Cover Captions (clockwise from left):

An Afghan examines the complex ballot for the September 18 parliamentary elections. The Afghan Independent Election Commission took full responsibility for elections preparation, using funding provided by the international community through the United Nations Development Programme. Final results will be announced in early November. (USAD photo)

A farmer feeds livestock at the fourth International AgFair, held in Kabul on October 7, 2010. Afghanistan is home to one of the fastest-growing agricultural markets in Central Asia. The fair presented an opportunity for Afghans to showcase their products to potential exporters. (ISAF photo, SSgt Joseph Swafford)

Afghan girls attend the Omid School in Kabul in October. This quarter, more than 100 girls and teachers were poisoned with an agricultural pesticide. Toxicologists confirmed that the exposure was intentional and could not have been caused by casual or regular contact. Attacks on Afghan schoolgirls have occurred regularly since the fall of the Taliban. (U.S. Navy photo, CPO Joshua R. Treadwell)

A cobbler assembles combat boots for the ANA at the Afghan-owned Milli Trading Company factory in Kabul in September. Formerly, U.S. companies supplied boots to the ANA. The Afghan First Initiative encourages the ANA, NATO, ISAF, and U.S. forces to increase procurement from Afghan companies. This factory makes about 2,400 boots per day. (U.S. Air Force photo, SSgt Sarah Brown)

The new Tajg Bridge is open for traffic after three years of construction. Funded by CERP the $1.7 million bridge stretches approximately 300 meters across the Farah River, providing a shorter route between several districts and the capital of Farah. The bridge is expected to enhance economic activity and to reduce the ANAs response time in the area. (ISAF photo)

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 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.

SIGAR RESULTS TO DATE

AUDITS
- 34 completed audit reports, addressing more than $4.4 billion in reconstruction spending
- 18 audit reports related to contract management and oversight
- 3 forensic audits currently analyzing more than $37 billion of reconstruction contract data

INVESTIGATIONS
- 81 ongoing investigations of contracts totaling $6.1 billion
- 4 convictions, 9 dismissed, and more than $6 million in repayments to the U.S. government
- 333 Hotline complaints received and addressed

OPERATIONS
- Work conducted in 22 of Afghanistan’s 34 provinces
  in 48 locations (districts, cities, and forward operating bases)
October 30, 2010

I am pleased to submit SIGAR’s ninth quarterly report to the Congress on the U.S. reconstruction effort in Afghanistan. This report provides details about SIGAR’s oversight activities as well as an update on the status of reconstruction programs in Afghanistan for the reporting period ending October 30, 2010.

This quarter marked the beginning of the tenth year of the U.S. engagement in Afghanistan. Since 2001, the Congress has appropriated approximately $56 billion to build Afghan security forces, develop governing capacity, and foster economic development. In his FY 2011 budget, President Obama requested an additional $16.2 billion, which would bring total funding for Afghanistan’s reconstruction to more than $72 billion.

I just returned from my eighth trip to Afghanistan. I met with the senior U.S. civilian and military leadership and with Afghan government officials, including President Hamid Karzai and the governors of Balkh and Laghman provinces. My discussions focused on key issues that SIGAR has identified as putting the U.S. investment at risk of loss due to waste, fraud, or abuse. These issues include contracting, corruption, the U.S. plan to channel direct assistance through Afghan government institutions, and the development of the Afghan National Security Forces:

- Although the U.S. reconstruction program has depended heavily on contractors, SIGAR’s audits have found that U.S. agencies continue to have difficulty providing oversight of project implementation, ensuring quality control, and maintaining contract files. During my visit, the Commander of the International Security Assistance Force (ISAF), General David Petraeus, told me that he is increasing the military’s contracting capacity and deploying contracting officers to forward operating bases to improve contract and program management. He has also issued new contracting guidance that focuses on better implementing the Afghan First policy, which seeks to make hiring Afghan companies a priority, and also emphasizes the importance of sound contracting practices.

- Corruption continues to have a debilitating impact on reconstruction. U.S. Embassy Kabul has produced a draft of a comprehensive anti-corruption strategy to guide U.S. efforts in Afghanistan, but the Department of State has not yet approved it. Nevertheless, the U.S. Embassy told SIGAR that it is proceeding to implement the draft strategy. In our audit of U.S. anti-corruption efforts, we recommended that the Department of State approve the strategy and also provide key Afghan institutions with more assistance to strengthen their ability to deter corruption.

- The United States has committed itself to channeling as much as 50% of its development assistance through the Afghan government. I am concerned that the Afghan government does not yet have the capacity to manage and account for this increase in donor funds. In Nangarhar province, for example,
the United States invested $100 million in 2009. Our audit of U.S. development assistance in Nangarhar found that the province does not have the capacity to independently manage development funds, lacks a functioning development planning process, and is unable to sustain completed projects.

- The U.S. strategy in Afghanistan depends on building Afghan security forces capable of conducting independent operations. Because more than half of all U.S. reconstruction dollars are going to build the ANSF, the United States must have an effective way to measure the capabilities of the Afghan security forces. I am pleased that the ISAF Joint Command (IJc) is now using a new system to measure the capabilities of both the Afghan National Army (ANA) and the Afghan National Police (ANP). The new Commander's Unit Assessment Tool (CUAT) incorporates most of the recommendations that SIGAR made in our audit of the old rating system.

Even with the positive steps toward improving oversight of reconstruction funds, SIGAR's work to date indicates that the large U.S. investment in Afghanistan remains at significant risk of being wasted or subject to fraud and abuse. In Section 1 of this report, we discuss six broad issues that the United States must address to protect its investment.

Over the last 18 months, SIGAR has issued 34 audit reports and made more than 100 recommendations to improve projects valued at a total of more than $4.4 billion. SIGAR has also participated in joint investigations, resulting in convictions and dismissals of individuals involved in bribery and procurement fraud, as well as the repayment of several million dollars to the U.S. government. SIGAR has 81 ongoing investigations of contract fraud, procurement fraud, and corruption.

As we review reconstruction efforts, we are strengthening our organization. SIGAR has implemented all of the peer review’s recommendations for the Audits Directorate, and our Investigations Directorate is now fully compliant with all Attorney General guidelines and CIGIE qualitative standards. At the time this report went to press, SIGAR had 117 full-time employees. SIGAR is continuing to hire auditors and investigators to provide the oversight necessary to detect and prevent waste, fraud, and abuse of taxpayer dollars on the critical effort to rebuild Afghanistan.

Very respectfully,

Arnold Fields

Special Inspector General for Afghanistan Reconstruction
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Linking Farmers and Customers

An Afghan farmer finds a market for his crops at the fourth International AgFair, which was held in Kabul in October. Revitalizing the agricultural sector is the number one domestic priority of U.S. policy in Afghanistan. (ISAF photo, MCC Jason Carter)
AFGHANISTAN
OVERVIEW
“While we all desire fast results, haste in contracting invites fraud, waste, and abuse. Plan ahead, establish reasonable timelines, and ensure transparency and oversight so that contracting and procurement reinforce rather than detract from our objectives.”

—Gen. David Petraeus, Commander, ISAF and USFOR-A

AFGHANISTAN OVERVIEW

During this reporting period, the U.S. engagement in Afghanistan entered its 10th year. U.S. funding for Afghanistan reconstruction now exceeds the amount provided in Iraq. Since the United States and its coalition partners began operations on October 7, 2001, the United States has invested approximately $56 billion to build the Afghan security forces, provide social services, promote economic development, and improve governance in a country that had been devastated by decades of war and a brutal government. More than 75% of this funding—approximately $43 billion—has been appropriated since 2007. President Barack Obama has asked the Congress to provide an additional $16.2 billion in reconstruction funding for fiscal year (FY) 2011, which would bring the total to more than $72 billion, far surpassing the $53.8 billion that the United States has provided for reconstruction in Iraq.

Through its audit and investigative work over the last 18 months, SIGAR has identified six broad issues that expose the U.S. investment in Afghanistan reconstruction to waste, fraud, and abuse. SIGAR has issued 34 audit reports and made more than 100 recommendations to mitigate these risks, prevent waste, and promote economy, efficiency, and effectiveness in reconstruction programs. Implementing agencies have concurred or partially concurred with all of SIGAR’s recommendations. SIGAR continues to track the implementation of these recommendations.

This quarter, SIGAR issued seven reports that touch on multiple risk factors and specifically address three audit priority areas: contracting, anticorruption and capacity building, and the development of the Afghan National Security Forces (ANSF).

RISKS TO THE U.S. INVESTMENT

The risks that U.S. funding will be subject to waste, fraud, and abuse fall into two broad, overlapping categories: U.S. government management of the funds, and the difficult environment in which reconstruction is taking place in Afghanistan. The United States needs to improve its management of reconstruction dollars in three areas:

- contracting and program management
- collaboration with Afghans
- metrics to appropriately measure progress
AFGHANISTAN OVERVIEW

The U.S. reconstruction effort also continues to face a number of serious challenges as a result of the circumstances in Afghanistan. Three major challenges put the U.S. reconstruction effort in jeopardy:

- corruption
- limited Afghan capacity to manage and sustain projects
- security

CONTRACTING AND PROGRAM MANAGEMENT

The Congress has apportioned most reconstruction funding to the Department of Defense (DoD), the Department of State (DoS), and the U.S. Agency for International Development (USAID). These agencies have relied extensively on contractors to provide a broad range of services in Afghanistan. Although the Congress has required DoD, DoS, and USAID to create a common database to track contractor personnel and contracts, these agencies have had difficulty using this database. Moreover, none of these agencies has routinely provided information on which contracts, cooperative agreements, and grants are used for reconstruction as opposed to other activities in Afghanistan, such as support for U.S. troops.

In fact, both SIGAR and the Special Inspector General for Iraq Reconstruction have repeatedly identified information management as a serious challenge to reconstruction efforts. Yet the United States still does not have an integrated management information system that can provide a common operating picture of U.S. reconstruction projects and programs. The lack of such a system continues to make it extremely difficult for the U.S. government to effectively monitor the expanding reconstruction program in Afghanistan.

This quarter, SIGAR completed the first review ever to identify the contractors and implementing partners involved in Afghanistan reconstruction and the financial mechanisms used to award contracts, grants, and cooperative agreements. SIGAR found that DoD, DoS, and USAID had obligated more than $17.7 billion to as many as 6,900 contractors and other entities from FY 2007 to FY 2009. SIGAR is using this information to guide its audits and investigations work. The audit underscores how much oversight is required in Afghanistan and will help SIGAR prioritize its future work. For details of the audit’s findings, see Section 2 of this report.

Approximately half of the reviews SIGAR has completed to date assessed contract management and contractor performance on contracts with a combined value of more than $2.6 billion. Even though the United States has been involved in Afghanistan reconstruction for nearly a decade, SIGAR has found that U.S. implementing agencies continue to have difficulty maintaining contract files, providing oversight of project implementation, and ensuring quality control. This is true for both small and large contracts. For example, SIGAR’s audit this quarter of a contract to build six Afghan National Police (ANP) headquarters in Helmand and Kandahar provinces identified numerous problems, including project delays
and shoddy construction. The U.S. Army Corps of Engineers, which was responsible for managing the $5.9 million contract, failed to conduct sufficient oversight and made payments to the Afghan contractor based on incomplete quality assurance reports. The U.S. government probably will need to pay an additional $1 million—nearly 17% of the value of the contract—to repair the structural deficiencies. SIGAR’s earlier audits of infrastructure projects for the Afghan National Army (ANA) identified similar contract management problems.

**Afghan First Policy and New Contracting Guidelines**

As part of its Afghan First policy, the United States has made it a top priority to award more contracts to Afghan firms. At the same time, there has been growing concern that some companies hired to provide security, supplies, and reconstruction work have been siphoning off money to fund the Taliban and criminal groups. During this reporting period, the Commander of the International Security Assistance Force (ISAF), General David Petraeus, noted that contracting represented both an opportunity and a danger. He issued new contracting guidance requiring commanders to consider the effects of contracting spending and understand who benefits from it. The directive stated that “with proper oversight, contracting can spur economic development and support the Afghan government’s and ISAF’s campaign objectives.” It also warned that if “we spend large quantities of international contracting funds quickly and with insufficient oversight, it is likely that some of those funds will unintentionally fuel corruption, finance insurgent organizations, strengthen criminal patronage networks, and undermine our efforts in Afghanistan.”

The new guidelines instruct commanders to “hire Afghans first, buy Afghan products, and build Afghan capacity,” stressing the importance of these efforts:

- maximizing opportunities for local small and medium-sized businesses to compete for internationally funded contracts
- incorporating maintenance and repair training in existing contracts
- promoting industries that have immediate and long-term growth potential, such as agriculture, food processing, and construction
- adopting a fair wage and price approach to minimize inflation
- guarding against fraudulent claims of Afghan ownership of businesses

The guidelines also direct commanders to “exercise responsible contracting practices” by planning ahead, establishing reasonable timelines, and ensuring transparency and oversight “so that contracting and procurement reinforce rather than detract from our objectives.”

The new guidelines emphasize the need to vet vendors and contractors, hold prime contractors responsible for subcontractors, and increase the visibility of the subcontractor network “to ensure that contracting does not empower the wrong people or allow the diversion of funds.” SIGAR audits will play a key role in helping U.S. agencies successfully implement the new contracting guidance for reconstruction projects.
**Task Force 2010**

This quarter, Task Force 2010 began operations in Afghanistan to investigate charges that firms hired to provide security, supplies, and reconstruction work were diverting money to fund insurgency or criminal organizations. Conceived of by DoD, the task force has become a joint civilian-military organization, reaching out to U.S. government agencies and the Government of the Islamic Republic of Afghanistan (GIRoA). It is focusing primarily on building a database of contractors and subcontractors in the critical southern provinces to (1) increase visibility into the flow of U.S. funds through subcontracts and (2) prevent these funds from going to contractors and individuals who are supporting the insurgency and criminal activities.5

Task Force 2010 seeks to synchronize contracting activities, increase transparency and accountability in the contracting process, reduce contracting corruption, and promote economic development. Since July, Task Force 2010 has developed a Contract Action Plan that enables the director of the task force and the battle-space commanders to work together to make recommendations to suspend or debar, cancel for cause, or place on the UN 1267 freeze list any contractor found to be diverting funds to support the insurgency or other criminal activity. During this reporting period, Task Force 2010 identified and subsequently suspended and debarred Watan Risk Management, an Afghan private security contractor that had been funneling large sums of money to insurgents.6

The United States has no authority in Afghanistan to arrest and prosecute Afghans involved in contract fraud. To address this law enforcement challenge, Task Force 2010 is developing a joint U.S.-Afghan investigative team known as the Afghan Shafafiyat Investigative Unit (ASIU). Shafafiyat means “transparency” in the Dari language. The team includes representatives from SIGAR, the Federal Bureau of Investigation, Homeland Security Investigations, the Defense Criminal Investigative Service, and the Army Criminal Investigation Command. Through the ASIU, the United States will work with the GIRoA to arrest and prosecute Afghan citizens involved in contract fraud. SIGAR investigators are working closely with both Task Force 2010 and the ASIU, extending SIGAR’s investigative outreach.

**COLLABORATION WITH AFGHANS**

SIGAR remains concerned about the lack of coordination between U.S. implementing agencies and the GIRoA in the development and implementation of reconstruction projects in Afghanistan. Although working in partnership with Afghans has long been the stated U.S. policy, most U.S. development assistance over the last nine years has been managed by U.S. agencies and contractors, bypassing the GIRoA. This year, the United States and the international community committed to deliver more assistance through the GIRoA and to strengthen provincial governance. This commitment is contingent on the GIRoA reducing corruption, improving its financial management and budget execution, and increasing the capacity of the central and provincial government agencies to deliver public services.
AFGHANISTAN OVERVIEW

SIGAR's audit this quarter of development assistance in Nangarhar—the most densely populated province and the primary gateway for trade with Pakistan—highlights some of the challenges the United States and its international partners face in fulfilling their commitment. SIGAR identified U.S. development activities totaling more than $100 million during FY 2009; the Commander’s Emergency Response Program (CERP), which funded 202 projects with a combined value of $58.7 million, accounted for more than half of the development activity. However, the United States may have funded additional activities in Nangarhar because the centralized nature of the GIRoA, the lack of donor reporting, and the scope of some of the development projects made it very difficult to determine the total amount of development funds spent in this strategically important province.

Despite this significant investment in a single province, SIGAR detected little U.S. coordination of project selection and implementation with provincial authorities. Nangarhar is the second-highest revenue-generating province in Afghanistan, but it does not have an operational development plan or a functioning process to identify, implement, and manage development projects. Although the province adopted a development plan in 2008, the plan was never implemented. Similarly, although the province has a Provincial Development Committee and a process that is supposed to prepare, budget for, and monitor development plans, SIGAR found that USAID-funded projects do not go through this process. In fact, USAID-funded projects are often implemented without the knowledge or involvement of

Inspector General Fields meets with the governor of Laghman province, Mohammed Azizi, on September 30, to discuss the governor’s views of U.S. reconstruction in the province. Governor Azizi urged the international community to work together to “spend less and get more.” (SIGAR photo)
either the national or provincial governments. SIGAR’s analysis of CERP records revealed that although 24 of the 26 project files indicated that they were coordinated with the national government, only 4 contained evidence of what that coordination was.

The lack of development planning by the United States and GIRoA has resulted in an incoherent and wasteful approach to reconstruction that is not achieving the U.S. strategic goals of sustained economic development, increased provincial capacity, and improved governance. Consequently, SIGAR concluded that the provincial government did not have the capacity to manage additional development responsibilities. For details on this audit, see Section 2 of this report.

The United States is deploying civilian experts to help implement programs to improve Afghan governing capacity, advance the rule of law, and promote sustainable economic development. One of the goals of the civilian uplift is to improve coordination between the GIRoA and U.S. agencies in the development and implementation of U.S.-funded reconstruction projects. SIGAR issued its first audit of the civilian uplift this quarter and announced a second audit, which it will conduct jointly with the DoS Office of Inspector General. SIGAR has also begun a review of U.S. assistance to develop Afghanistan’s agriculture sector. This audit will look at several issues, including the extent to which U.S. agricultural assistance is being coordinated with other donors and the GIRoA.

**METRICS**

The reconstruction experience in Iraq and Afghanistan has shown that U.S. taxpayer dollars are at risk of being wasted when the success of a program is not measured or is measured only by outputs rather than by outcomes. Therefore, SIGAR’s auditors are looking at both outputs and outcomes as measurements of progress. For example, more than half of all reconstruction dollars expended in Afghanistan have gone to train, equip, and house the ANSF. The “output goal” is to have 171,600 ANA troops and 134,000 ANP personnel by October 2011. The “outcome objective” is to build an ANA and ANP capable of providing security in Afghanistan. Earlier this year, SIGAR issued an audit that analyzed the Capabilities Milestone system, which had been used since 2005 to measure the capabilities—the outcome objectives—of the ANSF. SIGAR found that the system could not provide a reliable or consistent assessment of the capabilities of the ANSF and made 13 recommendations to improve it.

Over the last six months, the ISAF Joint Command (IJC) has developed a new system—the Commander’s Unit Assessment Tool (CUAT)—for evaluating the capabilities of the ANSF. During the Inspector General’s recent trip to Afghanistan, IJC briefed him on the steps it had taken to incorporate SIGAR’s recommendations to improve the capabilities measurement system. IJC has made assessment improvements in the critical areas of training, reporting, and integration with higher and adjacent commands. The CUAT incorporates most of the recommendations that SIGAR made in its assessment of the old rating
system, including adding qualitative evaluations of elements, such as leadership and operational performance, as well as quantitative assessments of staffing and equipment. For more on the CUAT, see Section 3 of this report.

**CORRUPTION**

The U.S. government, the international community, the GIRoA, and most important, the Afghan people are concerned about the pervasive corruption in Afghanistan. Corruption undermines the legitimacy of the GIRoA, poses significant obstacles to investment and economic growth, and fuels the insurgency. Eighteen months ago, SIGAR recognized that the widespread corruption in Afghanistan posed a significant risk to the U.S. reconstruction effort. To address this risk, SIGAR developed an audit plan for determining what the United States and other donor countries are doing to build (1) the capacity of Afghan institutions to deter corruption and strengthen the rule of law, and (2) the capacity of the Afghan institutions that receive significant funding to account for donor funds. As part of this initiative, SIGAR has issued several audits, including one of Afghanistan’s High Office of Oversight and one of the Control and Audit Office. Despite the key role that these institutions should play in curbing corruption and providing accountability for donor funds, the United States has done very little to help them build the capability to successfully do their jobs.

This quarter, SIGAR issued an audit that identified U.S. assistance to help the GIRoA develop its anti-corruption capabilities and assessed the capacity of Afghanistan’s key anti-corruption institutions. Although U.S. Embassy Kabul produced a comprehensive anti-corruption strategy last April, DoS has not yet approved it. Nevertheless, Embassy officials have told SIGAR that they are implementing the strategy. The draft strategy calls for the United States to support efforts in four areas:

- Help the GIRoA improve the transparency and accountability of its institutions to reduce corrupt practices.
- Help the GIRoA improve financial oversight.
- Increase Afghan capacity to build the rule of law.
- Help the GIRoA and civil society educate and empower the public.

To improve and direct U.S. anti-corruption efforts in Afghanistan, SIGAR recommended that DoS approve and implement the draft comprehensive anti-corruption strategy.

SIGAR’s audit also found that several U.S. agencies are funding programs to help build the capacity of the GIRoA to combat corruption. Although few U.S. reconstruction programs are designed specifically to deter corruption, six U.S. departments and agencies are funding projects that directly or indirectly help strengthen the anti-corruption capabilities of GIRoA institutions—DoD, DoS, the Department of the Treasury, the Department of Justice, the Department of Homeland Security, and USAID. These programs are discussed in Section 3 of this report.
AFGHANISTAN OVERVIEW

The anti-corruption effort must be inextricably linked with developing Afghan capacity to establish rule of law and account for and manage public funds. This quarter, SIGAR initiated two new audits that will address aspects of these issues. In one audit, SIGAR is reviewing U.S. and international donor assistance for the development of the Afghan banking sector and Afghan currency control systems. This audit should shed light on problems associated with Kabul Bank, as well as the export of large amounts of cash through the Kabul airport. A second SIGAR audit is assessing U.S. efforts to strengthen the capabilities of the Afghan Major Crimes Task Force. This task force is on the front lines of the effort to detect high-level government corruption.

Adopting a comprehensive anti-corruption strategy is particularly important given the U.S. commitment to channel 50% of its development assistance through GIRoA institutions. SIGAR has been concerned that the United States and other donors do not have a process in place to assess whether Afghan institutions have the capacity to manage and account for donor funds. U.S. Embassy Kabul officials told SIGAR that they are working with the international community to establish a common set of standards and a vetted and agreed-to methodology. They are also working to correct misperceptions about what the United States and the international community are doing to assess GIRoA ministries. In addition, Embassy officials are seeking assurances from the USAID Office of Inspector General that measures are in place to mitigate the risk that U.S. funds could be subject to waste, fraud, or abuse. According to the U.S. Embassy, U.S. development assistance will not be channeled through Afghan ministries until there is an approved plan for safeguarding these funds.

AFGHAN CAPACITY

SIGAR’s work to date indicates that a lack of Afghan capacity to govern and to operate, maintain, and sustain projects poses a significant risk to the U.S. investment in Afghanistan. Four of the reports SIGAR issued this quarter touch on aspects of U.S. funding for programs to build Afghan capacity in governance. In addition to the assessment of the U.S. anti-corruption strategy and the audit of development assistance in Nangarhar province, SIGAR completed a review of the salary support provided by the United States and other international donors to GIRoA officials and a lessons learned report on the elections process.

Since 2002, the United States and other international donors have paid the salaries of thousands of civilian government employees and technical advisors to help build the capacity of the GIRoA. Afghanistan’s Ministry of Finance estimated that 17 donors were paying more than $45 million a year in salary support for 6,600 civilian employees and advisors. This support is separate from the money provided by the Afghan Reconstruction Trust Fund (ARTF). The ARTF pays for much of Afghanistan’s regular civil service through its contribution to Afghanistan’s operating budget. Since 2002, the United States has provided nearly $922 million to the ARTF. The United States pledged $590 million for 2010 and has contributed $215 million of this amount to date.
SIGAR’s audit found that although the GIRoA relies heavily on donor salary support to fill critical positions with skilled Afghans, this support distorts the local labor market and undermines the long-term goal of developing a capable and sustainable government. Donors do not have a standardized pay scale and often pay far more—sometimes 10 to 20 times the amount of base government salaries—than the GIRoA would be able to sustain on its own. Moreover, donors provide salary support outside the Afghan planning and budgeting process, thereby hindering the GIRoA’s ability to assume responsibility for managing its civil service. Many of the donor-supported positions are not even authorized in the government’s staffing charts.

