

SIGAR

Special Inspector General for
Afghanistan Reconstruction

JAN 30
2012



**10 Years of
Reconstruction
2001-2011**



QUARTERLY REPORT TO THE UNITED STATES CONGRESS



Cover Captions (clockwise from the left):

An Afghan girl attends a class at a camp in Kabul on October 11. Since the Taliban were ousted, girls' schools have opened, women are no longer banned from working outside the home, and women are not forced to wear a burqa. Increased access to education and gender equity are major goals of the U.S. and coalition reconstruction strategy. (© AFP 2012, Adek Berry)

A village elder watches ANA engineers and U.S. soldiers with the 1st Stryker Brigade Combat Team work together to improve roads in Kandahar province on October 22. Upgrading Afghanistan's transportation system is crucial to enhance security, trade, and governance throughout the country. (U.S. Army photo, SSG Lindsey Kibler)

Reintegreees' surrendered weapons are collected in Badghis province on December 14. More than 650 insurgents formally renounced their opposition this quarter—mostly in the north and west. Reintegration is a major focus of ISAF's counter-insurgency campaign. (ISAF photo)



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The National Defense Authorization Act for FY 2008 (P.L. 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR).

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

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

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

Source: P.L. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008.

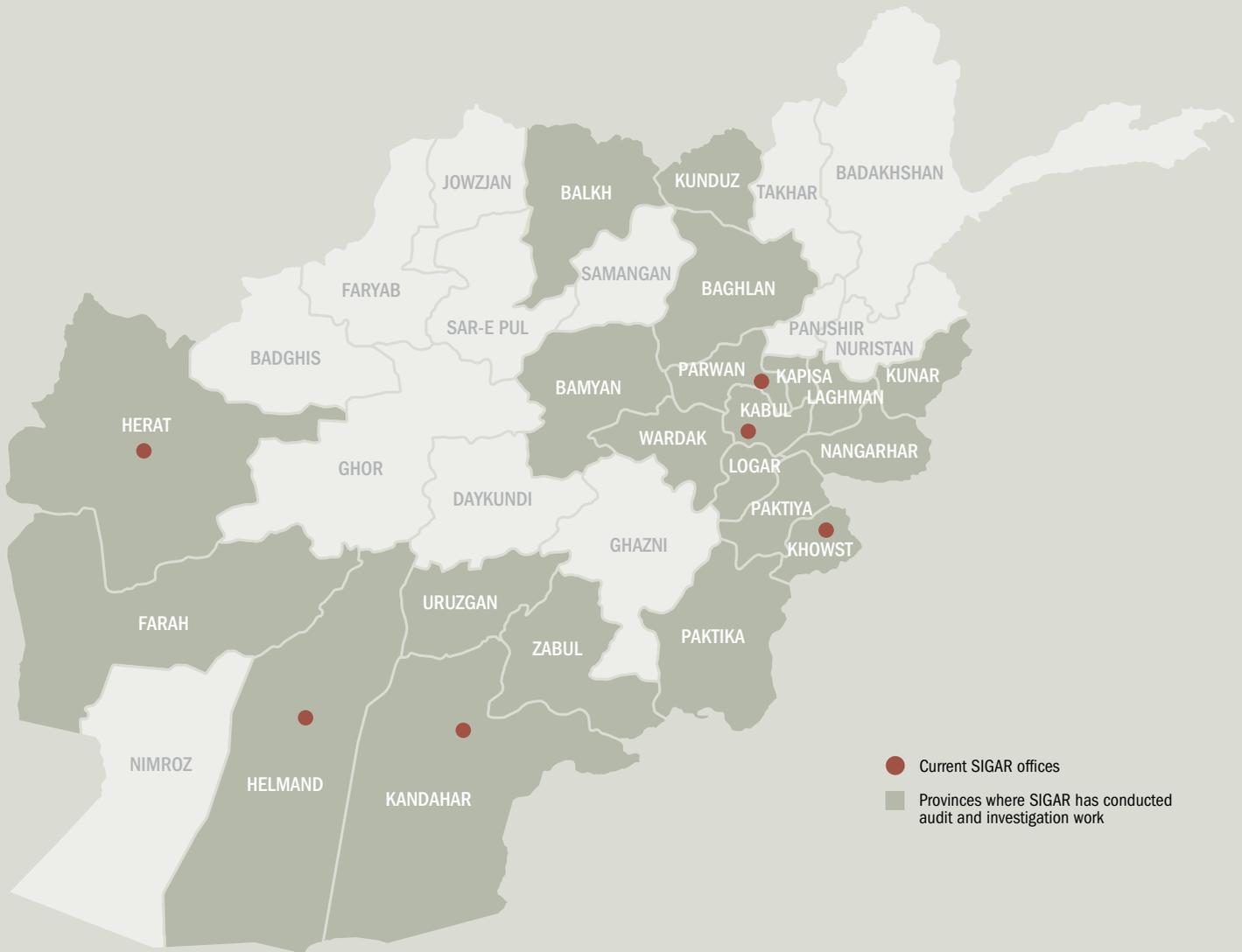
SIGAR RESULTS TO DATE

AUDITS

- 53 reports completed, 10 audits ongoing.
- 171 recommendations made.
- up to \$259.9 million identified in funds that should be returned to the U.S. government.
- 3 forensic audits under way of \$39 billion in reconstruction funds managed by DoD, DoS, and USAID.
- 4 inspections initiated.

INVESTIGATIONS

- \$52,014,850 recovered since November 2010.
- 125 ongoing investigations, 74 involving procurement and contract fraud.
- 17 convictions, 19 arrests, 9 indictments.
- 81 referrals for suspension or debarment that have resulted in 3 finalized debarments, 20 suspensions, and 33 proposals for debarments by the Army and USAID.
- 716 Hotline complaints received; 306 referred to SIGAR and other agency investigators.





SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION

January 30, 2012

I am pleased to submit SIGAR's quarterly report to the Congress on U.S. reconstruction in Afghanistan. The United States has seen reconstruction as critical to achieving the principal U.S. objective of defeating terrorism and denying al-Qaeda a safe haven in Afghanistan. This quarter marks 10 years since the United States and other international donors began committing resources to rebuild the country. During this period, the Congress has appropriated more than \$85.5 billion for the reconstruction effort, an unprecedented sum for one country in such a short period of time.

This report offers a 10-year retrospective on the reconstruction effort and oversight of it. Section 1 of this report summarizes the evolution of reconstruction over three main phases, identified on the basis of funding levels, changing strategies, and evolving objectives: the Bonn Process (2001–2005), the Reconstruction Surge (2006–2011), and Transition (2011–2014). The section describes achievements and persistent challenges and discusses how SIGAR is focusing its audits and investigations on the programs most critical to the reconstruction effort. Section 1 also provides a snapshot of the oversight community's work in Afghanistan over the last decade.

Section 2 of this report presents details on SIGAR's oversight work this quarter. We completed three audits, launched a new inspections program, and led a new initiative to strengthen oversight of reconstruction in Afghanistan. Our audit of the Department of Defense's accountability for vehicles provided to the Afghan National Security Forces (ANSF) resulted in about \$5 million in annual savings. Through our inspections program, we will be conducting quick-impact assessments to determine whether infrastructure projects have been properly constructed, are being used as intended, and can be sustained. We have begun inspections of four ANSF facilities in three provinces. Also this quarter, SIGAR and the other Inspectors General responsible for reconstruction oversight formed a new strategic planning group to develop a more integrated audit plan for fiscal year 2013.

During this reporting period, SIGAR played a key role in investigations that resulted in two sentences and three guilty pleas. One of the individuals sentenced was ordered to pay restitution of \$115,000. SIGAR also made 40 referrals for the suspension and debarment of individuals and companies for fraud, other illegal activity, or poor performance. SIGAR has the largest investigative presence focused on fraud in Afghanistan; we have established strong relationships with a wide range of U.S. agencies and Afghan law enforcement officials. Because many contractors are not U.S. citizens, these relationships have enabled our investigators to develop a broad range of cases and hold individuals and companies accountable.

Section 3 provides an update of the U.S. reconstruction effort in the security, governance, and development sectors. Throughout this section, we have included some 10-year metrics to show where key areas of reconstruction are today relative to where they were in 2002.

As this historic reconstruction effort begins its second decade, SIGAR will continue to work closely with the Congress and other oversight agencies to provide robust and strategic oversight that deters criminal activity, encourages efficiency, identifies waste and abuse, and evaluates program implementation to help inform the Congress and the U.S. public about how these significant taxpayer dollars are being spent.

Very respectfully,

A handwritten signature in black ink, appearing to read "Steven J. Trent". The signature is stylized and includes a long horizontal line extending to the right.

Steven J Trent
Acting Special Inspector General for Afghanistan Reconstruction

EXECUTIVE SUMMARY

SIGAR ACTIVITIES Q1, FY 2012

This quarter, SIGAR launched two new initiatives to improve oversight of Afghanistan reconstruction. To enhance coordination and oversight of U.S. activities, it created a joint strategy group with three other oversight agencies. To provide more timely assessments of U.S.-funded construction projects, SIGAR also established an inspections program.

Other accomplishments during this reporting period included the following:

- completed three audits, including one that produced \$5 million in savings; initiated 2 audits, bringing the number of ongoing audits to 10.
- participated in investigations that resulted in two individuals sentenced for bribery—one ordered to pay \$115,000 in restitution—and three guilty pleas.
- referred 40 individuals and companies for suspension and debarment.
- opened 20 new investigations, bringing the total number of ongoing cases to 125.

COMPLETED AUDITS

This quarter, SIGAR completed three audit reports: a review of the Department of Defense's (DoD) accountability for vehicles provided to the Afghan National Security Forces (ANSF), an evaluation of the Afghan First Initiative, and one that examined a U.S. implementing agency's use of private security contractors. At the request of the agency, SIGAR is not publicly releasing the third audit report. The vehicle accountability audit resulted in projected savings of \$5 million a year. The audit of the Afghan First Initiative found that since January 2008, the United States has awarded about \$654 million in contracts to Afghan companies, but that it is not possible to determine the degree to which this initiative is achieving its intended objectives of creating employment and supporting economic growth.

SIGAR also began work on two new audits, bringing the number of ongoing audits to 10. These audits are assessing contracts and programs funded by DoD, the U.S. Agency for International Development (USAID), and the Department of State (DoS)—the

three principal implementing agencies involved in reconstruction in Afghanistan. In addition, SIGAR auditors continued to analyze forensic data from three major reconstruction funds.

NEW STRATEGIC PLANNING GROUP

This quarter, SIGAR and the other Inspectors General with oversight responsibility in Afghanistan agreed to form a strategic planning group that will develop a more comprehensive and integrated audit plan for FY 2013. SIGAR, whose legislative mandate requires it to coordinate with other oversight agencies, is leading this effort to provide the Congress with more effective assessments of reconstruction programs.

NEW INSPECTIONS PROGRAM

This quarter, SIGAR launched an inspections program to assess the quality of construction of U.S.-funded infrastructure projects and determine if the facilities are operated and maintained for the purposes intended. SIGAR initiated four inspections of projects contracted by the U.S. Army Corps of Engineers for ANSF facilities in Kunduz, Nangarhar, and Wardak.

INVESTIGATIONS

During this reporting period, SIGAR's participation in criminal investigations resulted in two sentences and three guilty pleas. One of the sentenced was ordered to pay restitution of \$115,000 and serve a 15-month sentence for soliciting bribes; the other was sentenced to 22 months in prison. This quarter, SIGAR opened 20 new cases. It also received 37 Hotline complaints; since 2009, the SIGAR Hotline has received 716 complaints. SIGAR also worked with Afghan law

EXECUTIVE SUMMARY

enforcement entities to develop a case against Afghan contractors, who were convicted this quarter for stealing fuel from a forward operating base.

Former U.S. Army National Guard Captain Sentenced and Ordered To Pay \$115,000 in Restitution

On December 12, 2011, John Mihalczko, a captain in the Army National Guard, was sentenced to 15 months in prison for receiving bribes from military contractors in return for the award of DoD contracts during his deployment to Bagram Airfield. In addition to his prison term, he was ordered to pay DoD \$115,000 in restitution. Mihalczko is the ninth defendant sentenced in this investigation, which SIGAR supported. Nine more defendants remain to be sentenced.

Australian Citizen Sentenced to 22 Months for Theft and Bribery

On December 20, 2011, Neil Patrick Campbell, an Australian citizen who formerly worked as a senior construction manager for a nongovernmental organization in Afghanistan, was sentenced by the U.S. District Court in the District of Columbia to 22 months of incarceration and 24 months of supervised release. Campbell had pled guilty to charges of bribery on October 4, 2011. In July 2010, an International Contract Corruption Task Force investigation led by the USAID Office of Inspector General, with assistance from SIGAR and the Federal Bureau of Investigation, had developed information that Campbell had solicited a bribe from a subcontractor to inappropriately award contracts funded by USAID.

U.S. Army Sergeant Pleads Guilty To Stealing More than \$200,000

On December 13, 2011, Philip Stephen Wooten, a U.S. Army sergeant, pled guilty to conspiracy to commit fraud and theft of approximately \$210,000 in government property. Wooten agreed to forfeit all assets derived from his illegal activities—jewelry with an appraised value of \$88,500, real property, and \$62,419

in currency. This case grew out of a project SIGAR started in November 2010 to assess and evaluate the use of postal money orders to convert and transfer currency from Afghanistan to the United States. Sentencing is scheduled for March 26, 2012.

DoD Employee Pleads Guilty to Bribery

On December 21, 2011, Desi Wade, the former chief of Fire and Emergency Services with U.S. Forces - Afghanistan, pled guilty to one count of 18 U.S.C. 201, bribery of a public official, in U.S. District Court for the Northern District of Georgia. In August 2011, Wade was arrested after accepting a \$100,000 payoff from a government contractor during a sting operation in an investigation supported by SIGAR.

Afghan Contractors Sentenced for Theft of Fuel

On November 29, 2011, an Afghan court convicted five Afghan citizens for their involvement in a scheme to steal fuel from a forward operating base in Kunar province. Two were sentenced to five years and one month in prison for stealing fuel. These convictions resulted from a SIGAR investigation.

\$887,835 Recovered for Afghan Company

During this reporting period, SIGAR and the Afghan Attorney General's Office investigated a complaint that a U.S. company contracted by the Air Force Center for Engineering and the Environment to build an ANA barracks had not paid its Afghan subcontractor. SIGAR helped negotiate an amicable settlement, and the Afghan subcontractor received the \$887,835 it was owed.

Suspensions and Debarments

This quarter, SIGAR made 40 referrals for suspension and debarment of individuals and companies for fraud, other illegal activity, or poor performance. SIGAR's aggressive suspension and debarment program focuses on making all contractors—U.S., Afghan, and third-country nationals—more accountable.

TABLE OF CONTENTS



SECTION 1 AFGHANISTAN OVERVIEW

- 4 2001–2005: The Bonn Process
- 10 2006–2011: The Reconstruction Surge
- 19 2011–2014: The Transition



SECTION 2 SIGAR OVERSIGHT

- 33 Audits
- 42 INVESTIGATIONS
- 47 Sigar Budget
- 47 SIGAR Staff



SECTION 3 RECONSTRUCTION UPDATE

- 51 Overview
- 55 Status Of Funds
- 71 Security
- 101 Governance
- 125 Economic and Social Development

TABLE OF CONTENTS



SECTION 4 **OTHER AGENCY OVERSIGHT**

- 149** Completed Oversight Activities
- 154** Ongoing Oversight Activities



SECTION 5 **APPENDICES**

- 166** Appendix A: Cross-Reference of Report to Statutory Requirements
- 170** Appendix B: U.S. Government Appropriated Funds
- 172** Appendix C: SIGAR Audits
- 174** Appendix D: SIGAR Investigations and Hotline
- 175** Appendix E: Abbreviations and Acronyms

1 AFGHANISTAN OVERVIEW

10 Years *of* Reconstruction 2001-2011





“The people of Afghanistan have endured so much, and over and over again they ask me, they ask others, to ensure that they don’t lose the gains that they have made in this last difficult decade. I think we have a strategy that gives us the best chance to achieve a stable, prosperous, and peaceful future.”

—*U.S. Secretary of State
Hillary Rodham Clinton*

Source: U.S. Secretary of State Hillary Rodham Clinton, “Remarks at the Bonn Conference Center,” 12/5/2011.

This quarter, representatives from the Afghan government and the international community gathered in Bonn, Germany, to chart the next phase of the reconstruction effort in Afghanistan: the transition of responsibility to the Afghan government to secure and sustain the nation for the long term. The conference on December 5 took place exactly 10 years after the 2001 Bonn Conference, which marked the beginning of the largest U.S. reconstruction effort since the Marshall Plan.

Since 2002, the United States has provided more than \$85.5 billion in reconstruction assistance to strengthen the Afghan security forces, improve governing capacity, and promote long-term economic development. During this period, non-U.S. donors have contributed more than \$29 billion in reconstruction assistance.¹

Although reconstruction goals and the strategies employed to achieve them have evolved, the United States and its international partners have remained focused on the overall objective of defeating terrorism and denying al-Qaeda a safe haven in Afghanistan. They have been committed to the idea that a stable and prosperous Afghanistan—with a government able to defend itself, provide essential services to its citizens, and foster economic development—would be inhospitable terrain for terrorists. Reconstruction has been a critical tool in the effort to build such a state.

From the beginning, poor security has been the biggest obstacle to rebuilding Afghanistan; more than 60% of all U.S. reconstruction dollars have gone to develop the Afghan National Security Forces (ANSF). Other issues have also limited the success of reconstruction, such as Afghanistan's shortage of skilled workers and financial resources. At the same time, the Afghan government's inability to stem rampant corruption has undermined its legitimacy in the eyes of its citizens and caused donors to question whether the country's leadership has the political will to implement the reforms necessary to develop a representative government that protects and serves its citizens.

This section summarizes the evolution of the reconstruction effort over three main phases: the Bonn Process (2001–2005), the Reconstruction Surge (2006–2011), and Transition (2011–2014). It describes achievements and notes persistent challenges. It also discusses SIGAR's conduct of audits and investigations to protect this significant U.S. investment. The highlight pages provide more detail on the oversight community's role in Afghanistan since 2002.

AFGHANISTAN OVERVIEW

2001

Troops in country: U.S.—Operation Enduring Freedom begins



2001-2005: THE BONN PROCESS

The first phase of the reconstruction effort began after the fall of the Taliban when the other major Afghan groups gathered in Bonn, Germany, to design a political process that would achieve a representative, democratically elected government. On December 5, 2001, the Afghan parties signed the Bonn Agreement, a political roadmap for reaching that goal. The process included drafting and ratifying a constitution, establishing various government offices, and holding elections for the president and a national assembly. The parties to the agreement also asked the international community to guarantee security and to support the recovery and rehabilitation of the country.

Throughout this phase, Afghan authorities faced enormous challenges as they struggled to build governing institutions from scratch—a humanitarian crisis, lack of financial resources, an extreme shortage of skilled staff, and continually deteriorating security. The Bonn Process was characterized by an emphasis on humanitarian assistance and a modest U.S. investment, but was limited by the slow international response to the impact that the lack of security had on the effort to establish an effective government, the dramatic growth of the illicit drug trade, and creeping corruption.

In 2002, Afghanistan faced a humanitarian crisis. More than two decades of war had left 2 million dead, 700,000 widows and orphans, an estimated 4 million refugees, and another 1 million internally displaced. Life expectancy was 42–45 years, over a quarter of the children died before reaching age 5, and 1 of every 12 women died in childbirth.² About 1.2 million students were enrolled in schools under the Taliban; fewer than 50,000 were girls.³ With a per capita income of about \$280 a year, Afghans had the world’s lowest individual caloric intake. Afghanistan had the highest per capita number of amputees. An estimated 5–7 million land mines contaminated 724 million square meters of the country—more than half of the country’s high-priority land for agriculture.⁴ Only 16% of Afghanistan’s roads were paved.⁵

The initial U.S. investment in reconstruction was just over \$1 billion in 2002 and another \$1 billion in 2003, most of which went to humanitarian assistance. According to the Government Accountability Office (GAO), one of the three

-  **Bonn Process**
2001 to 2005
-  **Reconstruction Surge**
2006 to 2011
-  **Transition**
2011 to 2014

2001

RECONSTRUCTION 2001–2011

2002

FY 2002 appropriation for reconstruction: \$1.06 billion. Appropriations to ESF and INCLE begin.
Troops in country: U.S.—5,200; coalition—4,700

existing oversight agencies that performed audits during this period, those funds amounted to one-third of the international funding distributed in Afghanistan in 2002 and 2003.⁶ The U.S. aid helped avert a famine, significantly reduced the suffering of the most vulnerable Afghans, and assisted the return of refugees from neighboring countries. However, the GAO noted that longer-term reconstruction efforts had achieved limited results in infrastructure rehabilitation, financial management, governance, education, health, and agriculture.⁷

The GAO also observed that in the first two years of the reconstruction effort Afghanistan received far less international assistance per capita than any other post-conflict country over a similar period. For example, aid to East Timor in 1999–2001 had amounted to \$256 per capita; however, Afghanistan received only about \$67 per capita in 2002–2003. Toward the end of 2003, the Afghan government warned the international community that without additional support the reconstruction effort could fail.⁸

To address the security, governance, and development challenges, U.S. funding for reconstruction climbed to \$2.6 billion in 2004 and \$4.9 billion in 2005, when the United States began providing a greater share of its funding to address Afghanistan's security needs.

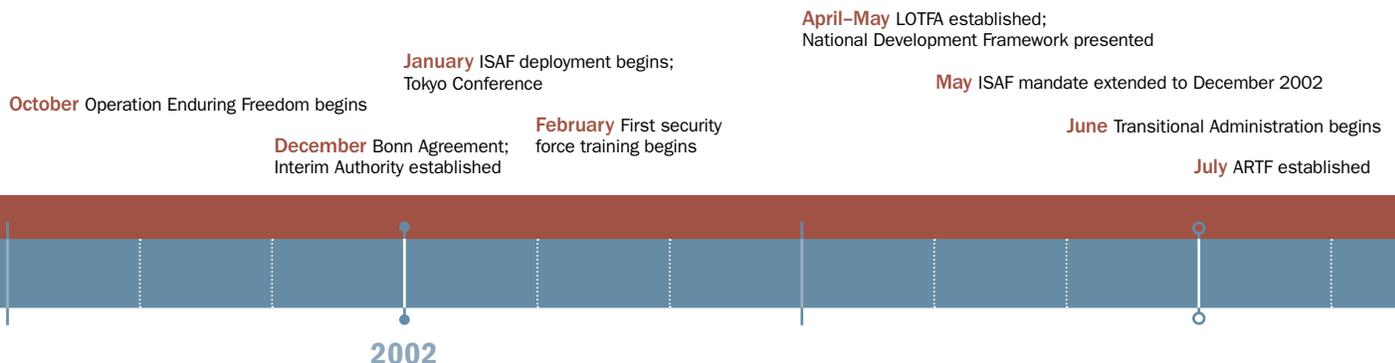
SECURITY

During the Bonn Process, the humanitarian situation was dire, but the most pressing concern was security. The long-term objective of both the Afghan government and the international community was to develop security forces capable of guaranteeing the “national sovereignty, territorial integrity, and unity of Afghanistan.”⁹ In the interim, the Afghan authorities relied on the International Security Assistance Force (ISAF), which was composed of forces from 17 nations under the leadership of the United Kingdom. The UN Security Council authorized ISAF to provide security for Kabul and the surrounding areas for six months, extending this period until the North Atlantic Treaty Organization (NATO) took command of international forces in August 2003. ISAF deployed about 5,000 troops to Afghanistan in early 2002.¹⁰ Separate from ISAF, about 7,000 U.S. military personnel were in the country as part of Operation Enduring Freedom, engaged primarily in logistics, airlifts, and intelligence and counter-terrorism activities.¹¹

2002 AFGHANISTAN FREEDOM SUPPORT ACT

U.S. policy, as articulated in the 2002 Afghanistan Freedom Support Act, was to firmly establish Afghanistan as a democratic nation that is inhospitable to international terrorism and drug trafficking and cultivation, at peace with its neighbors, and able to provide for its own internal and external security.

Source: PL. 107-327, 12/4/2002.



AFGHANISTAN OVERVIEW

2003

FY 2003 appropriation for reconstruction: \$1.01 billion (cumulative total: \$2.08 billion).
Troops in country: U.S.—10,400; coalition—5,000



“[P]roper management of the security sector is the necessary first step towards reconciliation and reconstruction; indeed, managing this sector may be considered the first reconstruction project.”

—UN Secretary-General
Kofi Annan

Source: UN Secretary-General, “The Situation in Afghanistan and Its Implications for International Peace and Security,” 3/18/2002.

From the beginning, Afghan authorities and the United Nations (UN) considered these forces insufficient to overcome the challenges confronting Afghanistan. In his address to the UN Security Council in January 2002, Hamid Karzai—then chairman of the Interim Afghan Administration—asked for multinational forces to expand from Kabul to other major cities. Two months later, the UN Secretary-General observed that the situation outside Kabul was “very worrying” and urged the international community to send additional forces to bridge the gap until an effective Afghan force could be deployed. He called for a rapid effort to train and equip the ANSF.¹²

The effort to rebuild the ANSF began slowly. Over the four years of the Bonn Process, the United States assumed more and more responsibility for developing the Afghan National Army (ANA) and the Afghan National Police (ANP), steadily increasing its funding for this purpose from \$57.2 million in 2002 to \$1.7 billion in 2005. From 2002 to 2005, the United States provided nearly \$2.5 billion to recruit, train, and equip Afghan security forces; international partners contributed about \$439 million.¹³

Afghan National Army

The international community agreed to create an ethnically balanced and volunteer army of 70,000 personnel, with 43,000 combat troops and 27,000 support personnel, Ministry of Defense staff, and air wing personnel. By March 2005, the United States had established programs to recruit, train, and mentor ANA personnel and planned to reach the 70,000 end-strength goal within four years. More than 18,300 Afghan troops had completed combat training and been deployed—over 42% of the projected combat strength. The U.S. Army Corps of Engineers (USACE) had begun building ANSF facilities. However, development of support personnel lagged: only 1,300 had been assigned to the sustaining commands.¹⁴

In a 2005 audit of the efforts to build the ANA and ANP, the GAO identified several challenges to establishing a self-sustaining army. Although the United States had accelerated the training and successfully deployed more soldiers to strategic locations, efforts to equip those troops had fallen behind. Moreover, not enough attention had been paid to developing the capacity of key institutions—such as the Ministry of Defense—to support the troops.

July Joint Electoral Management Body established

April Constitutional Commission inaugurated

2003

RECONSTRUCTION 2001–2011

2004

FY 2004 appropriation for reconstruction: \$2.60 billion (cumulative total: \$4.68 billion).
Appropriations to CERP and DoD CN funds begin.
Troops in country: U.S.—15,200; coalition—8,000

Afghan National Police

In February 2002, the international community agreed to establish a multi-ethnic police force of 62,000; Germany led this effort, concentrating first on training police officers. In 2003, the United States launched a program to establish a national police presence for the 2004 presidential elections.¹⁵ From 2003 through 2006, the U.S. Department of State's (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) managed this effort through a contract to train and equip the police, advise the Ministry of Interior (MoI), and build police training centers.¹⁶ The Department of Defense (DoD) provided infrastructure and equipment to police in border areas.¹⁷ To cover the costs of police salaries and capacity building, the UN Development Programme established the Law and Order Trust Fund for Afghanistan, to which 10 nations pledged contributions totaling nearly \$240 million during the Bonn Process. The United States provided \$60 million of this amount.

By early 2005, Germany and the United States had trained more than 35,000 officers and expected that number to reach 62,000 by the end of the year. A GAO audit identified a number of interrelated factors constraining the development of the ANP, including low salaries, illiteracy, lack of equipment, lack of support from the MoI, and corruption. Moreover, the police facilities that existed were dilapidated; DoD estimated that more than 800 police stations needed renovation. The GAO noted that DoS had not deployed enough staff to oversee the police program contract and had not developed a plan to address the requirements of equipping and fielding the ANP by a specific date.¹⁸

Most important, the GAO pointed out that neither DoS nor DoD had clearly defined the long-term costs of developing and sustaining the ANA and the ANP. The GAO estimated that the two forces could cost up to \$7.2 billion to complete and \$600 million a year to sustain. These numbers would grow dramatically over the next six years.¹⁹

“The Afghan army currently consists almost entirely of infantry forces that cannot sustain themselves.”

—Government
Accountability Office

Source: “Afghanistan Security: Efforts To Establish Army and Police Have Made Progress, but Future Plans Need To Be Better Defined,” GAO-05-575, 6/2005.

ECONOMIC AND SOCIAL DEVELOPMENT

In 2002 and 2003, most U.S. funding supported humanitarian assistance and quick-impact projects to benefit the most vulnerable Afghans.²⁰ In fall 2003, the U.S. government announced a \$1.76 billion “Accelerating Success in Afghanistan

January New Constitution approved;
GIRoA's Security, Stabilization, and
Reconstruction Program launched

March Berlin Conference

2004

AFGHANISTAN OVERVIEW

2005

FY 2005 appropriation for reconstruction: \$4.82 billion (cumulative total: \$9.50 billion). ASFF established. Troops in country: U.S.—19,100; coalition—10,500



Initiative” to support elections, road construction, health and education programs, economic and budget aid for the government, the provision of advisors and technical experts, and private-sector initiatives. About \$700 million was committed for expanding the counter-narcotics program, establishing rule of law, and assisting efforts to build the security forces. Nevertheless, in 2004, the GAO reported that the post-conflict environment “threatened progress toward U.S. policy goals, and poor security, increasing opium cultivation, and inadequate resources impeded U.S. reconstruction efforts.”²¹

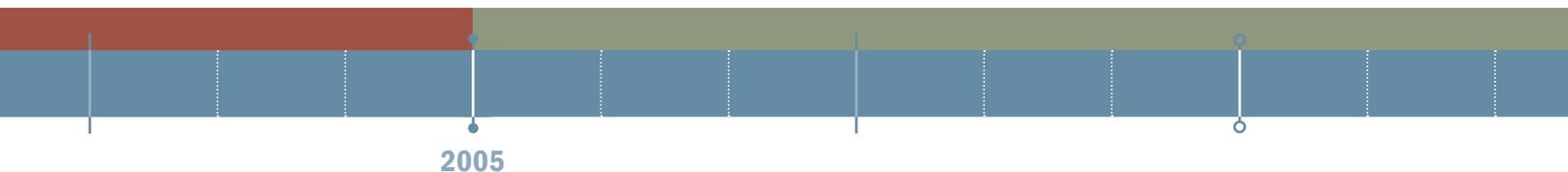
From 2002 to 2006, the number of hectares of poppy cultivation had more than doubled, to 165,000. Afghanistan accounted for 82% of the world’s opium production, and the UN Office on Drugs and Crime (UNODC) estimated that revenue from the 2006 harvest would be \$3 billion. The UNODC’s executive director said the narcotics trade was dragging Afghanistan “into a bottomless pit of destruction and despair.”²² He called on the Afghan government and the international community to forcefully implement a national drug control strategy based on development, security, law enforcement, and good governance.

To counter the illicit drug trade, the United States adopted a five-pronged strategy, which included investing in alternative agriculture, eradication, interdiction, justice reform, and public information campaigns. From FY 2002 through FY 2006, the United States spent about \$1.7 billion on counter-narcotics programs—most of it on eradication, interdiction, and law enforcement.²³ In early 2005, USAID awarded a four-year, \$108 million contract for a program to provide economic alternatives to growing poppy. A USAID audit in 2007 found that the program’s slow start meant that it did not have a significant impact on the 2005 opium planting season.²⁴ A GAO audit in late 2006 cited insecurity as the biggest impediment to counter-narcotics programs.²⁵

Of the nine U.S. departments and agencies implementing reconstruction programs during the Bonn Process, USAID provided the largest amount of non-security-related assistance in the key areas of infrastructure, education, health, economic governance, and agriculture. Audits by the USAID Office of Inspector General (OIG) illustrated both progress and enormous challenges. For example, by the end of 2005, a USAID contractor had completed a 302-km stretch of highway linking Kandahar to Herat. However, increased security costs and the constant turnover of USAID staff in Afghanistan had caused cost overruns and

- Bonn Process**
2001 to 2005
- Reconstruction Surge**
2006 to 2011
- Transition**
2011 to 2014

October First presidential election **January** Independent Electoral Commission established
December Karzai inaugurated **May** U.S. and Afghanistan strategic partnership established



RECONSTRUCTION 2001–2011

2006

FY 2006 appropriation for reconstruction: \$3.49 billion (cumulative total: \$12.99 billion).
Troops in country: U.S.—20,400; coalition—18,000

project delays. Other USAID OIG audits found delays caused by poor subcontractor performance, questionable site selection, and overly ambitious U.S. government expectations.²⁶

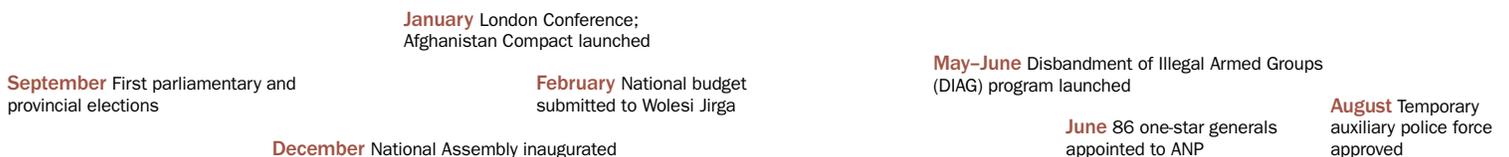
GOVERNANCE

With the inauguration of the National Assembly on December 5, 2005, Afghanistan completed its commitments under the Bonn Agreement. Supported by the international community, it had established key governing institutions, adopted a constitution, and held two elections—one for the presidency in 2004 and one for the National Assembly in 2005. It had issued some 200 laws and decrees that addressed everything from human rights and gender equity to security, justice, and civil administration reform. It had made some progress in strengthening public-sector accountability and met most of the benchmarks for fiscal management set by the World Bank and the International Monetary Fund.

Nevertheless, the foundations of the state remained extremely fragile, and the country faced an uncertain future. The government had no capacity to project its authority or deliver many basic services. Human rights and the status of women remained grave concerns. Most Afghans had no access to the formal justice system. Increasing corruption in the civil service and the police force had alienated large sections of the population and was undermining the legitimacy of the government. The illicit narcotics industry dominated the economy, exacerbated corruption, and was beginning to fuel the insurgency.

INCREASING FOCUS ON RECONSTRUCTION

As the Bonn Process drew to a close, security remained the foremost challenge facing the country, and the situation continued to worsen. The Taliban and other extremist groups had reorganized, and their tactics had become more brutal. The number of improvised explosive device attacks, suicide bombings, kidnappings, and attacks on schools had increased. As much as a third of the country had become off-limits to Afghan government officials and relief workers because they had become targets of a growing insurgency. The narcotics trade had expanded rapidly, spawning criminal networks that linked with the insurgents. The UN Secretary-General reported, “Afghanistan today is suffering from a level



AFGHANISTAN OVERVIEW

2007

FY 2007 appropriation for reconstruction: \$10.03 billion (cumulative total: \$23.02 billion).
Troops in country: U.S.—23,700; coalition—26,043



of insecurity, especially in the south and parts of the east, not seen since the departure of the Taliban. The growing influence of non-Afghan elements in the security environment is of particular concern.”²⁷ In the face of these enormous challenges, the United States and its international allies changed tactics and dramatically escalated support for reconstruction.

2006–2011: THE RECONSTRUCTION SURGE

This phase saw a surge of U.S. money, civilians, and troops into Afghanistan to quell the insurgency and build a state that could withstand the threat of terrorist groups. In 2008, the Congress established SIGAR to provide oversight of the rapidly expanding reconstruction effort.

During the Reconstruction Surge, the United States and its international allies endorsed ambitious development plans. President George W. Bush gradually deployed more troops and at his administration’s request, the Congress appropriated more funding for reconstruction from 2006 to 2009. In 2009, the new U.S. President, Barack Obama, announced policies that significantly increased U.S. funding for the reconstruction effort, sent additional troops to stabilize the country, and deployed more civilians to help the Afghan government strengthen its institutional capacity and provide essential services. President Obama also set an end-date for this phase of reconstruction, stating that the United States would begin withdrawing troops and transitioning responsibility for security to the Afghan government in summer 2011. With an eye toward this transition, the Afghan government and the international community refocused reconstruction goals toward the end of this phase and began to support a peace process with the Taliban.

From FY 2006 through FY 2011, U.S. appropriations totaled more than \$63 billion—nearly seven times the amount the United States provided for

October NATO-led ISAF assumes nationwide security responsibility

November Second Regional Economic Cooperation Conference on Afghanistan; Good Performance Fund established

March Amnesty law adopted

July Rome Conference on Rule of Law

August Wolesi Jirga approves UN Convention on Corruption; Independent Directorate for Local Governance established

2007

RECONSTRUCTION 2001–2011

2008

FY 2008 appropriation for reconstruction: \$6.19 billion (cumulative total: \$29.21 billion).
Troops in country: U.S.—30,100; coalition—29,810

reconstruction during the Bonn Process. More than \$38 billion (about 60%) went to build the ANSF, and more than \$15 billion (nearly 25%) supported governance and development programs. The United States also provided almost \$4 billion for counter-narcotics programs. The remainder funded humanitarian assistance, operations costs, and oversight.

THE AFGHANISTAN COMPACT

The Afghanistan Compact marked the beginning of the reconstruction surge. Under the Compact, the international community and the Afghan government agreed to work in partnership to establish conditions for sustainable economic growth and development, strengthen state institutions and civil society, remove remaining terrorist threats, and meet the challenge of counter-narcotics with good governance and human rights protection for all under the rule of law. The international community pledged to provide more resources for reconstruction, and the Afghan government committed to achieve a set of outcomes within a specific time frame. The Afghan government presented an interim Afghanistan National Development Plan with 40 benchmarks in three main sectors: security; governance, rule of law, and human rights; and economic and social development. It also agreed to produce a comprehensive plan that established goals, described specific projects, and provided estimated costs.

AFGHANISTAN NATIONAL DEVELOPMENT STRATEGY

From 2006 to 2008, in consultation with Afghan communities and with the assistance of the international community, the Afghan government prepared the Afghanistan National Development Strategy (ANDS) to guide the reconstruction effort. Elaborating on the interim strategy laid out in the Afghanistan Compact, the ANDS established goals in the three main development sectors and for six cross-cutting issues: regional cooperation, counter-narcotics, anti-corruption, gender equality, capacity development, and the environment. The ANDS emphasized building Afghan capacity to sustain the achievements of reconstruction. The Afghan government estimated that this aggressive five-year plan would cost about \$50 billion and called on the international community to contribute most of that amount—\$43 billion—to help it achieve the ANDS goals.

May National Action Plan for Women of Afghanistan adopted

August ANSF assumes security lead in Kabul

June Paris Conference: Afghanistan National Development Strategy presented

2008

AFGHANISTAN OVERVIEW

2009

FY 2009 appropriation for reconstruction: \$10.39 billion (cumulative total: \$39.60 billion).
Troops in country: U.S.—33,000; coalition—36,230



In June 2008 at a conference in Paris, the international community endorsed the ANDS as the new reconstruction roadmap. The Afghan government agreed to pursue political and economic reform; donors pledged to provide more resources and improve the coordination of aid delivery. A joint declaration stressed the importance of seven key efforts:

- holding the next round of presidential and parliamentary elections.
- giving priority to the agriculture, irrigation, and energy sectors.
- strengthening governing institutions.
- supporting private-sector growth.
- combating corruption.
- intensifying counter-narcotics efforts.
- improving regional cooperation.

NEW U.S. AND INTERNATIONAL STRATEGY

To respond to the growing insurgency, the international community's strategy for stabilizing Afghanistan evolved during 2009, culminating in the agreement reached at the January 2010 London Conference to expedite the development of the ANSF and to begin transferring responsibility for security to the Afghan government in 2011.

The evolution began shortly after President Obama took office in January 2009 and requested a complete review of U.S. policy in Afghanistan. In March, he presented a new U.S. strategy to “disrupt, dismantle, and defeat al-Qaeda in Pakistan and Afghanistan, and to prevent their return to either country in the future.”²⁸ The strategy initiated a regional approach, for the first time explicitly linking Afghanistan and Pakistan in a common fight against extremists. The President deployed an additional 17,000 U.S. troops to fight insurgents, accelerated the training of the ANSF, and dispatched civilian experts to help the Afghan government strengthen its institutional capacity and provide essential services.

In fall 2009, continuing insecurity and growing concerns about governance prompted the Obama administration to conduct a second policy review. It found that the situation had deteriorated: the Taliban and al-Qaeda were beginning to control swaths of territory, and the Afghan government was “hampered

May MCTF established

June CERP funds authorized for reintegration effort

February Special Representative for Afghanistan and Pakistan appointed

August Second presidential election

2009

RECONSTRUCTION 2001–2011

2010

FY 2010 appropriation for reconstruction: \$16.65 billion (cumulative total: \$56.25 billion).
Troops in country: U.S.—87,000; coalition—41,389

by corruption, the drug trade, an under-developed economy, and insufficient security forces.”²⁹ President Obama announced the rapid deployment of another 30,000 troops to “reverse the Taliban’s momentum” and also an increase in the U.S. civilian presence to help build Afghan government institutions and rehabilitate key economic sectors.

In what was dubbed a “civilian uplift,” to complement the troop surge, U.S. agencies more than tripled the number of civilians assigned in Afghanistan—from 320 to 1,040. A joint audit by SIGAR and DoS OIG found that from January 2009 to June 2011, the civilian uplift cost nearly \$2 billion and that the cost of sustaining the civilian presence would likely increase. The audit noted that budget uncertainty and the absence of policy decisions about the ultimate size and duration of the uplift complicated efforts by DoS to determine future costs.³⁰

The surge was intended to increase the U.S. ability to train competent Afghan security forces and create the conditions to transfer responsibility for security to the Afghans. President Obama said U.S. forces would begin withdrawing in July 2011.

THE LONDON CONFERENCE AND THE KABUL PROCESS

At a January 2010 conference in London, the Afghan government and the international community agreed that the Afghan government would begin to progressively assume more responsibility for the country’s security in late 2010 or early 2011. As part of the transition strategy, the parties agreed to intensify efforts to increase the capabilities of the ANSF and to develop more effective and accountable civilian institutions. Participants also agreed to support an Afghan-led reconciliation and reintegration process for any insurgents willing to renounce violence and respect the Afghan Constitution. At a conference in Kabul in July 2010, the Afghan government pledged to provide a phased plan for the transition and detailed descriptions of re-prioritized reconstruction programs.³¹

Participants at the Kabul Conference endorsed transitioning security to the Afghan government by the end of 2014. They also approved another development plan—the Afghan government’s new three-year Prioritization and Development Plan—that scaled back the ANDS agenda. The international community agreed

June ISAF anti-corruption task force established

July Kabul Conference

September Second parliamentary elections

January London Conference

2010

AFGHANISTAN OVERVIEW

2011

FY 2011 appropriation for reconstruction: \$16.65 billion (cumulative total: \$72.90 billion).
Troops in country: U.S.—110,325; coalition—42,457



to realign its assistance to advance Afghan-identified priorities in five critical areas—security, governance, development, reconciliation and reintegration, and regional cooperation. Donor nations also committed to channel at least 50% of their aid through the Afghan national budget to build governing capacity and to help the government extend its authority on the condition that the government successfully implement reforms to strengthen public management systems, improve budget execution, increase revenue collection, and reduce corruption.

SECURITY

During the reconstruction surge, the United States and its allies deployed about 100,000 more troops. Total NATO/ISAF and other U.S. forces on the ground quadrupled—from about 38,000 in 2006 to more than 152,000 in 2011. U.S. soldiers accounted for nearly 102,000 of these troops at the beginning of 2011. Most U.S. troops operated under the command of NATO/ISAF, but about 9,000 served in a separate U.S. anti-terrorism mission. From 2006 to 2011, end-strength targets for the ANSF climbed steadily from 132,000 to 305,600. The United States provided more than \$38 billion to train, equip, and house the ANSF.

From 2006 to 2009, U.S. efforts to accelerate the building of the ANSF faced formidable challenges, including recruiting and retaining qualified personnel, training personnel in critical functions, and rooting out corruption. The development of the ANSF suffered from a shortage of trainers, a lack of qualified candidates for leadership and specialized skill positions, and the weak judicial system, which hindered effective policing and rule of law.³²

A SIGAR audit found that the system DoD was using to evaluate the ANSF was not providing reliable or consistent assessments of the forces' capabilities.³³ In April 2010, ISAF replaced this system with the Commander's Unit Assessment Tool. At the same time, the training and mentoring effort increasingly focused on (1) building a more professional cadre of officers and non-commissioned officers and (2) developing the capacity of the ministries of Defense and Interior to create the systems required to support professional military and police forces. U.S. military officials have told SIGAR that to build ministerial capacity they must overcome resistance to removing unqualified or corrupt personnel, redesign

- Bonn Process**
2001 to 2005
- Reconstruction Surge**
2006 to 2011
- Transition**
2011 to 2014

November NATO Summit;
Transition timeline established

May Osama bin Laden killed

June U.S. troop drawdown announced;
Special elections fraud tribunal unseats
62 Assembly members

January Lower House inaugurated

July Security transition begins

2011

RECONSTRUCTION 2001–2011

2012

FY 2012 appropriation for reconstruction: \$12.64 billion (cumulative total: \$85.54 billion).
Troops in country as of 12/31/2011: U.S.—98,933; coalition—40,313

overly centralized decision-making, and streamline a dearth of acquisition systems and processes.

