equipment readiness. This quarter, U.S. Forces-Afghanistan (USFOR-A) provided SIGAR an unclassified excerpt from the RASR, which aggregated the assessments at the corps level in a single table.<sup>115</sup>

ISAF has been using the RASR since August 2013 to rate the ANSF.<sup>116</sup> According to IJC, the RASR provides a monthly operational-level update on readiness, long-term sustainability, and associated shortfalls of the ANA and ANP.<sup>117</sup>



**The ISAF color guard** marches during the ISAF Joint Command (IJC) and XVIII Airborne Corps closing ceremony, December 8, 2014, at Kabul International Airport. (U.S. Air Force photo by Staff Sgt. Perry Aston)

“Political meddling, not intelligence, drives Afghan military missions.”

*Lt. General Joseph Anderson*

Source: *New York Times*, “Misgivings by US General as Afghanistan Mission Ends,” 12/8/2014.

# SECURITY

TABLE 3.6

ANSF RASR ASSESSMENTS, MONTHLY CHANGES																								
	Fully Capable				Capable				Partially Capable				Developing				Not Assessed				Total			
	M1	M2	+	-	M1	M2	+	-	M1	M2	+	-	M1	M2	+	-	M1	M2	+	-	M1	M2	+	-
Corps/Divisions	0	2	2		7	4		-3	0	0	0		0	0	0		0	1	1		7	7		0
Operations Coordination Center - Regional	1	1	0		6	5		-1	0	0	0		0	0	0		0	1	1		7	7		0
Regional Logistics Support Center	1	1	0		3	3		0	1	1	0		0	0	0		1	1	0		6	6		0
Regional Military Training Center/Combat Battle School	1	1	0		2	2		0	2	1	-1		0	0	0		0	1	1		5	5		0
Mobile Strike Force Brigade	0	0	0		1	1		0	1	0	-1		0	0	0		0	1	1		2	2		0
National Engineering Brigade	0	0	0		0	0		0	0	0	0		1	1	0		0	0	0		1	1		0
Afghan Uniformed Police Type-A HQ	1	1	0		4	4		0	1	1	0		0	0	0		1	1	0		7	7		0
Afghan Border Police Zone HQ	0	1	1		5	5		0	1	0	-1		0	0	0		1	1	0		7	7		0
Afghan National Civil Order Police HQ	0	0	0		1	1		0	0	0	0		0	0	0		0	0	0		1	1		0
<b>Total ANSF Units</b>	<b>4</b>	<b>7</b>	<b>3</b>		<b>29</b>	<b>25</b>		<b>-4</b>	<b>6</b>	<b>3</b>	<b>-3</b>		<b>1</b>	<b>1</b>	<b>0</b>		<b>3</b>	<b>7</b>	<b>4</b>		<b>43</b>	<b>43</b>		<b>0</b>

Note: M1 = September 2014; M2 = October 2014

Source: USFOR-A, response to SIGAR data call, 12/28/2014.

The latest unclassified RASR rates a significant majority of ANSF components as capable or fully capable (74%), as shown in Table 3.6. However, with decreased U.S. and Coalition oversight, the reliability of the ANSF-provided assessment data cannot be validated.

In December, the last IJC commander, Lieutenant General Joseph Anderson, spoke to the press about his views of the ANSF. General Anderson said the record casualties of the Afghan forces were not sustainable, nor were their desertion rates.<sup>118</sup>

He added that the police and the army do not work together.<sup>119</sup> He said the Afghan Uniformed Police, the Afghan National Civil Order Police, and the army do not agree on who is in charge in areas in which they share security responsibility.<sup>120</sup> Furthermore, ANSF units are not repairing their own equipment, yet complain they don't have resources. General Anderson attributed this problem to "pure ineptitude."<sup>121</sup> However, he said at the tactical level, Afghan forces could beat the Taliban, if properly motivated.<sup>122</sup> "They have always proven the more you push them and force them to be more responsible they end up coming through," said the general.<sup>123</sup>

With the transition to RSM and the closing of IJC on December 8, 2014, NATO is changing its method of assessing the ANSF.<sup>124</sup> Effective January 1, 2015, the Monthly ANSF Assessment Report (MAAR) superseded the RASR.<sup>125</sup> The MAAR will assess the ANSF capability and effectiveness for the eight essential functions related to the unit's war-fighting functions. The MAAR is to provide the ability to evaluate not only what capabilities the ANSF possess, but also how well they employ those capabilities to defeat the insurgency and secure Afghanistan.<sup>126</sup> The first

MAAR is scheduled for January 2015.<sup>127</sup> SIGAR will report on the MAAR in its April 2015 quarterly report.

## MOD and MOI to Assume Responsibility for Literacy Training

This quarter, USFOR-A reported 117,296 ANSF personnel have completed level 3 or functional literacy training as of December 1, 2014, as shown in Figure 3.27. However, DOD has not been able to provide information on how many of these trained personnel actually remain in the ANSF.

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.”<sup>128</sup>

## NEW MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

This quarter, RSM Headquarters released a new plan to assess the Essential Functions (EFs) of ministries.<sup>129</sup> The new plan—called the Plan of Actions and Milestones (PoAM) ministry-assessment reporting process—replaced the Capability Milestone rating system in December 2014. This plan was developed by RSM advisors and their Afghan counterparts in the ministries of Defense and Interior. The PoAM identifies and breaks down the EFs of the ministries by the capabilities needed to perform each function. It also defines the “conditions” (such as processes, tasks, milestones, and outcomes) needed to achieve those capabilities.<sup>130</sup>

To assess a ministry, RSM uses the PoAM to assess the conditions, capabilities, and essential functions of a ministry’s offices and departments.<sup>131</sup> Office assessments are combined to determine the overall assessment of each department within a ministry. Department assessments, in turn, are combined to determine the assessment of the ministry as a whole.<sup>132</sup> RSM provided SIGAR with the overall assessment of the essential functions of the ministries, but did not provide a more detailed assessment of the capabilities and conditions within the ministry or its departments and offices.

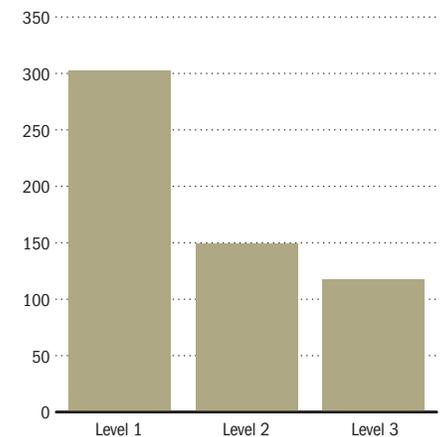
Table 3.7 on the following page shows the chart USFOR-A uses to rate the operational capabilities of the ministries, along with the first MOD and MOI assessments.<sup>133</sup>

According to the first assessment, 54% of the MOD’s development conditions are assessed as “initiated” and 15% as “partially capable.” For the MOI, 48% of its development conditions have been initiated and 10% were partially capable.

There are 284 U.S. personnel advising or mentoring the MOD and MOI: 151 assigned to the MOD and 133 to the MOI.<sup>134</sup>

FIGURE 3.27

ANSF STAFF LITERACY TRAINING LEVELS, AS OF DECEMBER 1, 2014 (THOUSANDS)



Note: Levels are not additive.

Source: USFOR-A, response to SIGAR data call, 12/29/2014.

# SECURITY

TABLE 3.7

FIRST MINISTRY ASSESSMENT USING NATO SYSTEM, AS OF DECEMBER 15, 2014											
RATING MEANING		ESSENTIAL FUNCTION (EF)								Rating Total	
		EF 1: Multi-Year Budgeting and Execution	EF 2: Transparency, Accountability, and Oversight	EF 3: Civilian Governance of the ASI	EF 4: Force Generation	EF 5: Sustainment	EF 6: Strategy and Policy, Planning, Resourcing, and Execution	EF 7: Intelligence	EF 8: Strategic Communications		
MOD ASSESSMENT	Rating 5: Sustaining Capability/Effectiveness	0	0	0	0	0	0	0	0	0	0
	Rating 4: Fully Capable/Effective	0	0	0	0	0	0	0	0	0	0
	Rating 3: Partially Capable/Effective	0	0	0	0	5	0	0	2	7	
	Rating 2: Initiated (In Development)	1	1	2	2	8	3	5	4	26	
	Rating 1: Scoped/Agreed	3	3	1	2	0	1	0	0	10	
	Rating 0: Not Scoped/Agreed	1	1	1	2	0	0	0	0	5	
	<b>EF Total</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>6</b>	<b>13</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>48</b>	
MOI ASSESSMENT	Rating 5: Sustaining Capability/Effectiveness	0	0	0	0	0	0	0	0	0	
	Rating 4: Fully Capable/Effective	0	0	0	0	0	0	0	0	0	
	Rating 3: Partially Capable/Effective	0	0	0	0	4	0	0	0	4	
	Rating 2: Initiated (In Development)	0	0	0	3	9	4	4	0	20	
	Rating 1: Scoped/Agreed	4	3	3	2	0	0	0	3	15	
	Rating 0: Not Scoped/Agreed	1	1	1	0	0	0	0	0	3	
	<b>EF Total</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>13</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>42</b>	

Note: Sustaining Capability/Effectiveness: Condition fully achieved. Advising only as requested by ANSF counterparts if opportunity and resources permit. Fully Capable/Effective: Developmental conditions nearly achieved. ANSF element fully capable but still requires attention; on track to be achieved by end of Resolute Support Mission; advising will continue. Partially Capable/Effective: Development conditions in progress. ANSF element is partially capable/effective. Conditions can be achieved by end of Resolute Support Mission; advising will continue. Initiated (In Development): Baseline design initiated by ANSF element; plan ready for implementation. Scoped and Agreed Upon: Development tasks/milestones (conditions) scoped and agreed; baseline capability and measures not complete. Not Scoped/Agreed: Development tasks/milestones (conditions) not scoped and/or agreed upon.

Source: USFOR-A, response to SIGAR data call, 12/28/2014.

## AFGHAN LOCAL POLICE

The Afghan Local Police (ALP) is under MOI authority and functions under the supervision of the district Afghan Uniformed Police (AUP). ALP members (known as Guardians) are selected by village elders or local power brokers to protect their communities against Taliban attack, guard facilities, and conduct local counterinsurgency missions.<sup>135</sup> As of December 1, 2014, the ALP comprised 27,837 personnel, all but 800 of whom were fully trained, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A). The number trained decreased due to combat

losses, *tashkil* (organizational-strength) redistribution, and attrition.<sup>136</sup> The goal was to have 30,000 personnel in 154 districts by the end of December 2014, assigned to 1,320 checkpoints across 29 provinces.<sup>137</sup>

According to NSOCC-A, the ALP will cost \$121 million per year to sustain once it reaches its target strength.<sup>138</sup> The United States has provided the ALP with equipment such as rifles, machine guns, light trucks, motorcycles, and radios.<sup>139</sup>

According to NSOCC-A, between June 23, 2014, and October 22, 2014, the ALP had a retention rate of 92%. During that period, NSOCC-A reported 1% non-casualty attrition, while 7.4% of the force were killed or wounded in action.<sup>140</sup>

The Afghan government has not determined the final disposition of the ALP or its funding source.<sup>141</sup> DOD says U.S. policy on funding the ALP has not yet been determined.<sup>142</sup> According to an independent assessment conducted by NSOCC-A based on data provided by Eureka Research and Evaluation focus-group surveys in ALP districts, most Afghans surveyed perceive the ALP as an effective security element and stabilizing force.<sup>143</sup> That position is consistent with survey results from March 2014 that public perceptions of ALP's value to community security are positive overall.<sup>144</sup>

The ALP were generally viewed as a more trustworthy and effective force than either the ANA or ANP. However, certain districts vehemently disapprove of ALP members and their management. Favorable views appear to be correlated to the extent of community involvement in the ALP selection process.<sup>145</sup> Areas where community leaders felt they had an operative role in implementing the ALP program and selecting ALP members tended to have a more favorable view of the security of their villages. Where the ALP was seen as a tool of a central authority, respondents reported lower levels of security.<sup>146</sup> However, whether or not the community supported or respected the current ALP Guardians, they believed that if properly administered, the ALP program would work in their community.<sup>147</sup> NSOCC-A provided updates on the status of the recommendations from the March 2014 assessment.<sup>148</sup>

- Support and supervision from the ANP: staff regularly inspect processes that support the ALP and an initiative to pay 100% of the ALP via electronic funds transfer (EFT). Currently 46% of the ALP is paid via EFT.<sup>149</sup>
- Transparent, locally owned recruitment processes: ALP was accepted more readily when village elders nominated local villagers as ALP Guardians as it was perceived that they will be more accountable to the people they already know.<sup>150</sup>
- Balanced tribal representation: established ALP procedures require recruitment be done proportionately when multiple tribes live in an area.<sup>151</sup>
- Regular information exchanges between community leaders and ALP commanders: the ALP leadership conducts summits for tribal elders and villagers to express concerns and to educate district and provincial-level security officials on the workings of the ALP.<sup>152</sup>

**Tashkil:** the list of personnel and equipment requirements used by the MOD and MOI that detail authorized staff positions and equipment items. The word means “organization” in Dari.

Source: GAO, GAO-08-661, *Afghanistan Security*, 6/2008, p. 18.

## SIGAR AUDIT

SIGAR has an ongoing audit on the Combined Joint Special Operations Task Force-Afghanistan's implementation of the Afghan Local Police program.

## STATUS OF AFGHAN PUBLIC PROTECTION FORCE TRANSITION NO LONGER AVAILABLE DUE TO DRAWDOWN OF U.S. FORCES

The Afghan Public Protection Force (APPF), a state-owned enterprise under the authority of the MOI, established to provide contract-based facility and convoy-security services in Afghanistan, was directed to be dissolved and its guard functions transitioned to the ANP.<sup>153</sup> SIGAR was unable to obtain an update on the transition status as the U.S. Forces-Afghanistan (USFOR-A) reported they no longer provide advisors or monitor the program.<sup>154</sup> SIGAR will attempt to obtain the status for the next quarterly report from other sources. For details on the last update on restructuring the security services into three parts, refer to page 88 in SIGAR's October 2014 *Quarterly Report to the United States Congress*.<sup>155</sup>

This quarter, RSM classified other information SIGAR uses to report on the costs of APPF services. The questions SIGAR asked about these costs can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

## AFGHAN NATIONAL ARMY

As of December 31, 2014, the United States had obligated \$34.8 billion and disbursed \$33.7 billion of ASFF funds to build, train, equip, and sustain the ANA.<sup>156</sup>

### ANA Strength

This quarter, RSM classified the information SIGAR uses to report on ANA troop strength. The questions SIGAR asked about ANA troop strength and attrition can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

### ANSF Attrition

Last quarter, SIGAR reported on its concerns about ANA attrition. Between September 2013 and August 2014, more than 36,000 ANA personnel were dropped from ANA rolls.<sup>157</sup> This quarter, RSM classified information SIGAR uses to report on ANA attrition. The questions SIGAR asked about ANA attrition can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

### ANA Sustainment

As of December 31, 2014, the United States had obligated \$13.8 billion and disbursed \$13.5 billion of ASFF funds for ANA sustainment.<sup>158</sup>

### SIGAR AUDITS

An ongoing SIGAR audit is assessing the reliability and usefulness of ANA personnel and payroll data.

A SIGAR audit initiated this quarter will review DOD's support to the ANA's Technical Equipment Maintenance Program (A-TEMP). Specifically, SIGAR plans to determine (1) the extent to which the ANA A-TEMP is meeting its stated goals, and (2) whether key ANA A-TEMP contract requirements are being met. For more information, see Section 2, page 27.

## ANA Salaries and Incentives

This quarter, RSM classified information SIGAR uses to report on ANA salaries and incentives. The questions SIGAR asked about ANA salaries and incentives can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

## ANA Equipment and Transportation

As of December 31, 2014, the United States had obligated and disbursed \$11.5 billion of the ASFF for ANA equipment and transportation.<sup>159</sup>

This quarter, RSM classified or otherwise restricted the release of information SIGAR uses to report on ANA equipment and transportation. The questions SIGAR asked about ANA equipment and transportation can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

## ANA Infrastructure

As of December 31, 2014, the United States had obligated \$6.2 billion and disbursed \$5.4 billion of the ASFF for ANA infrastructure.<sup>160</sup>

This quarter, RSM classified information SIGAR uses to report on ANA infrastructure. The questions SIGAR asked about ANA infrastructure can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

## ANA and MOD Training and Operations

As of December 31, 2014, the United States had obligated and disbursed \$3.3 billion of the ASFF for ANA and MOD operations and training.<sup>161</sup>

This quarter, RSM classified information SIGAR uses to report on ANA training programs, costs, and students. The questions SIGAR asked about ANA training programs, costs, and students can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

## Long-Standing Goals for Women in the ANA and Afghan Air Force Far From Met

Women still make up less than 1% of the ANA despite the past recruitment efforts and retention goals. The goal to increase the number of women in the ANA by 10% was moved into the ten-year plan. In March, the MOD is scheduled to publish the FY 1394 accession plan which will include the annual recruitment goal.<sup>162</sup> To achieve this goal, the ANA has waived a requirement that the recruitment of women be balanced among Afghanistan's various ethnic groups.

Additionally, the ANA is reviewing assignment locations to find locations with accommodation for females, such as separate restrooms. The ANA Recruiting Command also airs local television commercials directed at women beginning 20 days before training classes.<sup>163</sup> Forty-five slots are

## SIGAR INSPECTIONS

SIGAR has initiated an inspection of the U.S.-funded construction of the MOD headquarters to determine if construction is being completed in accordance with contract requirements and if any occupied portions of the headquarters are being properly maintained and used as intended.

A SIGAR inspection published this quarter examined facilities constructed and renovated at Camp Commando, and found issues with the generators, power output, and fuel points. For more information, see Section 2, page 38.

## SIGAR AUDIT

A SIGAR audit published this quarter found that although DOD, State, and USAID reported spending at least \$64.8 million on 652 projects, programs, and initiatives to support Afghan women in fiscal years 2011 through 2013, there was no comprehensive assessment available to show that gains in women's status were the direct results of U.S. efforts. For more information, see Section 2, page 21.

## SIGAR SPECIAL PROJECT

This quarter, SIGAR notified DOD and ISAF of concerns about the purchase of light air support aircraft. The Afghan Air Force may not be able to support the initial 20 aircraft and related equipment valued at \$450 million. For more information, see Section 2, page 44.

allocated for the four-year National Military Academy, 90 for the one-year Junior Officer Academy, and 150 for the officer candidate school/noncommissioned officer school.<sup>164</sup>

This quarter, RSM classified information on how the \$25 million authorized under the FY 2014 NDAA (Pub. L. 113-66), is being used to support the recruitment, integration, retention, training, and improved treatment of women in the ANSF. The questions SIGAR asked about ANA women's programs can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

## Afghan Air Force and the Special Mission Wing

The United States has a considerable investment in the Afghan Air Force. Between FY 2010 and FY 2014, the United States provided more than \$6.5 billion to support and develop the Afghan Air Force, including over \$3 billion for equipment and aircraft. In addition, DOD requested more than \$925 million, including \$21.4 million for equipment and aircraft, in FY 2015 for the Afghan Air Force. However, the majority of the funding is being requested for sustainment and training, as shown in Table 3.8.

This quarter the AAF declined to accept ownership of six C-182 fixed-wing training aircraft purchased with the ASFF. In lieu of training in C-182s, fixed-wing pilot training is being provided in the UAE, where Afghan students begin in C-172s and transition to more advanced training in C-208s.<sup>165</sup>

This quarter, RSM classified information SIGAR uses to report on the AAF and SMW capabilities, pilots, and aircraft inventories. The questions SIGAR asked about AAF and SMW capabilities, pilots, and aircraft inventories can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

According to NSOCC-A, contract support for both maintenance and logistics is anticipated to be required through 2017.<sup>166</sup> A RSM advisory group is partnered with the Afghans to develop organic maintenance capabilities as well as contractor support.<sup>167</sup>

TABLE 3.8

U.S. FUNDING TO SUPPORT AND DEVELOP THE AFGHAN AIR FORCE, 2010–2015 (\$ THOUSANDS)						
Funding Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 (request)
Equipment and Aircraft	\$461,877	\$778,604	\$1,805,343	\$111,129	\$2,300	\$21,442
Training	62,438	187,396	130,555	141,077	164,187	123,416
Sustainment	143,784	537,650	571,639	469,230	520,802	780,370
Infrastructure	92,200	179,600	113,700	53,000	0	0
<b>Total</b>	<b>\$760,299</b>	<b>\$1,683,250</b>	<b>\$2,621,237</b>	<b>\$774,436</b>	<b>\$687,289</b>	<b>\$925,228</b>

Source: DOD, Budget Fiscal Year (FY) 2012, Justification for FY 2012 Overseas Contingency Operations Afghanistan Security Forces Fund, 2/2011, pp. 8, 19, 30, and 44; DOD, Budget Fiscal Year (FY) 2013, Justification for FY 2013 Overseas Contingency Operations Afghanistan Security Forces Fund, 2/2012, pp. 5, 13, 19, and 32; DOD, Budget Fiscal Year (FY) 2014, Justification for FY 2014 Overseas Contingency Operations Afghanistan Security Forces Fund, 5/2013, pp. 5, 11, 20, and 37; DOD, Budget Fiscal Year (FY) 2015, Justification for FY 2015 Overseas Contingency Operations Afghanistan Security Forces Fund, 6/2014, pp. 10, 24, 26, and 29.

MOI, MOD, and National Directorate of Security leaders signed the SMW air charter on May 14, 2014, outlining the creation of a new Joint Command and Control Coordination Center (JCCC) to facilitate priority SMW missions. Both MOD and MOI special-operations forces will have liaison officers to the JCCC. The AAF is to provide personnel, recruiting, and other administrative (nonoperational) support to SMW. The SMW commander meets weekly with special-operations unit leaders to discuss pending operations and synchronize requirements and priorities.<sup>168</sup> The Afghan national security advisor is currently reviewing a proposal to transfer the SMW to the MOD while continuing to support both MOD and MOI special operation missions.<sup>169</sup>

## AFGHAN NATIONAL POLICE

As of December 31, 2014, the United States had obligated \$17.1 billion and disbursed \$16.6 billion of ASFF funds to build, equip, train, and sustain the ANP.<sup>170</sup>

### ANP Strength

This quarter, RSM classified the information SIGAR uses to report on ANP troop strength and attrition. The questions SIGAR asked about ANP troop strength and attrition can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

### ANP Sustainment

As of December 31, 2014, the United States had obligated \$6.7 billion and disbursed \$6.6 billion of ASFF funds for ANP sustainment.<sup>171</sup> This includes \$1.5 billion in U.S. contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), which pays for ANP salaries.