SIGAR is concerned that the United States and other donors who are providing salary support to fill critical gaps in the GIRoA’s governing capacity may be forfeiting long-term capacity and fiscal sustainability for the short-term imperatives of standing up a functioning government in Afghanistan. To improve transparency and accountability over U.S. funding for salary support and to better focus the effort on building a capable and sustainable Afghan government, SIGAR made a number of recommendations. They included developing and using a more standardized salary scale, as well as establishing principles that help donors provide salary support in a way that facilitates a transition to Afghan responsibility. For details on the audit, see Section 2 of this report.

Building Afghanistan’s capacity to conduct independent elections has been an important goal of the United States and its partners in the international community. On September 18, Afghanistan held elections for the 249 seats in the Wolesi Jirga, the lower house of the Afghan parliament. This election, like last year’s presidential election, suffered from widespread ballot fraud. Afghanistan’s Independent Election Commission (IEC) discarded 1.3 million ballots, or about 26% of the 5 million ballots cast for parliamentary candidates. Nevertheless, U.S. officials told SIGAR that the IEC had made progress over the past year in improving its management of the electoral process. The IEC did a better job of identifying and manning polling centers as well as responding to suspected fraud. In addition, better coordination between the ANA and the ANP resulted in much-improved security over last year’s presidential elections. The results of the parliamentary election will not be finalized until early November.9 For more on the elections, see Section 3 of this report.

In a report published this quarter on lessons learned from the Afghan presidential elections, SIGAR identified numerous operational challenges—including the early identification of polling center sites and more control over the ballots—that need to be addressed. SIGAR found that it will take several years to address some important issues, including improving voter registration, vetting candidates, and creating truly independent electoral organizations. For details on this report, see Section 2.
AFGHANISTAN OVERVIEW

SECURITY

Much of the U.S. reconstruction effort in Afghanistan is occurring in a war zone. The dangerous environment increases the cost of every project and prevents many projects—large and small—from being completed. For example, a SIGAR audit of the electricity sector earlier this year found that the cost of providing security on some U.S.-funded infrastructure projects was as much as 30% of the value of the contract. It also found that security challenges have repeatedly forced USAID to suspend work on repairing the Kajaki Dam in Helmand province. As another example, SIGAR's audit this quarter of a contract to build an ANP headquarters in southern Afghanistan found that work on one of the facilities was cancelled because of the lack of security. USACE said security problems were also the root cause of the construction problems SIGAR identified at the other facilities. In its comments on SIGAR's report, USACE noted that these projects were being built in the “consistently kinetic provinces of Kandahar and Helmand” and that “the lack of security in these areas puts USACE civilians and the hired contractors at significant risk.”

Everyone involved in the reconstruction of Afghanistan—U.S. implementing agencies, contractors, international organizations, and non-governmental organizations—depends on private security contractors (PSCs) to provide security for project implementation. On August 17, 2010, President Karzai announced that all national and international PSC firms would be dissolved by the end of this year. At the time this report went to press, it was not clear how the GIRoA planned to execute this decree.

SIGAR is concerned that, depending on how it is executed, the decree has the potential to seriously undermine the U.S. reconstruction effort in Afghanistan. DoD alone employs nearly 18,000 PSC personnel to provide personal security, convoy security, and static security at U.S. installations and reconstruction sites. The vast majority of these contractors—16,687—are Afghan citizens. U.S. Embassy Kabul estimates that reconstruction programs worth at least $2 billion rely on PSCs to provide security. The decree could negatively affect 96 DoS and USAID projects. It could also put thousands of Afghans out of work.

Although the GIRoA has said it would like to transition the work that PSCs are currently doing to the ANSF, SIGAR is not aware of any plan to redirect the ANSF by the deadline specified in the decree. PSCs that employ third-country nationals are preparing for the possibility that they will have to leave Afghanistan by the end of the year. USAID told SIGAR that its implementing partners could cease operations in Afghanistan if the decree is enacted as planned on January 1, 2011. According to USAID, because implementing partners need at least 60 days notice to make appropriate arrangements, many of the expatriate staff have started looking for new work. Moreover, contracting officers are waiting to award contracts until the PSC issues have been resolved.
The U.S. government, the Congress, and the GIRoA have questions about the activities of some PSCs. To address these concerns, SIGAR is conducting an audit of the PSC that is providing security for USACE personnel and will be initiating three more audits related to this issue this year. One will identify all the PSCs in Afghanistan and the costs of their services to the U.S. government since the beginning of FY 2007; another will examine an individual PSC contract. The third will determine the ability of commanders to track convoys guarded by PSCs.

**LOOKING AHEAD**

As the U.S. reconstruction effort enters its 10th year in Afghanistan, SIGAR is focusing its work for FY 2011 in three audit priority areas: contracting, anti-corruption, and the development of the ANSF. SIGAR’s audits will target more than $3 billion of DoD, DoS, and USAID contracts to assess contract performance, cost, agency oversight, and sustainability. Because corruption is such a serious threat to the success of the U.S. effort, SIGAR will continue to conduct audits of U.S. efforts to build Afghan capacity to curb corruption. Finally, because more than half of all reconstruction dollars are going to develop the ANA and the ANP, SIGAR will be reviewing all aspects of the train-and-equip mission. SIGAR auditors and investigators are committed to detecting fraud, waste, and abuse; identifying issues that put the U.S. investment at risk; and offering recommendations to reduce that risk.
Building for the Future
A mason works on the future headquarters of the Ministry of Interior at the Joint Regional Afghan National Police Center (JRAC), a 280-acre compound built to improve security in Kandahar province. Because more than half of all reconstruction dollars are going to develop the ANA and the ANP, SIGAR will continue to conduct oversight of all aspects of the train-and-equip mission. (U.S. Navy photo, CPO Brian Brannon)
2 SIGAR OVERSIGHT
“[The] United States plans to direct up to half of its future reconstruction assistance through Afghan government channels.... The success of this new funding approach will depend, to a large degree, on the capacity of the Afghan government to manage U.S. reconstruction funds and protect them from waste, fraud, abuse, and other forms of corruption.”

—SIGAR Audit 10-15

During this quarter, SIGAR issued 7 reports and announced 6 new audits, bringing the total number of ongoing audits to 14. In addition, SIGAR is conducting forensic reviews of $37.65 billion of transaction data related to three Afghanistan reconstruction funds: the Afghanistan Security Forces Fund (ASFF), the Economic Support Fund (ESF), and the International Control and Law Enforcement Fund (INCLE). SIGAR investigators opened 32 new cases and closed 6, bringing the number of ongoing cases to 81. In addition, the SIGAR Hotline received 125 complaints—up 100% from last quarter.

SIGAR AUDITS

The seven audits completed during this reporting period included two focused on reconstruction contracts, three related to U.S. efforts to build Afghan capacity and deter corruption, and one on the civilian uplift, as well as a report of lessons learned from Afghanistan’s elections process. Table 2.1 lists the audits. SIGAR continues to concentrate most of its audit work in three high-priority areas:

• contracting
• anti-corruption/capacity building
• the effort to build the Afghan National Security Forces (ANSF)

SIGAR announced six new audits that will examine the U.S. effort to build the ANSF, develop the agriculture and banking sectors, deter corruption, sustain the civilian uplift, and administer insurance for contractor personnel.

<table>
<thead>
<tr>
<th>COMPLETED SIGAR AUDITS AS OF OCTOBER 30, 2010</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR-Audit-11-5</td>
<td>Actions Needed To Mitigate Inconsistencies in and Lack of Safeguards over U.S. Salary Support to Afghan Government Employees and Technical Advisors</td>
<td>10/29/2010</td>
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<tr>
<td>SIGAR-Audit-11-4</td>
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<td>SIGAR-Audit-11-3</td>
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<td>SIGAR-Audit-11-1</td>
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<td>SIGAR-Audit-10-16</td>
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<td>9/9/2010</td>
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</tbody>
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Completed Audit Reports
This quarter, SIGAR issued seven audit reports, which are summarized in the following subsections.

Audit 11-3: ANP District Headquarters
ANP District Headquarters Facilities in Helmand and Kandahar Provinces Contain Significant Construction Deficiencies Due to Lack of Oversight and Poor Contractor Performance
From a reported size of 95,000 personnel in December 2009, the Afghan National Police (ANP) is expected to grow to almost 135,000 personnel by September 2011. To meet the infrastructure needs of this growing force and equivalent increases for the Afghan National Army (ANA), the Combined Security Transition Command-Afghanistan (CSTC-A) has funded a country-wide building program to support the ANSF’s national, regional, and district-level operations. Through its two district offices, the U.S. Army Corps of Engineers (USACE) is responsible for awarding, monitoring, and ensuring successful delivery of most of these construction projects. USACE’s Afghanistan Engineering District (AED) awarded Basirat Construction, an Afghan firm, a single contract for $5.9 million to construct seven ANP district headquarters facilities in Helmand and Kandahar provinces. One ANP facility was later deleted from the contract because of security concerns at the site, and the contract value was reduced to about $5.4 million.

OBJECTIVES
This audit addressed three objectives:
• Identify whether the ANP project sites are being constructed within the schedule and cost terms of the contract.
• Assess whether the construction is in accordance with approved construction plans and specifications.
• Evaluate the nature and adequacy of USACE contract administration and construction oversight.

FINDINGS
1. Originally scheduled for completion by January 9, 2009, the project was delayed by two key factors: (1) an extension of the project completion date by 500 days to May 24, 2010, because of a contract modification affecting one of the six project sites, and (2) confusion between USACE and Basirat regarding project design issues and two suspension letters issued by USACE. One of the suspension letters was the result of security concerns.
2. In August 2010, USACE identified one of the six sites as 90% complete and turned it over to the ANP. Of the other five sites, one has been cleared for turnover to the ANP, one shows nominal progress by the contractor, and three remain idle. Project construction at each site failed to meet the requirements established in the contract documents and approved construction documents. The level of non-compliance at each site varied, but overall construction can be characterized as poor and unsatisfactory. Problem areas identified by SIGAR included low-quality concrete and inadequate roofing
installations. SIGAR also identified several cases of product substitution in which lower-grade materials—such as lower-quality residential windows—were used rather than the quality specified in the contract.

3. Although the scheduled payments that the U.S. government has made to the contractor do not exceed the current contract value of $5.5 million, it is uncertain that the contractor can complete the five sites with the remaining contract funds because of the numerous construction deficiencies that need to be addressed.

4. Although the contractor is liable for correcting deficient work, it is not clear whether this will happen because almost all performance payments have been made. Minimal funds were withheld from contractor payments to cover deficient work; therefore, the contractor had limited incentive to comply with the contract’s terms. Basirat Construction is unlikely to receive future USACE contract awards given its performance on this and other USACE projects.

5. USACE developed project-specific quality assurance plans, and Basirat developed quality control plans, but these plans were not implemented effectively. Specifically, the required quality assurance testing, quality control testing, three-phase inspections of definable features of work, and daily site-visit reports were generally not done. USACE made payments based on incomplete quality assurance reports and photographs taken by the contractor.

6. USACE attributes the lack of adequate project oversight, in part, to security concerns. However, USACE staff did not appear to take full advantage of USACE’s security contractor and local resources, such as International Security Assistance Force (ISAF) resources at forward operating bases, which could have facilitated on-site project oversight. SIGAR found that both the contractor and local quality assurance representatives failed to provide an adequate level of daily reporting on progress at the job sites.

RECOMMENDATIONS

Nearly every aspect of this project involved significant challenges to its satisfactory completion. SIGAR identified numerous construction deficiencies that undermine the structural integrity of the facilities. The U.S. government will be responsible for at least $1 million in repair costs to address the problems and to ensure that the buildings are structurally sound. SIGAR made six recommendations to the USACE Commanding General to address the range of construction deficiencies and to help USACE prevent payment and performance problems on future construction projects.

SIGAR made several recommendations to help ensure that construction complies with applicable contract and construction standards, and to improve the management and oversight of similar USACE construction projects.

AGENCY COMMENTS

USACE concurred with four of the recommendations in the report and said it understood the intent of the two with which it did not concur. It agreed that construction at each site did not meet the contract requirements but did not agree that the construction problems affected the structural integrity of the
buildings at one of the sites. USACE stated that the contractor was committed to correcting all the deficient work and to completing the remaining facilities. USACE did not concur with SIGAR’s recommendation to require the maximum amount of retainage allowable by the FAR to be withheld from certain contractors because it said the blanket implementation of such a policy would negatively affect Afghan firms. It argued that because every contract and contractor performing construction in Afghanistan presented a unique challenge, a uniform policy of maximum retainage could, in fact, increase the chances of project failure.

Audit 11-4: Reconstruction Contracts, Grants, and Cooperative Agreements
DoD, DoS, and USAID Obligated Over $17.7 Billion to as Many as 6,900 Contractors and Other Entities for Afghanistan Reconstruction during Fiscal Years 2007–2009
Since 2001, the United States has appropriated approximately $56 billion for reconstruction in Afghanistan. Reconstruction funds are used to build or rebuild the physical infrastructure of Afghanistan, establish training or technical assistance programs to the Government of the Islamic Republic of Afghanistan (GIRoA), deliver relief assistance to the people of Afghanistan, and provide security or other support functions to facilitate reconstruction efforts. The Department of Defense (DoD), the Department of State (DoS), and the U.S. Agency for International Development (USAID) have relied extensively on contractors to provide a range of services in Afghanistan. Figure 2.1 shows contract obligations for DoD contracting organizations as an example.

The Congress has taken a number of actions to increase the oversight of contracts in Afghanistan and Iraq, such as requiring the three agencies to create a common database to track contractor personnel and contracts. However, the agencies have faced challenges in using this database. In addition, these agencies do not routinely report which contracts, cooperative agreements, and grants are for reconstruction versus other purposes in Afghanistan, such as support for U.S. combat troops.

OBJECTIVE
This audit addressed one objective:
• Identify the contractors and other entities that receive reconstruction funds and the financial mechanisms used to provide these funds.

FINDINGS
1. DoD, DoS, and USAID reported about $17.7 billion in obligations made against contracts, cooperative agreements, and grants for Afghanistan reconstruction from FY 2007 to FY 2009. SIGAR identified as many as 6,900 contractors and other entities, including for-profit and nonprofit organizations, multilateral organizations, and other federal agencies.
2. Four DoD contracting organizations obligated about $11.5 billion for reconstruction contracts, primarily to train and equip the ANSF and build facilities for them.
   a. The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) reported about $6.7 billion in contract obligations. SIGAR identified 6,253
contractors; 27 of these accounted for more than half of JCC-I/A's total obligations. The largest obligation during this period was about $691 million to Kabuljan Construction Company, an Afghan-owned firm.

b. USACE reported about $3.2 billion in contract obligations to 398 contractors. Seven contractors accounted for half of USACE’s total. The largest obligation during this period was $366 million to Contrack International to construct and maintain ANSF facilities.

c. The Air Force Center for Engineering and the Environment (AFCEE) reported $770 million in contract obligations to 17 contractors; 5 accounted for about 70% of AFCEE’s total.

d. DoD’s Counter-Narcoterrorism Technology Program Office (CNTPO) reported about $850 million in contract obligations to 5 identified contractors; 2 accounted for over 60% of CNTPO’s total.

3. Two DoS bureaus reported obligating about $2.4 billion:

a. The Bureau of International Narcotics and Law Enforcement Affairs (INL) reported approximately $2.3 billion in contract obligations. SIGAR identified 4 vendors; DynCorp International accounted for more than 80% of INL’s total obligations during this period.

b. The DoS Bureau of Population, Refugees, and Migration (PRM) obligated approximately $178 million to cooperative agreements and grants. SIGAR identified 21 implementing partners; the UN High Commissioner for Refugees accounted for more than half of PRM’s total obligations during this period.

4. USAID reported obligating about $3.8 billion to 283 contractors and other entities—more than $2 billion (53%) for contracts, $1.1 billion (nearly 30%) for cooperative agreements, and $625 million (17%) for grants. Of the contracts, Louis Berger International received the most ($736 million); of the cooperative agreements, International Relief and Development received the most ($358 million); and of the grants, the World Bank received the most ($322 million) during this period. About $809 million of USAID’s total obligations (21%) went to multilateral organizations or federal agencies.

RECOMMENDATIONS
SIGAR did not make any recommendations in this report. This is the first analysis to identify the principal contractors and other entities involved in reconstruction efforts in Afghanistan and the funding mechanisms used. SIGAR plans to use this information to guide its audit and investigative activities.

AGENCY COMMENTS
In comments on a draft of the audit report, JCC-I/A stated that it is undertaking several initiatives to improve the quality of the contract data that it maintains, including participating in inter-agency working groups to strengthen strategic partnerships and improving data-system protocols to reduce the number of errors. Neither USACE, USAID, nor DoS offered any comments on the report. They are contained in the final audit report. To read the report, see the SIGAR Web site (www.sigar.mil).
Audit 10-15: U.S. Anti-Corruption Strategy
U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized Comprehensive U.S. Anti-Corruption Strategy

Since 2002, the United States has appropriated approximately $56 billion for reconstruction assistance in Afghanistan. In February 2010, President Obama submitted FY 2011 budget requests for an additional $16.2 billion to help the GIRoA build its capacity to defend itself and govern effectively. Consistent with a new donor approach adopted in January 2010, the United States plans to direct up to half of future development assistance through Afghan government channels. The success of this new funding approach will depend, to a large degree, on the capacity of the GIRoA to manage U.S. reconstruction funds and protect them from waste, fraud, abuse, and other forms of corruption.

OBJECTIVES
This report had the following objectives:
• Identify U.S. assistance to help the GIRoA develop its anti-corruption capabilities.
• Describe the capacity of Afghanistan’s key anti-corruption institutions.

FINDINGS
1. A multi-agency working group based at U.S. Embassy Kabul has drafted a comprehensive anti-corruption strategy to provide guidance to help agencies improve the transparency and accountability of Afghan institutions, to reduce corrupt practices and improve financial oversight. DoS, however, has not yet approved the strategy.
2. Developing a more coordinated approach to building the capacity of Afghan oversight institutions to fight corruption has become increasingly important because the U.S. government plans to provide much of its future reconstruction assistance to Afghanistan through the GIRoA.
3. Key Afghan oversight institutions lack adequate independence, audit authority, and capacity. In line with its publicly expressed commitments to combat corruption, the GIRoA has given a number of ministerial-level departments and offices a direct role in combating corruption. In particular, the High Office of Oversight, the Control and Audit Office, and internal audit departments of line ministries are key GIRoA oversight institutions with significant anti-corruption responsibilities. However, these institutions remain severely limited because of a lack of independence, audit authority, and capacity, as documented by SIGAR, USAID, and the World Bank.

RECOMMENDATIONS
To improve and direct U.S. anti-corruption efforts in Afghanistan and help strengthen the capacity of GIRoA institutions to combat corruption and protect U.S. and other donor funds from waste, fraud, and abuse, SIGAR recommended that the U.S. Secretary of State take the following actions:
• Approve and implement a comprehensive U.S. anti-corruption strategy for reconstruction efforts in Afghanistan.
• Review key Afghan oversight institutions, particularly the internal audit departments of Afghan line ministries, to determine whether the United States should provide them more assistance to strengthen their ability to combat corruption in Afghanistan and provide accountability over U.S. reconstruction funds channeled through the GIRoA.

AGENCY COMMENTS
U.S. Embassy Kabul and USAID/Afghanistan supported the report’s recommendations and stated that they expected the Special Representative for Afghanistan and Pakistan in Washington, D.C., to finalize the comprehensive U.S. anti-corruption strategy in Afghanistan by September 30, 2010. However, at the time this quarterly report went to press, the strategy had not been finalized. The Embassy noted in its comments that implementation of the strategy was under way. The Embassy also indicated that the U.S. Mission in Afghanistan is in the process of developing an assessment process for Afghan line ministries and other governmental institutions.

According to the Embassy, providing support to the internal audit departments of Afghan line ministries was problematic because of the unclear nature of internal audit responsibilities under current Afghan law. The Embassy noted that the U.S. government included resolution of this issue as a benchmark under the Afghanistan Reconstruction Trust Fund Incentive Program. The U.S. Treasury Department is also engaged with the GIRoA to help resolve this issue.

Audit 11-1: Provincial Development Capacity
Weaknesses in Reporting and Coordination of Development Assistance and Lack of Provincial Capacity Pose Risks to U.S. Strategy in Nangarhar Province
Since 2002, the majority of U.S. development assistance to Afghanistan has been managed by U.S. agencies, bypassing the GIRoA. At the Kabul Conference in July 2010, the United States and international donors reaffirmed their commitment to increasing the proportion of development assistance delivered through the GIRoA to 50% over the next two years. For the U.S. government and the international community to fulfill this commitment, the GIRoA must reduce corruption, improve financial management and budget execution, and increase the capacity of the central and provincial government agencies to deliver public services. The international community has ongoing initiatives to strengthen provincial governance. These initiatives are essential to building Afghanistan’s governing capacity and strengthening Afghans’ trust in their government. The success of the international community’s new funding strategy depends on the capacity of provincial institutions to absorb and execute development funding to achieve coherent and cohesive development objectives.

OBJECTIVES
This audit had three objectives:
• Identify the amount and type of Afghan, U.S., and other donor development funding expended in Nangarhar province.
• Determine the degree to which U.S. projects are aligned with Nangarhar’s development priorities.
• Assess the extent to which Nangarhar’s provincial administration is prepared to absorb and execute additional development funds.

FINDINGS
1. Nangarhar receives operating and development funds from various sources, including the GIRoA, international donors, and other stakeholders. Nangarhar’s provincial directorates and offices expend about 85% ($51.3 million) of the core operating budget on wages and salaries, and only 4% of core budget expenditures on development.

2. The U.S. government and other donors fund most development activity in Nangarhar. SIGAR identified more than $100 million spent on U.S. development activity during FY 2009. The Commander’s Emergency Response Program (CERP) funded 202 projects with a combined value of $58.7 million, accounting for more than half the development activity.

3. Identifying and assessing the total amount of development funds expended in Nangarhar is problematic for three reasons: the centralized nature of the GIRoA, the lack of donor reporting, and the scope of some development projects.

4. U.S. government agencies that provide development funds and assistance to Nangarhar have made some progress in aligning development projects and programs with provincial priorities. However, U.S. government development projects and programs are still being implemented without the benefit of a provincially generated, GIRoA-endorsed development plan.

5. Nangarhar does not have a functioning development planning process. Although Nangarhar has a completed provincial development plan, it is outdated, not tied to dedicated funding, and largely ignored by both the national and the provincial governments, as well as the U.S. government and the international community. For example, SIGAR’s analysis of CERP projects in Nangarhar found that only 1 of 26 projects was aligned with the provincial development plan.

6. The GIRoA is not sustaining many U.S.-funded development projects in Nangarhar, according to both SIGAR’s analysis and several senior U.S. officials responsible for multi-million-dollar development projects in the province. The GIRoA’s lack of visibility or input into many externally funded and implemented development projects—and the inability of donors in Nangarhar to coordinate their efforts effectively—further complicate the national and provincial governments’ ability to plan for and sustain development projects.

7. The level of centralization, lack of procurement authority and budget input, and distrust between the central ministries and the line directorates have left Nangarhar’s line directorates with little capacity to absorb significantly more development funding. Nangarhar’s line directorates play a very limited role in provincial development activities; nearly all of the GIRoA’s core development activities are centralized in Kabul at the ministry level.
RECOMMENDATIONS

U.S. government development strategies in Nangarhar have compounded the GIRoA’s difficulties in bridging the gap between the government and the people of Afghanistan. Because of the lack of provincial development planning by the United States and the GIRoA, accomplishments cannot be measured against identified needs, sustainable economic development has not emerged, and the dynamics of provincial governance have not changed. The international community needs to help reorient Nangarhar’s government to focus on producing cohesive sectoral strategies and development plans, rather than on preparing project proposals for the U.S. Provincial Reconstruction Team (PRT) or other entities that are funding projects. SIGAR made recommendations to help ensure the following:

- Nangarhar’s provincial directorates develop the capacity to absorb and execute development funds and implement projects.
- The GIRoA and U.S. personnel are aware of U.S.-funded provincial development activities and expenditures across Afghanistan.
- U.S. development funds executed in Nangarhar are used in accordance with the GIRoA’s provincial development priorities.
- The GIRoA sustains completed CERP projects.

AGENCY COMMENTS

In comments on a draft of the audit report, USFOR-A concurred with SIGAR’s recommendations and agreed to provide additional guidance countrywide to improve CERP procedures for documenting the GIRoA’s project sustainment responsibilities. At press time, SIGAR had not received official Embassy comments.