In 2011, SIGAR also reported that the United States does not have a long-range construction plan for the nearly 900 ANSF facilities it is building. SIGAR concluded that the entire \$11.4 billion construction program was at risk because it may be providing facilities that are inadequate for the projected ANSF force levels or do not meet ANSF's strategic and operational needs.³⁴ Moreover, the United States is providing up to \$800 million to operate and maintain ANSF facilities over the next five years because the Afghan government does not have the capacity to do so. Operations and maintenance continues to be a challenge, and SIGAR has an audit under way assessing the program.

ECONOMIC AND SOCIAL DEVELOPMENT

During the Reconstruction Surge, the United States provided more than \$15 billion to fund a broad spectrum of development and governance programs. U.S. development priorities included a mix of short-term projects supporting the U.S. military's counter-insurgency strategy and longer-term projects for sustainable development. The United States continued to implement projects to expand the availability of education and health. It sought to improve roads, restore agriculture, and extend delivery of electricity. It also funded programs to improve the Afghan government's ability to manage its finances with accountability and transparency.

The most striking accomplishments occurred in education and health. More than 8 million students—nearly eight times the number in 2001—had enrolled in primary and secondary schools, and about 40% were female. Starting in 2001, USAID built 614 schools, trained more than 53,000 teachers in 11 provinces, and printed more than 97.1 million textbooks for grades 1 through 12.³⁵ USAID funded 27 health projects, which helped expand access to primary health care from 8% to 60% of the population. Infant mortality decreased 22%, from 257 deaths per 1,000 live births to 77; maternal mortality dropped 20%, from 1,600 deaths per 100,000 births to 327.³⁶ USAID's recent Afghanistan Mortality Survey reported that as result of sustained international assistance, adult life expectancy has increased by 15–20 years.³⁷

September New Silk
Road initiative proposed

November Istanbul Conference

December Bonn Conference

May NATO summit in Chicago

July Japan donor conference

2012

AFGHANISTAN OVERVIEW

2013



In addition, Afghanistan's economic indicators steadily improved. In 2011, the Afghan government collected \$1.7 billion in revenue, up from about \$120 million in 2002. Since 2003, Afghanistan's GDP has grown an average of about 9% per year, with wide fluctuations because the agriculture sector is so dependent on weather. Since the end of the Bonn Process, the service sector had accounted for about half of the country's output. Between 2010 and 2011, communications grew by 65%, transport by 23%, and finance and insurance by 14%.³⁸

Growth in the private sector has been slow and difficult. The World Bank's Doing Business Index 2011 ranked Afghanistan lowest in its region and 167th of the 183 countries surveyed. Constraints hampering local businesses included red tape, lack of protections for investors, corruption, and difficulties transporting goods across borders. The Kabul Bank crisis highlighted the limited capacity of the central bank to oversee financial institutions, enforce regulations, and detect and deter financial crimes.³⁹

Throughout the Reconstruction Surge, the United States continued to work with the international community to restore critical infrastructure, including roads, power plants, and transmission lines. USAID funded the rehabilitation of more than 2,000 km of regional, national, provincial, and rural roads. In its signature project, it collaborated with other international donors to finish the rebuilding of the 1,866-km Ring Road, which connects large cities around the country and intersects with major roads linking Afghanistan to its neighbors. The United States funded the construction of 831 km of this critical highway.⁴⁰ DoD used the Commander's Emergency Response Program (CERP) to fund the reconstruction of an additional 1,600 km of other roads.⁴¹

Despite this progress, GAO and SIGAR audits raised questions about U.S. road-building efforts. In 2008, the GAO found that neither USAID nor DoD had conducted evaluations to determine whether road construction was achieving the goals of promoting trade and supporting economic development. The GAO also expressed concern that USAID had not established a sustainable road maintenance program. A SIGAR audit of CERP projects in Laghman province found that the CERP investment there, much of which funded asphalt roads, was at risk because of the lack of maintenance plans.⁴²

By 2010, the United States had provided more than \$1 billion to develop the agriculture sector. Starting in 2009, the U.S. strategy placed greater emphasis on improving this sector to boost economic growth and reduce drug production. Agriculture accounts for more than a third of the country's gross domestic

2013

product—excluding opium production—and 65–80% of Afghans depend on agriculture for their livelihood.⁴³ However, over the last four decades, Afghanistan’s agricultural output has declined; in contrast, that of its neighbors—Iran and Pakistan—has increased five-fold.⁴⁴

During this phase, the United States shifted its counter-narcotics strategy from eradication toward supporting alternative livelihoods, because the eradication program had alienated Afghans and done little to curtail opium production. By 2007, Afghanistan had 193,000 hectares under poppy cultivation, and more than 509,000 families depended on growing poppy for their livelihoods. From FY 2007 through FY 2011, the United States provided nearly \$3.6 billion for counter-narcotics programs, an investment that had some success. By 2011, Afghanistan had 131,000 hectares of poppy fields, and 191,500 families were involved in their cultivation. The UNODC, which monitors the counter-narcotics effort in Afghanistan, reported that half of the country’s 34 provinces were poppy-free.⁴⁵

To help develop the financial sector and the Afghan government’s capacity to sustain a market economy, U.S. agencies implemented programs to increase the capacity of Afghanistan’s central bank to regulate financial institutions and strengthen U.S. and Afghan controls over the flow of U.S. aid through the Afghan economy. A SIGAR audit identified two challenges that limited the effectiveness of the U.S. effort. First, U.S. agencies had not coordinated their implementation of financial sector development programs. Second, and perhaps even more important as the United States enters the third phase of reconstruction, Afghan ministries have not cooperated consistently, thereby delaying or impeding the success of U.S. programs.⁴⁶

GOVERNANCE

From 2006 to 2011, the United States funded a number of programs to advance the rule of law, promote accountability, deter corruption, and support local governance. These programs built judicial capacity, improved the administration of several ministries and provincial offices, and helped the Afghan government to hold presidential and provincial elections. However, the crisis resulting from fraud in the 2009 presidential elections and 2010 parliamentary elections—coupled with the deleterious effects of the lack of qualified civil servants, assassinations of government officials, and rampant corruption—offset limited progress toward improved governance at the ministerial, provincial, and district levels.

2014 Third presidential election scheduled



Elections

The United States viewed the 2009 presidential and provincial council elections—the first post-Taliban elections run by the Afghan government—as critical in the development of a sustainable, accountable government and as a barometer for gauging reconstruction progress in governance. The United States contributed \$263 million of the \$489 million that the international community spent to support the elections.⁴⁷ Widespread ballot stuffing and other forms of fraud marred the elections, tarnishing President Karzai’s image at home and abroad.

SIGAR audits found that Afghanistan’s Independent Electoral Commission (IEC), which was charged with managing the elections, had neither the resources nor the expertise to sustain the electoral process and recommended urgent capacity-building efforts for the IEC before the 2010 parliamentary elections.⁴⁸ The parliamentary elections in 2010, which also suffered from extensive fraud, severely strained relations between President Karzai and the National Assembly and increased growing doubts in the international community about the Afghan commitment to developing democratic institutions.

Corruption

During the reconstruction surge, corruption posed one of the biggest threats to the U.S. investment in Afghanistan; it remains a serious obstacle to reconstruction. At the end of the Bonn Process, Afghanistan ranked 117 of 159 countries on Transparency International’s 2005 Corruption Perception Index. By 2011, Afghanistan was tied for third as the world’s most corrupt country. A survey released by Integrity Watch Afghanistan in 2010 showed that Afghans considered corruption—particularly in the justice sector and the ANP—the third-largest problem in the country, following security and unemployment.⁴⁹

Because corruption corrodes the government’s legitimacy and undermines the reconstruction effort, SIGAR conducted audits to assess the Afghan government’s ability to deter corruption and to manage and account for donor funds. SIGAR’s audits of the High Office of Oversight for Anti-Corruption (Afghanistan’s principal organization for combating corruption) and of the Control and Audit Office found that these organizations needed significantly more authority, independence, and donor support.⁵⁰

A 2010 SIGAR audit of U.S. efforts to build the capacity of the Afghan government to deter corruption found that although the U.S. government was working on developing an integrated anti-corruption strategy, it did not have one at the

time of the audit.⁵¹ The United States has since adopted a four-pronged strategy to improve the transparency and accountability of Afghan institutions, improve financial oversight, build judicial capacity, and help civil society organizations to educate the public. In 2011, as the United States prepared to fulfill its commitment to withdraw troops, corruption remained a major concern.

PREPARING FOR THE U.S. TROOP DRAWDOWN

At a NATO summit in November 2010, the 48 nations contributing to the NATO/ISAF mission and the Afghan government established a timeline for the government to take full responsibility for security by the end of 2014. The United States and its coalition partners also vowed to continue their support long after the transition. In December 2010, a U.S. policy review concluded that the surge of U.S. and international military and civilian resources was quelling the insurgency and had created the conditions “to begin a responsible reduction of U.S. forces in July 2011.”⁵²

At the end of June 2011, President Obama announced that the United States would pull out 10,000 troops by the end of 2011 and another 33,000 troops by summer 2012. “Our mission will change from combat to support,” he said. “By 2014, this process of transition will be complete, and the Afghan people will be responsible for their own security.”⁵³

2011–2014: THE TRANSITION

During this third phase, the official transition of security to Afghan security forces began, and the international community and the Afghan government marked the end of a decade of reconstruction at an international conference in Bonn. At the conference, participants stressed the need for continuing international support for security, development, and governance programs through the Transition phase and beyond and pledged to support Afghanistan through the Transformation Decade of 2015–2024.

During the Transition, U.S. reconstruction programs will be characterized by a race to ensure that the ANSF is capable of providing security in 2014, a growing emphasis on development initiatives to help the Afghan government generate



the revenues required to sustain itself, a push to improve governance and stem corruption, and greater support for peace and reconciliation efforts. Secretary of State Hillary Rodham Clinton said the United States would continue its “fight, talk, build” policy of “increasing pressure on the insurgents while supporting inclusive reconciliation and sustainable development.”⁵⁴

SECURITY

In July 2011, the Afghan government began the first stage of the security transition and announced that a second stage would start in early 2012. During the first stage, the ANSF took lead responsibility for security in seven areas where U.S. officials estimated that about 25% of the Afghan population lives. NATO/ISAF expected to complete the transition in these areas by November 2013. The Afghan government announced it will begin transitioning cities and districts in 18 provinces in early 2012. Afghan officials estimated that when this stage is complete, more than 50% of the population will live in areas under transition.⁵⁵

A successful transition will depend on the development of capable security forces. At the end of November 2011, the Afghan government and the international community agreed to expand the ANA from 171,000 to 195,000 and to expand the ANP from 134,000 to 157,000, a 15% increase over the current combined strength of the two forces. In December 2011, the Congress appropriated an additional \$11.2 billion to train, equip, mentor, house, and sustain the ANSF. Key challenges remain: improving ANSF logistics, enhancing the capacity of the ministries of Defense and Interior, and sustaining infrastructure.

Because of the importance of the ANSF to the achievement of U.S. policy goals and the significant funding involved, SIGAR is conducting six audits and inspections of U.S. support for the ANA and ANP. One is looking at an \$800 million contract to provide operations and maintenance for more than 660 ANSF facilities. SIGAR is planning to begin 14 additional audits and inspections in the security sector during 2012. These audits will address the critical issues of capacity building and sustainment. They will assess ANSF capabilities to maintain equipment, supply food and fuel, and sustain infrastructure. SIGAR will also be evaluating U.S. efforts to build ministerial capacity, including the development of internal controls and systems to increase accountability and deter corruption. In addition, SIGAR is conducting an inspections program to determine whether infrastructure projects were constructed properly, are being used for the intended purposes, and are being maintained. The first four inspections are of ANSF facilities.

ECONOMIC AND SOCIAL DEVELOPMENT

Despite important improvements across all development sectors, Afghanistan faces enormous economic challenges during the transition. It remains one of the world's poorest countries: an estimated 9 million people—about 36% of the population—are unable to meet their basic needs. Nearly every sector depends on donor funding to some extent for growth. International contributions support health, education, transport, communications, and agriculture, as well as providing seed money for the expansion of telecommunications. Demand by the international and Afghan security forces—for everything from goods and services to equipment and operations and maintenance—underpins the recent growth of the Afghan economy.⁵⁶

U.S.-funded development projects have helped the Afghan government increase revenues and build the capacity to deliver essential services; however, the government remains overwhelmingly dependent on foreign assistance. From 2010 to 2011, Afghanistan's budget totaled about \$17.2 billion; the international community provided \$15.7 billion—more than 90% of that amount. This dependence will continue for the foreseeable future.⁵⁷

As the transition proceeds, the Afghan government and the international community have identified two sectors with the potential to sustain economic growth: mining and agriculture. U.S.-funded surveys have mapped extensive untapped mineral resources with the potential to anchor future development. The Ministry of Mines recently awarded two contracts to develop oil and iron ore reserves. One, the Hajigak iron ore mining project, is one of the largest investments in Afghanistan's history. The World Bank's preliminary analysis suggests that the Afghan government could collect as much as \$208 million a year in revenues from its mineral resources in the near term, if security increases and the mining sector is developed appropriately.

The United States has also been promoting a “New Silk Road” initiative to underpin long-term growth and to build a regional commercial and transit network with Afghanistan as its crossroads. Secretary of State Clinton has said that such a network would help Afghanistan and its neighbors maximize the value of their natural resources, create jobs, and generate revenue. Like development in the mining and agriculture sectors, the creation of a New Silk Road depends on security and making significant improvements in the country's infrastructure, from transportation and logistics to electricity and irrigation.



SIGAR is conducting two audits of U.S.-funded development projects, one of a \$450 million agriculture program being implemented by USAID, and one that is assessing the implementation of the Afghanistan Infrastructure Fund. The Congress has provided \$800 million for this fund to build critical infrastructure. The United States is placing a high priority on increasing the power supply in Afghanistan; in FY 2012, SIGAR will begin an audit to assess U.S. efforts. As part of its inspections program, SIGAR will be conducting on-site assessments of infrastructure projects. SIGAR is also evaluating USAID’s efforts to perform the required financial audits of its project awards.

GOVERNANCE

Since 2002, improving governance has been the most difficult and critical challenge. U.S. policymakers have consistently identified building the capacity of and reforming Afghan governance as the key to success in Afghanistan. There has been widespread recognition that lagging progress puts the entire reconstruction effort in jeopardy. In testimony before the Senate Armed Services Committee in March 2011, General David Petraeus, then commander of NATO/ISAF forces, identified the risks confronting the U.S. effort, using so called “cloud slides.” He told the committee, “There is no question that governmental capacity is an area of...strategic risk.” He added that “there’s a double thunderbolt coming out of that cloud.”⁵⁸

At the second Bonn Conference, participants emphasized that the Afghan government must do more to strengthen state institutions at all levels. The conference conclusions noted that “the protection of civilians, strengthening the rule of law, and the fight against corruption in all its forms remain key priorities.”⁵⁹

During the Bonn Process and throughout the Reconstruction Surge, the Afghan government has struggled to extend its authority to the provincial and district levels. U.S. policy has aimed to encourage the development of local government and foster links between local authorities and Kabul. SIGAR is conducting an audit of USAID’s \$373 million project to help the Afghan government extend its reach into remote districts, encourage local communities to take an active role in their own development, and create incentives for stability in critical border provinces.

LOOKING BEYOND 10 YEARS

The U.S. government and its international partners in Afghanistan are increasing their focus on finding ways to sustain the progress that has been achieved over 10 years of reconstruction efforts. In May 2012, NATO will hold a summit in Chicago to evaluate the status of the security transition and present a plan for continued funding of the ANSF. The NATO summit should provide a clearer idea of what these forces will require.

At the 2011 Bonn Conference, the international community committed to continue providing support for security, governance, and development. During the conference, the Afghan government unveiled an economic transition strategy: “Toward a Self-Sustaining Afghanistan.” The document reiterates the Afghan government’s plan to implement national priority programs in key sectors. It describes how the Afghan government intends to improve revenue collection, including through taxes on the growing private investment in the mining sector. Nevertheless, the Afghan government said it must look to donors to finance about 47% of GDP—approximately \$10 billion in 2015. The World Bank estimates that by 2022 domestic revenues will still cover only about half of the government’s operating expenses.⁶⁰

The Afghan government’s economic transition strategy thus depends on donor support for the foreseeable future. In its new strategy, the government said, “a long-term funding commitment by the International Community, declining over time and ending in 2030, would provide the necessary stability in financing to allow Afghanistan to arrive at a stable and prosperous future.”⁶¹

THE AUDIT COMMUNITY IN AFGHANISTAN

As the reconstruction effort has evolved over the last 10 years, the depth and breadth of the audit community's work has also evolved. The number of audits, inspections, and evaluations has grown significantly; there has also been a growing interest in how the audit community operates in complex contingency environments.

BONN PROCESS

During the Bonn Process (2001–2005), the U.S. government's investment was relatively small, and the audit community focused on other issues. Only 12 reports related to reconstruction were published, most of them by the U.S. Agency for International Development Office of Inspector General (USAID OIG). (USAID OIG's dominance at the time reflected the U.S. government's emphasis on economic development and humanitarian assistance.) The Government Accountability Office—the only oversight body with jurisdiction over multiple agencies—also made contributions, most notably by warning that deteriorating security conditions were likely to threaten the U.S. government's ability to achieve its strategic objectives.

RECONSTRUCTION SURGE

During the Reconstruction Surge (2006–2011), as U.S. appropriations and programs expanded, the audit community experienced its own surge, as shown in Figure 1.1. The numbers of completed audits, inspections, and evaluations skyrocketed—from 6 in FY 2006 to 49 in FY 2011. More audit organizations added Afghanistan-related work to their portfolios, including the Department of Defense Office of Inspector General (DoD OIG), the Department of State Office of Inspector General (DoS OIG), and the U.S. Army Audit Agency (USAAA). DoD OIG, in particular, accelerated its oversight efforts after the Afghanistan Security Forces Fund was created and as the international community increasingly recognized the importance of training

and equipping the Afghan National Security Forces. DoD OIG was the first oversight agency to establish a permanent presence in Afghanistan, opening a three-person office at Bagram Airfield in September 2007. At first, the agency produced only one or two reports on reconstruction each year; in FY 2009, it produced 12.

As of January 2012, the audit community had produced more than 170 audit, inspection, and evaluation reports on reconstruction, made more than 800 recommendations, and identified an estimated minimum of \$800 million in questioned costs and savings for the U.S. taxpayer.^a

The acceleration in audit work during the Reconstruction Surge was driven not only by these organizations but also by Congress's recognition that the significant investment of U.S. dollars warranted stronger oversight activity. In 2008, the Congress established the Special Inspector General for Afghanistan Reconstruction (SIGAR)—charging it with the responsibility to conduct oversight of reconstruction programs and giving it the authority to look at programs funded and operated by multiple agencies. SIGAR opened its offices in Kabul, Bagram, and Kandahar at the beginning of 2009 and has since produced almost a quarter of the audit community's work on reconstruction. The Congress also signaled its interest in oversight by taking two additional actions in 2008. First, it mandated the creation of a Coordinated Oversight Plan for Southwest Asia to improve the coordination of oversight work. Second, it established the Commission on Wartime Contracting to use oversight work to assess and improve the contracting process.

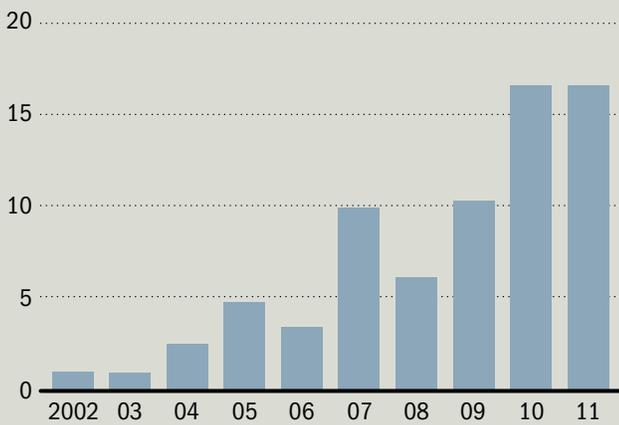
This extensive body of work has identified systemic problems—such as a lack of acquisition and oversight personnel with experience working in contingency environments, and insufficient attention to long-term sustainment costs. It has also led to improvements in how the U.S. government man-

10-YEAR HIGHLIGHT

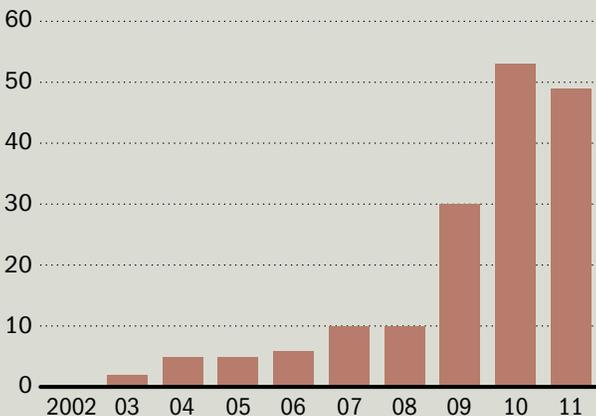
As of January 2012, the audit community had produced more than 170 audit, inspection, and evaluation reports on reconstruction, made more than 800 recommendations, and identified an estimated minimum of \$800 million in questioned costs and savings for the U.S. taxpayer.

FIGURE 1.1

U.S. APPROPRIATIONS FOR RECONSTRUCTION BY YEAR, FY 2002–2011 (\$ BILLIONS)



U.S. OVERSIGHT: AUDITS, INSPECTIONS, AND EVALUATIONS BY YEAR, FY 2002–2011



Notes: Data as of 1/8/2012. Oversight agencies include SIGAR, DoD OIG, DoS OIG, USAID OIG, GAO, and USAAA.
Source: SIGAR Information Management Directorate.

ages and implements reconstruction programs. For example, as a result of problems identified by SIGAR and others regarding cost-plus contracts, contracting authorities have stated that they are shifting to firm-fixed-price contracts in Afghanistan.

TRANSITION

As the reconstruction effort enters the Transition phase (2011–2014), the audit community is examining more carefully how it should function in contingency environments in general and in Afghanistan in particular. Although certain implementing agencies have expressed “audit fatigue,” the Congress and others have called for stronger oversight. Some have proposed creating a permanent Special Inspector General for Overseas Contingency Operations, sparking debate about how best to ensure timely, targeted, and efficient oversight. The audit organizations have taken the initiative to approach oversight more strategically, moving beyond simply de-conflicting audit work to focusing on the issues most important to policy and decision makers. In November 2011, SIGAR hosted the first meeting of a joint strategic planning subgroup for Afghanistan reconstruction, which will issue a joint strategic plan this year and plans to release capstone reports synthesizing the audit community’s findings on key areas.

Although the U.S. military’s combat role is set to end by the close of 2014, reconstruction will continue, as will the audit community’s examination of its role, achievements, and challenges in Afghanistan.

a. Estimate based on review and analysis of publicly available audit, inspection, and evaluation reports on Afghanistan reconstruction issued by SIGAR, GAO, USAID OIG, DoD OIG, DoS OIG, and the USAAA since 2003.

THE LAW ENFORCEMENT COMMUNITY IN AFGHANISTAN

Over the 10 years of the reconstruction effort, the law enforcement community has progressively dedicated more resources to investigations of fraud and corruption associated with reconstruction contracts and programs. It has also developed strategies for addressing the formidable challenges of operating in Afghanistan: the constant threat of hostile action, logistical problems such as over-stretched supply lines, procedural and jurisdictional hurdles posed by differing legal systems and cultural norms, and difficulties communicating with U.S.-based prosecutors.

BONN PROCESS

Like the audit community, law enforcement agencies largely focused their efforts elsewhere during the Bonn Process (2001–2005). Although a few organizations conducted investigations involving reconstruction funds, none had agents stationed in Afghanistan. The U.S. Agency for International Development Office of Inspector General (USAID OIG) reported recoveries of about \$11 million, and the Defense Criminal Investigative Service (DCIS) reported one arrest in 2004—figures that would increase significantly as more agencies entered the Afghan arena.

RECONSTRUCTION SURGE

During the Reconstruction Surge (2006–2011), the law enforcement community substantially ramped up its efforts to root out fraud and abuse, not only of the reconstruction funding, but also of the much larger sums being spent on contracts to support the U.S. military effort. The number of agents stationed in Afghanistan grew from 2 in 2006 to 56 in 2011, as shown in Figure 1.2.

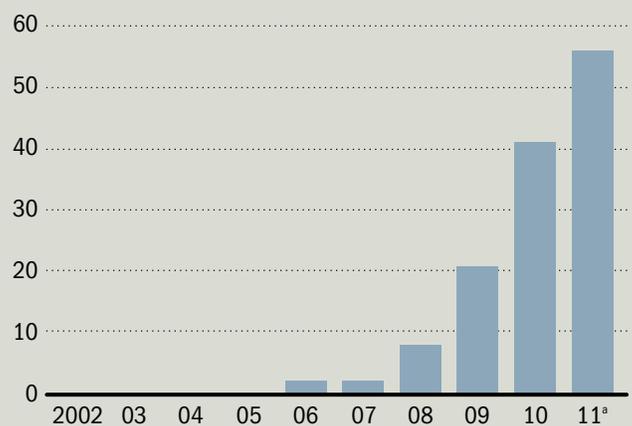
Much of this increase resulted from the Congress's decision to create SIGAR in 2008—the only law enforcement agency focused exclusively on reconstruction. By the end of 2011, SIGAR agents accounted for more than a third of the fraud investigators in Afghanistan; they had 125 open investigations,

including 74 contract and procurement fraud cases and 35 public corruption and bribery cases.

With more money at risk and more law enforcement agencies pursuing fraud and corruption in Afghanistan, the need for enhanced coordination and cooperation became increasingly apparent. This mirrored the experience in Iraq, where the law enforcement community jointly created the International Contract Corruption Task Force (ICCTF) in 2006 to improve interagency cooperation and coordination, assist in de-conflicting cases, share intelligence, and support investigative operations overseas. The ICCTF's initial members included the Federal Bureau of Investigation (FBI), the Special Inspector General for Iraq Reconstruction (SIGIR), the Army Criminal Investigation Command (Army CID), the Department of State Office of Inspector General (DoS OIG), DCIS, and USAID OIG. SIGAR joined the ICCTF in 2009, along with the Air Force Office of Special Investigations (AF OSI) and the Naval Criminal Investigative Service (NCIS).

FIGURE 1.2

U.S. OVERSIGHT: INVESTIGATORS IN AFGHANISTAN, 2002–2011



Note: includes investigators from sigar, dcis, fbi, dos oig, usaid oig, army cid, af osi, and ncis.

a. Two additional dcis agents stationed in kuwait support afghanistan operations. Two additional sigar agents were assigned in january 2012.

Source: sigar investigations directorate.

10-YEAR HIGHLIGHT

During this phase, U.S. law enforcement agencies also began to coordinate investigations with the Afghan government to fight corruption, a problem that was pervasive, entrenched, and systemic. In 2009, the Afghan government created the Major Crimes Task Force (MCTF). The FBI has mentored the MCTF, helping to build the capacity of the task force to investigate crimes and develop cases for prosecution by the Afghan Attorney General's Office. The U.S. government provided at least \$15.5 million to assist the MCTF, including refurbishing and maintaining its facilities and training and mentoring its investigators. As of November 2010, the FBI had 14 staff assigned to the MCTF; they had mentored Afghan investigators in handling organized crime and public corruption cases, developing sources, and improving general investigative techniques.

The law enforcement community—through its increased presence, improved coordination, and adaptation to the Afghan environment—produced noteworthy results during the Reconstruction Surge. A prime example is a SIGAR-initiated investigation that resulted in the successful prosecution of the largest bribery case from Afghanistan since the reconstruction effort began. In September 2011, a U.S. District Judge sentenced Sidharth (“Tony”) Handa to 10 years in prison and ordered him to pay \$315,000 in restitution. Since 2009, SIGAR and other law enforcement agencies have participated in cases resulting in 17 convictions, 19 arrests, and 9 indictments. Since November 2010, SIGAR investigations have assisted in the recovery of more than \$52 million.

The law enforcement community's commitment to mentoring Afghan law enforcement agencies and working with Afghan police, investigators, and prosecutors is also beginning to produce results. In the last year, Afghan authorities arrested and prosecuted Afghan citizens for bribery and corruption related to U.S. reconstruction dollars. In June 2011, a joint operation between members of the Afghan *Shafafiyat* (Transparency) Unit, the ICCTF, and SIGAR resulted in the arrest of an Afghan citizen who had demanded a \$15,000 bribe from a contractor who supports USACE at Kabul International Airport. Another joint operation between SIGAR and members of the ICCTF,

in cooperation with the ANP Criminal Investigation Division and Afghan prosecutors, led to the arrest of an Afghan contractor who had tried to bribe a USACE contract specialist at Kandahar Airfield. And in November 2011, SIGAR investigations resulted in the arrest and conviction of five Afghans for their involvement in a scheme to steal fuel from a forward operating base in Kunar province.

TRANSITION

Despite the law enforcement community's commitment of resources, improved coordination, and increasing cooperation with the Afghan government, corruption will continue to pose a significant risk to the U.S. investment in Afghanistan during the Transition phase (2011–2014). Prosecuting Afghan nationals for fraud and corruption involving U.S. funds has been and will continue to be particularly difficult. SIGAR reported in July 2011 that the Afghan Attorney General's Office pursued only 4 of 21 alleged financial crimes forwarded to Afghan law enforcement organizations. Successful prosecution of financial crimes is also hampered by the difficulty of obtaining banking records from overseas financial institutions and the widespread use of *hawalas* (informal money service providers) to transfer funds within and outside Afghanistan.

Some law enforcement organizations—including SIGAR—are increasing their use of suspension and debarment as tools for ensuring that only responsible, reliable U.S. and Afghan companies receive U.S. reconstruction contracts. These administrative procedures enable U.S. agencies to prevent individuals and companies (including Afghan individuals and companies) that have engaged in misconduct or performed poorly from receiving U.S. contracts, without resorting to prosecution of such individuals and companies. By the end of 2011, SIGAR's 81 referrals for suspension or debarments had resulted in 20 suspensions, 33 proposals for debarment, and 3 finalized debarments.

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Building Capacity

New Afghan police vehicles are ready to roll. CSTC-A has provided more than 52,000 vehicles valued at \$4 billion for the ANSF. A SIGAR audit this quarter examined CSTC-A's accountability and oversight for the vehicles provided. (ISAF photo)

2 SIGAR OVERSIGHT



“SIGAR has a tremendous responsibility... to ensure that the significant [U.S.] investment in the future of Afghanistan is not lost to fraud, waste, and abuse. We are committed to providing timely, targeted audits that identify problems and help implementing agencies design and execute sustainable projects. We are committed...to ensure that contractors are held accountable and bad actors removed from the Afghan theater as quickly as possible.”

—*Steven J Trent*
Acting Special Inspector General
for Afghanistan Reconstruction

Source: House Subcommittee on National Security, Homeland Defense and Foreign Operations, “Written Testimony of Acting Inspector General for Afghanistan Reconstruction,” 12/7/2011.

SIGAR OVERSIGHT

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

This section summarizes SIGAR's activities this quarter. SIGAR highlights this quarter include the following:

- created a joint strategy group with other oversight agencies to enhance audit planning.
- established an inspections program.
- completed three audits, including one that resulted in annual savings of \$5 million.
- participated in investigations resulting in two individuals sentenced for bribery; one was ordered to pay \$115,000 in restitution.
- supported an investigation resulting in three guilty pleas.
- opened 20 new investigations.

AUDITS

This quarter, SIGAR published three audit reports. Two were reviews of the Department of Defense's (DoD) accountability for vehicles provided to the Afghan National Security Forces (ANSF) and the implementation of the Afghan First Initiative. The third examined a U.S. implementing agency's use of private security contractors (PSCs). At the request of the agency, which considered certain information in the report particularly sensitive, SIGAR is not publicly releasing the third audit report. SIGAR also began work on two new audits, bringing the number of ongoing audits to eight. In addition, SIGAR auditors continued to analyze forensic data from three major reconstruction funds.

During this quarter, SIGAR launched two new initiatives to improve oversight in Afghanistan. It established an inspections program under the Audit

COMPLETED AUDITS

- Audit 12-4: Accountability of ANSF Vehicles.
- Audit 12-5: Private Security Contract.
- Audit 12-6: Implementation of the Afghan First Initiative.

NEW AUDITS

- Oversight of A-TEMP for the ANP.
- Implementation of the AIP.

NEW INSPECTIONS

- Four USACE Construction Projects.

ONGOING AUDITS

- USAID Contracts for LGCD Project.
- USAID's Task Order in Support of Afghanistan Stabilization Initiative.
- USAID's Cooperative Agreement in Support of an Agriculture Program.
- USACE O&M Contracts for ANSF Facilities.
- USAID's Financial Audit Coverage of Incurred Costs.
- Reliability of Data on Prime Reconstruction Vendors.
- USAID's Costs for Private Security Support Services.
- Outcomes of DoS Public Diplomacy Grants.

FORENSIC AUDITS

- DoD Transaction Data Related to Reconstruction.
- USAID Transaction Data Related to Reconstruction.
- DoS Transaction Data Related to Reconstruction.

Directorate to conduct assessments of infrastructure projects. It also initiated a joint undertaking by the oversight community to develop a strategic audit plan that leverages each agency's strengths and provides a more comprehensive assessment of the U.S. reconstruction effort for the Congress, implementing agencies, and the public.

New Strategic Planning Group

This quarter, SIGAR invited representatives from the Offices of Inspector General (OIGs) of DoD, the Department of State (DoS), and the U.S. Agency for International Development (USAID) to discuss ways to enhance coordination and oversight planning for Afghanistan reconstruction. Given the significant funding involved and the importance of the reconstruction effort to the U.S. mission in Afghanistan, SIGAR believes that the oversight community must do more than de-conflict audit plans. A more comprehensive strategic plan will help oversight agencies better coordinate their work to address key issues and provide the Congress with more coherent assessments of reconstruction programs and progress in order to better protect taxpayer dollars.

To implement a strategic planning process, SIGAR and the other agencies with oversight responsibility for reconstruction agreed to form a strategic planning group under the Southwest Asia Joint Planning Group. This new group intends to develop an audit plan for FY 2013. SIGAR is leading this effort because its legislative mandate stipulates that audits and investigations must be coordinated among the inspectors general with oversight responsibility for Afghanistan reconstruction.

As part of an overall effort to bring key reconstruction issues into better focus, SIGAR and other members of the joint strategic planning group will produce "capstone" reports that synthesize audit findings from a body of work in key areas of reconstruction, such as sustainability, capacity building, and stability operations.

Inspections

This quarter, SIGAR launched an inspections program to provide more timely assessments of U.S.-funded infrastructure projects in Afghanistan. U.S. agencies are implementing infrastructure projects in every development sector—from ANSF facilities to courthouses, prisons, schools, and clinics. SIGAR audits have found that in the security sector alone, the U.S. government plans to have built at least 900 facilities for the Afghan National Army (ANA) and the Afghan National Police (ANP) by the end of FY 2012. DoD has provided \$8 billion for the construction of ANSF facilities for FY 2010 through FY 2012. Earlier SIGAR audits identified a number of issues that put the U.S. investment in infrastructure at risk, including sustainability.

This quarter, SIGAR initiated four inspections of construction projects contracted by the U.S. Army Corps of Engineers (USACE) for ANSF facilities in three provinces: Kunduz, Nangarhar, and Wardak. SIGAR will inspect the quality

NEW INSPECTIONS

- Four USACE Construction Projects.

of construction and determine whether the facilities are being operated and maintained for the purposes intended.

Completed Audit Reports

The three audit reports that SIGAR completed this quarter identified a number of reconstruction challenges and made 10 recommendations. One of the audits was not released publicly, at the request of the agency, because of security concerns.

Audit 12-4: Security

DoD Improved Its Accountability for Vehicles Provided to the Afghan National Security Forces, but Should Follow Up on End-Use Monitoring Findings

A key objective of coalition efforts in Afghanistan is to build the country's capacity to provide for its own security by training and equipping the ANSF. Through December 2010, the Combined Security Transition Command - Afghanistan (CSTC-A) had provided the ANSF with 52,000 vehicles, valued at approximately \$4 billion. Most of these vehicles were provided through an adaptation of the Foreign Military Sales program, a government-to-government program for selling U.S. defense equipment, services, and training to foreign entities. TACOM Life Cycle Management Command (TACOM LCMC) procures most of the vehicles for the ANSF. Vehicles are transported to Afghanistan by contractors for the U.S. Military Surface Deployment and Distribution Command. CSTC-A plans to provide thousands more vehicles, which will be purchased primarily through the Afghanistan Security Forces Fund (ASFF).

OBJECTIVES

This audit had two objectives:

- Determine whether CSTC-A could account for the vehicles it provided to the ANSF.
- Assess CSTC-A's oversight for the vehicles provided.

FINDINGS

1. To prepare for SIGAR's audit, CSTC-A conducted a nationwide inventory of U.S.-provided vehicles and discovered that it was giving fuel to the ANA for destroyed vehicles. As a result, CSTC-A has reduced its deliveries of fuel to the ANA. SIGAR estimates the fuel reduction will total about 2.68 million liters in FY 2012 and potentially save CSTC-A \$5 million a year.
2. TACOM LCMC provided records for about 17,800 ANA and 8,900 ANP vehicles shipped between October 2007 and December 2010. Of these, CSTC-A provided evidence of the disposition of about 99% of the ANA vehicles and 100% of the ANP vehicles.
3. Although TACOM LCMC and CSTC-A were able to account for nearly all vehicles provided to the ANSF, CSTC-A did not regularly file claims for damages or missing equipment. Instead of being reimbursed by the transportation contractors, CSTC-A was paying for repairs and the replacement of

COMPLETED AUDITS

- Audit 12-4: DoD Improved Its Accountability for Vehicles Provided to the Afghan National Security Forces, but Should Follow Up on End-Use Monitoring Findings.
- Audit 12-5: Private Security Contract.
- Audit 12-6: Afghan First Initiative Has Placed Work with Afghan Companies, but Is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data Is Limited.

missing equipment and parts. After SIGAR identified this issue in May 2011, CSTC-A took steps to submit claims by filing transportation discrepancy reports. As of November 2011, claims valued at more than \$339,000 had been approved; additional claims valued at \$250,000 were in process. Filing claims will help ensure that the United States is not expending funds unnecessarily for repairs and for the replacement of missing equipment and parts.

4. CSTC-A generally met oversight requirements for routine end-use monitoring of U.S.-provided vehicles. Following SIGAR's fieldwork, CSTC-A instituted additional monitoring requirements for vehicles, including reviews of ANA and ANP property books and maintenance records, and accounting for destroyed vehicles. Although CSTC-A has identified issues regarding ANSF vehicles, it did not have a system in place to ensure that monitoring findings were addressed. For example, monitoring teams noted that vehicle repairs at two ANA locations were taking more than a year, but CSTC-A did not have any record of whether this matter was resolved.

RECOMMENDATIONS

Because CSTC-A took steps during the course of SIGAR's audit to conduct an inventory of ANSF vehicles and file transportation discrepancy reports, SIGAR is not making any recommendations addressing these matters. However, to enhance oversight of vehicles provided by the United States, SIGAR recommends that the Commanding General, CSTC-A, take the following action:

1. Establish a system to track and follow up on vehicle issues identified in end-use monitoring inspections, including status updates by the parties involved to ensure resolution of the findings.

AGENCY COMMENTS

CSTC-A provided comments on a draft of this report and concurred with the recommendation, noting that it had already taken steps to address it.

Audit 12-6: Economic and Social Development

Afghan First Initiative Has Placed Work with Afghan Companies, but Is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data Is Limited

U.S. Forces - Afghanistan (USFOR-A) and the U.S. Embassy Kabul have implemented the Afghan First Initiative (AFI), which encourages the use of Afghan companies, where appropriate. The key aim of the AFI is to support U.S. counter-insurgency objectives by helping create job opportunities to improve the economy, thereby decreasing the incentive for individuals to join the insurgents' ranks.

OBJECTIVES

The audit had three objectives:

- Assess how agencies identified and documented that Afghan companies were eligible for the AFI.

- Assess progress made on selected contracts with Afghan companies.
- Assess how the agencies were measuring progress toward the AFI's overall goal of increasing employment opportunities.

FINDINGS

1. U.S. contracting authorities used at least six different methods to announce contract solicitations to the Afghan business community and at least seven separate databases to vet contractor ownership and capacity. The announcement methods provided numerous opportunities for Afghan businesses to identify U.S. contract opportunities; however, most U.S. agencies did not use a website that consolidated this information in a single location. Similarly, a wide variety of databases were available to vet Afghan companies for ownership, resource capacity, and past performance. However, many U.S. agencies did not use the full range of information available to vet companies prior to award. For example, although U.S. agencies obtained business licenses at the time of award to confirm Afghan ownership, they did not independently verify these licenses with Afghan authorities or monitor the validity of the licenses throughout the contract's period of performance. SIGAR found four instances where non-Afghan companies were awarded an AFI contract. As a result of the inconsistent approaches in selecting and vetting Afghan companies, access to contract opportunities may have been limited, and some companies may not have been eligible for AFI contracts.
2. More than 90% of the AFI awards SIGAR reviewed were for construction projects, of which 20 Afghan companies received nearly 80% of the \$654.4 million awarded. SIGAR reviewed 29 AFI construction contracts valued at \$133 million and found that the companies generally met contract requirements. SIGAR reviewed 19 construction projects that had cost and schedule variances and found that they were generally justifiable and supported by approved modifications. Of the 10 construction projects SIGAR inspected, only a police station in Farah province had significant construction deficiencies. The contracting authority recently took corrective action.
3. The absence of both a standard definition of employment and a systematic requirement to track and verify employment figures resulted in an inability to fully assess the effect of \$654.4 million in AFI contract awards over the last three years. U.S. agencies collect data on Afghan employment, related to their procurement awards, for a variety of purposes by a variety of means. These collection efforts are not designed to gauge agency progress toward promoting Afghan employment through the AFI award process. Aggregate data on Afghan employment, resulting from all coalition partners' contracting activities, is available only in the International Security Assistance Force's (ISAF) "scorecard," which includes broad indicators of how ISAF countries' contracts affect Counter-Insurgency (COIN) Contracting Guidance objectives. For a variety of reasons, this data does not provide a suitable basis for measuring how U.S. procurement efforts affect short- and long-term employment gains in Afghanistan in support of U.S. goals.

RECOMMENDATIONS

To help broaden the base of participating Afghan companies and ensure that only qualified companies receive AFI awards, SIGAR recommends that the Commander, USFOR-A, and the U.S. Ambassador to Afghanistan—in coordination with the U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC), USACE, and the USAID Mission Director—take the following actions:

1. Promote the use of a designated website, such as AfghanFirst.org, as an information portal for linking sources of U.S. procurement information in one location.
2. Develop guidelines to encourage U.S. contracting authorities to adopt a more systematic approach to considering all available and relevant vetting sources to assess Afghan ownership, sufficiency of resources, and past performance.
3. Immediately require U.S. contracting authorities to verify whether current AFI award recipients are Afghan-owned and have current licenses to operate in Afghanistan.

To help assess whether AFI awards are generating Afghan employment opportunities, SIGAR recommends that the Commander USFOR-A and the U.S. Ambassador to Afghanistan—in coordination with the C-JTSCC, USACE, and the USAID Mission Director—take the following action:

1. Develop guidelines that define employment generation; delineate the employment data needed, including collection and verification standards; and develop an assessment process to measure Afghan employment levels resulting from AFI procurement activities.

AGENCY COMMENTS

At the time this quarterly report went to press, the agencies were still preparing formal comments on a draft of the audit report. The final audit report contains the agency comments and response to the findings and recommendations. To read the report, see the SIGAR website (www.sigar.mil).

New Audits Announced This Quarter

This quarter, SIGAR began two new audits. One will examine vehicle maintenance for the ANP under the Afghanistan - Technical Equipment Maintenance Program (A-TEMP); the other is an audit of the Afghanistan Infrastructure Program (AIP).

Oversight and Costs Associated with the Afghanistan - Technical Equipment Maintenance Program for the ANP

To support the ANP under A-TEMP, CSTC-A is funding contracts with Automotive Management Services and PAE Government Services, Inc. This quarter, SIGAR began an audit that will focus on government oversight of the prime contractors and any subcontractors, the costs associated with the contracts, accountability for vehicle parts and maintenance supplies, and the status of efforts to transition vehicle maintenance to the ANP.

NEW AUDITS

- Oversight and Costs Associated with the Afghanistan - Technical Equipment Maintenance Program for the ANP
- Implementation of the Afghanistan Infrastructure Program.

Implementation of the Afghanistan Infrastructure Program

This quarter, SIGAR began a performance audit of the AIP. The Congress created the AIP in FY 2011 and authorized DoD and DoS to jointly develop high-priority, large infrastructure projects to support the civil-military campaign in Afghanistan. The Congress has provided \$800 million for the Afghanistan Infrastructure Fund, which supports the AIP. The audit will focus on project selection; cost, schedule, and outcomes; and compliance with legislative requirements.

Ongoing Audits

SIGAR has eight additional ongoing audits. These audits are assessing contracts and programs funded by DoD, USAID, and DoS—the three principal implementing agencies involved in reconstruction in Afghanistan.

USAID Contracts for Local Governance and Community Development Project

SIGAR is examining the performance, costs, and outcomes of USAID's contracts in support of its Local Governance and Community Development project. This \$373 million project was intended to help the Afghan government extend its reach into remote districts, encourage local communities to take an active role in their own development, and create incentives for stability in critical border provinces.

USAID's Task Order in Support of the Afghanistan Stabilization Initiative—East Program

In June 2009, USAID's Office of Transition Initiatives awarded a three-year task order with a funding ceiling of \$151 million to Development Alternatives, Inc., to support the U.S. government's Afghanistan Stabilization Initiative program in the eastern regions of the country. The initiative seeks to improve the economic and social environment in target districts of Afghanistan through small community-enhancement projects. SIGAR is assessing the cost, schedule, and outcomes of the initiative, as well as oversight and progress made toward transitioning to the build phase of the COIN strategy.