### ANP Salaries

This quarter, RSM classified information SIGAR uses to report on ANP salaries and incentives. The questions SIGAR asked about ANP salaries and incentives can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

The United Nations Development Program (UNDP) charges 4% of donor contributions—more than \$20 million based on their estimated annual expenditures—to manage the LOTFA program. The Afghan government and some international donors prefer this funding instead be applied to police salaries.<sup>172</sup> On December 24, 2014, President Ghani announced a six-month deadline for the UNDP to transfer control of the trust fund to the MOI.<sup>173</sup> The European Union’s ambassador to Afghanistan expressed support: “You have to take that cue when the host government says it wants to do something; it’s not like the LOTFA

### SIGAR AUDIT

A SIGAR audit on ANP personnel and payroll data released this quarter found no assurance that data are valid, that controls and oversight are weak, and that computer systems are not fully functional or integrated. For more information, see Section 2, page 23.

## SIGAR SPECIAL PROJECT

SIGAR sent an inquiry letter last quarter to UNDP expressing concern that the UNDP is not overseeing how LOTFA funds are spent, that they are not proactively addressing problems, and that they claim to lack authority to conduct oversight.

## Border Patrol Boat Status

In FY 2011, CSTC-A requested eight rigid-hull, inflatable riverine border-patrol boats for the ANP. CSTC-A canceled the \$1.93 million procurement near the end of the boats' manufacturing process. On July 25, 2014, DOD notified Congress that the boats purchased with ASFF funds were no longer required by the ANSF and would be treated as DOD stock. In November, the Navy transferred the boats to the Emergency Ship Salvage Material System in Virginia.

Source: OUSDP, response to SIGAR data call, 12/30/2014.

## SIGAR INSPECTION

An inspection of the Afghan Special Police Training Center's Dry Fire Range (DFR) revealed water penetration caused walls to begin disintegrating within four months of DOD's acceptance of the project, the DFR's construction was plagued by poor government oversight, and the contractor was not held accountable for correcting the range's structural deficiencies before the contract warranty expired. The Afghan authorities demolished the DFR and are rebuilding. For more information, see Section 2, page 41.

has tons of good will with the donor community."<sup>174</sup> Because SIGAR has already found that MOI internal-control mechanisms are insufficient to the task, SIGAR believes shifting police payments from LOTFA to direct financial assistance to the Afghan government would invite serious risks. SIGAR is not opposed to direct assistance, but believes such a move must contain a strict regimen of internal controls to ensure that monies are spent for their intended purposes.

## ANP Equipment and Transportation

As of December 31, 2014, the United States had obligated and disbursed \$3.6 billion of ASFF funds for ANP equipment and transportation.<sup>175</sup>

This quarter, RSM classified information SIGAR uses to report on ANP equipment. The questions SIGAR asked about ANP equipment can be found in Appendix E of this report. SIGAR is reporting on ANP equipment in a classified annex.

## ANP Infrastructure

As of December 31, 2014, the United States had obligated \$3.2 billion and disbursed \$2.9 billion of ASFF funds for ANP infrastructure.<sup>176</sup>

This quarter, RSM classified information SIGAR uses to report on ANP infrastructure. The questions SIGAR asked about ANP infrastructure can be found in Appendix E of this report. SIGAR is reporting on ANP infrastructure in a classified annex.

## ANP Training and Operations

As of December 31, 2014, the United States had obligated and disbursed \$3.5 billion of the ASFF for ANP and MOI training and operations.<sup>177</sup>

This quarter, RSM classified or otherwise restricted additional information SIGAR uses to report on ANP training programs, costs, and students. The questions SIGAR asked about ANP training programs, costs, and students can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

## ANP Unlikely to Meet Quotas for Policewomen

As in prior quarters, the number of women in the ANP is slowly increasing, but the ANP is far from reaching its goal of 5,000 women by March 2015. Women still make up only 1.4% of the force. This quarter, ANP personnel included 2,178 women, according to CSTC-A, an increase of 974 women since August 22, 2011.<sup>178</sup> ISAF said the ANP is focused on finding secure workplaces with appropriate facilities for females and developing strategies to attract and retain qualified female recruits with at least a high-school degree.<sup>179</sup> The 10-year goal for the ANP is to have 15,700 police women serving.<sup>180</sup>

The NDAA for FY 2014 (Pub. L. 113-66), provides \$25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and improved treatment of women in the ANSF.<sup>181</sup> This quarter, RSM did not classify or restrict information on ANP women, however, they did classify or otherwise restrict information on how the NDAA provision is being used to support ANA women. The questions SIGAR asked about ANA women's programs can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex. Some \$1.1 million is allocated to provide secure transportation for policewomen. One reason families do not allow females to join the ANP is the fear that they will be targeted on public buses by insurgents. The ANP is seeking to provide safe rides to and from work or training centers in unmarked, curtain-drawn vehicles.<sup>182</sup>

## **ANSF MEDICAL/HEALTH CARE**

This quarter, RSM restricted the release of information SIGAR uses to report on the ANSF medical and health care programs, personnel, and their cost. The questions SIGAR asked about the ANSF medical and health care programs, personnel, and their cost can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

## **REMOVING UNEXPLODED ORDNANCE**

More than any other country in the world, Afghanistan is plagued by mines and explosive remnants of war (ERW), putting thousands of lives at risk.<sup>183</sup> In its latest evaluation report, the UN Mine Action Service reported that an average of 39 people were killed or disabled by mines and other ERW every month in 2014.<sup>184</sup> Most of the mines are from the battles against the forces of the Soviet Union in the 1980s.<sup>185</sup>

Since FY 2002, the U.S. Department of State (State) has provided more than \$294 million for weapons destruction and demining assistance to Afghanistan, according to its Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA).<sup>186</sup> Through its Conventional Weapons Destruction program, State funds five Afghan nongovernmental organizations (NGOs), five international NGOs, and one U.S. government contractor. These funds enable clearance of areas contaminated by ERW and support removal and destruction of abandoned weapons that insurgents might use to construct IEDs.<sup>187</sup>

In September 2014, DOD transferred \$901,511 to PM/WRA to support an international NGO's effort to monitor the clearing of ordnance left behind more recently at U.S. firing ranges.<sup>188</sup> However, this may be just a small percentage of the funding needed. As noted in an April 2014 *Washington Post*

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TABLE 3.9

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1, 2013–SEPTEMBER 30, 2014						
Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m <sup>2</sup> )	Estimated Contaminated Area Remaining (m <sup>2</sup> )
1/1–3/31/2013	1,984	100,648	105,553	3,722,289	7,978,836	552,000,000
4/1–6/30/2013	1,058	18,735	49,465	1,079,807	5,586,198	537,000,000
7/1–9/30/2013	1,243	21,192	98,306	1,673,926	4,229,143	521,000,000
10/1–12/30/2013	8,211	2,460	54,240	3,064,570	5,729,023	518,000,000
1/1–3/31/2014	1,780	254,734	245,380	262,750	5,473,170	638,400,000*
4/1–6/30/2014	1,077	3,264	25,362	3,227,697	5,163,035	519,000,000
7/1–9/30/2014	1,329	26,873	21,502	2,860,695	5,705,984	511,600,000
<b>TOTAL</b>	<b>16,682</b>	<b>427,906</b>	<b>599,808</b>	<b>15,891,734</b>	<b>39,865,389</b>	<b>511,600,000</b>

Note: 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.

\* Significant increase in contaminated area due to inclusion of contaminated firing ranges by Mine Action Coordination Centre of Afghanistan (MACCA) in estimates. MACCA reversed its decision during the quarter ending, 10/30/2014.

Source: PM/WRA, response to SIGAR data call, 10/7/2014 and 12/31/2014.

article, the U.S. military has reportedly left about 800 square miles of contaminated land that is expected to cost \$250 million to clear.<sup>189</sup>

As of September 30, 2014, State-funded implementing partners have cleared nearly 165 million square meters of land (nearly 64 square miles) and removed or destroyed approximately 7.8 million land mines and other ERW such as unexploded ordnance, abandoned ordnance, stockpiled munitions, and home-made explosives (see Table 3.9). PM/WRA defines a minefield as the area contaminated by land mines, whereas a contaminated area can include both land mines and other ERW.<sup>190</sup>

A recent UN-commissioned evaluation of the Mine Action Programme of Afghanistan (MAPA), a UN program comprising 52 humanitarian and commercial organizations and employing 8,000 Afghans to clear mines and ERW, noted that the program has been successful while acknowledging that “the indirect and development impacts of the programme are neither properly assessed and quantified nor integrated in a real donor and advocacy strategy.”<sup>191</sup> The report also noted that “the absence of clear yearly targets until 2014 make it difficult to assess the achievements of the programme against targets and in turn to communicate clearly on this with donors.”<sup>192</sup> The report cautioned that a decrease in donor funding will make it difficult for MAPA to meet its obligation under the Ottawa Mine Ban Treaty to deliver a mine-free country by 2023.<sup>193</sup>

## COUNTERNARCOTICS

As of December 30, 2014, the United States has provided \$8 billion for counternarcotics efforts in Afghanistan since 2002. Congress appropriated

most of these funds through the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$2.8 billion), the Afghanistan Security Forces Fund (ASFF) (\$1.4 billion), the Economic Support Fund (ESF) (\$1.5 billion), and a portion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account.<sup>194</sup> USAID's Alternative Development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production.<sup>195</sup> In addition to reconstruction funding, the Drug Enforcement Administration (DEA) receives funding through direct appropriations to operate in Afghanistan. (See Appendix B.)

Afghanistan cultivates more than 90% of the world's poppies<sup>196</sup> and the Department of State's Bureau of International Narcotics and Law Enforcement Affairs' (INL) programs support the U.S. counternarcotics strategy for Afghanistan (approved in December 2012) and the key priorities of Afghanistan's National Drug Control Strategy, approved in October 2013.<sup>197</sup> INL advises the U.S. President and U.S. departments and agencies on the development of policies and programs to combat international narcotics and crime. INL programs support two of State's strategic goals:

- reduce the entry of illegal drugs into the United States
- minimize the impact of international crime on the United States and its citizens<sup>198</sup>

A recent audit of INL's counternarcotics initiatives in Afghanistan conducted by the Department of State's Office of Inspector General (State OIG) found that the effectiveness of INL's initiatives could not be determined for lack of fully developed or implemented performance-measurement standards.<sup>199</sup> State OIG recommended, among other things, that INL implement performance-measurement plans for all its initiatives, analyze its spending patterns and past expenditure rates to adjust its budget requests, and develop sustainment plans for its initiatives.<sup>200</sup>

INL responded that it had developed the performance-measurement plans for its key Afghan counternarcotics programs during the fall of 2012 and updated them in October 2013 to better align them with the agency's performance-measurement guidance. INL also maintained that the budget calculations in State OIG's report contained inaccuracies.<sup>201</sup> State OIG considered its recommendations unresolved based on INL's response.<sup>202</sup>

## Opium Cultivation Rises, Eradication Results Fall

The latest UN opium survey results, published November 2014, estimate that the total area under cultivation with poppy rose to 224,000 hectares, a 7% increase from the previous year.<sup>203</sup> Eradication decreased by 63% in 2014 from the previous year, to 2,692 hectares.<sup>204</sup> A hectare is about 2.5 acres. In a briefing to the UN Security Council, the United Nations Office on Drugs and Crime (UNODC) chief stressed that "the lessons of the past decade strongly

suggest that counternarcotics must be fully integrated in development and security strategies, and delivered as part of unified assistance.”<sup>205</sup>

While cultivation remains concentrated in Afghanistan’s southern and western regions, which accounted for 89% of the national production<sup>206</sup> (down from 95% in 2012),<sup>207</sup> a dramatic increase in Nangarhar—declared “poppy free” in 2007—to 18,227 hectares in 2014<sup>208</sup> shows how vulnerable other parts of the country are to resurgence.

INL also informed SIGAR that while opium cultivation has declined in some areas, it remained unchanged or has risen in areas where security and governance remain a challenge.<sup>209</sup>

## **Governor Led Eradication Program (GLE)**

INL funds Afghanistan’s Governor Led Eradication Program (GLE). UNODC verified in its November 2014 final report that GLE eradicated only 2,692 hectares nationwide in 2014 compared to 7,348 hectares in 2013.<sup>210</sup> The Afghan government has attributed the decrease in part to coinciding elections and the eradication season in some provinces, limiting the availability of security forces to assist in operations. The interministerial process to organize GLE efforts was also complicated by the elections, and the late-season approval of the plan limited its effectiveness.<sup>211</sup>

INL funds provided to support the GLE effort are based on eradication figures verified by UNODC.<sup>212</sup> Following the release of the UNODC report this quarter, INL/Kabul confirmed and transferred the final payment to MCN bringing the total for 2014 payments of \$673,000. INL also donated 47 new tractors to MCN, designated for provincial poppy eradication. According to INL, the purchased tractors will enhance the aging fleet. The procurement and delivery of those tractors took place in October 2014, after the eradication season, and they will be used during the 2015 eradication campaign. The new units bring MCN’s total eradication tractor count to 257.<sup>213</sup>

## **Good Performer’s Initiative (GPI)**

INL also supports the MCN’s efforts to achieve and sustain poppy-free provinces through the Good Performer’s Initiative (GPI). Under the terms of the GPI program, a province is eligible for \$1 million in GPI development projects for each year that it achieves poppy-free status, as verified by UNODC. In August 2014, INL and MCN announced GPI II, which expands the award categories for “good performers” to include public outreach and law enforcement, beginning in the 2014–2015 poppy cultivation season, and reduces the amount a province may receive for being poppy-free to \$500,000.<sup>214</sup> Following concerns that the initial program was not appropriately targeted, development assistance under GPI II will be tailored to better meet the needs of rural communities by prioritizing alternative-livelihoods projects that support farmers as they transition from poppy cultivation.<sup>215</sup>

As of November 30, 2014, a total of 221 GPI projects with a value of over \$108 million were approved with over \$73 million in expenditures: 145 projects were completed, 64 are ongoing, and 12 are nearing completion.<sup>216</sup> Based on third-party audit recommendations, GPI has reverted to its practice of using a flat conversion rate of one U.S. dollar to 50 afghanis (AFN) rather than using the actual conversion rate on project-bid day as provided by Da Afghanistan Bank as was reported by INL last quarter. The total value of GPI projects in prior quarterly reports is therefore not directly comparable to the values in this report.<sup>217</sup>

INL coordinates regularly with USAID to ensure that INL-supported alternative-development efforts complement past and ongoing investments by USAID in licit livelihoods and rural development in Afghanistan. For instance, INL ensures that projects proposed under the GPI program do not conflict with other U.S. government work through an interagency consultation process, drawing on past and present mission experience in each province.<sup>218</sup> Please refer to pages 115–117 of SIGAR’s October 2014 *Quarterly Report to the United States Congress* for more information on GPI.

## Monitoring, Verification, and Regional Cooperation

INL participated in the **Paris Pact** Policy Consultative Group Meeting at the end of September 2014, and anticipates continued participation in 2015.

INL currently has two monitoring and evaluation programs: (1) a grant for “Reducing Reliance on Illicit Crops,” which supports development of an analytical framework to assess the effect of programs designed to encourage Afghan farmers to reduce opium cultivation; and (2) a contract for the “Multi-Agent Modeling of INL Afghanistan Counter Narcotics Program,” which supports development of a simulation model of the Afghan drug industry that enables INL to assess the impact of its counter-narcotics programs in Helmand.

During this quarter, the grantee continued work on a report to estimate the likely effects of an array of counternarcotics programs, and the contractor entered the testing phase of the simulation-model prototype and continued work on a report explaining the simulation model use and methodology. Lastly, UNODC published the previously cited *Afghanistan Opium Survey 2014: Cultivation and Production* in November 2014.<sup>219</sup>

## Ministry of Counter Narcotics Capacity Building

The Ministry of Counter Narcotics (MCN) coordinates the actions of other ministries and takes the lead in developing counternarcotics policy.<sup>220</sup>

The MCN signed a memorandum of understanding with INL in February 2014 renewing its capacity-building program for 18 months and providing funding for 24 local national advisors to help build capacity at the MCN.<sup>221</sup> INL told SIGAR that the MCN capacity-building advisor, based at the U.S.

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**The Paris Pact:** The partnership of several countries and international organizations to combat illicit opium traffic from Afghanistan. It originated from a meeting of various ministers held in Paris in 2003 on central Asian drug routes. It aims to reduce opium-poppy cultivation, production and global consumption of heroin and other opiates, and establish a broad international coalition to combat illicit traffic in opiates.

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Source: Paris Pact, “What is it?” <https://www.paris-pact.net>, accessed 7/16/2014.

Embassy Kabul, coordinates project components including the INL-funded local national advisors, skills-focused workshops/training, and commodities.<sup>222</sup> The advisor shares requests for commodity support from MCN with INL, which then reviews the requests and approves those that add to MCN's capacity and development. For example, INL approved a cabling project to the MCN IT infrastructure that increased their internet communication capacity by 70%. On the other hand, INL rejected a recent MCN request for space heaters.<sup>223</sup>

When security conditions permit, the capacity-building advisor is embedded at the MCN four to five days each week to monitor program performance and implementation. An INL contractor is currently undertaking a public financial-management risk assessment of the MCN.<sup>224</sup> INL plans to incorporate the assessment's findings into the final MCN Capacity Building Program performance-measurement plan. During the next quarter, INL and MCN expect to finalize an agreement to undertake a series of courses to be taught by a local university with the aim of increasing work-related skills and overall capacity of MCN staff.<sup>225</sup>

During this quarter, MCN, with INL assistance, hosted two week-long development workshops in Kabul for MCN provincial directors and provincial staff. INL also delivered 34 trucks for MCN provincial offices, which needed reliable transportation.<sup>226</sup>

## Drug Demand Reduction

INL says it worked this quarter with the Ministry of Public Health (MOPH) and MCN to continue administration of the Demand Reduction Program, as well as to prepare for the transition plan to move INL-supported treatment centers to MOPH responsibility. INL supports 76 drug-treatment programs and funds training of clinical staff, treatment services, and outpatient and village-based demand-reduction programs.<sup>227</sup> The transition plan will continue with the transfer of additional treatment programs as INL support decreases gradually over the coming years. In the first year of transition, INL will turn over 13 centers. It will also move trained clinical staff to the MOPH government employee roster.<sup>228</sup> Please refer to pages 119–120 of SIGAR's October 2014 *Quarterly Report to the United States Congress* for more information.

## Counter Narcotics Community Engagement (CNCE)

INL also funds the nationwide Counter Narcotics Community Engagement (CNCE) program, which assists the Afghan government in combating the production, trafficking and use of narcotics through communication, outreach campaigns and capacity-building training.<sup>229</sup> According to INL, public-opinion polling shows that the majority of Afghan people polled have heard anti-poppy and anti-cultivation messages.<sup>230</sup>

The current CNCE grant will conclude in April 2015. INL told SIGAR it expects smaller, targeted programming to follow, to solidify the capacity-building training included in the original grant, as MCN takes over its public-information and outreach efforts. The scope and number of MCN campaigns will be determined in part by the Afghan government's budget allocation.<sup>231</sup> INL will continue with traditional U.S. Embassy and State-led public-outreach efforts, as occur elsewhere around the world.<sup>232</sup>

## Alternative Development/Alternative Livelihood

USAID's alternative-development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production.<sup>233</sup> INL funding supports programs in several areas including supply reduction and alternative development.<sup>234</sup> INL told SIGAR it coordinates regularly with USAID to ensure that INL-supported alternative-development efforts complement past and ongoing investments by USAID in licit livelihoods and rural development in Afghanistan.<sup>235</sup>

## Strengthening Afghan Governance and Alternative Livelihoods (SAGAL)

INL also funds alternative-livelihood programs.<sup>236</sup> For example, the non-governmental Aga Khan Foundation (AKF) and its partners implement activities under the \$12 million Strengthening Afghan Government and Alternative Livelihoods (SAGAL) grant from INL.<sup>237</sup> As of September 30, 2014, activities focused on project start-up. AKF negotiated subgrants with two project partners. The project partners recruited 98 staff and established four new SAGAL project offices. Activities started in several provinces, including studies around the input supply system and cooperatives, mapping studies to collect data about value chains and existing market demand, and financial and operational training for business-member organizations and **community-based savings groups**.<sup>238</sup>

According to INL, SAGAL activities will complement past and ongoing investments in licit livelihoods and rural development by the U.S. government. In particular, SAGAL will provide a system of support for GPI II. Where district development planning structures exist, SAGAL will support a more decentralized GPI II project-selection process, improving the recognition of rural community needs in the provincial GPI II project-nomination process.<sup>239</sup>

Wherever GPI II projects and SAGAL are both operating, SAGAL project teams will maintain ongoing linkages and provide needed support such as access to improved techniques, technologies, and agricultural inputs; linkages to markets; and improved capacity of communities to increase the post-production value of licit crops. For example, if a district is implementing a GPI II greenhouse project, SAGAL could support GPI II in linking farmers' cooperatives with the market, District Agriculture

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**Community-based savings groups:** provide sustainable access to credit and savings for the most vulnerable members of rural communities, particularly in areas lacking formal credit mechanisms through financial institutions. Participants are mobilized to form self-led savings groups that voluntarily contribute every month to a loan fund. Group members can access the loan fund to invest in public goods, businesses, or emergency needs. Each year, savings are paid out in full to all members and each individual may choose to reinvest. In the interim, groups can decide to grant small loans to individual members and recoup the credit with interest.

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Source: INL, response to SIGAR Vetting, 7/11/2014.

# SECURITY

TABLE 3.10

SELECT ALTERNATIVE DEVELOPMENT/ALTERNATE LIVELIHOOD PROGRAMS					
Agency	Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2014
State (INL)	Strengthening Afghan Governance and Alternative Livelihoods (SAGAL)	7/21/2014	1/20/2016	\$11,884,816	\$2,155,821
USAID	Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	12/30/2016	45,296,184	40,316,854
USAID	Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW)	3/2/2009	2/28/2015	159,878,589	148,292,490
USAID	Kandahar Food Zone (KFZ)	7/31/2013	7/30/2015	18,695,804	7,315,000
USAID	Regional Agriculture Development Program (RADP)-South	10/7/2013	10/6/2018	125,075,172	16,663,146
USAID	Regional Agriculture Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	2,208,501
USAID	Regional Agriculture Development Program (RADP)-West	8/10/2014	8/9/2019	69,973,376	1,031,829

Source: USAID, response to SIGAR data call, 1/12/2015; INL, response to SIGAR data call, 9/24/2014; INL, response to SIGAR vetting, 1/14/2015.

Irrigation and Livestock/Ministry of Agriculture, Irrigation, and Livestock, and other relevant organizations. INL told SIGAR this support will make the implementation of GPI II more efficient and effective.<sup>240</sup> In addition, SAGAL builds upon the work of USAID projects wherever possible and expands alternative livelihood projects to new areas. SAGAL staff consults with USAID to avoid working with the same beneficiaries or offering competing activities, and to develop complementary activities wherever possible.<sup>241</sup> As of December 31, 2014, disbursements total \$2.2 million.<sup>242</sup> Please refer to Table 3.10 for information on several other alternative livelihood programs.