Audit 11-5: U.S. Salary Support to Afghans

Actions Needed To Mitigate Inconsistencies in and Lack of Safeguards over U.S. Salary Support to Afghan Government Employees and Technical Advisors

Strengthening Afghan governance by enhancing capacity and reducing corruption is a core element of the U.S. strategy in Afghanistan. To help build the capacity of the GIRoA, the United States and other international donors have paid the salaries of thousands of civilian government employees and technical advisors since 2002. Some Afghan officials, including President Karzai, attribute increasing corruption in the GIRoA to the higher salaries that donors pay and the lack of controls over these funds. Some observers have called donor-funded government employees and technical advisors a “second civil service.” Many donors have policies that discourage the practice of supplementing the salaries of foreign government employees, but the GIRoA’s severe capacity limitations and fiscal deficits have led donors to provide millions of dollars in salary support. In February 2010, the Ministry of Finance estimated that donors were paying more than $45 million in annual salary support to GIRoA employees and technical advisors, as shown in Figure 2.2.

FIGURE 2.2

<table>
<thead>
<tr>
<th>Donor</th>
<th>Salary Support Funding (in $ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>$18.5</td>
</tr>
<tr>
<td>United States</td>
<td>$7.9</td>
</tr>
<tr>
<td>UNDP</td>
<td>$4.8</td>
</tr>
<tr>
<td>Other</td>
<td>$7.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$6.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$45</strong></td>
</tr>
</tbody>
</table>

Note: Other donors include the Asian Development Bank, Denmark, UNESCO, and the WHO.
Source: MOF analysis of data provided by international donors.
OBJECTIVES
This audit addressed four objectives:

• Determine the extent of donor salary support provided to GIRoA employees and technical advisors since 2005.
• Assess the impact of donor salary support on long-term capacity and sustainability of the GIRoA.
• Assess U.S. agencies’ implementation of salary support.
• Determine the extent to which internal controls and accountability mechanisms are in place to safeguard U.S. funding for salary support.

FINDINGS
1. Neither the GIRoA nor donors can account for the number of government employees and technical advisors who receive salary support or identify how much they are paid. In February 2010, the Ministry of Finance estimated that 17 donors were providing $45 million annually to more than 6,600 employees and advisors, but this estimate was based on incomplete data. Donors under-report the salary support they provide and do not report consistently because of confusion over the definitions and type of information to report.

2. U.S. agencies lacked visibility over salary support because this data was not centrally managed; no single office was responsible for collecting it. USAID began collecting this data in 2008; U.S. Embassy Kabul began collecting it in 2010.

3. The GIRoA relies heavily on donor salary support to fill critical positions and hire highly skilled Afghans. However, salary support has a number of negative effects, including distorting the local labor market and undermining government capacity and fiscal sustainability.

4. Donors do not have a standardized pay scale and thus pay significantly higher salaries than the GIRoA can sustain on its own. For example, GIRoA employees can receive donor-funded salary supplements 10 to 20 times the amount of their base government salaries.

5. Salary support can also undermine long-term development of the GIRoA’s capacity by drawing highly skilled, qualified Afghans away from the civil service. In addition, donors provide salary support outside Afghan planning and budgeting processes, which hinders the GIRoA’s ability to assume responsibility for paying recipients or to exert control over employees’ salaries. Furthermore, many positions are not identified in the GIRoA’s official staffing documents.

6. U.S. agencies have provided salary support without consistent guidance. Since 1988, USAID has had a global salary support policy, but the policy has been waived twice for Afghanistan. USAID’s policy does not apply to other U.S. agencies, and it does not cover salaries paid to technical advisors embedded in GIRoA offices. Furthermore, DoS does not have a policy on salary support—either for salary supplements or for technical advisors embedded in government offices. This lack of clear policy guidance has hindered the ability of U.S. agencies to target salary support to prioritized needs and goals.

7. USAID has not conducted assessments of the Afghan human resources and payroll systems that will be used to provide future salary support through the
GIROA. Potential weaknesses in disbursing salaries—including incomplete implementation of an electronic payroll system and an inability to detect multiple supplements paid to recipients—increase the risk of mismanagement and abuse of U.S. salary support.

RECOMMENDATIONS
Since 2002, the GIROA has depended on donor salary support to fill critical gaps in its capacity, yet donors may be forfeiting long-term capacity and fiscal sustainability for the short-term imperatives of standing up a functioning government in Afghanistan. As U.S. agencies provide increasingly more funding directly to the GIROA, the Ministry of Finance will assume greater responsibility for oversight of U.S. salary support. SIGAR made a number of recommendations to improve transparency and accountability over U.S. funding for salary support and improve long-term sustainability and capacity of the GIROA.

SIGAR also made several recommendations to mitigate the effects of donor competition, to ensure that U.S. salary support is targeted strategically and applied consistently across U.S. agencies, and to enhance safeguards and improve accountability over U.S. funding for salary support.

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 Web site (www.sigar.mil).

Audit 11-2: Civilian Uplift
U.S. Civilian Uplift in Afghanistan Is Progressing, But Some Key Issues Merit Further Examination as Implementation Continues
On March 27, 2009, the U.S. President announced a comprehensive new U.S. strategy for Afghanistan with the core objective of disrupting, dismantling, and defeating al-Qaeda and its safe havens. In addition to calling for an increase in military personnel, the new strategy announced the civilian uplift—an increase in civilian-led efforts to build Afghan governing capacity, improve the rule of law, and initiate sustainable economic growth, primarily through agricultural development. Given the large influx of U.S. civilian personnel into Afghanistan and the importance of achieving U.S. reconstruction goals, agencies will need to ensure that these civilians—particularly civilians in the field—have the support they need to implement efforts that are critical to reaching strategic goals.

OBJECTIVES
This audit addressed two objectives:
- Identify the types and number of personnel provided to implement the civilian uplift and the extent to which the life and operational support needs of these personnel have been met.
- Review the key areas of concern raised during the initial stages of the uplift.
FINDINGS

1. U.S. agencies have deployed nearly 67% of the personnel identified as part of the civilian uplift; to date, the agencies have largely met life and operational support needs in the field. Sixteen agencies from 8 departments are providing personnel to fill approximately 626 new positions identified as part of the current phase of the civilian uplift.

2. The uplift will be implemented over two phases and will contribute to an increase of the U.S. civilian mission from 320 personnel in January 2009 to approximately 1,500 personnel by January 2012, according to current estimates. As of September 9, 2010, approximately 418 personnel have deployed to Afghanistan, which includes 227 personnel in the field.

3. The first phase of the uplift ended in December 2009; the current phase began in January 2010 and will be completed in December 2011. Approximately 294 of the 626 positions will be located in Kabul; the remaining positions, such as those on PRTs and District Support Teams, will be distributed across the various field locations.

4. Based on SIGAR’s review of U.S. Embassy Kabul documents and discussions with officials in Kabul and the field, mechanisms are in place to meet the needs of civilian life and operational support and have generally been met across the field platforms. However, Afghanistan’s operating environment presents challenges to providing this support, including the lack of security, which affects civilians’ mobility.

5. Several areas merit further examination as the U.S. Mission implements the second phase of the civilian uplift. During this review, SIGAR identified several topics of concern that field staff at all levels have raised over the course of the uplift, such as the effectiveness of training, the level of agency guidance on working in the field, and the application of models for civilian-military integration.

6. In late July 2010, U.S. Embassy Kabul, in conjunction with Washington, initiated an inter-agency review of the uplift. However, tentative plans for the review do not include a comprehensive examination of training effectiveness and agency guidance.

7. U.S. Embassy Kabul lacks a formal mechanism to collect and implement best practices and lessons learned at the field level. A mechanism to monitor and evaluate the results of various efforts and identify corrective actions would enable the Embassy to make changes that would increase the effectiveness of civilian personnel working in the field.

RECOMMENDATIONS

As the U.S. Mission and Washington conduct their inter-agency review of the uplift, officials may need to determine whether current processes for supporting civilians are fully effective in achieving U.S. strategic reconstruction goals. Further, a formal mechanism for collecting, analyzing, and implementing best practices and lessons learned over the course of the uplift could help
the Embassy make the changes necessary to improve civilians’ effectiveness in achieving these goals.

SIGAR made two recommendations to help ensure that the inter-agency evaluation of the civilian uplift is comprehensive and that U.S. agencies formally monitor the effectiveness of civilians in the field and identify shortfalls and necessary corrective actions.

**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 Web site (www.sigar.mil).

**Audit 10-16: Elections**

**Lessons Learned in Preparing and Conducting Elections in Afghanistan**

Strengthening the electoral system in Afghanistan is key to the U.S. democracy and governance strategy. In coordination with international donors, the United States invested approximately $500 million in 2009 to improve Afghanistan’s electoral capacity and associated civic participation programs. In this report, SIGAR provided information on lessons learned in the preparation and conduct of the 2009 elections in Afghanistan.

**FINDINGS**

1. The 2009 elections exhibited some of the same difficulties as the first election cycle in 2004 and 2005, according to USAID. Reports from official election observers, independent election analyses, independent audits, and participants in conducting the election—including donors, the GIRoA, and the United Nations—all point to deficiencies that resulted in fraud and weaknesses in the electoral process. In assessing these reports, SIGAR identified 16 significant problems associated with the preparation and conduct of the 2009 elections. The problems include (1) operational issues that contributed to vulnerable electoral processes and (2) long-term issues that require electoral reforms and political will by the GIRoA.

2. Operational problems such as inadequate electoral procedures led to widespread fraud in ballot counting. Lessons learned included the importance of identifying polling stations well in advance to ensure sufficient logistics and security support, controlling printed ballots to prevent fraudulent voting, enabling and educating candidate agents and election observers, completing electoral activities before sundown for security, tallying votes quickly to avoid manipulation, making results forms tamper-resistant, tabulating votes in a transparent manner, and addressing and resolving complaints quickly.

3. The Afghan electoral system also suffers from long-term issues that will take years to address. The GIRoA needs to improve voter registration by developing a reliable list of voters; better vet candidates to disqualify ineligible candidates; empower independent electoral organizations to provide
transparency; consider changes to the single, non-transferable vote system to provide wider representation; and reduce the number of elections to lessen the financial burden.

4. Since the August 2009 election, the United States has collaborated with other international donors to act on the lessons learned from the 2009 elections. Applying these lessons and achieving credible elections in Afghanistan depends on the integrity of the election process and the willingness and ability of the GIRoA to build its electoral capabilities so that democratic principles and the electoral process are sustained. Building electoral capacity in Afghanistan will require continued attention to all aspects of the election cycle.

New Audits Announced This Quarter
This quarter, SIGAR initiated six new audits. These audits examine key aspects of the U.S. effort to build the ANSF, develop the agriculture and banking sectors, deter corruption, sustain the civilian uplift, and administer insurance for contractor personnel.

Review of Afghan National Army Logistics
This audit is examining efforts to develop the logistics capabilities of the ANA. The audit will address three objectives:

- Identify U.S. assistance for developing ANSF logistics capabilities—specifically, support for the management of the Ministry of Defense supply chain within Afghanistan.
- Assess the measures in place to prevent fraud, waste, and abuse in the ANA supply chain and the extent to which inefficiencies, loss, and theft have occurred.
- Identify challenges to efforts to improve ANA logistics systems and the extent to which logistics problems have impeded ANA development.

U.S. Efforts To Strengthen the Capabilities of the Afghan Major Crimes Task Force
This audit is assessing U.S. efforts to strengthen the capabilities of the Afghan Major Crimes Task Force (MCTF) and is related to a series of reviews examining U.S. and donor assistance to support the GIRoA’s anti-corruption capabilities. The audit will address three objectives:

- Identify U.S. and other donor assistance to strengthen the MCTF.
- Determine whether U.S. efforts were designed and implemented in accordance with applicable laws and regulations.
- Determine whether U.S. assistance is achieving intended results.

Review of U.S. and International Donor Assistance for Development of the Afghan Banking Sector and Afghan Currency Control Systems
The Congress has expressed concerns about Afghanistan’s banking system and the bulk cash being exported through Kabul International Airport. To address
congressional inquiries, SIGAR initiated an audit of U.S. and international donor assistance for development of the Afghan banking sector and currency control systems, including regulation of bulk cash flows. The audit has four objectives:

- Examine the status and development of the banking sector.
- Identify currency control systems, policies, and activities of the GIRoA, including regulation of bulk cash flows into and out of the country.
- Identify programs and activities of the United States and other international donors supporting the GIRoA’s efforts to control currency.
- Assess the implementation and effectiveness of the Mission Inter-agency Civilian-Military Working Group Action Plan for regulating bulk cash flow at Kabul International Airport.

**Review of U.S. Assistance To Develop Afghanistan’s Agricultural Sector**

A top priority of the U.S. strategy in Afghanistan is to rebuild the agriculture sector. This audit has four objectives:

- Identify U.S. and donor assistance to Afghanistan’s agricultural sector through FY 2010.
- Assess the extent to which U.S. agricultural assistance is coordinated with U.S. agencies, other donors, and the GIRoA and safeguarded against fraud, waste, and abuse.
- Evaluate the effect of the agricultural assistance provided by USAID, DoS, and DoD in achieving U.S. counter-insurgency objectives and other U.S. and Afghan strategic objectives.
- Identify any challenges that may affect the progress of developing the agricultural sector.

**Implementation of the Defense Base Act Insurance Program for Contractors in Afghanistan**

The Defense Base Act (DBA) Insurance Program, administered by the Department of Labor, requires that many federal government contractors and subcontractors provide workers’ compensation insurance for employees who work outside the United States. DoD, DoS, and USAID are the principal U.S. government entities involved with reconstruction efforts in Afghanistan. DoS, USAID, and USACE use a single-source insurance provider; all other DoD elements allow individual contractors to select their own DBA insurers. Over the course of this audit, SIGAR will examine program costs, program administration, and payments to recipients.

The audit has three objectives:

- Determine how much the United States has disbursed under the program in 2009 and 2010 for contractors involved in Afghanistan reconstruction.
- Assess the procedures and processes in place to enable the agencies involved and the Department of Labor to administer the DBA program in Afghanistan, including tracking the status of claims and the amounts paid and recouping insurance rebates paid by the insurance companies to contractors.
• Assess the procedures and processes in place to help ensure that qualified claimants receive the compensation they are entitled to under the DBA insurance program.

Implementation and Sustainability of the U.S. Civilian Uplift in Afghanistan

The U.S. strategy in Afghanistan rests in part on the U.S. ability to deploy and sustain a civilian effort to build governance and support economic development across the country. Conducted jointly with the DoS Office of Inspector General, this audit is a follow-on audit of aspects of the implementation of the civilian uplift, as well as the sustainability of deploying additional civilians to Afghanistan. The audit has one objective:
• Determine the costs of the uplift, including how much has been spent to date and how much it will cost to sustain the effort. The work will focus on the costs associated with the hiring, training, deployment, and necessary life and operational support of civilian uplift personnel assigned to Afghanistan.

Ongoing Audits

During this reporting period, SIGAR continued work on eight audits, including contract assessments, program reviews, and audits related to SIGAR's anti-corruption initiative. The audits address reconstruction issues related to security, governance, and development.

Planning for ANSF Facilities

This audit is examining the process used in providing a rationale for ANSF infrastructure and facilities and for meeting the ANSF’s changing requirements. As noted in previous SIGAR audit reports, without an updated facilities plan that reflects current ANSF requirements, CSTC-A runs the risk of building facilities that are inadequate for the ANSF's projected force strength. The audit has three objectives:
• Review CSTC-A's overall plan for constructing ANSF infrastructure and facilities in Afghanistan.
• Review CSTC-A's strategic and tactical rationale for ANSF infrastructure and facilities, including justifications for the deployment of ANSF personnel, the locations of the various facilities, and their role in the operational missions of the ANA and the ANP.
• Assess how CSTC-A updates its facilities plans to ensure that current and planned ANSF infrastructure and facilities meet changing requirements.

Review of U.S. Air Force Center for Engineering and the Environment Infrastructure Projects in Herat and in Mazar-e Sharif

SIGAR is examining two infrastructure projects undertaken by the AFCEE. This review has three objectives:
• Assess whether the projects are being completed within the terms of the contracts, including schedule and cost.
• Determine whether construction is in accordance with approved construction plans and specifications.
• Assess whether U.S. contract administration and construction oversight are effective.

**Review of USAID’s Cooperative Agreement with CARE International for the Food Insecurity Response for Urban Populations of Kabul (FIRUP-K) Program**

SIGAR is initiating an audit of an estimated $60 million cooperative agreement between USAID and CARE International. The agreement, the Food Insecurity Response for Urban Populations of Kabul (FIRUP-K), is for one of four programs addressing food insecurity in major urban areas in Afghanistan. Although the completion date of the one-year program was originally March 2010, USAID recently told SIGAR that it has been extended to September 2011. SIGAR will examine USAID’s award and oversight processes, program start dates and results, and challenges to implementation. The audit has three objectives:

- Assess USAID’s process for awarding cooperative agreements, particularly FIRUP-K, and USAID’s management and oversight of the program.
- Review the goals and objectives of the program, assess how USAID measures results, and identify the program’s achievements.
- Identify the challenges the program has encountered, how they have affected implementation, and what USAID and CARE have done to address them—in particular, the rationale for extending the planned completion date.

**Review of Selected CERP Projects in Afghanistan**

This review is a pilot audit of a selection of CERP projects. SIGAR intends to replicate the pilot in selected geographical areas and categories of CERP assistance. The audit will examine schedules and costs, outcomes, U.S. oversight, and plans for sustaining the projects. The audit will address four objectives:

- Assess whether the CERP projects were completed within the terms of the project plans, including schedule and cost.
- Examine the processes in place for evaluating CERP projects and the extent to which CERP project outcomes have been assessed.
- Assess the nature and extent of U.S. administration and oversight for CERP projects.
- Identify the plans that exist for Afghan authorities to take possession of the projects, perform maintenance, and pay for sustainment.

**Review of Afghanistan’s National Solidarity Program**

This audit is related to a series of audits SIGAR is conducting to examine U.S. and other donor assistance provided to support the anti-corruption capabilities of the GIRoA. These audits also assess the internal controls that Afghan public institutions are able to exercise to ensure that donor assistance funds provided to the government are reasonably protected against waste, fraud, and abuse.
In 2003, the Ministry of Rural Rehabilitation and Development established the National Solidarity Program to help Afghan communities identify, plan, manage, and monitor their own development projects. Since then, the program has received more than $900 million in international funding and has reported completing nearly 40,000 small infrastructure projects. The United States has pledged $440 million to this program. The audit has two objectives:

- Identify U.S. and donor assistance to the program and the actions taken by the United States and other donors to ensure that their contributions are adequately accounted for, appropriately programmed, and ultimately used for their intended purposes.
- Examine the capacity of the Ministry of Rural Rehabilitation and Development to plan, manage, and monitor the program, in order to provide reasonable assurance that adequate internal controls are in place and are used properly to achieve the program’s intended results.

**Review of U.S. Agencies’ Use of Contractors To Provide Security for Reconstruction Programs in Afghanistan**

SIGAR is conducting this audit to identify the number and volume of contracts in place to provide security services in Afghanistan. The audit has these objectives:

- Determine the number of security contractors and personnel working for U.S. federal agencies in Afghanistan.
- Assess the agencies’ management and oversight of security contractors and subcontractors.
- Determine the extent to which the Government Accountability Office and the inspector general community have conducted audits of private security contracts.

**Contract Audit: Reconstruction Security Support Services from Global Strategies Group, Inc.**

This audit, which is related to SIGAR’s audit of private security contractors in Afghanistan, is examining whether USACE received the security services it needed from the contractor at a reasonable cost. This quarter, SIGAR changed the scope of this audit to clarify the objectives. The re-scoped audit has these objectives:

- Identify the services provided by Global Strategies Group (Global) and determine whether those services were provided in accordance with the contract, including schedule, cost, and any modifications.
- Determine whether USACE conducted its oversight of the Global contract in accordance with the Federal Acquisition Regulation, USACE requirements, and any oversight provisions in the contract.
- Identify the private security subcontractors that were used, if any, and determine how they were vetted and considered to be capable of performing the contracted services.
Review of Afghan National Police (ANP) Personnel Management
SIGAR is conducting this audit to evaluate the extent to which the ANP has developed accurate systems for personnel accounting. This audit originally focused on both the ANP and ANA, but SIGAR changed the scope of the audit to focus only on the ANP in order to avoid duplicating work being conducted by GAO and to meet the growing interest in the ANP. The re-scoped audit has four objectives:
- Describe ANP personnel management processes and systems.
- Describe actions taken by the GIRoA and donors to implement and maintain ANP personnel management processes and systems.
- Identify any challenges that may impede the implementation and sustainment of ANP personnel management processes and systems.
- Identify the extent to which risks of fraud, waste, and abuse are being mitigated.

Forensic Audits
SIGAR is conducting forensic reviews of three Afghanistan reconstruction funds under the authority of P.L. 110-181, as amended. The legislation requires SIGAR to investigate improper payments—such as duplicate payments or duplicate billings—and to prepare a final forensic audit report on all programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. The reviews include examination of DoD, USAID, and DoS transaction data related to reconstruction funding.

Forensic Review of Afghanistan Security Forces Fund
Transaction Data
SIGAR initiated a review of DoD appropriation, obligation, and expenditure transaction data related to the Afghanistan Security Forces Fund (ASFF) for the period from FY 2005 through FY 2009, totaling $25.23 billion in appropriated dollars. Obtaining data to perform a comprehensive forensic review has been a challenge. Transactions are processed differently and reside in different systems for every disbursing station. Detailed system flow diagrams are often not available or are too high-level to identify how transactions flow through each respective system. Finding system and data owners who have knowledge of the complete end-to-end process has been difficult and resulted in the time-consuming pursuit of many financial trails to attempt to locate the transaction-level detail that is necessary for analysis. In addition, when all ASFF-related data is gathered, it will be difficult to perform the same set of analyses across the entire population because the data fields and formats vary.

SIGAR is currently working in conjunction with DoD's Controller team and various members of the Defense Finance and Accounting Services (DFAS) to assist in identifying data owners and locating source systems. When transaction data is obtained, it will be analyzed using extensive data-mining and risk-scoring techniques to identify anomalies that may indicate fraud, abuse, or waste. The results could support or lead to SIGAR audits or investigations.
Forensic Review of U.S. Agency for International Development Transaction Data Related to Afghanistan Reconstruction

SIGAR initiated a review of USAID appropriation, obligation, and expenditure transaction data related to the Economic Support Fund (ESF) from FY 2002 to the present, totaling $9.74 billion in appropriated dollars. All transaction data has been obtained. It is being analyzed using extensive data-mining and risk-scoring techniques to identify anomalies that may indicate fraud, abuse, or waste. The results could support or lead to SIGAR audits or investigations.

Forensic Review of Department of State Transaction Data Related to Afghanistan Reconstruction

SIGAR initiated a review of DoS appropriation, obligation, and expenditure transaction data related to the International Narcotics Control and Law Enforcement Fund (INCLE) from FY 2002 to the present, totaling $2.68 billion in appropriated dollars. Transaction data is currently being identified and gathered by DoS. When provided, the data will be analyzed using extensive data-mining and risk-scoring techniques to identify anomalies that may indicate fraud, abuse, or waste. The results could support or lead to SIGAR audits or investigations.

SIGAR INVESTIGATIONS

This quarter, SIGAR opened 32 new investigations. SIGAR’s 81 ongoing investigative matters include assessments, preliminary investigations, and full investigations. The distinction between these investigative matters derives from the nature and factual basis of the information regarding the alleged crime. As of October 30, 2010, SIGAR is conducting 1 assessment, 41 preliminary investigations, and 39 full investigations. SIGAR closed 6 cases; for details, see Appendix D.

SIGAR thoroughly assesses all allegations of criminal activity to determine whether reconstruction funds are involved. The United States is funding so many interrelated military and civilian activities in Afghanistan that contractors and their subcontractors often work for multiple entities engaged in multiple activities. This often makes it difficult to quickly determine the source of funds, such as in the case of bulk cash shipments.

The cases under investigation involve contract and other procurement fraud, corruption, theft of government property, and civil investigations. Targets of these investigations are not named until cases are adjudicated. Figure 2.3 and Figure 2.4 provide a breakdown of the cases by status and type.

SIGAR Investigation Leads to Suspension of U.S. Contracting Officer’s Representative and Two Afghan Construction Contractors

As a result of a bribery investigation initiated by SIGAR, the United States has suspended two Afghan construction contractors from being able to bid on U.S. government contracts and fired a U.S. International Contracting Officer’s Representative accused of accepting a large cash payment from one of the...
contractors. SIGAR, DoS, and the FBI are coordinating with Department of Justice prosecutors in the continuing investigation of irregularities committed in connection with this large reconstruction project.