USAID's Cooperative Agreement in Support of an Agriculture Program

In July 2009, USAID modified its cooperative agreement with International Relief and Development to create the Afghanistan Vouchers for Increased Production in Agriculture (AVIPA) Plus program. AVIPA Plus ended in September 2011; more than \$400 million was spent on the program. Key program components included seed and fertilizer distribution, cash-for-work projects to stimulate local economies, small grant programs to provide farming equipment, and training and capacity development programs. SIGAR is looking at the extent to which AVIPA Plus achieved its goals and whether it incorporated lessons learned into the follow-on program.

ONGOING AUDITS

- USAID Contracts for Local Governance and Community Development Project.
- USAID's Task Order in Support of the Afghanistan Stabilization Initiative—East Program.
- USAID's Cooperative Agreement in Support of an Agriculture Program.
- USACE Operations and Maintenance Contracts with ITT Corporation for ANSF Facilities.
- USAID's Financial Audit Coverage of Contracts, Cooperative Agreements, and Grants for Afghanistan Reconstruction.
- Reliability of Funding and Contract Data Maintained by the U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC) on Prime Vendors for Major Reconstruction Contracts in Afghanistan.
- Costs of Private Security Contractors Utilized by USAID Contractors for Reconstruction in Afghanistan.
- Outcomes of DoS's Public Diplomacy Grants in Support of Reconstruction in Afghanistan.

USACE Operations and Maintenance Contracts with ITT Corporation for ANSF Facilities

In July 2010, USACE awarded two firm-fixed-price contracts, valued at a total of \$800 million, to ITT Systems Corporation to provide operations and maintenance for ANSF facilities. These contracts cover Afghan army and police facilities in northern and southern Afghanistan. The contracts consist of one base year plus four option years. According to the program manager, these contracts may cover more than 660 sites. These contracts also require that the contractor train Afghan workers in all aspects of operations and maintenance. SIGAR is assessing cost, schedule, compliance with contract terms, contract oversight, and sustainability. DoD OIG is conducting a separate audit on the training aspect of the contracts.

USAID's Financial Audit Coverage of Contracts, Cooperative Agreements, and Grants for Afghanistan Reconstruction

USAID's obligations for reconstruction in Afghanistan totaled approximately \$11.7 billion for FY 2002–2010, according to the USAID OIG. USAID provided most of these funds to contractors and nonprofit organizations through contracts, cooperative agreements, and grants. Financial audits of costs incurred under these financial mechanisms provide valuable oversight of appropriated funds by determining the appropriateness of direct and indirect costs, as well as identifying weaknesses in internal controls and compliance with applicable laws and regulations. This audit will assess USAID's efforts to conduct required financial audits of its project awards.

Reliability of Funding and Contract Data Maintained by the U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC) on Prime Vendors for Major Reconstruction Contracts in Afghanistan

This audit will follow up on certain data provided by the C-JTSCC, which identified the contractors it contracts with using the ASFF. Specifically, the C-JTSCC may have reported obligations that differed significantly from total contract values. In June, the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Contracting Oversight cited specific concerns about the accuracy and reliability of the C-JTSCC data provided to SIGAR. This audit will determine the cause of the discrepancies, the measures that the C-JTSCC has taken to address the discrepancies, and any additional steps that the C-JTSCC needs to take to ensure the accuracy and reliability of its contract data.

Costs of Private Security Contractors Utilized by USAID Contractors for Reconstruction in Afghanistan

The U.S. government has relied on PSCs to provide security for reconstruction programs in Afghanistan, but information about their costs is limited. This audit will identify the PSCs used by USAID's implementing partners and determine their costs and their status in light of the Afghan government's intention to transfer PSC security functions to the Afghan Public Protection Force in March 2012.

Outcomes of DoS's Public Diplomacy Grants in Support of Reconstruction in Afghanistan

SIGAR has identified 21 DoS public diplomacy grants totaling \$78 million in reconstruction funding and may identify additional public diplomacy grants for reconstruction during fieldwork. This audit will review the cost, schedule, and outcomes, as well as the administration and oversight of the grants.

Forensic Audits

Public Law 110-181, as amended, requires that before SIGAR is terminated, it must prepare and submit to the appropriate congressional committees a final forensic audit report on programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. To identify waste, fraud, and abuse of taxpayer dollars, SIGAR is conducting forensic reviews of three major reconstruction funds:

- the Afghanistan Security Forces Fund (ASFF), managed by DoD.
- the Economic Support Fund (ESF), managed by USAID.
- the International Narcotics Control and Law Enforcement (INCLE) account, managed by DoS.

Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction

In March 2010, SIGAR initiated a review of DoD appropriation, obligation, and expenditure transaction data related to the ASFF. As of December 31, 2011, Congress had appropriated nearly \$50.7 billion to the ASFF since the fund was created in FY 2005.

Obtaining data to perform testing has been a challenge because when DoD obligates ASFF funds, it transfers a significant amount of these funds immediately to a Foreign Military Sales trust-fund account to await disbursement. In November 2011, the Defense Finance and Accounting Service accounted for more than 97% of the transaction data associated with disbursements processed through FY 2010 and provided this transactional data to SIGAR. Only a limited forensic review is possible for these files because they do not include a number of data fields.

SIGAR has conducted a forensic analysis of approximately \$11.2 billion, including \$9.5 billion of disbursements through FY 2010, and \$1.7 billion in disbursements from the USACE through FY 2009. The review covered more than 80,000 transactions. SIGAR screened the results, using a risk-scoring methodology to identify high-risk transactions that warranted additional review. SIGAR is assessing and reviewing exceptions related to contractors on the Excluded Party List, potential duplicate payments, and other payment anomaly trends, such as payments in round dollar amounts and payments on weekends and holidays. Preliminary requests for source documentation have been submitted, and DoD is evaluating whether to provide direct access to its electronic document system for the SIGAR team. Direct access would enable the team to pull source documentation independently for review.

FORENSIC AUDITS

- Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction.
- Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction.
- Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction.

Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction

SIGAR has completed a secondary review of USAID transactional disbursement data totaling approximately \$10 billion in disbursements from FY 2002 through FY 2011. The data covers more than 100,000 transactions. SIGAR has screened the results, using a risk-scoring methodology to identify high-risk transactions that warranted additional review. SIGAR is assessing and reviewing exceptions related to duplicate vendors, potential duplicate payments, and other payment trending anomalies—such as round dollar amounts, payments processed on weekends and holidays, vendors with only one transaction, and upward trends in vendor pricing. On January 13, 2012, SIGAR submitted requests to USAID for source documentation to further confirm exceptions. SIGAR continues to receive quarterly data feeds from USAID for continuous testing.

SIGAR also completed its review of source documentation for the initial USAID review of more than 73,000 transactions—amounting to \$7.4 billion in disbursements—from 2002 through July 2010. Based on the review, SIGAR’s audit team is considering its next steps. Several original documentation requests to USAID for further exception verification are still outstanding. In addition, SIGAR identified a number of data nuances in the first review and has applied this information to the second round of testing to fine-tune results and identify additional anomalies.

Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction

SIGAR has completed an initial forensic review of \$2.4 billion in DoS transactional disbursement data from 2002 through June 2011. The review covered 25,000 transactions. SIGAR screened these results, using a risk-scoring methodology to identify high-risk transactions that warranted additional review. Preliminary results revealed a number of unexpected transactions. Consequently, on December 22, 2011, SIGAR sent a limited request for source documentation to obtain a better understanding of the data and to verify that DoS pulled the correct dataset. Exceptions that might warrant further review include anomalies, such as vendors on the Excluded Party List, duplicate vendors, potential duplicate payments, transactions with no description, an unexpected description or other unexpected characteristics, significant differences between invoice and payment dates, and other payment trending anomalies—such as round dollar amounts, payments on weekends and holidays, and payments with the same date as the invoice.

INVESTIGATIONS

During this reporting period, SIGAR’s participation in criminal investigations resulted in two sentences and three guilty pleas. One of the individuals sentenced was ordered to pay restitution of \$115,000 and serve a 15-month sentence for soliciting bribes; the other was sentenced to 22 months in prison. In addition,

SIGAR OVERSIGHT

SIGAR assisted other agencies in investigations that resulted in the sentencing of two U.S. military personnel for receiving bribes.

From October 1 to December 30, SIGAR opened 20 cases and closed 6 cases due to unsubstantiated claims. In addition, SIGAR made 40 referrals for the suspension and debarment of individuals and companies for fraud, other illegal activity, or poor performance. SIGAR's aggressive suspension and debarment program is focused on making all contractors more accountable—U.S., Afghan, and third-country nationals. This quarter, SIGAR received 37 complaints through its Hotline program.

Ongoing Investigations

SIGAR is working on 125 ongoing investigations. As shown in Figure 2.1, about 59% of these investigations involve contract and procurement fraud, and 28% involve public corruption and bribery. The remaining 13% involve theft of property and services, miscellaneous criminal activities, and other issues.

DoD Employee Pleads Guilty to Bribery

On December 21, 2011, Desi Wade, the former chief of Fire and Emergency Services with USFOR-A, pled guilty to one count of 18 U.S.C. 201, bribery of a public official, in U.S. District Court for the Northern District of Georgia. SIGAR supported the investigation, which was conducted by members of the International Contract Corruption Task Force (ICCTF). The investigation originated in Afghanistan and culminated in Wade's arrest and plea bargain. In August 2011, Wade was arrested in Atlanta after accepting a \$100,000 payoff from a government contractor during a sting operation. SIGAR reported the investigation and arrest of Wade in its October 30, 2011 quarterly report.

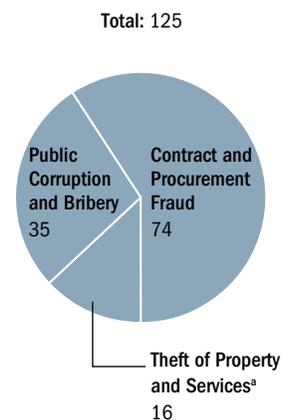
Australian Citizen Sentenced to 22 Months for Theft and Bribery

On December 20, 2011, Neil Patrick Campbell, an Australian citizen who formerly worked as a senior construction manager for a non-governmental organization in Afghanistan, was sentenced by the U.S. District Court in the District of Columbia to 22 months of incarceration and 24 months of supervised release. Campbell pled guilty to charges of bribery on October 4, 2011.

In July 2010, an ICCTF investigation led by the USAID Office of Inspector General, with assistance from SIGAR and the Federal Bureau of Investigation (FBI), had developed information that Campbell had solicited a bribe from a subcontractor to inappropriately award contracts funded by USAID. In August 2010, Campbell met an undercover USAID investigator posing as the subcontractor's representative and accepted \$10,000 in cash. In October 2010, Campbell traveled to New Delhi, India, where he believed he would receive an additional \$180,000. Instead, Campbell was arrested by agents of the Indian Central Bureau of Investigation. After several months in an Indian jail, Campbell was extradited to the United States, where he remained in custody in the District of Columbia jail. At sentencing, Campbell was remanded to the custody of the U.S. Bureau of Prisons, where he will serve the remainder of his time.

FIGURE 2.1

**SIGAR INVESTIGATIONS:
NUMBER OF OPEN INVESTIGATIONS,
AS OF DECEMBER 31, 2011**



a. Includes miscellaneous criminal activity.

Source: SIGAR Investigations Directorate, 1/20/2012.

U.S. Army Sergeant Pleads Guilty to Stealing More than \$200,000

On December 13, 2011, Philip Stephen Wooten, a U.S. Army sergeant, pleaded guilty to conspiracy to commit fraud and theft of government property—approximately \$210,000 of funds. Wooten was a Field Ordering Officer with the 7th Special Forces Group based at Fort Bragg, North Carolina. On the conspiracy charge, Wooten faces a maximum of five years of imprisonment, three years of supervised release, and a \$250,000 fine. For theft of government property, he also faces a maximum of 10 years of imprisonment, 3 years of supervised release, and a \$250,000 fine. Wooten agreed to forfeit all assets derived from his illegal activities—jewelry with an appraised value of \$88,500; real property; and \$62,419 in currency. Sentencing is scheduled for March 26, 2012.

This case grew out of a project SIGAR started in November 2010 to assess and evaluate the use of postal money orders (PMOs) as a vehicle for converting and transferring currency from Afghanistan to the United States. SIGAR determined that PMOs are used to launder proceeds from illegal activities and may be a viable indicator of fraud, waste, and abuse involving reconstruction funds. Through further investigation, SIGAR identified individuals who have conducted numerous suspicious money order transactions involving funds from unknown sources.

In September 2011, Wooten was questioned by a team of three agents from SIGAR, the FBI, and the Postal Inspection Service regarding the suspicious transactions. During the interview at Fort Bragg, Wooten admitted to stealing U.S. government funds intended for reconstruction projects while stationed at an outpost in Khas, in Uruzgan province. The scheme involved defrauding local Afghan contractors and falsifying receipts to avoid detection during mandatory audits.

Through data analysis, SIGAR determined that while deployed in Afghanistan from July 2009 through January 2010, Wooten and a co-conspirator serving as a pay agent had purchased and sent PMOs totaling more than \$100,000 back to the United States. The investigation also found numerous wire transfers of funds by the same two individuals.

Former U.S. Army National Guard Captain Sentenced and Ordered To Pay \$115,000 in Restitution

On December 12, 2011, U.S. District Judge Matthew Kennelly in the Northern District of Illinois sentenced John Mihalcz, a captain in the Army National Guard, to 15 months in prison for receiving bribes from military contractors in return for the award of DoD contracts during his deployment to Bagram Airfield, Afghanistan. In addition to his prison term, Mihalcz was sentenced to one year of supervised release and ordered to pay DoD \$115,000 in restitution. SIGAR provided investigative support and administrative personnel to the trial team.

According to documents filed in the case, Mihalcz was deployed from March 2003 until March 2004. He served as both a motor pool officer who controlled a large fleet of leased vehicles and a contracting officer's representative who oversaw the delivery of various goods at Bagram Airfield, including concrete barriers.

While serving in Afghanistan, Mihalcz accepted approximately \$35,000 in cash and money orders from two military contractors in return for exercising his influence in the award of DoD contracts. Mihalcz also participated in another scheme with another military contractor in which Mihalcz fraudulently verified the delivery of concrete barriers that were never delivered to Bagram Airfield. As part of this scheme, Mihalcz and the military contractor split \$80,000 in overpayments made by DoD. In total, the loss to the United States from these offenses was at least as much as \$115,000. Mihalcz is the ninth defendant sentenced in this investigation; nine additional defendants remain to be sentenced.

This case is being prosecuted by Department of Justice Trial Attorney Mark W. Pletcher of the Criminal Division's Fraud Section. SIGAR supported the investigation, which included the Army Criminal Investigations Division, the Defense Criminal Investigative Service, and the Department of the Air Force, Office of Special Investigations.

Afghan Contractors Sentenced for Theft of Fuel

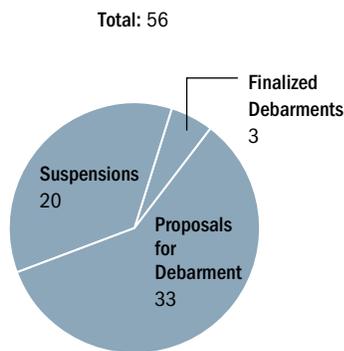
On November 29, 2011, an Afghan court convicted five Afghan citizens for their involvement in a scheme to steal truckloads of fuel from a forward operating base in Kunar province. Two were sentenced to five years and one month in prison for stealing fuel; three were convicted of lesser crimes and fined. These convictions resulted from a SIGAR investigation of fuel theft at Forward Operating Base Wright. SIGAR worked closely with members of the U.S. military, DoS's rule of law advisor, and the ANP to build the case that members of Bakhtar Relief Association Trucking were stealing fuel. On September 11, 2011, the ANP arrested five suspects in the act of stealing fuel from the base.

SIGAR Investigation Leads to \$887,835 Recovery for Afghan Company

During this reporting period, SIGAR initiated a joint investigation with the Afghan Attorney General's Office after receiving a complaint that a U.S. company contracted by the Air Force Center for Engineering and the Environment to build an ANA barracks had not paid its Afghan subcontractor. The Afghan authorities issued arrest warrants for 11 individuals involved in this case and put the U.S. contractors on a "no-fly list." SIGAR helped negotiate an amicable settlement, and the U.S. contractor paid the Afghan subcontractor the \$887,835 it was owed.

FIGURE 2.2

SIGAR INVESTIGATIONS: RESULTS OF REFERRALS FOR SUSPENSION AND DEBARMENT, AS OF DECEMBER 31, 2011



Source: SIGAR Investigations Directorate, 1/20/2012.

Suspensions and Debarments

This quarter, SIGAR referred 40 cases for suspension or debarment, bringing the total number of referrals during 2011 to 81—50 individuals and 31 companies working on U.S.-funded reconstruction programs. By the end of 2011, these referrals had resulted in 20 suspensions, 33 proposals for debarment, and 3 finalized debarments, as shown in Figure 2.2. SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations and provides all of the documentation needed for an agency to take action.

In addition to continuing to make referrals for action by other agencies, SIGAR has taken steps to promote suspension and debarment as a remedy in reconstruction-related cases. During October 2011, SIGAR sent its counsel for investigations to Kabul and Kandahar to conduct on-site training on investigations of procurement fraud cases and poor contractor performance. SIGAR trained its deployed investigative and audit staff and some personnel from SIGAR's agency partners. This training included instruction on how to build suspension and debarment cases in the absence of the filing of a criminal indictment, what evidentiary burdens the government must meet, and what types of evidence are best able to support suspension and debarment. This training for deployed staff members was complemented in December 2011 by training for all investigators based in Washington, D.C. SIGAR expects to begin additional suspension and debarment training of its audit staff in early 2012; refresher training for all personnel will begin soon after.

Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR's program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors.

SIGAR Hotline and Complaints Management System

From October 1, 2011, to December 30, 2011, SIGAR received 37 Hotline complaints. SIGAR has referred 12 of them for further investigation by its own agents and 1 to another agency, is reviewing 10, is coordinating 12, and has closed 2. SIGAR investigators have 30 days to evaluate complaints and decide whether they merit further review and referral; they have 10 days to open criminal actions if merited. Since 2009, the SIGAR Hotline has received 716 complaints. This total reflects corrected data since last quarter.

SIGAR BUDGET

During this reporting period, the Congress provided SIGAR with its full budget request of \$44.4 million for FY 2012. With these funds, SIGAR intends to aggressively hire and support additional highly specialized staff with expertise in audits, inspections, investigations, and information management to provide effective oversight of the growing U.S. investment in reconstruction.

SIGAR STAFF

SIGAR's staff consists of 133 federal employees. Because of the significant increase in reconstruction funding in FY 2011 and FY 2012, SIGAR plans to build its staff to 180 full-time employees in FY 2012. SIGAR has refined its recruitment strategy, which successfully increased the number and quality of applicants for critical positions. The changes continue to reduce recruitment time.

SIGAR has 33 positions for personnel at the U.S. Embassy Kabul and 16 at military bases outside Kabul. In August 2011, SIGAR and the Embassy signed a new memorandum of understanding to expand SIGAR's presence to four additional locations in Afghanistan. By the end of December 2011, SIGAR staff members were stationed in several locations across the country, including Kandahar and Bagram airfields, Camp Stone, Camp Leatherneck, and Forward Operating Base Salerno. SIGAR is considering establishing an office in Mazar-e Sharif. SIGAR employs three local Afghans in its Kabul office—two investigators and one translator/Hotline administrator. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan: this quarter, SIGAR had nine personnel on temporary duty in Afghanistan for a total of 179 days.

Developing Partnerships

A villager exchanges views with a U.S. soldier in Mullayan, Kandahar province, on November 1. The two discussed recent events in the village and how the people are faring. Credit: U.S. Army photo, SPC Kristina Truluck.

3 RECONSTRUCTION UPDATE



“Responsibility for the future of Afghanistan rests with Afghans, and we Afghans will not fail or falter in assuming that responsibility. However, your continued solidarity, commitment, and support will be crucial, particularly in the period between 2014 and 2024, so that we can consolidate our gains and continue to address the challenges that remain.”

—*Afghan President
Hamid Karzai*

Source: President Hamid Karzai, “Statement at the Bonn Conference,” 12/5/2011.

OVERVIEW

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

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

TOPICS

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

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

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

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

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

METHODOLOGY

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

Data Call

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

- U.S. Department of State.
- U.S. Department of Defense.
- U.S. Agency for International Development.
- U.S. Department of the Treasury.

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

Open-Source Research

Open-source research draws on the most current, publicly available data from reputable sources. A representative list of sources used in this quarterly report includes the following:

- U.S. agencies represented in the data call.
- International Security Assistance Force.
- United Nations (and relevant branches).
- International Monetary Fund.
- World Bank.
- Afghan ministries and other government organizations.
- U.K. Foreign and Commonwealth Office.
- Asia Foundation.

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

UNDERSTANDING THE GRAPHICS AND DATA TERMS

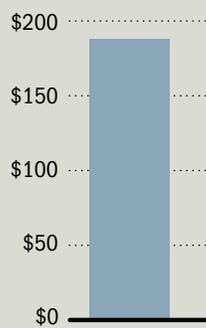
All figures and tables report data for this quarter, except where identified in titles or notes.

BAR CHARTS

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



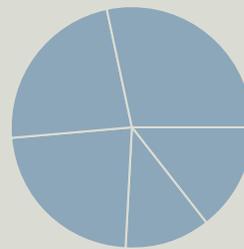
Bar chart with a break in scale



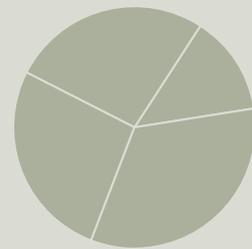
Bar chart without a break in scale

UNITS IN BILLIONS AND MILLIONS

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



Pie Chart in Billions



Pie Chart in Millions

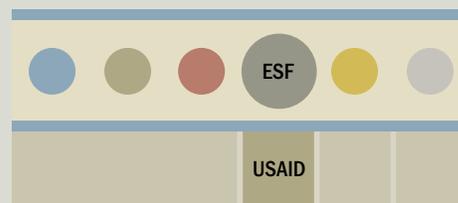
CALENDAR AND SOLAR YEARS

The Afghan government follows the solar Hejri calendar, which began in 622 A.D. SIGAR converts these years to the Gregorian calendar. The current Afghan solar year is 1390; it began on March 21, 2011, and will end on March 20, 2012.



FUNDING MARKERS

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



STATUS OF FUNDS

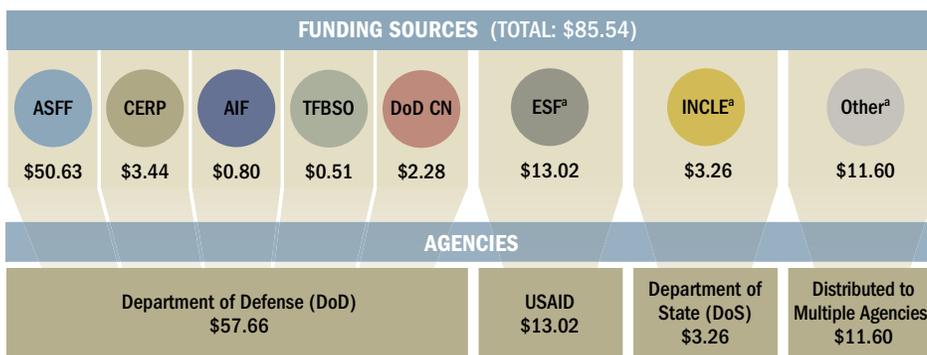
To fulfill SIGAR's legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of December 31, 2011, the United States had appropriated nearly \$85.54 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been approximately allocated as follows:

- \$52.14 billion for security.
- \$20.28 billion for governance and development.
- \$5.67 billion for counter-narcotics efforts.
- \$2.24 billion for humanitarian aid.
- \$5.20 billion for oversight and operations.

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

FIGURE 3.1

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



Note: Numbers affected by rounding.

a. Consolidated Appropriations Act of 2012 signed 12/23/2011; Afghanistan funding level for many accounts not yet determined.

b. Multiple agencies include DoJ, DoS, DoD, USAID, Treasury, and USDA.

Sources: DoD, responses to SIGAR data call, 1/17/2012, 1/13/2012, 1/4/2012, 1/2/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 1/10/2012, 1/9/2012, and 4/14/2011; Treasury, response to SIGAR data call, 10/13/2011; OMB, response to SIGAR data call, 7/19/2011; USAID, responses to SIGAR data call, 1/5/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

ASFF: Afghanistan Security Forces Fund

CERP: Commander's Emergency Response Program

AIF: Afghanistan Infrastructure Fund

TFBSO: Task Force for Business and Stability Operations

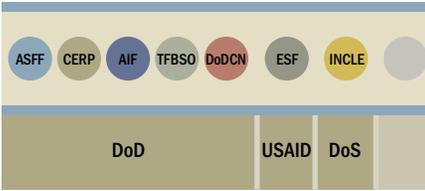
DoD CN: DoD Drug Interdiction and Counter-Drug Activities

ESF: Economic Support Fund

INCLE: International Narcotics Control and Law Enforcement

Other: Other Funding

STATUS OF FUNDS



The amount provided to the seven major U.S. funds represents approximately 86.4% (nearly \$73.94 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, more than 73.3% (nearly \$54.23 billion) has been obligated, and more than 62.1% (more than \$45.94 billion) has been disbursed. The following pages provide additional details on these funds.

U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

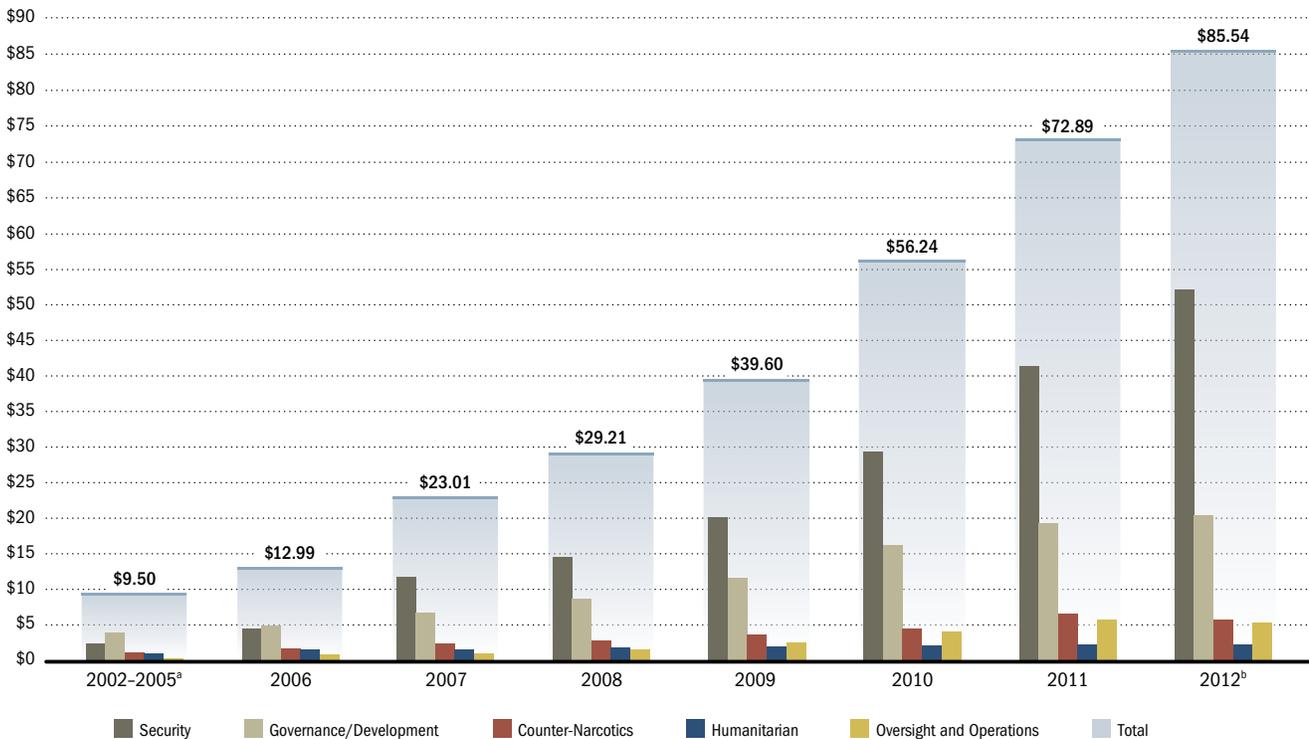
As of December 31, 2011, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$85.54 billion. This total can be divided into five major categories of reconstruction funding: security, governance and development, counter-narcotics, humanitarian, and oversight and operations. For complete information regarding U.S. appropriations, see Appendix B.

As of December 31, 2011, cumulative appropriations through FY 2012 had increased by more than 17.3% over cumulative appropriations through FY 2011, as shown in Figure 3.2. Efforts to build and train the Afghan National Security Forces (ANSF) have received the majority of reconstruction funding since FY 2002. Cumulative appropriations for security (more than \$52.14 billion) account for nearly 61.0% of total U.S. reconstruction assistance.

On December 23, 2011, President Obama signed the Consolidated Appropriations Act of 2012, appropriating funds to operate the government for the rest of the fiscal year. FY 2012 appropriations for Afghanistan relief and reconstruction amount

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF DECEMBER 31, 2011 (\$ BILLIONS)



Note: Numbers affected by rounding.

a. Bonn Process reconstruction phase. For more information on reconstruction phases, see Section 1.

b. Consolidated Appropriations Act of 2012 signed 12/23/2011; Afghanistan funding level for many accounts not yet determined.

Sources: DoD, responses to SIGAR data call, 1/17/2012, 1/13/2012, 1/4/2012, 1/2/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 1/10/2012, 1/9/2012, and 4/14/2011; Treasury, response to SIGAR data call, 10/13/2011; OMB, response to SIGAR data call, 7/19/2011; USAID, responses to SIGAR data call, 1/5/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

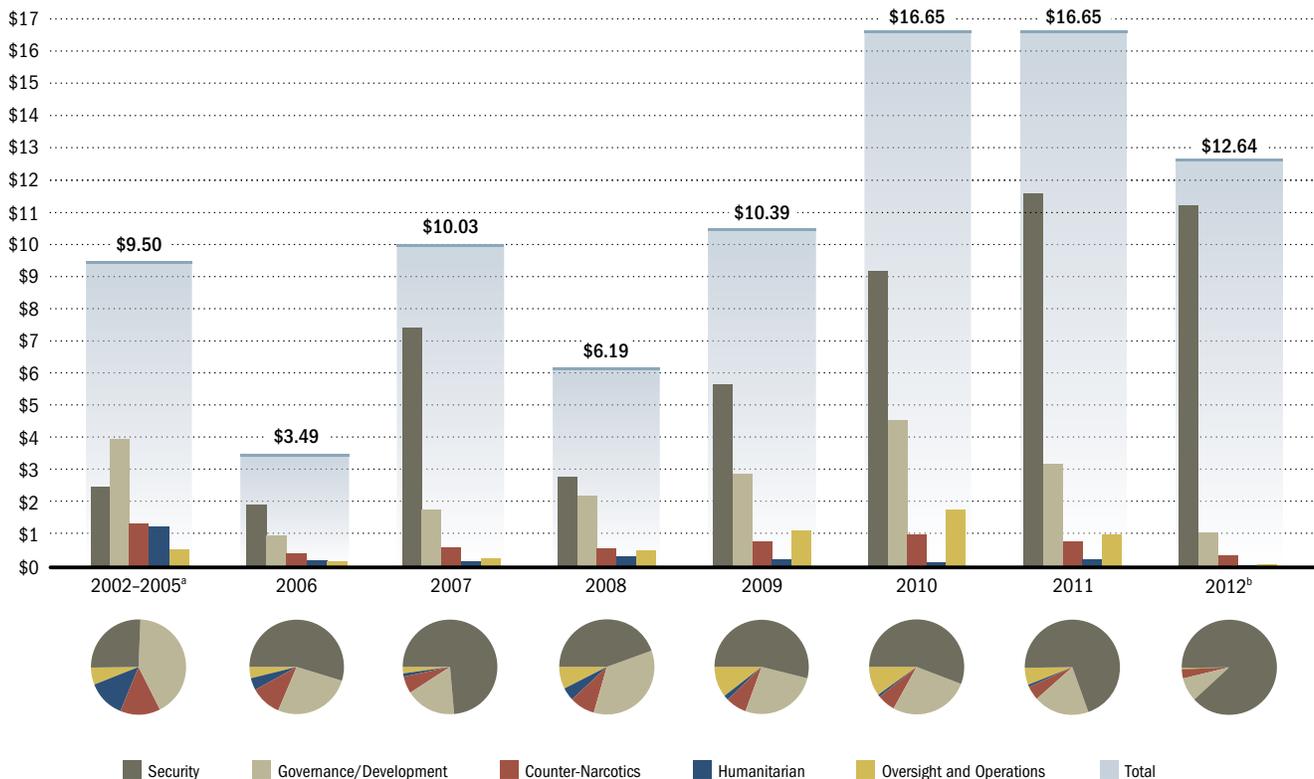
STATUS OF FUNDS

to more than \$12.64 billion. This figure will increase when appropriated amounts allocated to Afghanistan from the Economic Support Fund (ESF), International Narcotics Control and Law Enforcement (INCLE) account, and other assistance accounts are determined.

Section 1 of this report focuses on the 10 years of Afghanistan reconstruction efforts in three phases: the Bonn Process (2001–2005), the Reconstruction Surge (2006–2011), and the Transition (2011–2014). Afghanistan reconstruction appropriations for FY 2007, FY 2009, FY 2010, FY 2011, and FY 2012 each exceed the combined appropriations made during the Bonn Process, as shown in Figure 3.3. This figure displays annual appropriations by funding category from FY 2002 to FY 2012. The bars show the dollar amounts appropriated, and the pie charts show the proportions of the total appropriated by category. These figures reflect amounts as reported by the respective agencies and amounts appropriated in legislation.

FIGURE 3.3

APPROPRIATIONS BY FISCAL YEAR AND FUNDING CATEGORY (\$ BILLIONS AND PERCENT)



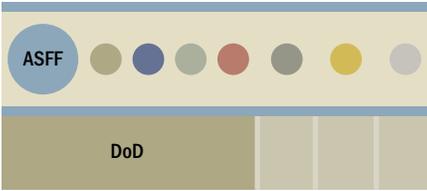
Note: Numbers affected by rounding.

a. Bonn Process reconstruction phase. For more information on reconstruction phases, see Section 1.

b. Consolidated Appropriations Act of 2012 signed 12/23/2011; Afghanistan funding level for many accounts not yet determined.

Sources: DoD, responses to SIGAR data call, 1/17/2012, 1/13/2012, 1/4/2012, 1/2/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 1/10/2012, 1/9/2012, and 4/14/2011; Treasury, response to SIGAR data call, 10/13/2011; OMB, response to SIGAR data call, 7/19/2011; USAID, responses to SIGAR data call, 1/5/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

STATUS OF FUNDS



ASFF FUNDS TERMINOLOGY

DoD reported ASFF funds as available, obligated, or disbursed.

Available: 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, and training, as well as facility and infrastructure repair, renovation, and construction.⁶² The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization (NATO) Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan.⁶³

The Consolidated Appropriations Act of 2012 provided \$11.20 billion for the ASFF, bringing the total cumulative appropriations for this fund to nearly \$50.63 billion.⁶⁴ As of December 31, 2011, more than \$35.69 billion of this amount had been obligated, of which more than \$30.96 billion had been disbursed.⁶⁵ Figure 3.4 displays the amounts made available for the ASFF by fiscal year.

DoD reported that cumulative obligations as of December 31, 2011, increased by more than \$2.35 billion over cumulative obligations as of September 30, 2011. Cumulative disbursements as of December 31, 2011, increased by nearly \$1.31 billion over cumulative disbursements as of September 30, 2011.⁶⁶ Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.4

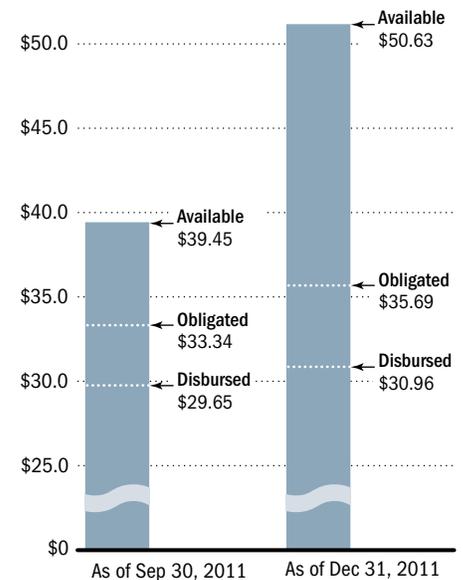
ASFF AVAILABLE FUNDS BY FISCAL YEAR
(\$ BILLIONS)



Note: Numbers affected by rounding.
Sources: DoD, response to SIGAR data call, 1/13/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.5

ASFF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers affected by rounding.
Sources: DoD, response to SIGAR data call, 1/13/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

STATUS OF FUNDS

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.⁶⁷

As of December 31, 2011, DoD had disbursed more than \$30.96 billion for ANSF initiatives. Of this amount, more than \$19.81 billion was disbursed for the ANA, and more than \$10.98 billion was disbursed for the ANP; the remaining more than \$0.16 billion was directed to related activities.⁶⁸

As shown in Figure 3.6, the largest portion of the funds disbursed for the ANA—nearly \$8.91 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—nearly \$3.53 billion—supported Sustainment, as shown in Figure 3.7.⁶⁹

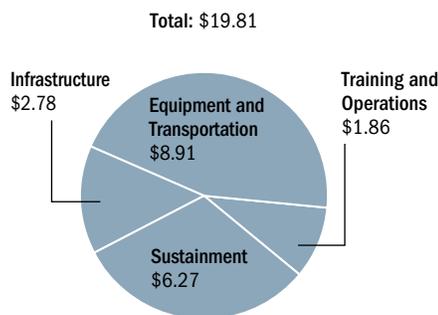
Budget Activity Groups: categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

Sub-Activity Groups: accounting groups that break down the command's disbursements into functional areas

Sources: 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 3.6

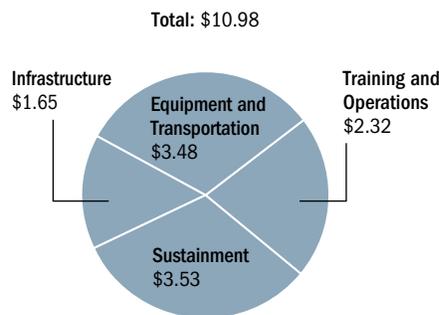
ASFF DISBURSEMENTS FOR THE ANA BY SUB-ACTIVITY GROUP, FY 2005–DECEMBER 31, 2011 (\$ BILLIONS)



Note: Numbers affected by rounding.
Source: DoD, response to SIGAR data call, 1/13/2012.

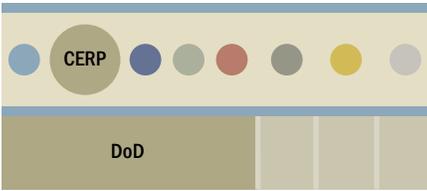
FIGURE 3.7

ASFF DISBURSEMENTS FOR THE ANP BY SUB-ACTIVITY GROUP, FY 2005–DECEMBER 31, 2011 (\$ BILLIONS)



Note: Numbers affected by rounding.
Source: DoD, response to SIGAR data call, 1/13/2012.

STATUS OF FUNDS



CERP FUNDS TERMINOLOGY

OMB reported CERP funds as appropriated.

Appropriations: Total monies available for commitments

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Sources: OMB, response to SIGAR data call, 4/19/2010; 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.⁷⁰ Projects with cost estimates exceeding \$1.00 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over \$5.00 million require approval from the Deputy Secretary of Defense. CERP-funded projects may not exceed \$20.00 million.⁷¹

As of December 31, 2011, DoD reported that the total cumulative funding for CERP amounted to nearly \$3.44 billion.⁷² DoD reported that of this amount, nearly \$2.20 billion had been obligated, of which nearly \$1.94 billion had been disbursed.⁷³ Figure 3.8 shows CERP appropriations by fiscal year.

DoD reported that cumulative obligations as of December 31, 2011, decreased by nearly \$1.39 million over cumulative obligations as of September 30, 2011. Cumulative disbursements as of December 31, 2011, increased by more than \$80.01 million over cumulative disbursements as of September 30, 2011.⁷⁴ Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.8

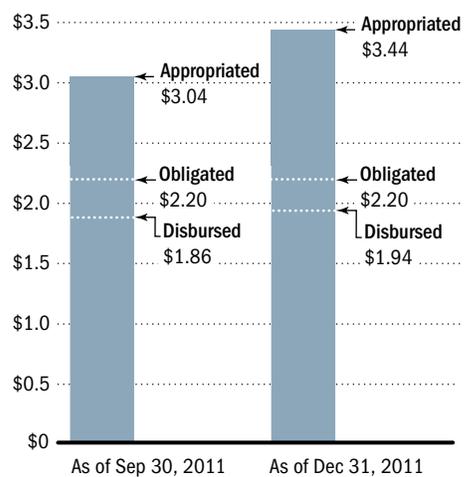
CERP APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.
Sources: DoD, response to SIGAR data call, 1/17/2012; P.L. 112-74, 12/23/2011; OMB, response to SIGAR data call, 7/19/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.9

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



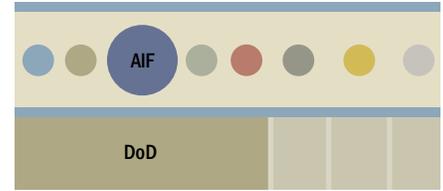
Notes: Numbers affected by rounding. Data may include inter-agency transfers.
Sources: DoD, responses to SIGAR data call, 1/17/2012 and 10/20/2011; P.L. 112-74, 12/23/2011; OMB, response to SIGAR data call, 7/19/2011; P.L. 112-10, 4/15/2011.

AFGHANISTAN INFRASTRUCTURE FUND

The Ike Skelton National Defense Authorization Act for FY 2011 established the Afghanistan Infrastructure Fund (AIF) to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Thirty days before obligating or expending funds on an AIF project, the Secretary of Defense is required to notify the Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.⁷⁵

The Consolidated Appropriations Act of 2012 appropriated \$400.00 million for the AIF, bringing the total cumulative appropriations for this fund to \$800.00 million. DoD reported that as of December 31, 2011, more than \$224.65 million of this amount had been obligated, of which nearly \$10.05 million had been disbursed.⁷⁶ Figure 3.10 shows AIF appropriations by fiscal year.

DoD reported that cumulative obligations as of December 31, 2011, increased by more than \$8.85 million over cumulative obligations as of September 30, 2011. Cumulative disbursements as of December 31, 2011, increased by nearly \$6.97 million over cumulative disbursements as of September 30, 2011.⁷⁷ Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for AIF projects.



AIF FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.10

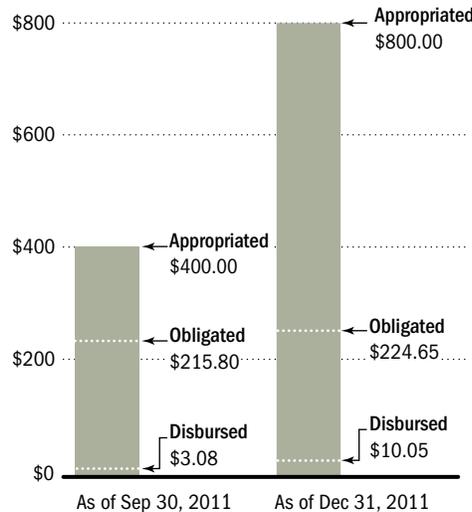
AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.
Sources: P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.11

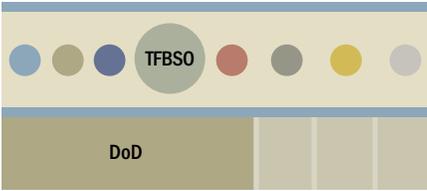
AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.
Sources: DoD, responses to SIGAR data call, 1/17/2012 and 10/20/2011; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

SIGAR AUDIT

In an ongoing audit, SIGAR is focusing on selection, inter-agency coordination, and sustainability of projects in the Afghanistan Infrastructure Program (AIP), which is supported by the AIF. For more information, see Section 2, page 37.



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

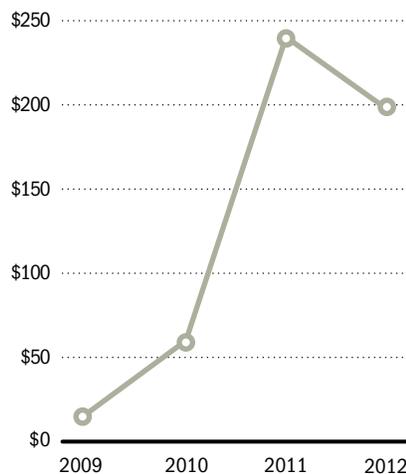
The Task Force for Business and Stability Operations (TFBSO) was established in June 2006 and operated for several years in Iraq. In 2010, the TFBSO began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.⁷⁸

For FY 2012, the TFBSO received funding of \$199.16 million, bringing the total cumulative funding for the task force to nearly \$512.66 million.⁷⁹ As of December 31, 2011, more than \$321.90 million of this amount had been obligated, of which nearly \$136.91 million had been disbursed.⁸⁰ Figure 3.12 displays the amounts appropriated for TFBSO projects by fiscal year.

DoD reported that cumulative obligations as of December 31, 2011, increased by more than \$30.83 million over cumulative obligations as of September 30, 2011. Cumulative disbursements as of December 31, 2011, increased by more than \$23.21 million over cumulative disbursements as of September 30, 2011.⁸¹ Figure 3.13 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for TFBSO projects.