## Kandahar Food Zone (KFZ)

The Kandahar Food Zone (KFZ) is a two-year, \$18.7 million project implemented by USAID under a joint strategy with INL and in close coordination with INL. KFZ is designed to identify and address the drivers of poppy cultivation in targeted districts of Kandahar province.<sup>243</sup> USAID implements the alternative livelihood (AL) component, including support to MCN, and INL implements the eradication, public-information and demand-reduction components.<sup>244</sup>

As of December 2014, KFZ completed three alternative-livelihood projects; 15 other AL and 11 irrigation-canal construction/rehabilitation projects were ongoing.<sup>245</sup> An estimated \$5.5 million of infrastructure projects in Zahri, Pajwai, and Maiwand have not begun because USAID is currently vetting the companies being considered for the work. Of the 14 infrastructure projects, one was cancelled and five were approved by USAID.<sup>246</sup>

KFZ also has 33 different AL projects in the pipeline, with five specifically designed for women.<sup>247</sup> These projects include vocational training in mechanical maintenance and masonry, the establishment of greenhouses and small poultry farms, and pre- and post-harvest marketing.<sup>248</sup> However, the USAID implementer raised security concerns, noting that spill-over in

fighting from neighboring Helmand risks destabilizing KFZ in western districts if left unchecked.<sup>249</sup>

According to USAID, 88 households benefitted from alternative-development or alternative-livelihood activities in U.S. government-assisted areas to date. The current objective is to assist over 7,100 households by July 2015.<sup>250</sup> It seems unlikely that KFZ will achieve its goal by the project's end date of July 2015.<sup>251</sup> As of December 31, 2014, USAID spent \$7.3 million. Please see Table 3.10 and refer to pages 118–119 of SIGAR's October 2014 *Quarterly Report to the United States Congress* for more information on the KFZ program.

### **Regional Agriculture Development Program (RADP)**

The Regional Agriculture Development Program (RADP) is intended to help Afghan farmers achieve more inclusive and sustainable economic growth. Within the overall RADP umbrella, there are currently three projects under implementation in the southern, western and northern regions of Afghanistan. These projects share a common set of objectives focused on strengthening the capacity of farmers in improving the productivity of wheat, high-value crops and livestock. Using a value-chain approach, these projects work with farmers and agribusinesses to overcome obstacles hindering production, processing, sales of commodities, and overall development of agricultural value chains.<sup>252</sup>

RADP-South, a five-year, \$125 million effort, operates in Helmand, Kandahar, Zabul, and Uruzgan provinces. It began in October 2013 and will end in October 2018.<sup>253</sup> Likewise, RADP-West, which operates in Herat, Farah, and Badghis Provinces, has a \$70 million cost estimate and is scheduled to end in October 2019.

The \$78 million RADP-North project operates in Balkh, Jowzjan, Samangan, Baghlan, Kunduz, and Badakshan.<sup>254</sup>

According to USAID, the RADP activities complement INL's efforts primarily through RADP-South, which operates in Helmand and Kandahar—the highest producers of opium poppy. RADP-North will work in Badakshan, which has historically been a poppy-growing area, and in other northern provinces like Balkh and Baghlan, which have relatively low levels of poppy cultivation at present. The three provinces covered by RADP-West all produced poppy in 2013. The projects will seek to increase the productivity of wheat, which directly competes with poppy for land as a winter crop.

More importantly, all the RADP projects will work to increase the productivity as well as expand the scale of annual horticulture production and livestock production, as alternative sources of income. According to USAID, increased income from licit sources will facilitate efforts to get farmers to reduce or eliminate poppy production. Without alternative income streams, abandoning poppy will have a severe negative economic impact on poppy-cultivating households.<sup>255</sup>

USAID told SIGAR that the RADP projects are just getting under way and have not reported any outcomes.<sup>256</sup> As of December 31, 2014, USAID spent \$2.2 million on RADP-North, \$16.7 million on RADP-South and \$1.0 million on RADP-West.<sup>257</sup> Please see Table 3.10 on page 112 for summary information on this alternative livelihood program.

Please refer to pages 119 and 184 of SIGAR's October 2014 *Quarterly Report to the United States Congress* for more information.

### **Incentives Driving Economic Alternatives for the North, East and West (IDEA-NEW)**

Launched in March 2009, the mission of USAID's \$160 million Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW) program is to expand the licit agricultural economy in the northern, eastern, and western regions of the country.<sup>258</sup> During October 2014, USAID signed grant agreements with five suppliers of agricultural inputs such as seed and fertilizer, and with three food processors such as jams and tomato paste producers.<sup>259</sup> USAID program implementers provided pesticide handling and safety training to dealers from Kabul, Kapisa, Parwan, Nangarhar, and Kunar. The training aimed to improve knowledge of safe pesticide use, environmental risk-mitigation methods, and hazard-free pesticide handling and storage.<sup>260</sup>

Activities continued under other program areas such as grants to assist agriculture input dealers—for example, seed, fertilizer or agro-chemical suppliers—to improve their business image, extend their capabilities and profits<sup>261</sup> (four grants were issued in October 2014<sup>262</sup>) or take new initiatives such as introducing short message service (SMS) or mobile telephone marketing for input wholesalers.<sup>263</sup> During October 2014, the SMS grantees sent 34 individual, targeted messages to farmer groups, amounting to a total of 12,000 messages reaching thousands of individual farmers.<sup>264</sup> As of December 31, 2014, USAID has disbursed \$148.2 million.<sup>265</sup> Please refer to Table 3.10 on page 112.

Though alternative-livelihood programs funded by USAID are designed to increase the size of the legal economy, it is not clear whether this will automatically lead to a reduction in the illicit economy. Experience has shown that unless programs adequately factor in the different causes of opium-poppy cultivation and how these differ by local context and socio-economic group, the risk remains that development inputs will lead to an increase in levels of opium-poppy cultivation and yields.<sup>266</sup>

### **Commercial Horticulture and Agricultural Marketing Program (CHAMP)**

The Commercial Horticulture and Agricultural Marketing Program (CHAMP) is a \$45 million USAID program designed to boost agricultural productivity and food security, provide market opportunities, and decrease

the country's poppy production. CHAMP works to reduce poverty among rural Afghan farmers by assisting them to shift from relatively low-value subsistence crops, such as wheat and corn, to high-value crops such as fruits and vegetables.<sup>267</sup>

CHAMP provides training in best agricultural practices, builds storage facilities such as cool rooms and raisin-drying facilities, and helps grape farmers convert from traditional ground-based vineyards to higher-output trellis systems. CHAMP also helps stimulate farm exports by linking farmers to traders and traders to high-paying markets. CHAMP includes women in many of its activities in an effort to integrate them into the mainstream agricultural sector.<sup>268</sup> The program began in February 2010 and was originally slated to end in January 2014. In June 2012, however, the program was extended until December 2014 to focus resources and activities on a value chain approach that emphasizes post-harvest handling and marketing activities.<sup>269</sup>

Under the new approach, CHAMP is carrying out activities throughout five main value chains (grapes, almonds, pomegranates, apricots, and apples). The program focuses on improving horticultural and marketing practices to produce high-quality fruit for high-value markets.<sup>270</sup> As of October 2014, CHAMP's achievements include training 100,000 farmers, including 2,600 women, to improve agricultural techniques, planting nearly three million saplings and root cuttings benefitting 19,500 farmers, and exporting 24,000 tons of produce valued at \$26 million to Pakistan, India, United Arab Emirates, Russia, and Canada. CHAMP enabled the construction of storage facilities (cool rooms and drying facilities) and created over 7,000 full-time jobs in agribusiness.<sup>271</sup> USAID informed SIGAR that CHAMP will now continue through December 2016.<sup>272</sup>

According to the implementer, security remained an impediment to certain program activities. Antigovernment elements intimidated staff and beneficiaries in several provinces, affecting project implementation. The deteriorating security conditions that followed the presidential election results also led to the reduction of non-Afghan staff for a week. The program implementer reported that delays in the USAID vetting approval for procuring items such as baskets for post-harvest handling in Ghazni, Wardak, and Zabul Provinces; trellis posts for Parwan, Kapisa, and Kandahar; and protective equipment will likely impact the project's ability to meet the approved plan requirements.<sup>273</sup> As of December 31, 2014, USAID has disbursed \$40.3 million.<sup>274</sup> Please see Table 3.10 on page 112.

## Interdiction Operations

DOD reported that from October 1, 2014, to December 17, 2014, Afghan security and law-enforcement forces conducted 48 drug-interdiction operations resulting in 85 detentions.<sup>275</sup> These operations included routine patrols, cordon-and-search operations, vehicle interdictions, and detention

operations. The U.S. military provided general logistics and intelligence support, while DEA provided mentorship and support to specialized Afghan investigative units.<sup>276</sup>

Most interdiction activities occurred in the east and capital regional commands. Previously, interdictions were concentrated in southern regional commands, where the majority of opiates are grown, processed, and smuggled out of Afghanistan. DOD said this shift is likely a result of the coalition drawdown as the threat to interdiction forces in the eastern regional commands, primarily Nangarhar Province, and the capital is not as great as the threat in the south and southwest. All U.S. interdiction activities were partnered with Afghan forces as ISAF continued its drawdown during the reporting period. Interagency elements, including the Interagency Operations Coordination Center (IOCC), continued to support combined Afghan and ISAF interdiction efforts. The IOCC provided data from military and law enforcement sources to enable operations against corrupt narco-insurgent elements.<sup>277</sup>

INL provides operations-and-maintenance support to the Counternarcotics Police of Afghanistan (CNPA) Headquarters and the specially vetted units in Kabul. INL does not provide operations-and-maintenance support to the provincial CNPA.<sup>278</sup> The U.S. intelligence community provided supplemental targeting and analytical support to Coalition mentors.<sup>279</sup>

Afghan operations during this period also resulted in the seizures of the following narcotics contraband:

- 9,696 kg of opium
- 482 kg of heroin
- 495 kg of morphine
- 13,166 kg of hashish/marijuana
- 1,930 kg of precursor chemicals<sup>280</sup>

In FY 2014 and throughout the quarter, use of Afghan counternarcotics elements for election security support led to fewer CN missions, as did reduced partnering of ISAF with Afghan forces. These impacts were most pronounced in Kandahar, where the Coalition surge and subsequent withdrawal was focused.<sup>281</sup>

## Interdiction Results

As shown in Table 3.11, interdiction results have been declining since 2012.

According to DOD, vetted Afghan units have successfully conducted complex counterdrug investigations and operations without Coalition assistance. However, the drawdown of Coalition forces has had an impact on Afghanistan's ability to conduct CN interdiction operations as critical enablers such as quick-reaction forces, close air support, and dedicated medical evacuation support are no longer available.<sup>282</sup>

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

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Source: UNODC, "Multilingual Dictionary of Precursors and Chemicals," 2009, viii.

TABLE 3.11

<b>INTERDICTION RESULTS, FY 2008–FY 2015</b>									
	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>	<b>FY 13</b>	<b>FY 14</b>	<b>FY 15*</b>	<b>Total</b>
Number of Operations	136	282	263	624	669	518	333	48	2,873
Detainees	49	190	484	862	535	386	441	85	3,032
Hashish seized (kg)	241,353	58,677	25,044	182,213	183,776	37,826	19,088	13,166	761,143
Heroin seized (kg)	277	576	8,392	10,982	3,441	2,489	3,052	482	29,691
Morphine seized (kg)	409	5,195	2,279	18,040	10,042	11,067	5,925	495	53,452
Opium seized (kg)	15,361	79,110	49,750	98,327	70,814	41,350	38,307	9,696	402,715
Precursor chemicals seized (kg)	4,709	93,031	20,397	122,150	130,846	36,250	53,184	1,930	462,497

Note: \*Data is for the first quarter of FY 2015.

Source: DOD, response to SIGAR data call, 12/30/2014.

DOD's focus will continue to be creating Afghan solutions that the Afghan government can sustain and build upon. DOD told SIGAR that it is important post-2014 to remain engaged in supporting CN efforts to contain and reduce the flow of drugs from Afghanistan, disrupt and dismantle transnational criminal organizations, and reduce the flow of illicit proceeds that finance insurgent and terrorist activities globally.

Meanwhile, the recently signed Bilateral Security Agreement appears to have limited the ability of contractors to carry firearms for self-protection. DOD is still waiting for formal guidance on how to implement this new stipulation.<sup>283</sup>

## Aviation Support

The Department of Defense continues to mentor and develop the Afghan Special Mission Wing (SMW) to provide aviation support to counternarcotics, counterterrorism, and special operations forces. The SMW moved into its new aviation facility at Kandahar Airfield and conducts operations from this location.

From October to December 2014, the SMW took delivery of the last of 30 new Mi-17 helicopters and currently has 13 of 18 authorized PC-12 reconnaissance airplanes. The SMW provides the only helicopter night-operations tactical capability for the ANSF.<sup>284</sup>

During the same period, Department of State aircraft provided a total of 1,496.8 flight hours, conducted 1,132 sorties, moved 3,729 passengers, and transported 244,797 pounds of cargo in Afghanistan. According to INL, State provided 18.5 flight hours supporting DEA intelligence, surveillance, and reconnaissance missions, 138.6 flight hours supporting DEA interdiction efforts, and 10.8 flight hours supporting Afghan National Interdiction Unit and DEA passenger movements.<sup>285</sup>

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As of December 30, 2014, the United States had provided more than \$30.6 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$17.7 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department and the United States Agency for International Development (USAID). The FY 2014 ESF appropriation of \$852 million is down from the high of \$3.3 billion appropriated in 2010 (see Appendix B). The FY 2015 ESF appropriation for Afghanistan was still being determined when this report went to press.

### KEY EVENTS

On December 4, 2014, Afghanistan's new national-unity government and representatives of the international community convened the London Conference on Afghanistan. Conference participants renewed commitments made at the 2012 Tokyo conference and agreed to update these commitments in 2015.<sup>286</sup> The London Conference was not intended to result in new donor promises of assistance;<sup>287</sup> instead the international community reaffirmed its previous commitment of \$16 billion in assistance through 2015.<sup>288</sup> The conference was also an opportunity for the Afghan government to present its reform agenda, *Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership*. However, the Afghan government's proposals lacked specificity.<sup>289</sup>

Throughout the quarter, there were numerous delays in appointing a new cabinet and other high-ranking Afghan government officials. The failure of President Ghani and Chief Executive Officer Abdullah to introduce, even symbolically, new ministers in time for the London Conference was a disappointment to donor governments that had encouraged the government to offer a tangible sign of progress.<sup>290</sup> The seeming paralysis of the new government followed a long period of inactivity under the Karzai administration during the protracted 2014 election process.<sup>291</sup> On January 12, 2015, President Ghani's office finally announced 27 senior-level nominees. The nominations are still subject to parliamentary approval.<sup>292</sup>

This quarter, the Asia Foundation released the 2014 *Survey of the Afghan People* based on in-person interviews conducted from June 22 to



**Afghan President Ashraf Ghani** during a press conference at the presidential palace. (DOD photo)

July 8, 2014,<sup>293</sup> following the presidential election run-off on June 14, but before the September 21 agreement to form the national-unity government.<sup>294</sup> In 2014, 54.7% of Afghan respondents said the country is moving in the right direction, down from 57.2% in 2013; 40.4% said it is moving in the wrong direction, up from 37.9 % in 2013. Despite yearly fluctuations, the long-term trend since 2006 shows an increase in the perception that the country is moving in the right direction.<sup>295</sup>

Asked about government performance, 75.3% of Afghans said the national government does a somewhat good or very good job. Around two-thirds said provincial government is doing a good job (67.6%), followed by municipal authorities (58.5%) and district government (56.7%). These views in 2014 were quite similar to those in 2013.<sup>296</sup>

The survey also found that 67.4% of Afghans surveyed said they feel very safe or somewhat safe expressing their opinions about the government in public. Afghans living in urban areas (76.2%) are more likely to feel safe speaking out about the government in public than those in rural areas (64.5%).<sup>297</sup>

## NEW AFGHAN GOVERNMENT

### Initial Appointments

Despite a campaign promise to form his government within 45 days of the inauguration in September<sup>298</sup> and a promise at the December 4 London Conference to have a cabinet in place within a month,<sup>299</sup> President Ghani failed to announce nominations for key government positions until January 12, more than three months after the new government's inauguration.<sup>300</sup>

No former Karzai-administration government ministers or serving members of parliament were nominated; however, four of the candidate ministers are former deputy or acting ministers. According to the Afghanistan Analysts Network, with the exception of the candidates for the foreign affairs, security, and finance ministries, the candidates were generally young and inexperienced. The candidate ministers included three females to lead the ministries of higher education, women's affairs, and information and culture. The announcement on January 12 did not include candidates for attorney general, the director of the Independent Directorate of Local Governance (IDLG), or chief justice.<sup>301</sup>

On January 20, Ghani formally introduced the nominees to parliament. There were changes between the initial list of nominees announced on January 12 and the final list presented to parliament. For example, the nominee for the Ministry of Agriculture, Irrigation, and Livestock requested a delay in consideration of his nomination after it emerged that he was on Interpol's most wanted list for tax evasion in Estonia. The nominees for key positions included:

- Sher Muhammad Karimi, an officer from the pre-communist, communist, and post-Taliban army who is currently chief of the general staff, was nominated to be minister of defense.
- Nur ul-Haq Ulumi, formerly governor general of the Kandahar zone during the communist regime, was nominated to be minister of interior.
- Salahuddin Rabbani, currently chair of the High Peace Council, was nominated to be minister of foreign affairs.
- Eklil Ahmad Hakimi, ambassador to the United States, was nominated to be minister of finance. Ghulam Jailani Popal, formerly deputy minister of finance for revenue and customs and director general at the IDLG, was originally nominated to be minister of finance, but he withdrew his nomination, reportedly due to his dual citizenship.
- Rahmatullah Nabil, currently head of the National Security Directorate (NDS), was nominated to continue as head of NDS.<sup>302</sup>

The delays led to significant frustrations with the national-unity government. In January, *Tolo News* released a survey that found a drop in previously enthusiastic support for President Ghani. Only 27.5% of respondents were very satisfied with Ghani's performance, down from 59.9% after the first month of the new administration. Still, 30.4% of respondents in the latest poll reported being moderately satisfied, while 32% were not satisfied at all.<sup>303</sup>

Parliament also expressed increasing frustration with the administration. In late December, the lower house of parliament set a one-week deadline that passed without consequence. Following the deadline,<sup>304</sup> a parliamentary delegation met with the national-unity government, which requested another week to introduce cabinet nominees.<sup>305</sup> After the second deadline expired, seven lower-house parliamentarians signed a document accusing President Ghani of treason for the delays. While the lower house would normally consider the accusation of treason, its speaker said legislators had already fulfilled their duty by meeting with the national-unity government to encourage a speedy resolution.<sup>306</sup>

As of early January, President Ghani also delayed staffing the newly created, 500-person Office of the Chief Executive and a 200-person special agency to promote reform and good governance because he had not yet signed decrees authorizing funds.<sup>307</sup>

While the new administration dithered on appointing key personnel, President Ghani has been aggressive in firing officials. In December, *Tolo News* reported that President Ghani fired several officials from Herat Province including the acting provincial governor, 15 police chiefs, eight district governors, five border police commanders, and the appellate court prosecutor. In addition, the heads of Da Afghanistan Breshna Sherkat (DABS, the national electric utility), education, and customs were all dismissed from their posts and are to be investigated for malfeasance.<sup>308</sup> Two

weeks later, however, *Tolo News* reported that dismissed district chiefs of police were still executing their duties. The new acting provincial governor reported that while the civilian positions have been replaced, it was beyond his authority to appoint security officials.<sup>309</sup> In Kunduz and Paktika Provinces, Ghani not only relieved but also replaced the governors.<sup>310</sup>

On November 30, President Ghani dismissed most acting ministers left over from the Karzai administration, to be replaced temporarily by their deputies.<sup>311</sup> This action followed calls from parliament to replace the acting ministers with permanent replacements after the constitutionally authorized two-month grace period ended.<sup>312</sup>

## Election Follow-up

The contentious April and June Afghan presidential elections of 2014 prompted reflection by U.S. and international organizations that supported the process. Although international observers found Afghan elections bodies made marked progress reducing the level of fraud from 2009 and 2010 levels, Afghan voters still perceived widespread fraud. Additionally, several high-profile incidents significantly damaged confidence in the process.<sup>313</sup>

According to USAID, the elections were conducted with a robust set of rules and a technical architecture specifically developed for a country with an extremely low literacy rate, limited resources, and a conflict environment. USAID noted that the level of fraud highlighted the limits of technical solutions despite these measures when many stakeholders engaged in the process adhere to the rules in only a limited fashion.<sup>314</sup>

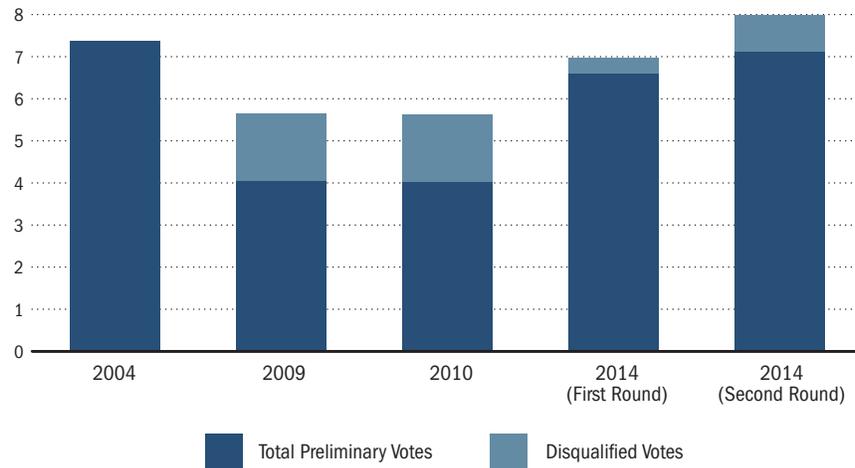
The Independent Election Commission (IEC) conducted a comprehensive audit of the June run-off election. The audit used qualitative measures to detect fraud, a significant departure from the quantitative measures used in audits conducted 2009 and 2010. The qualitative measures included attempting to identify ballot-box stuffing by determining whether an individual ballot box had a significant number of similarly marked ballots. The exact quantities of ballots that were similarly marked, however, were frequently contested between the two camps. IEC auditors would determine whether 10 or more ballots per box were cast for a particular candidate. If this determination was contested further, UN advisors would be called to provide their views. If more than 20 ballots (out of a total 600 per ballot box)<sup>315</sup> were declared similarly marked, a recount would be triggered.<sup>316</sup>

As a result of the audit, the number of invalidated ballots increased from 5.35% of ballots before the audit to 10.69% after the audit.<sup>317</sup> For a comparison, see Figure 3.28 for disqualified votes from the 2004, 2009, 2010, and 2014 elections.