**Joint Bribery Investigation Results in Termination of Afghan Employees and Suspension/Debarment Proceedings Against Subcontractors**

A bribery investigation by special agents of SIGAR, USAID, and the FBI has resulted in the firing of 11 Afghan employees of a major U.S. reconstruction contractor and the initiation of suspension and debarment proceedings against 6 Afghan subcontractors to prevent them from receiving future contracts. The Afghan employees were accepting bribes to steer work to the subcontractors. The investigation has been coordinated with Afghan law enforcement and government officials. Despite the obstacles associated with charging Afghans in U.S. courts and the challenges involved in bringing successful prosecutions in Afghan courts, SIGAR’s investigation is moving forward.

**SIGAR Continues To Investigate Cash Leaving Afghanistan**

SIGAR has initiated several investigations involving the shipment of large quantities of cash out of Afghanistan. The investigations are focused on identifying the origin of the cash, methodologies, and individuals involved in facilitating this movement of cash. SIGAR investigators are also continuing to work closely with investigators from other federal agencies and Afghan authorities to identify and regulate bulk currency shipments from Kabul International Airport.

The U.S. government and the GIRoA are taking steps to make it easier for U.S. and Afghan law enforcement agencies to conduct investigations. They include efforts to establish better airport terminal controls for employees and passengers, improve the airport facility, institute new currency declaration procedures, and implement other control measures to monitor the movement of commerce through Kabul International Airport.

**SIGAR Is Key Participant in Task Force 2010**

Acknowledging the vital and growing role that contractors play in supporting the international coalition in Afghanistan and recognizing the serious problems that can result from a lack of awareness of money flows, DoD established Task Force 2010 earlier this year to investigate allegations that contractors hired to provide security, supplies, and reconstruction work were funding the Taliban or other criminal networks. The task force began operations in Afghanistan this quarter and is focused on (1) building a database of contractors and subcontractors to increase the U.S. visibility into how U.S. funds are flowing through contracts and subcontracts, (2) identifying contractors and subcontractors who may be diverting funds to the insurgency or other criminal organizations, and (3) taking legal action against those contractors who have been identified as providing support for illicit activities.
Task Force 2010 created the Afghan Shafafiyat (“Transparency”) Investigative Unit (ASIU), a joint U.S.-Afghan investigations team that includes SIGAR, the FBI, Homeland Security Investigations, the Defense Criminal Investigative Service, and the Army Criminal Investigation Command. Through the ASIU, the United States will work with the GIRoA to arrest and prosecute Afghan citizens involved in contract fraud. SIGAR’s investigators are working closely with Task Force 2010 and the ASIU.

Building Investigative Capacity
Since the last reporting period, SIGAR has hired 16 investigative staff members—11 special agents, 4 investigative analysts, and 1 administrative assistant—raising the total number of investigative staff members to 32 and meeting the targeted staffing level of 32 investigators by the end of FY 2010. SIGAR continues to hire investigators who are senior-level, career law enforcement officers with experience in white-collar crime investigations, accounting, and fraud examination.

Of the 32 investigative staff members, 18 are assigned to Afghanistan and 14 are based at SIGAR headquarters in Arlington, Virginia. SIGAR has assigned investigators to the U.S. Embassy in Kabul, CSTC-A headquarters at Camp Eggers, Bagram Air Field, and Kandahar Air Field.

To expand its investigative presence in Afghanistan, SIGAR is adding seven new field offices in five provinces where significant reconstruction work is planned or under way—Balkh, Herat, Khowst, Logar, and Nangarhar. SIGAR is coordinating with DoS officials and the commanders of ISAF and USFOR-A to facilitate logistics, including force protection and life support services. To support its expanded investigative presence, SIGAR will continue to hire additional investigators. For the next fiscal year, the targeted staffing level for the Investigations Directorate is 49.

SIGAR investigators work in close cooperation with other federal law enforcement agencies in Afghanistan and in the United States to maximize resources and to ensure that all allegations of waste, fraud, and abuse involving U.S. taxpayer dollars are seriously considered. SIGAR maintains a permanent, full-time presence at the Joint Operation Center of the International Contract Corruption Task Force in Washington, D.C. The task force is the principal U.S. law enforcement organization coordinating U.S. federal investigations of fraud internationally.

SIGAR Hotline and Complaints Management System
This quarter, the SIGAR Hotline and Complaints Management System (HCMS) received 125 complaints—up nearly 100% from last quarter. The number of complaints has increased for the third consecutive quarter. Since becoming operational in January 2009, the HCMS has received 333 reports of alleged fraud, waste, and abuse in Afghanistan reconstruction.

To increase awareness of the SIGAR Hotline in Afghanistan, SIGAR Investigations continued to support a broad public outreach campaign this quarter, using posters, business cards, fliers, billboards, public service
announcements, and fraud awareness briefings. This campaign contributed to the significant increase in complaints.

This quarter, SIGAR increased its ability to better support the increased complaint traffic received by the HCMS. The Investigations Directorate hired three additional investigative analysts, bringing the number to five. Two investigative analysts are deployed to Afghanistan, and three work at SIGAR headquarters.

PEER REVIEW

On February 24, 2010, SIGAR requested assistance from the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to examine SIGAR’s management, audit, investigative, and support operations. CIGIE assembled a team of 26 multi-disciplinary professionals representing the Offices of Inspector General from the Federal Deposit Insurance Corporation, the Tennessee Valley Authority, DoS, DoD, the Department of Agriculture, the Department of the Interior, and USAID.

The audit peer review resulted in a rating of “pass with deficiencies” and a letter of comment. Specifically, the review team concluded that with the exception of five deficiencies, SIGAR complied with its system of quality control and has reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. CIGIE concurred with SIGAR’s proposed corrective actions, and SIGAR has implemented all the recommendations in the report and the letter of comment. There are no outstanding recommendations. SIGAR is also implementing all the Capstone Report’s suggestions.

The investigations peer review resulted in a determination that SIGAR was not in full compliance with certain standards. Correction of the compliance issues was a top priority, and the Investigations Directorate is now fully compliant with all Attorney General Guidelines and CIGIE qualitative standards.
All of the reports generated from this request and SIGAR's response to the recommendations and suggestions are available on SIGAR's Web site (www.sigar.mil). They include the Peer Evaluation Report (August 10, 2010), the System Review Report and Letter of Comment (July 14, 2010), and the Quality Assessment Review of the Investigative Operation (July 14, 2010).12

SIGAR BUDGET
Since 2008, when SIGAR was established, the Congress has appropriated $46.2 million to cover the organization’s operating expenses. In this same period, the Congress has nearly doubled the amount of funding for the reconstruction of Afghanistan. From 2002 through 2008, the Congress provided $29.23 billion for Afghanistan reconstruction; since 2008, it has appropriated an additional $26.47 billion. President Obama has asked for $16.2 billion more for Afghanistan’s reconstruction in the FY 2011 budget request. In order to provide oversight of these funds, SIGAR has steadily increased its staff. SIGAR’s budget request of $35.6 million for FY 2011 will enable the organization to continue to add to staff to provide oversight of this increasing U.S. investment in the reconstruction of Afghanistan. Table 2.2 summarizes SIGAR's funding through FY 2010.

SIGAR STAFF
This quarter, SIGAR’s staff grew from 93 to 117. Taking into account the President’s requests for significant increases in reconstruction funding, SIGAR plans to continue hiring experienced auditors and investigators throughout the coming year. Depending on its funding, SIGAR’s goal is to have 180 full-time employees in FY 2011.

### TABLE 2.2

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SIGAR has 33 staff members working out of 4 offices in Afghanistan, including 30 on a one-year tour in Afghanistan and 3 on short-term assignments. Under its current agreement with U.S. Embassy Kabul, SIGAR is allowed to station 45 people full-time in Afghanistan. SIGAR is also working with the U.S. military to expand SIGAR’s investigations presence to seven military-controlled facilities in five provinces. Figure 2.5 shows SIGAR’s offices and operations throughout Afghanistan.

Note: FOB = forward operating base.
The Power of Reading
An Afghan National Army soldier writes in a notebook during a literacy program at the Joint Security Academy Southwest at Camp Leatherneck in October. Developing the reading skills of the army and the police is a fundamental element in building the capacity of Afghanistan’s security forces. (ISAF photo)
3 RECONSTRUCTION UPDATE
“We recognize that peace and security are not possible without progress in justice, governance, and development across the entire country.”

—Afghan Prioritization and Implementation Plan

OVERVIEW

Section 3 presents a holistic view of Afghanistan during this reporting period. Updates on accomplishments, challenges, and local initiatives provide context for the oversight needed in reconstruction efforts. The section is divided into six subsections: Status of Funds, Security, Governance, Economic and Social Development, Counter-Narcotics, and Anti-Corruption. The Security, Governance, and Economic and Social Development subsections mirror the three pillars set forth in the 2008 Afghanistan National Development Strategy and reflected in the 2010 Prioritization and Implementation Plan announced by the Government of the Islamic Republic of Afghanistan (GIRoA). The Counter-Narcotics and Anti-Corruption subsections focus on key issues identified in both documents.

TOPICS

Section 3 discusses six broad topics: historical and current funding information, security conditions, governance activities, economic and social development programs, counter-narcotics initiatives, and anti-corruption efforts. Throughout the section, quarterly highlights accent a single topic related to reconstruction efforts within a specific subsection.

The Status of Funds subsection provides a comprehensive discussion of the monies appropriated, obligated, and disbursed for Afghanistan reconstruction. It includes specific information on major U.S. funds and international contribution. The Security subsection details the progress of the Afghan National Security Forces and discusses U.S. and international efforts to bolster security in the country. A quarterly highlight focuses on the new Commander's Unit Assessment Tool, which is used to gauge the capabilities of the Afghan National Security Forces.

The Governance subsection provides an overview of the GIRoA’s progress toward achieving good governance. It presents updated information on the September 2010 elections; public administration, justice, and prison development; and human rights, including gender equity and minority representation. A quarterly highlight examines the effort to reintegrate insurgents into mainstream Afghan society.

The Economic and Social Development subsection focuses on reconstruction activities by sector, ranging from agriculture and energy to health services. It provides a snapshot of the state of the economy and updates on progress in regulating financial networks, achieving fiscal sustainability, developing resources, and boosting agricultural output, and the process of assessing the capacity of GIRoA ministries to receive direct assistance.
The Counter-Narcotics subsection describes efforts to reduce the prevalence of narcotics in Afghanistan. It provides updates on interdiction and alternative development programming. This subsection discusses joint U.S.-Afghan efforts to combat the drug trade and the challenges impeding the success of those efforts.

The Anti-Corruption subsection provides the status of the U.S. and GIRoA strategies to combat corruption. It also describes ongoing efforts to reduce corruption and its impact on the reconstruction effort.

**METHODOLOGY**
Section 3 was compiled using information and data from open sources and U.S. agencies. Except where SIGAR audits or investigations are specifically referenced, SIGAR has not verified this data; the information does not reflect SIGAR’s opinions. 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. For a complete discussion of SIGAR audits and investigations this quarter, see Section 2.

**Data Call**
The data call is a series of questions directed to U.S. agencies about their contributions and involvement in reconstruction programming, and the state of affairs in Afghanistan. The U.S. agencies that participated in the data call for this quarterly report include the following:
- Department of State
- 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 prior to 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
- Government Accountability Office
- United Nations (and relevant branches)
- International Monetary Fund
- World Bank
- GIRoA ministries and other Afghan government organizations

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

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.

HEAT MAPS
Heat maps assign colors to provinces, based on pertinent data. Each color represents a data set, defined in a legend; darker colors represent larger numbers, lighter colors show smaller numbers.

DISTINGUISHING 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.

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.
As of September 30, 2010, the United States had appropriated approximately $56.10 billion for relief and reconstruction in Afghanistan since fiscal year (FY) 2002. This cumulative funding total is based on data reported by agencies and amounts appropriated in FY 2010, as shown in Appendix B. This total has been allocated as follows:

- nearly $29.35 billion for security
- more than $16.15 billion for governance and development
- more than $4.49 billion for counter-narcotics efforts
- nearly $2.08 billion for humanitarian aid
- more than $4.03 billion for oversight and operations

Figure 3.1 provides an overview of the major U.S. funds that contribute to these efforts.

**FIGURE 3.1**

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

<table>
<thead>
<tr>
<th>FUNDING SOURCES (TOTAL: $56.10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASFF</td>
</tr>
<tr>
<td>CERP</td>
</tr>
<tr>
<td>DoD CN</td>
</tr>
<tr>
<td>ESF</td>
</tr>
<tr>
<td>INCLE</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

**AGENCIES**

- **Department of Defense (DoD)**: $31.98
- **USAID**: $11.14
- **Department of State (DoS)**: $2.85
- **Distributed to Multiple Agencies**: $10.13

**Note:** Numbers affected by rounding.

a. Multiple agencies include DoJ, DoS, USAID, Treasury, and USDA.

As of September 30, 2010, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately $56.10 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 shown in Figure 3.2, cumulative appropriations as of FY 2010 increased by nearly 41.4% over cumulative appropriations as of FY 2009, to approximately $56.10 billion. Since FY 2002, security efforts have received the largest cumulative appropriations. Appropriations for security (nearly $29.35 billion) account for more than 52.3% of total U.S. reconstruction assistance. In FY 2010, security had a large gain in cumulative appropriations over FY 2009 (more than 45.4%), followed by governance and development (nearly 38.7%), and counter-narcotics (more than 27.9%).

Figure 3.3 on the facing page displays annual appropriations by funding category from FY 2002 to FY 2010. 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 the following legislation:

- the FY 2010 Supplemental Appropriations Act (FY 2010 Supplemental)

The amount provided by the five major U.S. funds represents nearly 82.0% (more than $45.98 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 84.7% (more than $38.94 billion) has been obligated, and nearly 70.3% (nearly $32.31 billion) has been disbursed. The following pages provide additional details on these funds.
STATUS OF FUNDS

- the FY 2010 Department of Defense Appropriations Act (FY 2010 DoD Appropriations Act)
- the FY 2010 Departments of Transportation and Housing and Urban Development Related Agencies Appropriations Act (FY 2010 Consolidated Appropriations Act)

As shown in Figure 3.3, appropriations for FY 2010 amounted to nearly $16.42 billion, surpassing FY 2009 levels by more than 57.0%. This is the largest amount appropriated in a single year for the reconstruction effort.

FY 2010 appropriations for security increased by nearly 63.5% over FY 2009 appropriations, to nearly $9.17 billion. Of the total appropriations for FY 2010, security initiatives accounted for more than 55.8%, followed by governance and development with more than 27.4%. Appropriations in FY 2010 for security (nearly $9.17 billion) are the largest appropriations made in a single year for the reconstruction effort since FY 2002.

Figure 3.3

Appropriations by Fiscal Year, Amount, and Percentage ($ billions)

Notes: Numbers affected by rounding. Updated data resulted in a higher appropriation figure for FY 2009 than reported last quarter.

AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the Afghan National Security Forces (ANSF) with equipment, supplies, services, and training, as well as facility and infrastructure repair, renovation, and construction. The primary organization responsible for building the ANSF is the NATO Training Mission - Afghanistan (NTM-A/CSTC-A).

The FY 2010 Supplemental Appropriations Act—signed by the U.S. President on July 29, 2010—provided more than $2.60 billion for the ASFF. This amount brings the cumulative total funding for the ASFF to more than $27.83 billion—more than 49.6% of total U.S. reconstruction assistance. As of September 30, 2010, DoD reported that of this amount, nearly $23.61 billion has been obligated, of which nearly $21.41 billion has been disbursed.

DoD reported that cumulative obligations as of September 30, 2010, increased by more than $1.77 billion over cumulative appropriations as of June 30, 2010. Cumulative disbursements as of September 30, 2010, increased by nearly $0.62 billion over cumulative disbursements as of June 30, 2010. Figure 3.4 displays the amounts made available for the ASFF by fiscal year.

As of June 30, 2010
- Available: $25.23
- Obligated: $21.83
- Disbursed: $20.79

As of Sep 30, 2010
- Available: $27.83
- Obligated: $23.61
- Disbursed: $21.41

Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

**ASFF AVAILABLE FUNDS BY FISCAL YEAR ($ BILLIONS)**

**ASFF FUNDS, CUMULATIVE COMPARISON ($ BILLIONS)**

Note: Numbers affected by rounding.
Source: DoD, response to SIGAR data call, 10/15/2010.

Notes: Numbers affected by rounding. Amounts reported as provided by DoD.
Sources: DoD, responses to SIGAR data call, 10/15/2010 and 7/14/2010.
ASFF Budget Activities

DoD allocates funds to three budget activity groups within the ASFF:18
- Defense Forces (Afghan National Army, or ANA)
- Interior Forces (Afghan National Police, or 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.19

As of September 30, 2010, DoD had disbursed nearly $21.41 billion for ANSF initiatives. Of this amount, more than $14.07 billion was disbursed for the ANA and nearly $7.24 billion for the ANP; the remaining nearly $0.10 billion was directed to related activities.20

As shown in Figure 3.6, of the funds disbursed for the ANA, the largest portion—more than $6.37 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—nearly $2.03 billion—also supported Equipment and Transportation, as shown in Figure 3.7.

FIGURE 3.6

ASFF DISBURSEMENTS FOR THE ANA
By Sub-Activity Group, FY 2005–September 30, 2010 ($ BILLIONS)

Total: $14.07

- Equipment and Transportation: $6.37
- Sustainment: $3.89
- Training and Operations: $1.33
- Infrastructure: $2.48

Notes: Numbers affected by rounding. Numbers are as of 9/30/2010.
Source: DoD, response to SIGAR data call, 10/15/2010.

FIGURE 3.7

ASFF DISBURSEMENTS FOR THE ANP
By Sub-Activity Group, FY 2005–September 30, 2010 ($ BILLIONS)

Total: $7.24

- Equipment and Transportation: $2.03
- Sustainment: $1.99
- Infrastructure: $1.52
- Training and Operations: $1.70

Notes: Numbers affected by rounding. Numbers are as of 9/30/2010.
Source: DoD, response to SIGAR data call, 10/15/2010.
The Commander’s Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than $500,000 each. Projects with cost estimates exceeding $1.00 million are permitted, but they require approval from the Commander of U.S. Central Command.

Status of Funds
The FY 2010 DoD Appropriations Act provides $1.20 billion to CERP to promote and support development activities. Of this amount, $1.00 billion is for initiatives in Afghanistan. This brings the cumulative total funding for CERP to nearly $2.64 billion—more than 4.7% of total U.S. reconstruction assistance in Afghanistan. As of September 30, 2010, DoD reported that of this amount, more than $1.93 billion had been obligated, of which more than $1.33 billion has been disbursed. Figure 3.8 shows CERP appropriations by fiscal year.

DoD reported that cumulative obligations as of September 30, 2010, increased by more than $291.59 million over cumulative obligations as of June 30, 2010. Cumulative disbursements as of September 30, 2010, increased by more than $87.63 million over cumulative disbursements as of June 30, 2010. Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.
DoD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DoD’s Drug Interdiction and Counter-Drug Activities (DoD CN) fund support DoD’s efforts to stabilize Afghanistan by combating the drug trade and related activities. The DoD CN fund provides support to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement—including the Afghan Border Police—with specialized training, equipment, and facilities.27

The FY 2010 Supplemental provides $80.90 million for DoD CN. This brings the cumulative total funding for DoD CN to more than $1.51 billion—nearly 2.7% of total U.S. reconstruction assistance in Afghanistan. DoD reported that of this amount, more than $1.43 billion had been obligated and disbursed.28 Figure 3.10 displays DoD CN appropriations by fiscal year.

DoD reported that cumulative obligations as of September 30, 2010, increased by more than $35.16 million over cumulative obligations as of June 30, 2010. Cumulative disbursements as of September 30, 2010, increased by more than $35.16 million over cumulative disbursements as of June 30, 2010.29 Figure 3.11 shows the cumulative amounts appropriated, obligated, and disbursed for DoD CN–funded initiatives.

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


Notes: Data may include inter-agency transfers. Numbers affected by rounding.

Sources: DoD, response to SIGAR vetting, 10/22/2010; DoD, response to SIGAR data call, 10/6/2010.

Notes: Numbers affected by rounding. Amounts reported as provided by DoD. Obligation data was not provided; assumed to equal disbursements.

Sources: DoD, response to SIGAR vetting, 10/22/2010; DoD, responses to SIGAR data call, 10/6/2010 and 7/13/2010.
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.\(^{30}\)

The FY 2010 Supplemental provides nearly $1.31 billion for ESF, and the FY 2010 Consolidated Appropriations Act provides almost $2.04 billion, bringing the cumulative total funding for ESF to more than $11.14 billion—nearly 19.9% of total U.S. reconstruction assistance to the reconstruction effort.\(^{31}\) As of September 30, 2010, USAID reported that of this amount, more than $9.55 billion had been obligated, of which nearly $6.28 billion had been disbursed.\(^{32}\)

As of June 30, 2010, was unavailable at press time. USAID reported that cumulative obligations as of September 30, 2010, increased by more than $1.98 billion over cumulative obligations as of March 31, 2010. Cumulative disbursements as of September 30, 2010, increased by more than $0.88 billion over cumulative disbursements as of March 31, 2010.\(^{33}\)

Figure 3.12 shows ESF appropriations by fiscal year.

Data as of June 30, 2010, was unavailable at press time. USAID reported that cumulative obligations as of September 30, 2010, increased by more than $1.98 billion over cumulative obligations as of March 31, 2010. Cumulative disbursements as of September 30, 2010, increased by more than $0.88 billion over cumulative disbursements as of March 31, 2010.\(^{33}\)

Figure 3.13 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

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ESF FUNDS TERMINOLOGY

OMB reported ESF funds as appropriated.

**Appropriations:** Total monies available for commitments

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

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.34

The FY 2010 Supplemental provides $169.00 million for INCLE.35 This brings the cumulative total funding for INCLE to more than $2.85 billion—nearly 5.1% of total U.S. reconstruction assistance in Afghanistan.36 INL reported that of this amount, more than $2.42 billion had been obligated, of which more than $1.86 billion had been liquidated.37 Figure 3.14 displays INCLE allotments by fiscal year.

INL reported that as of September 30, 2010, cumulative obligations increased $295.89 million over cumulative obligations, as of June 30, 2010. Cumulative liquidations as of September 30, 2010, increased by nearly $185.56 million over cumulative liquidations as of June 30, 2010.38 Figure 3.15 provides a cumulative comparison of amounts allotted, obligated, and liquidated for INCLE.

INL FUNDS TERMINOLOGY

OMB 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


INCLE ALLOTMENTS BY FISCAL YEAR

($ MILLIONS)

INCLE FUNDS, CUMULATIVE COMPARISON

($ BILLIONS)

Notes: Data may include inter-agency transfers. Numbers affected by rounding.


Notes: Data may include inter-agency transfers. Numbers affected by rounding. Amounts reported as provided by DoS and the FY 2010 Supplemental.

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 reconstruction efforts in Afghanistan. The GIRoA uses some of this funding to pay staff salaries. In an audit published this quarter, SIGAR found that neither donors nor the GIRoA could identify how many employees receive support or how much they were paid. A February 2010 estimate from the Ministry of Finance, based on incomplete data, indicated salary support of more than $45 million for 6,600 civilian employees and technical advisors. This support is not provided through trust funds, which are the preferred mechanism for providing donor assistance, as noted in SIGAR’s April 2010 quarterly report. For details on SIGAR’s audit, see Section 2 of this report.

Contributions that are provided through the preferred mechanism, trust funds, are pooled and then distributed for reconstruction activities. The two main sources of such funding are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund (LOTFA).

Contributions to the Afghanistan Reconstruction Trust Fund

In its “Administrator’s Report on Financial Status,” the World Bank reported that as of September 22, 2010, the ARTF had funded 19 active projects with a combined commitment value of over $1.06 billion, of which $826.61 million has been disbursed. From early 2002 to September 22, 2010, 32 donors contributed more than $3.96 billion to the ARTF. The United States has provided nearly $922 million of this amount. Figure 3.16 and Figure 3.17 show contributions by status and by donor as of September 22, 2010. These contributions maintain the trust fund’s status as the largest contributor to the GIRoA budget for both operating costs and development programs.