FIGURE 3.12

TFBSO APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.
Sources: DoD, response to SIGAR data call, 1/2/2012; P.L. 112-74, 12/23/2011; OMB, response to SIGAR data call, 7/19/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.13

TFBSO FUNDS, CUMULATIVE COMPARISON (\$ MILLIONS)

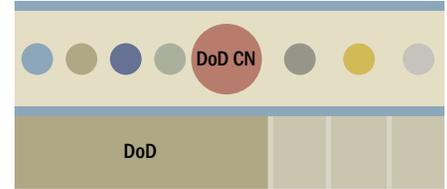


Notes: Numbers affected by rounding. Data may include inter-agency transfers.
Sources: DoD, responses to SIGAR data call, 1/2/2012 and 10/3/2011; P.L. 112-74, 12/23/2011; OMB, response to SIGAR data call, 7/19/2011; P.L. 112-10, 4/15/2011.

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 bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.⁸²

Figure 3.14 shows DoD CN appropriations by fiscal year. DoD reported cumulative appropriations, obligations, and disbursements as of December 30, 2011. These amounts increased by nearly \$392.55 million over cumulative appropriations, obligations, and disbursements as of September 30, 2011, bringing total cumulative appropriations, obligations, and disbursements for this fund to more than \$2.28 billion.⁸³ Figure 3.15 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for DoD CN projects.



DoD CN FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.14

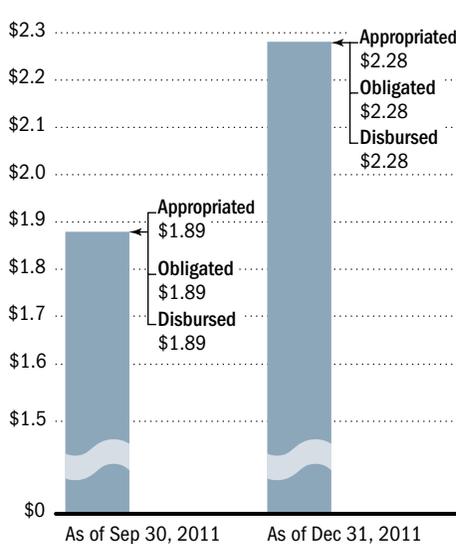
DoD CN APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.
Source: DoD, response to SIGAR data call, 1/4/2012.

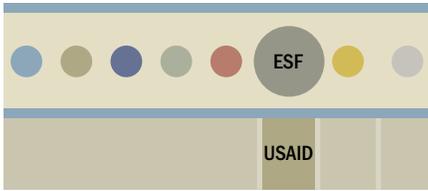
FIGURE 3.15

DoD CN FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)



Note: Numbers affected by rounding.
Source: DoD, responses to SIGAR data call, 1/4/2012 and 10/4/2011.

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

Sources: OMB, response to SIGAR data call, 4/19/2010; 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.⁸⁴

Although the Consolidated Appropriations Act of 2012 appropriated FY 2012 funds for the ESF, the amount allocated for reconstruction in Afghanistan had not been determined at press time. As of December 31, 2011, USAID reported that the total cumulative funding for the ESF amounted to nearly \$13.02 billion. Of this amount, nearly \$10.66 billion had been obligated, of which nearly \$8.54 billion had been disbursed.⁸⁵ Figure 3.16 shows ESF appropriations by fiscal year. Figure 3.17 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2011, decreased by more than \$8.85 million over cumulative obligations as of September 30, 2011. Cumulative disbursements as of December 31, 2011, increased by more than \$355.92 million over cumulative disbursements as of September 30, 2011.⁸⁶ Figure 3.17 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.16

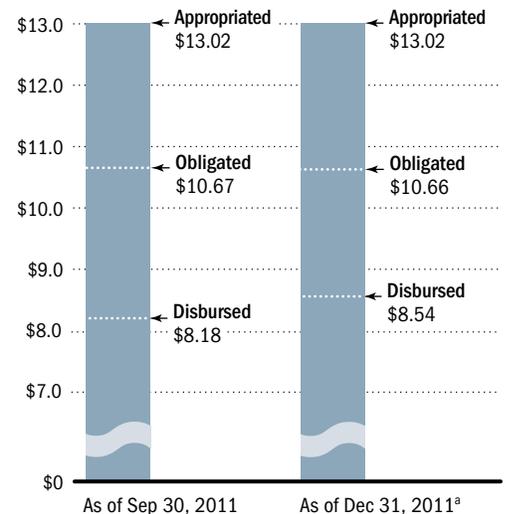
ESF APPROPRIATIONS BY FISCAL YEAR
(\$ BILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.
a. Consolidated Appropriations Act of 2012 signed 12/23/2011; Afghanistan FY 2012 funding level for ESF not yet determined.
Sources: USAID, response to SIGAR data call, 1/5/2012; OMB, response to SIGAR data call, 7/19/2011

FIGURE 3.17

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



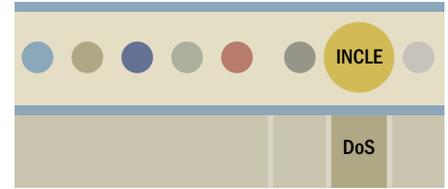
Notes: Numbers affected by rounding. Data may include inter-agency transfers. Updated data resulted in a lower obligation figure than reported last quarter.
a. Consolidated Appropriations Act of 2012 signed 12/23/2011; Afghanistan FY 2012 funding level for ESF not yet determined.
Sources: USAID, responses to SIGAR data call, 1/5/2012 and 10/3/2011; OMB, response to SIGAR data call, 7/19/2011.

INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counter-narcotics, and rule of law and justice.⁸⁷

Although the Consolidated Appropriations Act of 2012 appropriated FY 2012 funds for the INCLE account, the amount allocated for reconstruction in Afghanistan had not been determined at press time. As of December 31, 2011, DoS reported that the total cumulative funding for INCLE amounted to nearly \$3.26 billion. Figure 3.18 displays INCLE allotments by fiscal year. Of this amount, nearly \$2.85 billion had been obligated, of which more than \$2.07 billion had been liquidated.⁸⁸

INL reported that cumulative obligations as of December 31, 2011, increased by nearly \$8.17 million over cumulative obligations as of September 30, 2011. Cumulative liquidations as of December 31, 2011, increased by nearly \$109.76 million over cumulative liquidations as of September 30, 2011.⁸⁹ Figure 3.19 provides a cumulative comparison of amounts allotted, obligated, and liquidated for INCLE.



INL FUNDS TERMINOLOGY

INL reported INCLE and other INL funds as allotted, obligated, or liquidated.

Allotments: Total monies available for commitments

Obligations: Commitments to pay monies

Liquidations: Monies that have been expended

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

FIGURE 3.18

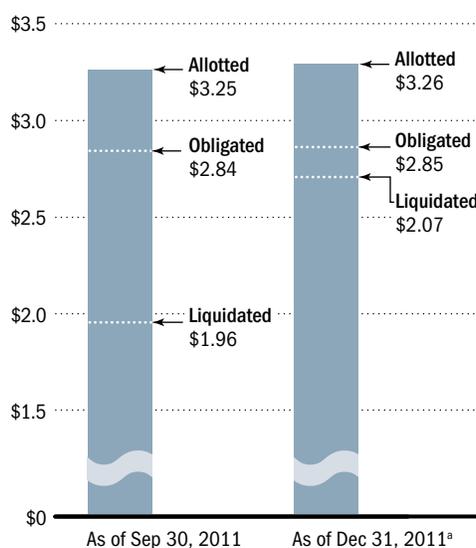
INCLE ALLOTMENTS BY FISCAL YEAR (\$ MILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers. Updated data resulted in a higher appropriation figure for FY 2005 than reported last quarter.
a. Consolidated Appropriations Act of 2012 signed 12/23/2011; Afghanistan funding level for INCLE not yet determined.
Source: DoS, response to SIGAR data call, 1/10/2012.

FIGURE 3.19

INCLE FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.
a. Consolidated Appropriations Act of 2012 signed 12/23/2011; Afghanistan funding level for INCLE not yet determined.
Sources: DoS, responses to SIGAR data call, 1/10/2012 and 10/13/2011.

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).⁹⁰

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, 2011, the World Bank reported that 33 donors had pledged more than \$5.15 billion, of which nearly \$4.56 billion had been paid in.⁹¹ The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing nearly 43% of total ARTF funding, as shown in Figure 3.20. According to the World Bank, donors have pledged \$913.67 million to the ARTF for the current Afghan fiscal year—solar year 1390—which runs from March 21, 2011, to March 20, 2012.⁹² Figure 3.21 shows the 12 largest donors to the ARTF for SY 1390.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁹³ As of December 21, 2011, according to the World Bank, nearly \$2.30 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.⁹⁴ 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 sufficient funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.⁹⁵

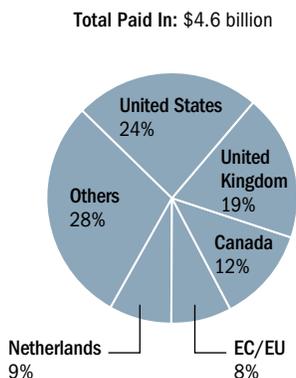
The Investment Window supports the costs of development programs. As of December 21, 2011, according to the World Bank, more than \$1.98 billion had been committed for projects funded through the Investment Window, of which more than \$1.50 billion had been disbursed. The World Bank reported 20 active projects with a combined commitment value of \$981.55 million, of which approximately \$497.40 million had been disbursed.⁹⁶

Contributions to the Law and Order Trust Fund for Afghanistan

The United Nations Development Programme administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior.⁹⁷ Since 2002, donors had pledged nearly \$2.13 billion to the LOTFA, of which more than \$2.12 billion had been paid in as of September 30, 2011, according to the most recent data available.⁹⁸

FIGURE 3.20

ARTF CONTRIBUTIONS PAID IN BY DONORS SINCE SY 1381, AS OF DECEMBER 21, 2011 (PERCENT)



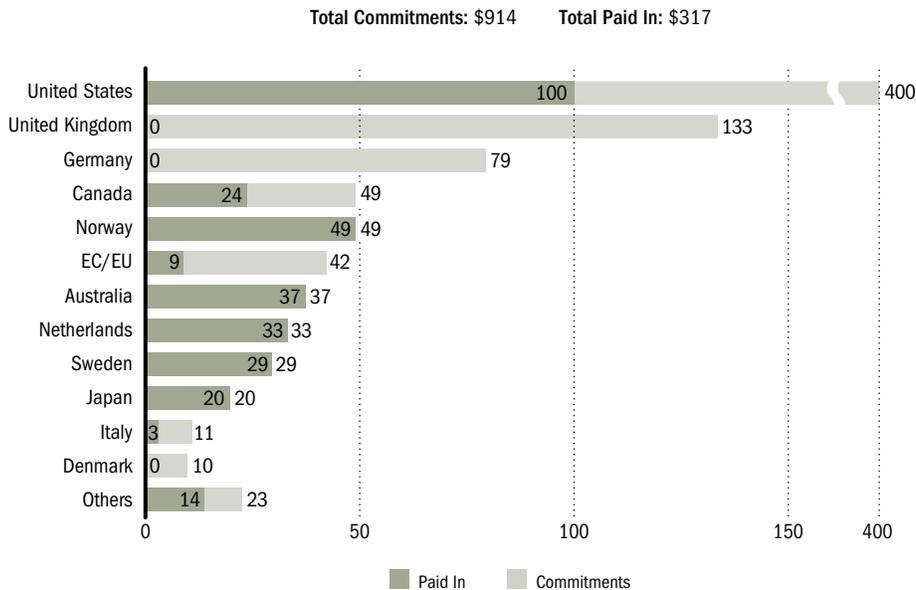
Notes: Numbers affected by rounding. SY = solar year. SY 1381 = 3/21/2002–3/20/2003. “Others” includes 28 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of December 21, 2011,” p. 5.

STATUS OF FUNDS

FIGURE 3.21

ARTF CONTRIBUTIONS FOR SY 1390 BY DONOR, AS OF DECEMBER 21, 2011 (\$ MILLIONS)

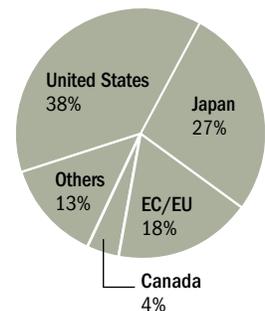


Notes: Numbers affected by rounding. SY = solar year. SY 1390 = 3/21/2011–3/20/2012.
Source: World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2011," p. 1.

The LOTFA's sixth support phase started on January 1, 2011, and will run through March 31, 2013. In Phase VI, the LOTFA has transferred more than \$356.35 million to the Afghan government to cover ANP salaries, nearly \$11.60 million for Central Prisons Department staff remunerations, and an additional \$6.67 million for capacity development and other LOTFA initiatives for the first nine months of 2011.⁹⁹ As of September 30, 2011, donors had committed more than \$598.35 million to the LOTFA for Phase VI. Of that amount, the United States had committed more than \$257.07 million, and Japan had committed \$240.00 million. Their combined commitments make up more than 83% of LOTFA Phase VI commitments as of September 30, 2011.¹⁰⁰ The United States had contributed nearly \$812.74 million to the LOTFA since the fund's inception.¹⁰¹ Figure 3.22 shows the four largest donors to the LOTFA since 2002.

FIGURE 3.22

DONORS' CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF SEPTEMBER 30, 2011 (PERCENT)



Notes: Numbers affected by rounding. EC/EU = European Commission/European Union.
Source: UNDP, "LOTFA Phase VI Quarterly Progress Report Q3/2011," 10/27/2011; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 1/20/2012.

ENDNOTES

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63. DoD, response to SIGAR vetting, 7/20/2009.
64. See Appendix B of this report.
65. DoD, response to SIGAR data call, 1/13/2012.
66. DoD, responses to SIGAR data call, 1/13/2012 and 10/17/2011.
67. DoD OIG, "Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund - Phase I," 11/5/2007, p. 2.
68. DoD, response to SIGAR data call, 1/13/2012.
69. DoD, response to SIGAR data call, 1/13/2012.
70. DoD, Financial Management Regulation, "Commander's Emergency Response Program: Vol. 12, Ch. 27," 1/2009, p. 27-3.
71. DoD, response to SIGAR vetting, 4/21/2010; P.L. 112-74, 12/23/2011.
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75. U.S. Senate Committee on Armed Services, press release, "Senate Passes Ike Skelton National Defense Authorization Act for Fiscal Year 2011," 12/22/2010.
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80. DoD, response to SIGAR data call, 1/2/2012.
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82. DoD, "Drug Interdiction and Counter-Drug Activities, Defense FY 2009 Supplemental Request Drug Interdiction and Counterdrug Activities," accessed 4/13/2010.
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88. DoS, response to SIGAR data call, 1/10/2012.
89. DoS, responses to SIGAR data call, 1/10/2012 and 10/13/2011.
90. SIGAR, "Quarterly Report to the U.S. Congress," 7/30/2010, p. 51.
91. World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2011," p. 5.
92. World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2011," p. 1.
93. World Bank, "Quarterly Country Update: Afghanistan," 4/2011, p. 16.
94. World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2011," p. 7.

ENDNOTES

95. World Bank, "Quarterly Country Update: Afghanistan," 4/2011, p. 16.
96. World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2011," p. 7.
97. EC, "Afghanistan: State of Play, January 2011," 3/31/2011, p. 7.
98. UNDP, "LOTFA Phase VI Quarterly Progress Report Q3/2011," Table 1, 10/27/2011; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 1/20/2012.
99. UNDP, "LOTFA Phase VI Quarterly Progress Report Q3/2011," Table 2, 10/27/2011.
100. UNDP, "LOTFA Phase VI Quarterly Progress Report Q2/2011," p. 1, accessed 6/22/2011.
101. UNDP, "LOTFA Phase VI Quarterly Progress Report Q3/2011," Table 1, 10/27/2011; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 1/20/2012.

SECURITY

As of December 31, 2011, the U.S. Congress had appropriated more than \$52.1 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$50.6 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF)—including \$11.2 billion appropriated for FY 2012 and signed into law on December 23, 2011.¹⁰² ASFF funds are provided through the Combined Security Transition Command - Afghanistan (CSTC-A) to build, equip, train, and sustain the ANSF—the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the \$50.6 billion appropriated for the ASFF, approximately \$35.7 billion had been obligated and \$31.0 billion disbursed as of December 31, 2011.¹⁰³

This section discusses assessments of the ANSF and the ministries of Defense and Interior. It provides an overview of U.S. funds used to build, equip, train, and sustain the ANSF and an update on efforts to combat the cultivation and trade of illicit narcotics in Afghanistan. In addition, this section examines progress on security-related reconstruction issues during the 10 years since the start of U.S. operations in Afghanistan.

10 YEARS OF RECONSTRUCTION

During the Bonn Process, the Afghan government and the international community had relatively modest targets for force strength: 70,000 for the ANA and 63,000 for the ANP. In response to deteriorating security, the Afghan government and the international community steadily increased end-strength targets, more than doubling the size of the ANSF—from 132,000 to 305,000—during the Reconstruction Surge. In recent years, the United States also increased its focus on building the capacity of the ministries of Defense and Interior to support and sustain these forces. In October 2011, the North Atlantic Treaty Organization (NATO) Training Mission - Afghanistan (NTM-A) noted that despite “extraordinary success in equipping [and] training the ANSF,” continued high attrition rates in the ANA threaten long-term sustainability and require an Afghan-generated solution.¹⁰⁴ As the international community began to transition responsibility for security to the ANSF, it set a new end-strength goal of 352,000—195,000 for the ANA and 157,000 for the ANP.



KEY EVENTS THIS QUARTER

On November 25–26, 2011, U.S. and Pakistani military forces fired at each other across the Afghanistan border, resulting in the deaths of 24 Pakistani soldiers. In response to the incident, Pakistan closed two routes that NATO used to move supplies through Pakistan to troops in Afghanistan.¹⁰⁵

On December 22, 2011, the Department of Defense (DoD) released the findings of its investigation into the incident and shared the report with the Pakistani and Afghan governments, and NATO leaders. Although DoD found that U.S. forces acted in self-defense and appropriately, it also found that inadequate coordination by U.S. and Pakistani officers resulted in a misunderstanding about the location of Pakistani units. Other gaps in information about unit activities and placement on both sides also contributed to the tragedy.¹⁰⁶

ANSF ASSESSMENT

This quarter, the operational effectiveness of the ANA continued to improve, according to the International Security Assistance Force (ISAF) Joint Command (IJC). This assessment was based on a December 2011 Commander's Unit Assessment Tool (CUAT) report, which rated 214 units of the ANA's six corps, the Special Operations Force, the 111th Capital Division, and the Headquarters Security and Support Brigade. The total number of units reported was 216—an increase of 55 since the August 2011 CUAT report. The report also stated that within the highest rating categories, 7 units were rated “independent with advisors” (compared with 1 unit in the August report), 85 units were rated “effective with advisors” (compared with 56 units), and 89 units were rated “effective with partners” (compared with 58 units).¹⁰⁷ Nearly half of the units rated “independent” were in the 205th Corps, as shown in Figure 3.23.

The operational effectiveness of the ANP also continued to improve this quarter. Within the three main ANP components—the Afghan Uniform Police (AUP), the Afghan Border Police (ABP), and the Afghan National Civil Order Police (ANCOP)—29 units received the “independent with advisors” rating, according to IJC. Last quarter, no units received that rating.¹⁰⁸ The number of ANP units also increased this quarter, as shown in Table 3.1.

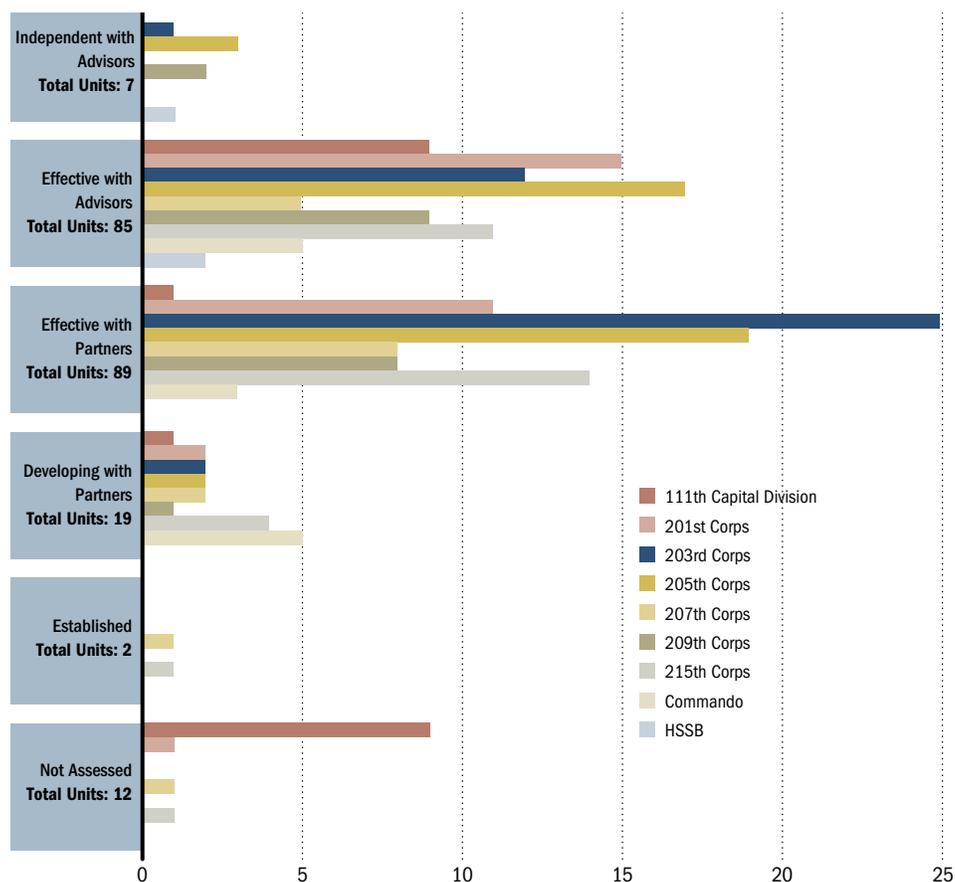
CUAT Ratings

According to ISAF, the CUAT uses five ratings in assessing the readiness of ANA and ANP units:¹⁰⁹

- **Independent with Advisors:** plans and executes missions, maintains command and control of subordinates, calls on and coordinates quick reaction forces and medical evacuations, exploits intelligence, and operates in a wider intelligence system.
- **Effective with Advisors:** conducts effective planning, synchronizing, directing, and reporting of operations and status with only limited, occasional guidance from coalition forces and enablers as needed, and occasional augmentation from coalition forces.

FIGURE 3.23

ANA UNITS BY ASSESSMENT RATING, AS OF DECEMBER 8, 2011



Notes: Rating categories are explained on page 68. HSSB = Headquarters Security and Support Brigade (Ministry-level unit).

Source: ISAF-IJC, response to SIGAR data call, 1/3/2012.

TABLE 3.1

ANP UNIT ASSESSMENTS: QUARTERLY CHANGE						
Rating	AUP		ABP		ANCOP	
	10/2011	12/2011	10/2011	12/2011	10/2011	12/2011
Independent with Advisors	0	19	0	6	0	4
Effective with Advisors	59	106	10	20	11	8
Effective with Partners	53	91	14	14	3	3
Developing with Partners	22	19	3	4	2	3
Established	3	12	0	2	0	1
Not Assessed	22	68	12	0	4	2
Total Units Reported	159	315	39	46	20	21

Notes: Rating categories are explained on page 68. AUP = Afghan Uniform Police. ABP = Afghan Border Police. ANCOP = Afghan National Civil Order Police.

Source: ISAF-IJC, responses to SIGAR data call, 1/3/2012 and 10/4/2011.

- **Effective with Partners:** requires routine mentoring for planning, synchronizing, directing, and reporting operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Unit enablers are augmented by coalition force enablers.
- **Developing with Partners:** requires partnering and assistance for planning, synchronizing, directing, and reporting operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Some effective unit enablers provide support, but most enablers and support provided from coalition forces.
- **Established:** beginning to organize but barely capable of planning, synchronizing, directing, or reporting operations and status, even with assistance of a partner unit. Barely able to coordinate and communicate with other units. Few effective unit enablers, providing little or no support. Coalition forces provide most support.

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

As noted in previous SIGAR quarterly reports, ISAF has used the CUAT to rate the ANSF since April 2010, when it phased out the original assessment tool, the Capability Milestone (CM) rating system. (The CM rating system is still used to assess ministerial readiness.)

CUAT Utility for ANA Development

This quarter, the DoD Office of Inspector General (DoD OIG) released an audit report on U.S. and coalition efforts to develop the ANA's logistical capabilities. A portion of that report considered CUAT reporting. The report noted a lack of feedback on CUAT trend analysis, data, and recommendations from IJC to the ANSF Development Directorates in the ISAF Regional Commands (RCs). According to DoD OIG, the result is that the directorates may not be effective in monitoring the output and eventual outcome of CUAT-related guidance and resource decisions. That could delay the transition from ISAF to ANA leadership of logistics and maintenance operations. The report also noted that the CUAT did not capture the capability and effectiveness of ANA logistics and maintenance systems at or below the Corps level. As a result, IJC was unable to adequately measure progress toward the development of an enduring logistics and maintenance capability in ANA corps, brigades, and *kandaks* (battalions).¹¹⁰

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

Assessments of the Ministry of Defense (MoD) and the Ministry of Interior (MoI) this quarter showed continued progress in both. To rate the operational capability of these ministries, NTM-A uses the CM rating system. This system assesses staff sections (such as the offices headed by assistant or deputy ministers) and cross-functional areas (such as general staff offices) using four primary and two secondary ratings:¹¹¹

- CM-1A: capable of autonomous operations.
- CM-1B: capable of executing functions with coalition oversight only.

Source: DoD, "Mullen Tours Forward Outposts in Afghanistan," 4/22/2009, accessed 1/4/2012.

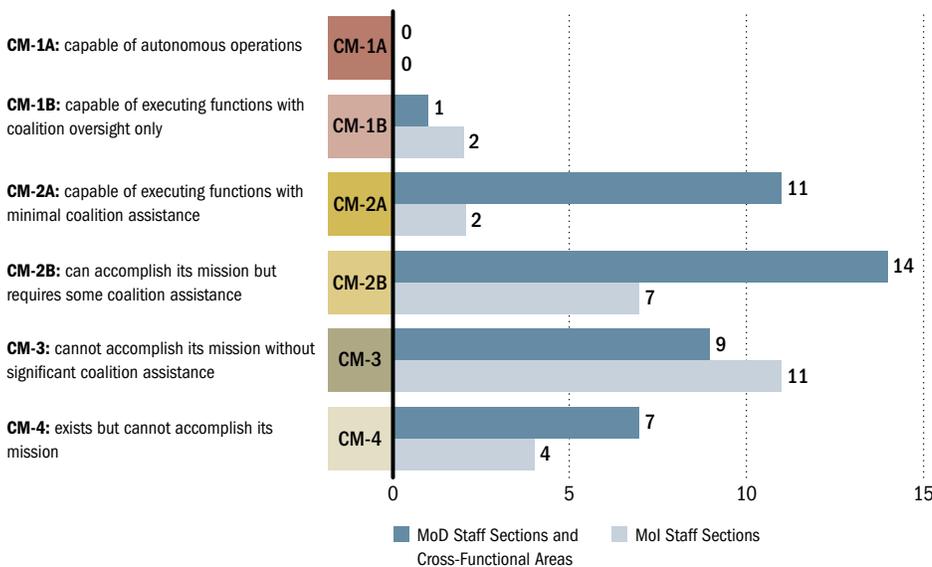
- CM-2A: capable of executing functions with minimal coalition assistance.
- CM-2B: can accomplish its mission but requires some coalition assistance.
- CM-3: cannot accomplish its mission without significant coalition assistance.
- CM-4: exists but cannot accomplish its mission.

At the MoD, 42 of 47 staff sections and cross-functional areas were assessed this quarter. Of those, 26% had achieved a rating of CM-2A, and 33% had achieved a rating of CM-2B, as shown in Figure 3.24. Six staff sections and cross-functional areas improved (one achieved a CM-1B rating—the second highest rating), 36 were stable, and none regressed this quarter. According to CSTC-A, 10 staff sections and cross-functional areas are expected to reach the CM-1A rating (“capable of autonomous operations”) in October 2012; that number is expected to reach 22 in October 2013, and 34 in October 2014.¹¹²

At the MoI, 26 of 30 staff sections were assessed this quarter; 15% had achieved a rating of CM-2A or higher. Two staff sections improved, 24 were stable, and none regressed this quarter. Most staff sections were rated CM-2B (7 sections) or CM-3 (11 sections), as shown in Figure 3.24. The first staff section is expected to achieve a CM-1A rating in April 2012, according to CSTC-A. The number of staff sections to achieve that rating is expected to rise to 4 in October 2012, to 13 in October 2013, and to 25 in October 2014.¹¹³

FIGURE 3.24

CAPABILITY MILESTONE RATINGS OF MoD AND MoI



Source: CSTC-A, response to SIGAR data call, 1/3/2012.

TABLE 3.2

ANSF FORCE STRENGTH AGAINST TARGET GOALS			
Priority	Targets	Status This Quarter	Change Since Last Quarter
Afghan National Army	171,600 troops by 10/2011	176,354 personnel (as of 11/2011)	+7,278
	195,000 troops by 10/2012		
Afghan National Police	134,000 personnel by 10/2011	143,797 personnel (as of 12/2011)	+7,675
	157,000 personnel by 10/2012		

Sources: CSTC-A, response to SIGAR data call, 1/3/2012; CSTC-A, ANP PERSTAT, 12/2011; CENTCOM, response to SIGAR data call, 10/3/2011; DoD, "Report on Progress Toward Security and Stability in Afghanistan," 10/2011, p. 4; ISAF-IJC, ANP PERSTAT, 8/2011.

ANSF STRENGTH GOALS

This quarter, the force strength of the ANSF was 320,151 (176,354 in the ANA; 143,797 in the ANP).¹¹⁴ In June 2011, the Afghan government approved an increase to 352,000 by October 2012—195,000 in the ANA and 157,000 in the ANP. According to DoD, the ANA and ANP are on track to achieve those goals.¹¹⁵ Table 3.2 shows the progress in achieving strength goals since last quarter.

SECURITY HIGHLIGHTS

Throughout 2011, the rate of civilian casualties improved slightly, although security-related events had risen throughout the year. Overall, the number of civilian casualties from January through November 2011 declined 7% from the same period in 2010, according to the most recent report from the United Nations (UN) Secretary-General. According to ISAF, insurgents caused more than 85% of civilian casualties in 2011; improvised explosive devices (IEDs) caused more than 60% of those casualties. The number of civilian casualties caused by ISAF from January through November rose by 7% over the same period in 2010; however, the number of civilian deaths decreased by 8%.¹¹⁶

In his December 13, 2011, report to the UN Security Council, the UN Secretary-General stated that the number of security-related events declined in September, October, and November 2011, compared with the previous three-month reporting period and with the same months in 2010. However, he noted that this trend should be placed in the context of the first 11 months of 2011. As of the end of November, the average monthly number of security-related events was up 21% over the first 11 months of 2010. According to the UN Secretary-General, 65% of the events from September through November were armed clashes or incidents involving IEDs.¹¹⁷

As noted in SIGAR's October 2011 quarterly report, the data reported by the UN differs in category and coverage from the data reported by ISAF. ISAF includes only attacks initiated by insurgent elements; the UN includes all incidents. For example, the UN includes a range of events—cache finds, arrests, assassinations, intimidation, and others—that ISAF does not.¹¹⁸

Transition Progress

As noted in SIGAR's July 2011 quarterly report, the first provinces and districts began transitioning to ANSF-led security on July 20, 2011: the provinces of Bamiyan, Balkh (partial), Panjshir, and Kabul (except the district of Sarobi); the cities of Mazar-e Sharif and Herat; and the districts of Lashkar Gah in Helmand and Mehtar Lam in Laghman. According to DoD, these areas represent "Tranche 1" of the transition. Tranche 1 areas contain approximately 25% of Afghanistan's population and reflect a geographic and ethnic balance of areas that have begun the transition process. Although challenges remain, the security situation remained generally stable in those areas. DoD expected those areas to complete the transition process within the next 10–22 months; however, the agency noted that the process may take longer in the districts of Mehtar Lam and Lashkar Gah. As of December 31, 2011, all Tranche 1 areas have entered at least the second of four stages of security; Kabul, Bamiyan, and Mazar-e Sharif are the most advanced.¹¹⁹

In addition to Tranche 1 areas, one province in Tranche 2—Parwan—also has begun the process of transition. Tranche 2 areas include cities and districts in 18 provinces throughout the country.¹²⁰

According to DoD, those cities and districts should begin the transition process in January 2012. DoD does not anticipate any subsequent tranches to begin the process before March 31, 2012. Following the implementation of transition in Tranche 2 areas, approximately 50% of the population will live in areas where Afghans lead security efforts.¹²¹

The UN Secretary-General noted that in areas that transitioned to Afghan-led security in July 2011, "no significant deterioration in public order occurred" from September through November 2011. The ANSF carried out greater numbers and more complex operations—some of which were conducted unaided—but still required logistical support from international forces, according to the UN Secretary-General.¹²²

AFGHAN NATIONAL ARMY

As of December 31, 2011, the United States had obligated \$22.8 billion and disbursed \$19.8 billion from the ASFF to build, train, and sustain the ANA.¹²³ Appropriations by category and sub-category were not available as this report went to press.

ANA Strength

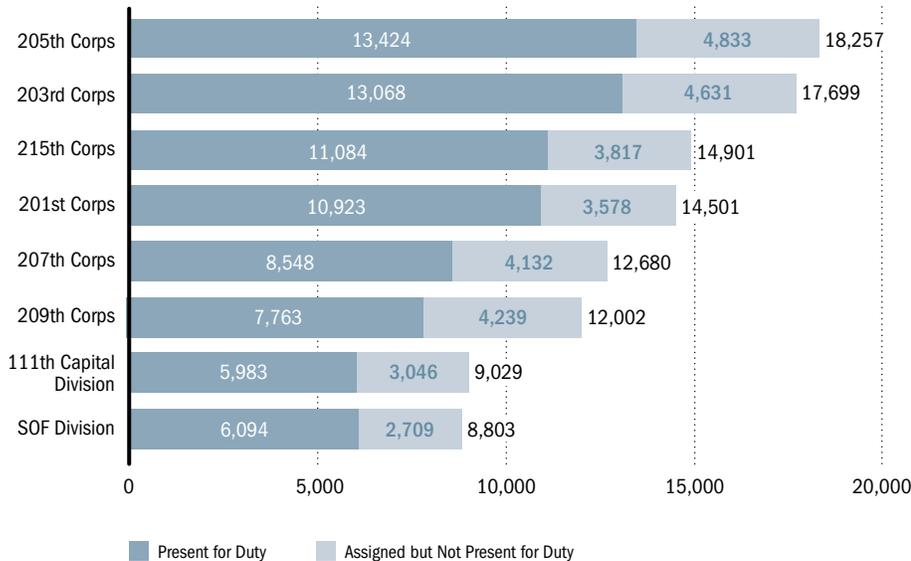
On November 25, 2011, the ANA's strength was 176,354—an increase of 7,278 since last quarter—according to CSTC-A. Of those personnel, 110,543 were present for duty; 29,147 were in training or awaiting assignment to authorized positions; 23,316 were on leave, sick, or assigned to temporary duty; and 13,348 were absent without leave (AWOL). The ANA consists of 23,484 officers; 49,074 noncommissioned officers; 100,182 soldiers; and 3,614 cadets.¹²⁴

Most ANA personnel are assigned to the ANA's six corps, its Special Operations Force, and its 11th Capital Division, as noted in previous SIGAR

SECURITY

FIGURE 3.25

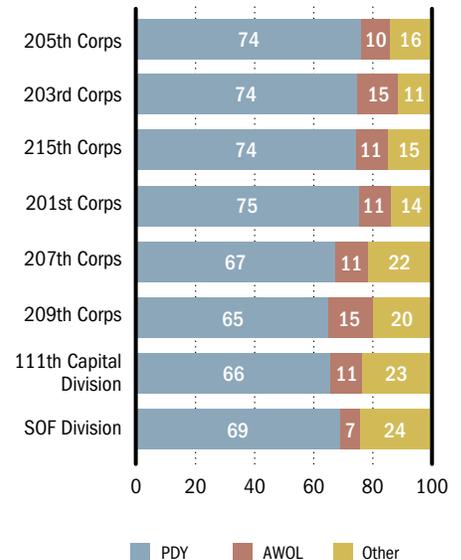
ANA PERSONNEL STRENGTH, SELECTED COMPONENTS, ON NOVEMBER 25, 2011



Notes: SOF = Special Operations Force. PDY = present for duty. Assigned but not PDY = on medical, training, or authorized leave, as well as absent without leave.
Source: CSTC-A, response to SIGAR data call, 1/3/2012.

FIGURE 3.26

ANA PERSONNEL PRESENCE, SELECTED COMPONENTS, ON NOVEMBER 25, 2011 (PERCENT)



Notes: Numbers affected by rounding. SOF = Special Operations Force. PDY = present for duty. AWOL = absent without leave. Other = on medical, training, or authorized leave.
Source: CSTC-A, response to SIGAR data call, 1/3/2012.

quarterly reports. According to CSTC-A, 107,872 personnel were assigned to these forces as of November 25, 2011.¹²⁵ However, the number of troops assigned does not necessarily equal the number of troops present for duty, as noted in previous SIGAR quarterly reports and shown in Figure 3.25. Of these forces, 7–15% were AWOL, as shown in Figure 3.26.

ANA personnel represent all of Afghanistan’s main ethnic groups. Pashtuns and Tajiks make up more than 79% of the force and nearly 82% of the officers, according to CSTC-A. Other ethnic groups that are well represented in the ANA are the Hazara (10.4%) and the Uzbeks (6.1%).¹²⁶

ANA Sustainment

As of December 31, 2011, the United States had obligated \$7.0 billion and disbursed \$6.3 billion of ASFF funds for ANA sustainment.¹²⁷ These funds are used to provide logistical items (such as fuel), maintenance services, clothing, individual equipment, ammunition, and personnel salary and incentive programs.¹²⁸

ANA Salaries

This quarter, the United States spent approximately \$111.1 million on ANA salaries, according to CSTC-A.¹²⁹ SIGAR’s October 2011 quarterly report cited a CSTC-A estimate that the United States had spent approximately \$1.1 billion

on ANA salaries from 2008 through September 30, 2011. According to CSTC-A, that figure included contributions made by the Afghan government. The updated figure for FY 2008 through December 31, 2011 (\$830.4 million) reflected only U.S. contributions for ANA salary remuneration.¹³⁰

ANA Equipment and Transportation

As of December 31, 2011, the United States had obligated and disbursed \$8.9 billion from the ASFF for ANA equipment and transportation.¹³¹ These funds are used to purchase vehicles, aircraft, and weapons:¹³²

- vehicles: armored personnel carriers, high-mobility multi-purpose wheeled vehicles (HMMWVs), tractors, etc.
- aircraft: helicopters, fixed-wing aircraft, etc.
- weapons: M16A2 rifles, M240B machine guns.
- communications equipment: radios.

As of December 31, 2011, the United States had provided the ANA with 190,574 weapons (at a cost of \$381.8 million), 36,313 vehicles (\$3.5 billion), and 80,762 pieces of communications equipment (\$414.7 million). Together, these costs represent approximately 76% of the total cost of equipment required to meet ANA needs.¹³³

This quarter, according to CSTC-A, the United States provided the ANA with 4,368 weapons (valued at \$9.0 million), 1,034 vehicles (\$179.0 million), and 6,627 pieces of communications equipment (\$20.5 million).¹³⁴

As of December 31, 2011, the Afghan Air Force inventory consisted of 76 aircraft:¹³⁵

- 33 Mi-17s (transport helicopters).
- 11 Mi-35s (attack helicopters).
- 14 C-27s (cargo planes).
- 6 MD-530Fs (light helicopters).
- 6 C-182Ts (four-person trainers).
- 6 C-208Bs (light transport planes).

ANA Infrastructure

As of December 31, 2011, the United States had obligated \$5.1 billion and disbursed \$2.8 billion from the ASFF for ANA infrastructure.¹³⁶ These funds support these key activities:¹³⁷

- building new or expanded facilities for training, Afghan Air Force, and force protection uses, as well as garrisons and storage depots
- converting coalition force installations for ANA use

According to CSTC-A, 43% of planned, U.S.-funded infrastructure projects for the ANA had been completed (158 projects valued at approximately \$1.8 billion), and 57% were either in progress or had not yet been awarded (210 projects, approximately \$4.4 billion), as of December 31, 2011.¹³⁸

This quarter, 7 ANA infrastructure projects were awarded (valued at \$88.1 million), 124 were ongoing (\$2.6 billion), 3 were completed (\$63.6 million),

SIGAR AUDIT

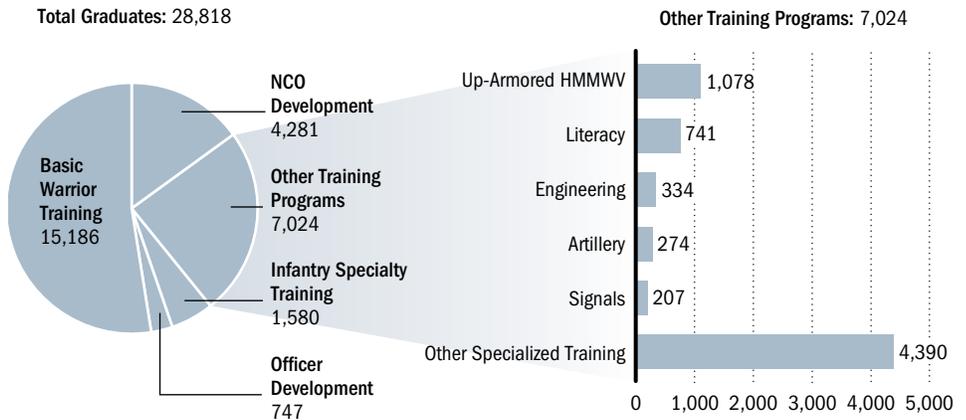
In its audit of DoD accountability for vehicles provided to the ANSF by CSTC-A, SIGAR found that although nearly all the vehicles were accounted for, CSTC-A did not regularly file claims for damaged or missing equipment. As a result, CSTC-A was providing fuel to the ANA for vehicles that had been destroyed. SIGAR estimates that CSTC-A will save nearly \$5 million in FY 2012 by reducing fuel delivery to the ANA. For more information, see Section 2, page 33.

SIGAR AUDIT

In an ongoing audit, SIGAR is focusing on the reliability of funding and contract data maintained by the CENTCOM Joint Theater Support Contracting Command (C-JTSCC) on prime vendors for major reconstruction contracts in Afghanistan. For more information, see Section 2, page 38.

FIGURE 3.27

ANA TRAINING GRADUATES BY PROGRAM



Notes: Graduates as of 12/31/2011. HMMWV = high-mobility, multi-purpose wheeled vehicle.

Source: CSTC-A, response to SIGAR data call, 1/3/2012.

SIGAR AUDIT

In an ongoing audit, SIGAR is focusing on U.S. Army Corps of Engineers operations and maintenance contracts for ANSF facilities. For more information, see Section 2, page 38.

and 3 were terminated, according to CSTC-A. Of the ongoing projects, those with the highest cost were the first phase of construction of the Afghan Defense University in Kabul (approximately \$95.2 million), an ANA garrison in Paktika for the 203rd Corps (\$94.4 million), and an ANA garrison in Helmand for the 215th Corps (\$90.4 million). Phase 1 construction of the Afghan Defense University is scheduled for completion in February 2012; the garrison in Paktika, March 2012; and the garrison in Helmand, January 2013.¹³⁹

ANA Training and Operations

As of December 31, 2011, the United States had obligated and disbursed \$1.9 billion from the ASFF for ANA operations and training.¹⁴⁰ These funds were used to provide ANA and MoD personnel with training and train-the-trainer programs. Training subjects included leadership development, medicine, communications, intelligence, and air operations.¹⁴¹

This quarter, 28,818 ANA personnel—2,632 more than last quarter—graduated from training courses funded by the ASFF, according to CSTC-A. Of that number, 4,281 graduated from training and development courses for noncommissioned officers (NCOs), and 747 graduated from courses for officers, as shown in Figure 3.27.¹⁴²

ANA Literacy

According to CSTC-A, the literacy rate of the ANA alone is unknown; however, CSTC-A noted that the UN Educational, Scientific, and Cultural Organization (UNESCO) estimated the literacy rate for the entire ANSF at approximately 14%.¹⁴³



An Afghan graduate of an ANA Basic Warrior Training course in Herat shows off his certificate on December 29, 2011. The nine-week course prepares new ANA recruits by teaching them drill, weapons, and patrol skills and training them to man checkpoints and conduct convoy operations. This quarter, 15,186 ANA soldiers graduated from Basic Warrior Training, according to CSTC-A. Credit: ISAF photo, SGT Bryon Boyes.

CSTC-A identifies three levels of literacy, using the UNESCO definition for level 3:¹⁴⁴

- Level 1: read and write single words, count to 1,000, add and subtract whole numbers.
- Level 2: read and write sentences, multiply and divide numbers, identify units of measurement.
- Level 3: “identify, understand, interpret, create, communicate, compute and use printed and written materials associated with varying contexts”.