The audit also revealed that the majority of fraud was ballot stuffing, through pre-polling, polling, and post-polling activities, and by polling-center staff malfeasance. District Field Coordinators (DFC)—temporary Afghan government electoral staff<sup>318</sup>—reportedly were the main source

FIGURE 3.28

## DISQUALIFIED VOTES IN AFGHAN ELECTIONS (MILLIONS)



Source: USAID, ODG, response to SIGAR data call, 12/29/2014.

of malfeasance. USAID cited the case of a senior Afghan electoral official who had to resign after audio recordings surfaced of him apparently giving orders to recruit DFCs with political bias. The same official also reportedly replaced many DFCs in the final days before the election without following the standard process. There were also increased reports of Afghan National Security Forces (ANSF) engaging in fraud which, according to USAID, was a relatively new occurrence.<sup>319</sup>

In December, the European Union Election Assistance Team (EU EAT) released its final report on the 2014 Afghan presidential elections primarily using quantitative indicators to identify potential fraud. The report did not specify how many votes EU EAT believed to be invalid, but identified irregular voting patterns that raise doubts about more than two million votes.<sup>320</sup> For example, EU EAT found that approximately 2.06 million run-off votes (26% of all votes cast) came from polling stations that used up 99% or more of their available ballots. This was an increase over the first round, which had approximately 769,000 votes (12% of all votes cast) coming from polling stations with 99% or more ballot utilization.<sup>321</sup> Another quantitative criterion used by EU EAT was a high number of ballots cast for a single candidate. In the first round, 4% of votes (approximately 285,000 ballots) came from polling stations in which one candidate won 95% or more of the vote. In the run-off, this amount increased to 30% (approximately 2.38 million votes).<sup>322</sup>

# GOVERNANCE

## U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

### Summary of On-Budget Agreements

To improve governance and align development efforts with Afghan priorities, international donors at the 2010 Kabul Conference committed to increase to 50% the proportion of civilian development aid delivered on-budget through the Afghan government.<sup>323</sup> The donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference and again at the December 2014 London Conference.<sup>324</sup>

On-budget assistance is either (1) bilateral, government-to-government assistance or (2) disbursements from trust funds. Off-budget assistance

TABLE 3.12

USAID ON-BUDGET PROGRAMS						
Project/Trust Fund Title	Afghan Government On-Budget Partner	Special Bank Account?	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2014 (\$)
<b>Bilateral Government-to-Government Projects</b>						
Power Transmission Expansion and Connectivity Project (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	Yes	1/1/2013	12/31/2016	\$342,000,000	\$13,388,993
Partnership Contracts for Health Services (PCH) Program	Ministry of Public Health (MOPH)	Yes	7/20/2008	12/31/2015	259,663,247	194,326,384
Sheberghan Gas Development Project (SGDP)	Ministry of Mines and Petroleum (MOMP)	Yes	5/15/2012	4/30/2015	90,000,000	0
Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)	DABS	Yes	4/22/2013	12/31/2015	75,000,000	12,520,396
Agriculture Development Fund (ADF)	Ministry of Agriculture, Irrigation and Livestock (MAIL)	Yes	7/18/2010	12/31/2014	74,407,662	54,000,000
Basic Education and Literacy and Vocational Education and Training (BELT) - Community-Based Education	Ministry of Education (MOE)	Yes	10/29/2013	10/28/2017	56,000,000	0
Civilian Technical Assistance Program (CTAP)	Ministry of Finance (MOF)	Yes	9/30/2009	9/30/2014	36,256,560	28,810,610
Afghanistan Workforce Development Project (AWDP)	MOE	Yes	9/18/2013	04/03/2016	30,000,000	150,150
Basic Education and Literacy and Vocational Education and Training (BELT) - Textbooks Printing	MOE	Yes	11/16/2011	12/31/2014	26,996,813	24,436,268
E-Government Resource Center (EGRC)	Ministry of Communications and Information Technology (MOCIT)	Yes	8/28/2013	6/1/2016	3,900,000	30,000
<b>Multi-Donor Trust Funds</b>						
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	3/31/2017	1,900,000,000	721,057,556
Afghanistan Infrastructure Trust Fund (AITF)	Multiple	No	3/7/2013	3/6/2018	285,170,184	105,000,000

Note:  
\*USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements. Cumulative disbursements from the two ARTF awards are currently \$2,093,048,751.

Source: USAID, OPPD, response to SIGAR data call, 1/12/2015.

is undertaken by donors or their agents without passing through Afghan ministries or the Afghan national budget. As shown in Table 3.12, USAID expects to spend \$994 million dollars on active direct bilateral-assistance programs. It also expects to contribute \$1.9 billion to the ARTF, on top of \$1.37 billion disbursed under the previous grant agreement between USAID and the World Bank.<sup>325</sup> USAID also plans to contribute more than \$105.7 million to the AITF.<sup>326</sup>

At the 2012 Chicago Conference, the international community committed to financially support the Afghan security forces through separate mechanisms for the army and police with an estimated annual budget of \$4.1 billion.<sup>327</sup> Last quarter at the Wales Summit, NATO allies and partners renewed their commitment to contribute significantly to financial sustainment of the ANSF through the end of 2017 and to financially sustain the ANSF over the next 10 years. The international community has pledged nearly €1 billion, approximately \$1.29 billion,<sup>328</sup> annually to sustain the ANSF for 2015 through the end of 2017. The United States has requested and received \$4.1 billion in the FY 2015 budget,<sup>329</sup> which would help sustain the ANSF surge end strength of 352,000 through 2015.<sup>330</sup>

The United States expects that Afghanistan will assume an increasing portion of ANSF sustainment costs, beginning with \$500 million in 2015, as agreed to at the Chicago Summit.<sup>331</sup>

However, the already declining international confidence in the Afghan government's ability to increase its share further eroded during the quarter. The Afghan Ministry of Finance (MOF) reported that Afghan government revenues for 2014 were 8% below the year's target.<sup>332</sup> In October, the MOF claimed a \$537 million budget shortfall that threatened government civil servant salaries. This shortfall came despite the Afghan government's effort to take austerity measures such as putting on hold discretionary development projects, stopping cost overruns on existing projects and new recruitment, keeping operations and maintenance costs to a bare minimum, reducing overtime and freezing bonuses for civil servants, and disallowing procurement of luxury items.<sup>333</sup> For more information on the budget shortfall and the U.S. response, see pages 148–151 of this report.

## Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with seven Afghan government entities and (2) through contributions to two multidonor trust funds, the Afghanistan Reconstruction Trust Fund (ARTF) and the Afghanistan Infrastructure Trust Fund (AITF).<sup>334</sup> According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the MOF for each program.<sup>335</sup>

The ARTF, administered by the World Bank, provides funds to both the Afghan government's operating and development budgets in support of Afghan government operations, policy reforms, and national-priority

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programs.<sup>336</sup> The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.<sup>337</sup> According to USAID, the majority of on-budget funding has been and will continue to be directed through the multidonor trust funds, particularly the ARTF.<sup>338</sup>

The World Bank, as the ARTF administrator, employs a systematic approach to minimizing the exposure of ARTF funds to fiduciary risk. This includes policies, procedures, and practices that work together to identify, analyze, evaluate, and then address and monitor risk. The World Bank provides technical assistance to the Afghan government to ensure systems are in place and strengthened.<sup>339</sup>

In addition to the Afghan government's own control systems, the World Bank closely supervises the ARTF funds, according to USAID. The World Bank has added additional controls to its normal supervision system in the form of the ARTF Monitoring Agent (MA) and the ARTF Supervisory Agent. Disbursements to the Afghan government under the Recurrent Cost Window are made for eligible civilian operating expenditures of the government. The Bank has hired an MA to review recurrent-cost expenditures. The purpose of the MA is to ensure all expenditures financed from the Recurrent Cost Window are eligible and to deduct ineligible expenditure. The MA's monitoring is undertaken in two stages: after a desk review of expenditure, selective site visits follow to confirm that supporting documentation is in place.<sup>340</sup>

In October, USAID's Office of Inspector General (OIG) issued an audit report covering government-to-government assistance through bilateral agreements. The audit found that USAID improved its implementation of financial-management controls for government-to-government (direct or bilateral) assistance over time, although some controls were not fully utilized.<sup>341</sup> For example, although annual audits are required for governments that receive \$300,000 or more per year in USAID assistance, USAID officials fell short in ensuring that they and the Afghan government adhered to those requirements. Initially, the Afghan government was assigned responsibility for contracting its own audits as a capacity-building effort. However, USAID realized that Afghan government entities were not able to achieve audits per the required timelines. USAID's own contracted audits also faced challenges, including Afghan government reluctance to being audited.<sup>342</sup> The USAID OIG audit also found that USAID did not explain its expectations clearly in project documents, which can result in misunderstandings between the Afghan government and USAID and reduce the effectiveness of risk-mitigation measures.<sup>343</sup>

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

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

## On-Budget Assistance to the ANSF

A large portion of **on-budget** assistance is for the Afghan security forces. DOD provides on-budget assistance to the Afghan government

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

through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Ministry of Defense (MOD) and the Ministry of Interior (MOI), and (2) ASFF contributions to the multidonor LOTFA. Administered by the United Nations Development Programme (UNDP), LOTFA primarily funds Afghan National Police (ANP) salaries.<sup>344</sup> Direct-contribution funding is provided to the MOF, which allots it incrementally to the MOD and MOI, as required.<sup>345</sup>

This quarter DOD decided not to release the commitment letters between the Combined Security Transition Command-Afghanistan (CSTC-A), the MOF, and MOI or MOD. The commitment letters specify the terms for U.S. military-managed financial assistance to the ANSF. SIGAR's questions about U.S. financial support to the ANSF can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

SIGAR is conducting a criminal investigation into serious allegations that the current MOD fuel contract was corrupted by contractor collusion, price fixing and bribery.

In an audit released this quarter, SIGAR found that the two main electronic systems used for ANP personnel and payroll data—Afghanistan Human Resources Information Management System (AHRIMS) and the Electronic Payroll System (EPS)—are not fully functional, cannot communicate directly with each other, and do not span all personnel and payroll data processes. Both systems contain thousands of personnel records with incorrect or missing identification numbers. As a result, controls—such as automated data transfers, the capability to reconcile personnel between systems, and reduced dependence on handwritten reports—are not in place, and the risks of relying on untimely, inaccurate, or falsified ANP personnel and payroll data persist.<sup>346</sup>

CSTC-A, UNDP, and the MOI are each supposed to be responsible for verifying ANP personnel and payroll data. The verifications that these organizations performed were ad hoc and uncoordinated, and no one has conducted a comprehensive verification to cover all ANP personnel and payroll processes. CSTC-A could not provide SIGAR with written procedures for how it validates ANP personnel totals and officials confirmed that over the past year they accepted, without question, all personnel totals provided by the MOI.<sup>347</sup>

As of September, UNDP reported that the AHRIMS contains approximately 50,000 invalid identification cards for the MOI alone.<sup>348</sup> AHRIMS is a system to track personnel information for the ANP and Afghan National Army (ANA).<sup>349</sup> For comparison, the entire authorized strength of the ANP is 157,000,<sup>350</sup> however, AHRIMS presumably includes records for not only the current forces but also those who have left the force.

The *New York Times* reported in December that President Ghani has demanded that the UNDP end their stewardship of the LOTFA within six months. According to the European Union ambassador in Afghanistan, the

## SIGAR AUDIT

This quarter, SIGAR released an audit on ANP salary payments that found that more than \$300 million in annual, U.S.-funded salary payments are based on partially verified or reconciled data. For more information, see Section 2, page 23.

timeline may be unrealistic, but “It’s not like the LOTFA fund has tons of good will with the donor community.”<sup>351</sup>

Because SIGAR has already found that MOI internal-control mechanisms are insufficient to the task, SIGAR believes shifting police payment from LOTFA to direct financial assistance to the Afghan government would invite serious risks. SIGAR is not opposed to direct assistance, but believes such a move must contain a strict regimen of internal controls to ensure that monies are spent for their intended purposes.

## NATIONAL GOVERNANCE

The United States provides assistance to Afghan governing institutions to build their capacity to perform critical services and thereby increase their legitimacy in the eyes of the Afghan population. Assistance is provided in two ways: (1) through contracts, grants, and cooperative agreements; and increasingly, (2) through on-budget assistance. With 2014 marking the final year of the security transition, the U.S. government has been particularly focused on increasing the financial and program-management capabilities of Afghan government institutions. It is using a combination of capacity building and on-budget programs to achieve this end.<sup>352</sup>

The Tokyo Mutual Accountability Framework (TMAF) serves as a cornerstone of international engagement and is the agreed instrument for measuring mutual accountability.<sup>353</sup> The international community and Afghan government agreed to the TMAF at the Tokyo Conference of Donors in July 2012. Later the TMAF was augmented with intermediate targets for the Afghan government and the international community called “hard deliverables,” such as passage of a mining law.<sup>354</sup>

Last quarter USAID reported that, as a matter of policy, the U.S. Embassy Kabul is no longer evaluating or updating the original version of hard deliverables. According to USAID, the previous set of hard deliverables is no longer part of the discussion. The London Conference Communiqué said the TMAF will be refreshed at the Senior Officials Meeting in mid-2015.<sup>355</sup> Some incomplete actions from the original list may make it into a future framework.<sup>356</sup>

Although the London Conference did not result in a revised list of hard deliverables,<sup>357</sup> the Afghan government committed to deliver the following reforms ahead of the Senior Officials Meeting:

- Ensure that a credible budget is passed.
- Scrutinize expenditure and implementing measures to increase revenue including measures to broaden the tax base.
- Strengthen financial-sector supervision.
- Improve the conditions for responsible private-sector investment.
- Demonstrate actions to improve human rights, particularly the rights of women.<sup>358</sup>

On November 11, the Afghan government submitted its FY 1394 (Western calendar December 21, 2014–December 20, 2015) budget to parliament. The draft budget included a 3% overall reduction compared to the previous year’s budget, including an 11% reduction of non-security-related costs.<sup>359</sup> The draft budget was criticized in parliament and rejected by the lower house.<sup>360</sup> In January, the MOF submitted an amended budget that included more than 443 projects that were not included in the initial draft. Parliamentarians had criticized the first draft budget because it did not include these projects, many of which were left incomplete in the previous year.<sup>361</sup> The projects’ inclusion, of course, widens the potential fiscal gap between government revenues and expenditures.

## Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries’ ability to prepare, manage, and account for on-budget assistance. SIGAR’s January 2014 audit of USAID’s assessments of seven Afghan ministries receiving on-budget assistance from the U.S. government found that these assessments and reviews identified no ministry capable of effectively managing and accounting for funds without implementing risk-mitigation measures.<sup>362</sup> As shown in Table 3.13, programs include USAID’s \$31 million Leadership, Management, and Governance Project that aims to strengthen Afghanistan’s financial-management systems and the capacity of the Ministry of Public Health and the Ministry of Education to meet requirements set at the 2010 Kabul International Conference for increased on-budget aid.<sup>363</sup> 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.<sup>364</sup>

To encourage Afghan ministries to rely more heavily upon the civil service and reduce dependency on the “parallel civil service” created through certain donor-funded programs, USAID has decided to move assistance from stand-alone programs to the ARTF’s Capacity Building for Results (CBR) program.<sup>365</sup> CBR supports ongoing public-administration reforms

TABLE 3.13

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2014 (\$)
Leadership, Management, and Governance Project	Ministry of Public Health Ministry of Education	9/25/2012	10/31/2014	\$31,248,400	\$26,574,770
Assistance to Legislative Bodies of Afghanistan	Parliament	3/28/2013	3/27/2018	23,455,326	6,651,375
Ministry of Women's Affairs Organizational Restructuring and Empowerment	Ministry of Women's Affairs	12/20/2012	12/19/2015	14,182,944	4,508,558

Source: USAID, response to SIGAR data call, 1/12/2015.

# GOVERNANCE

across the government, training for selected civil servants, and limited technical assistance to support ministry reforms.<sup>366</sup>

The CBR organizes Afghan ministries into three tiers which receive increasing levels of support, including financing to hire civil servants, technical assistance, and training.<sup>367</sup> All Afghan government ministries are automatically classified initially as Tier 1 and must compete for the higher levels of support afforded Tiers 2 and 3.

The seven criteria for Tier 2 include progress on pay and grade reforms at the central and subnational levels; a functional human resources department with 30% of pay- and grade-reform civil service staff evaluated through performance evaluations; an approved strategic or business plan with at least one annual progress report; a development-budget execution rate (the portion of budgeted amounts that controlling agencies actually spend) of at least 40%; and the ministry either (1) collects key revenues of at least 5% of the revenues collected by all ministries or (2) the ministry contributes to at least one key governmental service in human-capital development, key economic-infrastructure development, or judicial services. In order to advance to Tier 2 status, a ministry must meet at least five of the seven criteria.<sup>368</sup>

In addition to the criteria for Tier 2, Tier 3 requires that the ministry recruit 80% of central-level employees per the pay-and-grade reforms and recruit 50% or more of employees at the subnational level, and achieve a development-budget execution rate (the portion of budgeted amounts that controlling agencies actually spend) of at least 50%.<sup>369</sup> See Table 3.14 for the current status of ministries.

In August 2014, the World Bank found the CBR was making unsatisfactory progress toward its objective to assist the Afghan government in improving the capacity and performance of select line ministries, carrying out the mandates of its ministries, and delivering services. The World

TABLE 3.14

TIER STATUS OF AFGHAN MINISTRIES IN THE CAPACITY BUILDING FOR RESULTS (CBR) PROGRAM		
Ministry Tier	Ministry	Status
Tier 3	Ministry of Agriculture, Irrigation, and Livestock (MAIL)	Implementation under way.
	Ministry of Communication and Information Technology (MOCIT)	Implementation under way.
	Ministry of Public Health (MOPH)	Proposal in advanced stages, to be submitted to the CBR Advisory Group.
	Ministry of Education (MOE)	Proposal development initiated but has not progressed.
	Ministry of Rural Rehabilitation and Development (MRRD)	Proposal in early stages of development.
Tier 2	Ministry of Mines and Petroleum (MOMP)	Application fully approved on July 12, 2014.
	Ministry of Labor and Social Affairs, Martyrs, and Disabled (MOLSAMD)	Fully approved on July 12, 2014.
	Ministry of Commerce and Industry (MOCI)	Proposal in initial stage of development.
	Ministry of Urban Affairs	Approved to receive support as Tier 2 ministry.
	Ministry of Economy	Approved to receive support as Tier 2 ministry.
	Ministry of Justice (MOJ)	Proposal in initial stage of development.

Source: USAID, OPPD, response to SIGAR data call, 12/29/2014.

Bank noted, however, that the ministries themselves are the only data source for the progress indicators, and that the CBR program does not confirm the data.<sup>370</sup>

USAID reports this quarter that the CBR project is being reorganized. The World Bank has had discussions with President Ghani and his administration, and USAID expects the project to be restructured. USAID has not, however, received a set date for the reorganized project to be presented to donors.<sup>371</sup>

## National Assembly

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.<sup>372</sup>

In late November, parliament approved the Bilateral Security Agreement and the NATO Status of Forces Agreement (SOFA), which define the legal status of U.S. and NATO forces in Afghanistan after 2014.<sup>373</sup>

On November 1, the *Wolesi Jirga* (the lower house) approved a law criminalizing child recruitment by the ANSF. The practice had previously been forbidden by a presidential decree.<sup>374</sup>

According to USAID, while achieving quorum has been a challenge for parliament in the past, this quarter both houses of parliament achieved quorum when critical legislation was before them, including the Anti-Money Laundering Act, the Law to Counter the Financing of Terrorism, and the Bilateral Security Agreement.<sup>375</sup>

Over the past quarter, ALBA supported the following parliamentary commissions to undertake oversight trips in the provinces:

- Bamyan Province—Wolesi Jirga and *Meshrano Jirga* (the upper house) Commission on Women's Affairs, Civil Society and Human Rights;
- Herat Province—Wolesi Jirga Commission on Legal Affairs;
- Khowst Province—Wolesi Jirga Commission on Nomads, Tribal Affairs, and Refugees;
- Kandahar Province—Wolesi Jirga Commission on Internal Affairs;
- Nimroz Province—Wolesi Jirga Commission on International Affairs
- Nangarhar Province—Wolesi Jirga Commission on Handicapped, Disabled, and Refugees; and
- Paktiya Province—Wolesi Jirga Commission on Internal Affairs.<sup>376</sup>

Parliament also held hearings and summoned various government officials during the quarter including:

- The Chairmen of the IEC and the Electoral Complaints Commission, who were summoned by the Meshrano Jirga on November 2 regarding the results of the provincial council elections, but who sent deputies in their place.



**Then Ambassador James Cunningham** speaks at the Bilateral Security Agreement signing in September 2014. (State photo)

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- The Acting Minister of Mines, who was summoned by the Meshrano Jirga on November 9.
- Acting Minister of Finance Zakhilwal, who introduced the draft national budget to the Meshrano Jirga on November 18.<sup>377</sup>

In January, the Research Institute for Women Peace and Security (RIWPS), an Afghan non-governmental organization, released a report on parliament's work in 2014. RIWPS found that 53% of legislators were absent during open sessions. Reportedly 70% of the Wolesi Jirga's open sessions focused on reviewing and voting on laws, while 25% were focused on monitoring government actions. The report criticized parliament for inconsistent monitoring of government and for dramatic but unproductive summoning of government officials.<sup>378</sup>

On November 16, 2014, a prominent female member of parliament and women's-rights activist, Shukria Barakzai, was injured in a suicide car bomb attack. According to the UN, no insurgent group has claimed responsibility for the attack.<sup>379</sup>

## 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.<sup>380</sup>

This quarter, USAID began the Strong Hubs for Afghan Hope and Resilience (SHAHAR) program, which aims to create well-governed, fiscally sustainable Afghan municipalities capable of meeting the needs of a growing urban population.<sup>381</sup> SHAHAR has an estimated cost of \$74.5 million and is expected to end in November 2017.<sup>382</sup>

## Rural Stabilization Programs

USAID has several stabilization programs aimed at helping the Afghan government extend its reach into unstable areas and build local governance capacity. These programs include USAID's four Stability in Key Areas (SIKA) projects, the two Community Cohesion Initiative (CCI) programs, the Afghan Civilian Assistance Program II (ACAP II), and the ARTF's National Solidarity Program (NSP). The United States has requested that \$865 million of its ARTF contributions support the NSP, but has not "preferred" (earmarked) support for NSP since 2012.<sup>383</sup> Table 3.15 summarizes total program costs and disbursements to date.