Contributions are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window. According to the October 2010 “Quarterly Country Update,” contributions to the RC Window amounted to $1.95 billion as of August 22, 2010. The RC Window supports the operating costs of the GIRoA because domestic revenues continue to be insufficient to support its recurring costs. The Investment Window supports the costs of development programs. The World Bank reported that disbursement rates for the Investment Window have been high—77% of total investments as of August 22, 2010.
Contributions to the Law and Order Trust Fund for Afghanistan

In its progress report for the second calendar quarter of 2010, the United Nations Development Programme reported that from September 2008 to June 2010, international donors committed nearly $846.95 million to the fifth phase of the LOTFA. Of this amount, $261.00 million was contributed by the United States. A large portion of these funds paid the salaries of approximately 105,965 Afghanistan National Police personnel—a principal priority of the fund. The LOTFA had five implementation phases and just completed its fifth phase on August 31, 2010. As noted in SIGAR’s July 2010 quarterly report, the GIRoA and international donors will discuss whether to extend the fund and for what duration of time.
SECURITY

The security environment across Afghanistan remained volatile this quarter. As of October 1, 2010, the number of security incidents remained high in the south and east, was moderate in the west, and was down in the north, according to a U.S. Department of State (DoS) threat assessment. The central region, including the area around Kabul, showed significant improvements—attributed to the success of recent military and police operations. Most security events occurred in Helmand and Kandahar, where military offensives continue.48

Since 2009, according to the Secretary-General of the United Nations (UN), there has been a 69% increase in the number of security incidents—including an 82% increase in incidents involving improvised explosive devices (IEDs). The number of complex suicide attacks doubled to a rate of four per month. In addition, the Secretary-General reported that the number of assassinations carried out by anti-government elements tripled this quarter, to an average of 21 per week. The Secretary-General attributed these increases, in part, to higher international troop levels, a rise in the number of operations by the Afghan National Security Forces (ANSF), and increased activities of elements opposed to the Government of the Islamic Republic of Afghanistan (GIRoA).49

To develop the ANSF, the United States had appropriated nearly $29.35 billion—including nearly $9.17 billion for FY 2010—as of September 30, 2010. Most of these funds were appropriated through the Afghanistan Security Forces Fund (ASFF), which provides equipment, services, training, and infrastructure-related assistance to the ANSF.50 The ASFF is administered by the U.S. Department of Defense (DoD). The $29.35 billion is more than all other categories of U.S. relief and reconstruction funding combined, as shown in Appendix B of this report.

SECURITY GOALS

The force strength of the ANSF grew from 235,758 in June 2010 to 258,668 in October 2010, as reported by the International Security Assistance Force (ISAF). This latest number includes 138,164 personnel assigned to the Afghan National Army (ANA) and 120,504 personnel assigned to the Afghan National Police (ANP).51 These numbers do not, however, represent the number of ANSF personnel who are present for duty at any given time. Table 3.1 on the following page shows progress against strategic priorities since last quarter.
On September 27, 2010, the commander of the NATO Training Mission - Afghanistan (NTM-A), Lieutenant General William Caldwell (U.S. Army), addressed the NATO Military Committee. Before November 2009, he noted, ANSF development had focused on gathering as many recruits as possible but did not focus on the quality of those recruits. The result was a high attrition rate and slow growth. Since November 2009, the focus has shifted to quality, and growth has accelerated: this year, the ANSF exceeded its 2010 growth goals. Lt. General Caldwell stressed that the main challenge to building a self-sustaining ANSF is developing professionalism, leadership, and literacy—and reducing the number of security forces lost through attrition. He estimated that in order to grow the ANSF by 50,000 personnel to meet the 2011 goal of 305,000, another 133,000 soldiers and police must be recruited, trained, and assigned.52

Lt. General Caldwell also pointed out that, since November 2009, NTM-A has increasingly shifted its focus to building the quality of the ANSF, which is critical to mission success. He gave examples of deficiencies he had seen in the training of the ANSF and the importance of skilled trainers in the ANSF’s effort to become self-sufficient. He appealed to NATO to provide NTM-A with the skilled trainers needed to prepare the ANSF for transition.53

On August 1, 2010, General David Petraeus, commander of ISAF and U.S. Forces - Afghanistan (USFOR-A), released new guidance for counter-insurgency operations, noting the need to avoid harm to civilians and damage to property. He stressed the importance of working closely with the Afghan people, addressing systemic corruption, building trust through frank and open lines of communication, and countering the propaganda campaign waged by insurgents.54

On August 17, 2010, President Karzai met with U.S. officials to emphasize the need for a comprehensive review of the overall objectives and strategy in Afghanistan.55 On October 4, 2010, he spoke with President Obama by video conference to discuss the strategic vision of long-term relations between the United States and Afghanistan. In that discussion, the presidents agreed that the two countries should prepare a document by the end of the year that outlines...
the strategic partnership for reaching the goal of transitioning to Afghan-led security responsibilities by 2014.

This quarter, two NATO partners announced changes to their commitment in Afghanistan. On August 1, 2010, the Netherlands ended its role as lead nation for the provincial reconstruction team and security operations in Uruzgan. On September 22, the German Minister of Defense announced the shifting of 90 positions to support the ANSF training and mentoring mission. These positions are the result of a realignment of personnel following Germany’s planned withdrawal of six reconnaissance aircraft in November.

**Regional Security Events**

During this reporting period, Pakistan reopened the Torkham Gate, a major supply route for U.S. and NATO operations on Pakistan's northwest border with Afghanistan. According to DoD, the gate was closed by the Pakistani military for 11 days following a September 30 incident in which U.S. helicopters unknowingly killed several Pakistani border guards. The U.S. Ambassador apologized to Pakistan for the incident, and the chairman of the Joint Chiefs of Staff expressed his condolences to Pakistan's Chief of Army Staff for the loss of life. Both U.S. officials stated their commitments to work more closely with Pakistan to avoid a repetition of the incident.

Earlier in September, President Karzai met with Pakistani President Asif Ali Zardari to discuss their ongoing partnership and bilateral cooperation on security issues. In a joint statement, the two leaders recognized the common challenge posed by terrorism and extremism and agreed to strengthen the interaction between their nations' security and counter-terrorism institutions, to hold regular dialogues, and to increase information and intelligence sharing. In addition, they agreed to explore programs for capacity building and joint security training. During the same visit, President Karzai met with General Petraeus and Pakistan's Chief of Army Staff, General Ashfaq Parvez Kayani, to discuss security in Afghanistan and Pakistan.

To strengthen regional efforts, the U.S. military has been providing relief to flood victims in northwest Pakistan since August 5. The U.S. military has rescued more than 20,000 displaced Pakistanis and delivered more than 13.7 million pounds of supplies as part of the relief effort, according to DoD.

**Election Security**

The number of attacks during the September 18 parliamentary elections was down one-third from the number reported during the 2009 presidential elections, according to DoD. Less than 1% of polling centers reported significant violence. Most attacks used small arms or rocket-propelled grenades; there were few IED incidents and no suicide attacks. During the elections, the ANSF handled the security at polling locations. ISAF was on standby to assist the ANSF but otherwise was not actively involved. For more information on the elections, see the “Governance” section of this report.
In his September report, the Secretary-General cited security concerns—especially intimidation of candidates, particularly women—as a challenge to the electoral process. Four candidates were killed, as were five staffers who were campaigning for a female candidate. The Secretary-General noted that Afghanistan’s Independent Electoral Commission (IEC) gave the ANSF a list of polling centers to assess the security posture at each center. The ANSF determined that 5,897 (88%) of the 6,835 proposed polling centers could be opened safely. According to the IEC, 5,510 polling centers were reported open during the election, 387 fewer than the number determined to be safe by ANSF.

Disbanding of Private Security Contractors
On August 17, 2010, President Karzai decreed that all national and international private security contractors (PSCs) would be disbanded within four months. As this report went to press, it was not yet known which PSCs or which security-related services would be most affected by the decree. U.S. Embassy Kabul estimated that $2 billion in reconstruction programs rely on PSCs for security. According to DoS, the decree could affect about 96 projects of the U.S. Agency for International Development, the Bureau of International Narcotics and Law Enforcement Affairs, and U.S. Embassy Kabul’s Regional Security Office. Nearly 18,000 PSC personnel perform work for DoD alone; 93% of them are Afghan citizens, according to DoD. SIGAR has not yet seen a plan to replace the PSCs with units from the ANSF before the decree’s December deadline. U.S. officials are attempting to determine the likely effect of the decree and identify necessary actions to minimize any adverse impact.

SIGAR is conducting a contract audit to examine the work of the company that provides security for U.S. Army Corp of Engineers personnel. In addition, SIGAR is initiating three more audits related to this issue this year. For details about these audits, see Section 2 of this report.

SECURITY INCIDENTS
In the first six months of 2010, civilian casualties increased 31% over the same period in 2009 (to 1,271 deaths and 1,997 injuries), according to the United Nations Assistance Mission in Afghanistan (UNAMA). More than three-quarters of these casualties were linked to anti-government elements—a 53% increase from 2009. Anti-government elements include those who identify themselves as Taliban, as well as other individuals and groups involved in conflict with the GIRoA and international military forces. Civilian casualties attributed to pro-government forces decreased by 30% compared with the same period in 2009. UNAMA attributed the overall increase in civilian casualties to a rise in assassinations by anti-government elements and the increased use of larger and more sophisticated IEDs by those elements.

This quarter, women and children made up a larger percentage of the overall casualties. UNAMA noted a 6% increase in the number of female casualties and
an alarming 55% increase in the number of child casualties—most caused by suicide attacks and IEDs.\textsuperscript{70}

**AFGHAN NATIONAL ARMY**

As of September 22, the ANA's assigned personnel strength was 138,164—an increase of 8,279 since June 20, 2010—surpassing the ANA's original goal to have 134,000 assigned personnel by October 2010, according to the Combined Security Transition Command - Afghanistan (CSTC-A). The ANA's current goal is to reach 171,600 by October 2011.\textsuperscript{71}

According to a CSTC-A assessment that focused specifically on force strength in the ANA's six corps, the Special Operations Force division, and the Capital Division, a total of 85,359 personnel were assigned as of September 30. That figure is 388 more than the 84,971 authorized by the Ministry of Defense’s (MoD) most recent *tashkil*. However, the number of assigned troops does not necessarily equal the number of troops present for duty, as shown in the example in Figure 3.18. Troops who are absent without leave (AWOL) have a significant impact on the percentage of troops available for duty, as shown in the example in Figure 3.19.\textsuperscript{72}

![Figure 3.18](image-url)

**ANA PERSONNEL STRENGTH, SELECTED COMPONENTS, ON SEPTEMBER 30, 2010**

<table>
<thead>
<tr>
<th>Corps/Legion</th>
<th>Assigned but Not Present for Duty</th>
<th>Present for Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>205th Corps</td>
<td>12,227</td>
<td>5,566</td>
</tr>
<tr>
<td>201st Corps</td>
<td>10,904</td>
<td>4,041</td>
</tr>
<tr>
<td>203rd Corps</td>
<td>9,590</td>
<td>5,149</td>
</tr>
<tr>
<td>215th Corps</td>
<td>7,886</td>
<td>4,218</td>
</tr>
<tr>
<td>209th Corps</td>
<td>5,507</td>
<td>2,342</td>
</tr>
<tr>
<td>207th Corps</td>
<td>5,496</td>
<td>1,667</td>
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<tr>
<td>SOF Division</td>
<td>4,323</td>
<td>2,572</td>
</tr>
<tr>
<td>11th Capital Division</td>
<td>2,845</td>
<td>3,891</td>
</tr>
</tbody>
</table>

Note: Assigned but Not Present for Duty includes medical, training, or authorized leave, as well as AWOL (absent without leave).
* Number assigned but not present for duty = 1,046.

![Figure 3.19](image-url)

**ANA PERSONNEL PRESENCE, SELECTED COMPONENTS, ON SEPTEMBER 30, 2010 (PERCENT)**

<table>
<thead>
<tr>
<th>Corps/Legion</th>
<th>PDY</th>
<th>AWOL</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>205th Corps</td>
<td>69</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>201st Corps</td>
<td>73</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td>203rd Corps</td>
<td>65</td>
<td>21</td>
<td>14</td>
</tr>
<tr>
<td>215th Corps</td>
<td>65</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>209th Corps</td>
<td>70</td>
<td>22</td>
<td>8</td>
</tr>
<tr>
<td>207th Corps</td>
<td>77</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>SOF Division</td>
<td>63</td>
<td>12</td>
<td>25</td>
</tr>
<tr>
<td>11th Capital Division</td>
<td>73</td>
<td>20</td>
<td>7</td>
</tr>
</tbody>
</table>

Notes: Numbers affected by rounding, PDY = present for duty; AWOL = absent without leave. Other = medical, training, or authorized leave.

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*Tashkil*: lists of personnel and equipment requirements used by the Ministry of Defense and the Ministry of Interior that detail authorized staff positions and equipment items, in this case for the ANA and the ANP. (The word means “organization” in Dari.)

ANA Training

During this quarter, 22,657 ANA personnel graduated from a wide range of training programs, according to NTM-A/CSTC-A. Of that number, 1,616 graduated from non-commissioned officer (NCO) development courses and 1,422 graduated from courses designed to enhance the skills of ANA officers. The majority of graduates, 15,384, graduated from basic warrior training courses, as shown in Figure 3.20. As part of basic warrior training, soldiers receive instruction in marksmanship as well as in urban military, checkpoint, counter-insurgency, and counter-IED operations, in preparation for deployment as part of an infantry unit. Courses are conducted regionally and at the Kabul Military Training Center. Notably, the Mujahedeen Integration Course, an eight-week course designed to integrate former officers of the mujahedeen into the ANA, graduated 326 officers.73

This quarter, the Combined Air Power Transition Force Command was renamed the NATO Air Training Command - Afghanistan (NATC-A), signaling a change from a predominantly U.S.-led mission to a broader NATO effort to train the 3,900-strong Afghan Air Force (AAF).74 On September 8, a team of 10 advisors from the Croatian Air Force joined the NATC-A to mentor the AAF on the operation and maintenance of the Mi-17 helicopter. The other NATC-A partners are Canada, the Czech Republic, Hungary, the United Kingdom, and the United States. In addition to the Mi-17, Afghan aircrews have been training with Czech, Hungarian, and U.S. personnel on the AAF’s primary attack helicopter gunship, the Mi-35.75

On August 18, in their first operational mission together, Afghan Mi-35 and U.S. Army (3rd Combat Aviation Brigade) Apache helicopter aircrews were diverted from a routine patrol to answer a distress call from a convoy under attack by insurgents. Although no ordnance was fired, NTM-A reported that the combined show of air power caused the insurgents to break off their attack and flee the area.


Notes: Graduates as of 9/30/2010. HMMWV = high-mobility, multi-purpose wheeled vehicle.
Women in the ANA

According to CSTC-A, 299 women are serving in the ANA (195 officers and 104 NCOs), as of September 30, 2010. The ANA’s stated policy is to recruit enough female personnel to make up to 10% of its projected end strength. In addition, the policy requires National Afghan Volunteer Centers to focus recruiting efforts on the local female populace. The policy also requires the ANA to create advertising and allocate funds to support recruitment of women throughout Afghanistan.76

On September 23, 2010, in a ceremony at the Kabul Military Training Center, 29 female ANA officers graduated from Officer Candidate School. Although they are not the ANA’s first female officers, they were the first to graduate from the 20-week course, in which U.S. and ANA officers mentor and train candidates on basic military skills and leadership in preparation for placement as finance or logistics officers.77

ANA Infrastructure

This quarter, 16 new ANA infrastructure projects were awarded (worth $311.1 million), 46 were ongoing ($784.5 million), and 8 were completed ($105.9 million), according to CSTC-A. These projects include buildings (barracks, headquarters, training buildings and ranges, administrative spaces, warehouses and storage buildings, maintenance facilities, etc.) and permanent equipment necessary for the support, redeployment, and operations of the ANA.78 SIGAR is examining the ANA’s planning for infrastructure and facilities as part of an ongoing audit.

Twenty-nine ANA 2nd lieutenants graduated from Officer Candidate School at the Kabul Military Training Center on September 23. They are the first female graduates of the program. (NTM-A photo, SSgt Rachel Martinez)
From July 1 to September 19, 2010, the ANA fielded 6,607 weapons, according to CSTC-A. Figure 3.21 shows that most of the weapons fielded—4,884—were the U.S.-made M16A4 assault rifle. The ANA also fielded 1,195 vehicles and 2,441 radios this quarter, as shown in Table 3.2. In addition, the AAF added two Mi-17 transport helicopters and two C-17 transport aircraft to its inventory, bringing its fleet to the following numbers:

- 27 Mi-17 and 9 Mi-35 helicopters
- 1 An-26, 5 An-32, and 7 C-27 transports
- 3 L-39 jets

SIGAR is examining efforts to develop the ANA’s logistical capabilities as part of an ongoing audit.

**International Support for the Ministry of Defense**

According to DoD, ISAF continues to provide advisory support to the MoD to develop the systems and institutions required to build the ANA into a larger, more professional army. Approximately 272 military, civilian, and contractor personnel from the United States and Canada are involved in building institutional capacity and supporting the development of the management and operational systems that enable the MoD to plan, program, manage, and sustain the ANA. DoD noted that this development is achieved by advising and engaging key leaders. In addition, advisors work with the MoD to develop inter-ministerial coordination, advisory councils, functional boards, and the Ministerial Development Board. These entities, in turn, develop capacity in four areas: horizontal integration and strategy management, operational support, personnel management, and national logistics.
AFGHAN NATIONAL POLICE

The ANP—which includes the Afghan Uniform Police (AUP), the Afghan Border Police (ABP), and the Afghan National Civil Order Police (ANCOP)—is expected to reach its goal of 134,000 assigned personnel by October 2011, according to CSTC-A.83 As of September 21, 2010, the ANP had an authorized strength of 122,000 personnel (including MoI headquarters staff); its total strength was 128,613. Table 3.3 shows that of the assigned personnel (including MoI headquarters staff), 120,504 filled authorized or tashkil positions—an increase of 14,631 since June 20, 2010—and 8,109 filled non-tashkil positions, including 829 personnel assigned to the Afghan Public Protection Force.84 In an October personnel report, the Ministry of Interior (MoI) listed 56 non-tashkil police units.85 As part of an ongoing audit of the ANP’s personnel management processes and systems, SIGAR is working to identify these 56 non-tashkil units.

Although the ANP’s total strength surpassed its authorized strength this quarter, the assigned strengths of the ABP and the ANCOP were below their authorized staffing levels. The ABP’s total strength was nearly 90% of its authorized strength (18,529 assigned vs. 20,689 authorized). However, Figure 3.22 shows that the total strength of the ANCOP was 30% below its authorized strength (7,890 assigned, 11,276 authorized).86

Attrition and recruitment rates continue to affect progress toward ANP force strength, according to ISAF. From September 2009 through August 2010, the ANP had an average force strength of 102,580. During this period, the ANP’s loss report show a total shortfall of 16,621 personnel—an attrition rate of 16.2% (12.3% for the AUP, 27.4% for the ABP, and 59.9% for the ANCOP). Attrition numbers include personnel who had been killed in action or injured, were absent or AWOL, had disappeared, or had been separated from service, retired, or captured.87 Unlike the U.S. military, the ANP considers personnel to be “absent without leave” after 21 continuous days of failing to report for duty; those who fail to report for shorter periods are considered merely “absent.” From October 2009 through August 2010, the ANP recruited 34,600 personnel, surpassing its

### TABLE 3.3

<table>
<thead>
<tr>
<th>Breakdown By ANP Components</th>
<th>Authorized (Tashkil)</th>
<th>Assigned to Tashkil Positions</th>
<th>Change Since Last Quarter</th>
<th>Assigned to Non-Tashkil Positions</th>
<th>Total Assigned Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUP</td>
<td>70,503</td>
<td>75,608</td>
<td>+14,631</td>
<td>8,109</td>
<td>128,613</td>
</tr>
<tr>
<td>ABP</td>
<td>20,689</td>
<td>18,529</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>ANCOP</td>
<td>11,276</td>
<td>7,890a</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Other Units</td>
<td>19,532</td>
<td>18,477b</td>
<td></td>
<td>8,109f</td>
<td></td>
</tr>
</tbody>
</table>

stated cumulative goal of 24,466 for that period. Figure 3.23 shows that the ANCOP was the only component to fall short of its recruitment goal.88

On September 26, NTM-A’s Commanding General for Police stated that the operations of ANP’s counter-narcotics and counter-terrorism units now meet international standards. During the six months preceding the Commanding General’s assessment, the units arrested 2,800 individuals for terrorist activities, seized 2,350 weapons, and neutralized 3,300 IEDs and bombs.89

ANP Local Initiatives

This quarter, President Karzai established the Afghan Local Police (ALP) program to provide security, enable development, and foster governance in villages throughout Afghanistan. As of September 30, the GIRoA and ISAF had established 8 ALP sites—located to ensure balanced ethnic, tribal, and geographic representation—and are planning at least another 60 sites.90

The ALP program focuses on communities that have resisted insurgent groups, especially in areas with only a limited ANSF and ISAF presence. Different from militias, ALP units are small, defensive police forces supervised by local shuras. They are based on a traditional Afghan approach to village self-defense and security. According to DoD, the ALP program differs from its predecessors, including the Community Defense Initiative and the Local Defense Initiative, in that it falls under the command and control of the MoI. In addition, the GIRoA has established senior-level committees of officials from the MoD, MoI, and other ministries to oversee the ALP program, ensure its implementation, and identify ALP sites. ANA Special Forces, with ANP support, have deployed to a growing number of ALP sites where embedded Afghan and U.S. personnel help villagers with security, development, and governance, according to DoD.91

DoD noted that the ALP program is producing positive results. For example, in such areas as Arghandab district in Kandahar, school openings and improved economic conditions suggest that security has improved for villagers at ALP sites. In addition, villagers have reported insurgent movements and the locations of IEDs and weapons caches to local forces. DoD noted that with GIRoA and ISAF support, villagers in Gizab district in Daykundi revolted against the Taliban last April. By September, resistance had spread to other villages in Uruzgan and Daykundi. DoD identified a number of remaining challenges, including Taliban intimidation of ALP members, targeted assassinations, and the use of IEDs. These challenges require the ANSF and ISAF to continue their efforts to help the ALP defend their communities.92

ANP Training

This quarter, NTM-A/CSTC-A reported that 7,476 ANP personnel graduated from training courses: 4,589 in the Afghan Uniform Police (AUP), 1,431 in the ABP, and 1,456 in the ANCOP. NTM-A/CSTC-A noted that ANCOP graduates were assigned to brigades or ANCOP headquarters; however, 209 were reported AWOL.93

FIGURE 3.23

ANP RECRUITMENT: CUMULATIVE, OCTOBER 2009-AUGUST 2010 (THOUSANDS)

<table>
<thead>
<tr>
<th>Goal</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUP</td>
<td>13.8</td>
</tr>
<tr>
<td>ABP</td>
<td>6.1</td>
</tr>
<tr>
<td>ANCOP</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Notes: Numbers as reported in an ANP roll-up. AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police. Source: ISAF, ANP Recruitment 1389, 8/2010.
ANP Literacy

The overall literacy rate among ANP personnel stands at 4.5%, according to NTM-A/CSTC-A. Current goals for achieving literacy in the force include increasing the number of personnel in literacy training to 20,000 by December 2010 and to 40,000 by July 2011. The overall goal is to have all ANP personnel able to read at a third-grade level, according to NTM-A/CSTC-A. At the time this report was published, SIGAR was in the process of determining what standard was used to define “third-grade level” and what metrics would be used to gauge success.

Last quarter, NTM-A/CSTC-A fielded literacy program instructors to ANCOP Battalion and Brigade Headquarters after random tests found that only about 6% of ANCOP personnel were literate. In July 2010, placement tests administered to 242 ANCOP personnel resulted in 12 passing grades, putting the literacy rate for the ANCOP at about 5%.

The ANCOP is the ANP’s elite police unit; its personnel are expected to be well-trained, able to operate independently, and literate. This unit has been essential to the operation of the MoI’s Focused District Development program, which uses the ANCOP to hold police districts temporarily while the districts’ AUP units are sent elsewhere for training and equipping. ANCOP forces have also played key roles in ISAF operations in the southern regions of the country.

This quarter, NTM-A/CSTC-A applied pressure on the ANCOP command to provide literacy testing and training at more locations where ANCOP personnel...
are serving. Although literacy instructors were fielded, progress has been slow, according to NTM-A/CSTC-A. In August, 592 ANCOP personnel were enrolled in literacy training at 10 locations; as of early October, 39 had completed the training, attaining a reported third-grade reading level. Starting in November, ANCOP NCO recruits are to receive intensive literacy instruction, which is expected to result in 150 literate personnel per 6-week cycle.97

Women in the ANP
As of October 4, 2010, according to CSTC-A, 1,191 women served in the ANP:98
- 176 officers (including 3 general officers)
- 417 NCOs
- 336 patrolwomen
- 262 civilians

A new policy for recruiting women into the ANP awaits review by an MoI working group. If approved, the policy would protect women from discrimination and afford them an equal opportunity to serve in all ranks and branches of the ANP. The MoI’s goal is to have 5,000 women in the ANP by 2014.99

ANP Infrastructure
This quarter, 21 new infrastructure projects were awarded (valued at $82.2 million), 227 were ongoing ($718.7 million), and 27 were completed ($68.5 million), according to NTM-A/CSTC-A.100 SIGAR is examining the ANP’s planning for infrastructure and facilities as part of an ongoing audit.