At levels 1 and 2, individuals are classified as functionally illiterate. According to CSTC-A, functional literacy is achieved only upon completing level 3 literacy training.¹⁴⁵

The current goal is 100% level 1 literacy and 50% level 3 literacy by January 2015, according to CSTC-A. As noted in SIGAR’s October 2011 quarterly report, the previous goal was 100% level 3 literacy by 2014.¹⁴⁶

To provide literacy training to the ANA and the ANP, the United States funds three contracts—one awarded to a U.S. company and two to Afghan companies, according to CSTC-A. Together, the three contracts, which include a base year and four one-year options, are capped at \$200 million. The contracts began in August 2010, and the first one-year options were exercised in August 2011. If all options are exercised, these contracts will end in August 2015.¹⁴⁷

According to CSTC-A, as of December 1, 2011, three contractors were providing 1,224 literacy trainers—471 fewer than last quarter—to the ANA.¹⁴⁸

- OT Training Solutions (a U.S. company) was providing 468 trainers.
- Insight Group (an Afghan company) was providing 216 trainers.
- The Higher Education Institute of Karwan (an Afghan company) was providing 540 trainers.

Women in the ANA

As of December 31, 2011, ANA personnel included 335 women—210 officers, 104 noncommissioned officers, 7 soldiers, and 14 cadets in training—according to CSTC-A. The current target is for women to make up 10% of the ANA.¹⁴⁹

CSTC-A identified two U.S. goals for supporting gender integration: to help the ANA lay the foundation for establishing a culture supportive of women and to institutionalize mechanisms for recruiting, training, assigning, and retaining women. CSTC-A noted that a key component of NTM-A's Gender Integration Ministerial Development Plan (MDP) is a plan to create a Human Rights, Ethnic Balancing, and Gender Integration Office within the MoD in March 2012. That plan was proposed during the ANA's command plan review process. The office would be led by a high-ranking civilian who would report to the Minister of Defense as a special advisor. The office would consist of three branches:¹⁵⁰

- Oversight and Inspections.
- Plans, Policy, and Coordination.
- Recruiting, Training, and Assigning.

As part of the MDP, a curriculum for the female NCO course is being developed; enrollment is scheduled for January 2011, according to CSTC-A. In addition, an Afghan-led Women's Integration Committee at the National Military Academy of Afghanistan is preparing for the first full-time enrollment of women in March 2012. In conjunction with the ANA Training Command, NTM-A is developing training on gender integration, sexual harassment, and assault prevention to be delivered to ANA leaders and to all units and headquarters where women currently work or will be assigned in the near future.¹⁵¹

The MDP also focuses on recruiting, according to CSTC-A. The MoD issued recruiting targets for officer and NCO training and tasked female ANA soldiers from the Religious and Cultural Affairs Office to recruit candidates for officer training schools from high schools. Moreover, NTM-A is funding a \$1.4 million recruiting media campaign that is expected to air throughout the nation.¹⁵²

U.S. Support for the Ministry of Defense

As of December 31, 2011, the United States had spent approximately \$378 million on the development of the MoD, according to CSTC-A. For the MoD development plan, \$572 million will be required in FY 2013–2017, CSTC-A noted. As of December 31, 2011, NTM-A had 187 advisors and mentors—117 fewer than last quarter—assigned to the MoD:¹⁵³

- 109 U.S. personnel.
- 15 coalition personnel.
- 63 contractors.

According to CSTC-A, the Master Ministerial Development Plan (MMDP) was implemented in December 2011 to strengthen five areas in the MoD:¹⁵⁴

- executive leadership and defense policy.
- lines of operation.
- human resource management.
- national logistics.
- resource management.

CSTC-A noted that development plans for offices within the MoD and the ANA General Staff will be grouped for better integration of results. As part of the revised MMDP, advisors will provide updated assessments of ministerial capacity in the five areas noted above while producing new development plans that for the first time will be linked to the ability of the ministry and the general staff to function at a strategic level. According to CSTC-A, this alignment should help the coalition prioritize ministerial capacity-building efforts. It should also help focus the limited availability of advisors on critical, transition-related objectives.¹⁵⁵

This quarter, CSTC-A identified challenges in the following areas:¹⁵⁶

- improving the quality of key leaders through the engagement of ISAF, IJC, and NTM-A leaders with their counterparts in the MoD and ANA General Staff.
- synchronizing ISAF and IJC combined campaign planning and geographic transition with ministerial development plans and programs.
- clarifying coalition strategic-operational-tactical coordination of national logistics capacity building.
- improving civilian-led national command structures.

AFGHAN NATIONAL POLICE

As of December 31, 2011, the United States had obligated \$12.7 billion and disbursed \$11.0 billion from the ASFF to build, train, and sustain the ANP.¹⁵⁷

ANP Strength

This quarter, the total strength of the ANP was 143,797, according to CSTC-A. Of that number, 80,718 were assigned to the AUP; 21,203 were assigned to the ABP; and 15,540 were assigned to the ANCOP, as shown in Table 3.3 on the next page.

The total strength exceeded the number of ANP personnel authorized by the tashkil; however, many of these “over-tashkil” personnel were in training and had not yet been assigned to tashkil positions. The number of tashkil-authorized positions has changed over time in line with ANP needs and overall strength goals. For example, since August 2011, the number of positions authorized for ANP training centers increased while the number for MoI headquarters decreased.¹⁵⁸

TABLE 3.3

ANP FORCE STRENGTH, DECEMBER 2011			
	Authorized (Tashkil)	Assigned to Tashkil Positions	Not Assigned to Tashkil Positions
ANP (Total Strength: 143,797)	138,121 ^a	135,957	7,840 ^c
Breakdown By ANP Component			
AUP	80,275	80,718	—
ABP	23,086	21,203	—
ANCOP	13,678	15,540	—
Other Units	21,082 ^b	18,496 ^b	—

Note: AUP = Afghan Uniform Police. ABP = Afghan Border Police. ANCOP = Afghan National Civil Order Police. — = not available.
 a. Includes authorized AUP, ABP, and ANCOP personnel in addition to authorized personnel for Mol headquarters, anti-crime, training, counter-narcotics, traffic, medical, intelligence, and fire units.
 b. Includes personnel authorized for or assigned to Mol headquarters, anti-crime, training, counter-narcotics, traffic, medical, intelligence, and fire units.
 c. Students enrolled in initial entry training programs.

Source: CSTC-A, ANP PERSTAT, 12/2011.

ANP Sustainment

As of December 31, 2011, the United States had obligated \$3.9 billion and disbursed \$3.5 billion from the ASFF for ANP sustainment.¹⁵⁹ These funds are used to provide logistical items (such as fuel), maintenance services, clothing, individual equipment, ammunition, and personnel salaries.¹⁶⁰

ANP Salaries

This quarter, the United States provided approximately \$49.7 million of the \$127.7 million in international donations for ANP salaries, according to CSTC-A. According to CSTC-A, the United States paid approximately \$261.0 million of \$678.3 million (38%) of ANP salaries in 2011. Since 2002, the United States has contributed approximately \$914.0 million to the UN Development Programme's Law and Order Trust Fund for Afghanistan (LOTFA).¹⁶¹ The LOTFA supports the establishment, payment, equipping, and training of the ANP.¹⁶² Other nations contributing to the LOTFA to pay ANP salaries include Japan (which pays 24% of salaries) and the European Union (18%). The Afghan government pays 16% of ANP salaries and food costs.¹⁶³ However, as noted previously, it relies heavily on donor grants to fund security spending.¹⁶⁴

The United States has provided approximately \$19.4 million in non-LOTFA contributions to pay the salaries of Afghan Local Police (ALP) members.¹⁶⁵

ANP Equipment and Transportation

As of December 31, 2011, the United States had obligated and disbursed \$3.5 billion from the ASFF for ANP equipment and transportation.¹⁶⁶ These funds are used to provide the ANP (including the ALP and Afghan Public Protection Force [APPF]) with vehicles, weapons, and equipment:¹⁶⁷

- vehicles: light trucks, HMMWVs, fire trucks, etc.

- weapons: assault rifles, grenade launchers, machine guns, etc.
- equipment: medical, communications, and office equipment.

This quarter, the United States provided the ANP with 11,006 weapons (valued at \$13.5 million), 711 vehicles (\$49.1 million), and 3,495 pieces of communications equipment (\$5.7 million). The largest costs were for 123 HMMWVs (\$28.3 million), 538 light tactical vehicles (\$14.2 million), and 8,428 AK-47 rifles (\$10.5 million).¹⁶⁸

As of December 31, 2011, 100% of the weapons required by the ANP had been procured and 99% delivered, according to CSTC-A. In addition, 95% of transportation-related equipment had been procured and 73% delivered; and 95% of communications equipment had been procured and 71% delivered.¹⁶⁹

As of December 31, 2011, the ANP's Air Interdiction Unit had an inventory of 20 Mi-17 helicopters.¹⁷⁰

ANP Infrastructure

As of December 31, 2011, the United States had obligated \$2.9 billion and disbursed \$1.7 billion ASFF for ANP infrastructure.¹⁷¹ These funds support these key activities:¹⁷²

- building district headquarters, new or expanded ANP and ANCOP facilities, fire stations, and special police facilities.
- building enabler facilities, such as MoI administrative buildings.

According to CSTC-A, 43% of planned, U.S.-funded ANP infrastructure projects have been completed (380 projects valued at approximately \$1.1 billion), and 57% either are underway or have not yet been awarded (498 projects, approximately \$2.9 billion), as of December 31, 2011.¹⁷³

This quarter, 16 ANP infrastructure projects were awarded (valued at \$122.3 million), 216 were underway (\$1.2 billion), 8 were completed (\$21.2 million), and 2 were terminated, according to CSTC-A. Of the ongoing projects, those with the highest costs were a national police training center in Wardak (approximately \$107.1 million) and regional police training centers in Herat (\$61.6 million) and Kandahar (\$61.4 million). The national police training center in Wardak is scheduled for completion in January 2012; the regional training center in Herat, February 2013; and the regional training center in Kandahar, November 2012.¹⁷⁴

ANP Training and Operations

As of December 31, 2011, the United States had obligated \$2.4 billion and disbursed \$2.3 billion from the ASFF for ANP training and operations.¹⁷⁵ These funds support generalized, logistical, communications, intelligence, literacy, and other specialized training for the ANP, MoI, fire department personnel, criminal investigators, and the APPF.¹⁷⁶ This quarter, 7,519 students graduated from 49 ANP courses, according to CSTC-A.¹⁷⁷

According to CSTC-A, the United States provides ANP training support at 14 NTM-A police training sites, as well as trainers and advisors at 18 NTM-A police

SIGAR AUDITS

This quarter, SIGAR initiated four inspections of construction projects contracted by the U.S. Army Corps of Engineers for ANSF facilities in three provinces: Kunduz, Nangarhar, and Wardak. SIGAR will inspect the quality of construction and determine whether the facilities are being operated and maintained for the purposes intended. For more information, see Section 2, page 32.

training sites, through its contract with DynCorp International (DynCorp). This contract is staffed by 3,500 DynCorp employees, most of whom provide non-training support services such as maintenance, health, and welfare support. Half of the DynCorp employees on this contract are Afghan nationals, according to CSTC-A.¹⁷⁸

Of the DynCorp employees on the contract, 139 provide training, advising, and/or mentorship at NTM-A police training sites, and 340 employees provide mentorship to ANP operational units, according to CSTC-A. Employees who mentor operational units are under the direction of IJC, not NTM-A, but are funded through NTM-A under the contract. In addition, CSTC-A noted that a training program support office provides direct oversight of the DynCorp contract. The DynCorp contract is the largest but not the only training support contract for the ANP: several contracts with local Afghan companies provide support at training sites that are not under the DynCorp contract.¹⁷⁹

ANP Literacy

According to CSTC-A, the literacy rate of the ANP as a whole is unknown, although CSTC-A noted that UNESCO estimated the literacy rate for the entire ANSF at approximately 14%. The current goal is to reach 100% level 1 literacy and 50% level 3 (functional) literacy by January 2015, according to CSTC-A.¹⁸⁰ As noted in SIGAR's October 2011 quarterly report, the previous goal was to achieve level 3 literacy by 2014. However, U.S. Central Command (CENTCOM) noted last quarter that the ANP commander for training programs had pushed the date to 2016.

CSTC-A uses the same classifications and definitions for literacy in the ANP as it does for literacy in the ANA: individuals are classified as illiterate at levels 1 and 2. Level 1 is the ability to read and write single words, count to 1,000, and add and subtract whole numbers. Level 2 is the ability to read and write sentences, multiply and divide numbers, and identify units of measurement. Functional literacy is achieved upon completing level 3 training. Level 3 literacy is characterized by the UNESCO definition: "the ability to identify, understand, interpret, create, communicate, compute and use printed and written materials associated with varying contexts."¹⁸¹

As noted earlier, the United States funds three contracts to provide literacy training to the ANA and ANP—one awarded to a U.S. company and two to Afghan companies. According to CSTC-A, the three contracts are capped at \$200 million in all; they include a base year and four one-year options. The contracts began in August 2010, and the first one-year options were exercised in August 2011. If all options are exercised, these contracts will end in August 2015.¹⁸²

According to CSTC-A, as of December 1, 2011, three contractors were providing 1,115 literacy trainers to the ANP—371 fewer than last quarter:¹⁸³

- OT Training Solutions (a U.S. company) was providing 372 trainers.
- Insight Group (an Afghan company) was providing 298 trainers.
- The Higher Education Institute of Karwan (an Afghan company) was providing 445 trainers.

Women in the ANP

According to CSTC-A, 1,244 women were serving in the ANP as of November 30, 2011—181 officers, 552 NCOs, and 511 enlisted personnel. The goal for the ANP is to recruit 5,000 women by March 2015.¹⁸⁴

This quarter, the ANP Human Rights, Child Rights, and Gender Rights Directorate began a campaign to recruit high school and university seniors through advertising and on-site visits, according to CSTC-A. CSTC-A noted that an increased number of personnel authorizations in each province were designated to be filled by women.¹⁸⁵

According to CSTC-A, the United States is supporting this effort by participating in NTM-A's gender integration and mainstreaming program. Two U.S. advisors are working with this program, two U.S. advisors are assigned to the MoI's Human Rights and Gender Offices, and two U.S. advisors work with the Afghan Recruiting Command to increase the number of women in the ANP and ANA.¹⁸⁶

U.S. Support for the Ministry of Interior

The MoI ministerial mentoring and training program sends U.S. and coalition subject matter experts (government and contractor) to develop police systems in personnel, intelligence, logistics, communications, force generation and management, finance, medical, engineering, acquisition, legal, public affairs, strategy, and policy, according to CSTC-A. The contract for this project was awarded to DynCorp on December 20, 2010 for a 2-year cost of \$718 million with one option year. The ministerial mentoring and training program is one of four contracts rolled under a larger effort to integrate the ABP training (a DoD contract), Afghan Civilian Advisory Services (a DoS contract), and Embedded Police Mentors (a DoS contract). The DoS contracts are with the agency's Bureau of International Narcotics and Law Enforcement Affairs (INL).¹⁸⁷

Afghan Local Police

The Afghan Local Police (ALP) is the MoI's community watch program. It enables communities to protect themselves where there is no significant ISAF or ANSF presence.¹⁸⁸ Although called "police," ALP members do not have arrest authority. In addition, they are not counted in tallies of the ANP's strength, according to DoD.¹⁸⁹ However, U.S. funding through the ASFF pays for U.S. efforts to build, equip, train, and sustain the ALP.¹⁹⁰

As of December 31, 2011, the ALP had 10,594 members, according to the Combined Forces Special Operations Component Command - Afghanistan (CFSOCC-A). The goal is 30,000 members in 99 districts and at ALP headquarters in Kabul by 2014. To support the ALP and cover its salaries, CSTC-A and CFSOCC-A had obligated \$37.9 million of ASFF funds as of December 31, 2011. According to CFSOCC-A, ALP members operate at 150 sites; they are mentored by the Combined Joint Special Operations Task Force and ISAF Regional Commands East and Southwest.¹⁹¹

According to the UN Secretary-General, local defense forces—including the ALP—have contributed to stability in some areas; however, concerns remain over issues such as human rights abuses and the potential re-emergence of ethnically or politically biased militias. The UN Secretary-General noted that the UN Assistance Mission - Afghanistan had voiced these concerns to the relevant authorities and had been advised that they would increase their efforts to provide strict oversight.¹⁹²

Private Security Contractors and the Afghan Public Protection Force

This quarter, 20,375 private security contractor (PSC) personnel were working for DoD in Afghanistan—33% more than last quarter, according to CENTCOM.¹⁹³ The number of Afghan PSC personnel increased by nearly 42% while the number of U.S. and third-country national PSC personnel declined, as shown in Table 3.4. U.S. officials have told SIGAR that the APPF is making progress; however, the latest assessment was not available at the time this report went to press.

As noted in previous SIGAR quarterly reports, in August 2010, President Karzai had decreed that all national and international PSCs would be disbanded by the end of the year. Instead, the MoI announced in December 2010 that PSCs could continue to operate with new restrictions that would prevent them from conducting actions that fall within the authority of Afghan law enforcement agencies. In March 2011, the Afghan government released its bridging strategy for transitioning the lead on security from PSCs to the APPF. This strategy allowed PSCs that were licensed by the MoI and had agreed to certain staffing limitations to operate and perform security for diplomatic and ISAF projects; however, PSCs that perform security services for development and humanitarian projects were to be replaced by the APPF by March 2012.¹⁹⁴

In September 2011, the MoI, ISAF, and representatives of the U.S. Embassy Kabul completed a six-month assessment of the effectiveness of the bridging strategy and the capacity of the APPF, according to DoD. Specifically, the assessment reviewed whether the APPF will be able to effectively manage and provide security to ISAF and ANSF construction sites and ISAF bases at the end of the

SIGAR AUDIT

In an ongoing audit, SIGAR is identifying the PSCs used by USAID's implementing partners and determining their costs and status in light of the Afghan government's intention to transfer PSC security functions to the APPF in March 2012. For more information, see Section 2, page 38.

TABLE 3.4

PSC PERSONNEL WORKING FOR DoD IN AFGHANISTAN			
	As of 7/7/2011 PSC Contractors	As of 12/9/2011 PSC Contractors	5-Month Difference PSC Contractors
U.S. citizens	693	570	-123
Third-country nationals	1,282	897	-385
Afghan nationals	13,330	18,908	+5,578
Total	15,305	20,375	+5,070

Sources: CENTCOM, "Contractor Support of U.S. Operations in the USCENTCOM Area of Responsibility, Iraq, and Afghanistan," 7/7/2011, accessed 10/13/2011; CENTCOM, "Contractor Support of U.S. Operations in the USCENTCOM Area of Responsibility, Iraq, and Afghanistan," 1/2012, accessed 1/14/2012.

bridging period. According to the assessment, the APPF was unable to carry out a number of tasks:¹⁹⁵

- Execute and maintain the business operations necessary to remain a viable and solvent business.
- Recruit, vet, train, pay, equip, deploy, and sustain guard forces to meet contract requirements.
- Negotiate and establish legal and enforceable contracts with customers for security services.
- Command and control security operations across Afghanistan.
- Meet the requirements of the bridging strategy.

In addition, the APPF had not created a functioning state-owned entity to support the business operations that are essential to manage and execute contracted security services.¹⁹⁶

As of December 31, 2011, the APPF had 6,558 personnel, according to CSTC-A. Of those, 5,624 were assigned and present for duty—221 on the LOTFA tashkil (funded through the LOTFA) and 5,403 on the MoI tashkil. According to CSTC-A, all LOTFA-funded assigned APPF personnel are trained; however, training data for personnel on the MoI tashkil was not available, specifically for those assigned to security contracts. CSTC-A assumes that all APPF personnel on the MoI tashkil are trained either through ANP courses, the APPF training center, or through on-the-job training.¹⁹⁷

According to CSTC-A, the MoI is in the process of expanding the LOTFA tashkil to meet the requirements associated with the implementation of Presidential Decree 62.¹⁹⁸ That decree, which President Karzai issued in August 2010, placed the responsibility for the provision of security services under the direct authority and oversight of the Afghan government through the APPF.¹⁹⁹ PSCs previously provided these services. Pending approval, the expanded tashkil is expected to authorize billets for 516 uniformed APPF members—including staff for the APPF Training Center and operational staff—to provide the expertise needed to provide security services to the international development community and ISAF. The MoI is also expected to add billets for 130 civilians to support business operations within the APPF.²⁰⁰

U.S. FORCES

According to U.S. Forces - Afghanistan (USFOR-A), 98,933 U.S. forces were serving in the country as of December 31, 2011.²⁰¹

- 71,742 to ISAF.
- 2,780 to NTM-A/CSTC-A.
- 14,565 to USFOR-A.
- 9,846 to other assignments (CENTCOM).

REMOVING UNEXPLODED ORDNANCE

From 2002 through December 31, 2011, DoS provided more than \$212.6 million in funding for the Non-Proliferation, Anti-Terrorism, Demining, and Related programs in Afghanistan, according to the DoD Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA).²⁰² DoS directly funds five Afghan non-governmental organizations (NGOs), five international NGOs, and one U.S. company (DynCorp) to carry out sustained clearance operations and remove and mitigate abandoned and at-risk weapons. In addition, DoS assists the ANSF with the destruction of its excess, unserviceable, and at-risk weapons and ordnance. It also provides technical assistance for maintaining the physical security and managing the stockpile of ANSF weapons and ordnance.²⁰³

This quarter, the PM/WRA noted successes in the mine action program over the past four quarters. The number of hazardous areas and contaminated areas remaining has steadily declined, as shown in Table 3.5. The PM/WRA attributed this success, in part, to enhanced coordination between the Mine Action Coordination Center of Afghanistan (MACCA) and the U.S. Embassy Kabul. However, the PM/WRA noted that reduced contributions to the Afghan demining and weapons destruction programs have forced the MACCA to revise its strategic goal and near-term objectives. Its goal is to clear 90% of all known areas contaminated by mines and other explosive remnants of war by the end of 2015. It projects that 70% of the contamination will be eliminated by March 2013, assuming that U.S. and international donor funding is sustained at no less than \$80 million per year.²⁰⁴

From October 1, 2010, to September 30, 2011, DoS-funded implementing partners had cleared 31.6 million square meters of contaminated land, according to the most recently available data from PM/WRA. An estimated 602.0 million square meters remain to be cleared.²⁰⁵

TABLE 3.5

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, OCTOBER 1, 2010–SEPTEMBER 30, 2011						
Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m ²)	Estimated Contaminated Area Remaining (m ²)
10/1-12/31/2010	2,219	100,866	1,204,036	3,549,023	5,704,116	641,000,000
1/1-3/31/2011	2,171	55,005	80,156	5,899,573	11,405,068	627,000,000
4/1-6/30/2011	4,043	68,542	481,877	6,259,343	6,799,279	612,000,000
7/1-9/30/2011	2,071	120,616	627,656	6,258,408	7,735,897	602,000,000
Total	10,504	345,029	2,393,725	21,966,347	31,644,360	602,000,000

Notes: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition.

Source: DoS, PM/WRA, response to SIGAR data call, 1/4/2012.

COUNTER-NARCOTICS

From 2002 to September 30, 2011, the United States had appropriated \$5.7 billion for counter-narcotics initiatives in Afghanistan. Most of these funds were appropriated through two sources: the DoS International Narcotics Control and Law Enforcement (INCLE) account (\$3.3 billion), and the DoD Drug Interdiction and Counter-Drug Activities (DoD CN) fund (nearly \$2.3 billion).²⁰⁶

According to INL, the narcotics trade threatens Afghanistan's political stability, economic growth, and rule of law, as well as its capacity to address internal security problems. Furthermore, it threatens to undermine the overall effort to fight the insurgents.²⁰⁷

The provision of sustainable, licit alternatives to opium poppy cultivation is a cornerstone of U.S. counter-narcotics strategy, INL noted. U.S. agricultural programs—such as USAID's Southern Regional Agricultural Development Project in Helmand and Kandahar, and similar programs in other parts of Afghanistan—promote high-value horticultural crops that provide farmers with economically viable alternatives to poppy production. According to INL, other U.S. agricultural activities that indirectly support the counter-narcotics effort include capacity building of national and provincial institutions, cash-for-work programs, agricultural voucher packages, value chain development, infrastructure development, and agricultural credit extension.²⁰⁸

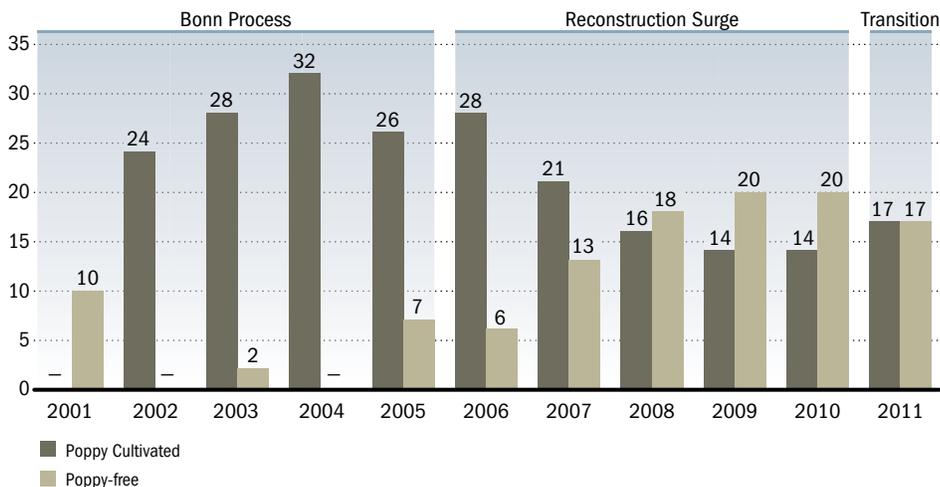
INL stated that illegal narcotics are still a significant source of funding and support for insurgents. It noted that U.S. counter-narcotics efforts do not focus solely on stemming the flow of illegal drugs: they also aim to deny the Taliban and anti-government elements a key funding source. INL also noted that corruption undermines U.S. efforts to transfer as much responsibility as possible to Afghans at the national and the sub-national levels and to reduce the need for a direct U.S. presence in economic development and security initiatives.²⁰⁹

U.S. Counter-Narcotics Programs

INL works with the Ministry of Counter-Narcotics (MCN) to achieve and sustain poppy-free provinces through several programs. The MCN's Good Performer's Initiative (GPI), funded by INL, offers incentives to governors to achieve and sustain reductions in poppy cultivation in their provinces. According to INL, a province is deemed poppy-free when the UN Office on Drugs and Crime (UNODC), in cooperation with MCN, verifies that poppy is cultivated on fewer than 100 hectares a year. In 2011, only 17 provinces are cultivating poppy—down from a high of 32 in 2004 during the Bonn Process, as shown in Figure 3.28 on the following page. Under the terms of the GPI, in each year that a province is poppy-free, it becomes eligible for \$1 million in GPI development projects. Completion of GPI projects shows provincial leaders and citizens the tangible benefits of permanently shifting away from poppy cultivation. Since the start of the program in 2007, more than 90 development projects have been completed or initiated in 32 provinces—including school construction, road and bridge projects, irrigation structures, farm machinery projects, and hospitals and clinic construction.²¹⁰

FIGURE 3.28

POPPY CULTIVATION BY PROVINCE, 2001-2011



Notes: Poppy-free = fewer than 100 hectares under poppy cultivation. — = no data.

Sources: UNODC, "Afghanistan Opium Survey," 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, accessed 1/10/2012.

The Counter-Narcotics Public Information (CNPI) program aims to ensure that poppy-free provinces maintain that status. The Colombo Plan Drug Advisory Program (CPDAP) implements the CNPI in close coordination with the MCN. Through a nationwide public awareness and media campaign, the CPDAP ensures that preventive messages are distributed in the media and at provincial conferences, shuras, scholarly events, and youth outreach events.²¹¹

INL also administers a grant to the Aga Khan Foundation to help sustain the shift away from poppy cultivation in four key northern provinces: Bamian, Takhar, Badakhshan, and Baghlan. Through this grant, the foundation works with district-level development councils, local NGOs, and provincial departments to increase opportunities for work in licit crops to sustain those who transition away from poppy cultivation. The grant aims to promote community buy-in to the Afghan National Drug Control Strategy and the Afghan National Development Strategy.²¹²

This quarter, INL noted that its counter-narcotics efforts remained centered on interdiction and law enforcement, as well as on supporting licit agricultural business. According to INL, U.S. assistance supports public information efforts, capacity-building programs for key counter-narcotics ministries, rule of law, and demand reduction activities. U.S. programs are planned and implemented jointly with the Afghan government and other international partners. INL emphasized



Seized heroin is displayed by a member of the Counter-Narcotics Police of Afghanistan in Lashkar Gah, Helmand. In 2011, the ANSF partnered with ISAF in conducting 521 interdiction operations, which resulted in 644 arrests. Credit: MOD/RAF photo, SAC Neil Chapman.⁴

that parallel and coordinated improvements in security, governance, and rural development can produce a sustainable shift away from poppy cultivation.²¹³

INL also supports MCN programs to reduce poppy supply throughout the illicit cultivation cycle. The Ministry's CNPI program engages Afghan leaders and citizens on the dangers of narcotics cultivation, trade, and use through direct engagement, radio, TV, and print. Although the CNPI campaign is a year-round effort, INL noted that particular emphasis is placed on the pre-planting season, when farmers and communities decide which crops to grow.²¹⁴

Counter-Narcotics Operations

In October 2011, the Counter-Narcotics Police of Afghanistan (CNPA) and Drug Enforcement Administration (DEA) mentors conducted an operation in Kandahar. They seized 10,000 kg of morphine base, 10,000 kg of sodium bicarbonate, and 5,000 kg of morphine/opium precursor materials, according to INL.²¹⁵

In November 2011, the ANP, the National Interdiction Unit (a specialized unit of the CNPA) and their DEA mentors, the U.S. military, and ISAF Special Forces targeted four narcotics production laboratories in Helmand. The joint effort resulted in the seizure and destruction of approximately \$4.6 million worth of equipment and tools, precursor chemicals, and drugs.²¹⁶

Counter-Narcotics Police of Afghanistan

This quarter, the force strength of the CNPA was 2,542, with 292 positions still open, according to DoD. The United States provides 19 mentors to the CNPA; 7 others come from Canada, France, and the United Kingdom. DoD noted that CENTCOM will support several CNPA-related programs in FY 2012, including the following:²¹⁷

- **Technical Investigative Unit (TIU):** supports the Judicial Wire Intercept Program with interpreters, translators, and maintenance personnel. U.S. funding will allow the unit to purchase necessary system upgrades and replacement equipment. The TIU is a key actor in the successful identification and prosecution of narcotics traffickers.
- **CNPA Advisor Program:** mentors CNPA senior management with U.S. law enforcement executives. It also provides operational support teams of communications and medical personnel to accompany specialized counter-narcotics teams on missions. In addition, it trains the CNPA beyond the Counter-Narcotics Basic Course.
- **Counter-Narcotics Training Academy:** provides facilities and instructors for the basic 5-week counter-narcotics training course. Graduates of an 8-week police academy learn investigative techniques and study drug precursor chemicals and counter-narcotics laws.
- **Facilities Sustainment:** supports the operational and maintenance costs of CNPA facilities; an interim measure during the transition to Afghan responsibility for counter-narcotics efforts.
- **Inter-agency Operations and Coordination Center (IOCC):** aims to support IOCC intelligence analysts in producing time-sensitive counter-narcotics and counter-terrorism intelligence.
- **Consolidated Heroin Database:** supports the development of a database similar to the types being used in South America and the Caribbean to track cocaine trafficking.
- **Joint Wire Intercept Program:** enables the Joint Wire Intercept Program to continue working with the TIU in collecting and analyzing telephonic intercepts as evidence in criminal cases dealing with narcotics traffickers.
- **Program Management Support:** supports CNPA program management functions in Kabul, providing proper oversight by subject matter experts to all counter-narcotics programs in Afghanistan.
- **Fixed-Wing Aviation:** supports a fixed-wing aircraft used to move people and equipment to remote areas by U.S. counter-narcotics agencies and Afghan counter-narcotics and border agencies.
- **DEA Air Transportation:** supports DEA requirements for transporting people and equipment.

In addition, INL provides operations and maintenance support, mentoring, and salary support for the DEA-mentored TIU, National Interdiction Unit (NIU), and Sensitive Investigative Unit (SIU). NIU officers are now able to conduct operations, request warrants, and execute them, according to INL. In addition, evidence gathered by the TIU through court-ordered surveillance operations increased the number of large-scale drug trafficking and related corruption cases that were brought to the Criminal Justice Task Force.²¹⁸

Interdiction Operations and Eradication

From January 1 to December 31, 2011, the ANSF partnered with ISAF in conducting 521 narcotics interdiction operations, according to DoD. These operations included partnered patrols, cordon-and-search actions, detentions, and over-watch operations. They resulted in 644 arrests and led to the seizure of the following narcotics contraband:²¹⁹

- 152,997 kg of hashish.
- 65,537 kg of opium.
- 21,275 kg of morphine.
- 7,045 kg of heroin.
- 139,349 kg of narcotics-related chemicals.

Despite these operations, the amount of opium produced increased from 3.6 million kg in 2010 to 5.8 million kg in 2011, according to the UNODC.²²⁰ Its December 2011 Opium Survey noted that the total area under opium cultivation had risen from 123,000 hectares in 2010 to 131,000 hectares in 2011. To conduct this survey, the UNODC works with the MCN.²²¹

This quarter, DoD noted that U.S. forces continued to provide transportation, intelligence, airlift, and quick reaction support for interdiction operations, and the DEA continued to mentor specialized Afghan counter-narcotics units. In addition, the U.S. intelligence community continued to provide targeting and analytical support to Afghan law enforcement and military personnel at the strategic, operational, and tactical levels. The Combined Joint Inter-agency Task Forces *Shafafiyat* and Nexus, in coordination with the IOCC, also supported Afghan law enforcement and military personnel. All operations were coordinated with and received assistance from U.S. and coalition forces commanders on the ground.²²²

INL does not conduct eradication of poppy fields. Instead it provides financial support to the Afghan government's Governor-Led Eradication program to do so. During the 2011 season, poppy was eradicated from 2,316 hectares through the program. These figures were verified through satellite monitoring conducted by the UNODC.²²³

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GOVERNANCE

As of December 31, 2011, the United States had provided nearly \$20.3 billion to support governance and economic development in Afghanistan.²²⁴ This quarter, U.S.-funded programs continued to address persistent problems related to corruption, reintegration, governmental control, rule of law, and governmental capacity.

10 YEARS OF RECONSTRUCTION

During the first phase of the reconstruction effort, the Afghan government and the international community concentrated on implementing the Bonn Agreement, which provided a political roadmap to achieve a representative, democratically elected government under a new constitution. This period ended with the inauguration of a National Assembly on December 5, 2005. Although the Afghan government made progress standing up institutions and began to create a legal framework, it did not have the capacity to manage programs, project authority, or deliver most basic services. During the reconstruction surge, the United States and the international community implemented programs to build governing capacity, advance the rule of law, promote accountability, deter corruption, and support local governance. These efforts have had mixed results, undermined by pervasive corruption, continued lack of security, and repeated attacks on government officials. On the eve of transition, improving governance remained a critical and elusive goal of the reconstruction effort.



KEY EVENTS THIS QUARTER

This quarter, a number of events took place that affected Afghanistan's domestic and international political future. International conferences in Germany and Turkey and a consultative Loya Jirga in Kabul all reached important recommendations and conclusions on the future direction of governance in Afghanistan. In addition, the 2010 elections controversy effectively ended this quarter when the Wolesi Jirga established a quorum.

Special Tribunal and Wolesi Jirga Controversies

On October 5, 2011, the Coalition for Rule of Law ended its boycott of the Wolesi Jirga, enabling that body to establish a quorum three days later. This concluded the dispute that had taken place since the September 2010 elections, according to both the U.K. Foreign and Commonwealth Office and the United Nations (UN)

Secretary-General.²²⁵ However, the coalition reiterated its opposition to the Independent Election Commission's replacement of nine sitting members of the Wolesi Jirga.²²⁶

Loya Jirga

In November, at a traditional Loya Jirga in Kabul, President Hamid Karzai secured the Jirga's support for a strategic partnership with the United States, according to the Department of State (DoS). Once signed, the executive branch planned to present the partnership agreement to the National Assembly for final approval.²²⁷ Despite speculation in the media about his intentions, Karzai reiterated his commitment to stand down as president in 2014, according to the U.K. Foreign and Commonwealth Office.²²⁸

The Loya Jirga published 76 recommendations, including the need to seek an agreement with the United States that gives the Afghan government more control over the use and conduct of night raids and the operations of detention centers.²²⁹ Among other resolution issues, it resolved that the process of reconciliation with former insurgents should continue and, in the face of difficulties in establishing dialogue with the Taliban, that talks between Afghanistan, Pakistan, and the Taliban should be held at a "known address." It also recommended a review of the budget and structure of the High Peace Council.²³⁰ DoS noted that the gathering called for the Council to broaden its composition to better reflect the diversity of opinions on reconciliation.²³¹ In addition, the gathering agreed to assure neighboring countries that foreign troops operating in Afghanistan would not be allowed to conduct operations outside the country.²³²

The UN Secretary-General said that—despite insurgent threats to the large gathering of high-level officials—the Loya Jirga attracted only two security incidents: an attack on a selection meeting for representatives, and two rockets fired at the main meeting that caused minimal damage to the surrounding area.²³³ DoS agreed that the Jirga was a security success.²³⁴

Bonn Conference

On December 5, 2011, at the Bonn Conference in Germany, representatives of the Afghan government and the international community agreed on a number of issues that will affect post-transition Afghanistan. DoS noted that this was the first major conference led independently by Afghanistan which demonstrated the increased capacity and responsibility of the Afghan government. Women made up about 25% of Afghanistan's official delegation.²³⁵ Participants agreed on a number of conclusions related to governance, including the following:²³⁶

- The Afghan Constitution will remain the basis of the political system, and the Afghan government will uphold its obligations on international human rights, including gender equality.
- Democratic institutions require legitimate and effective civilian authority embodied in a democratically elected government and served by quality institutions. Although Afghanistan has made progress, work is still required to

The Afghan government described the November gathering as a "traditional Loya Jirga," rather than a "constitutional Loya Jirga." This designation meant that the gathering was consultative and not legally binding. The Constitution allows for this type of Jirga, according to DoS. About 20% of the 2,000 Afghan representatives invited to attend were women, and at least one woman participated in each of the Loya Jirga's 41 committees, according to the U.K. Foreign and Commonwealth Office.

Sources: DoS, response to SIGAR data call, 12/30/2011; U.K. Foreign and Commonwealth Office, "Afghanistan Monthly

Progress Report: November 2011," 12/8/2011, p. 2.

bolster state institutions and improve governance; state institutions should become more responsive to Afghans' civil and economic needs.

- Consistent with the transition process, international partners and donors will continue to shift from delivering direct services to supplying support for and building capacity in Afghan institutions. This shift will include phasing out all Provincial Reconstruction Teams (PRTs).
- The decade from 2015 to 2024 will be one of transformation, during which the international community will continue to contribute to security and economic development to ensure that the transition is sustainable and irreversible.
- An Afghan-led reconciliation process should continue, be inclusive, and be regionally supported.

DoS stated that the United States would work with the Afghan government and its international partners to make progress on formalizing mutual commitments at two upcoming events: the May 2012 NATO Summit in Chicago and the July 2012 Donor Coordination Conference in Tokyo.²³⁷

Istanbul Conference

On November 2, 2011, representatives of Afghanistan and regional nations—including Turkey, Iran, Pakistan, Tajikistan, Russia, India, and China—adopted a series of commitments at the Istanbul Process on Regional Security and Cooperation for a Secure and Stable Afghanistan.²³⁸ The U.K. Foreign and Commonwealth Office noted that this conference established the first regional framework for cooperation on political and security issues instead of just economic considerations.²³⁹ The regional nations agreed to support a sovereign, independent, and democratic Afghanistan, according to DoS, and agreed to the following priorities:²⁴⁰

- an Afghan-led reconciliation process.
- the transition of responsibility for security.
- respect for territorial borders.
- non-intervention in the internal affairs of other states.
- the dismantling of terrorist sanctuaries.
- a dignified and orderly return of Afghan refugees.
- regionally integrated economic growth through endeavors such as the New Silk Road initiative.

DoS noted that the United States supported the conference, welcomed the agreements, and will continue to support deeper regional cooperation between Afghanistan and its neighbors.²⁴¹

Partnership with India

On October 4, 2011, President Karzai signed a partnership agreement between Afghanistan and India that covers political, security, trade, and economic cooperation. The agreement will be implemented under a partnership council headed by each country's Minister of Foreign Affairs; the council will convene annually.

The council aims to improve capacity development and education, and to establish greater social, cultural, and civil society relations, according to the UN Secretary-General.²⁴²

UN General Assembly Resolution

On November 21, 2011, the UN General Assembly adopted a wide-ranging resolution aimed at moving Afghanistan closer to a stable economic and political future. The Assembly also urgently appealed to the international community to maintain all types of assistance to the Afghan government. The resolution stressed the need for input from a wide array of groups in the country, including minorities and women, and praised the government's reconciliation and reintegration efforts. The resolution also recognized the need for further international support in the development, training, and professionalization of the Afghan National Security Forces (ANSF) after the 2014 transition of responsibility for security.²⁴³

During the discussion of the resolution, the head of the European Union's UN delegation noted that although the Afghan government was making progress in implementing its National Priority Programs, it also needed to follow through on reforms in the public administration and justice systems.²⁴⁴

RECONCILIATION AND REINTEGRATION

The assassination in September 2011 of the head of the High Peace Council, Burhanuddin Rabbani, had significant political and security ramifications this quarter, according to the UN Secretary-General. Rabbani's death intensified internal political maneuvering and weakened trust between ethnic groups. His death also sparked debate on the future of the peace process and the strategic partnership with the United States. Speculation about the responsibility for the assassination had a negative impact on relations with Pakistan.²⁴⁵ On November 1, 2011, a trilateral meeting between Afghanistan, Pakistan, and Turkey produced some progress in rebuilding the relationship between Afghanistan and Pakistan by establishing a joint mechanism to investigate the assassination.²⁴⁶ The National Assembly also called for international cooperation in investigating the attack.²⁴⁷

The attack did not, however, derail the reintegration process. The leader of the Afghan Peace and Reintegration Program (APRP), who was injured in the attack on Rabbani, returned to lead the program this quarter.²⁴⁸ The pace of reintegration remained fairly consistent, and the program continued to progress in developing capacity and support for reintegration, DoS noted.²⁴⁹ More than 650 insurgents formally reintegrated this quarter—mostly in the north and west.²⁵⁰

The assassination of Rabbani did slow the work of the High Peace Council. The General Assembly of the Council failed to meet until November 28, 2011, when the Council and the APRP's Joint Secretariat held a three-day workshop to review the Loya Jirga's recommendations on the peace process. Later that month, the Council met with President Karzai to offer suggestions on how to alter the makeup of the Council and broaden its activities in the provinces.²⁵¹

In other developments, on January 3, 2012, the Taliban reached an initial agreement with the international community to establish its first political overseas office in Qatar. It will be a liaison office for discussing reconciliation issues with the Afghan government and the international community, according to Voice of America and the Civil-Military Fusion Centre. Members of the High Peace Council welcomed the announcement, according to Voice of America.²⁵²

Afghan Peace and Reintegration Program

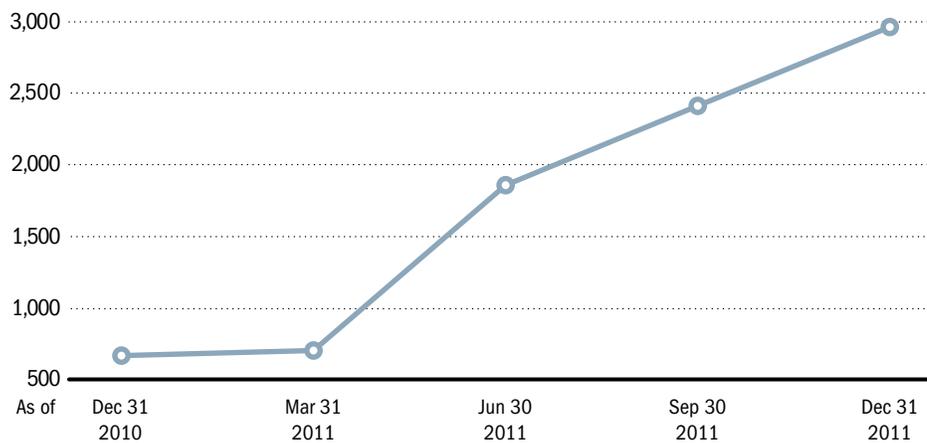
This quarter, according to DoS, 650 former insurgents enrolled in the APRP. That brought the total number of enrollees to 2,970. The number enrolled has increased steadily since the program began, as shown in Figure 3.29. The United States and its international partners provide funding for the APRP, which began in September 2010. As of October 2011, about \$20 million of the APRP Trust Fund's \$94 million budget for the current Afghan fiscal year had been disbursed. DoS expected the pace of disbursement to increase as more projects begin.²⁵³

Reintegration is an essential part of the International Security Assistance Force's (ISAF) broader counter-insurgency campaign. The ISAF Force Reintegration Cell (F-RIC) noted that recent increased military force has put added pressure on insurgents to consider reintegration to avoid being killed or captured.²⁵⁴ DoS noted that as a result of the September 2011 reintegration conference in Kandahar, all the provinces were producing action plans this quarter on how to implement and accelerate reintegration.²⁵⁵

Reintegration efforts in the south and east concentrated on conducting outreach and establishing formal reintegration structures, according to DoS.²⁵⁶ The ISAF F-RIC noted that the number of reintegrees in the south and east has grown

FIGURE 3.29

REINTEGREGES UNDER THE APRP, 2010-2011



Note: Numbers affected by rounding.