The USAID Measuring Impacts of Stabilization Initiatives (MISTI) project is a third-party monitoring and evaluation program that evaluates the impact of USAID stabilization programs. This quarter, USAID released



**Women meet in Paktiya Province** for a SIKA East-sponsored female communications committee. (USAID photo)

# GOVERNANCE

TABLE 3.15

USAID SUBNATIONAL (RURAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2014 (\$)
National Solidarity Program (NSP) via the Afghanistan Reconstruction Trust Fund (ARTF)*	2004	2012	\$865,000,000	\$865,000,000
Stability in Key Areas (SIKA) South**	4/10/2012	4/9/2015	78,241,053	56,112,052
SIKA East	12/7/2011	9/6/2015	177,054,663	96,611,137
SIKA West	1/29/2012	8/31/2015	54,000,000	38,949,085
SIKA North	3/15/2012	4/30/2015	38,000,000	27,456,973
Community Cohesion Initiative (East, South, Southwest)***	3/1/2012	2/28/2015	161,499,422	54,979,992
Community Cohesion Initiative (North, West)***	9/10/2013	9/9/2015	36,221,640	7,320,635
Afghanistan Civilian Assistance Program (ACAP II)	9/27/2011	2/15/2015	64,000,000	50,285,722

Note:

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

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

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

Source: USAID, response to SIGAR data call, 12/29/2014 and 1/12/2015.

a peer review of MISTI's methodology by RAND Corporation. RAND questioned the MISTI-generated stability index, calling it a "problematic measure."<sup>384</sup> The stability index is a central feature of MISTI designed to trace stability trends over time in districts where USAID programming is being implemented and in order to compare to districts without USAID programming.<sup>385</sup> However, RAND found that "The stability index in particular is poorly defined, combining fairly disparate elements which do not add up to a clear construct for 'stability'; importantly, it is unlikely that a clear 'stability' construct exists or is meaningful for this type of impact evaluation."<sup>386</sup>

RAND found that there is no centralized database of where USAID programming was targeted and what conditions were in those areas. There is therefore no way to assess how representative MISTI-identified programming is of overall USAID programming.<sup>387</sup>

RAND found that USAID stabilization programming does not seem to have been informed by a well-articulated "theory of change." The intent of MISTI is to assess the impact of USAID-funded "stabilization programs" on stability and **resilience**. However, properly assessing these programs requires articulating how this programming may be influencing these intended outcomes—a theory of change. A clearly articulated theory of change supports both the design of an intervention and its evaluation by providing clear guidance on where and why desired outcomes might be achieved.<sup>388</sup>

## SIGAR AUDIT

This quarter, SIGAR initiated an audit of the Measuring Impacts of Stabilization Initiatives (MISTI) project. This audit will look at USAID's use of a third-party monitoring and evaluation contract to measure the agency's progress in its stabilization programs. For more information, see Section 2, page 28.

**Resilience:** defined by USAID as "the ability of people, households, communities, countries and systems to mitigate, adapt to and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth," and adds, "As this suggests, the concept of resilience and its measurement are complex."

Source: USAID, "The Resilience Agenda: Measuring Resilience in USAID," 6/2013.

## Stability in Key Areas (SIKA)

The objective of SIKA is to help district- and provincial-level Afghan government officials respond to the local population’s development and governance concerns, thus instilling confidence in the government and bolstering stability.<sup>389</sup> USAID intended the four SIKA programs to “be seen as an extension of the [Afghan government], not as increased foreign presence,” and stipulated that SIKA “must work within Afghan structures” in order to partner with the Afghan Ministry of Rural Rehabilitation and Development (MRRD).<sup>390</sup>

All four SIKA programs, along with IDLG, MRRD, and USAID, participated in the first formal Transition Working Group on November 8. Each SIKA implementing partner is to develop a handover package; MRRD and IDLG jointly prepared a sustainability paper. According to USAID, the sustainability paper was drafted on time, but is not realistic. The next meeting to discuss SIKA sustainability was scheduled for January 2015. USAID believes Afghan government counterparts will have expectations for additional donor support, including equipment, refurbishments, and finances, that USAID does not plan to accommodate.<sup>391</sup>

## Community Cohesion Initiative (CCI)

USAID’s CCI programs, split between one program covering the east, south, and southwest, and another covering the north and west, aim to build what USAID calls “resilience” in areas vulnerable to violence and insurgent exploitation. CCI implements initiatives such as local community-development projects that engage community leaders and government officials in



**Girls playing** on a SIKA East-provided sport field project in Ghazni Province. (USAID photo)

their identification and oversight. The CCI also supports peace-advocacy campaigns at sporting events.<sup>392</sup>

Since March 2012, CCI has implemented a total of 1,005 activities worth \$39 million in Badghis, Balkh, Faryab, Ghazni, Helmand, Herat, Jowzjan, Kabul, Kandahar, Khowst, Kunar, Samangan, Uruzgan, and Zabul Provinces.<sup>393</sup>

## RECONCILIATION AND REINTEGRATION

The current U.S. Civil-Military Framework states that political reconciliation between the Afghan government and insurgency is “the solution to ending the war in Afghanistan.”<sup>394</sup> President Ghani has expressed his commitment to launch an Afghan-owned peace process with the “political opposition, particularly the Taliban.” However, the UN Secretary-General noted that the Taliban have yet to signal readiness to formally engage in a peace process.<sup>395</sup> The United Nations Analytical Support and Sanctions Monitoring Team reported that the Taliban leadership remains largely opposed to reconciliation, although some elements argue in favor. Hardliners push for renewed military efforts and argue that a campaign of attrition will wear out government forces and institutions over several years. Meanwhile, the pragmatists argue for a negotiated settlement, which they believe could be to the Taliban’s advantage.<sup>396</sup>

### Reconciliation

In December, Chief Executive Officer for the national unity government Abdullah said that while the new government has not yet entered dialogue with insurgents, it is open to peace negotiations.<sup>397</sup>

Afghanistan and Pakistan appeared to improve their relationship this quarter following a Pakistani Taliban attack in December on a school that killed 132 children in Pakistan. Pakistan’s military and intelligence chiefs flew to Kabul to ask the Afghan government and U.S.-led military coalition for help to jointly counter terrorism and extremism. According to *The Wall Street Journal*, Pakistani intelligence traced the handlers of the attackers to the Afghanistan provinces of Nangarhar and Kunar. President Ghani promised to take serious steps to prevent future attacks in Pakistan.<sup>398</sup> Afghanistan’s national security advisor, Hanif Atmar, said that Pakistan stepped up its counterterrorism efforts following the December school attack.<sup>399</sup>

The *Wall Street Journal* reported that China hosted a delegation of Afghan Taliban officials in December. The delegation reportedly wanted to discuss the possibility of opening talks with the Afghan government.<sup>400</sup>

## Afghanistan Peace and Reintegration Program

The Afghanistan Peace and Reintegration Program (APRP), an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society, is financed by \$182.3 million in contributions from 12 donor nations. Seven donor nations, led by Japan and Germany, provide operational funding for the program. The United States provides funding for reintegration-related community-recovery efforts administered by the World Bank. For more information, see the October 2014 *Quarterly Report to Congress* pages 149–151.

Neither DOD nor State provided updates this quarter on APRP activity. According to the latest figures available to SIGAR, as of September 2014, 8,890 persons had reintegrated.<sup>401</sup>

### SIGAR AUDIT

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

## RULE OF LAW AND ANTICORRUPTION

### Project Summary

The United States has provided assistance to the formal and informal justice sectors through several mechanisms. These include the State Department’s Justice Sector Support Program (JSSP), and Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.16.

USAID is designing a stand-alone anticorruption program for Afghanistan. According to USAID, the program will strive to increase transparency and accountability within Afghan government institutions, while also increasing civil society and private sector capabilities to monitor, research, and advocate for anticorruption-related matters.<sup>402</sup> This program is currently in the presolicitation preparation phase.<sup>403</sup>

The State Department’s JSSP objectives include developing a case-management system (CMS) to track cases throughout Afghanistan’s justice system and building the capacity and administrative skills of ministry officials.<sup>404</sup>

In October, JSSP facilitated the efforts of the Criminal Procedure Code Working Group (CPCWG) in drafting guidelines for the implementation of the new Criminal Procedure Code (CPC). The CPCWG is a combined effort

TABLE 3.16

STATE DEPARTMENT RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/15/2014 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	12/31/2014	\$196,969,451	\$169,947,752
Corrections System Support Program (CSSP II)	4/24/2010	12/31/2014	226,780,837	195,492,149
Justice Training Transition Program (JTTP)	1/2/2013	9/30/2015	26,500,000	26,500,000

Source: State, response to SIGAR data call, 12/29/2014.

of the Supreme Court, Attorney General's Office (AGO), High Office of Oversight and Anti-Corruption (HOO), and the MOI. The CPCWG adopted guidelines for the controversial Articles 26 and 27 that contained restrictions on testimony of relatives of the accused. Such restrictions could seriously undermine domestic-violence prosecutions, since relatives are often the only witnesses in such cases. Two JSSP proposals were accepted by the CPCWG: (1) the court may require a relative who is a victim, complainant, or informant of the crime to testify, with the exception of rape victim unwilling to testify; and (2) the Afghan government should provide witness protection when a witness or victim is afraid to testify or is in danger.<sup>405</sup>

The State Department's JTTP provides regional training to justice-sector officials on a wide range of criminal-justice topics.<sup>406</sup> JTTP aims to increase the confidence of Afghan citizens in their justice sector and to achieve two outcomes: (1) to increase the capacity and competencies of Afghan justice sector professionals in delivering justice according to Afghan law and (2) to ensure that Afghan justice institutions are capable of managing the sustainable implementation of training programs.<sup>407</sup>

In November, JTTP issued a mid-term evaluation of the program. The evaluators found that JTTP was broadly successful in achieving the outputs for the first outcome with Afghan partner representatives generally satisfied with the quality of JTTP training.<sup>408</sup> The evaluators did agree with a critique raised in a January 2014 SIGAR audit that some JTTP-associated performance metrics focus only on short-term outputs rather than long-term outcomes of the program.<sup>409</sup>

The evaluation found that JTTP has developed a good monitoring and evaluation methodology; however, it is very difficult to assess JTTP's overall results on the Afghan justice sector.<sup>410</sup> According to the evaluators, "the only way to really assess the results of [JTTP] training and mentoring, whether the behavior and work related practices of the direct beneficiaries is changing, is to find ways of monitoring the performance of the justice sector." While JTTP personnel observe some trials, these ad hoc observations do not provide a comprehensive view of how the justice sector is functioning. According to the evaluation, JTTP decided not to observe trials more systematically.<sup>411</sup> The report concluded that monitoring of the justice system is not something JTTP could undertake alone; however, JTTP should begin to consider whether and how a monitoring component could be built into the project during its final phase of implementation.<sup>412</sup>

According to State, there are a few tools that State uses to assess the state of rule of law throughout Afghanistan. State receives biweekly JTTP reports on legal training courses throughout Afghanistan. According to State, these reports frequently contain details about cases that JTTP students are currently working on. State also utilizes the JSSP-developed case-management system, which currently operates in 18 provinces and has data entered in over 104,000 cases.<sup>413</sup>

## The Supreme Court and the Formal Justice Sector

In late October, the chief justice of the Afghan Supreme Court, Abdul Salam Azimi, resigned.<sup>414</sup>

There were no notable Supreme Court decisions this quarter<sup>415</sup> other than the decision to uphold the appellate court's ruling regarding the Kabul Bank case.<sup>416</sup> For more information on the Kabul Bank case, please see pages 156–157 in this report.

In addition to JTTP and CMS reports, State uses national-level surveys to assess the state of rule of law throughout Afghanistan. One survey is the Asia Foundation's *Survey of the Afghan People*.<sup>417</sup> According to the 2014 survey, 19.1% of Afghan respondents said they had a dispute or formal case within the past two years that they could not resolve internally and took to a **Huquq** department or a local **shura/jirga** for resolution. Among those who took a case forward, most (80.7%) said they are somewhat or very satisfied with the outcome. According to the survey, informal dispute bodies, local shuras and jirgas, were viewed in a more positive light than the formal justice sector.<sup>418</sup> Additionally, over half (54.7%) of Afghan respondents who had contact with the **state courts** in the 2014 said they had to pay a bribe, exchange a gift, or perform a favor.<sup>419</sup>

The World Justice Project also conducts in-depth nationwide polling on the justice system for annual reports on the justice system for State.<sup>420</sup> According to the World Justice Project's 2014 Rule of Law Index, Afghanistan ranks second to last in the global ranking for rule of law. Afghanistan's highest scores include constraints on government power and open government, while their lowest scores related to corruption and civil justice.<sup>421</sup>

## Afghan Correctional System

According to State, the inmate population of Afghanistan's prisons managed by the General Directorate of Prisons and Detention Centers (GDPDC) has increased by 16.7% annually over the past five years. As of November 27, 2014, the GDPDC incarcerated 28,307 individuals. As of October 20, 2014, the Ministry of Justice's Juvenile Rehabilitation Directorate (JRD) incarcerated 1,079 juveniles. These incarceration totals do not include detainees held by any other Afghan governmental organization, as State's Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to data for other organizations.<sup>422</sup>

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities, although state-funded prison construction has added some new prison beds and presidential amnesty decrees have reduced the prison population significantly. As of November 20, 2014, the total male provincial-prison population was at 290% of capacity, as defined by International Committee of the Red Cross's (ICRC) minimum of 3.4 square meters per inmate. The total female provincial-prison population

**Huquqs:** part of the formal justice system, along with state courts, while shuras and jirgas are part of the informal justice system. The Huquq department is responsible for civil cases, such as disputes over divorce or land rights, and is located in every province and in most districts.

**State courts:** responsible for criminal and other types of cases and are often limited to provincial centers.

**Shuras:** local consultative councils or assemblies of tribal elders who gather to discuss and make collective decisions about social issues, such as the location of a well or a schoolhouse.

**Jirgas:** dispute resolution mechanisms where village elders hear specific individual disputes or conflicts between families or within families.

In some cases, Afghans consult more than one of these bodies. For example, if a dispute over land were to involve violence between two parties, the local Huquq and a state court might both be involved. If the land were to contain a public access road or community well, a local shura might also be involved in the dispute-resolution process.

Source: The Asia Foundation, *Survey of the Afghan People*, 2014, p. 96.

was at 123% of the ICRC-recommended capacity. Information on the capacity of GDPDC-operated district detention centers and the JRD's juvenile-rehabilitation centers is not available. However, anecdotal reporting by INL advisors visiting facilities indicates that overcrowding is a substantial problem in many provinces.<sup>423</sup>

There were three large hunger strikes by prisoners reported in October 2014: 130 detainees at the Counternarcotics Justice Center; approximately 1,000 prisoners in Herat; and 100 prisoners in Bamyan. Prisoners cited dissatisfaction with recent court decisions, having to surrender their cell phones, and failure to benefit from a presidential decree decreasing sentences as justifications for the hunger strikes.<sup>424</sup>

## Anticorruption

Apart from reopening the stalled court investigation of the \$935 million Kabul Bank fraud scandal, Afghan anticorruption efforts showed no significant progress for most of the quarter. On October 1, 2014, President Ghani issued a decree ordering the Supreme Court to pursue the Kabul Bank case and the AGO to assist the courts and prosecute all those criminal associates and individuals who were involved in the Kabul Bank crisis.<sup>425</sup> According to the U.S. Department of Justice (DOJ), as of early January 2015, it was too early to tell if the Kabul Bank case represents a genuine change in the Afghan government's will to hold corrupt actors accountable.<sup>426</sup>

In October 2014, Ghani vowed to shake up the AGO. "People must trust it," he wrote in a Twitter message.<sup>427</sup> In early December, Attorney General Muhammad Ishaq Aloko hosted a farewell gathering. However, he remained in office when he found out an acting head was not listed to replace him.<sup>428</sup>

On November 11, an Afghan appellate court upheld convictions of two former senior officials and nine lower-level employees of crimes related to the 2010 Kabul Bank collapse. The two Kabul Bank officials were each sentenced on three counts and ordered to serve concurrent prison terms amounting to 10 years. In addition, one official was fined \$513 million and the other was fined \$278 million. Nine other Kabul Bank employees received lesser fines and sentences. In addition, according to news reports, the court also ordered assets frozen for 19 individuals and companies implicated in fraudulent borrowing schemes that led to the bank's collapse, pending loan repayment.<sup>429</sup>

On December 4, 2014, the Superior Court and the Public Security Court of the Afghan Supreme Court upheld the appellate court's ruling. The AGO reported that it would implement the Supreme Court's ruling and as of early December had recovered \$12 million since the case was reopened in October.<sup>430</sup> For more information on the Kabul Bank case, please see pages 156–157 in this report.

The *New York Times* reported in December that a leading opium trafficker on the United States' kingpin list, Haji Lal Jan Ishaqzai, bribed his

way out of jail. Ishaqzai's 20-year prison sentence had previously been highlighted by U.S. government officials as a sign of progress in fighting corruption and narcotics.<sup>431</sup>

According to the Asia Foundation, corruption remains a serious problem for Afghans. In 2014, 62.4% of Afghans said corruption is a major problem in their daily life, an increase from 2013 when 55.7% found it to be a major problem.<sup>432</sup> When asked how often they had paid a bribe, given a gift, or performed a favor for a list of different authorities and situations, 57.6% of Afghans said they encountered corruption in their interaction with at least one authority or in a least one situation in the past year. This overall rate of exposure to corruption has ranged from a low of 50.6% of Afghans in 2008, to 65.5% in 2011. Judicial and court officials along with municipal and district officials were the officials most cited for demanding a bribe.<sup>433</sup>

By all accounts, according to the DOJ, the Afghan central government is riddled with patronage, nepotism, bribery, embezzlement and misappropriation or other diversions of public and private property, influence peddling, abuse of office, illicit enrichment, laundering of criminal proceeds, concealment of crimes constituting corruption, and obstruction of justice. There is virtually no part of the central government, or the governments in the districts and provinces, that is not affected and weakened by public corruption.<sup>434</sup>

## **Afghan Attorney General's Office**

According to State, there were no significant changes in the technical capacity or effectiveness of the AGO. The AGO declined offers from the U.S. government to train AGO prosecutors in novel investigative methods. As of December 29, State reports that there have been no staffing changes at the AGO since the new Ghani administration.<sup>435</sup> According to DOJ, the primary challenge to Afghan government anticorruption efforts is the unwillingness of the AGO to pursue complex corruption cases.<sup>436</sup>

According to State, the Anti-Corruption Unit (ACU) of the AGO is able to prosecute lower-level corruption cases, but faces obstacles prosecuting higher-level corruption due to a lack of political will. The ACU has been unreceptive to State and DOJ engagement and stifles most cases referred by the Major Crimes Task Force (MCTF). The U.S. Embassy Kabul's Office of the Justice Attaché has refocused their assistance on the Internal Control and Monitoring Unit and Financial Dispute Resolution Committee where there is greater receptivity.<sup>437</sup>

The MCTF is the investigatory arm for the AGO internal-control and monitoring unit.<sup>438</sup> According to State, the MCTF continues to be an increasingly capable investigatory force, but is stymied by the ACU's refusal to pursue corruption cases.<sup>439</sup> This quarter, Resolute Support Mission (RSM) classified the information SIGAR uses to report on DOD's view of the MCTF. The questions SIGAR asked about these efforts can

be found in Appendix E of this report. SIGAR is reporting to Congress on DOD's views on the MCTF in a classified annex.

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

According to State, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) continues to demonstrate competent administrative and technical capacity. State notes, however, that the MEC lacks the authority to do more than illuminate poor or corrupt practices.<sup>440</sup>

During the quarter, the MEC issued reports on land usurpation and issues related to the import of pharmaceuticals.

According to the MEC, over 240,000 hectares of land has been usurped in the past 10 years. Although the roots are historical, widespread corruption, insecurity, the lack of a unified land-administration system, weak law-enforcement, the extensive presence of warlords, the lack of land registration and surveying, and the absence of adequate legal provisions have played important roles in spreading this problem. The MEC also found that only 34% of all land has been surveyed and registered. Survey and registration of lands has a very basic role in preventing usurpation and identifying usurpers.<sup>441</sup>

The MEC found that high import volume and low surveillance and monitoring capacity facilitates corruption in the pharmaceutical-importation process. According to the Ministry of Public Health's Pharmaceutical Affairs Directorate and Importers Union, at least 50% of Afghanistan's pharmaceutical import market is composed of illegally imported products. According to the MEC, the entire importation process is highly vulnerable to corruption, from registration of foreign pharmaceutical companies to laboratory-based quality control. There are enormous financial incentives to engage in illicit importation of pharmaceuticals. This has led to increased smuggling and to the creation of an entire industry dedicated to producing and importing low-quality pharmaceuticals into Afghanistan.<sup>442</sup>

## **Security Services**

According to DOD, the MOD and MOI both lack the will to pursue transparency and oversight with the result that accountability is nonexistent within both institutions.<sup>443</sup> This quarter RSM classified the information SIGAR uses to report on corruption within the MOD and MOI. The questions SIGAR asked about this issue can be found in Appendix E of this report. SIGAR is reporting on corruption within the MOD and MOI in a classified annex.