ANP Equipment
From July 1 to September 19, 2010, the ANP fielded 6,419 weapons, most of which were AK-47 assault rifles, as shown in Figure 3.24.101 According to CSTC-A, the ANP also fielded 1,180 vehicles and 1,181 radios, as shown in Table 3.4. These numbers are down from the 1,806 vehicles and 1,650 radios fielded last quarter.102 All equipment fielded by the ANP this quarter came from the United States through the pseudo-Foreign Military Sales (FMS) program or from cross-leveling between the ANA, ANP, and the ministries.103

International Support for the Ministry of Interior
More than 200 advisors from the United States and the international community are helping the MoI build its organizational capacity and develop quality leaders, according to DoD. These advisors help the MoI develop national government coordination abilities by developing relationships and processes to deal with the other ministries, the Office of the National Security Council, the National Assembly, and the president. DoD noted that the recently appointed Minister of Interior has developed six priorities:104

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**Pseudo-Foreign Military Sales:** an adaptation of the Foreign Military Sales Program, DoD’s government-to-government method for selling U.S. defense equipment, services, and training. As in the traditional FMS, pseudo-FMS procurements are overseen by the Defense Security Cooperation Agency (DSCA). In contrast to traditional FMS procurements, DoD purchases weapons to train and equip the ANSF primarily using funds appropriated by the Congress for the Afghanistan Security Forces Fund.

**Cross-leveling:** at the strategic and operational levels in a theater, the process of diverting materiel from one military element to meet the higher priority of another, within a commander’s logistical authority. Cross-leveling plans must include specific reimbursement procedures.

As part of an effort to increase accountability within the MoI, the Minister recently re-assigned 19 key ministerial appointees, according to DoD. The Minister stated that he intends to take similar action at the regional, provincial, and district levels.105

U.S. FORCES

As of September 30, 2010, according to CENTCOM, 103,727 U.S. forces were serving in Afghanistan. These forces were assigned as follows:106

- 79,985 assigned to ISAF
- 2,756 assigned to NTM-A/CSTC-A
- 9,135 assigned to USFOR-A
- 11,851 other (unspecified)

As of October 18, 2010, DoD reported 1,237 U.S. military fatalities in Afghanistan since the beginning of Operation Enduring Freedom.107 Of that number, 1,010 were killed in action and 227 died as a result of non-hostile incidents. In addition, 4,529 were wounded in action; an additional 4,176 were wounded but able to return to duty within 72 hours.108

Note: These weapons were transferred to ANP forces from 7/31/2010 through 9/19/2010.

Total Weapons: 6,419

ANP WEAPONS FIELDED, JULY 31-SEPTEMBER 19, 2010

FIGURE 3.24

TABLE 3.4

ANP RADIOS AND VEHICLES FIELDED

<table>
<thead>
<tr>
<th>Vehicles</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Light and medium tactical vehicles</td>
<td>988</td>
</tr>
<tr>
<td>Up-armored HMMWVa</td>
<td>192</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Radios</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>VHF radiosb</td>
<td>1,128</td>
</tr>
<tr>
<td>HF radiosc</td>
<td>53</td>
</tr>
</tbody>
</table>

a. Up-armored HMMWVs include M1151, M1152, and M1152 ambulance models.
b. Very High Frequency (VHF) radios include various configurations of Motorola or ICOM radio systems.
c. High Frequency (HF) radios include various configurations of CODAN radio systems.
COMMANDER’S UNIT ASSESSMENT TOOL

Over the past year, the ISAF Joint Command (IJC) has changed the system it had been using to gauge the readiness of the ANSF, as noted in SIGAR’s July 2010 quarterly report. In late April 2010, IJC put in place a unit-level assessment system called the Commander’s Unit Assessment Tool (CUAT). It replaces the Capability Milestone (CM) rating system, which had been used since 2005 to measure the development of ANSF capabilities against end-state goals.

From October 2009 to May 2010, SIGAR reviewed the CM rating system and found that it had not provided reliable or consistent assessments of ANSF capabilities. SIGAR made 10 recommendations to IJC to achieve the following:109

- improve the measurement, validation, and reporting of assessment results
- increase visibility into ANP capabilities
- counteract disincentives to ANSF success that were found in the CM rating system

The CUAT is used to assess fielded forces, including ANA units from the command to the kandak (battalion) level, and ANP units down to the district and precinct level.110 According to ISAF, it includes ratings on leadership, operations, intelligence, logistics, equipment, personnel, maintenance, communications, and training and education.111 The CUAT system uses a six-week assessment cycle to evaluate the various components of the ANSF. In October, IJC reported to SIGAR that implementation of the CUAT has improved the ANSF assessment process in several ways, including more numerous and higher-quality reports on the operational effectiveness of the ANSF.112

“You have to be very careful... to accelerate the development... of host-nation forces without rushing to failure because you go so fast that you jettison quality along the way. You’re trying to achieve quantity and quality.”

—General David Petraeus, Commander, ISAF and USFOR-A

operational performance, and intelligence. One of the hallmarks of the CUAT is the commander’s overall assessment, which requires evaluators to provide subjective assessments in a narrative format.\textsuperscript{14}

The CUAT also improves on the measurement of operational capabilities in terms of personnel strength. In its evaluation of the CM rating system, SIGAR found that the methods used to assess ANSF personnel levels resulted in overstatements of unit capabilities. Personnel figures used in the CM rating system were based on measurements of the number of personnel assigned to each unit. SIGAR found that those numbers did not account for substantial personnel absences and did not reflect the number of personnel present for duty (PDY).\textsuperscript{15} According to the IJC, the CUAT collects PDY information for ANA units partnered with ISAF teams. For unpartnered units, it reports an average PDY percentage.\textsuperscript{16}

During its audit of the CM rating system, SIGAR found that ANSF units that achieved a top rating (CM1) were unable to sustain their gains. These units often regressed significantly during the months following their CM1 rating. SIGAR found several factors at work, including attrition, reassignments, and lack of sustained mentoring. Moreover, SIGAR found that the CM system created disincentives for ANSF units to progress toward a CM1 rating because the result was either a reduction of ISAF mentor support for ANA units or a complete withdrawal of support for ANP units.\textsuperscript{17} In September, IJC reported that it is coordinating with the GIRoA to explore the feasibility of implementing a positive incentive program to reward ANSF components that achieve top-level operational effectiveness and become capable of operating independently without ISAF support.\textsuperscript{18}
As of September 30, 2010, the United States has provided more than $16.15 billion to support governance and development in Afghanistan. This quarter, the Government of the Islamic Republic of Afghanistan (GIRoA) and its international partners began to work toward the goals outlined in the Prioritization and Implementation Plan that the GIRoA presented and endorsed at the Kabul Conference in July 2010. The plan reiterated the GIRoA’s commitments to good governance set forth in the 2008 Afghanistan National Development Strategy (ANDS): to “strengthen democratic processes and institutions, human rights, the rule of law, delivery of public services, and government accountability.”

This section focuses on U.S., international, and GIRoA efforts that improve the practices of good governance and rule of law, including elections and election reform, local governance, public administration, justice systems, and human rights. This section also contains a quarterly highlight on reintegration.

SEPTEMBER 2010 ELECTIONS

On September 18, 2010, the GIRoA held elections for the 249 seats in the Wolesi Jirga, the lower house of the National Assembly. As this report went to press in late October, the Independent Election Commission (IEC) had not released the final election results. The results are supposed to be announced on October 30, 2010, according to the IEC elections calendar.

These elections were particularly significant, according to the U.S. Department of State (DoS), given that the Wolesi Jirga has increasingly been exercising its power over the Afghan Office of the President. One example of this increased power lies in the Wolesi Jirga’s continuing rejections of President Karzai’s cabinet nominees. Since January 2010, President Karzai has submitted several lists of nominees to the lower house for approval. As of September 30, 2010, the President had not received approval for 7 of the 25 ministers in his cabinet.

Security and weak government institutions are still obstacles to orderly elections, according to DoS. On October 21, 2010, the head of the IEC stressed that some winners might not be permitted to enter the National Assembly due to their suspected participation in election fraud. The IEC reported 224 candidates to the Electoral Complaints Commission (ECC) under suspicion of electoral fraud. Although initial voter turnout was estimated at 5 million, the IEC discarded approximately 1.3 million votes due to fraud, as

To prevent voters from casting more than one vote, the Independent Election Commission (IEC) provided each polling center with two bottles of indelible ink. Each voter dipped one finger in the ink to indicate that he or she had voted. According to the IEC, the ink stains the voter’s finger for 72–96 hours but remains visible on the fingernail and cuticle for 2–4 weeks. Each polling center was asked to test the ink on a foreign national, so as not to disenfranchise a potential voter.

shown in Figure 3.25. The IEC opened 5,510 polling centers for Election Day, but discarded the votes of 2,543 polling centers under suspicions of fraud.\textsuperscript{127} Violence also marred the buildup to and conduct of the elections. For example, four male candidates and five men who were campaigning for a female candidate had been killed as of August 31, 2010.\textsuperscript{128}

Election Funding
The operating budget for the elections was $149.6 million; however, the total cost of the elections cannot be assessed until the results are final, according to DoS. Funding for the operating budget was provided by the United States and international donors through the United Nations Development Programme (UNDP).\textsuperscript{129} As of September 30, 2010, the United States had provided approximately $180.9 million for elections in Afghanistan from 2008 to 2010. This funding was distributed to three programs:\textsuperscript{130}

- the UNDP Enhancing Legal and Electoral Capacity for Tomorrow (ELECT) program to support election operations (estimated budget: $55 million in direct funding to cover the 2009 and 2010 elections)
- the Support for Increased Electoral Participation in Afghanistan through the Consortium for Electoral and Political Processes Support mechanism (estimated budget: $58.5 million from September 2008 to June 2011)
- the Support to the Elections Process program, which provides additional capacity-building and expert advice to Afghan electoral institutions through the International Foundation for Elections Systems (estimated budget: $67.4 million from June 2008 to June 2011)

Election Reform
SIGAR has issued two reports on elections—one in July 2009 and one this quarter on September 9, 2010.\textsuperscript{131} In the recent report, SIGAR reviewed Afghan elections processes in 2004, 2005, and 2009 and identified 16 significant issues that hinder successful elections. The issues fall in two categories, as shown in Table 3.5: operational issues that make electoral processes vulnerable to fraud

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure325.png}
\caption{VOTES CAST AND VOTES DISCARDED (MILLIONS)}
\end{figure}

Note: Numbers affected by rounding.
and other problems, and long-term issues that will require electoral reforms and political will by the GIRoA.\textsuperscript{132}

According to DoS, the new IEC leadership has implemented elections reforms that are expected to strengthen transparency, improve the electoral process, and lessen the potential for fraud.\textsuperscript{133} DoS noted that the IEC took full responsibility for elections preparation and carried out the following activities:\textsuperscript{134}

- coordinated with the Afghan National Security Forces to determine which polling centers needed to be closed for security reasons
- publicized the list of open polling centers a month before the elections
- conducted a public awareness campaign
- devised and implemented the plan by which elections materials would be transported to and from polling centers

<table>
<thead>
<tr>
<th>Operational Issue</th>
<th>Long-Term Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying polling stations</td>
<td>Improving voter registration</td>
</tr>
<tr>
<td>Controlling printed ballots</td>
<td>Vetting candidates</td>
</tr>
<tr>
<td>Enabling candidate agents and election observers</td>
<td>Creating independent electoral organizations</td>
</tr>
<tr>
<td>Protecting ballot chain of custody</td>
<td>Changing the single non-transferable vote</td>
</tr>
<tr>
<td>Voting more quickly</td>
<td>Reducing the number of elections</td>
</tr>
<tr>
<td>Tallying votes more quickly and transparently</td>
<td>Preparing for district and municipal elections</td>
</tr>
<tr>
<td>Making results forms tamper-resistant</td>
<td></td>
</tr>
<tr>
<td>Tabulating votes</td>
<td></td>
</tr>
<tr>
<td>Lodging complaints</td>
<td></td>
</tr>
<tr>
<td>Improving coordination among parties</td>
<td></td>
</tr>
</tbody>
</table>


Poll workers in Herat prepare to count votes on Election Day. The Independent Election Commission took full responsibility for the preparation and conduct of the elections. (UNAMA photo)
GOVERNANCE

The ECC has also participated in elections reform initiatives. According to the UN Secretary-General, the ECC has increasingly decentralized its responsibilities by establishing provincial offices. The UN reported that provincial ECC offices adjudicated all 2010 election complaints; the central ECC office focused its efforts on appeals. The UNDP and the International Foundation for Electoral Systems are supporting the ECC’s decentralization efforts.\textsuperscript{135}

PUBLIC ADMINISTRATION DEVELOPMENTS

In January 2010, the United States and the international community agreed to progressively increase the share of reconstruction dollars provided directly to GIRoA ministries. Many U.S. projects have been conducted without the involvement of the GIRoA, effectively bypassing Afghanistan’s public administration. Going forward, the United States intends to provide up to 50\% of U.S. reconstruction funding directly. The increase will take place over two years and is contingent on the GIRoA’s ability to reduce corruption and improve government capacity.\textsuperscript{136} For more information about the assessment process, see the “Economic and Social Development” section of this report.

This quarter, there were several developments in the executive and legislative branches of the GIRoA. According to DoS, the growing strength of the National Assembly is demonstrated by the Wolesi Jirga’s repeated rejections of proposed members of President Karzai’s cabinet. President Karzai submitted his first round of cabinet nominees on December 19, 2009.\textsuperscript{137} As of September 30, 2010, however, the cabinet still had temporary members for seven ministries: Transportation, Higher Education, Telecommunications, Women’s Affairs, Energy and Water, Urban Development, and Public Health. DoS also noted that no new legislation has passed since July 2010 because the National Assembly has not been in session since that time.\textsuperscript{138}

Following the arrest of a member of the Karzai administration on corruption charges in August 2010, President Karzai ordered an investigation of the two anti-corruption bodies responsible for the arrest—the Major Crimes Task Force and the Sensitive Investigative Unit. After meeting with Senator John Kerry, the president agreed that the two bodies should remain independent and free to pursue anti-corruption issues without fear of chastisement.\textsuperscript{139}

In a joint statement issued with the President of Pakistan in September, President Karzai reiterated his dedication to promoting peace, security, and development in the region.\textsuperscript{140} In that spirit, President Karzai participated in several meetings on regional cooperation this quarter. For instance, on August 5, 2010, President Karzai took part in a trilateral summit meeting with the presidents of Iran and Tajikistan. According to the UN Secretary-General, the leaders discussed improvements to joint strategic projects, including the construction of railways, roads, power stations, and transmission lines. They also established joint committees to create short-, medium-, and long-term strategies for cooperation between the three nations.\textsuperscript{141}

The concept of checks and balances in government is relatively new in Afghanistan, according to DoS. Although the National Assembly has begun to assert authority more aggressively, the Office of the President of Afghanistan remains the most powerful branch of the GIRoA. The office includes the president and four departments:

- Chief of Staff
- National Security Council
- Office of Administrative Affairs
- Office of the Spokesperson for the President

The head of each department is appointed by the president and must be approved by the National Assembly. According to the Office of the President, each department has the authority to propose acts and regulations to improve how its office functions.

On August 18, 2010, President Karzai met with the president of the Russian Federation at a joint summit with the presidents of Tajikistan and Pakistan. That meeting focused on advancing regional economic development and stability.\textsuperscript{142}

**U.S. Support for Capacity Development**

To help the GIRoA develop its capacity, U.S. civilian support in Afghanistan has grown substantially this year. For example, according to a SIGAR audit released this quarter, there were 418 U.S. civilians serving as part of the U.S. Mission as of September 9, 2010. The United States plans to increase that number to approximately 1,500 by January 2012.\textsuperscript{143} For details on the audit, see Section 2 of this report.

The United States assists the GIRoA in developing its capacity through programs like the Performance-Based Governor's Fund and Municipal Governance Program. Both of these programs provide finances to enhance local government services.\textsuperscript{144}

**Performance-Based Governor’s Fund**

The Performance-Based Governor’s Fund provides provincial governors with money needed to carry out local government services, according to the U.S. Agency for International Development (USAID).\textsuperscript{145} Governors may spend these funds only on six categories of services:\textsuperscript{146}

- vehicles and equipment
- travel and transportation
- community outreach
- information technology and communications
- capacity building
- repair and maintenance of public facilities

The governors’ successful use of funding is expected to enable them to communicate more effectively and regularly with their constituents.\textsuperscript{147}

As of August 20, 2010, USAID noted that provincial governors had received (and spent) more than $3.6 million through the Performance-Based Governor’s Fund. Nearly $1.9 million of that was spent from June 21 to August 20, 2010.\textsuperscript{148}

Provincial governors do not receive funding directly; instead, USAID’s contracting partner for this project receives and spends the funds as budgeted and directed by the governors. As of October 4, 2010, all 34 governors were taking part in this program. The continued availability of funds to each governor depends on the progress he or she makes. According to USAID, governors are evaluated on their uses of funds using five measures:\textsuperscript{149}

- quality of programming
- equity of benefit sharing
- consultation
- accountability and transparency
- improved budget practices
Afghanistan Municipal Governance Program
According to USAID, municipalities in every province need better municipal services, particularly the capitals of the smaller and less populated provinces. The Afghanistan Municipal Governance Program, managed by USAID, assists the GIRoA in building capacity and resources at the municipal level in every province. The program’s goal is to improve the municipal government’s ability to provide these essential public services:

- water and power management
- sanitation
- safe roads
- parks
- solid waste management
- ditch cleaning
- youth activities
- parks and urban greenery

As noted in SIGAR’s July 2010 quarterly report, the original municipal governance program has expired; new contracts for updated programming were signed in June 2010. (Since then, 13 of the 14 municipalities in Regional Command (RC) East and 1 municipality in RC-South have begun receiving services, as shown in Figure 3.26). One additional municipality, Lashkar Gah, is receiving operational support as the program prepares to launch there. USAID estimated that the program will cost $252.7 million. As of October 21, 2010, USAID had committed $12 million for the project and obligated nearly $24.4 million.

According to USAID, functional audits are being conducted in each municipality to assess capabilities and system structures. In addition, public opinion surveys have been conducted in RC-East to identify priority services. As a result of these surveys, a number of projects have been initiated, including the following:

- construction of drainage ditches in Asadabad
- repairs to walkways in a highly trafficked area near Nangarhar High School in Jalalabad
- construction of a median along the Ada Kandahar Road in Ghazni
- construction of culverts along the main road in the city center in Sharana

Security poses the largest challenge to the success of the municipal governance program, according to USAID. In Parun, the only major municipality in RC-East that does not receive program services, security threats have delayed the collection of data for assessing the municipality’s needs. USAID noted that because Parun cannot be reached by roadway, workers must rely in part on military air support to get to the city.

An additional challenge may arise if the President does not approve the new staffing structure for the new municipal civil service. According to USAID, if this structure is not approved in a timely fashion, the program as a whole may suffer delays. Any delay in approving the staffing structure delays the placement of permanent staff.
ENHANCING LOCAL GOVERNANCE

The United States supports local governance through local reconstruction teams called Provincial Reconstruction Teams (PRTs) and District Support Teams (DSTs). As noted in SIGAR’s July 2010 quarterly report, 27 PRTs operate in Afghanistan. The United States is the lead nation for 13 of them; the rest are led by coalition partners. U.S. civilians on these teams work with the Independent Directorate of Local Governance (IDLG) to implement district development initiatives. Many of these initiatives focus on providing government services in districts in the south, where counter-insurgency operations continue.

As part of the Prioritization and Implementation Plan of 2010, the GIRoA stated its intention to transition PRTs and DSTs into Provincial Support Teams (PSTs) starting in July 2011. According to DoS, however, the United States is focused only on transferring PRTs from military leadership to civilian leadership. DoS emphasized that the current PRT structure is expected to become obsolete as the Afghan National Security Forces take more responsibility for local governance.

The IDLG was formed in 2007 to monitor the selection and performance of provincial and district governors—a responsibility previously held by the Ministry of Interior.

As of September 2010, a total of 316 U.S. civilians were working in PRTs, DSTs, and provincial task forces. That number is expected to continue to rise through FY 2011, according to DoS.162 Figure 3.27 shows the distribution of these U.S. civilian personnel by Regional Command.

**JUDICIAL REFORM AND RULE OF LAW**

As introduced in the Prioritization and Implementation Plan, the National Program for Law and Justice for All will focus efforts on the aspects of the legal system that have the greatest effect on the average Afghan citizen. The program will provide legal aid, revise laws, and simplify the operations of the Afghan court system.163

The program will also encourage coordination and cooperation between the formal and informal justice systems.164 The informal justice system includes both shuras and jirgas; these councils, which settle disputes at the local level, operate...
outside the formal court system. The United States plans to support coordination with the informal justice system through a USAID program that will re-establish informal justice systems in areas that have been cleared of insurgents.165

In December 2009, SIGAR issued an audit report on safety and security for Afghan officials in the judicial system. SIGAR found that U.S. judicial security assistance lacked key elements of a strategic approach and, at times, lacked coordination. SIGAR also noted that Afghan judicial officers face extreme risk in performing their duties.166

Court System
The Afghan court system consists of intertwined ministries and government offices that play different roles in the criminal justice system, including the Ministry of Interior, the Attorney General’s Office, the Supreme Court, and the Ministry of Justice.167

As of September 30, 2010, the Afghan Independent Bar Association had 1,113 defense attorneys on record—a 14% increase over last quarter.168 Despite this increase, according to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL), the Bar Association is concerned about recruitment of defense attorneys because lawyers hold a low status in Afghan society. The U.S. Justice Sector Support Program (JSSP) has recommended roundtables to discuss how the profession might be made more appealing to Afghans. These roundtables are expected to include law and Sharia students, law school faculty, Bar Association representatives, and active defense attorneys.169

As of September 30, 2010, there were 2,347 prosecutors working within the Attorney General’s Office. According to INL, at least 300 prosecutor positions are located in the provinces; however, because these positions have low pay and high security risk, it is difficult to keep the positions filled. There are 133 female prosecutors in Afghanistan—92 in Kabul and 41 in the provinces.170

An additional expansion of prosecutorial staff is expected in February or March 2011, according to INL. The expansion will focus on staffing two new courts in Kabul: an additional Anti-Corruption Tribunal will have 3 to 5 prosecutors, and a court focused on violence against women will have 11.171

The UN Office on Drugs and Crime (UNODC) is helping the Attorney General’s Office implement its Code of Ethics and Professional Standards for prosecutors.172 The code contains 28 articles that mandate standards for performance in prosecutor offices.173

INL supports the Afghan court system by providing U.S. legal advisors as mentors for prosecutors and defense attorneys. The mentors do not interact directly with the courts; instead, they act in an advisory role, providing legal training, advice, and assistance to the attorneys as needed. As of September 30, 2010, INL had four legal advisors in each of five provinces: Balkh, Herat, Kunduz, Nangarhar, and Paktiya. All other INL legal advisors are based in Kabul.174

The Afghan Constitution requires that no law contradict Islamic law—an edict that creates contradictions within the Constitution. Islamic law depends on Sharia (“path” in Arabic) law. Sharia laws are derived from the Quran, the word of Islamic scholars, and the Hadith, which contains a history of the life and teachings of Mohammad.

U.S. Justice Sector Support Program

Operating under INL, the JSSP aims to develop the capacity of the Afghan criminal justice system by working with Afghan justice professionals, including prosecutors. The JSSP also supports the criminal defense system by encouraging coordination between defense attorneys and other professionals in the justice system.175

Each quarter, the JSSP holds provincial training conferences for members of the Afghan justice system. From July to September 2010, the JSSP held three conferences, in Helmand, Laghman, and Badghis. Upcoming conferences are planned for Logar, Wardak, and Uruzgan.176 The JSSP conducted additional training in five provinces, as detailed in Table 3.6.