Sources: DoS, responses to SIGAR data call, 12/30/2011, 10/6/2011, 7/1/2011, 4/15/2011, and 1/12/2011.

slowly, although many local negotiations are taking place in those areas.²⁵⁷ It estimated that about 80% of insurgents in the south are fighting for reasons other than ideology. The ISAF F-RIC noted that if insurgents' grievances are addressed appropriately, it should be possible to draw them back into society and make the remaining, ideologically motivated fighters irrelevant.²⁵⁸ Various local reintegration bodies and peace committees were working on identifying grievances and resolutions, although these efforts had not yet produced significant increases in numbers of reintegrees.²⁵⁹ As of December 8, 2011, the APRP had conducted outreach and discussion with an additional 1,200 potential reintegrees.²⁶⁰

According to the ISAF F-RIC, four factors should help the APRP gain momentum in the coming quarter:²⁶¹

- ISAF's 2011 surge had a debilitating effect on the insurgency, particularly in the southwest.
- Events such as the Bonn and Istanbul conferences and the Loya Jirga have demonstrated international and domestic political support for the peace process (22 of the Loya Jirga's 76 final resolution articles related to the peace process).
- The APRP has improved its capacity and has expanded its presence to every province.
- During the winter in Afghanistan, many insurgent leaders leave the country, which leaves lower-level insurgents without direct leadership.

Capacity Development for Reintegration

The capacity of the Provincial Joint Secretariat Teams (PJSTs), which administer the APRP regionally, varies considerably by province—as does the implementation of the program. Some PJSTs, like the one in Kunar, actively conduct outreach and promote grievance resolution, according to DoS. Capacity at other PJSTs is significantly limited. To address the problem, the APRP's Joint Secretariat plans to hold a series of training sessions throughout 2012.²⁶²

The United States supports the APRP's national and provincial teams. U.S. personnel in ISAF assist with the Joint Secretariat's training programs, and U.S. military and civilian personnel aid PJST capacity building. Working with the UN Development Programme (UNDP) and the U.S. Agency for International Development (USAID), ISAF has developed a program to build capacity in the PJSTs. According to USAID, ISAF is reviewing whether this program can be funded through DoD's Afghanistan Reintegration Program.²⁶³

Reintegration Progress

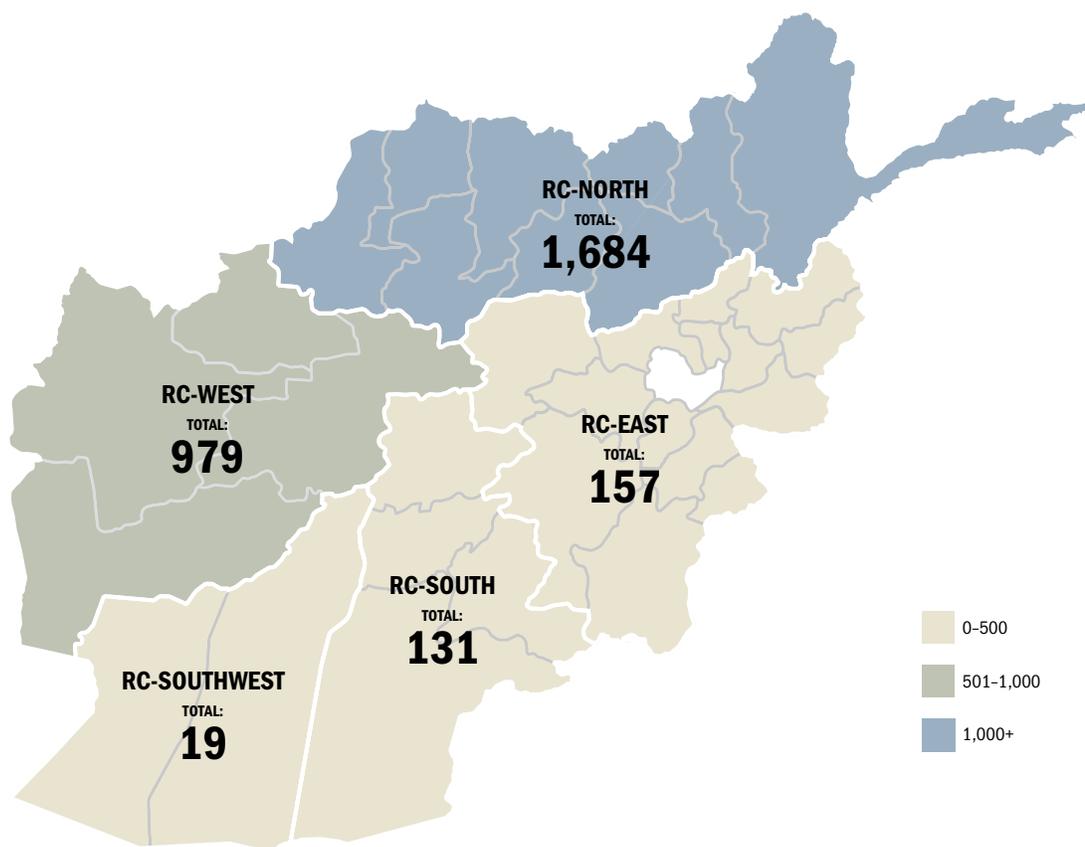
Almost 90% of the 2,970 reintegrees come from the north and the west, as shown in Figure 3.30. Reintegration efforts in the southern provinces faced a number of challenges this quarter, according to DoS. Rabbani's assassination caused the High Peace Council and Joint Secretariat of the APRP to enter a mourning process; as a result, their support to reintegration officials slowed and they did not offer guidance on issues such as a policy on weapons for reintegrees.

In Kandahar, disbursement of funding for the PJSTs by the central government remained ineffective; however, the central government was working toward providing workshops and training to improve disbursements. DoS noted that major shuras held in October 2011 in Kandahar City facilitated more dialogue about reintegration between all levels of government. It added that provincial and district governments in Kandahar provided more support for reintegration this quarter than the central government, according to DoS.²⁶⁴

Reintegration efforts in the east also made uneven progress this quarter. In Nangarhar, a dispute between the provincial governor and the High Peace Council over the composition of the provincial peace council stalled efforts, according to DoS. The governor tried to establish a peace council on his own, but the High Peace Council declared it illegitimate. While provincial officials awaited a resolution, outreach efforts began at the district level and had positive results. In Paktika this quarter, DoS noted that only one senior commander and his fighters

FIGURE 3.30

REINTEGREES BY REGIONAL COMMAND



Source: DoS, response to SIGAR data call, 12/30/2011.

reintegrated. It was unclear whether the central government had provided any support or guidance for reintegration efforts since the initial training of the PJST. However, DoS noted that the governor and other officials recognized the importance of reintegration for stabilizing the province. In Paktiya, the provincial governor has publicly endorsed the APRP, but district officials have not.²⁶⁵

Reintegrees

Successful reintegration relies on building trust with seasoned insurgents who have been fighting for many years. Political, social, and religious leaders across provinces are engaged throughout the process to build insurgents' confidence in reintegration, according to the ISAF F-RIC. These confidence-building measures are often carried out village by village.²⁶⁶ They include addressing economic opportunities for reintegrees and their personal safety and legal status after reintegration.

Economic Opportunities

Although some unsuccessful peace programs in the past paid insurgents to stop fighting, the APRP aims to provide an alternative path to reintegration by providing support services to the individual and the community. According to the ISAF F-RIC, those previous programs failed because most insurgents resumed fighting after the pay stopped.²⁶⁷

The APRP gives reintegrees a transitional allowance of \$120 per month for three months. The ISAF F-RIC noted that this money is not given in exchange for a halt to fighting but as a means of supporting the fighter and his family during the process of disengagement.²⁶⁸ DoS noted that this allowance had been provided to 2,659 reintegrees as of December 30, 2011.²⁶⁹

The APRP also provides community recovery benefits that include demining, agricultural, small grants, the National Solidarity Program, and vocational and literacy projects, according to DoS. Because the APRP provides these benefits to communities rather than just to reintegrees, the APRP's Joint Secretariat reported that more than 29,000 community members and reintegrees had benefited from these programs by the end of December 2011.²⁷⁰

Safety Post-Reintegration

Retaliation against reintegrees by insurgents remained low this quarter, according to DoS; however, it noted that many potential reintegrees are concerned about their safety. To address security concerns, the APRP's Joint Secretariat is encouraging more coordination between the program and the ANSF. The NATO Training Mission - Afghanistan (NTM-A) is training ANSF personnel in how the APRP operates. In addition, the Joint Secretariat and the Afghan National Army are working to cooperate more closely to improve the security of reintegration events and to improve logistical support for APRP provincial personnel.²⁷¹

Criminal Prosecution and Recidivism

Insurgents enrolled in the APRP are not immune from prosecution. There is no uniform policy for how to deal with all insurgents. According to the ISAF F-RIC, the Afghan government makes prosecution decisions case by case.²⁷²

The ISAF F-RIC noted that the recidivism rate in the program is extremely low: less than 10 of the 2,970 enrollees have rejoined the insurgency. The low rate stems from the reintegration process; when an insurgent enrolls, he makes a commitment to rejoin Afghan society, and his community then brings him back into its society. This process establishes a moral contract based on the Pashtun code of *afwa*. Under the code, when a person asks for forgiveness from his community, and the community forgives that person, they are then locked together in a contract.²⁷³

Public Perception of Reintegration

A large majority of Afghans (82%) support their government's efforts in the reconciliation and reintegration process, according to an annual Asia Foundation survey that is partially funded by USAID. The survey, published in October 2011, found that the high level of support is virtually unchanged from the 2010 survey. That support is highest among Pashtuns (86%) and lowest among Hazaras (70%). The survey found that Afghans are largely optimistic about the ability of the reconciliation process to stabilize the country: 73% thought the process would be successful, similar to the proportion who thought so in 2010.²⁷⁴

NATIONAL AND SUBNATIONAL GOVERNANCE

The Asia Foundation survey found that a large majority of Afghans (73%) have a positive assessment of the central government, the same as in 2010—despite the general perceptions of high levels of corruption. A slightly larger share (80%) have a positive assessment of their provincial governments. The highest concentration of positive assessments for provincial governments was in the northwest (88%), and the lowest was in the southwest (70%).²⁷⁵

The survey found that 62% of Afghans had confidence in public administration, the highest share since 2007. A majority of respondents also had confidence in the government's ministers (56%), municipal governments (55%), and provincial councils (67%).²⁷⁶

National Assembly

On October 15, 2011, the Wolesi Jirga approved a \$51 million supplemental budget to recapitalize Kabul Bank, according to the UN Secretary-General.²⁷⁷ DoS considered this the most important legislation passed by the lower house this quarter. The Wolesi Jirga also confirmed the nominees to head the National Directorate of Security and the Central Bank (Da Afghanistan Bank, or DAB). DoS noted that the Wolesi Jirga's confirmation votes and bank recapitalization legislation demonstrated a return to normalcy and an improvement in relations between the legislature and the executive.²⁷⁸ As of December 13, 2011, however, at least

seven acting Assembly members and three new Supreme Court justices remained unconfirmed, according to the UN Secretary-General.²⁷⁹

The Asia Foundation survey found that a sizeable majority of Afghans (70%) believe that the National Assembly is addressing the major problems of the country.²⁸⁰ Slightly fewer (59%) believe that their Assembly member is addressing their problems. Rural residents were more likely to believe that their Assembly member was addressing their issues (62%) than were urban residents (51%).²⁸¹

USAID's Afghanistan Parliamentary Assistance Program

This quarter, USAID extended its Afghanistan Parliamentary Assistance Program (APAP) until June 30, 2012; the budget for the extension is more than \$4.1 million, bringing the total budget for the program to \$41.1 million. USAID noted that it expects another extension of the APAP until 2015 so the program can continue its support throughout the National Assembly's current term.²⁸²

The APAP provides technical assistance to help National Assembly members and staff carry out effective legislation, oversight, and outreach. USAID noted that the Assembly has improved its oversight and legislative capabilities and conducted more competent reviews of the budget and ministerial candidates. The APAP also established a budget office and training institute for the Assembly. According to USAID, the Assembly requires a great deal of assistance from the APAP: technical assistance to the budget committee, capacity building for legislative committees, and development training for Assembly members. To make the results of such assistance sustainable, USAID has planned for the Assembly to take over some responsibilities from the APAP in FY 2012, including legislation tracking.²⁸³

Budget Execution

This quarter, the U.S. Department of Treasury (Treasury) noted that government ministries continue to have trouble executing their development budgets.²⁸⁴

Treasury cited several challenges ministries face:²⁸⁵

- They lack the technical capacity to manage and implement projects.
- They face long and arduous procurement processes.
- They establish unrealistic and exaggerated budgets for projects.
- They do not properly monitor and close out donor funds from previous years.

Treasury and other international advisors partner with the Ministry of Finance (MoF) to provide technical assistance to underperforming ministries on budget monitoring, evaluation, and execution; the allotment process; and other areas. These training partners have also educated ministries on procurement and project planning to improve the technical capabilities of staff. Treasury pointed to a number of activities that its technical assistance supports:²⁸⁶

- Implementing the provincial budget pilot for the SY 1391 (2012/2013) financial year: For the first time, the MoF issued detailed directions to four line ministries and an independent agency on how provincial governments should

Afghanistan's operating budget funds wages and salaries, goods and services, and acquisition of assets. Its development budget covers capital expenditures in governance, rule of law, infrastructure, education, health, agriculture, rural development, and other areas.

Source: Treasury, responses to SIGAR data call, 12/30/2011 and 9/24/2009.

submit specified programs to the national budget so that there are clear, transparent links between provincial requirements and central government programs. Early evidence suggests that the provincial budget pilot significantly improved provincial governments' knowledge of the Afghan financial system, how to improve coordination with their line ministry, and how to access resources through the system.

- Providing provincial and district officials with reference material, presentations, and focused meetings on numerous topics: Treasury advisors traveled to more than 21 provinces to increase local officials' understanding of the Afghan budget system and to advise officials on their role in that system.
- Encouraging increased use of the reporting functions of the Afghanistan Financial Management Information System (AFMIS): Treasury guidance has emphasized the importance of financial reports for understanding what fiscal resources are available locally and for monitoring budget execution. Treasury noted that provincial governments are increasing their use of AFMIS reports, which has encouraged discussions on how to improve budget and expenditure management at the provincial level.

Treasury expected that ministries will gradually improve their execution of the developmental budget over the next Afghan fiscal year. In the long term, the Afghan government may need to move to a more automated system for budget development and execution, and procurement.²⁸⁷

Provincial and District Governance

The extent of local governmental control continued to fluctuate throughout southern and eastern Afghanistan. Local officials often faced difficulties reaching and governing in more rural and less secure areas. In addition, PRTs and Development Support Teams (DSTs) continued to develop a framework for the transition process.

Eastern Afghanistan

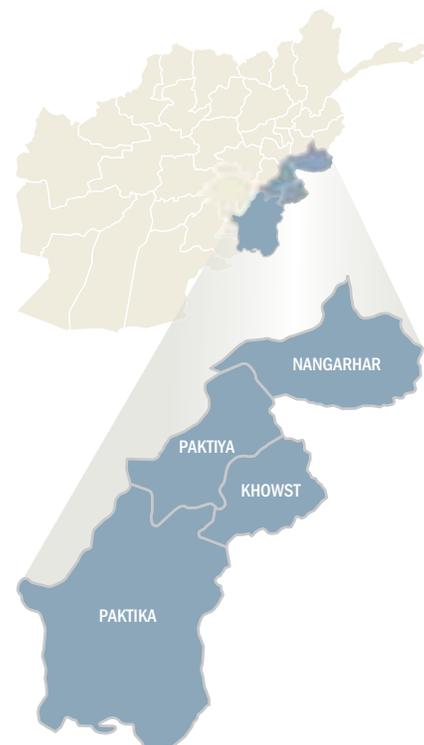
The security situation varied across the eastern provinces this quarter (Figure 3.31). Significant areas in Paktika remained too dangerous for government officials to travel, especially where the road infrastructure is poor. However, some improvements in security in the north of the province allowed officials to travel more freely between Sharana and Orgun.²⁸⁸

Farther north, in Paktiya, security remained poor in rural areas, preventing government officials from traveling throughout the province. Assassinations and targeting of provincial and district officials have undermined officials' willingness to travel to rural areas without a significant ANSF guard.²⁸⁹

In Nangarhar, security continued to improve around Jalalabad and in the adjacent districts of Beshud, Surkh Rod, Kama, and Kuz Kunar; however, it deteriorated in the rural areas outside these districts. DoS noted that district governors in the outlying areas are taking actions on their own to extend the government's reach.²⁹⁰

FIGURE 3.31

PROVINCES IN EASTERN AFGHANISTAN



In Khowst, governmental control remained unchanged from previous quarters. The Afghan government controlled Khowst City and nearby built-up areas—mostly along the Gardez-Khowst-Ghulam Khan road corridor—and the nearby district of Jaji Maidan. Control was limited in the rural districts of Musa Khel, Qalandar, Bak, Sabari, and Terezayi in the north and Spera in the south.²⁹¹

Helmand Province

Throughout central Helmand, Afghan officials were able to travel in urban areas; however, more senior officials typically required ISAF and ANSF support in rural areas, according to DoS. This quarter, officials were able to travel on significantly more of the major roads into the northern districts of Kajaki and Musa Qala, but mobility decreased in the northern district of Now Zad. Local officials maintained a very active outreach effort to build support for the government, which is critically important in northern Helmand. To further this effort, Helmand's PRT and DSTs regularly engaged local government leaders and also provided budgeting and planning training to district officials.²⁹²

Kandahar Province

The Kandahar PRT continued to assist with meetings that facilitate stronger ties between the provincial and district governors, line directors, the provincial council, and ministry officials in districts. According to DoS, these meetings were driven more by Afghans and were less reliant on the PRT for facilitation. In addition, security improvements in Kandahar this quarter allowed provincial officials to travel by road to districts outside Kandahar City.²⁹³

PRT and DST Transition

When areas of Afghanistan transition to full Afghan control, the PRTs and DSTs in those areas will shut down, according to DoS. The U.S. Embassy Kabul and the implementing partners will shift to monitoring and implementing the development projects that remain unfinished in each area. Personnel at “enduring presence locations”—the nature of which is still under negotiation with the Afghan government—will also help in the monitoring and implementing of remaining development projects. All U.S.-led PRTs and DSTs have developed action plans that outline how they can transition to achieve U.S. goals. The Embassy was also creating PRT plans that outline a strategic framework for how the U.S. presence will evolve throughout the transition process.²⁹⁴

Capacity Building for Public Administration

This quarter, the UN-supported Afghanistan Subnational Governance Program established agreements to give technical expertise and procure goods and services for directorates of the Independent Directorate of Local Governance (IDLG), 32 provincial governors' offices, provincial councils, and municipalities. According to the UN Secretary-General, these agreements are an important step toward establishing methods for delegating some financial authority to the subnational governments.²⁹⁵

Afghanistan Civil Service Support

On October 31, 2011, the MoF and USAID signed a \$15 million, 15-month grant agreement to improve the ability of the Afghan Civil Service Commission (CSC) to provide basic government services. USAID noted that adequate government service delivery requires quality civil servants. Through the grant, USAID seeks to (1) bolster the capacities necessary to expand the civil service and (2) make reforms within the CSC in the critical areas of human resources, financial and procurement management, and organizational governance.²⁹⁶

As of October 31, 2011, USAID considered that CSC staff members were demonstrating strong planning and budgeting skills. The CSC aims to become more efficient and effective in its services to citizens. USAID has expanded its on-budget assistance to the CSC because of the Commission's improvements; USAID has worked closely with the CSC since 2007.²⁹⁷

USAID's Subnational Governance Structures Project

USAID's Subnational Governance Structures Project, which began in June 2008, aids the development of provincial councils but has been hampered by poor security conditions. As of December 31, 2011, USAID had disbursed more than \$9.4 million of the \$11.8 million project ceiling. Project staff had facilitated 93 events held by provincial councils, including stakeholder meetings, development project visits, and planning sessions, according to USAID. They had advised IDLG leaders on formulating and implementing the local governance aspects of the National Priority Program, which is designed to expand social and economic opportunities. They had also conducted a series of capacity-development workshops with the IDLG. The project's implementers are coordinating with the UN's Afghanistan Subnational Governance Program to ensure that the two similar programs do not overlap or promote different strategies to provincial councils.²⁹⁸

USAID noted that the deterioration of security in several provinces, including Kabul, has forced postponements and cancellations of project meetings and events. These growing security challenges are the main obstacle to successful project implementation, according to USAID.²⁹⁹

Afghanistan Social Outreach Program

In November 2011, USAID downsized the Afghanistan Social Outreach Program (ASOP). As of December 1, 2011, the program had expended \$33.5 million of the \$34.5 million that USAID had obligated for it and was in its close-out stage. USAID noted that it is designing a new program to meet the ongoing challenges of district representation in the government.³⁰⁰

Performance-Based Governor's Fund

In October 2011, USAID granted an 18-month extension of its Performance-Based Governor's Fund (PBGF), following last quarter's release of the congressional hold on the program. Implemented by the Asia Foundation, the PBGF will assist the work of provincial governor offices and help fund their operating expenses.

SIGAR AUDIT

In an ongoing audit, SIGAR is assessing USAID's efforts to conduct required financial audits of its project awards. USAID's obligations for reconstruction in Afghanistan totaled approximately \$11.7 billion for FY 2002–2010, according to the USAID Office of Inspector General. For more information, see Section 2, page 38.

The PBGF will include two new pilots: a financial management information system and a provincial council fund. The extension stipulated that no PBGF monies will be used for a previously proposed provincial development committee fund.³⁰¹

USAID Initiative To Promote Afghan Civil Society

USAID's Initiative To Promote Afghan Civil Society II (I-PACS II) program had accrued costs of almost \$10.8 million as of December 31, 2011. The second phase of I-PACS began in October 2010. It is designed to enable Afghan citizens to participate more effectively in the political process, solve community problems, and demand good governance from their leaders. From October 2010 to October 2011, the I-PACS II met all but two of its performance indicators. USAID noted that security constraints continue to limit the staff's ability to travel to support the program.³⁰²

JUDICIAL REFORM AND RULE OF LAW

This quarter, the nongovernmental organization Human Rights Watch (HRW) reported that after a decade of international support, the Afghan formal justice system remains weak and compromised. To resolve disputes, a large proportion of the population relies on traditional justice mechanisms and sometimes Taliban courts. HRW noted that human rights abuses are endemic within the traditional justice system and that many outlawed practices persist.³⁰³

The Asia Foundation survey found that Afghans' trust in the justice system was at its highest since 2006, with 55% of respondents saying they had some level of confidence in the system.³⁰⁴

Courts

In October 2011, the Supreme Court swore in 11 new judges for provincial and district courts in Helmand. For the first time, some district courts in the province will have a panel of three judges, according to the U.K. Foreign and Commonwealth Office. It noted that this should improve the delivery of justice and limit opportunities for corruption.³⁰⁵ Since the fall of the Taliban, the international community has trained more than 1,000 judges, including 200 women, according to the Congressional Research Service.³⁰⁶

Criminal Procedure Code

In December 2011, the Minister of Justice announced that a draft of the Criminal Procedure Code had been approved, but as of December 31, DoS did not have access to a translated version of it. According to DoS, the Ministry of Justice (MoJ) will need to submit the draft to the Council of Ministers for approval.³⁰⁷

Afghan Attorneys

This quarter, the Afghan Independent Bar Association held its second general assembly. The Association, which was founded in 2008, had more than 1,200 members as of December 13, 2011, according to the UN Secretary-General. Law

enforcement agencies, prosecutors, and the courts are increasingly recognizing the role and importance of an independent legal profession.³⁰⁸

U.S. Justice Sector Support Program

This quarter, 217 Afghan police, prosecutors, defense attorneys, judges, and investigators graduated from training in the Advanced Continuing Legal Education for Afghanistan (ACLEA) program run by the Justice Sector Support Program (JSSP). The JSSP is run by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL). Training topics included anti-corruption and gender issues, and interview and interrogation practices.³⁰⁹

This quarter, JSSP assistance also helped Afghan legal institutions in other areas:³¹⁰

- The MoJ's first juvenile rehabilitation conference and the Afghanistan Independent Bar Association's second general assembly were held.
- Training courses for provincial justice personnel were held on forced marriage, the law on the Elimination of Violence Against Women (EVAW), ethics and professional conduct, the case management system, the role of defense attorneys, and other topics.

As of November 30, 2011, attorneys and advisors for the JSSP included 146 U.S., Afghan, and third-country nationals, according to INL. The current contract for the JSSP expires on May 30, 2012.³¹¹

On June 1, 2011, the JSSP's Focused District Development-Law program was modified slightly and renamed the Advanced Continuing Legal Education for Afghanistan (ACLEA) program. With the ACLEA, the JSSP aims to increase its focus on providing sustainable legal education that Afghan institutions can eventually deliver to legal professionals. The program, which draws on experience from the JSSP's work, consists of 240 hours of classroom instruction on the basics of law. Since 2006, 14,244 Afghans have graduated from JSSP training programs.

Source: DoS/INL, responses to SIGAR data call, 1/19/2012 and 1/4/2012.

Prison/Detention Center Operations

Following President Karzai's spring 2011 decree to move the Central Prison Directorate (CPD) away from the MoJ, the Ministry of Interior (MoI) had administrative control of the CPD.³¹² On January 10, 2012, a signing ceremony took place for the initial transfer of the CPD; according to DoS, it was unclear whether the National Assembly will address the move in upcoming sessions. DoS noted that the MoI's leadership had committed to maintaining the independence of the CPD.³¹³

ANTI-CORRUPTION

Corruption and organized crime remain grave threats to ISAF's mission and the viability of the Afghan government, according to DoD. Criminal patronage networks continue to penetrate and subvert critical state functions and institutions.³¹⁴ This quarter, Transparency International released its annual corruption perception index rankings. Afghanistan tied with Myanmar for the third most corrupt country in the world. The only countries that ranked lower were North Korea and Somalia.³¹⁵

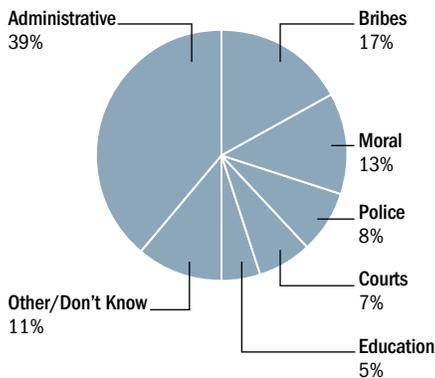
According to the Asia Foundation survey, despite a relatively positive perception of the government, a large majority of Afghans (76%) see corruption as a major problem in the country; only 5% said it was not a problem. Corruption frequently affects Afghans in their daily life: 56% saw it as a major daily problem, and an additional 31% saw it as a minor daily problem. The type of corruption that affected individuals the most was administrative corruption (39%), which was

Transparency International's corruption perception index ranks countries according to their perceived levels of public-sector corruption. The index draws on various independent assessments from groups such as the Asian Development Bank and the World Bank, and business opinion surveys. These surveys and assessments consider the bribery of public officials, kickbacks in public procurement, the embezzlement of public funds, and the effectiveness of anti-corruption efforts.

Source: Transparency International, Corruption Perceptions Index 2011, 12/1/2011.

FIGURE 3.32

PERCEPTIONS OF CORRUPTION: FORMS THAT AFFECT RESPONDENTS MOST



Notes: Numbers affected by rounding. Based on 6,348 responses to survey question about which form of corruption affects respondents the most.

Source: Asia Foundation, "Afghanistan in 2011: A Survey of the Afghan People," 10/2011, p. 99.

identified significantly more often than moral corruption, bribes, and corruption in the legal and education systems, as shown in Figure 3.32.³¹⁶

This quarter, an initiative facilitated by the UN Assistance Mission in Afghanistan (UNAMA) that brought together 1,500 Afghans in 65 focus groups found further evidence about the extent of the corruption problem. Afghans themselves see corruption as pervasive; it affects nearly every aspect of their lives and leads to security concerns, limited economic development, and human rights abuses, according to the UN Secretary-General. Afghans also said that ISAF and international development partners need to play larger roles in efforts to address the problem.³¹⁷

U.S. and International Assistance for Anti-Corruption Efforts

ISAF and U.S. Forces - Afghanistan (USFOR-A) have made progress in contract oversight and in vetting and disbarment of vendors, especially in areas where the coalition had the greatest control, according to DoD. As of December 28, 2011, USFOR-A and its partners had expanded their vetting of vendors and oversight of contracts, reviewing 1,200 high-value and high-risk contracts worth \$27 billion. In addition, they had disbarred 79 U.S., international, and Afghan companies.³¹⁸

This quarter, ISAF gained greater understanding of the many facets of international corruption and organized crime in Afghanistan, according to DoD. To combat these problems U.S. agencies need to establish greater strategic coordination and urgency. U.S. agencies must work together to pursue and develop cases, track illicit finance, initiate targeted financial sanctions, pursue U.S. and international designations of individuals on charges of corruption, and facilitate cooperative international efforts.³¹⁹

DoD noted that ISAF's increased understanding of the criminal patronage networks has enabled it to disrupt drug-trafficking organizations and develop leads for Afghan and international law enforcement. ISAF has also gotten more Afghan leaders to understand the seriousness of corruption, according to DoD. That understanding was demonstrated by two events this quarter: President Karzai's remarks on corruption at the Bonn Conference and his establishment of a presidential executive commission this quarter. In coordination with ISAF and the U.S. Embassy Kabul, the commission will assess and address corruption at Afghanistan's borders, airports, and customs depots.³²⁰

Monitoring and Evaluation Committee

In November 2011, the independent Monitoring and Evaluation Committee (MEC) completed its third two-week session in Afghanistan. The six Afghan and international members of this anti-corruption body were all appointed by presidential decree. The MEC has finalized 31 recommendations and benchmarks for steps to fight corruption, according to the U.K. Foreign and Commonwealth Office and UN Secretary-General. These recommendations and benchmarks will eventually be discussed and agreed to with the Afghan government and the international community.³²¹

High Office of Oversight for Anti-Corruption

The High Office of Oversight for Anti-Corruption (HOOAC) remains a low-capacity operation that has not fully utilized outside technical assistance, lacks standard operating procedures, and faces uncooperative government agencies, according to USAID. In addition, senior leaders in the Afghan government continue to show little political will to combat corruption, which has led to low morale within the HOOAC.³²²

On October 1, 2011, USAID's Assistance to Anti-Corruption Authority (4A) program began its first option year. The program now has approximately \$2 million in funding—50% below its first year of operation. USAID also shifted the focus of the program from supporting the HOOAC to supporting efforts to increase demand for better transparency and accountability in the government. However, 4A support continued to support the HOOAC this quarter by assisting it in conducting 10 asset verification workshops in various ministries and government agencies. In two months, the program processed 436 asset registrations from government officials. It also organized a workshop for HOOAC technical staff on how to safely encrypt, transmit, and receive financial data between officials through the Financial Transactions and Reports Analysis Center. In addition, 4A provided advisory and oversight services to the HOOAC's complaints management and case tracking operations. This quarter, the HOOAC forwarded 53 complaints cases to the Attorney General's Office (AGO), referred 90 to the relevant ministers and agencies, and resolved 43.³²³

Anti-Corruption Unit

At the end of this quarter, mentors from the JSSP and the DoJ had not yet resumed their training of personnel in the Anti-Corruption Unit (ACU) of the AGO. That training was suspended last quarter because of government interference in prosecutions. As noted in previous SIGAR quarterly reports, DoS has considered the AGO a hindrance in pursuing corruption cases. However, at the request of the Afghan Attorney General, DoS will work with the ACU to review a limited number of high-profile cases that have been identified by the Task Force *Shafafiyat* and the U.S. Embassy Kabul. According to DoS, several high-level meetings with President Karzai, his senior advisor, and the Attorney General made it possible for the review to take place. The Attorney General has asked for the Embassy's advice on countering corruption in his office.³²⁴

Major Crimes Task Force

The Major Crimes Task Force (MCTF) continued to face difficulties in prosecuting corruption cases this quarter. From October 1 to December 21, 2011, the MCTF referred four corruption cases to the AGO, but it did not receive any responses from the AGO on the status of the prosecutions, according to DoS. In addition, none of the cases the MCTF had referred to the AGO before this quarter have been prosecuted. DoS noted that in October 2011 an ACU prosecutor

“...[T]he permeation of corruption and a culture of impunity have undermined the development of institutions in terms of strength and credibility.”

—*Afghan President*
Hamid Karzai

Source: Office of the President-Islamic Republic of Afghanistan, “Statement By His Excellency Hamid Karzai President of the Islamic Republic of Afghanistan: The International Afghanistan Conference in Bonn, Germany,” 12/5/2011.

SIGAR AUDIT

In its July 2011 audit of the MCTF, SIGAR made recommendations to improve accountability and ensure that the United States is properly reimbursed for costs associated with MCTF support. For details, see SIGAR Audit 11-12, “U.S. Agencies Have Provided Training and Support to Afghanistan’s Major Crimes Task Force, but Reporting and Reimbursement Issues Need To Be Addressed” at www.sigar.mil.

demanded that the MCTF turn over to the ACU a case file on a prosecutor who may be corrupt. As of December 21, 2011, the MCTF had heard nothing from the ACU about the status of the case.³²⁵

Anti-Corruption Efforts in the ANSF

ISAF continues to support efforts to reduce corruption in the ANSF, according to DoD. This quarter, ISAF conducted a joint assessment and planning effort with the Office of the National Security Council and the Ministry of Defense (MoD). Senior MoD officials pledged to accomplish specific actions by set deadlines to improve transparency and accountability within the security ministries and their forces. A similar effort continued at the MoI this quarter.³²⁶

HUMAN RIGHTS

HRW’s recent report predicts an uncertain future for Afghans because the Afghan government and the international community have failed to make human rights a top priority in the decade since the fall of the Taliban. The group reported that Afghans still struggle, often unsuccessfully, to exercise basic human rights and freedoms. Although human rights have improved, Afghanistan is still hindered by poor governance, lack of rule of law, impunity for militias and police, laws and policies that harm women, and conflict-related abuses.³²⁷

Gender Equity

Although Afghan women have recovered some of their rights in the post-Taliban era, there is a great deal of room for improvement. HRW noted that in the past 10 years Afghan women have become members of parliament, judges, prosecutors, defense attorneys, police officers, soldiers, civil society officials, and human rights activists. However, many of these women have become targets of threats and violence. Afghan women lack the most basic human rights protections in the face of attacks and threats focused on women in public life, female students, and the staff of girls’ schools, according to HRW.³²⁸

The Afghan government continues to incarcerate women and girls for “moral crimes” that are not prohibited by statutory law, such as running away from home. About half of the approximately 700 women and girls in Afghan prisons face such moral charges. HRW noted that recent reforms, like the 2009 EVAW law, have largely failed to improve the lives of ordinary women because of poor enforcement.³²⁹

Underage and Forced Marriages

A December 2011 seminar for legal practitioners from a variety of Afghan government and civil society institutions concluded that about 54% of women in the country are affected by forced and underage marriage—despite provisions in the Constitution, the EVAW law, and civil laws against such practices. These marriages have severe negative consequences for the health of the victims.³³⁰

At the seminar, according to UNAMA, more than 80 legal practitioners made recommendations on implementing the EAW law to the Afghan government, police, and judicial institutions, and to the international community. They emphasized the need for greater individual and institutional awareness about protections against gender rights abuses, and the need for the authorities to enforce the law. They unanimously agreed that customary laws have been the origin and driver of the underage marriage practice problem. The participants noted that the formal legal system should be the final arbitrator and should work to coordinate better in pursuing cases in remote areas that lack formal justice system institutions.³³¹

UN Women Initiative

On October 20, 2011, UN Women (the UN's entity for gender equality and the empowerment of women), the Afghan Ministry of Women's Affairs, and the Japanese government launched projects aimed at curbing violence against women and girls in six provinces—Bamiyan, Balkh, Herat, Nangarhar, Parwan, and Badakhshan. UN Women noted that these provinces have high rates of violence against women, owing in part to limited support from international organizations and lackluster performance by subnational commissions in curtailing violence. The initiative aims to build the capacity of the subnational commissions that work to end violence against women, as well as the capacity of the provincial departments of women's affairs. It will also strive to increase protection services for survivors of violence and hopes to advance implementation of the EAW law. The program is adapted from a similar UN Women initiative in Kabul.³³²

UN Women will also support the Afghan Department of Women's Affairs in establishing six community resource centers that will provide space for women in the community and serve as hubs for dissemination of information about the EAW law.³³³

Displaced Persons

As of October 28, 2011, the number of refugees returning to Afghanistan had dropped substantially from 2010. In the first 10 months of 2011, about 60,000 returned, compared with more than 100,000 in the same period in 2010, according to the UN High Commissioner for Refugees (UNHCR). Almost all the returnees this year came from either Pakistan (43,000) or Iran (17,000). The number of returnees from Pakistan was 59% lower than last year. As of October 28, 2011, Pakistan was still home to 1.7 million Afghan refugees, many of whom have lived in exile for more than 25 years; half were born outside Afghanistan. The number of returnees from Iran is more than double the number last year (7,500). UNHCR attributed this acceleration to economic pressures and the Iranian government's discontinuation of subsidies for basic goods and services for refugees. UNHCR called for international support to help Afghans return to their homeland.³³⁴

Since the overthrow of the Taliban, about a quarter of Afghanistan's population—5.7 million refugees—has returned from Pakistan and Iran. As of October 28, 2011, almost 3 million were in exile; 1.7 million of them were in Pakistan; 1 million, in Iran.

Source: UNAMA, "Number of UN-Assisted Returns to Afghanistan Drops in 2011," 10/28/2011.

ENDNOTES

224. See Appendix B.
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ECONOMIC AND SOCIAL DEVELOPMENT

As of December 31, 2011, the U.S. government had provided nearly \$20.3 billion to support governance and economic development in Afghanistan.³³⁵ Concerns remained that the drawdown of U.S. troops in 2014 and the expected reduction in international donor assistance will undermine economic growth and the sustainability of the gains made so far. The withdrawal of the first 10,000 U.S. troops this quarter heightened these concerns.

10 YEARS OF RECONSTRUCTION

During the first two years of the Bonn Process, most U.S. funding went to alleviate a humanitarian crisis. At the end of 2003, the United States shifted its resources to programs to establish the rule of law, improve governance, build infrastructure, and increase access to health and education. The U.S. Agency for International Development (USAID), the principal agency implementing development programs, funded the first major road construction contract; by 2011, it had funded the rehabilitation of more than 2,000 km of roads. During the Reconstruction Surge, from 2006 to 2011, the United States provided more than \$15 billion to fund a broad spectrum of development and governance programs. Short-term projects were designed to support the U.S. counter-insurgency strategy by helping to stabilize communities in areas that had been cleared of insurgents. Long-term development goals were to help the Afghan government build the foundation necessary for a self-sustaining economy that has the confidence of its citizens and encourages private-sector investment. As a result of these U.S. efforts, Afghanistan saw steady economic growth, increased revenues, and greater government capacity to deliver essential services. However, the Afghan government remains overwhelmingly dependent on foreign assistance—and likely to remain so through the Transition and into the Transformation Decade.



KEY EVENTS THIS QUARTER

This quarter, the United States and its international partners continued to promote Afghanistan's economic growth and development to minimize anticipated budgetary shortfalls after 2014. Several high-level international and regional stakeholder meetings took place that had potential economic impacts; in order of importance:

- The International Afghanistan Conference in Bonn (Bonn Conference) on December 5 sought, in part, to advance Afghanistan’s economic sustainability.³³⁶
- The Istanbul Process on Regional Security and Cooperation for a Secure and Stable Afghanistan (Istanbul Conference) on November 2 reaffirmed regional and international commitments and support.³³⁷
- At the annual London Mines and Money Conference on December 6–7, the Afghan Ministry of Mines highlighted tenders for four mines and promoted national mining programs.³³⁸
- The 7th annual U.S.-Afghanistan Business Matchmaking Conference in Washington, D.C., held November 13–15, promoted information sharing and provided business networking opportunities.³³⁹
- The 12th session of the International Contact Group on Afghanistan, held November 15 in Astana, Kazakhstan, discussed the transition to Afghan-led security, reconciliation, and policy outlines for the Bonn Conference.³⁴⁰

At the Bonn Conference, representatives from 85 countries and 15 international organizations discussed their commitment to Afghanistan during its “Transition to Transformation Decade of 2015–2024.” One of their core conclusions was that the country’s long-term economic growth will depend on successfully developing the agriculture and mining sectors. They highlighted the need for export-oriented agriculture and a strong regulatory mining framework.³⁴¹ In the near term, participants pledged continued economic support until 2024, when they believe increased revenues from mining and taxes will help put Afghanistan on a path to economic sustainability.³⁴² After that time, additional funding will still be required. The World Bank projected that Afghanistan will need \$7 billion per year in donor assistance until 2021/2022 and warned that additional funding, albeit on a smaller scale, will be necessary thereafter due to significant budgetary gaps.³⁴³

At Bonn, the United States continued to pursue regional economic, transportation, and trade integration through the New Silk Road initiative. Representatives from the Department of State (DoS) highlighted two examples of such regional integration—the implementation of the Afghan-Pakistan Transit Trade Agreement and the awarding of mining rights.³⁴⁴ U.S. officials met with the Minister of Finance to discuss the expansion of Afghan control of the economy, as well as job and revenue creation, according to DoS.³⁴⁵ Pakistan—an integral partner in this vision—did not attend the conference.³⁴⁶

ECONOMIC IMPACT OF DECLINING DONOR ASSISTANCE

There are a number of challenges to assessing the economic impact of the drawdown of U.S. and coalition forces on the Afghan economy. From Treasury’s perspective, the main challenge is the poor quality of Afghanistan’s economic and demographic data, which is the cornerstone of economic analysis. This data remains incomplete and unreliable. In addition, there is no standardized process for tracking funds provided for the external budget (as opposed to on-budget

funds, which go directly through the Afghan government). Treasury pointed out that donors may track their expenditures for reconstruction but may not necessarily know what share of those expenditures affect the Afghan economy and to what extent. If analysts cannot ascertain the economic impact of current donor assistance, it will be difficult to assess the economic impact of reduced assistance.³⁴⁷

USAID stated that political stability, the harbinger of a country's economic direction, is and will continue to be difficult to assess. USAID also thinks that once donor assistance declines, Afghanistan will likely increase its dependence on the illicit economy, like opium production, the effects of which are equally difficult to predict.³⁴⁸ The World Bank noted that increased violence as a result of the military drawdown could undermine Afghanistan's development programs and future investment. This quarter, Afghanistan's representative to the annual meeting of the United Nations (UN) General Assembly on Afghanistan echoed this sentiment, underscoring the need to eradicate terrorism and violence to sustain social and economic development gains.³⁴⁹

KEY INDICATORS

This section provides updates on key economic, social, and infrastructure developments in Afghanistan this quarter:

- GDP declined slightly from its 10-year average, while inflation and food prices jumped higher from 2010 levels.
- Government revenues continued to improve but remained well below expenditures.
- The International Monetary Fund (IMF) approved a three-year Extended Credit Facility agreement with the Afghan government.
- Banking sector audits and government ministry assessments progressed.
- The mobile phone banking industry continued to expand and integrate.

GDP and Economic Growth

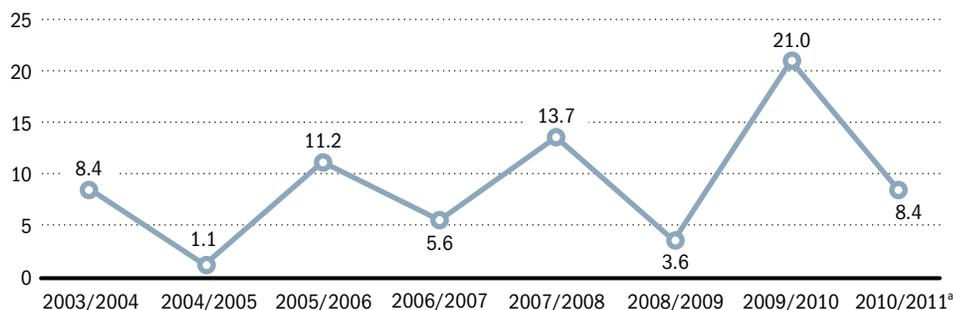
Economic growth in Afghanistan remains strong despite preliminary World Bank data showing that growth in gross domestic product (GDP) dropped to 8.4% in fiscal year (FY) 2010/2011 from 21% the previous year. As shown in Figure 3.33 on the following page, this 21% was an anomaly that the Bank attributed to record harvests and a substantial increase in donor grants. The current 8.4% more closely resembles the lower, but stable GDP average of 9.1% since FY 2003/2004; that rate was largely driven by U.S. and coalition troop consumption spending, military spending on civilian programs, and the expansion of services.³⁵⁰ The IMF projected that real GDP growth will decline to 6% in FY 2011/2012, mostly due to this year's drought, and that future growth will slow down as coalition troop strength and donor assistance decrease.³⁵¹

Per capita GDP in 2010/2011 was \$528, ranking Afghanistan among the 10 poorest countries in the world.³⁵² In **purchasing power parity**, the Central Intelligence Agency ranked Afghanistan 111th out of 227 countries in 2010 (\$27.4 billion), and

Purchasing power parity: the economic concept that exchange rates between currencies should be based on their relative purchasing power in their domestic markets for a fixed basket of goods and services.

Source: Business Dictionary.com, accessed 12/30/2011.

FIGURE 3.33
REAL GDP GROWTH, 2003/2004–2010/2011 (PERCENT)



Notes: Numbers affected by rounding. Years are Afghan fiscal years, which run from March 21 to March 20.

a. Preliminary.

Source: World Bank, "Transition in Afghanistan: Looking Beyond 2014," 11/21/2011, accessed 1/5/2012.

218th per capita (\$900).³⁵³ As noted in previous quarterly reports, the growth in GDP comes largely from strong agricultural yields and harvests, the construction and transportation sectors, spending associated with donor assistance, and governmental expansion of services.