## **Ministry of Defense**

According to DOD, the MOD made little progress last quarter with respect to effective transparency and accountability policies and processes. While

transparency, accountability, and oversight processes exist, they are not enforced due to the substantial level of corruption within the senior leadership of the MOD.<sup>444</sup>

The MOD Inspector General (IG) is relatively well resourced, with appropriately trained personnel. However, the MOD IG is primarily focused upon protecting members of his political network and obstructs investigations into allegations of criminal behavior by its senior members.<sup>445</sup>

The General Staff (GS) IG organization is appropriately staffed, and some improvements to the structure and training of the GS IG are being planned in order to improve future effectiveness. The GS IG is considered to be relatively effective at discovering and reporting corruption issues, but MOD leadership obstructs any meaningful attempt by the GS IG to combat corruption. According to DOD, GS IG has conducted many special corruption investigations in various Kabul-based units and follows an annual inspection plan for inspections of the ANA Corps. But when the investigations discover criminal evidence and are turned over to MOD Legal for prosecution as a criminal case, MOD leadership obstructs the prosecution.<sup>446</sup>

Although each of the six ANA corps has members assigned to Transparency and Accountability Committees (TACs), all TAC members are members of corps staff (chaired by the deputy corps commander), and never report any information critical of the corps commander. Because of this lack of independence of the TACs, the GS IG assesses the concept of the TACs to be ineffective.<sup>447</sup>

## **Ministry of Interior**

According to DOD, MOI anticorruption initiatives are insufficient to address corruption within the MOI. The minister of interior has indicated his support for anticorruption work, but it is generally thought that limited progress will be made as long as the current MOI IG remains in place. The crucial stumbling block remains the lack of enforcement and proportional punishment issued to violators, both large and small, a lack of moral will in the senior leadership, and a governmental system rife with cronyism and patronage alliances developed over many years.<sup>448</sup>

## **HUMAN RIGHTS**

### **Refugees and Internal Displacement**

The UN High Commission for Refugees (UNHCR) estimated as of December 17, 2014, that more than 291,800 people have crossed from Pakistan into Afghanistan's Khowst and Paktika Provinces due to large-scale Pakistan military operations in neighboring North Waziristan this past June. According to State, registrations and assessments are ongoing to determine the total population and assess needs.<sup>449</sup>

State reported no other large increases or decreases in refugee movements and no new developments affecting Afghan refugees in Pakistan or Iran during this quarter. UNHCR recorded 2,421 Afghan refugees returning in October and November compared to 4,447 returning in the previous quarter. In the first eleven months of 2014, returns totaled 16,266 individuals, which is 57% lower than the 37,730 returns during the same period in 2013.<sup>450</sup>

Following the December school attack by militants of Afghan Pashtun origin in Peshawar, Pakistan, that left 152 students and teachers at an army-run school dead, the provincial government of Khyber Pakhtunkhwa demanded that the Afghan refugees remaining in the region be forced to return to Afghanistan within one month.<sup>451</sup> The Pakistani federal government, however, stated that there was no evidence that registered Afghan refugees were involved in terrorism and that registered refugees would not be repatriated against their will. There are approximately 1.5 million registered Afghan refugees and an estimated 1 million unregistered Afghans living in Pakistan.<sup>452</sup>

As of December 11, UNHCR recorded a total of 782,162 registered conflict-affected Internally Displaced Persons (IDPs) in Afghanistan, compared to 612,148 as of September 30. According to State, the actual number of internally displaced could be much higher and is difficult to verify. UNHCR reported the top 10 provinces of destination for IDPs were Ghazni, Wardak, Ghor, Helmand, Kunduz, Badghis, Kandahar, Farah, Nangarhar, and Logar. The provinces of origin were the same as those of destination. Most of displaced left insecure rural areas and small towns to seek the relative safety and government services in larger towns and cities of the same province.<sup>453</sup>

According to State, implementation of the February 2014 Afghan National IDP Policy has slowed due to the delays in forming the new Afghan government's cabinet. State does not anticipate any substantive implementation of any initiatives, including the IDP policy, by the Afghan Ministry of Refugees and Repatriation and Afghanistan National Disaster Management Authority until new ministers are in place.<sup>454</sup>

## Gender

In December, SIGAR issued a comprehensive audit report on U.S. assistance to Afghan women. Although the DOD, State, and USAID reported gains and improvements in the status of Afghan women in fiscal years 2011 through 2013, SIGAR found that there was no comprehensive assessment available to confirm that these gains were the direct result of specific U.S. efforts. Further, although the agencies monitor and evaluate most of their individual efforts at the program or project-level, none of the agencies has compiled this information into an agency-level assessment of the impact these efforts have had on the lives of Afghan women. Together, DOD, State, and USAID reported spending at least \$64.8 million on 652 projects,

# GOVERNANCE



**USAID Administrator Rajiv Shah** speaks in Kabul to formally launch the Promote program (Promoting Gender Equity in National Priority Programs). (State photo)

programs, and initiatives to support Afghan women in fiscal years 2011 through 2013.<sup>455</sup>

SIGAR also found that agency responsibility for projects and programs to benefit Afghan women was fragmented. For example, multiple DOD commands and State bureaus and offices are responsible for implementing, tracking, and reporting on the departments' efforts relating to Afghan women. As a result, no single DOD or State office was able to readily identify the full extent of their department's efforts to support Afghan women. In addition, USAID officials told SIGAR that although gender-equality and female-empowerment policy goals are integrated into all of their programs, it was not possible to track funding by gender issue in the agency's financial-management system, and its implementing partners did not separate funding by gender issue.<sup>456</sup>

According to USAID, they are "inundated with information on the nature of gendered relations in Afghanistan." Each year, USAID operating units report on gender issues. USAID also reports that it has completed 47 program-specific gender analyses to inform project design. USAID is also planning to conduct two large-scale surveys: the Demographic and Health Survey and Promote Baseline that will aim to provide valuable household level data across Afghanistan. USAID also conducts video meetings and chats to help better monitor program meetings and trainings.<sup>457</sup>

According to the audit, officials from all three agencies reported that although the number of projects, programs, and initiatives specifically intended to benefit Afghan women will be consolidated after 2014, efforts to support Afghan women will continue and, in some cases, their funding will increase. However, the U.S. government's increasingly reduced ability to monitor activities, the lack of agency-level assessments, and ongoing challenges to implementing efforts, will make it difficult for agency leaders and the Congress to understand and make decisions on how best to support Afghan women in the future.<sup>458</sup>

In November, the USAID Administrator made a second, well-publicized announcement launching the Promote partnership.<sup>459</sup> This followed a July 2013 announcement introducing the Promote partnership that will aim to assist over 75,000 Afghan women achieve leadership roles in all parts of society, from business to academia and in politics and public policy, over five years.<sup>460</sup> USAID has committed \$216 million to Promote and hopes to raise \$200 million from other international donors.<sup>461</sup> Thus far, USAID has awarded one contract for one of four Promote components (Women's Leadership Development) with an estimated cost of \$42 million.<sup>462</sup>

In October, the Ministry of Justice-led Criminal Law Reform Working Group (CLRWG) decided to partially incorporate the Law on Elimination of Violence Against Women (EVAW) into the draft penal code. EVAW criminalizes acts of violence against women including physical abuse, sexual assault, child marriage, forced marriage, domestic violence, and the

exchange of women to settle a dispute (known as *baad*). The law imposes long prison terms for many of these crimes.<sup>463</sup>

The EVAW was drafted in 2008 and enacted by presidential decree; however, questions remain as to the law's constitutionality. In May 2013, the law was withdrawn without a parliamentary vote after some conservative members of parliament declared it un-Islamic. According to a UNAMA member of the Criminal Law Reform Working Group, incorporating the criminal portions of the EVAW into the draft penal code could overcome concerns relating to the law's validity.<sup>464</sup>

JSSP identified a potential hazard in incorporating EVAW into the draft penal code. According to JSSP, when the draft penal code is finalized, it will include a provision that identifies all laws that are repealed on the effective date of the new law. In accordance with standard practice, specific articles of EVAW will be identified in this provision as repealed since the new penal code will contain those same articles. There is a possibility parliament would delete the EVAW provisions of the draft penal code before passage. At the same time, the provision that repeals provisions of EVAW may remain, resulting in the dismantling of EVAW.<sup>465</sup>

In November, the nongovernmental aid organization Oxfam issued a report that raised concerns regarding the role of women in future peace talks. The report found that despite enormous gains for Afghan women, there is a real risk that these gains may decrease. Oxfam cites parliamentary opposition to EVAW, the continued practice of *baad*, and the lowering of mandatory quotas for women in provincial council positions as signs of a shift towards an increasingly conservative attitude and erosion of support for women's rights across the country. Additionally, Oxfam finds that negotiations and peace talks with insurgent groups have taken place without Afghan women's knowledge, input or involvement. The report called for Afghan government and international community support for women's meaningful participation in all peace-process initiatives including through sustained support for women's organizations and for women's capacity building to take part in high-level negotiations.<sup>466</sup>

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## ECONOMIC AND SOCIAL DEVELOPMENT

As of December 31, 2014, the U.S. government has provided more than \$30.6 billion to support governance and economic and social development in Afghanistan. Most of the appropriated funds flowed into four major programs and accounts, as shown in Table 3.17. Of the \$23.2 billion appropriated for these funds, approximately \$20.3 billion had been obligated and \$15.7 billion disbursed. These development funds all decreased for fiscal year (FY) 2014. The largest account—the Economic Support Fund (ESF)—went from a high of about \$3.35 billion in fiscal year (FY) 2010 to \$852 million in FY 2014.

Despite the requirement of Public Law 110-181 that federal agencies provide requested information or assistance to SIGAR, the State Department did not answer any of SIGAR's questions on economic and social-development this quarter, and failed to respond to SIGAR's attempts to follow up.

TABLE 3.17

CUMULATIVE APPROPRIATIONS FOR AFGHANISTAN DEVELOPMENT, AS OF DECEMBER 31, 2014 (\$ BILLIONS)		
Fund	Managing Agency	Appropriated
ESF	USAID	\$17.7
CERP	DOD	3.7
TFBSO	DOD	0.8
AIF	STATE/DOD	1.0
<b>Total</b>		<b>\$23.2</b>

Note: 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.

### KEY EVENTS

The Afghan government reported in December 2014 that the country is in “a fiscal and confidence crisis” with “severe” economic impacts on revenues and growth.<sup>467</sup> Economic growth continued to slow this quarter, largely as a result of the prolonged political transition, persistent insurgency, and the drawdown of U.S. and Coalition forces.<sup>468</sup> This quarter saw several other developments in the Afghan economy:

- Afghanistan's fiscal gap widened. Domestic revenues in Afghan FY 1393 (December 21, 2013–December 20, 2014) were 26% lower than Ministry of Finance (MOF) budget targets, and 7.6% lower than in the same period in FY 1392. Expenditures continued to far outpace revenues, and donor grants are not enough to close the fiscal gap.<sup>469</sup>

- Afghan and international donor-country officials met in London on December 4, 2014, to reaffirm their collective Tokyo Mutual Accountability Framework commitments over the next decade (2015–2024). The Afghan government will continue its reform efforts and donor assistance will be better aligned with Afghan priorities, with an increasing amount provided on-budget.<sup>470</sup>
- Afghanistan began FY 1394 without an approved budget.<sup>471</sup> Acting Minister of Finance Omar Zakhilwal presented an \$8 billion, FY 1394 national budget to the *Meshrano Jirga* (upper house of parliament) in November.<sup>472</sup> The upper house took no action before sending it to the lower house, where it was promptly rejected.<sup>473</sup>
- The World Bank released its *Doing Business 2015* report this quarter, ranking Afghanistan 183rd out of 189 countries for an environment conducive to starting and operating a local business. Afghanistan ranked 164th (of 189) in 2014 and 168th (of 185) in 2013.<sup>474</sup>
- Afghanistan’s appellate and supreme courts upheld the convictions of 12 people involved in the 2010 Kabul Bank theft, including the two main architects of the fraud. Longer jail sentences were levied, fines were increased, the assets of an additional 19 individuals and companies were ordered frozen, and 16 more people were identified for investigation. No meaningful cash was recovered this quarter.<sup>475</sup>
- The Defense Department’s Task Force for Business and Stability Operations (TFBSO) and the Commerce Department’s Afghanistan Investment and Reconstruction Task Force authorizations ended and their operations ceased.<sup>476</sup>

“Afghanistan is facing an economic crisis with the transition taking a heavier than expected toll on the economy and the pace of reforms. Private sector confidence has slumped and a fiscal crisis is under way, with the government failing to mobilize adequate revenue to meet its financing priorities.”

## ECONOMIC PROFILE

Afghanistan’s real growth in gross domestic product (GDP), excluding opium, has slowed significantly over the last year, from an estimated 3–4% for 2013 to a World Bank-projected 1.5% in 2014 due to increasing political and security uncertainties. This has led to a slump in investor and consumer confidence, which is expected to continue through at least the first half of 2015. With foreign direct investment already in decline, continued insecurity, instability, and systemic corruption will further negatively affect private investment and dampen growth.<sup>477</sup>

All main sectors of the licit economy slowed in 2014, including the services sector, which accounts for about half of GDP; non-poppy agriculture, which typically accounts for about a third of GDP depending on output; and manufacturing and industries, which comprise most of the rest.<sup>478</sup>

## Afghanistan’s Fiscal Crisis

Afghanistan has one of the lowest rates of domestic revenue collection in the world, averaging 9% of GDP from 2006 to 2013, according to the

Source: Islamic Republic of Afghanistan, *Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership*, 12/2014.

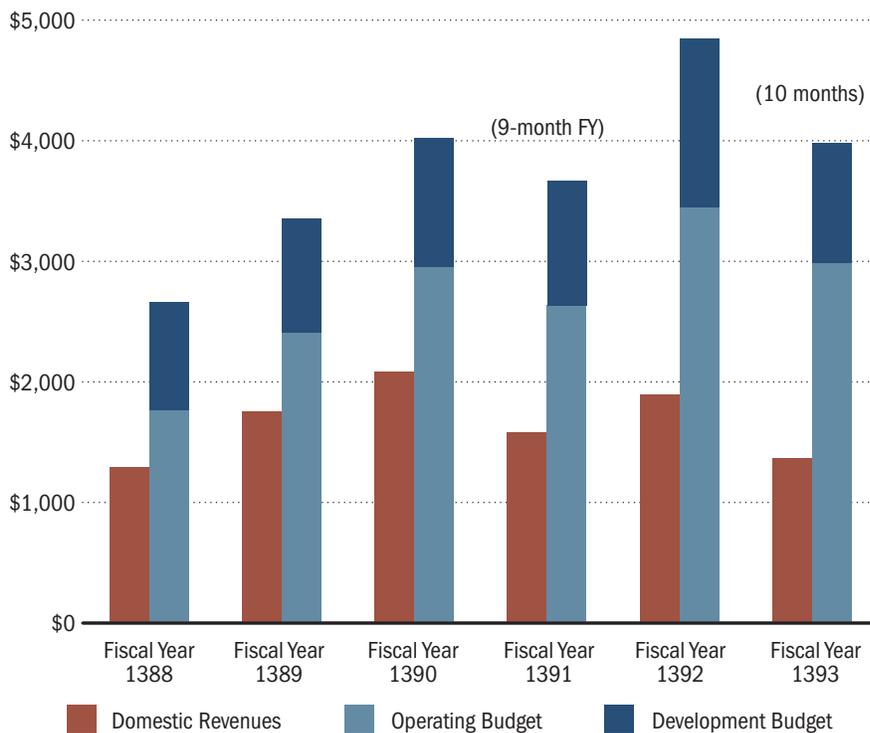
# ECONOMIC AND SOCIAL DEVELOPMENT

International Monetary Fund (IMF).<sup>479</sup> This quarter, revenue collection continued to decline against budget projections. In the first 10 months of FY 1393 (2014), total domestic revenues—tax and non-tax revenues, and customs duties—missed MOF targets by \$450 million (-26%) so far, and decreased by approximately \$112 million from the same period in FY 1392 (-7.6%).<sup>480</sup>

Afghan government expenditures in the first 10 months of FY 1393 (2014) increased 11%, from the same period in FY 1392.<sup>481</sup> Expenditures are expected to continue rising—to 30.5% of GDP in FY 1395 (2016) versus 27.3% in FY 1393 (2014), according to World Bank projections—largely due to increased spending on security, service delivery, building essential infrastructure, and operations and maintenance (O&M). The World Bank

FIGURE 3.29

## AFGHANISTAN'S DOMESTIC REVENUES COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (\$ MILLIONS)



Note: 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. Afghan fiscal years now run December 21 through December 20. FY 1393 represents the first ten months only.

Source: MOF, "Annual Fiscal Report 1391," accessed 6/20/2013; MOF, "1393 National Budget," accessed 4/14/2014; MOF, "FY 1392 Monthly Fiscal Bulletin, Month 12," 2/14/2014; MOF, "FY 1393 Monthly Fiscal Bulletin, Month 10," 12/8/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," 2/14/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," 11/10/2014.

**Opium production is not calculated in official GDP figures, although it figures prominently in the economy. Farm-gate value of the opium economy is estimated at 3.3% of GDP by the World Bank and 4% by the UN Office on Drugs and Crime (\$853 million). Higher-priced opium exports are calculated at 7–8% of GDP by the World Bank and 15% by the UN.**

Source: World Bank, *Islamic State of Afghanistan, Pathways to Inclusive Growth*, Report No: ACS8228, 3/2014, pp. 4, 27. UNODC, *Afghanistan Opium Survey 2014*, 11/2014, pp. 6, 46; UNODC, *Afghanistan Drug Report 2013*, 12/2014, p. 10.

estimated an overall budgetary shortfall of around \$500 million in FY 1393, and reported that Afghanistan is headed for a fiscal crisis.<sup>482</sup>

In the medium term, the IMF projected Afghanistan’s financing gap, comprising on- and off-budget needs, to average \$7.7 billion (33% of GDP) annually through 2018.<sup>483</sup> This will limit Afghanistan’s ability to pay for discretionary services without significant donor support and improved revenue mobilization.<sup>484</sup> The fiscal gap is large and growing, as depicted in Figure 3.29 on the previous page. Donor assistance narrows this gap, but does not close it.

“Despite significant improvements in recent years, revenue data is still considered unreliable. ... Afghanistan’s fiscal transparency would be enhanced if the supreme audit institution were to audit the budget, including all line ministries.”

Source: State, 2014 Fiscal Transparency Report, 1/14/2015.

## Urgent Donor Funds to Fill the FY 1393 (2014) Fiscal Gap

This quarter, the United States provided \$100 million—\$75 million unconditionally—in previously committed funds to the Afghan government in response to a \$537 million request to address Afghanistan’s FY 1393 lingering budget shortfall. Afghanistan said that without it the government might not be able to provide essential services and pay civil-servant salaries.<sup>485</sup> A U.S. decision to release an additional \$25 million was to be conditioned on the way the first \$75 million was spent,<sup>486</sup> on passage of a realistic budget, upon formal establishment of an IMF Staff Monitoring Program (see “IMF Assistance Program Ended” in this section for more information), and access for key U.S. Embassy Kabul staff to the Afghanistan Financial Management Information System (AFMIS), the country’s government-wide accounting system.<sup>487</sup>

State did not respond to SIGAR’s official data-call request for information this quarter, but SIGAR has been informed that the additional \$25 million has already been disbursed despite Acting Minister Zakhilwal’s giving only a vague explanation that the \$75 million was spent “addressing urgent needs including payment of civil servant salaries and [ensuring] the continued delivery of key public services like education and health;”<sup>488</sup> despite the lack of parliamentary approval of the FY 1394 budget; and notwithstanding the absence of an IMF Staff Monitoring Program. However, a State official said the Afghan government had committed in writing to giving embassy staff access to AFMIS, although remote access had yet to be worked out, as of January 12, 2015.<sup>489</sup>

Last quarter, SIGAR reported it believes that U.S. government agencies should press the MOF for complete access to AFMIS. Without it, the United States lacks a holistic view of what the Afghan government reports to be spending its money on and at what rate, cannot confirm whether and to what degree budgetary shortfalls exist, and has insufficient information on which to base its response.<sup>490</sup> For example, when asked what the U.S. government determined Afghanistan’s budget gap to actually be and how that figure was determined, USAID said the decision was based on the World Bank and IMF’s publicly reported figures of \$400–600 million.<sup>491</sup>

U.S. funds were disbursed through the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF) recurrent-cost window.<sup>492</sup> The United Kingdom contributed \$25 million; Australia, \$17.5 million; Canada was preparing \$10 million; and Norway was expected to commit an undisclosed sum. These funds were not, as of yet, enough to bridge Afghanistan's budget shortfall.<sup>493</sup>

## Status of the FY 1394 Budget

Afghanistan began FY 1394 (December 21, 2014–December 20, 2015) without an approved budget.<sup>494</sup> Acting Finance Minister Zakhilwal presented an \$8 billion FY 1394 national budget to the Meshrano Jirga (upper house of parliament) in November,<sup>495</sup> which took no action before sending the budget to the lower house, where it was promptly rejected.<sup>496</sup> The proposed budget—7% larger than FY 1393—estimates domestic revenues at \$2.3 billion (a 25% increase over FY 1393 collections),<sup>497</sup> receipt of \$5.7 billion in donor grants (70% of the total budget), and a budget deficit of approximately \$73 million (1% of the total budget).<sup>498</sup> A second budget draft was sent to parliament on January 7, 2015, that revised revenue estimates slightly downward to approximately \$2.2 billion.<sup>499</sup>

These estimates are unlikely to materialize given Afghanistan's record of repeatedly missing budget targets. For more information, see pages 148–150 of this section. The World Bank called the proposed budget's revenue projections “ambitious” and stressed the importance of credible projections, “backed by adequate measures.” Even with expenditure restraints and urgent donor financing, the World Bank expects a residual FY 1393 fiscal gap to leave the government in arrears and with depleted cash reserves for FY 1394, requiring even more fiscal resources.<sup>500</sup>

## IMF Assistance Program Ended

The IMF's three-year, \$129 million **Extended Credit Facility (ECF)** loan agreement ended in November 2014.<sup>501</sup> Only two disbursements of \$18.2 million were made: one at the initial ECF approval, the other after the first board review in June 2012. No other board reviews occurred, due to missed performance targets, inadequate policy responses to economic shocks, and delays in structural reform.<sup>502</sup>

Treasury said IMF staff believes the Afghan government must reestablish its credibility before beginning a formal new program that would allow Afghanistan to borrow money, given its poor compliance with the expired ECF.<sup>503</sup> Meanwhile, an IMF team met with government officials this quarter to discuss “macroeconomic policies and a structural reform agenda that could form the basis of a possible nine-month Staff Monitored Program”—an informal agreement for IMF staff to monitor economic program implementation.<sup>504</sup>

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**Extended Credit Facility (ECF):** a three-year program that provides financial assistance to Afghanistan, as well as other countries, and is the primary IMF tool for providing medium-term assistance to low-income countries. ECF financial support is generally provided through loans at zero percent interest rates.

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Source: SIGAR, Audit 14-16, *Afghanistan's Banking Sector: The Central Bank's Capacity to Regulate Commercial Banks Remains Weak*, 1/2014.

## Economic Issues Discussed at London Conference

Afghanistan presented its reform agenda at the December 4, 2014, London donor conference, where Afghan and international donor-country officials met to reaffirm their collective Tokyo Mutual Accountability Framework commitments over the next decade (2015–2024). The international community recommitted to providing \$16 billion through 2015 and sustaining support, through 2017, at or near the levels of the past decade. The Afghan government promised to continue reforms. Donors promised that their assistance will be better aligned with Afghan priorities, with an increasing amount provided on-budget.<sup>505</sup> The conference was not intended to result in new donor pledges of assistance.<sup>506</sup> No new pledges were made.