This quarter, the JSSP added to the number of Afghan legal advisors in the program, growing from 38 in June to 62 in September, according to INL. An additional 30 American JSSP lawyers were awaiting security clearances and preparing to deploy, as of September 30, 2010. Recruitment of Afghan and American attorneys is expected to continue through the next quarter. INL noted that these numbers do not include JSSP staff members who assist with program management, regional support, information technology, procurement, and security.177

Corrections System and Prison Reform

According to INL, the Afghan corrections system continues to suffer from a crumbling infrastructure, illiterate staff, high rates of staff attrition, underfunding, political interference in prison administration, a wide range of national security threats, overcrowding, and a high rate of prisoner population growth. As law enforcement and justice systems improve, Afghan prisons can expect a greater influx of prisoners in their facilities, burdening a system that is already overcrowded.178 Consequently, the GIRoA is exploring alternative corrections approaches. In its Prioritization and Implementation Plan, the GIRoA set two six-month goals for Afghan prisons and juvenile detention centers:179

- improve alternative correctional sanctions, including community service
- design and implement vocational programming for inmates

![Table 3.6](image-url)
Alternatives to incarceration are crucial to the management of prison populations, according to INL; they are also consistent with international standards for correctional systems. INL noted that the increased use of parole and work release programs may also motivate detainees and prisoners to demonstrate good behavior in prison.\(^{180}\)

One such incentive that INL identified is vocational programming. Through the Afghan prisoner classification system, prison staff can assess the eligibility of each inmate for participation and examine any risks associated with allowing the inmate to participate. Vocational programming provides prisoners with work opportunities that emphasize the development of job skills and work ethics. It is also self-sustaining: the prisoners earn the funds that keep the program operating.\(^ {181}\)

U.S. support for vocational programming comes from the INL-funded Corrections System Support Program (CSSP). The CSSP provides the Afghan Central Prison Directorate with subject matter experts in correctional systems. These experts mentor, train, and advise Afghan prison administrators, mid-level managers, and line staff. CSSP advisors are working with the GIRoA to build a safe, secure, and humane Afghan corrections system through capacity building initiatives, basic and specialized training, and development and implementation of standard operating procedures. The CSSP also assists the GIRoA in developing vocational programming within prison industries. Current programming includes carpet weaving, tinsmith work, tailoring, and basic computer skills.\(^ {182}\)

INL also funds prison construction projects, including the complete renovation of the Pol-i-Charkhi Prison in Kabul. That renovation included the prison's industry building, where prisoners receive vocational training and participate in prison industries programs. The building was scheduled for completion in mid-October 2010. As of October 18, 2010, INL had awarded contracts to Afghan companies for the construction of prison facilities in Baghlan and Wardak.\(^ {183}\)

**HUMAN RIGHTS**

On September 20, 2010, the Afghanistan Independent Human Rights Commission issued a statement in honor of International Peace Day. In the statement, the commission urged all parties involved in the armed conflict to observe the human rights of all Afghans.\(^ {184}\) This section provides updated information on specific human rights issues in Afghanistan related to displaced citizens, ethnic and religious minorities, and gender equity.
Displaced Afghans

Displacement is not a new problem for Afghanistan, as shown in Figure 3.28. As of September 30, 2010, nearly 298,000 Afghans (approximately 49,000 families) had been displaced within the country. According to DoS, 104,000 of them were forced to leave their homes between July 2009 and August 2010.185 In addition to violence, Afghans can be displaced by drought, other natural disasters, and land and resources disputes.186

In the Prioritization and Implementation Plan, the GIRoA established several goals related to displaced Afghans. For instance, in its efforts to expand regional cooperation, the GIRoA plans to implement an agreement with Iran and Pakistan aimed at ensuring the safe return of all Afghan refugees living in those countries. In addition, the plan reiterates the importance of fulfilling the goals set forth in the ANDS in 2008 regarding displaced persons:187

- Strengthen the capacity of the Afghan ministries that deal with repatriation and encourage them to coordinate with their counterparts in the region.
- Encourage the return of Afghan refugees by promoting job opportunities and the provision of basic needs, such as land, water, electricity, shelter, health care, and education.

Minorities

Afghanistan is a multi-ethnic society. Pashtuns make up the largest ethnic group at 42% of the population, according to DoS. Tajik and Hazara make up the next largest groups, as shown in Figure 3.29. DoS noted that Hazara have reported continuing discrimination; for example, they are often asked to pay additional bribes at border crossings while Pashtuns pass through freely.188

Although there are no laws preventing minority groups from participating in political life, many groups have stated that they do not have equal access to government positions in the provinces where they are a minority.189 In the Wolesi Jirga, 10 seats are reserved for representatives from the Kuchi—a small, nomadic
tribe. Some National Assembly members have objected to the Kuchi seats, arguing that the Kuchi should not have greater representation than other minority groups because that would conflict with the Afghan Constitution, which states that all Afghans should be treated equally.190

**Religious Freedom**

Tolerance for religious minorities deteriorated this quarter, according to DoS. Manifestations of intolerance included inflammatory public statements made by members of the National Assembly, television programming that attacked religious minorities, and general harassment and violence. Shia Muslims (19% of the population) continued to face discrimination from the Sunni majority (80% of the population) this quarter.191

DoS noted that the GIRoA attempts to support religious tolerance indirectly by supporting religiously diverse (Sunni and Shia) judicial, constitutional, and human rights commissions. Although there are no legal obligations to represent religious minorities in government, approximately 35% of National Assembly seats are occupied by Shia Muslims, according to DoS.192 Also this quarter, the Ministry of Women's Affairs and the Ministry of Hajj and Islamic Affairs worked together to provide women with the opportunity to visit mosques.193

**Gender Equity**

In the Prioritization and Implementation Plan, the GIRoA included support for the National Action Plan for the Women of Afghanistan (NAPWA) through the Capacity Development to Accelerate NAPWA Implementation Program. This program will work to achieve the gender equity goals laid out in the NAPWA. It will focus on mainstreaming the commitments and goals of the NAPWA into the policies, planning documents, program budgets, and monitoring and evaluation processes of all relevant government organizations.194

Many women in Afghanistan fear that the reintegration and reconciliation process will affect their rights, according to a NATO publication. The groups involved in reintegration—the Taliban and other insurgent organizations—are well known for their anti-women’s rights stances. In the past, President Karzai’s administration has sacrificed women’s rights to satisfy religious factions. For example, in March 2009, President Karzai signed the Shia Personal Status Law, which required that women ask permission before leaving their homes. And, in April 2010, the Minister of Economy told female leaders that women would have to sacrifice their interests for the sake of the reconciliation effort.195

U.S. Secretary of State Hillary Clinton has repeatedly pledged support for women’s rights in Afghanistan; however, Afghan women fear that the pressure to achieve peace will outweigh the importance of gender equity. Only 8 women have been appointed to the High Peace Council (of 70 members), adding to their concerns that women’s voices are not a priority in the reintegration process.196

**National Action Plan for the Women of Afghanistan (NAPWA):** a 10-year plan to assist the GIRoA in strengthening gender equity. The Afghan Constitution and the Afghanistan National Development Strategy cite the NAPWA as the primary document that outlines the goals of gender equity.

REINTEGRATION

Reintegration is highlighted in both the GIRoA and the U.S. strategies. Discussed in depth at the London Conference in January and the Consultative Peace Jirga in June, reintegration programming is a significant component of the GIRoA’s Prioritization and Implementation Plan. To encourage insurgents to rejoin mainstream Afghan society, the GIRoA is working to establish the Afghanistan Peace and Reintegration Program (APRP), with the following goals:197

- Support regional and international cooperation.
- Create political and judicial conditions that support peace and reconciliation.
- Encourage combatant soldiers and their commanders to renounce violence and join in peace-building efforts.

The GIRoA anticipates that the program will reintegrate thousands of former combatants. Over the next five years, the program will focus on stabilizing 4,000 communities in 220 districts.198

On September 4, 2010, the GIRoA established the High Peace Council to lead the APRP, with support from provincial and district governors, local government institutions, and political, tribal, and religious leaders.199 DoD is planning to launch the Afghanistan Reintegration Program (ARP) to support APRP initiatives. According to the Office of the Secretary of Defense, before any reintegration programming can become fully operational, several objectives must be met:200

- The international community and the GIRoA must reach an agreement about funding for reintegration.
- The GIRoA must develop and implement processes to transfer donor funds to provincial and district levels.
- The High Peace Council and the Joint Secretariat must finish hiring staff for reintegration programming.
- Provincial and district reintegration committees must be put in place.

As of September 30, 2010, the High Peace Council and the Joint Secretariat were still hiring staff, according to the Office of the U.S. Secretary of Defense. The GIRoA and the international community were negotiating memorandums of understanding to fund the APRP.201

Although the GIRoA is still developing formal processes, some elements of the APRP are already being implemented.202 For example, DoS noted that the governor of Helmand province is instituting a framework for the APRP.203 In addition, the GIRoA has formed temporary shuras to address community-level reintegration. These shuras will be replaced by more formal provincial and district reintegration committees when the APRP becomes fully operational.204

According to the Prioritization and Implementation Plan, Afghan women, civil society organizations, and other groups will monitor the discussions and decisions of the High Peace Council regarding each former combatant.205 The UN Secretary-General reported that the UN Special Representative to Afghanistan will likely co-chair the Special Peace and Reintegration Subcommittee, which will coordinate all major donor contributions to the program.206

THE AFGHANISTAN PEACE AND REINTEGRATION PROGRAM HAS THREE PHASES:

1: Social Outreach, Confidence-Building, and Negotiation—Provincial and district leaders spread information about the peace process to individuals and communities.

2: Demobilization—Former insurgents who want to join the peace process go through social and political processing. Demobilization includes initial assessment, vetting, weapons management, and registration.

3: Consolidation of Peace—Following a community-level assessment, the program will operate at the provincial, district, and community levels and will address the different needs in each community, including basic services, education, and technical or vocational training.

FUNDING FOR REINTEGRATION
The GIRoA estimates that the reintegration effort will cost approximately $784 million over five years, according to DoS. The GIRoA has not yet determined how much of that funding will come out of its budget. According to DoS, the United States plans to provide $50 million directly to the GIRoA to finance community recovery activities. In addition to direct funding, DoD has pledged to support the ARP with up to $100 million from the National Defense Authorization Act for FY 2010. As of September 30, 2010, the ARP had supported shuras on detainee release, a safehouse project, and a $286,442 training program in Baghlan. DoS noted that USAID has provided additional reintegration support outside the ARP in Helmand province, through its efforts focused on agricultural assistance, training, and cash-for-work programs. As of September 30, 2010, other international donors had pledged up to $190 million to support Afghan-led reintegration.

UN REINTEGRATION EFFORTS
As part of the resolution published at the conclusion of the Consultative Peace Jirga in June 2010, the UN agreed to review its sanction list (previously referred to as the terrorist blacklist) and remove members who are no longer associated with terrorist networks.

The UN Secretary-General reported that the review of this list was completed on July 30, 2010. The review committee determined that 443 of the 488 names should remain on the list, 132 of which were associated with the Taliban. The committee determined to remove the other 45 individuals, 10 of whom had been associated with the Taliban in the past.

In addition, the committee determined that the names of three additional Afghans should be added to the list—all involved in raising funds for the Taliban. The UN Secretary-General reported that the decisions of the committee were generally well received by the Afghan public. However, a representative from the Afghan Independent Human Rights Commission expressed concerns that removing names from the blacklist might result in immunity for those who have perpetrated war crimes.

RECONCILIATION
Where reintegration efforts focus on lower-level insurgents, reconciliation efforts focus on the leaders of insurgency movements. In the Prioritization and Implementation Plan, the GIRoA identified reconciliation as an initiative that requires a “broader approach” than reintegration. Potential support for reconciliation may address sanctuaries, outreach to leadership, and removal from the UN sanction list.

According to DoS, reconciliation will likely be conducted through diplomatic channels, rather than through programs. The United States will support reconciliation with insurgent leaders only if those leaders agree to cease violent tactics, sever ties with al-Qaeda and all extremist allies, and agree to abide by the Afghan Constitution.

“The [reintegration] program is based on a broad strategic vision led by Afghan men and women for a peaceful, stable, and prosperous Afghanistan.”

—Prioritization and Implementation Plan

Key economic and social developments in Afghanistan this quarter included the satisfactory harvest of cereal crops, an uptick in food prices, and a crisis of confidence in the banking system owing to allegations of corruption and mismanagement at the nation’s largest private bank (Kabul Bank). Following the Kabul Conference in July 2010, several developments signaled an increase in regional energy and infrastructure cooperation, including the signing of an agreement by Turkmenistan, Afghanistan, Pakistan, and India to build the TAPI natural gas pipeline (named for the four countries).

Also this quarter, the United States continued its efforts to strengthen the capacity of the Government of the Islamic Republic of Afghanistan (GIRoA) to regulate financial networks and to increase domestic revenue collection. In addition, the United States announced programs to enhance the development of Afghanistan’s free press and to spur private-sector development by strengthening mechanisms to resolve land disputes, historically a leading source of conflict.

President Karzai’s ban on private security contractors (PSCs), however, may affect the ability of the United States and its development partners to implement these and other reconstruction projects. Although the United States supports the GIRoA’s efforts to properly regulate PSCs, it is continuing to address this issue with the GIRoA because of concerns about the ban’s effect on aid workers. For details on this issue, see Section 1.

**LEADING INDICATORS**

This quarter, economic developments were dominated by a jump in food prices and by allegations of significant losses at Kabul Bank due to fiduciary misconduct.

**Inflation**

Food prices rose this quarter for wheat, flour, sugar, and ghee (clarified butter). Wheat is a staple of the Afghan diet. After declining for two years, wheat prices started rising in most parts of Afghanistan in July and August 2010, as illustrated in Figure 3.30 on the following page. These increases followed the devastating floods in Pakistan, which ruined a significant portion of that country’s agricultural output. This development affects Afghanistan because it continues to rely on food imports from neighboring countries, especially Pakistan and Kazakhstan, to meet its domestic consumption needs.
From April to August, flour prices increased by an average of 51.4%, sugar prices increased by an average of 37.5%, and ghee prices increased by an average of 30.6%, according to a publication sponsored by the North Atlantic Treaty Organization (NATO). In response to concern over rising food prices, the Afghan Chamber of Commerce and Industry established a commission to set food prices during Ramadan. The chairman announced that the Chamber would continue to monitor prices beyond this period.

Employment

No reliable data is available on employment. This challenge is one of several addressed in a new program launched by the Ministry of Labor, Social Affairs, Martyrs, and the Disabled and the International Labor Organization (ILO).

In another employment-related development, the Commander of the International Security Assistance Force issued guidance emphasizing the importance of the Afghan First program.

Decent Work Program

Signed in the days leading up to the Kabul Conference, a new agreement between the ILO and the GIRoA will implement Afghanistan’s first-ever Decent Work Program. The goals of the program are to increase employment through labor market information and skills training, promote the adoption of international labor standards, and build strong civil society organizations representing...
employers and workers. The program is scheduled to be implemented over the next five years. Among its objectives:

- production of yearly labor market reports on key employment indicators, including data on unemployment, underemployment, the demographics of the workforce, and wage levels
- production of employment reports to assist the GiRoA in designing effective employment programs and policies
- identification of key industries and sectors that employ women, along with action plans for implementation
- increased skills training opportunities for men and women
- strengthened Employment Service Centers, which match job seekers with employment opportunities
- ratification of international labor standards and strengthening the capacity of the Ministry of Labor to implement these standards
- establishment of minimum wages for skilled and unskilled labor
- progressive elimination of child labor
- development of industrial relations organizations that meet regularly and include representation of women (at least 20%)

Creating Jobs Through Afghan First Procurement

Afghan First is a key U.S. initiative to increase Afghan employment by encouraging procurement from Afghan-owned companies. This quarter, General Petraeus issued guidance reiterating the importance of Afghan First contracting to a successful counter-insurgency strategy. The guidance directs NATO, International Security Assistance Force (ISAF), and U.S. Forces - Afghanistan to use contracting to hire Afghans, buy Afghan products, and build Afghan capacity. It cites Kabul’s Milli Trading Company, which employs approximately 500 Afghans and produces approximately 2,400 boots per day for the Afghan National Security Forces (ANSF), as an example of contracting that creates jobs for Afghans. As another example, the NATO Training Mission - Afghanistan has cited Afghan-owned Safi Apparel Corporation in Kabul, which employs 700 Afghans (50% of them women) and produces up to 100,000 uniforms for the ANSF per month.

Banking

This quarter, the central bank of Afghanistan (Da Afghanistan Bank or DAB) took control of Kabul Bank amid allegations of fiduciary misconduct by Kabul Bank’s management. A NATO publication noted reports that the alleged misconduct may have involved shareholders who purchased real estate and made business investments with bank assets, some of which generated significant losses. According to the U.S. Treasury (Treasury), the Afghan Central Bank is transferring Afghan funds to Kabul Bank from reserves and accounts belonging to Kabul Bank and the GiRoA. Following DAB’s actions, large-scale depositor withdrawals from Kabul Bank abated, according to the NATO publication. In October, SIGAR announced a new audit to examine the status and development of the Afghan

At the request of Afghanistan’s central bank, the U.S. Treasury deployed a quick-response team to Afghanistan to help strengthen DAB’s capacity to respond to the situation at Kabul Bank. According to Treasury, no U.S. taxpayer dollars have been or will be used to bail out Kabul Bank.

banking sector; among other objectives, it will identify and assess systems and policies regulating bulk cash flows in and out of Afghanistan. 227

Kabul Bank is the repository for GIRoA funds that are used to pay teachers, police, and other civil servants. In the short term, according to Treasury, the United States does not anticipate any interruption in the payment of salaries to the ANSF. Treasury noted, however, that it is essential that the GIRoA address any instances of fraud or abuse at Kabul Bank in order to restore public trust and international confidence in Afghanistan’s formal banking system. 228

The situation at Kabul Bank has affected discussions by the International Monetary Fund (IMF) about a new credit facility for Afghanistan. As noted in SIGAR’s July 2010 quarterly report, an IMF delegation attended the Kabul Conference and reached an agreement with the GIRoA for a new $125 million economic growth program funded by the IMF’s Extended Credit Facility. The new agreement was scheduled to go before the IMF Board for approval in early September. However, because of the banking sector’s difficulties, Board discussion of a new program has been delayed until December at the earliest. 229

In an October 1 note about this new program, the IMF stated that although the GIRoA’s performance under the previous arrangement had been successful in many areas, it had not been flawless. In particular, the IMF cited the GIRoA’s hesitancy to reform public enterprises and added that the recent “run on the largest bank threatened Afghanistan’s nascent financial system and exposed the country’s problems with governance and corruption.” The IMF identified strengthening the banking system as one of the objectives of any new economic growth program. 230

Regulating Informal Cash Transactions
Afghanistan’s economy is primarily cash-based: fewer than 5% of Afghans hold bank accounts, according to Treasury. As a result, most Afghans conduct business with cash through traditional money service providers, or Hawaladars. In fact, approximately 70–80% of Afghanistan’s financial flows pass through the informal network of Hawaladars. 231

To address the challenges of this mixed financial system, Treasury is providing technical assistance to DAB to strengthen the regulatory and investigative capacity of its Supervision Department. 232 A major focus of this effort is the Hawala system. U.S. advisors have also helped DAB establish a Financial Intelligence Unit (known as FinTRACA) to detect and track money laundering, terrorist financing, and other financial crimes. As a complement to the work of DAB and FinTRACA, Treasury has also provided an advisor to the Major Crimes Task Force (MCTF) to establish a financial crimes investigative capability. 233

As part of this effort, FinTRACA has initiated a project to license Hawaladars. According to Treasury, this program has increased from 0% to 65% the number of Hawaladars who file monthly reports on their financial activities to the GIRoA. 234

FinTRACA also analyzes DAB currency auctions to identify purchases of large volumes of currency and then compares the results with data from currency and goods declaration forms collected by Afghan customs officials. Using this method,
FinTRACA estimated that more than $1.3 billion in cash (in various currencies) is transported annually from Afghanistan to Dubai, according to Treasury. Treasury noted, however, that although FinTRACA has been able to estimate cash flows, there is no formal system in place to count the cash flows in and out of Kabul International Airport. A U.S. team of advisors, led by the Department of Homeland Security, has developed an action plan to formally track these cash flows. According to Treasury, the action plan has been given to the GIRoA but has yet to be implemented. Treasury further noted that large cash flows out of Afghanistan are not unusual, given that the country has a very large trade deficit. Last year, total imports to Afghanistan were $8.8 billion, compared with exports of $2.2 billion. The result was a trade deficit of $6.6 billion, or approximately 49% of GDP, according to Treasury. The imported goods and services must be paid for either through the formal banking system or with cash. See Section 2 for details on planned SIGAR investigations of cash transfers in and out of Kabul Airport.

**FISCAL SUSTAINABILITY**

Increasing fiscal sustainability through enhanced revenue collection is a long-term goal of the U.S. Afghanistan and Pakistan Regional Stabilization Strategy. To help implement this goal, Treasury’s Office of Technical Assistance has six staff members in Afghanistan working to strengthen the capacity of the Ministry of Finance (MoF) in financial management, budgeting, internal controls, and revenue collection. This quarter, U.S. advisors have been working with the MoF and the Ministry of Transportation and Civil Aviation (MoTCA) to establish a basic revenue-collection system for parking, landing, and overflight fees at Kabul International Airport. According to Treasury, U.S. advisors identified 10 new fees related to domestic and international civil aviation that are not collected by the GIRoA. Treasury further noted that the U.S. Federal Aviation Administration will purchase and install a revenue management system at Kabul International Airport that will automatically track all civil aviation activity and bill each customer. According to a Memorandum of Understanding, the MoF and MoTCA will exchange data and participate equally in assessing, billing, and collecting these fees. The new fee structure developed by the Federal Aviation Administration and Treasury will be presented to the ministries for adoption in the near future, according to Treasury.

**ESSENTIAL SERVICES**

There was progress this quarter in regional energy cooperation, as well as in U.S. efforts to develop Afghanistan’s energy resources in Sherberghan and to attract private-sector investment. In the education sector, Afghan officials worked with U.S. technicians to identify the toxin responsible for the mass poisonings of Afghan school girls. And the Ministry of Public Health (MoPH) launched a polio vaccination campaign, partly in response to an outbreak in northern Afghanistan. The United States also announced a new initiative to create a mobile news and information service in Afghanistan to disseminate news more broadly.
Energy

In a significant development this quarter, ministers from Turkmenistan, Afghanistan, Pakistan, and India signed a framework agreement for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline. The agreement outlines plans for an approximately 1,800-km pipeline to supply natural gas from Turkmenistan to Afghanistan, Pakistan, and India, as shown in Figure 3.31. The Asian Development Bank has expressed interest in funding the project. Among other benefits, the TAPI pipeline would generate income for the GIRoA from transit and transmission fees for natural gas. The presidents of the four countries are scheduled to sign the TAPI framework agreement in December 2010, according to the Minister of Mines.240

In a note of caution, a paper published by the Institute for the Analysis of Global Security cited major obstacles to the development of the pipeline. They include security challenges in Afghanistan, disagreements about the extent of Turkmenistan’s natural gas reserves, and competition from other planned pipelines in the region, including one that involves Iran. The Asian Development Bank has estimated that capital costs for the TAPI pipeline will be approximately $7.6 billion.241

In August, the Russian government announced it will invest in Afghan energy infrastructure, including hydroelectric plants and natural gas wells.242 This investment will include refurbishing infrastructure built by the former Soviet Union during its occupation of Afghanistan. As noted in SIGAR’s January 2010 quarterly report, Afghanistan generated significant income in the 1980s from natural gas exports, including exports to Russia. Many natural gas wells in the country were developed during the Soviet occupation and capped during the Soviet withdrawal.243

This quarter, the MoM made several announcements related to the development potential of estimated oil and natural gas reserves in Sar-e-Pul province in northern Afghanistan. In August, a Ministry spokesman announced the first drilling for oil in Sar-e-Pul following the refurbishment of existing wells.244

The Ministry of Mines (MoM) also announced the discovery of an oil field between Balkh and Sherberghan that is estimated to hold 1.8 billion barrels. According to USAID, however, this announcement appeared to be based on a review of Soviet-era data and is not a new discovery.245

In addition to oil, Sherberghan holds existing natural gas wells. The U.S. government is providing technical assistance to the MoM to create a plan to develop these resources, according to USAID. The vice president of the Overseas Private Investment Corporation (OPIC) traveled to Afghanistan this quarter to discuss a proposal to develop a new 150–200 MW gas-fueled power plant in Sherberghan.246 The OPIC proposal, which is still in the planning phase, has three parts:247

- USAID would capitalize the Afghan Gas Company and assist in building capacity to supply natural gas to the project.
- Private investors, including the Aga Khan Foundation for Economic Development and two U.S. energy companies, would make equity investments totaling $50 million and use OPIC loans of up to $250 million to build the plant. The power would be sold to the national electricity company (Da Afghanistan Breshna Sherkat, or DABS), under a long-term agreement.
• The Asian Development Bank would fill in gaps in the system of transmission lines and provide credit support to DABS.