According to the IMF, foreign direct investment remained unchanged since 2010/2011, at 2.1%. In 2006/2007, the IMF put foreign direct investment at 2.7% of GDP.³⁵⁴

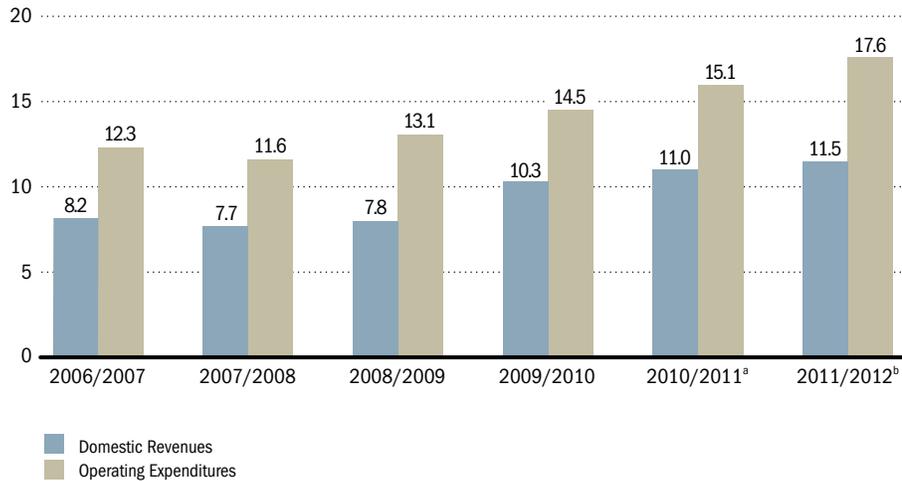
Revenue Collection

Revenue collection by the Afghan government continued to improve upon previous quarters, totaling \$1.7 billion in 2010/2011. This number represents 11% of GDP (compared with 3% in 2002/2003). These revenues were driven by taxes and customs duties, which increased 29% over the previous year.³⁵⁵ The World Bank projects that domestic revenue will continue increasing from current levels to 17.5% of GDP in 2021/2022, driven by the government's plan to introduce a value-added tax in 2014/2015 and by the burgeoning mining sector.³⁵⁶ Despite these changes, World Bank estimates published this quarter suggest that expenditures will continue to outpace revenues, leaving significant budgetary shortfalls, as shown in Figure 3.34. The shortfalls will be further exacerbated by donor assistance decreases in the coming years as Afghanistan takes on additional obligations to sustain donor-initiated programs. Consequently, the World Bank warned the international community against a sharp cutoff of aid, fearing that it could collapse the economy and government. Instead, the Bank recommended that any reductions in assistance be gradual and scheduled.³⁵⁷

USAID has embarked on several programs to promote good governance and economic opportunity and to increase government revenue. During this reporting period, in concert with the Kabul municipality, USAID introduced an advertising campaign to encourage the city's residents to pay the monthly homeowners

FIGURE 3.34

GIRoA REVENUES AND EXPENDITURES, 2006/2007–2011/2012 (PERCENT OF GDP)



Notes: Numbers affected by rounding. Years are Afghan fiscal years, which run from March 21 to March 20.

a. Preliminary.

b. Projected.

Source: IMF, "Country Report No. 11/330," 11/2011.

Safa'i (cleaning) tax, which was not being collected consistently, resulting in lost revenue and diminishing city services. USAID also worked to improve the municipality's financial management and revenue collection operations by implementing a property tax database and training staff. As a result, USAID projected city revenues to increase 14% over last year.³⁵⁸

This quarter, USAID continued to promote land reform, highlighting the economic importance of legally recognized and enforceable property rights as a fundamental prerequisite for private-sector investment and job creation. Recognizing this requirement, in 2010 the Ministry of Agriculture, Irrigation, and Livestock created the Afghanistan Land Authority to encourage the leasing of government land to investors in the agriculture sector. To advance this goal, USAID implemented the Land Reform in Afghanistan (LARA) program in March 2011. This quarter, USAID held a three-day, well-attended land reform workshop in Kabul. According to USAID, the goal of the workshop was to establish a settlement process so that local governments can record properties and collect taxes, and subsequently provide residents with basic infrastructure and services.³⁵⁹

USAID stated that LARA is piloting its first project with the Jalalabad municipality and signed a Project Implementation Letter this quarter. The immediate goals of this project are to design title deed and property registration systems. USAID said that it will continue to help the Afghan government generate land-based revenues while the pilot progresses.³⁶⁰

Inflation

According to the most recent IMF data, the 12-month rate of inflation reached 18% in January–April 2011, but leveled out at 11% in August 2011, with a final projection of 11.7% for 2011 (compared with 2% in June 2010). Similarly, core inflation reached 13%, compared with 5% the year before. This double-digit inflation was caused mainly by rising international food prices, regional uncertainty, and the central bank’s monetary intervention to spur economic growth. According to the IMF, the central bank understands that it must tighten its monetary policy if it is to reach its target inflation rate of 4–6%.³⁶¹

Long-term Strategy

The Afghan government has identified the following long-term goals for developing a fiscally sustainable economy that will decreasingly depend on foreign assistance:³⁶²

- improving government capacity, transparency, budget execution, and delivery of public services.
- enhancing regional economic integration.
- strengthening financial management systems and revenue collection.
- increasing agriculture productivity and growth.

As part of continuing assistance to Afghanistan, the IMF and the World Bank staffs have identified several medium- to long-term objectives to help preserve Afghanistan’s fiscal sustainability as well as its economic viability:³⁶³

- sustaining macroeconomic, fiscal, and financial stability.
- improving prioritization and management of government expenditures.
- ensuring rule of law, improving governance, and reducing bureaucracy and corruption.
- promoting private sector development and trade.
- developing mineral resources.

Budgets

According to Treasury, the government has the ability to execute about 90% of its operating budget (which covers salaries, goods and services, and procurement). By contrast, the government can execute only 30–40% of its development budget. As noted in the “Governance” section, this occurs mostly because of a lack of management capacity and technical experience at the ministries, as well as the lack of an automated budgetary process. Through the donor assistance and training described in “Governance,” Treasury expects budget execution rates to improve. To that end, for example, the provincial budgeting pilot program brought together provincial and national leaders, introduced local officials to the formal budget process, and provided provincial input into the national budget.³⁶⁴

Food Prices

Wheat, wheat flour, and cooking oil prices continue to rise over pre-year levels. The World Food Program reported that prices for these commodities in Afghanistan's major cities were higher in November 2011 than in November 2010. The price of wheat increased by 21.2%; wheat flour, by 6%; and cooking oil, by 18.3%.³⁶⁵

BANKING AND FINANCE

This quarter, several new developments underscored the international community's commitment to strengthen and grow Afghanistan's banking and finance sectors. Efforts to infuse transparency, accountability, and efficiency into the process continued apace with ongoing bank audits, ministry assessments, increased reliance on electronic payment transfers, and a new IMF loan agreement—on which many donors, including the United States, conditioned their renewed contributions to the Afghanistan Reconstruction Trust Fund (ARTF).

IMF Extended Credit Facility Agreement

On October 19, 2011, before the IMF vote on a new **Extended Credit Facility** (ECF) arrangement, the Afghan Attorney General's Office (AGO) announced a public prosecution update and a strategy to hold accountable those responsible for economic crimes through Kabul Bank. The AGO stated that 17 people have been indicted on charges of forgery, money laundering, and embezzlement. Nine cases were in progress, including those of Kabul Bank's founder and its former chief executive officer, who are alleged to be responsible for more than half the bank's losses and remain in Kabul under Afghan government supervision.³⁶⁶ The AGO strategy includes an investigation into the failures leading up to the Kabul Bank crisis, the introduction of new laws to strengthen and protect Afghanistan's financial and banking sectors, legal and judicial training to enforce the laws, and better inter-agency coordination.³⁶⁷ As noted in past SIGAR quarterly reports, the AGO has hindered previous attempts to prosecute high-level officials on corruption charges.

This quarter, efforts continued to recover the \$935 million needed to recapitalize the central bank—Da Afghanistan Bank (DAB)—to cover the losses from Kabul Bank. As of October 2011, the government had collected \$36 million in cash and recovered \$153 million in assets available for sale (of \$483 million in assets the Afghan government expected to be able to recover). These assets include real estate in Afghanistan and Dubai. The government has also signed 21 repayment agreements worth \$270 million, \$232 million of which is in pledged collateral. The IMF pointed out that the agreements are not as detailed as might be preferred and warned that the judicial system has not yet tested the agreements' enforceability.³⁶⁸

Last quarter, the IMF and Afghan government reached a staff-level agreement based on government action. On November 14, 2011, the Executive Board of the IMF approved a three-year, \$133.6 million loan under the ECF. It made its first disbursement of approximately \$18.9 million on November 21.³⁶⁹ The IMF

Extended Credit Facility (ECF): provides financial assistance to countries with protracted balance-of-payments problems. It makes the IMF's financial support more flexible and better tailored to the needs of low-income countries, with higher levels of access, more concessional financing terms, more flexible program design features, as well as streamlined and more focused conditionality.

Source: IMF, "ECF Factsheet," 11/2011, accessed 1/7/2012.

As part of U.S. efforts to help Afghanistan prosecute economic crimes, an Economic Crimes Team advisor from OTA assists the Major Crimes Task Force in building the capacity of Afghan investigators to conduct investigations of economic crime and corruption, such as money laundering, bribery, fraud, and counterfeiting.

Source: Treasury, response to SIGAR data call, 12/30/2011.

conditioned the agreement on several further structural changes to the banking and financial sectors through the following efforts:³⁷⁰

- submitting an amended banking law to the National Assembly.
- completing a public inquiry into the Kabul Bank crisis.
- finalizing additional repayment agreements with Kabul Bank shareholders.
- creating a transparent process for the sale of the New Kabul Bank.
- ensuring DAB's capital strength and stability.
- finalizing the prudential and forensic audits of Afghan banks.
- implementing measures to reduce and respond to the risks of criminal recurrence.

The ECF arrangement released the \$100 million previously withheld in the ARTF for the payment of non-security civil servant salaries, and operations and maintenance accounts. As a consequence, Secretary of State Hillary Clinton announced at the Bonn Conference in December that the United States would resume its funding of the ARTF.³⁷¹ The arrangement also propelled the ARTF Steering Committee to draft a financing strategy for solar years (SY) 1391–1393 (2012/2013–2014/2015). The strategy, which sets a new direction for the fund, includes the following elements:³⁷²

- approximately \$3.2 billion in donor assistance (up from \$1.8 billion in the three preceding years).
- a greater emphasis on investments, rather than recurrent costs.
- a targeted focus on the agriculture, rural development, infrastructure, human development, and governance sectors.

Prudential Audits

Last quarter, the World Bank announced a \$19 million grant to build capacity at the central bank to regulate the commercial banking sector and fund prudential audits of 10 Afghan commercial banks.³⁷³ Prudential audits examine a bank's policies and procedures to assess credit, liquidity, and operational risks.³⁷⁴ This quarter, those audits began; the Afghan government committed to completing them by March 2012. Furthermore, **inception reports** for the forensic audits of Kabul Bank and Azizi Bank have been completed, and the Afghan government pledged to complete these audits in March 2012.³⁷⁵

Mobile Money

As noted in previous SIGAR quarterly reports, “mobile money” is the use of cell phones to store currency, pay for goods, and receive and transfer funds. More than half of Afghan households own a mobile phone; therefore, U.S. agencies continue to encourage greater access to mobile money services as a way to spur economic growth and reduce corruption.³⁷⁶ This quarter, USAID opened an avenue for greater collaboration between banks and mobile money operators, announcing three grants to Afghan mobile network carriers totaling approximately \$2.1 million. The agency estimated that the grants will bring mobile

Inception reports: descriptions of the conceptual framework an evaluator will use in undertaking an evaluation, the methodology, and a work plan that shows phases, key deliverables, and milestones.

Source: UNESCO, “Guidelines for Inception Reports,” 3/2008, accessed 1/7/2012.

money services to 100,000 Afghans and spur new technological advances. The funding supports services from three Afghan carriers:³⁷⁷

- Etisalat's M-Hawala service enables customers to use mobile money to receive and pay their electricity bills.
- Mobile Telecommunications Network Afghanistan's (MTN) partnership with the Ministry of Education expands mobile money services to rural areas and pays teachers' salaries.
- Roshan M-Paisa's mobile money service will enable borrowers from the Mutahid Development Finance Institution (a microfinance consortium) to receive and repay loans through their phones.

This type of support helped spur the creation of the Afghan Mobile Money Operators Association, one of the first organizations of its kind worldwide, according to USAID. Founding members include Etisalat, MTN, Roshan, and Afghan Wireless.³⁷⁸ The association plans to address common areas of concern such as regulatory structures and network interoperability—areas that the Task Force for Business and Stability Operations (TFBSO) identified last quarter as major impediments to lowering industry costs and customer fees, and expanding customer services.³⁷⁹ In partnership with USAID, the association sponsored a contest in 2011, challenging university students to come up with the most innovative mobile money application ideas in several categories. The contest ends during the coming quarter.³⁸⁰

To address the lack of network interoperability and to strengthen the overall financial sector in the wake of the Kabul Bank crisis, the World Bank is preparing an \$11 million grant through the Afghanistan Financial Sector Rapid Response Project to modernize the national payment system, which is the main means of making payments, including the salaries of civil servants and security personnel. Last quarter, the World Bank called the national payment system inadequate and said its modernization is a key priority in strengthening and instilling confidence in Afghanistan's financial sector by injecting greater efficiency and transparency in the payment process.³⁸¹

The Financial Sector Rapid Response Project will do this, in part, by reducing the use of cash transactions and instead transitioning to electronic, card or mobile payments requiring network interoperability between banks, payment cards and mobile money services, according to the World Bank and USAID, two of the partners of the grant.³⁸²

DIRECT ASSISTANCE

As noted in SIGAR's last two quarterly reports, the capacity of Afghan ministries to administer funds responsibly and transparently is fundamental to enduring direct donor assistance. Public financial management and public internal financial control reviews continued this quarter. In the first phase of these reviews, assessment reports were completed for the Ministry of Finance (MoF), the Ministry of Mines (MoM), the Ministry of Public Health (MoPH), and the Ministry of Public Works (MoPW). Assessment reports were scheduled to be complete in

January 2012 for the Ministry of Education, Ministry of Rural Rehabilitation and Development (MRRD), and Ministry of Agriculture, Irrigation, and Livestock. In the second phase, seven additional ministries—Justice, Transportation, Higher Education, Urban Development, Communication, Counter Narcotics, and Energy and Water—will be assessed. According to Treasury, that phase is expected to be completed in December 2012.³⁸³

As noted in SIGAR's October 2011 quarterly report, the initial MoM review was sent back for expanded evaluation because of the significance of mining to the economy. This quarter, the MoM and MoPW assessments were completed and made available for public review. Among the draft findings:³⁸⁴

At the MoM:

- New information technology systems are being developed, but there is no unified inter- or intra-agency approach to managing or accessing them.
- There is no formal procedure to respond to the recommendations of auditors, monitors, and reviewers, and there are few controls and assigned responsibilities for employees, making it impossible to evaluate the effectiveness of internal controls.
- To manage donor grants effectively, processes should be implemented to enable information sharing between the teams working on the development budget and the operating budget.

At the MoPW:

- The ministry does not routinely report budget execution and does not sufficiently prioritize development projects, which undermines its ability to most effectively allocate resources.
- An updated Strategic Plan is needed to formalize the ministry's roles, objectives, and responsibilities; few formalized policies, procedures, and internal controls are in place or properly documented to aid the transition of ownership from the international donor community to the Afghan government.
- An information technology organizational framework has not been developed, and there are no policies or formal procedures for basic equipment maintenance and safety, which diverts resources away from the effort to centralize management and administration of information technology.

AGRICULTURE

This quarter, the Minister of Agriculture said that drought, insecurity, and rising food prices will cause 30% or more of the population to fall under the poverty line as winter comes on. He added that the 2011 harvest declined by 28% from 2010 and called for a \$1 billion investment over the next 10 years to increase agricultural productivity. Furthermore, the minister declared that the availability of food is essential for social stability and security. To help stabilize food prices in Afghanistan, the World Food Program is providing food storage facilities and a strategic grain reserve.³⁸⁵

According to DoS, about 8 in 10 Afghans work in agriculture; DoS deems investment in this sector imperative for long-term economic growth. As of

November 2011, the U.S. Department of Agriculture (USDA) had conducted 1,335 agribusiness-related programs, while USAID had provided training to more than 300,000 farmers, 1,058 government staff, and 5,500 businesses. Through these kinds of U.S. agricultural assistance programs, licit agricultural cultivation increased by 190,000 hectares since 2009, according to DoS.³⁸⁶

An example of this focus on agriculture's dominant role in the economy was USAID's Accelerated Sustainable Agriculture Program (ASAP), which sought to improve agriculture production and exports by strengthening value chains. This quarter, the final report on the program noted that it helped Afghan companies improve their competitive standing and boost sales by providing them with capacity-building training in best farming practices and with inputs such as agrochemicals, seeds, medicines and vaccines, and cashmere-harvesting combs. In total, USAID reported that ASAP facilitated more than \$29 million in sales, and approximately \$28 million in exports. It also created almost 8,000 full-time jobs, and improved close to 23,000 hectares of land—all of which benefited an estimated 1.2 million Afghan families.³⁸⁷

ESSENTIAL SERVICES

This quarter, several significant developments showcased the United States' continued pursuit of achieving greater regional economic integration, improving government services capacities, and creating an environment conducive to increased private-sector investment. Of note, substantial progress has been made in the health, mining, transportation, and education sectors.

Energy

The Turkmenistan-Afghanistan-Pakistan-India pipeline proposes to deliver gas from Turkmenistan through Afghanistan to Pakistan and India. It is a regional economic cooperation initiative of the type envisioned in the New Silk Road initiative. According to DoS, the pipeline remains stalled because it lacks the commercial framework needed to move forward, and because Turkmenistan needs international financing and technical assistance in developing its gas fields. In addition, gas pricing agreements have yet to be worked out.³⁸⁸ Transit fees and gas price negotiations were held at the MoM in December 2011, but no agreement was reached.³⁸⁹

Electricity

On average, at least 10% of USAID funds for Afghanistan have been spent on power projects since 2002, according to a report by the Congressional Research Service (CRS) this quarter. The goal of extending electricity access to 65% of households in urban areas and 25% in rural areas by 2010 was not realized. In Kabul, however, the power supply has improved.³⁹⁰

As of November 22, 2011, USAID had allocated \$500 million for the continued refurbishment of the Kajaki Dam. The two operational turbines have doubled electricity production in the south, but plans to install a third turbine remain

SIGAR AUDIT

In its audit of U.S. efforts to improve the long-term sustainability of U.S.-funded agriculture projects and help build the capacity of the Ministry of Agriculture, Irrigation, and Livestock, SIGAR identified the challenges of coordination and integration efforts. For details, see SIGAR Audit 12-1, "Actions Needed To Better Assess and Coordinate Capacity-Building Efforts at the Ministry of Agriculture, Irrigation, and Livestock" at www.sigar.mil.



Two hydroelectric turbines at the Kajaki power plant produce 16.5 megawatts of electricity. Since 2009, plans to install a third turbine have been delayed by a lack of security. This quarter, U.S. Marines cleared the road to Kajaki, allowing the first convoy carrying equipment to reach the dam and return safely. Credit: U.S. Navy photo, MC Jonathan David Chandler.

stalled, largely because of the lack of security.³⁹¹ As noted in SIGAR's October 2011 quarterly report, refurbishment of the Kajaki substation was delayed when no contractor bids were received.

This quarter, responsibility for the substation rehabilitation was given to the U.S. Army Corps of Engineers (USACE) after a joint USAID-USACE assessment. USAID noted that U.S. Marines have cleared Route 611 around Kajaki, and the first equipment convoy reached the dam and returned without incident—and without a major security presence.³⁹²

In other developments this quarter, the TFBSO partnered with the MRRD to restore the Tira Koh hydroelectric power plant in Parwan and link it to a standardized grid capable of inter-connecting with other energy grids. The TFBSO noted that doing so should improve the reliability of electricity access. The TFBSO is also rehabilitating the Shah Delir micro-hydroelectric system to similar capabilities and specifications.³⁹³

Education

From January 2010 to August 2011, the United Nations Assistance Mission in Afghanistan (UNAMA) recorded 588 attacks on students, educational staff, and school infrastructure. According to DoS, that represents a 14% decrease compared with the same period last year. In unsafe districts, many schools are not functional, and militants often use them to stage and plan attacks.³⁹⁴

As noted in previous SIGAR quarterly reports, under Taliban rule, fewer than 1 million children were in school and girls were not permitted to attend. Since

2002, more than 8 million youths and more than 63,000 university students—41% of them female—have attended schools, according to USAID:³⁹⁵

- general education: 7.1 million (62% male, 38% female).
- literacy education: 720,000 (20% male, 80% female).
- Islamic education: 149,239 (90% male, 10% female).
- teacher education: 49,216 (59% male, 41% female).
- technical and vocational education: 44,232 (85% male, 15% female).
- university: 63,000 (80.5% male, 19.5% female).

USAID noted that during the 10 years of the reconstruction effort, 614 schools were built:³⁹⁶

- 200 (primary).
- 132 (middle).
- 217 (high).
- 40 (teacher training colleges).
- 25 (other).

Health

This quarter, USAID released the Afghanistan Mortality Survey 2010, which showed promising improvements over the previous year's results. USAID pointed out that the survey shows that Afghan children and adults are living longer, with fewer maternal deaths during childbirth. This is likely due to improved access to prenatal and antenatal care, as well as to skilled attendants at births, as shown in Table 3.6. As a result of sustained international assistance, adult life expectancy has improved significantly, by as much as 15–20 years over previous estimates, according to the Minister of Public Health. Nevertheless, USAID pointed out that much work remains and that Afghanistan continues to lag behind all its regional neighbors in health indicators.³⁹⁷

As SIGAR noted in its October 2011 quarterly report, although most of Afghanistan is polio-free, the disease is still present in 13 districts, primarily in

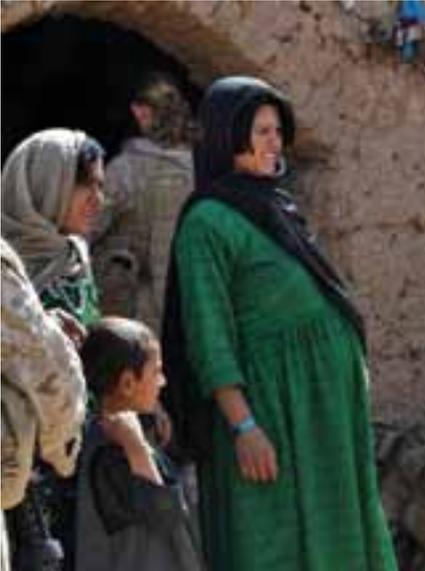


Afghan girls attend class at a school in Kabul. During the rule of the Taliban, schools were closed to girls. Since the fall of the regime, enrollment rates of girls have risen steadily. One of the goals of reconstruction is to improve access to education. Credit: ISAF photo, SSG Stacey Haga.

TABLE 3.6

MATERNAL HEALTH CARE PROGRESS, 2002–2003 TO 2010		
Indicators	2002–2003	2010
Mortality		
Maternal (per 100,000 births)	1,600	327
Under 5 (per 1,000 live births)	172	97
Infant (per 1,000 live births)	257	77
Modern contraceptive prevalence (%)	10	16
Total fertility per woman	6.3	5.1
Prenatal care coverage (%)	16	60
Skilled attendants at birth (% of deliveries)	14	34

Notes: Data for 2002–2003 is from the UN-supported Reproductive Age Mortality Survey, 2002 and Statistics & Monitoring Multiple Indicators Cluster Survey. Data for 2010 is from the Afghanistan Mortality Survey conducted by USAID. Source: USAID, "Afghanistan Mortality Survey," accessed 1/6/2012.



Fewer Afghan mothers die in childbirth than in previous years, according to the Afghanistan Mortality Survey 2010, released by USAID this quarter. Since 2002, the maternal mortality rate has decreased by nearly 80%. The decline is attributed in part to improved access to health care before and after delivery. Credit: MOD/Crown photo, Sqn Ldr Dee Taylor.

the south. This quarter, Japan donated \$9.3 million for polio eradication efforts to help meet the international goal of complete eradication in 2012.³⁹⁸ According to the MoPH, there were 80 polio cases in 2011—three times as many as in 2010; more than three-quarters were in the south, which has a significant Taliban presence. On January 17, 2012, President Karzai stated his concern about the lingering cases and called on religious and community leaders and armed opponents to allow vaccination teams to immunize children without interference.³⁹⁹ The Taliban have been opposed to anti-polio campaigns in the past and have kidnapped and attacked health workers, according to the former secretary of the U.S. Department of Health and Human Services.⁴⁰⁰

Trade

The successful implementation of the Afghanistan-Pakistan Transit Trade Agreement (APTTA) will be significant for the New Silk Road initiative and Afghanistan's revenue generation. According to the Civil-Military Fusion Centre, the agreement is crucial to the agriculture sector, which accounts for more than half the country's legal exports. It is also crucial to the burgeoning mining and energy sectors because mining and energy companies will need to import equipment and export minerals through Pakistan regularly.⁴⁰¹

The APTTA was officially implemented last quarter, including some of the more controversial aspects related to insurance and collateral requirements. However, several remaining differences have delayed the full realization of the agreement, according to DoS. Two month-long exemptions to the insurance provision were granted so the Afghanistan-Pakistan Transit Trade Coordination Authority (APTTCA) could resolve the outstanding issues. According to DoS, when these exemptions expired, shipments were delayed, sometimes by several weeks. The next meeting of the APTTCA was scheduled for January 2012.⁴⁰²

The 8th Pakistan Afghanistan Joint Economic Commission met on January 16–17, 2012, in Islamabad to further discuss transit and bilateral trade, as well as reconstruction and economic cooperation. The Afghan delegation used the forum to bring up the challenges of the APTTA and sought Pakistan's cooperation in releasing 700 shipping containers that were held up in Pakistani ports. Although Pakistan vowed to resolve the container issue, no formal resolution was reached for the APTTA. However, Pakistan did commit to completing construction of the 74-km, two-lane Torkham-Jalalabad Carriageway within a year. It also agreed to offer training in media and postal services.⁴⁰³

Transportation

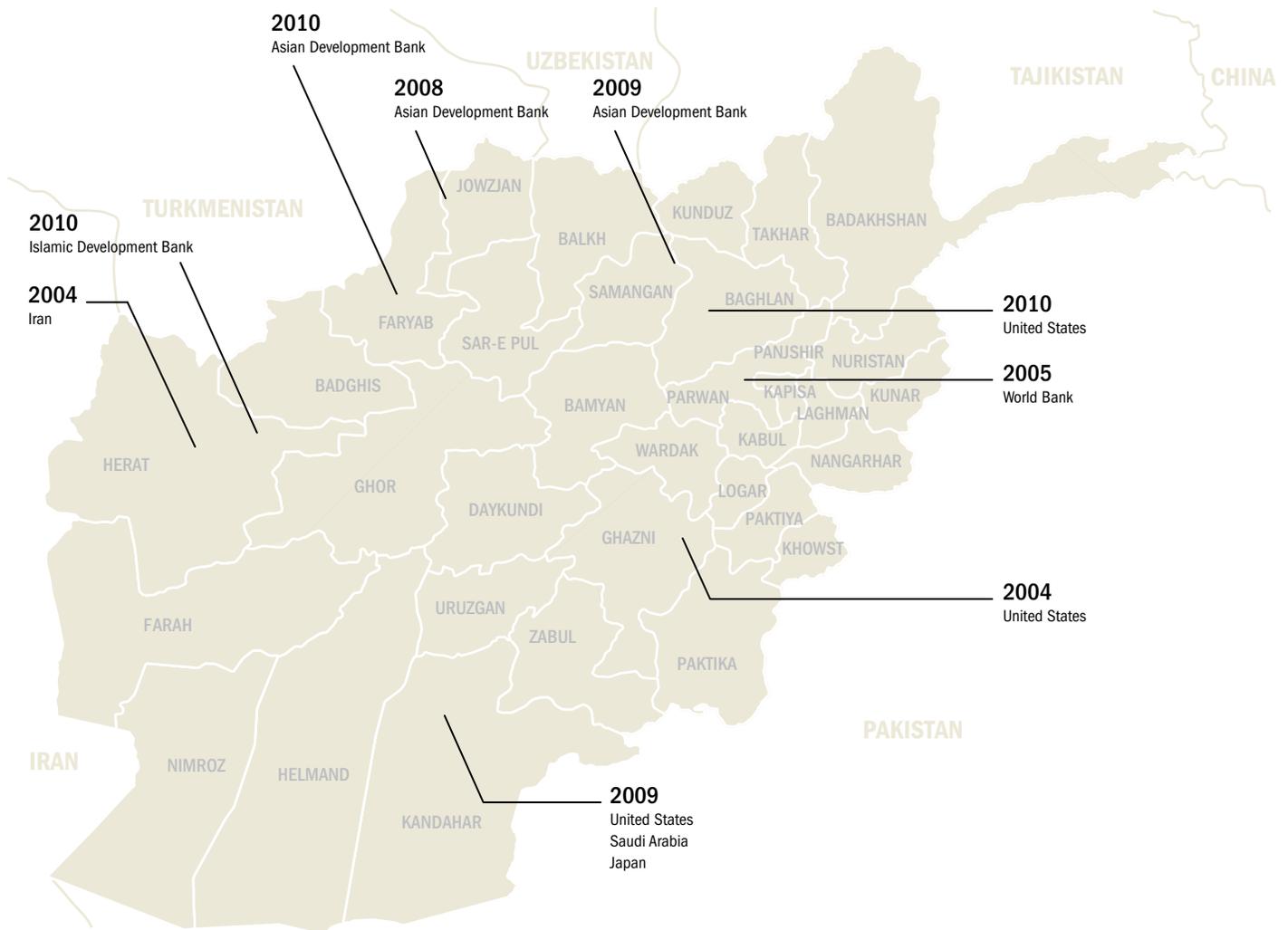
The primary transportation network connecting major Afghan cities is the Ring Road. Since 2004, the international community has built or refurbished almost the entire length of the 2,700-km road, as shown in Figure 3.35. As noted in SIGAR's April 2011 quarterly report, the Asian Development Bank has provided \$340 million to complete the last section, which will connect three towns in the northwest. Construction remains delayed.

ECONOMIC AND SOCIAL DEVELOPMENT

This quarter, Uzbekistan’s national railway began operating a 75-km freight rail line from Afghanistan’s Hairatan freight terminal by the Uzbek border to Mazar-e Sharif. The Afghan Railway Department, which will take over the line after three years of training, plans to extend the lines from Herat to Iran and from Torkham to Pakistan. According to the World Bank, the line will also extend into Tajikistan. The Hairatan terminal—already at peak capacity at 4,000 tons of cargo a month—will likely see increased volume from this freight line. It will also have to contend with what the World Bank projects will be a rise of imports from Central Asia of 25,000–40,000 tons a month in the near future.⁴⁰⁴

FIGURE 3.35

RING ROAD PROGRESS: SECTIONS COMPLETED, 2002–2011



Source: CFC, "Afghanistan Review," 1/18/2012, p. 4.

In related developments, the MoM announced this quarter that the Metallurgical Corporation of China, which was awarded the extraction rights to the Aynak copper mine in 2007, will carry out the technical studies needed for the Kabul–Mazar-e Sharif and Kabul-Torkham rail lines. The line from Kabul to Mazar-e Sharif will pass through Parwan and Bamiyan provinces and connect with the Mazar-e Sharif–Hairatan rail line. According to CRS, the eventual goal of the Afghan railway is to link to the system in Central Asia, thereby improving its regional economic integration.⁴⁰⁵

Commercial Aviation

As noted in previous SIGAR quarterly reports, safety concerns caused the European Commission (EC) to ban all Afghan commercial airlines from landing in the European Union. As of November 23, 2011, that ban remained in place.⁴⁰⁶ However, the EC did mandate that the European Aviation Safety Agency assist Afghanistan in a technical capacity to improve air safety.⁴⁰⁷

Treasury’s Revenue Policy and Revenue Administration team has an advisor working with the Ministry of Transport and Civil Aviation (MoTCA) to increase non-tax revenues, including commercial aviation user fees.⁴⁰⁸ In November 2011, the MoTCA posted security, boarding, and landing fees on its website and at airports. The new, transparent, and standardized fee structure is intended to help reduce corruption and increase government revenue, as will the shift from cash to electronic payments for aviation user fees that is scheduled to start January 15, 2012, according to Treasury.⁴⁰⁹

Aside from these efforts, Treasury noted, the MoTCA does not have a credible plan to collect \$13 million in taxes owed by Afghan-based airlines, nor can it ensure that future taxes will be paid. These revenues are needed to offset the loss of funding from the government of the United Arab Emirates (UAE) for airport security at the Kabul and Kandahar airports in March 2012. Like the initial UAE deadline in March 2011, the MoTCA this quarter had yet to submit a plan to take over security costs to meet international standards—approximately \$14.3 million a year.⁴¹⁰

Mining

This quarter, the Afghan government claimed that the mineral sector will generate \$1.4 billion in annual revenue by 2016 and \$2.2 billion by 2020; however, in its economic transition strategy report, the government stated that it had deviated from the World Bank’s analysis by incorporating higher numbers for expected mineral revenue in its forecast models.⁴¹¹ According to the Afghanistan Investment Support Agency, more than 1,400 mineral deposits have been identified in the country:⁴¹²

- energy: oil, gas, and coal
- metallic and non-precious ores: lead, cement-grade limestone, gemstones, copper, iron, gold, salt, and industrial minerals (for use in the glass, ceramic, construction, chemical, and fertilizer industries)
- precious and semi-precious stones: emerald, jade, amethyst, alabaster, beryl, lapis lazuli, tourmaline, ruby, quartz, and sapphire

The TFBSO has estimated these deposits at \$1 trillion.⁴¹³ It is not clear how much of that figure the Afghan government will realize in revenue.

This quarter, the TFBSO announced that it will provide training and equipment to the Afghan Geological Survey (AGS) to help Afghanistan identify and responsibly develop the deposits.⁴¹⁴ It will train AGS scientists in collecting, processing, and interpreting high-resolution geophysical data, and will provide equipment for airborne geophysical exploration so the Afghan government can offer accurate information to international investors.⁴¹⁵

In other efforts to help generate international private-sector development in the mineral sector, the U.S. Geological Survey (USGS) digital data packages for 24 mineral areas of interest were transferred this quarter to the state-of-the-art AGS data center. Funded by the TFBSO, the center archives 50 years of compiled mineral exploration information. On December 6, using the USGS data packages, the TFBSO helped the MoM tender five mineral exploration packages at the London Mines and Money Conference.⁴¹⁶

- Balkhab (Sar-e Pul): copper.
- Badakhshan: gold.
- Zarkashan (Ghazni): copper and gold.
- Shaida (Herat): copper.
- Namaskar-e-Herat (Herat): lithium.

In two important mining developments this quarter, the MoM awarded China National Petroleum Corporation International (CNPC) the rights to develop three oil blocks in the Amu Darya Basin in the north. The MoM estimated that the basin contains more than 80 million barrels of crude oil reserves, plus a potential of 80 million barrels in yet-to-be discovered reserves. CNPC agreed to pay the government a 15% royalty and has partnered with Watan Oil and Gas Afghanistan Ltd. to begin production within a year.⁴¹⁷

The MoM also awarded an Indian-led consortium the development rights to four of five blocks in the Hajigak iron ore deposit. The ministry expected that the project will bring in billions of dollars in investments and thousands of Afghan jobs. Led by state-owned Steel Authority India Ltd, the consortium proposed building mines, a steel plant, rail infrastructure, and a power plant, as well as providing education and training programs.⁴¹⁸

Communications

Afghanistan's telecommunications industry continues to grow at an accelerated pace. As noted in SIGAR's October 2011 quarterly report, the Afghan Telecommunication Regulatory Authority is working to upgrade the country's telecommunication network and opened the bidding process for a nationwide 3G license. This quarter, according to the World Bank, all three bids received by the November 15 closing date were rejected and deemed unqualified. Therefore, as predetermined by the conditions in the Ministry of Communication and Information Technology's tender, the 3G license will be issued to the incumbent GSM companies.⁴¹⁹

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Afghans First

This quarter, Kabul Melli Trading, an Afghan company, won a multi-million-dollar contract from the U.S. military to produce 200,000 boots for the Afghan National Army. The firm hired 700 workers, who are working 12-hour shifts, 24 hours a day, to meet the deadlines—keeping jobs and profits in Afghanistan. Credit: ISAF Photo

4 OTHER AGENCY OVERSIGHT



OTHER AGENCY OVERSIGHT

SIGAR’s enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs and to submit a report on SIGAR’s oversight work and on the status of the U.S. reconstruction effort to Congress no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section contains these updates. The descriptions appear as they were submitted, with these changes for consistency with other sections of this report: acronyms and abbreviations in place of full names; standardized capitalization, hyphenation, punctuation, and preferred spellings; and third-person instead of first-person construction.

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

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

COMPLETED OVERSIGHT ACTIVITIES

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

TABLE 4.1

Recently Completed Oversight Activities of Other U.S. Agencies, as of December 31, 2011			
Agency	Report Number	Date Issued	Project Title
DoD OIG	D-2012-028	12/9/2011	Assessment of U.S. Government and Coalition Efforts To Develop the Logistics Sustainment Capability of the Afghan National Army
DoD OIG	D-2012-023	11/21/2011	Management Improvements Needed in Commander’s Emergency Response Program in Afghanistan
GAO	GAO-12-13	10/17/2011	Warfighter Support: DoD Has Made Progress, but Supply and Distribution Challenges Remain in Afghanistan
USAID OIG	F-306-12-001-S	12/22/2011	Review of Responses to Internal Audit Findings on the Local Governance and Community Development Project
USAID OIG	F-306-12-001-P	11/13/2011	Audit of USAID/Afghanistan’s Afghanistan Stabilization Initiative for the Southern Region

Sources: DoD OIG, response to SIGAR data call, 12/27/2011; DoS OIG response to SIGAR data call, 12/20/2011; GAO, response to SIGAR data call, 1/2/2011; USAID OIG, response to SIGAR data call, 12/23/2011.

U.S. Department of Defense Office of Inspector General

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

Assessment of U.S. Government and Coalition Efforts To Develop the Logistics Sustainment Capability of the Afghan National Army

(Report No. D-2012-028, Issued December 9, 2011)

The International Security Assistance Force (ISAF) has taken initiative across a broad front to close the gap between Afghan National Army (ANA) operational support needs and the ANA logistical system's capacity to meet them. These coalition actions include ANA logistical system planning and design, training, infrastructure, and equipping, as well as accountability and control over necessary contracting, equipment, and services. Specifically, the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A) has been constructing supply depots across the regional commands closer to forward-deployed ANA corps and brigades. A new Army Logistics Command, being established this year under the General Staff, will integrate parts of logistics organizations/ functions from the Logistics Support Operations Center's (LSOC) Forward Support Group, along with the Forward Support Depots (FSDs), and Corps Logistics Kandaks (the Afghan equivalent to a U.S. Army battalion). This new command, and its subordinate Regional Logistics Support Commands, will better support the transport and maintenance needs of ANA combat brigades. With NTM-A/CSTC-A support, the Ministry of Defense (MoD) has progressed in its capacity to plan, program, and successfully expend annual budgets to provide for ANA logistical requirements. Ministerial functions in the areas of logistics management are being fortified. In addition, the International Security Assistance Force Joint Command (IJC) has deployed its Support Battalions and the Joint Sustainment Command-Afghanistan (JSC-A) has deployed its Sustainment Brigades as partners supporting ANA logistical development, an undertaking comparable to a successful effort in Iraq that achieved impressive results.

Nonetheless, there are significant vulnerabilities and weaknesses in the logistical system, which are identified in the report observations. Among them remains the challenge of establishing a more effective system of oversight with respect to ANA equipment, supplies, and installations. The ability of the ANA to provide this oversight is fundamental to being able to sustain the operational readiness of its forces; prevent fraud, waste, and abuse of ANA materiel and infrastructure; and reduce corruption. Such a system would also contribute to instilling a new cultural ethos of stewardship within the ANA.

Recognizing the need to achieve that goal, ISAF has taken proactive measures, such as an initiative underway to establish a baseline inventory of vehicles, weapons, and communications equipment provided the ANA by the coalition. Efforts to strengthen the capacity of the MoD/GS and ANA to maintain accountability and control over their logistics enterprise are proceeding. ISAF has also

OTHER AGENCY OVERSIGHT

identified a parallel need to improve its own internal oversight capability with respect to U.S. appropriated funds used to supply equipment and supplies to the ANA and is in the process of obtaining additional qualified personnel and establishing programs to do so.

Management Improvements Needed in Commander's Emergency Response Program in Afghanistan

(Report No. D-2012-023, Issued November 21, 2011)

U.S. Central Command (CENTCOM) and U.S. Forces-Afghanistan (USFOR-A) controls over Commander's Emergency Response Program (CERP) contract payments and reporting were not adequate. Specifically, for CERP payments made between October 2008 and February 2010, CENTCOM and USFOR-A did not maintain and report reliable and meaningful CERP data for 6,157 of 8,509 CERP payments (based on a projection) and did not de-obligate at least \$16.7 million of unused CERP project funds for 108 closed or terminated CERP projects. In addition, CENTCOM and USFOR-A did not identify or prevent \$1.7 million of improper payments on 13 CERP projects and did not identify or prevent at least 30 unauthorized advance payments, totaling \$3.4 million, made to vendors on CERP contracts. Also, CENTCOM and USFOR-A did not mitigate the risk of overpayments and underpayments because of currency rate fluctuations.

This occurred because USFOR-A did not issue guidance on recording and reconciling CERP data until May 2009 and did not properly train personnel on that guidance. CENTCOM and USFOR-A did not provide sufficient CERP contract oversight to prevent improper payments, payments from unauthorized sites, or unauthorized advance payments. Also, DoD acquisition policy lacked a requirement for contracts to be written and paid in the same currency.

As a result, USFOR-A had potentially up to \$38.4 million in outstanding unliquidated obligations, improper payments, and high-risk CERP advance payments, and a high risk for currency exchange rate fraud and overpaying or underpaying Afghanistan vendors.

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

During this quarter, DoS OIG issued no reports related to Afghanistan reconstruction.

Government Accountability Office

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

Warfighter Support: DoD Has Made Progress, but Supply and Distribution Challenges Remain in Afghanistan

(Report No. GAO-12-13, Issued October 17, 2011)

In FY 2010, DoD spent billions of dollars to move troops and materiel into Afghanistan, a mountainous, land-locked country with poorly developed

OTHER AGENCY OVERSIGHT

infrastructure. The increase of 30,000 U.S. troops in Afghanistan as of August 2010, along with thousands of civilians and contractors supporting U.S. efforts, have required further development of DoD's already-complex distribution network to support and sustain U.S. military presence in Afghanistan. Although U.S. Transportation Command (TRANSCOM) has established some processes for oversight, it does not have full oversight of the distribution of supplies and equipment to the warfighter in Afghanistan. DoD's distribution pipeline includes four legs—intra-continental, inter-theater, intra-theater, and point of employment—and involves numerous organizations responsible for various aspects of the distribution process for delivering supplies and equipment to Afghanistan. TRANSCOM, as DoD's distribution process owner, is responsible for overseeing the overall effectiveness, efficiency, and alignment of DoD-wide distribution activities. However, as applied and interpreted by DoD, TRANSCOM's oversight role does not extend all the way to final delivery to warfighters at forward-based combat outposts.

To enable DoD to better manage its processes for managing and using cargo containers, the Secretary of Defense should direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to create, implement, and enforce reporting requirements and procedures for tracking containers in theater.

U.S. Army Audit Agency

The USAAA reported completing no new audits related to Afghanistan reconstruction this quarter.

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

During this quarter, USAID OIG issued two reports related to Afghanistan reconstruction.

Review of Responses to Internal Audit Findings on the Local Governance and Community Development Project

(Report No. F-306-12-001-S, Issued December 22, 2011)

USAID OIG conducted this review to assess selected problems raised in the internal audit report and to determine whether Development Alternatives Inc. (DAI) incurred questionable costs on the project.

Launched in October 2006, the Local Governance and Community Development Project sought to promote stability by (1) helping the Government of the Islamic Republic of Afghanistan extend its reach into unstable areas and engage populations most likely to support insurgents, (2) creating an environment that encourages local communities to take an active role in their own stability and development, and (3) addressing the underlying causes of instability and support for the insurgency through integrated community development activities. The project focused on Kandahar City and Maywand District.

OTHER AGENCY OVERSIGHT

DAI implemented the project through a \$349 million contract that ended on August 31, 2011. According to mission records dated October 2011, USAID/Afghanistan obligated \$328 million and disbursed \$317 million for project activities. The final report identified \$6.6 million in questioned costs, stemming from the following issues:

- Deficient procurement practices led to questioned costs of \$748,683 relative to vehicles leased without proper approvals and without full and open competition.
- Deficient procurement practices resulted in \$352,500 in questionable lease payments for the Local Governance and Community Development Project office space and guesthouses.
- Deficient procurement practices led to \$2,019,036 in questioned costs from procuring goods and services without adequate competition and supporting documentation.
- Deficient procurement practices led to questioned costs of \$3,424,400 from inadequately supported fuel purchases for the Local Governance and Community Development Project.
- DAI did not liquidate cash advances of \$48,530 promptly, making them uncollectible.
- DAI improperly charged \$4,782 to the project for upgraded seating on international flights.

The report included seven recommendations to address these issues.

Audit of USAID/Afghanistan's Afghanistan Stabilization Initiative for the Southern Region

(Report No. F-306-12-001-P, Issued November 13, 2011)

USAID OIG conducted this audit to determine whether the Afghanistan Stabilization Initiative for the Southern Region (ASI-SR) was achieving its main goal of building confidence between communities and the Afghan government.