Afghanistan acknowledged that, given its reliance on International Security Assistance Force (ISAF) expenditures, the military drawdown and the extended political transition were the biggest drivers of its economic slowdown. Looking forward, the Afghan government pledged to improve security and political stability (key prerequisites for economic development), address the causes of corruption, restore fiscal sustainability, bolster private investment, and create jobs. The government plans to present its full strategy to stabilize sustained government revenue at the Senior Officials Meeting expected to be held later this year.<sup>507</sup>

## World Bank Ranking of Afghanistan's Business Regulatory Environment

The World Bank ranks Afghanistan 183rd overall in its annual *Doing Business 2015* review of business regulations for domestic companies in 189 economies. While Afghanistan ranks high in starting a business, it is nearly last in dealing with construction permits, getting electricity, registering property, trading across borders, and enforcing contracts. It is considered the worst country in protecting minority investors, partly a reflection on a country's corporate-governance rules and the weakness of its legal institutions.<sup>508</sup>

## Trade

Trade-related taxes represented 45% of Afghanistan's total tax revenues from 2006 to 2013.<sup>509</sup> Although Afghanistan routinely sustains a large trade deficit, donor aid helps the country maintain a current account balance of 4.1% of GDP.<sup>510</sup> Without it, the IMF estimates Afghanistan would have a current account deficit of 41% of its GDP.<sup>511</sup>

Afghan government agencies do not have accurate trade data. By one estimate, its data could be off by up to \$1 billion—about 4.8% of the country's GDP.<sup>512</sup> Customs officials in Nangarhar Province and the Spin Boldak District of Kandahar Province reportedly do not know the exact trade figures in their purview,<sup>513</sup> which could be an indication of corruption. USAID is working with Afghanistan's Customs Department and the Central Statistics Office to

reduce statistical discrepancies by transferring information between the two through an automated data collection and reporting system.<sup>514</sup>

The fifth Afghanistan-Pakistan Transit Trade Coordination Authority meeting took place January 1–2, 2015, in Islamabad, to discuss enhanced trade and commercial ties, building upon the Afghanistan-Pakistan Transit Trade Agreement (APTTA).<sup>515</sup> Pakistan presented a draft bilateral preferential-trade agreement, and Afghanistan announced it was establishing two economic zones exclusively for Pakistan.<sup>516</sup> APTTA is important because Pakistan is Afghanistan's largest trading partner and provides Afghanistan access to three Pakistani ports, as well as border access to China and India.<sup>517</sup> APTTA implementation has been contentious since the agreement was signed in 2011. Both countries complain of transit and clearance delays at the border.<sup>518</sup>

Afterward, Tajikistani officials joined their Afghan and Pakistani counterparts on January 3, 2015, to discuss enhancing regional economic and commercial cooperation through a trilateral transit trade agreement. A draft agreement will be presented at their next meeting, scheduled for March 2015.<sup>519</sup>

## Exports

During 2011–2014, Afghanistan exported \$3.1–3.3 billion worth of goods and services annually, not including narcotics, according to IMF estimates.<sup>520</sup> The World Bank said Afghanistan exports only a small number of products and has few trade partners,<sup>521</sup> making it highly dependent on a few commodities for earnings, and consequently more vulnerable to unstable prices and trade shocks.<sup>522</sup>

Afghanistan consumes more than it produces and has very few tradable exports, but USAID believes Afghan accession to the World Trade Organization (WTO) may increase Afghanistan's competitive advantage for its main source of exports—agricultural goods, carpets, and marble. USAID said, however, that production-scale limitations and an inability to certify products for international safety and quality constitute competitive disadvantages for Afghanistan's emerging value chains.<sup>523</sup>

## Imports

The IMF estimates over \$8 billion worth of Afghan imports are paid for by official donor grants. Treasury has projected Afghanistan's real import capacity, without a significant foreign presence driving demand, at less than \$2 billion annually, excluding narcotics revenues. Treasury said that without high levels of external assistance, import levels will decline, but the extent will depend on the demands of the foreign presence, Afghanistan's import needs once foreign-driven demand declines, and the required level of external assistance necessary to sustain healthy economic activity and growth. Reduced imports will not necessarily affect the economy adversely.<sup>524</sup>

## Lost Revenue Collection Opportunities

The MOF recorded \$316 million in customs duties in the first 10 months of FY 1393 compared to \$398 million for the same period in FY 1392.<sup>525</sup> USAID said some Afghan customs activities have been curtailed this past year due to funding constraints. For example, X-ray scanners are not functioning and need repair, efforts to standardize the automated customs data system are incomplete, and the Afghanistan National Customs Academy, which trains customs officers, operates only in the morning.<sup>526</sup>

USAID said the scope of customs revenue lost to corruption is unknown with no reliable estimates. However, some of the likely causes of lost customs revenue are insufficient customs facilities at border crossings, corruption, and failure to value cargo using best practices. USAID also told SIGAR new automated systems are just now in the process of being extended throughout Afghanistan's customs agency. USAID believes high-level government officials can reduce the problem of leakages if they insist on developing, installing, and using the modern automated customs systems as part of a complete reform program.<sup>527</sup>

## Afghanistan Trade and Revenue Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2014
Afghanistan Trade and Revenue	11/7/2013	11/6/2017	\$77,754,267	\$16,078,832

Source: USAID, response to SIGAR data call, 1/12/2015.

USAID's top priority for economic growth this quarter is its Afghanistan Trade and Revenue (ATAR) project, a trade-facilitation program designed to (1) improve trade liberalization policies, including support for Afghanistan's accession to the WTO; (2) improve and streamline the government's ability to generate revenue through the modernization of Afghanistan's customs institutions and practices; and (3) facilitate bilateral and multilateral regional trade agreements. This quarter, the UK's Department for International Development, which already was helping Afghanistan introduce a Value-Added Tax (VAT), took the lead from ATAR in this effort.<sup>528</sup>

## World Trade Organization Membership Timeline Revised

Afghanistan's Ministry of Commerce and Industry (MOCI) revised its schedule for acceding to the WTO until mid-2015. It may be pushed back further, given the delays in approving senior government leadership positions. The MOCI was waiting for the Ghani administration to conclude its review of the current accession process and status before getting new directives. Until then, the MOCI is working on legislation and working with the United States Trade Representative on outstanding issues so that they can be addressed quickly.<sup>529</sup>



**With preparatory support from EPAA and ATAR,** seven Afghan traders participated in the Central Asian Trade Forum in Kazakhstan. (USAID photo)

The WTO called Afghanistan’s accession application package “stable,” but was waiting for the government to reengage before final consideration. The package may need revisions since the last working-party meeting was in March 2014. The next meeting, and likely the final one, was postponed indefinitely at the behest of the government.<sup>530</sup> Afghanistan’s accession has been postponed several times. It was initially on track for accession in 2013.<sup>531</sup> When that didn’t happen, it was supposed to achieve membership by the end of 2014 under the Tokyo Mutual Accountability Framework.<sup>532</sup>

## BANKING AND FINANCE

The World Bank and IMF reported that Afghanistan’s banking and financial sector has not recovered from the 2010 Kabul Bank scandal. The sector suffers from inadequate regulation and oversight, limited institutional capacity, undercapitalization, and a lack of consumer confidence.<sup>533</sup> Many Afghans distrust banks, preferring to borrow and save with family and friends, and to transfer money through informal, trust- or honor-based **hawala** networks which provide **money or value transfer services**.<sup>534</sup> The World Bank reported 2.65 million depositors in the Afghan banking system, but only 100,000 borrowers in a population estimated at 30 million. And though Kabul has roughly 10% of Afghanistan’s population, 80% of all loans are made there.<sup>535</sup>

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

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**Hawala:** informal system that arranges for the transfer and receipt of funds or equivalent value, and settles accounts through trade and cash over a long period of time.

**Money or Value Transfer Services:** financial services that accept cash, checks, other monetary instruments or stores of value. Payments are made by a means of communication, message, transfer, or through a participating clearing network. It can involve multiple intermediaries with a final payment to a third party and may include any new payment methods.

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Source: FATF, *The Role of Hawala and Other Similar Service Providers in Money Laundering and Terrorist Financing*, 10/2013, pp. 9, 12.

banking governance and operations.”<sup>536</sup> Seven of Afghanistan’s 12 banks are considered weak and cumulatively hold 51% of the banking sector’s assets.<sup>537</sup>

## Money Laundering

The State Department lists Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds, all of which “continue to pose serious threats to the security and development of Afghanistan.” Narcotics, corruption, and contract fraud are major sources of the country’s illegal revenues and laundered funds. Afghanistan has weak or nonexistent supervisory and enforcement regimes, and weak political will to combat corruption.<sup>538</sup> Treasury warned that if Afghanistan fails to aggressively enforce anti-money laundering/antiterrorist financing laws, its banking system will become isolated from the rest of the world and be unable to provide key financial services.<sup>539</sup>

## Financial Action Task Force

At its most recent plenary session in October 2014, the intergovernmental Financial Action Task Force (FATF) chose to keep Afghanistan on its Improving Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Global Compliance document, also known as the “gray list.” FATF did not publicly explain its decision.<sup>540</sup>

Although Treasury helps review and monitor Afghanistan as a participating member of FATF, the department told SIGAR it does not conduct assessments or provide reports to FATF. Nor did it respond to requests for its opinion on whether Afghanistan warranted being downgraded or blacklisted based on its technical merits, and whether Treasury’s previous concerns about Afghanistan’s AML/CFT laws have been resolved. Instead, Treasury said that FATF was satisfied that Afghanistan published its AML/CFT laws and had determined that the CFT regulations largely establish the necessary procedures and legal framework to freeze terrorist assets.<sup>541</sup>

Afghanistan had faced a blacklist designation for almost a year, having made insufficient progress on its AML/CFT administration, or passing legislation so close to FATF’s June 2014 plenary session that there was no time to properly evaluate progress.<sup>542</sup> Afghanistan was downgraded in February 2014 to the “dark-gray” list of jurisdictions making insufficient progress and has maintained a gray designation since. A blacklisting would negatively affect Afghanistan’s relations with the donor community and could lead to further loss of its correspondent banking accounts.<sup>543</sup>

## Court Rulings in the Kabul Bank Case

On November 11, 2014, Afghanistan’s appellate court upheld the convictions of ex-chairman Sher Khan Farnood and ex-CEO Khalilullah Ferozi, as well as 10 lower-level employees, of crimes related to the 2010 Kabul Bank crisis.

TABLE 3.18

KABUL BANK APPELLATE COURT DECISIONS, AS OF NOVEMBER 10, 2014		
Name (Known as)	Offense(s)/Sentence	Restitution Ordered (\$)
Sherkhan (Farnood)	Money laundering, 5 years jail; embezzlement, 10 years jail	\$571,640,946.00
Khalilullah (Ferozi)	Money laundering, 5 years jail; embezzlement, 10 years jail	333,807,873.36
Mohammad Tareq (Miran)	Failure to report a crime, 1 year jail	
Kamal (Kror)	Failure to report a crime, 1 year jail	
Mahbob Shah (Frotan)	Failure to report a crime, 1 year jail	
Zafarullah (Faqiri)	Neglect to inform, 6 months jail; abuse of authority, amnesty	
Sher Aqa (Halim)	Neglect to inform, 6 months jail; abuse of authority, amnesty	
Besmellah	Neglect to inform, 6 months jail; abuse of authority, amnesty	
Mohammad Aref (Salek)	Neglect to inform, 6 months jail; abuse of authority, amnesty	
Mohammad Qasim (Rahim)	None; amnesty	
Mustafa (Masoudi)	Neglect to inform; abuse of authority, amnesty	415
Aminullah (Khair Andesh)	Neglect to inform; time served	

Note: Farnood and Ferozi's restitution orders include interest and fines.

Source: DOJ, response to SIGAR data call, 1/5/2015; DAB, Daily Exchange Rates of Selected Currencies to Afghani, 11/10/2014.

Farnood and Ferozi were sentenced to additional prison terms and issued new restitution orders, while the others received lesser fines and punishments, as shown in Table 3.18. Documentation demonstrates that the court also ordered the assets of 19 individuals and companies frozen pending loan repayment and listed an additional 16 individuals for investigation.<sup>544</sup>

The court's judgment may contain technical deficiencies—it reportedly cites the wrong law—that may render it unenforceable overseas, even though it comports with Afghan law. How aggressively the Attorney General's Office will pursue the judgment remains to be seen. The Attorney General's Office has no meaningful capacity to draft mutual legal-assistance letters on its own, but the U.S. Department of Justice (DOJ) said it will help upon formal request. Technical or legal assistance will not change Afghan senior leadership's lack of political will to actively recover stolen assets from overseas bank accounts, as evidenced by the minimal cash recoveries this quarter.<sup>545</sup> The cumulative amount reportedly stands at \$178 million versus \$175.2 million in April 2014.<sup>546</sup> Potential defendants remain free and unindicted, and the Kabul Bank Receiver—who attempts to recover and tender bad loans and assets—was replaced this quarter.<sup>547</sup>

## New Kabul Bank Privatization

After years of stalled privatization efforts as well as an order by President Ghani calling for Kabul Bank's privatization, MOF officials are considering consolidating three state-run banks—New Kabul Bank, Pashtani Bank, and

**Before its near-collapse in 2010, the Kabul Bank had been Afghanistan's largest private bank, distributing most civil servants' salaries on behalf of the Afghan government. Over 92% of \$935 million that was known at that time to have been 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.**

Source: Independent Joint Anti-Corruption Monitoring and Evaluation Committee, *Report of the Public Inquiry Into the Kabul Bank Crisis*, 11/15/2012, pp. 2, 9.

Milli Bank—into a single entity.<sup>548</sup> The central bank governor warned that \$100 million in government funds will be required for the integrated bank to operate effectively. All three banks have operating losses. New Kabul Bank has accumulated losses between \$46.8 million and \$50 million, and reportedly owes another \$60 million, an obligation that would pass to any potential buyer.<sup>549</sup>

## U.S. ECONOMIC-SUPPORT STRATEGIES

The U.S.-Afghanistan Strategic Partnership Agreement and the Civil-Military Strategic Framework are the most recent guiding documents for U.S. civilian development assistance in Afghanistan. The United States also uses the annual Mission Resource Request and operational plans to provide a basic framework and prioritization for assistance efforts. U.S. Embassy Kabul is developing an integrated country strategy which will help to guide foreign-assistance priorities.<sup>550</sup> The U.S. government's coordinated plan consists of: the New Silk Road Initiative, USAID's Almaty Consensus, and the USAID/Afghanistan Country Development Cooperation Strategy.<sup>551</sup>

USAID and other assistance implementers may also choose to develop their own strategies, according to State.<sup>552</sup> For instance, DOD said its Commander's Emergency Response Program (CERP) and Afghanistan Infrastructure Fund (AIF) projects are largely determined by ground conditions as assessed by commanders in theater.<sup>553</sup> U.S. economic strategies are coordinated at an interagency level through the National Security Council.<sup>554</sup>

U.S. efforts to minimize adverse impacts of the drawdown on Afghanistan's financial stability, government revenue, and economic growth, as well as a strategic focus on sustainable solutions,<sup>555</sup> have not significantly helped Afghanistan stave off a fiscal crisis or wean its economy off the military presence or donor assistance.<sup>556</sup>

## USAID Development Assistance

Most assistance from the Economic Support Fund (ESF) goes toward USAID's development programs. Figure 3.30 shows USAID assistance by sector.

## Task Force for Business and Stability Operations, and Afghanistan Investment and Reconstruction Task Force Authorizations End

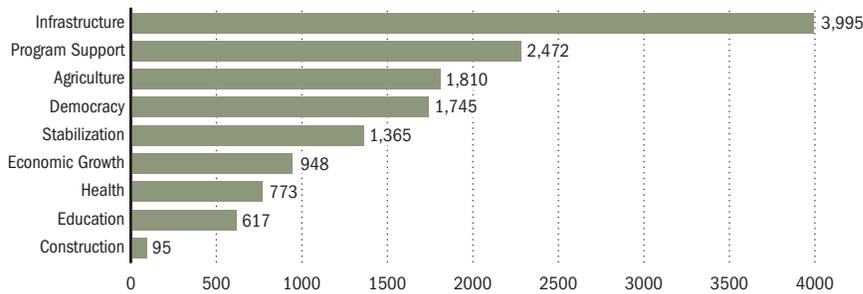
DOD's Task Force for Business and Stability Operations (TFBSO) was established as a means to promote stability by accelerating economic growth. It sought to identify and develop strategic opportunities and enable the expansion of Afghanistan's private sector that would set the conditions for long-term economic growth. TFBSO ended its programmatic operations on December 31, 2014. None of its programs were transferred to other

### SIGAR SPECIAL PROJECT

SIGAR is conducting an in-depth review of TFBSO activities. Inquiry and alert letters have already been issued, and interviews conducted. See Section 2, page 45 for more information.

FIGURE 3.30

USAID DEVELOPMENT ASSISTANCE, AS OF DECEMBER 31, 2014 (\$ MILLIONS)



Note: Numbers rounded. Infrastructure programs include power and roads. Program Support projects include staffing, salaries, performance metrics, results tracking, technical assistance to ministries, and funding to the ARTF. Agriculture Programs include Alternative Development.

Source: USAID, response to SIGAR data call, 1/12/2015.

U.S. agencies, although similar U.S. support programs may exist.<sup>557</sup> TFBSO appropriations totaled \$815 million, as of December 31, 2014.

The U.S. Department of Commerce’s Afghanistan Investment and Reconstruction Task Force also ceased operations on December 31, 2014.<sup>558</sup> It aimed to develop Afghanistan’s private sector by improving market conditions conducive to trade and investment, and it offered technical assistance and training to the government and Afghan companies, using FY 2012 USAID funds. Since 2012, it had hosted business matchmaking conferences, helped develop a carpet-export organization, and established Afghan business hubs.<sup>559</sup>

## DEVELOPMENT OF NATURAL RESOURCES

The World Bank believes development of Afghanistan’s natural resources can underpin future economic growth in the face of declining external aid, although mining has so far contributed only a small share of the country’s GDP.<sup>560</sup> But it is uncertain when sector-generated revenues may be realized because of a lack of infrastructure financing as well as weak Afghan progress on regulatory and legislative frameworks.<sup>561</sup> Although the Afghan budget projected annual mining revenues of \$13.2 million, in the first half of FY 1393 (2014), Afghanistan received just \$3.9 million in royalties and fees.<sup>562</sup>

### Impediments to Investment

Afghanistan’s lack of security overshadows all other constraints on investment, according to the World Bank.<sup>563</sup> USAID said mining regions are

### SIGAR AUDIT

An ongoing SIGAR audit focuses on the extent to which TFBSO and USAID programs met their goals to develop Afghanistan’s extractives industry and the challenges, if any, to creating a stable and lasting source of extractives revenue for Afghanistan.

remote and often located in insecure areas that may be littered with mines and unexploded ordnance. Corruption, an uneducated workforce, lack of labor safety practices, and crude extraction methods are also inhibiting factors.<sup>564</sup> A detailed discussion of other investment obstacles can be found on pages 175–177 in SIGAR’s October 2014 *Quarterly Report to the United States Congress*.

One issue was partially addressed this quarter. Both houses of parliament passed legislation amending the part of the new minerals law that restricted the right to transfer licenses from one company to another—a standard practice in the mining community. It was waiting to be signed into law, as of January 12, 2015.<sup>565</sup>

Currently there is no excavation work under way at the Mes Aynak copper mine in Logar Province other than continuing archeological mitigation of damage to cultural relics in the area.<sup>566</sup> This quarter, government officials said 86 security posts have been set up around the mine, which reportedly comes under frequent attack.<sup>567</sup> There is also no reported change in contract negotiations for the Hajigak iron ore concessions (awarded in November 2011) this quarter.<sup>568</sup> The World Bank reported hopes are also fading for Aynak and Hajigak-related energy investments.<sup>569</sup>

## Status of TFBSO-assisted Tenders

Since 2010, TFBSO provided legal and financial assistance, process expertise, transparency consultancy services, and other support to the MOMP for several hydrocarbon and mineral tenders.<sup>570</sup> This helped the MOMP evaluate and award bids, and negotiate contracts. Most contracts remained unsigned this quarter for reasons outside the ministry’s control, as shown in Table 3.19.



**MIDAS geologist** looking at mineral sample in Salang Valley. (USAID photo)

## Mining Investment and Development for Afghan Sustainability

This quarter, USAID’s Mining Investment and Development for Afghan Sustainability (MIDAS) program brought parliamentarians and ministry officials to the United States to introduce them to modern mining technology, and to environmental-protection and worker-safety standards. MIDAS advisors helped ministry officials propose regulations in line with the new mineral law, review bids, and respond to contract comments.<sup>571</sup>

MIDAS advisors also worked with the Afghan Geological Survey on a multi-month mission to search Salang Valley for tantalum, an element used to make composite material used in electronic capacitors, nuclear reactors, and aircraft and missile parts. The geological survey team produced a topographical map of the area, began predrilling exploration work, and dug trenches to prepare for MIDAS drilling in 2015. Two women—a geologist and an engineer—participated in this field work, the first female participation in over 30 years.<sup>572</sup>

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.19

TFBSO-ASSISTED TENDERS				
Tender	Type	Date	Description	Status
Angot Oil Field (Kashkari Block of Amu Darya Basin)	Hydrocarbon	December 2010–June 2011	Initial proof of concept to garner attention of international oil and gas investors.	Oil produced, six-month contract expired, allowing next tender to include field.
Amu Darya Oil	Hydrocarbon	Announced March 2011; Contract signed December 2011	Three blocks of basin estimated to contain 87 million barrels of crude oil. Awarded to China National Petroleum Corporation Watan Energy Afghanistan.	Contract is ongoing. Total production: 314,000 barrels; total government revenue: \$5.99 as of 11/2014. Additional 53,000 barrels and \$0.5 million revenue expected in 12/2014.
Afghan-Tajik Phase I	Hydrocarbon	Announced March 2012; Contracts signed October 2013	Six blocks of the Afghan-Tajik Basin tendered. Two received bids; each now under Exploration Production Sharing Contract (EPSC).	Contracts are ongoing and on schedule.
Afghan-Tajik Phase II	Hydrocarbon	Announced January 2014; Awarded March 2014	Remaining four blocks of the Afghan-Tajik Basin tendered. Three received bids; two blocks redrawn into one.	Two EPSCs were initiated by MOMP and preferred bidder; sent to cabinet for approval.
Totimaidan Block of the Amu Darya Basin	Hydrocarbon	Announced January 2014; Awarded September 2014	1 block in Amu Darya Basin.	Negotiations concluded with preferred bidder 10/27/2014. Interministerial Commission (IMC) approved negotiating terms 11/5/2014. Awaiting IMC review and approval of EPSC, then submission to cabinet.
Shaida	Mineral	Awarded in November 2012	Copper	Contract initiated by MOMP and preferred bidder. Awaiting Cabinet approval, but may need another review by MOMP for compliance with new minerals law.
Badakhshan	Mineral	Awarded in November 2012	Gold	Contract initiated by MOMP and preferred bidder. Awaiting Cabinet approval, but may need another review by MOMP for compliance with new minerals law.
Balkhab	Mineral	Awarded in November 2012	Copper	Contract initiated by MOMP and preferred bidder. Awaiting Cabinet approval, but may need another review by MOMP for compliance with new minerals law.
Zarkashan	Mineral	Awarded in December 2012	Gold	Contract initiated by MOMP and preferred bidder. Awaiting Cabinet approval, but may need another review by MOMP for compliance with new minerals law.
Jabul Seraj	Mineral	Awarded in February 2014	Cement	Contract negotiations are ongoing.

Note: Exploration and Production Sharing Contracts (EPSC): governing documents between a government and resource company for the exploration, development and production of hydrocarbons in selected areas of interest.

Source: TFBSO, response to SIGAR data calls, 7/1/2014, 9/29/2014, and 12/29/2014; MOMP, “Preferred Bidder for Zarkashan Project,” 12/16/2012; MOMP, “10 Reasons to Invest In Afghanistan’s Mining Sector,” accessed 4/2/2014; GIROA, “Contract on Amu Darya Oil Enjoys Highest Degree of Transparency and Fairness: U.S. and UK Ambassadors in Meeting with President Karzai,” 6/23/2012; MOMP, “Request for Expressions of Interest for Pre-Qualification for Participating in the First Afghan Hydrocarbon Bidding Round, 2009” MOMP, “Afghan-Tajik Basin Phase II Tender, Independent Process and Transparency Review, 15 January–31 October 2014, Public Disclosure Report,” 11/15/2014.

## 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.<sup>573</sup>

Afghanistan has only small-scale topping plants—early-stage refineries that can process only limited petroleum components of crude oil—and remains heavily dependent on imports for fuels.<sup>574</sup> The country imports

10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and Iran.<sup>575</sup>

“During this period, it has become increasingly clear that members of the MOMP-APA staff do not have the critical thinking skills, financial discernment, or will to administer complex contracts from either technical or a business/managerial perspective.”

Source: USAID, *Sheberghan Gas Generation Activity Monthly Report, November 1–November 30, 2014, 12/7/2014.*

## Sheberghan Programs

Sheberghan holds the potential for cheap natural gas and could be competitive with imported power from Uzbekistan, according to the World Bank.<sup>576</sup> USAID has active programs in the area; TFBSO’s programs ended this quarter.<sup>577</sup>

TFBSO spent \$5 million helping Afghanistan develop a compressed natural gas (CNG) industry by completing and transitioning a CNG station to a private operator, Qashqari Oil and Gas Services, in May 2014. The MOCI issued Qashqari a CNG license in November 2014.<sup>578</sup>

USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation through two mechanisms: (1) the \$90 million, on-budget Sheberghan Gas Development Project (SGDP) to rehabilitate and drill wells in the Amu Darya Basin, and fund a gas-gathering system and gas-processing plant; and (2) the \$35 million, off-budget Sheberghan Gas Generation Activity (SGGA) for capacity building and technical assistance to the MOMP.<sup>579</sup>

This quarter, the drilling contractor, Turkish Petroleum Corporation, informed the MOMP it is behind schedule and would not begin drilling until May 2015—taking almost twice as long as the contract stipulated. No disbursements will be made until drilling begins. SGGA prepared a contract-termination option paper for the Afghanistan Petroleum Authority with a recommendation to terminate, but the Afghan authorities opted to continue with the Turkish contractor.<sup>580</sup>

## Pipeline Rehabilitation Project

TFBSO helped the MOMP and Afghan Gas Enterprise rehabilitate the existing 89.1 km (55.4-mile) Sheberghan–Mazar-e-Sharif pipeline to improve its capacity and the quality of gas flowing through it, and constructed gas processing and compression facilities in Sheberghan. TFBSO said the rehabilitation is 95% complete and the remaining section can be completed by Afghan Gas without its support. The compressor facility is complete, increasing gas supplies by 125% with more available upon demand. An amine plant was successfully precommissioned this quarter. The plant will chemically “sweeten” Afghan natural gas, which is high in hydrogen sulfide and carbon dioxide content. The plant can be fully commissioned when demand increases and an O&M company is brought in to assist. TFBSO disbursed \$33.7 million for these efforts, as of October 9, 2014.<sup>581</sup>

## SIGAR AUDIT ALERT LETTER

This quarter, SIGAR issued an alert letter to DOD regarding the safety of a natural gas pipeline in northern Afghanistan, which TFBSO helped repair. For more information, see Section 2, page 19.

## AGRICULTURE

Agriculture continues to be the main source of employment and subsistence for the Afghan population, accounting for 31% of GDP, according to the

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.20

ACTIVE USAID AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2014
Incentive Driving Economic Alternatives-North, East, and West (IDEA-NEW)	3/2/2009	2/28/2015	\$159,878,589	\$148,292,490
Improving Livelihoods and Governance Through Natural Resource Management	4/10/2010	12/31/2014	14,000,000	13,295,807
Agriculture Credit Enhancement (ACE)	7/15/2010	2/25/2015	75,175,296	70,801,590
Agriculture Development Fund (ADF)	7/18/2010	12/31/2014	74,407,662	54,000,000
Strengthening Afghanistan Agricultural Faculties (SAAF)	3/25/2011	12/31/2016	7,824,209	6,023,503
Famine Early Warning System Network (FEWSNET) Phase III	12/29/2011	12/28/2016	78,011,630	2,420,553
Regional Agriculture Development Program (RADP)-South	10/7/2013	10/6/2018	125,075,172	16,663,146
Regional Agriculture Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	2,208,551
Capacity Building and Change Management Program II	7/10/2014	7/9/2017	19,999,989	1,926,142
Regional Agriculture Development Program (RADP)-West	8/10/2014	8/9/2019	69,973,376	1,031,829
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	9/30/2017	19,814,702	311,697
Digital Integration to Amplify Agriculture Extension in Afghanistan (DIAAEA)	11/30/2014	11/29/2015	391,000	0

Source: USAID, response to SIGAR data call, 1/12/2015.

World Bank, and provides employment to about 59% of the labor force.<sup>582</sup> Between FY 2002 and FY 2013, USAID obligated approximately \$1.25 billion for improve agricultural production and increase access to markets, and \$1.38 billion for alternative development to poppy cultivation.<sup>583</sup> A discussion of USAID's alternative-development programs is found on pages 111–115 of this quarterly report.

This quarter, USAID reported that it is extending the Agricultural Credit Enhancement (ACE), as well as taking over two U.S. Department of Agriculture efforts—the Afghan Agricultural Extension Program (AAEP) and the Capacity Building and Change Management Program (CBCMP), which aim to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL).<sup>584</sup> USAID's active agriculture programs are listed in Table 3.20.

## Agricultural Credit Enhancement

ACE supports Afghanistan's Agriculture Development Fund (ADF), which provides credit across the agricultural value chain through banks, farm stores, leasing companies, and food processors. Much of this credit is then extended to farmers. ACE is the technical-assistance component that manages all ADF lending activities and helps build MAIL capacity.<sup>585</sup>

USAID's most recent ACE quarterly report (July–September 2014) said ADF issued \$7.6 million in new loans during that period. Total approved loans are \$101 million, with \$56 million disbursed, and \$31 million repaid. The gap between approvals and disbursements is due to clients requiring multiple smaller disbursements, rather than receiving one lump sum,

bureaucratic delays in registering mortgages, and supply price changes that affect how much money is needed. The overall number of borrowers is substantially below the program's target. ACE initially assumed ADF would operate through a network of banks, but that did not happen. Additionally, the loan vetting process took an average of 11 months in 2014. ADF's portfolio risk is 3.58%, an acceptable rate even in Western financial sectors.<sup>586</sup>

## ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase electricity, build roads and bridges, and improve health and education in Afghanistan. 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

Afghanistan imports approximately 73% of its total energy supply. Electricity imports are expected to rise in the near term, according to a recent World Bank report, which also noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.<sup>587</sup> The country has one of the lowest rates of electrification in the world, with only 25% of Afghans connected to the power grid. Of those who are connected, an estimated 75% live in urban areas,<sup>588</sup> but urban dwellers comprise an estimated 37% of the Afghan population.<sup>589</sup>

From 2002 through 2014, USAID alone obligated approximately \$2.8 billion to build generators, substations, and transmission lines, and provide technical assistance in the sector.<sup>590</sup> In addition, DOD has provided approximately \$292 million for electricity projects through CERP and roughly \$1.1 billion through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.<sup>591</sup>

Afghanistan's two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**. As shown in Table 3.21, 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, which has capacity-building components to help Afghanistan sustain these investments.<sup>592</sup>

### Kandahar-Helmand Power Project

The Kandahar-Helmand Power Project (KHPP) is intended to increase power supply and reliability in Kandahar and Helmand provinces.<sup>593</sup> All components of this project are being closed out, except for a USAID technical support services contract with Black and Veatch to assist Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national utility, with its

**NEPS:** imports electricity from the Central Asian Republics to provide power to Kabul and the communities north of Kabul.

**SEPS:** draws most of its power from the Kajaki Dam and from diesel generators in Kandahar City to provide power in the Helmand and Kandahar areas.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 11/2013, accessed 12/29/2013.

**Installation and commissioning of Kajaki's third turbine was descoped from KHPP in 2013 and transferred on-budget for DABS to execute. Kajaki Phase 2 began on December 25, 2014, when DABS signed a turbine installation contract with 77 Construction USA Corp.**

Source: USAID, response to SIGAR data call, 1/12/2015.

TABLE 3.21

ACTIVE USAID ENERGY INFRASTRUCTURE PROJECTS, AS OF DECEMBER 31, 2014				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement (\$)
Kandahar Helmand Power Project (off budget)	12/9/2010	11/30/2015	\$226,600,000	\$222,800,000
Sheberghan Gas Generation Activity (off budget)	12/21/2011	3/31/2015	30,440,958	16,697,785
Sheberghan Gas Development Project (on budget)	5/15/2012	4/30/2015	90,000,000	30,000,000
Power Transmission Expansion Connectivity (on budget)	1/1/2013	12/31/2016	340,000,000	11,400,000
Power Transmission Expansion Connectivity (Funds transfer to Afghanistan Infrastructure Trust Fund)	3/7/2013	3/6/2018	105,670,184	N/A
Kandahar Helmand Power Project (on budget)	12/9/2013	2/28/2016	36,000,000	12,500,000
Power Transmission Expansion Connectivity (off budget)	2/1/2014	1/31/2015	1,700,000	443,845

Source: USAID, response to SIGAR data call, 12/28/2014.

efforts to increase long-term sustainable hydropower from Kajaki Dam.<sup>594</sup> Turbine parts have been sitting uninstalled at Kajaki since 2008 due to security threats.<sup>595</sup> The deputy governor of Helmand Province reportedly said the government has no control over the district of Kajaki.<sup>596</sup>

## 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, including funding the transmission line between Kabul and Kandahar to connect NEPS with SEPS.<sup>597</sup> PTEC's commercialization and capacity-building components aim to reduce technical and commercial losses.<sup>598</sup> Construction has not yet started on PTEC projects with the exception of preliminary work (contractor mobilization, survey and design, and materials and equipment procurement) on the Arghandi-Ghazni transmission line and substations—the first segment of the NEPS-SEPS connector—which began this quarter.<sup>599</sup>

## DOD's Afghanistan Infrastructure Fund Programs

This quarter, DOD continued implementing several priority energy-sector projects to complete its portion of the NEPS and SEPS using FY 2011–FY 2014 AIF money (FY 2015 AIF funds were not requested, nor appropriated), as shown in Table 3.22 on the following page.<sup>600</sup> Both the Ministry of Energy and Water, and Afghanistan's national utility, DABS, will be responsible for sustaining these projects, including operations and maintenance costs once they are completed and turned over to the government. DOD has notified Congress that increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment.<sup>601</sup> However, SIGAR has raised questions about DABS's

## SIGAR AUDIT

A SIGAR audit initiated this quarter focuses on State Department progress in completing FY 2011 Afghanistan Infrastructure Fund projects, the impact it has had on other infrastructure priorities, as well as on planned counterinsurgency objectives, and sustainment challenges. For more information, see Section 2, page 28.

TABLE 3.22

ACTIVE AFGHANISTAN INFRASTRUCTURE FUND PROJECTS, AS OF DECEMBER 31, 2014						
AIF Fiscal Year	AIF Project	Description	Notified Amount (\$ MILLIONS)	Obligated (\$ MILLIONS)	Disbursed (\$ MILLIONS)	Status
FY11	NEPS - SEPS Connector, Arghandi to Ghazni	Supply, install, test and commission transmission line	\$56.7	\$56.7	\$0.0	Transferred to USAID; On schedule
	NEPS - SEPS Connector, Arghandi to Ghazni	Supply, install, test and commission substation	48.0	48.0	0.0	Transferred to USAID; On schedule
	NEPS - Arghandi to Gardez Phase I	Install transmission lines and construct power substations	93.7	51.9	7.6	In Design; Ahead of Schedule (Actual 5% vs. Scheduled 1%)
FY12	SEPS - Kandahar City to Durai Junction Phase 2	Install or repair transmission lines and to repair or construct substations	40.0	29.6	2.5	Design/Mobilization/Demining; On schedule
	NEPS - Arghandi to Gardez Phase 2	Install transmission lines and construct power substations	69.2	67.2	9.5	In Design; On schedule (14% complete)
	NEPS - Charikar to Panjshir Phase 1	Install transmission lines and construct power substations	38.0	37.8	4.3	In Design; On schedule (14% complete)
FY13	NEPS - Charikar to Panjshir Phase 2	Install transmission lines and construct power substations	33.0	25.3	2.9	In Design; On schedule (14% complete)
	SEPS Completion - Phase 1	Construction of substations and rehabilitations of transmission lines in Helmand Province	75.0	70.6	3.3	Design/Mobilization/Demining; On schedule
	NEPS - SEPS Connector, Ghazni to Kandahar	Design and installation of transmission lines and towers; construction of substations. Final Phase of NEPS-SEPS connector.	179.5	0.0	0.0	Transferred to USAID; Request for Proposal preparation
FY14	Kandahar Bridging Solution	Provides fuel for diesel generators in Kandahar City	20.0	8.0	0.0	In Progress
	SEPS Completion - Phase 2	Rehabilitation and construction of transmission lines and substations in Helmand and Kandahar Provinces.	49.0	0.0	0.0	Transferring to USAID; Design; Request for Proposal preparation
	NEPS - Gardez to Khowst	Design and install transmission and distribution lines; construction of substations. DOD's final contribution to NEPS.	130.0	0.0	0.0	Pre-Award

Note: All AIF projects are to be sustained by Afghanistan's Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national utility. Obligations and disbursements are as of 11/30/2014. All other information is as of 12/31/2014.

Source: DOD, response to SIGAR data call 9/30/2013, 10/7/2014 and 1/2/2015; USAID, response to SIGAR data call, 1/20/2015.

capacity and said Afghanistan lacks the resources necessary to pay for O&M.<sup>602</sup> The World Bank said DABS's technical and commercial losses remain significant.<sup>603</sup>

## TRANSPORTATION

Afghanistan's lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said developing the transportation sector is imperative for economic development.<sup>604</sup> Afghanistan's transportation infrastructure shortcomings

constrain the service and agriculture sectors, currently the leading contributors to GDP.<sup>605</sup> They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining aid.<sup>606</sup> This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, and sustaining operations and maintenance.<sup>607</sup>

## Roads

While the United States has provided \$2.36 billion cumulatively for road construction and O&M, and will spend about \$5 million this year for O&M efforts, the World Bank said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles.<sup>608</sup> Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways; where it did have funds, activities have been implemented, albeit inefficiently, according to USAID.<sup>609</sup> Moreover, the lack of a functioning roads authority has significantly affected road infrastructure across Afghanistan.<sup>610</sup> USAID's active road construction and O&M programs are listed in Table 3.23.

USAID, through its Road Sector Sustainability Project (RSSP), continues to help the Ministry of Public Works strengthen its technical capacity to establish a Road Fund, Road Authority, and Transportation Institute so the ministry can better fund and maintain their roadway infrastructure. RSSP's emergency operations and maintenance activity awarded a contract to four Afghan firms this quarter, with the initial meeting taking place in December 2014.<sup>611</sup> For a description of all four RSSP activities, see pages 192–193 in SIGAR's October 2014 *Quarterly Report to the United States Congress*.

TABLE 3.23

ACTIVE USAID ROAD CONSTRUCTION, OPERATIONS AND MAINTENANCE PROGRAMS, AS OF DECEMBER 29, 2014				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement (\$)
Road Sector Sustainability Project	8/1/2014	8/1/2019	\$103,000,000	\$700,000
Gardez to Khowst Road, Phase IV	6/26/2014	12/25/2015	31,963,736	6,561,385
Salang Corridor Maintenance	3/24/2013	3/30/2016	1,780,100	645,804

Source: USAID, response to SIGAR data call, 12/28/2014; USAID, response to SIGAR vetting, 1/12/2015.

## EDUCATION

The United States aims to improve Afghan access to quality education by promoting capacity building, responding to urgent needs for learning materials, schools, and teacher development, and increasing opportunities in

According to the most complete data available from the MOE's EMIS, Afghanistan had a total of 13,858 general education (government) schools in 1392 (2013), with 7.98 million students enrolled. Of the enrolled students, 6.26 million were categorized as present, while 1.36 million students were considered absent. EMIS neither tracks open and closed schools at any given time, nor teachers and student attendance. Figures are not independently verified.

Source: MOE, Education Management Information System (EMIS) Generated Report, Summary of Schools and Student By Ownership and Program Year (1392), accessed 1/15/2015; MOE, Education Management Information System (EMIS) Generated Report, Summary of Students Attendance Year 1391, accessed 1/15/2015; USAID, response to SIGAR data call, 9/30/2013; MOE, *Education Joint Sector Review 2012*, 9/2013.

adult literacy, employment skills, and youth development.<sup>612</sup> A full list of USAID's active education programs can be found in Table 3.24.

USAID's priority education programs funded through the ESF this quarter include:<sup>613</sup>

- Basic Education, Learning and Training (BELT)
- BELT Community Based Education (CBE)
- American University of Afghanistan (AUAF)
- Afghanistan University Support and Workforce Development Program (USWDP)
- Education Quality Improvement Project (EQUIP)

USAID said monitoring systems are in place to measure performance, including a Performance Monitoring Plan with indicators and targets for each project. For example, BELT-CBE metrics, and monitoring and evaluation plans are being developed before the program's implementation. AUAF

TABLE 3.24

ACTIVE USAID EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2014 (\$)
Afghan Tuition Scholarship Program	8/21/2011	7/31/2017	\$7,384,665	\$6,235,469
Basic Education, Literacy, and Technical-Vocational Education (BELT) Textbooks	11/16/2011	12/31/2014	26,996,813	24,436,268
Global Partnership for Education	10/11/2012	3/31/2015	2,500,000	909,973
Afghanistan Technical Vocational Institute	6/15/2013	6/14/2015	1,000,000	700,000
American University of Afghanistan, Professional Development Institute	8/1/2013	7/31/2018	40,000,000	10,717,446
BELT-Community Based Education (CBE)	10/29/2013	10/28/2017	56,000,000	0
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	91,927,769	8,295,625
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/1/2014	12/31/2017	2,799,228	414,494
Strengthening Education in Afghanistan (SEA II)	5/19/2014	5/18/2019	29,835,920	1,442,857
Increasing Access to Basic Education and Gender Equality	9/17/2014	9/16/2019	54,027,000	54,027,000

Source: USAID, response to SIGAR data call, 1/12/2015.

tracks underserved-community outreach; for example, the spring 2014 student body was 31% female.<sup>614</sup>

USAID reported that 34 million grade 1–6 textbooks have been printed with U.S. government assistance, benefitting 5.6 million primary school students through its ongoing BELT textbook distribution, which began in November 2011. Additionally, 84,331 teachers were trained through EQUIP, which USAID estimates benefitted 2.6 million primary students based on an approximation of 35 students per class.<sup>615</sup>

## University Support and Workforce Development Program

The University Support and Workforce Development Program (USWDP) aims to improve the Ministry of Higher Education’s (MOHE) management capacity as well as that of 10 universities. It is helping MOHE ensure quality education and employment opportunities for students. The program’s performance report released this quarter (covering July–September 2014) said that a employment-sector assessment was conducted that will provide direction for bachelor degree programs while connecting them to the job market.<sup>616</sup>

The quarterly report also listed several acute challenges for the program: election-related security issues that heightened movement restrictions; dysfunctional MOHE management and operations; and ministerial infighting and bureaucratic obstruction.<sup>617</sup>

## HEALTH

Afghanistan has experienced improvements in its health indicators since 2002, though it remains below average for low-income countries and has one of the world’s highest levels of child malnutrition, according to the World Bank.<sup>618</sup> U.S. assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities at central and subnational levels, particularly in provinces to the south and east, where services are largely lacking.<sup>619</sup>

## USAID Funding

From FY 2002 through FY 2013, U.S. on- and off-budget assistance to Afghanistan’s health sector totaled \$1.2 billion. From FY 2014 through FY 2018, USAID assistance will total \$383 million.<sup>620</sup> On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, supplies and equipment, in-service training, minor renovations of facilities, and monitoring and supervision. Off-budget assistance includes activities to strengthen health systems, engage the private sector, and procure pharmaceuticals and contraceptives.<sup>621</sup>

There are 641 health facilities in 13 provinces,<sup>622</sup> supported by USAID funding, as of December 31, 2014, as shown in Table 3.25.<sup>623</sup>

## SIGAR AUDIT

A SIGAR audit initiated this quarter focuses on U.S. efforts to improve access to and the quality of Afghanistan’s primary and secondary education systems. For more information, see Section 2, page 29.

TABLE 3.25

### USAID-FUNDED HEALTH FACILITIES, AS OF DECEMBER 31, 2014

Health Facility Type	Number of Active Health Facilities
Basic Health Center	278
Comprehensive Health Center	177
District Hospital	27
Provincial Hospital	5
Sub Health Center	144
Prison Health Center	10

Source: USAID response to SIGAR vetting, 1/12/2015.

## USAID Health Programs

USAID's active health programs have a total estimated cost of \$383.6 million, and are listed in Table 3.26.

TABLE 3.26

ACTIVE USAID HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2014 (\$)
Polio-Eradication Activities	9/30/1996	9/30/2022	\$10,830,615	\$9,265,102
[Name Not Supplied]	9/29/2006	9/29/2015	35,000,000	3,750,000
Partnership Contracts for Health (PCH)	7/20/2008	12/31/2015	259,663,247	194,326,384
Partnership for Supply Chain Management	6/1/2009	9/26/2015	894,402	394,402
Tuberculosis Field Support	9/29/2010	9/28/2015	5,600,000	4,600,000
Deliver	9/30/2010	9/29/2015	13,535,571	11,491,940
Strengthening Pharmaceutical System	8/28/2011	8/27/2015	24,499,936	17,146,374
Health Policy Project (HPP)	9/25/2011	1/31/2015	28,000,000	22,597,226
Improving Nutrition Through Multi-Sectoral Approaches	11/7/2014	12/31/2017	5,610,012	0

Source: USAID, response to SIGAR data call, 1/12/2015; USAID, response to SIGAR vetting, 1/20/2015.

### Partnership Contracts for Health Services

The Partnership Contracts for Health (PCH) Services was extended to December 31, 2015.<sup>624</sup> The host-country contract PCH program supports the MOPH's efforts to provide the Basic Package of Health Services (BPHS) in 13 provinces and the Essential Package of Hospital Services (EPHS) in five provinces. PCH supports health care at over 6,000 health posts and more than 600 facilities, including hospitals and health centers. It also supports tertiary health-care services at five provincial hospitals and one national hospital. In addition, PCH supports the Community Midwifery Education program, which aims to reduce maternal and child mortality.<sup>625</sup>

USAID said security remained an obstacle for health-service delivery this quarter. Several health facilities were closed. All PCH provinces have insecure districts that are hard to reach, so PCH monitors its programs in these areas by phone, report reviews, and engaging community leaders to supervise health facilities. In addition, third-party monitoring activities were completed in six provinces, and the MOPH, under PCH, completed an eight-month no-cost extension of all current host-country contracts with NGO implementing partners, covering 18 contracts. This portion of PCH will expire in June 2015.<sup>626</sup>

## **Leadership, Management, and Governance Project**

The LMG project works with the MOPH and the MOE at the central and provincial levels to build governance capacity, improve accountability, and help manage on-budget assistance within Afghanistan's health and education systems.<sup>627</sup>

This quarter, USAID said LMG revised the national community-based health strategy, evaluated contract proposals, conducted multiple training workshops for health staff, and held its third national health-research coordination meeting, at which terms of reference were developed, research priorities were discussed, and a research monitoring system was being established.<sup>628</sup>

LMG is facing funding uncertainties with a slow and complex transition to on-budget assistance, causing frustration and concern within the MOPH and its partners about the sustainability of LMG projects. Additionally, USAID is reporting decreased accountability within the MOPH due to the continuing delay in political leadership appointments.<sup>629</sup>