The final report includes the following issues:

- Program implementation was delayed. Program implementation was delayed by a lack of standards for evaluating the timeliness of Chemonics' performance, adverse security conditions, a lack of formal work plans, inadequate oversight by USAID's Office of Transition Initiatives (OTI), staffing difficulties, and poor-quality subcontractors.
- The program budget was not properly managed. ASI-SR did not properly manage its budget and began running out of funds in the first quarter of FY 2011. This happened because ASI-SR accepted more grants than it could fund and because of unanticipated operating expenses.
- Projects were not perceived as Afghan government efforts. According to an independent third-party monitoring and evaluation report of ASI-SR activities, for 9 of 15 projects reviewed, intended beneficiaries did not believe that the Afghan government was involved in the projects. Rather, beneficiaries credited "foreigners" or Provincial Reconstruction Teams (PRTs) with

OTHER AGENCY OVERSIGHT

implementing the projects. Afghan government branding of project sites could help create stronger perceptions of Afghan government involvement in ASI-SR projects.

- The mission lacked a transition plan. Although USAID/OTI, USAID/Afghanistan, Chemonics, and Afghan government officials all agree that some key districts are ready for longer-term development projects, no comprehensive transition plan is in place. Without a comprehensive transition plan to prepare for longer-term development, key districts may not be able to sustain gains in stability, as district governors may not have the resources to meet the needs of their communities.
- Security costs were unreasonable. Chemonics incurred and billed USAID/OTI for security costs totaling \$6.5 million. These costs included (1) protective details for staff stationed at forward operating bases and PRTs and (2) armored vehicle leases that exceeded needs and cost more than other available leases.
- Chemonics' cash controls required improvement. Contrary to best practices issued by USAID/Afghanistan and to its own internal policies, Chemonics was using cash to make large tax payments to the Afghan government because it was having trouble completing wire transfers. In May 2011, a Chemonics employee who was entrusted with \$62,398 to pay taxes disappeared with the cash. Although most of the money was ultimately recovered, this incident exposed a weakness in Chemonics' internal controls.
- Reported results were inaccurate. Chemonics reported planned accomplishments instead of actual results to USAID/Afghanistan, significantly overstating its accomplishments.
- USAID/OTI did not complete a contractor performance review of Chemonics. The report included 18 recommendations to address these issues.

ONGOING OVERSIGHT ACTIVITIES

As of December 31, 2011, the participating agencies reported 33 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

TABLE 4.2

Ongoing Oversight Activities of Other U.S. Agencies, as of December 31, 2011			
Agency	Project Number	Date Initiated	Project Title
DoD OIG	D2012-D000JB-0071.000	12/16/2011	Contract Management and Oversight of Military Construction Projects in Afghanistan
DoD OIG	D2012-DINT01-0084.000	12/13/2011	Investigation of a USCENTCOM Referral; Non-Compliance with Interrogation Policy
DoD OIG	D2012-D000AS-0075.000	12/7/2011	Task Orders for Mi-17 Overhauls and Cockpit Modifications
DoD OIG	D2012-D000AS-0031.000	11/17/2011	Afghanistan Rotary-Wing Transport Contracts for the U.S. Transportation Command
DoD OIG	D2011-D000AS-0271.000	8/12/2011	Afghan National Police Mentoring/Training and Logistics Support Contract
DoD OIG	D2011-D000AT-0246.000	7/12/2011	Adequacy of Controls Over Small Arms Contracts for the Afghan National Security Forces
DoD OIG	D2011-D000JA-0240.000	6/15/2011	Management of Pharmaceuticals Within the Afghan National Security Forces Health System
DoD OIG	D2011-D00SPO-0234.000	5/20/2011	Assessment of U.S. and Coalition Plans To Train, Equip, and Field the Afghan Air Force
DoD OIG	D2011-D000AT-0222.000	4/29/2011	Development of Individual Equipment Requirements for the Afghan National Army

OTHER AGENCY OVERSIGHT

TABLE 4.2 CONTINUED

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF DECEMBER 31, 2011			
Agency	Project Number	Date Initiated	Project Title
DoD OIG	D2011-D000AF-0221.000	4/29/2011	Accountability for Night Vision Devices Procured for the Afghan National Security Forces
DoD OIG	D2011-D000FD-0121.000	3/30/2011	Fees and Surcharges on Intragovernmental Orders Funded by Afghanistan Security Forces Fund Appropriations
DoD OIG	D2011-D000JO-0137.000	1/18/2011	Facilities Management Training Provided Under the National Operations and Maintenance Contracts in Afghanistan
DoD OIG	D2011-D000FR-0089.000	11/30/2010	Internal Controls Over Distribution and Reconciliation of Funds for the Afghanistan National Army Payroll
DoD OIG	D2011-D000JB-0068.000	11/17/2010	Requirements Development Process for Military Construction Projects in Afghanistan
DoD OIG	D2011-D000AS-0030.000	10/1/2010	Management and Oversight for DoD Acquisition and Support of Non-Standard Rotary-Wing Aircraft
DoD OIG	D2010-D000JO-0229.000	6/14/2010	Construction of the Detention Facility in Parwan, Afghanistan
DoS OIG-MERO	12AUD30	12/2011	Audit of the Bureau of International Narcotics and Law Enforcement Affairs' Correction System Support Program in Afghanistan
GAO	351688	11/19/2011	DoD's Preparations for Drawdown of Forces in Afghanistan
GAO	320889	1/13/2012	Streamlining Aid to Afghanistan
GAO	320860	7/18/2011	Use of U.S. Government Personnel or Contractors To Train the Afghan National Police
GAO	351613	6/2/2011	Fuel Demand Management at Forward-Deployed Locations in Afghanistan
GAO	320850	6/20/2011	Cost To Sustain ANSF
GAO	320856	9/26/2011	Security Transition Afghanistan
GAO	120976	3/31/2011	State Contracting for Conflicted Countries
GAO	351603	3/1/2011	Intelligence, Surveillance, and Reconnaissance (ISR) Collection and Tasking Management
GAO	320851	2/20/2011	Screening of Afghan Security Personnel and Recruits
GAO	351616	2/20/2011	DoD Oversight of Private Security Contractors in Afghanistan
GAO	320766	5/3/2010	U.S. Civilian Presence in Afghanistan
USAAA	A-2011-ALL-0342.000	2Q/FY2011	Commander's Emergency Response Program—Afghanistan
USAID OIG	FF101712	10/25/2011	Review of USAID/Afghanistan's Use of the Commander's Emergency Response Program Funds for Selected Projects
USAID OIG	FF100411	9/18/2011	Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program
USAID OIG	FF101611	7/21/2011	Audit of USAID/Afghanistan's Skills Training for Afghan Youth (STAY) Project
USAID OIG	FF100711	6/15/2011	Audit of USAID/Afghanistan's Internal Controls in Administration of the Involuntary Separate Maintenance Allowance

Sources: DoD OIG, response to SIGAR data call, 12/27/2011; DoS OIG, response to SIGAR data call, 12/20/2011; GAO, response to SIGAR data call, 1/2/2011; USAAA, response to SIGAR data call, 12/21/2011; USAID OIG, response to SIGAR data call, 12/23/2011.

Department of Defense Office of Inspector General

DoD continues to face many challenges in executing its Overseas Contingency Operations (OCO). DoD OIG has identified priorities based on those challenges and high risks and has responded by expanding its coverage of OCO operations and its presence in Southwest Asia. In FY 2012, DoD OIG will continue to focus oversight on overseas contingency operations with a majority of its resources supporting operations in Afghanistan. DoD OIG focus in Afghanistan will continue to be in the areas of the management and execution of the Afghanistan Security Forces Fund, military construction, and the administration and oversight of contracts supporting coalition forces.

OTHER AGENCY OVERSIGHT

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

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

The DoD OIG-led Southwest Asia Joint Planning Group coordinates and deconflicts federal and DoD OCO-related oversight activities. DoD OIG is working with SIGAR as well as fellow inspectors general and defense oversight community members to develop a FY 2013 strategic audit plan for the entire inspector general community working in Afghanistan.

Contract Management and Oversight of Military Construction Projects in Afghanistan

(Project No. D2012-D000JB-0071.000, Initiated December 16, 2011)

DoD OIG is determining whether DoD is providing effective oversight of military construction projects in Afghanistan. Specifically, DoD OIG will determine whether DoD is properly monitoring contractor performance during construction and adequately performing quality assurance oversight responsibilities.

Investigation of a USCENTCOM Referral; Non-compliance with Interrogation Policy

(Project No. D2012-DINT01-0084.000, Initiated December 13, 2011)

DoD OIG is conducting this investigation at the request of CENTCOM. The objectives of this project are For Official Use Only.

Task Orders for Mi-17 Overhauls and Cockpit Modifications

(Project No. D2012-D000AS-0075.000, Initiated December 7, 2011)

DoD OIG is determining whether DoD officials properly awarded and administered task orders for the overhaul and modification of Mi-17 aircraft in accordance with federal and DoD regulations and policies. Contracting officers issued the task orders under indefinite-delivery, indefinite-quantity contract number W58RGZ-09-D-0130.

Afghanistan Rotary-Wing Transport Contracts for the U.S. Transportation Command

(Project No. D2012-D000AS-0031.000, Initiated November 17, 2011)

DoD OIG plans to conduct a series of audits relating to Afghanistan rotary-wing transportation contracts to determine whether TRANSCOM officials are properly managing and administering the contracts in accordance with Federal Acquisition Regulation and DoD guidance while contracting for services performed in a contingency environment. For this first audit in the planned series, DoD OIG will determine whether contracting officials have adequate controls over the transportation of supplies, mail, and passengers in Afghanistan.

Afghan National Police Mentoring/Training and Logistics Support Contract

(Project No. D2011-D000AS-0271.000, Initiated August 12, 2011)

The audit will be the first in a series of audits on the Afghan National Police Mentoring/Training and Logistics Support contract. DoD OIG's overall objective for the series of audits is to determine whether DoD officials are using appropriate contracting processes to satisfy mission requirements and are conducting appropriate oversight of the contract in accordance with federal and DoD policies. For this audit, DoD OIG will determine whether the Army is appropriately administering the Afghan National Police Mentoring/Training and Logistics Support contract in accordance with federal and DoD guidance.

Adequacy of Controls Over Small Arms Contracts for the Afghan National Security Forces

(Project No. D2011-D000AT-0246.000, Initiated July 12, 2011)

DoD OIG is evaluating the contract award, pricing, and quality assurance provisions for small arms, to include accessories and spare parts, acquired using the Afghanistan Security Forces Fund (ASFF). Specifically, DoD OIG will determine whether the contract processes were in accordance with applicable acquisition regulations.

Management of Pharmaceuticals Within the Afghan National Security Forces Health System

(Project No. D2011-D000JA-0240.000, Initiated June 15, 2011)

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

Assessment of U.S. and Coalition Plans To Train, Equip, and Field the Afghan Air Force

(Project No. D2011-D00SP0-0234.000, Initiated May 20, 2011)

DoD OIG is determining whether U.S. government and coalition forces goals, objectives, plans, and guidance to train, equip, and field a viable and sustainable Afghan Air Force are prepared, issued, operative, and relevant.

Development of Individual Equipment Requirements for the Afghan National Army

(Project No. D2011-D000AT-0222.000, Initiated April 29, 2011)

DoD OIG is determining whether the development process for ANA individual equipment requirements was adequate. Specifically, DoD OIG will determine the adequacy of the acquisition, sustainment, and training requirements established for individual equipment items for the ANA.

Accountability for Night Vision Devices Procured for the Afghan National Security Forces

(Project No. D2011-D000AT-0221.000, Initiated April 29, 2011)

DoD OIG is evaluating the accountability for night vision devices and associated spare parts procured for the ANSF.

Fees and Surcharges on Intragovernmental Orders Funded by Afghanistan Security Forces Fund Appropriations

(Project No. D2011-D000FD-0121.000, Initiated March 30, 2011)

DoD OIG is determining what fees and surcharges DoD components charge on intra-governmental orders funded by ASFF appropriations. DoD OIG will also evaluate whether the cost data exists to support those charges.

Facilities Management Training Provided Under the National Operations and Maintenance Contracts in Afghanistan

(Project No. D2011-D000JO-0137.000, Initiated January 18, 2011)

DoD OIG is determining whether the vocational training provided under the National Operations and Maintenance contracts is effective in developing the infrastructure maintenance capabilities of the ANSF.

Internal Controls Over Distribution and Reconciliation of Funds for the Afghanistan National Army Payroll

(Project No. D2011-D000FR-0089.000, Initiated November 30, 2010)

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

Requirements Development Process for Military Construction Projects in Afghanistan

(Project No. D2011-D000JB-0068.000, Initiated November 17, 2010)

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

Management and Oversight for DoD Acquisition and Support of Non-Standard Rotary-Wing Aircraft

(Project No. D2011-D000AS-0030.000, Initiated October 1, 2010)

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

Construction of the Detention Facility in Parwan, Afghanistan

(Project No. D2010-D000JO-0229.000, Initiated June 14, 2010)

DoD OIG is determining whether the U.S. Army Corps of Engineers (USACE) and USFOR-A procured construction services and administered the construction contract for the Detention Facility in Parwan, Afghanistan, in accordance with the Federal Acquisition Regulation and other applicable laws and regulations. Specifically, DoD OIG will determine whether USACE properly monitored contractor performance during construction of the detention facility in Parwan and whether USACE has taken or should take recourse against the contractor because of potential latent defects, negligence, or fraud.

Department of State Office of Inspector General- Middle East Regional Office

This quarter, DoS OIG cancelled project 11MERO3013, "Performance Evaluation of the Bureau of International Narcotics and Law Enforcement Affairs' Justice Sector."

Audit of the Bureau of International Narcotics and Law Enforcement Affairs' Correction System Support Program in Afghanistan

(Project No. 12AUD30, Initiated December 2011)

The audit objective is to evaluate the effectiveness of the Bureau of International Narcotics and Law Enforcement Affairs' (INL) Correction System Support Program (CSSP) in building a safe, secure, and humane prison system that meets international standards and Afghan cultural requirements. Specifically, OIG will evaluate whether INL is achieving intended and sustainable results through the following CSSP components: training and mentoring; capacity

building; Counter-Narcotics Justice Center and Judicial Security Unit compound operations and maintenance; Pol-i-Charkhi management and stabilization team; Central Prison Directorate engagement and reintegration team; and Kandahar expansion and support team.

Government Accountability Office

DoD's Preparations for Drawdown of Forces in Afghanistan

(Project No. 351688, Initiated November 19, 2011)

Key Questions: To what extent is DoD (1) prepared to execute drawdown of forces and materiel in Afghanistan and (2) implement lessons learned in Iraq as it prepares for the Afghanistan drawdown?

Streamlining Aid to Afghanistan

(Project No. 320889, Initiated January 13, 2012)

Key Questions: (1) To what extent do the development projects administered by U.S. agencies in Afghanistan address similar objectives? (2) What mechanisms do U.S. agencies use to coordinate planning and implementation of these projects? (3) To what extent is there duplication in these projects?

Use of USG Personnel or Contractors To Train the Afghan National Police

(Project No. 320860, Initiated July 18, 2011)

Key Questions: (1) What are the roles and responsibilities of U.S. government personnel and contractors in the ANP training program? (2) To what extent have DoD and DoS accessed (a) the advantages and disadvantages of using U.S. government personnel or contractors to train the ANP and (b) the potential impact of transferring responsibilities for ANP training from contractors to U.S. government personnel? (3) What are the lessons learned from the execution and oversight of past DoD foreign police training programs?

Fuel Demand Management at Forward-Deployed Locations in Afghanistan

(Project No. 351613, Initiated June 2, 2011)

Key Questions: (1) To what extent has DoD established a viable approach to provide visibility and accountability for fuel demand management in Afghanistan? (2) What initiatives does DoD have underway to promote fuel efficiency across services in Afghanistan and what are the related challenges? (3) To what extent are these efforts being coordinated across services? (4) To what extent does DoD currently measure or have plans in place to measure the results of its energy efficiency efforts in Afghanistan?

Cost To Sustain ANSF

(Project No. 320850, Initiated June 20, 2011)

Key Questions: (1) To what extent are the U.S. government's and others' estimates of the costs to build and sustain the ANSF through 2014 and beyond reliable and consistent? (2) What are the projected sources of funding to cover the costs of ANSF through 2014 and beyond?

Security Transition Afghanistan

(Project No. 320856, Initiated September 26, 2011)

Key Questions: (1) What progress has been made in achieving the conditions to transition security responsibility to the ANSF and security ministries? (2) To what extent does the transition rely on U.S. military support? (3) To what extent are the transition and drawdown of U.S. troops in Afghanistan reflected in DoD's budget requests, including fiscal year 2012? (4) What are the U.S. plans and estimated resources needed to sustain the ANSF?

State Contracting for Conflicted Countries

(Project No. 120976, Initiated March 31, 2011)

Key Questions: (1) What is the extent and nature of DoS's reliance on DoD for acquisition support for Iraq and Afghanistan? (2) What factors led to this reliance? (3) What efforts are under way to determine whether to continue this reliance?

Intelligence, Surveillance, and Reconnaissance (ISR) Collection and Tasking Management

(Project No. 351603, Initiated March 1, 2011)

Key Questions: (1) To what extent does DoD have visibility over all available national, theater, and organic ISR capabilities used in support of military operations? (2) To what extent do DoD collection managers involved in the tasking of ISR capabilities have access to real-time information regarding ISR capabilities and their mission availability and use such information to guide additional tasking? (3) To what extent do DoD collection managers involved in the tasking of ISR capabilities receive relevant collection management training?

Screening of Afghan Security Personnel and Recruits

(Project No. 320851, Initiated February 20, 2011)

Key Questions: (1) To what extent are recruits and other ANA-ANP personnel vetted or screened by the U.S. government for ties to criminal, terrorist, or insurgent forces? (2) What challenges to these efforts exist, if any, and how have U.S. agencies addressed these challenges? (3) To what extent have Defense and State modified screening procedures in response to attacks? (4) What, if any, safeguards are in place to protect U.S. personnel training or working with ANA/ANP forces?

OTHER AGENCY OVERSIGHT

DoD Oversight of Private Security Contractors in Afghanistan

(Project No. 351616, Initiated February 20, 2011)

Key Questions: GAO intends to examine to what extent (1) DoD has a process to determine if the use of private security contractors (PSCs) in Afghanistan to meet specific missions is appropriate; (2) DoD has a process to ensure that PSCs in Afghanistan are selecting personnel with appropriate backgrounds, training, and capabilities; (3) DoD has established a process to ensure that private security prime contractors and subcontractors are performing their duties in Afghanistan; and (4) DoD has begun to formulate plans to meet security requirements in Afghanistan without the use of PSCs.

U.S. Civilian Presence in Afghanistan

(Project No. 320766, Initiated May 3, 2010)

Key Questions: (1) To what extent and through what processes are U.S. agencies prioritizing and fulfilling staffing requirements for the civilian surge in Afghanistan? (2) What steps have U.S. agencies taken to prepare their personnel for deployment?

U.S. Army Audit Agency

Commander's Emergency Response Program—Afghanistan

(Project No. A-2011-ALL-0342.000, Initiated 2Q/FY 2011)

This audit will determine (1) whether the established project review and approval processes for the CERP in Afghanistan promote selection of projects in compliance with its stated goals of providing immediate benefit to the Afghan people and (2) whether the process for generating CERP funding requirements was fully supported by the approved project list.

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

Review of USAID/Afghanistan's Use of the Commander's Emergency Response Program Funds for Selected Projects

(Project No. FF101712, Initiated October 25, 2011)

Objective: To determine whether the CERP funds distributed by USFOR-A to USAID for specific projects were used for their intended purposes and in compliance with applicable laws and regulations and whether the costs charged to CERP-funded projects were reasonable, allowable, and allocable.

Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program

(Project No. FF100411, Initiated September 18, 2011)

Objective: To determine whether USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program is achieving its main goals of increasing licit and commercially viable agricultural-based alternatives for rural Afghans and significantly reducing and ultimately eradicating opium poppy production and sales.

Audit of USAID/Afghanistan's Skills Training for Afghan Youth (STAY) Project

(Project No. FF101611, Initiated July 21, 2011)

Objective: To determine if USAID/Afghanistan's Skills Training for Afghan Youth Project is accomplishing its main goals of providing technical, vocational, and functional skills for productive work, basic education equivalency and life skills, and youth outreach and networking activities.

Audit of USAID/Afghanistan's Internal Controls in Administration of the Involuntary Separate Maintenance Allowance

(Project No. FF100711, Initiated June 15, 2011)

Objective: To determine whether USAID/Afghanistan has adopted appropriate internal controls to prevent improper use of the separate maintenance allowance.

U.S. Department of Defense Office of Inspector General

The Defense Criminal Investigative Service (DCIS) continues to conduct significant fraud and corruption investigations in Afghanistan and Southwest Asia. Currently, there are six DCIS agents assigned to the International Contract Corruption Task Force (ICCTF) in three locations: Kabul, Bagram, and Kandahar Airfields. The DCIS expects to increase its ICCTF-assigned agents to seven within the next several weeks. The DCIS continues to assign one special agent to Task Force 2010. The DCIS and SIGAR are in partnership with seven other agencies to conduct major fraud and corruption investigations that affect DoD and Afghanistan reconstruction programs. In addition to these forward-deployed special agents, 105 DCIS agents based in the United States and Europe are currently conducting investigations related to fraud and corruption in Southwest Asia.

As of December 31, 2011, the DCIS has 122 open OCO investigations involving Afghanistan. Of its open investigations, 22 are joint with SIGAR. The DCIS has closed 80 OCO investigations involving Afghanistan.

The Official Seal of SIGAR

The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal's center is in Dari and means "SIGAR." The phrase along the bottom side of the seal's center is in Pashtu and has the same meaning.

APPENDICES



APPENDICES

APPENDIX A CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS

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

TABLE A.1

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Purpose			
Section 1229(a)(3)	To provide for an independent and objective means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress on corrective action.	Ongoing; quarterly report	Full report
Supervision			
Section 1229(e)(1)	The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense	Report to the Secretary of State and the Secretary of Defense	All sections
Duties			
Section 1229(f)(1)	OVERSIGHT OF AFGHANISTAN RECONSTRUCTION – It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out utilizing such funds, including subsections (A) through (G) below.	Review appropriated/ available funds Review programs, operations, contracts using appropriated/ available funds	All sections
Section 1229(f)(1)(A)	The oversight and accounting of the obligation and expenditure of such funds	Review obligations and expenditures of appropriated/ available funds	SIGAR Oversight Funding
Section 1229(f)(1)(B)	The monitoring and review of reconstruction activities funded by such funds	Review reconstruction activities funded by appropriations and donations	SIGAR Oversight
Section 1229(f)(1)(C)	The monitoring and review of contracts funded by such funds	Review contracts using appropriated and available funds	Note 1
Section 1229(f)(1)(D)	The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities	Review internal and external transfers of appropriated/ available funds	Appendix B
Section 1229(f)(1)(E)	The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]	Maintain audit records	SIGAR Oversight Appendix C Appendix D

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(f)(1)(F)	The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy	Monitoring and review as described	Audits
Section 1229(f)(1)(G)	The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.	Conduct and reporting of investigations as described	Investigations
Section 1229(f)(2)	OTHER DUTIES RELATED TO OVERSIGHT – The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)	Establish, maintain, and oversee systems, procedures, and controls	All sections
Section 1229(f)(3)	DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 – In addition, . . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978	Duties as specified in Inspector General Act	All sections
Section 1229(f)(4)	COORDINATION OF EFFORTS – The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development	Coordination with the inspectors general of DoD, DoS, and USAID	Other Agency Oversight
Federal Support and Other Resources			
Section 1229(h)(5)(A)	ASSISTANCE FROM FEDERAL AGENCIES – Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee	Expect support as requested	All sections
Section 1229(h)(5)(B)	REPORTING OF REFUSED ASSISTANCE – Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.	None reported	N/A
Reports			

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(i)(1)	QUARTERLY REPORTS – Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –	Report – 30 days after the end of each calendar quarter Summarize activities of the Inspector General Detailed statement of all obligations, expenditures, and revenues	All sections Appendix B
Section 1229(i)(1)(A)	Obligations and expenditures of appropriated/donated funds	Obligations and expenditures of appropriated/donated funds	Appendix B
Section 1229(i)(1)(B)	A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program	Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program	Funding Note 1
Section 1229(i)(1)(C)	Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of donor funds	Funding
Section 1229(i)(1)(D)	Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of funds from seized or frozen assets	Funding
Section 1229(i)(1)(E)	Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan	Operating expenses of agencies or any organization receiving appropriated funds	Funding Appendix B
Section 1229(i)(1)(F)	In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* – (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition	Describe contract details	Note 1

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(i)(3)	PUBLIC AVAILABILITY – The Inspector General shall publish on a publically-available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan	Publish report as directed at www.sigar.mil Dari and Pashtu translation in process	Full report
Section 1229(i)(4)	FORM – Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary	Publish report as directed	All sections
Section 1229(j)(1)	Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense.	Submit quarterly report	Full report

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

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

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

To build or rebuild physical infrastructure of Afghanistan.
To establish or reestablish a political or societal institution of Afghanistan.
To provide products or services to the people of Afghanistan."

APPENDIX B U.S. GOVERNMENT APPROPRIATED FUNDS (\$ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of December 31, 2011.

TABLE B.1

U.S. FUNDING SOURCES	AGENCY	TOTAL	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 ^a
SECURITY													
Afghanistan Security Forces Fund (ASFF)	DoD	50,625.79	0.00	0.00	0.00	968.17	1,908.13	7,406.40	2,750.00	5,606.94	9,166.87	11,619.28	11,200.00
Train & Equip (DoD)	DoD	440.00	0.00	0.00	150.00	290.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign Military Financing (FMF)	DoS	1,059.14	57.26	191.00	414.08	396.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
International Military Education & Training (IMET)	DoS	9.80	0.20	0.30	0.60	0.80	0.80	1.10	1.60	1.40	1.50	1.50	0.00
NDA Section 1207 Transfer	Other	9.90	0.00	0.00	0.00	0.00	0.00	0.00	9.90	0.00	0.00	0.00	0.00
Total—Security		52,144.63	57.46	191.30	564.68	1,655.77	1,908.93	7,407.50	2,761.50	5,608.34	9,168.37	11,620.78	11,200.00
GOVERNANCE & DEVELOPMENT													
Commander's Emergency Response Program (CERP)	DoD	3,439.00	0.00	0.00	40.00	136.00	215.00	209.00	488.33	550.67	1,000.00	400.00	400.00
Afghanistan Infrastructure Fund (AIF)	DoD	800.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	400.00	400.00
Task Force for Business and Stability Operations (TFBSO)	DoD	512.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.00	59.26	239.24	199.16
Economic Support Fund (ESF)	USAID	13,016.67	117.51	239.29	893.87	1,280.56	473.39	1,210.71	1,399.51	2,088.32	3,346.00	1,967.51	0.00
Development Assistance (DA)	USAID	884.69	18.30	42.54	153.14	169.56	184.99	166.81	148.65	0.40	0.30	0.00	0.00
Afghanistan Freedom Support Act (AFSA)	DoD	550.00	0.00	165.00	135.00	250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Child Survival & Health (CSH + GHAI)	USAID	554.28	7.52	49.68	33.40	38.00	41.45	100.77	63.02	58.23	92.30	69.91	0.00
Commodity Credit Corp (CCC)	USAID	31.66	7.48	1.33	0.00	0.00	0.00	0.00	10.77	4.22	4.22	3.09	0.55
USAID (other)	USAID	40.52	0.00	0.50	5.00	0.00	0.00	0.00	22.32	3.55	2.90	6.25	0.00
Non-Proliferation, Anti-Terrorism, De-mining & Related (NADR)	DoS	440.90	44.00	34.70	66.90	38.20	18.20	36.60	26.60	48.60	57.80	69.30	0.00
Provincial Reconstruction Team Advisors	USDA	5.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.70	0.00	0.00	0.00
Treasury Technical Assistance	Treasury	4.45	0.90	1.00	0.06	0.95	0.19	0.13	0.75	0.47	0.00	0.00	0.00
Total—Governance & Development		20,280.53	195.71	534.04	1,327.37	1,913.27	933.22	1,724.02	2,159.95	2,775.16	4,562.78	3,155.30	999.71
COUNTER-NARCOTICS													
International Narcotics Control and Law Enforcement (INCLE)	DoS	3,258.11	60.00	0.00	220.00	713.15	232.65	251.74	307.57	484.00	589.00	400.00	0.00
Drug Interdiction and Counter-Drug Activities (DoD CN)	DoD	2,284.58	0.00	0.00	71.80	224.54	108.05	290.97	192.81	235.06	392.27	376.53	392.55
Drug Enforcement Administration (DEA)	DoJ	127.37	0.58	2.87	3.72	16.77	23.66	20.38	40.59	18.80	0.00	0.00	0.00
Total—Counter-Narcotics		5,670.06	60.58	2.87	295.52	954.46	364.36	563.09	540.97	737.86	981.27	776.53	392.55
HUMANITARIAN													
P.L. 480 Title I	USDA	5.00	0.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P.L. 480 Title II	USAID	716.71	159.50	46.10	49.20	56.60	60.00	60.00	177.00	65.41	27.40	15.50	0.00
Disaster Assistance (IDA)	USAID	443.27	197.09	85.52	11.16	4.22	0.04	0.03	17.01	27.01	29.60	66.56	5.03
Transition Initiatives (TI)	USAID	35.60	8.07	11.69	11.22	1.60	0.00	0.00	0.00	0.79	0.92	1.18	0.13
Migration & Refugee Assistance (MRA)	DoS	670.49	135.47	61.50	63.30	47.10	41.80	53.80	44.25	76.79	81.48	65.00	0.00
Voluntary Peacekeeping (PKO)	DoS	69.33	23.93	9.90	20.00	15.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Emergency Refugee & Migration Assistance (ERMA)	DoS	25.20	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00
Food for Progress	USDA	109.49	0.00	4.96	9.08	30.10	23.24	9.47	20.55	12.09	0.00	0.00	0.00
416(b) Food Aid	USDA	95.18	46.46	14.14	34.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Food for Education	USDA	50.49	0.00	9.27	6.12	10.02	25.08	0.00	0.00	0.00	0.00	0.00	0.00
Emerson Trust	USDA	22.40	0.00	0.00	0.00	0.00	0.00	0.00	22.40	0.00	0.00	0.00	0.00
Total—Humanitarian		2,243.16	595.52	248.08	204.66	165.14	150.16	123.30	281.21	182.29	139.40	148.24	5.16
INTERNATIONAL AFFAIRS OPERATIONS													
Oversight		157.99	0.00	0.00	0.00	0.00	0.00	2.50	14.30	25.20	34.40	37.20	44.39
Other		5,039.30	155.60	35.30	207.60	136.10	131.90	207.80	434.40	1,060.70	1,761.70	908.20	0.00
Total—International Affairs Operations		5,197.29	155.60	35.30	207.60	136.10	131.90	210.30	448.70	1,085.90	1,796.10	945.40	44.39
Total Funding		85,535.67	1,064.87	1,011.59	2,599.83	4,824.74	3,488.57	10,028.21	6,192.33	10,389.55	16,647.92	16,646.25	12,641.81

Note: Numbers affected by rounding.
a. Consolidated Appropriations Act of 2012 signed 12/23/2011; Afghanistan funding level for many accounts not yet determined.

Sources: DoD, responses to SIGAR data call, 1/17/2012, 1/13/2012, 1/4/2012, 1/2/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 1/10/2012, 1/9/2012, and 4/14/2011; Treasury, response to SIGAR data call, 10/13/2011; OMB, response to SIGAR data call, 7/19/2011; USAID, responses to SIGAR data call, 1/5/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; PL. 112-74, 12/23/2011; PL. 112-10, 4/15/2011; PL. 111-212, 10/29/2010; PL. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

APPENDICES

APPENDIX C SIGAR AUDITS

Completed Audits

SIGAR completed three audits during this reporting period, as listed in Table C.1.

TABLE C.1

COMPLETED SIGAR AUDITS AS OF JANUARY 30, 2012		
Report Identifier	Report Title	Date Issued
SIGAR Audit 12-6	Afghan First Initiative Has Placed Work with Afghan Companies, but Is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data Is Limited	1/2012
SIGAR Audit 12-5	Audit of a U.S. Agency's Private Security Contract (no public release/for official use only)	1/2012
SIGAR Audit 12-4	DoD Improved its Accountability for Vehicles Provided to the Afghan National Security Forces, but Should Follow Up on End-Use Monitoring Findings	1/2012

New Audits

SIGAR initiated two new audits during this reporting period, as listed in Table C.2.

TABLE C.2

NEW SIGAR AUDITS AS OF JANUARY 30, 2012		
Audit Identifier	Project Title	Date Initiated
SIGAR 052A	Oversight of A-TEMP for the ANP	1/2012
SIGAR 0530A	Implementation of the Afghanistan Infrastructure Program	11/2012

Ongoing Audits

SIGAR has eight audits in progress during this reporting period, as listed in Table C.3.

TABLE C.3

ONGOING SIGAR AUDITS AS OF JANUARY 30, 2012		
Audit Identifier	Project Title	Date Initiated
SIGAR 051A	Costs of Private Security Contractors (PSCs) Utilized by USAID Contractors for Reconstruction in Afghanistan	9/2011
SIGAR 050A	Outcomes of DoS Public Diplomacy Grants in Support of Reconstruction in Afghanistan	8/2011
SIGAR 049A	USACE Operations and Maintenance Contracts with ITT Corporation for ANSF Facilities	7/2011
SIGAR 048A	Reliability of Funding and Contract Data Maintained by C-JTSCC on Prime Vendors for Major Reconstruction Contracts in Afghanistan	7/2011
SIGAR 047A	USAID's Contracts in Support of the Afghanistan Stabilization Initiative	5/2011
SIGAR 046A	USAID's Cooperative Agreement in Support of an Agriculture Program	5/2011
SIGAR 044A	USAID's Financial Audit Coverage of Costs Incurred Under Contracts, Cooperative Agreements, and Grants for Afghanistan Reconstruction	3/2011
SIGAR 041A	USAID Contracts for Local Governance and Community Development Project	1/2011

Forensic Audits

SIGAR continued work on three forensic audits during this reporting period, as listed in Table C.4.

TABLE C.4

SIGAR FORENSIC AUDITS AS OF JANUARY 30, 2012		
Audit Identifier	Project Title	Date Initiated
SIGAR-027A	Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction	6/2010
SIGAR-026A	Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction	6/2010
SIGAR-022A	Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction	2/2010

INSPECTIONS

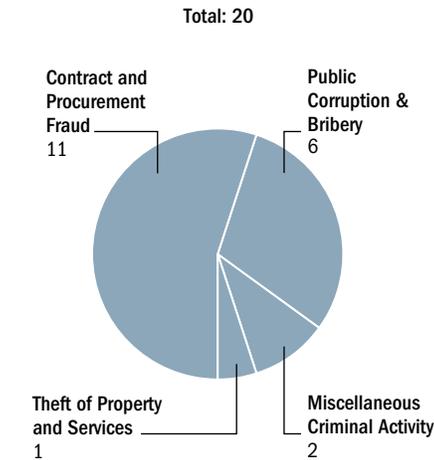
SIGAR initiated four inspections during this reporting period, as listed in Table C.5.

TABLE C.5

SIGAR INSPECTIONS AS OF JANUARY 30, 2012		
Audit Identifier	Project Title	Date Initiated
SIGAR 1004	Wardak ANP Training Center (USACE)	1/2012
SIGAR 1003	Nangarhar Border Police Company Headquarters Facilities (USACE)	1/2012
SIGAR 1002	Jalalabad ANA Garrison (USACE)	1/2012
SIGAR 1001	Kunduz ANA Facility-2/209th Headquarters (USACE)	1/2012

FIGURE D.1

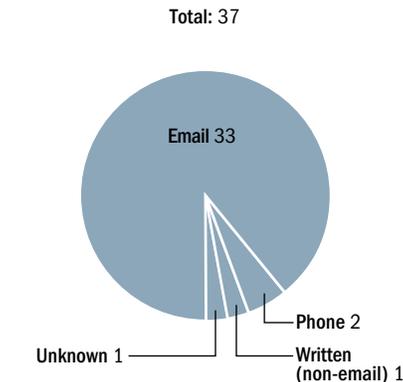
SIGAR INVESTIGATIONS: NEW INVESTIGATIONS, OCTOBER 1-DECEMBER 31, 2011



Source: SIGAR Investigations Directorate, 1/15/2012.

FIGURE D.3

SOURCE OF SIGAR HOTLINE COMPLAINTS, OCTOBER 1-DECEMBER 31, 2011



Source: SIGAR Investigations Directorate, 1/11/2012.

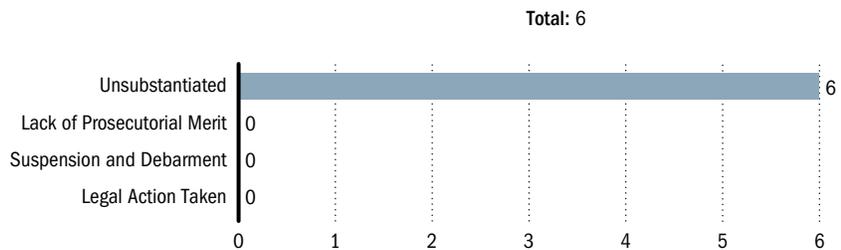
APPENDIX D SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations

This quarter, SIGAR opened 20 new investigations and closed 6, bringing the total number of open investigations to 125. Of the new investigations, most involved contract fraud, public corruption, and bribery, as shown in Figure D.1. Six investigations were closed due to unsubstantiated claims, as shown in Figure D.2.

FIGURE D.2

SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, OCTOBER 1-DECEMBER 31, 2011



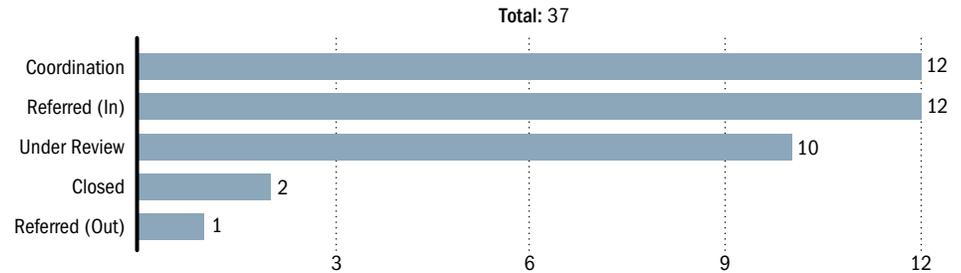
Source: SIGAR Investigations Directorate, 1/15/2012.

SIGAR Hotline

Of the 37 Hotline complaints received this quarter, most were received by email or telephone, as shown in Figure D.3. Of these complaints, most were coordinated, referred, or under review, as shown in Figure D.4.

FIGURE D.4

STATUS OF SIGAR HOTLINE COMPLAINTS: OCTOBER 1-DECEMBER 31, 2011



Source: SIGAR Investigations Directorate, 1/11/2012.

APPENDIX E ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
4A	Assistance to Anti-Corruption Authority
A-TEMP	Afghanistan - Technical Equipment Maintenance Program
ABP	Afghan Border Police
ACLEA	Advanced Continuing Legal Education for Afghanistan
ACSS	Afghanistan Civil Service Support
ACU	Anti-Corruption Unit
ADT	Agribusiness Development Team
AF OSI	Air Force Office of Special Investigations
AFCEE	Air Force Center for Engineering and the Environment (U.S.)
AFI	Afghan First Initiative
AFMIS	Afghanistan Financial Management Information System
AGO	Attorney General's Office (Afghan)
AGS	Afghan Geological Survey
AIF	Afghanistan Infrastructure Fund
AIP	Afghanistan Infrastructure Program
ALP	Afghan Local Police
ANA	Afghan National Army
ANCOP	Afghan National Civil Order Police
ANDS	Afghanistan National Development Strategy
ANP	Afghan National Police
ANSF	Afghan National Security Forces
APAP	Afghanistan Parliamentary Assistance Program
APPF	Afghan Public Protection Force
APRP	Afghanistan Peace and Reintegration Program
APTTA	Afghanistan-Pakistan Transit Trade Agreement
APTCA	Afghanistan-Pakistan Transit Trade Coordination Authority
Army CID	Army Criminal Investigation Command
ARP	Afghanistan Reintegration Program (U.S.)
ARTF	Afghanistan Reconstruction Trust Fund
ASAP	Accelerated Sustainable Agriculture Program
ASFF	Afghanistan Security Forces Fund
ASI-SR	Afghanistan Stabilization Initiative for the Southern Region
ASOP	Afghanistan Social Outreach Program
AUP	Afghan Uniform Police
AVIPA	Afghanistan Vouchers for Increased Production in Agriculture
AWOL	absent without leave
C-JTSCC	CENTCOM Joint Theater Support Contracting Command
CENTCOM	Central Command (U.S.)
CERP	Commander's Emergency Response Program
CFSOCC-A	Combined Forces Special Operations Component Command - Afghanistan
CM	Capability Milestone

APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
CNPA	Counter-Narcotics Police of Afghanistan
CNPC	China National Petroleum Corporation International
CNPI	Counter-Narcotics Public Information
COIN	counter-insurgency
CPD	Central Prison Directorate
CPDAP	Colombo Plan Drug Advisory Program
CRS	Congressional Research Service
CSC	Civil Service Commission (Afghan)
CSSP	Correctional System Support Program
CSTC-A	Combined Security Transition Command - Afghanistan
CUAT	Commander's Unit Assessment Tool
DAB	Da Afghanistan Bank
DAI	Development Alternatives Inc.
DCIS	Defense Criminal Investigative Service
DEA	Drug Enforcement Administration (U.S.)
DoD	Department of Defense (U.S.)
DoD CN	Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S)
DoD OIG	Department of Defense Office of Inspector General
DoS	Department of State (U.S.)
DoS OIG	DoS Office of Inspector General
DST	Development Support Team
EC	European Commission
ECF	Extended Credit Facility
ESF	Economic Support Fund
EVAW	Elimination of Violence Against Women law
F-RIC	Force Reintegration Cell
FBI	Federal Bureau of Investigation (U.S)
FSD	Forward Support Depot
FY	fiscal year
GAO	Government Accountability Office (U.S.)
GDP	gross domestic product
GPI	Good Performer's Initiative
HMMWV	high-mobility, multi-purpose, wheeled vehicle
HOOAC	High Office of Oversight for Anti-Corruption (Afghan)
HRW	Human Rights Watch
I-PACS II	Initiative To Promote Afghan Civil Society II
ICCTF	International Contract Corruption Task Force
IDLG	Independent Directorate of Local Governance
IEC	Independent Election Commission (Afghan)
IED	improvised explosive device
IJC	International Security Assistance Force Joint Command
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement (U.S)

APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
INL	Bureau of International Narcotics and Law Enforcement Affairs (U.S.)
IOCC	Inter-agency Operations and Coordination Center
ISAF	International Security Assistance Force
ISR	Intelligence, Surveillance, and Reconnaissance
JSC-A	Joint Sustainment Command-Afghanistan
JSSP	Justice Sector Support Program
LARA	Land Reform in Afghanistan
LGCD	Local Governance and Community Development
LOTFA	Law and Order Trust Fund for Afghanistan
LSCOC	Logistics Support Operations Center
MACCA	Mine Action Coordination Center of Afghanistan
MCN	Ministry of Counter-Narcotics
MCTF	Major Crimes Task Force (Afghan)
MDP	Gender Integration Ministerial Development Plan
MEC	Monitoring and Evaluation Committee
MMDP	Master Ministerial Development Plan
MoD	Ministry of Defense (Afghan)
MoF	Ministry of Finance (Afghan)
MoI	Ministry of Interior (Afghan)
MoJ	Ministry of Justice (Afghan)
MoM	Ministry of Mines (Afghan)
MoPH	Ministry of Public Health (Afghan)
MoPW	Ministry of Public Works (Afghan)
MoTCA	Ministry of Transport and Civil Aviation
MRRD	Ministry of Rural Rehabilitation and Development
MTN	Mobile Telecommunications Network Afghanistan
NATO	North Atlantic Treaty Organization
NCIS	Naval Criminal Investigative Service
NCO	noncommissioned officer
NGO	non-governmental organization
NIU	National Interdiction Unit
NTM-A	NATO Training Mission - Afghanistan
OIG	Office of Inspector General
OTI	Office of Transition Initiatives
PBGF	Performance-Based Governor's Fund
PJST	Provincial Joint Secretariat Team
PM/WRA	Bureau of Political-Military Affairs - Office of Weapons Removal and Abatement (Afghan)
PMO	postal money order
PRT	Provincial Reconstruction Team
PSC	private security contractor
RC	Regional Command
RC Window	Recurrent Cost Window
SIGAR	Special Inspector General for Afghanistan Reconstruction

APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
SIU	Sensitive Investigative Unit
STAY	Skills Training for Afghan Youth
SY	solar year
TACOM LCMC	TACOM Life Cycle Management Command
TFBSO	Task Force for Business and Stability Operations
TIU	Technical Investigative Unit
TRANSCOM	U.S. Transportation Command
UAE	United Arab Emirates
UN	United Nations
UNAMA	UN Assistance Mission in Afghanistan
UNDP	UN Development Programme
UNESCO	UN Educational, Scientific, and Cultural Organization
UNHCR	UN High Commissioner for Refugees
UNODC	UN Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	USAID Office of Inspector General
USDA	U.S. Department of Agriculture
USFOR-A	U.S. Forces - Afghanistan
USGS	U.S. Geological Survey



A Buddha's legs and robe are carved out of stone at Tepe Kafiriāt in Mes Aynak, Logar province, former site of a bin Laden training camp. Since 2010, the largest archaeological dig in the world has been attempting to save the treasures from this 2,600-year-old monastery before the site is destroyed by a huge copper mine to be built by a Chinese company. (U.S. Embassy Kabul photo)

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