In a capacity-related development, USAID announced it will provide English-language training to Afghan engineers who work for DABS. USAID noted that its rehabilitation of the Naghlu Hydro Power Plant in Kabul included a new computerized control system that requires knowledge of written English to operate. The Sarobi Hydro Power Plant in Kabul went through a similar upgrade, and its engineers will also require English-language training. This reflects the conclusions of a January 2010 SIGAR audit of Afghanistan’s energy sector, which found that although U.S. efforts have increased the country’s energy supply, sustainability remains a challenge.  

This quarter, U.S. Central Command (CENTCOM) said it made progress in implementing a transitional solution to the challenge of providing energy in Kandahar. CENTCOM has contracted for two 10 MW generators, the first of which is scheduled to go on line on December 1, 2010, at the Kandahar Industrial Park. The second is scheduled to go on line on February 1, 2011, on the western edge of Kandahar. The contract includes operation and maintenance costs, as well as fuel for 60 days. ISAF has requested the establishment of a $600 million Afghan Infrastructure Fund (AIF) using part of the appropriation for the Commander’s Emergency Response Program (CERP). CENTCOM endorsed this request and sent it to the Secretary of Defense for approval. CENTCOM noted that if the request is approved, the fuel costs for the transitional solution will be paid through the AIF; if not approved, CERP funding will be used.

Education
USAID provided on-budget assistance to the Ministry of Education (MoE) of $7 million in FY 2009 (8% of the MoE budget) and $5.7 million in FY 2010 (4% of the MoE budget), according to USAID. These funds were provided through an arrangement with the Danish International Development Agency ( DANIDA ), which is part of the Ministry of Foreign Affairs of Denmark.  

USAID also has a cost-sharing agreement with DANIDA to pay for printing textbooks for Afghan school grades 1–6 in Dari and Pashtu. The estimated 2007–2011 cost of USAID’s contribution to this program is $25 million. The five-year agreement is scheduled to end on March 2, 2012. Table 3.7 shows the number of primary school textbooks funded by the United States and Denmark during the first three years of the agreement.

<p>| TABLE 3.7 |
| AFGHAN TEXTBOOKS: USAID-DANIDA COST-SHARING AGREEMENT |</p>
<table>
<thead>
<tr>
<th>Number of Books (MILLIONS)</th>
<th>USAID Funding Share ($ MILLIONS)</th>
<th>DANIDA Funding Share ($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>23.66</td>
<td>4.53</td>
</tr>
<tr>
<td>Year 2</td>
<td>15.39</td>
<td>3.12</td>
</tr>
<tr>
<td>Year 3</td>
<td>40.67</td>
<td>10.02</td>
</tr>
</tbody>
</table>

USAID noted that the distribution of textbooks is the responsibility of the MoE, which delivers the books to the provincial education directorates in provincial capitals. The provincial education directorates, in turn, deliver the books to the district education directorates. The Ministry of Defense has helped distribute textbooks to insecure areas in southern and eastern Afghanistan, using Afghan National Army convoys. According to USAID, approximately 19.2 million textbooks were distributed nationwide in solar year 1388 (2009/2010).²⁵²

An important element of the U.S. strategy in Afghanistan is supporting the GIRoA’s goal of providing access to education for everyone, including girls. This quarter, the challenges to achieving this goal were highlighted by the widely reported mass poisonings of Afghan girls attending classes. One incident on August 25, 2010, sickened more than 60 students and teachers. Another incident in Kabul on August 28 left 48 girls and teachers in need of medical attention. Initial speculation focused on mass hysteria and Ramadan fasting as potential causes of the illnesses, but medical testing has confirmed that toxins were present in at least one of the incidents, according to USAID. NATO/ISAF toxicologists examined blood drawn from affected students and concluded that the exposure was intentional and involved the use of agricultural pesticides, specifically malathion, at levels that would not be possible through casual or even regular exposure. USAID further noted that these types of attacks against girls have occurred regularly since the fall of the Taliban. The MoPH confirmed to the Voice of America that there were toxic levels of organophosphates in the blood of victims in 10 separate, similar incidents over the past two years.²⁵³

In response to continuing attacks against Afghan school children, the United States and Afghanistan co-sponsored a resolution in the UN Human Rights
Council, which was adopted unanimously. The resolution called on relevant UN agencies and international organizations to render assistance to the GIRoA to investigate all attacks against Afghan school children, including the poisonings of Afghan school girls.254

Health Services

The Ministry of Public Health (MoPH) is one of only two Afghan ministries certified by USAID to receive a host country contract. Under this arrangement, the MoPH received $236 million from USAID to deliver health-care services over a five-year period.255

This quarter, the MoPH launched two major polio vaccination campaigns. According to the Global Polio Eradication Initiative, the northern provinces of Afghanistan have been relatively free of polio for the past ten years. In September, however, the organization reported a new case of polio in the Imam Sahib district of Kunduz province. Kunduz borders Tajikistan, which experienced a significant polio outbreak earlier this year. Further testing identified the border areas with Pakistan as probable sources for the outbreak, as well.256

In response, the MoPH launched a three-day rapid response campaign to vaccinate approximately 1.5 million children under the age of five in five northern provinces (Kunduz, Badakhshan, Takhar, Baghlan, and Balkh). A UN news agency noted that local health officials were also trying to vaccinate every person crossing the Afghanistan-Tajikistan border. In addition, a nationwide polio vaccination campaign was launched on October 3, 2010.257 The MoPH carried out these campaigns with the support of the Global Polio Eradication Initiative. This initiative is funded by the U.S. Centers for Disease Control, the World Health Organization, UNICEF, and other international organizations to which the United States is a major contributor, as well as other governments.258

In August, the MoPH reported a cholera outbreak in the Nowa district of Ghazni province. The MoPH implemented an emergency response campaign that included distributing medical supplies and cholera kits; the ministry also trained local Afghan personnel from non-governmental organizations (NGOs) to identify and treat the disease. During the campaign, the Acting Minister of Public Health noted the shortage of trained health care professionals throughout the country.259

This quarter, the United States announced it would address a key aspect of the medical skills gap with a commitment to spend $37 million over the next four years to train Afghan women in the health care professions.260 A World Bank survey on maternal health released this quarter underscored the need to expand the number of Afghan women health care professionals. The survey noted that although maternal mortality in Afghanistan fell from 1,600 to 1,400 deaths per 100,000, the overall rate is still too high. Of the 172 countries surveyed, Afghanistan had the highest estimated lifetime risk for maternal death (1 in 11) as extrapolated from 2008 data. The survey defined adult maternal risk as the probability that a 15-year-old female will eventually die from a maternal health–related cause.261

Certification: a USAID process that determines the capacity of a ministry of a foreign government to manage procurement and account for USAID funds for a specific contract. It is not a general certification of a ministry. Certification is required before a foreign ministry can receive a host-country contract from USAID. To date, two GIRoA ministries have been certified to receive a host-country contract from USAID: the Ministry of Public Health (236 million for five years) and the Ministry of Information and Communications Technology ($1 million for three years).

Source: USAID, response to SIGAR data call, 9/14/2010.
USAID has a number of ongoing health care initiatives in Afghanistan. Table 3.8 provides an update on program activities carried out this quarter under selected initiatives.

**Transportation**

As noted in SIGAR’s April 2010 quarterly report, the U.S. government is helping to build civil aviation capacity by supporting the training of Afghan air traffic controllers. As of September 30, 2010, two controllers were in place at Kabul International Airport. They received training at the Civil Aviation Training College in Allahabad, India; the U.S. Federal Aviation Administration Academy in Oklahoma City, Oklahoma; and the Ministry of Transport and Civil Aviation’s training institute in Kabul. They began on-the-job training in 2009 under the guidance of the International Civil Aviation Organization’s Technical Cooperation Program. The contract for that training expired in September 2010, and ISAF has hired a new contractor to provide the training.

Three more controllers were in training this quarter, according to USAID; they are expected to finish their ratings by December 31, 2010. Nineteen more students have begun refresher training at the Civil Aviation Training Institute in Kabul.

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**Table 3.8**

**SELECTED HEALTH CARE ACTIVITIES, JULY–SEPTEMBER 2010**

<table>
<thead>
<tr>
<th>U.S. Program</th>
<th>Start and Completion Dates</th>
<th>Estimated Total Cost for Life of Project ($ MILLIONS)</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Services Delivery Grant–Partnership Contracts for Health–Ministry of Public Health</td>
<td>7/2008–7/2014</td>
<td>236.5</td>
<td>Transferred $9.8 million to local NGOs; finalized implementation plan for prison health services, which is scheduled to be launched in October 2010.</td>
</tr>
<tr>
<td>Communication for Behavior Change: Expanding Access to Private-Sector Health Products and Services for Afghanistan (COMPRI-A)</td>
<td>2/2006–11/2011</td>
<td>34.7</td>
<td>Broadcast more than 1,350 radio spots and 1,125 television spots on birth spacing, safe water systems, and dehydration prevention; began production of a television series on birth spacing; trained 454 private pharmacists in birth spacing and child survival.</td>
</tr>
<tr>
<td>Higher Education Project: Kabul Medical University (KMU)</td>
<td>1/2007–2011</td>
<td>5.4</td>
<td>Launched Afghanistan Medical Education Community portal; developed research methodologies course for KMU faculty and students.</td>
</tr>
<tr>
<td>Technical Support to the Central and Provincial Ministries of Public Health</td>
<td>7/2006–9/2011</td>
<td>83.6</td>
<td>Recruited and deployed provincial health advisors in Helmand and Wardak; designed evaluation for Family Planning program, which will be launched in October 2010.</td>
</tr>
<tr>
<td>Health Services Support Project</td>
<td>7/2006–11/2011</td>
<td>78.9</td>
<td>Developed and received MoPH approval for community health nursing curriculum and nursing education accreditation standards; conducted 4 emergency obstetric and newborn trainings for 64 skilled birth attendants.</td>
</tr>
<tr>
<td>Strengthening Pharmaceutical Systems</td>
<td>5/2008–9/2012</td>
<td>4.5</td>
<td>Assessed regulatory mechanisms and systems for food and medicine products; developed recommendations for strengthening medicine quality oversight.</td>
</tr>
<tr>
<td>Measure DHS: Afghanistan Mortality Study (maternal mortality study)</td>
<td>5/2009–12/2011</td>
<td>3.5</td>
<td>Began fieldwork for this landmark study in May; as of 9/30/2010, had identified 76% of clusters to be sampled, surveyed 64% of clusters, and entered 54% of surveyed data into a database; identified 28 additional field interviewers to work in insecure provinces.</td>
</tr>
</tbody>
</table>

ECONOMIC AND SOCIAL DEVELOPMENT

Media
USAID has identified freedom of information as a key element in building a secure and stable Afghanistan. To help strengthen a free press in the country, USAID has announced the $22 million Afghanistan Media Development and Empowerment Project (AMDEP).264 According to USAID, this project will address professional and technical gaps in media development. Key objectives include strengthening the professional skills of Afghan journalists, facilitating the distribution of content to the largest audience possible, strengthening the legal and regulatory communications framework, and building the capacity of the GIRoA to regulate media. This quarter, USAID published a grant solicitation for a project that would implement a key AMDEP goal, increasing the distribution of news content. The grant would support the building of an Afghan mobile phone news and information service, called Mobile Khabar.265

The challenges facing independent journalists in Afghanistan were underscored this quarter by the murder of Sayed Hamid Noori, a well-known Afghan journalist who was stabbed to death on September 5, 2010. Mr. Noori was a former news anchor for Radio Television Afghanistan and spokesperson for the speaker of the National Assembly.266

INDUSTRY AND NATURAL RESOURCE DEVELOPMENT
This section looks at major developments this quarter in agriculture, mineral resources, trade and the private sector. To complement the U.S. focus on agricultural development, SIGAR announced a new audit to identify the extent of U.S. and other donor assistance to Afghanistan's agricultural sector, to assess the coordination of these efforts, and to identify further challenges.267

Agriculture
Weather plays a pivotal role in Afghan agriculture, as noted in SIGAR's January 2010 quarterly report; however, expanding access to improved seeds, fertilizer, and other inputs is also important. According to U.S. Ambassador Eikenberry, these inputs are key to boosting food security by increasing the production of wheat, Afghanistan's staple crop, which provides half of the country's caloric needs. As part of U.S. efforts to strengthen this sector, USAID will provide 13,000 metric tons of certified wheat seed varieties and 40,000 metric tons of basic fertilizer to 260,000 small commercial Afghan farmers this year.268

Afghanistan's 2010 wheat harvest is forecast to be 4.53 million tons, according to the Ministry of Agriculture, Irrigation, and Livestock (MAIL). This is 15% above average, the Ministry reported, although 11% lower than last year's record. Winter wheat was harvested from May through June, and spring wheat was gathered this quarter.269 As noted in SIGAR's July 2010 quarterly report, weather conditions were reasonably favorable in the key wheat-growing regions of Afghanistan this year, although flooding damaged some wheat and vegetable production in other parts of the country.

The total 2010 cereal harvest—including rice, barley, and maize—is forecast to reach 5.9 million tons, according to the MAIL. This is greater than the
Since 2002, the U.S. government has invested approximately $1.5 billion in revitalizing Afghanistan’s once-vibrant agricultural sector. Key goals include increasing agricultural productivity, revitalizing the links between farmers and markets, and increasing the number of Afghans who generate income from high-value legal crops, such as fruits (grapes, pomegranates, apricots, apples, melons, etc.) and nuts.


2005–2009 average (5.232 million tons), although 10% lower than last year’s record, according to the FAO.270 Imports of cereals are expected to decline somewhat this year for a number of reasons.271 The devastating flooding in Pakistan’s Peshawar valley destroyed one-fifth of that country’s irrigation infrastructure and ruined a significant portion of its agricultural output, according to Pakistan’s Prime Minister.272 As a result, Pakistan is expected to ban the export of cereal grains, meat, and other agricultural products into Afghanistan.273 In addition, unfavorable weather conditions in Kazakhstan, Russia, and Ukraine have decreased wheat production in those countries.274 On August 15, 2010, Russia announced a ban on wheat exports, according to the Famine Early Warning Systems Network.275

Figure 3.32 shows that total cereal imports into Afghanistan are expected to decline slightly this year compared with last year.

**Upgrading to Higher-Value Crops**

This quarter, the MAIL reported a significant increase in the planting of fruit trees.276 In addition, USAID reported increases in the farm-gate price of some higher-value Afghan crops owing to improved storage, grading, packing, and sorting techniques.277 The USAID Inspector General released an audit of the expansion of USAID’s alternative development program to key poppy-growing provinces in southwest Afghanistan, including Helmand, Uruzgan, Nimroz, and Farah. It concluded that 11,000 Afghan farmers had been trained in new agricultural practices as of December 2009; since its inception, the expanded program has helped local farmers market and sell produce valued at $3.8 million.278

As noted in SIGAR’s April 2010 quarterly report, USAID awarded its largest single NGO agricultural grant—approximately $30 million—to Roots of Peace,

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### Figure 3.32

**CEREAL IMPORTS, 2004/05-2009/10 (MILLION TONNES)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (Million Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/05</td>
<td>1.10</td>
</tr>
<tr>
<td>2005/06</td>
<td>1.29</td>
</tr>
<tr>
<td>2006/07</td>
<td>1.23</td>
</tr>
<tr>
<td>2007/08</td>
<td>1.37</td>
</tr>
<tr>
<td>2008/09</td>
<td>2.58</td>
</tr>
<tr>
<td>2009/10</td>
<td>2.55</td>
</tr>
</tbody>
</table>

to expand Afghanistan’s output of high-value agricultural products. As of September 30, 2010, Roots of Peace had disbursed $1.9 million of this grant, according to USAID. During this start-up phase, approximately 25% of this amount was invested in program inputs and supplies, including infrastructure and rehabilitation, nurseries and nursery supplies, plant materials, trees, demonstration plots, marketing center operations, farm rehabilitation, workshops and training sessions, and contractor taxes. The remaining 75% was expended on personnel, benefits, travel, allowances, office and computer equipment, household furnishings, vehicles, freight, and overhead management costs. To begin implementing this project, 86 Afghans, 1 American, and 2 third-country nationals were hired.

According to USAID, so far the program has assisted 6,680 Afghan households in planting orchards, upgrading vineyards, planting vegetables, establishing kitchen gardens, and preparing for home egg production. As of September 30, 2010, these were some of the specific outcomes:

- Approximately 425 hectares of orchards and vineyards were established; 1,336 farmers planted high-value crops; 1,754 individuals received training.
- Growers exported 6.9 net tons of higher-quality fresh grapes because of improved cold storage and packing techniques, increasing growers’ profits from $33 per ton to $327 per ton in Pakistan and $759 per ton in India.
- Women in 325 households in Helmand, Bamyan, Paktika, and Nangarhar started building chicken coops and vegetable gardens.
- Improved fruit-drying techniques and better links with exporters produced a significant increase in the farm-gate price of dried apricots. Afghan farmers received Af 400–450 per 7 kg, compared with Af 150–170 per 7 kg using traditional methods; 10 metric tons of apricots were exported in August alone.

Finally, DoD’s Task Force for Business and Stability Operations (TFBSO) in Afghanistan has completed an assessment of the raisin industry. Before the Soviet invasion, Afghanistan was one of the top three exporters of raisins in the world; since then, the infrastructure to process grapes into raisins for export has fallen into disrepair. The DoD assessment concluded that a new state-of-the-art processing facility could be constructed for under $2 million. The TFBSO has facilitated a joint venture between one of the largest U.S. raisin importers and an Afghan company, which will include a long-term investment, distribution, and technology agreement.

Mining
As noted in SIGAR’s June 2010 quarterly report, the U.S. government released estimates of Afghanistan’s mineral wealth as part of its efforts to attract private-sector investment. As a follow-up this quarter, the MoM re-opened the bidding to develop the Hajigak iron deposit. The Hajigak deposit is one of the largest undeveloped iron ore deposits in the world, according to the World Bank. In announcing the tender, the MoM noted that Soviet estimates placed the potential of the deposit at approximately 1.8 billion tons of iron ore. The MoM presented details at an investment conference in September in New York City, sponsored by USAID and the World Bank.

Iron ore: a key ingredient in making steel. The re-tendering of the Hajigak mine coincided with the recent jump in worldwide iron ore prices. Iron ore prices doubled from 95.95 U.S. cents per dry metric ton in October 2009 to 203.32 cents per dry metric ton in August 2010.

Chinese companies are among the most significant international investors in Afghanistan’s mineral resources. The Jiangxi Copper Co., whose parent company is a state-owned enterprise, and the China Metallurgical Group Corp, which is also a state-owned enterprise, were awarded the contract to develop Afghanistan’s giant Aynak copper mine. As part of this contract, the China Metallurgical Company signed an agreement with the MoM on September 22, 2010, to build a regional railway line to connect Kabul to Pakistan and Uzbekistan. The MoM noted that this is part of a larger plan to connect Afghanistan with ports in Iran and Pakistan.

Trade
On September 14, 2010, the Afghan Cabinet approved the text of the Afghanistan-Pakistan Transit Trade Agreement. The next step, according to the Department of State, was for Pakistan to finish a legal examination of the document and submit it to the Pakistan Cabinet for approval so that the two countries can officially sign the implementation agreement. In a briefing for the press on October 7, 2010, a spokesman for the Prime Minister of Pakistan said the Pakistan Cabinet had approved the agreement.

In another trade-related development this quarter, efforts to expedite cross-border transit made progress as the 75-km railroad from Mazar-e Sharif to the border of Uzbekistan neared completion. Funded by the United States and Japan through the Asian Development Bank, this new rail line will allow containers—which are sealed at the point of origin—to move across the Uzbek-Afghan border without lengthy customs delays. According to ISAF, nearly half of all Afghan imports travel through the border town of Hairatan on this route. Before the rail line was built, a single bridge over a river was the only passage between Uzbekistan and Afghanistan.

Private-Sector Development
Lack of access to land is one of the key obstacles to private-sector development, according to USAID. Private ownership of land in Afghanistan is not recognized as valid without an officially registered deed. Because a significant portion of land in Afghanistan is not registered and is held under informal arrangements, the GIRoA can currently claim ownership of approximately 90% of the land. Land grievances are historically a leading driver of conflict, according to USAID.

To address these challenges, USAID funded the $56.3 million Land Titling and Economic Restructuring Initiative (LTERA). The outcomes of this 2004–2009 project, according to USAID, included reorganizing 6.5 million land-titling documents in 21 provinces, streamlining property registration from 34 to 3 steps, and developing cost-effective cadastral survey and mapping techniques.

As a follow-up to LTERA, this quarter USAID announced the Land Reform in Afghanistan (LARA) Project. Key goals include expanding informal dispute resolution mechanisms regarding land use and ownership, and strengthening the land...
management and planning capacity of the GIRoA. In keeping with its capacity-building focus, the project will provide technical assistance to the following ministries and entities: the MAIL, the newly formed Afghanistan Land Authority, the Ministry of Urban Development, the Afghan Geodesy and Cartography Head Office, the Independent Directorate for Local Government, the land registration functions of the Supreme Court, and Afghan municipalities.293

USAID noted that the LARA project will not promote the privatization of rural agricultural land, much of which is claimed by the GIRoA. Instead, the project will promote the long-term leasing of uncontested government-owned land and other strategies to generate employment and encourage investment.294

ASSESSING AFGHAN MINISTRIES
At the Kabul Conference, the United States and other international donors reiterated their commitment to more closely align development projects with Afghan national priorities. As part of this effort, donors acknowledged in principle the GIRoAs request to channel more development funds directly through the central government if reforms were made and corruption reduced.295

The U.S. government and other international donors are developing an assessment process to determine the capacity of Afghan ministries to receive more assistance funding directly. The goal of this process is to assess a ministry’s capacity to manage funding and to identify gaps and weaknesses in a ministry’s capacity. Among other criteria, an assessment may look at a ministry’s organizational structure, operational and accounting systems, procurement policy and procedures, and internal controls. An assessment will also recommend measures to address these risks. U.S. officials emphasize that the assessment process produces a snapshot of current capacity and does not certify that a ministry is accountable or transparent. In addition, an assessment does not guarantee that malfeasance will not occur. According to U.S. officials, several prerequisites are being addressed before the formal assessment process is put in place:296

• agreement between all U.S. agencies and international donors on a common set of standards to assess GIRoA ministries and entities
• thorough vetting of the consensus methodology
• assurance that adequate mechanisms have been put in place to mitigate risk

During meetings with SIGAR officials in Kabul, U.S. officials affirmed U.S. policy that Afghan ministries must show improved accountability and transparency to receive direct assistance.297
Since 2002, the U.S. government has appropriated more than $4.49 billion—including $980.11 million for FY 2010—to support counter-narcotics efforts in Afghanistan. This quarter, initiatives to counter the cultivation of poppy focused on interdiction operations and alternative development. In September 2010, the United Nations Office on Drugs and Crime released its annual Afghanistan Opium Survey. The survey revealed that the cultivation of poppy remained stable at 123,000 hectares (ha)—the figure reported in 2009. The production of opium decreased to 3,600 MT—a 48% decline from 2009—but still generated a farm-gate income of $604 million for farmers. The decrease in production was caused by a disease that affected major poppy-cultivating provinces, including Helmand and Kandahar.

This quarter, efforts to support the objectives outlined in the new counter-narcotics strategy focused primarily on interdiction operations and alternative development. The following subsections provide details on these efforts.

**INTERDICTION OPERATIONS**
This quarter, the Afghan National Security Forces (ANSF) and the International Security Assistance Force (ISAF) conducted 43 interdiction operations, according to the U.S. Department of Defense. They involved partnered patrols, cordon and search activities, and detainee operations. As a result of these operations, the following drugs and drug-related materials were seized:
- 5,700 kg of heroin
- 4,500 kg of processing chemicals
- 1,705 kg of morphine
- 1,527 kg of opium

In addition, the ANSF and ISAF teams arrested 96 individuals suspected of involvement in the illicit drug trade.

**ALTERNATIVE DEVELOPMENT PROGRAMMING**
To assess the effectiveness of U.S. assistance to the Afghan agricultural sector, SIGAR initiated an audit in October 2010. It will specifically identify and address the following areas:
- U.S. and donor assistance to Afghanistan’s agricultural sector through FY 2010
the extent of coordination and safeguarding of U.S. agricultural assistance with other U.S. agencies, donors, and the Government of the Islamic Republic of Afghanistan (GIRoA)

the effectiveness of U.S. agricultural assistance in achieving counter-insurgency objectives

any challenges to the development of Afghanistan’s agricultural sector

As noted in SIGAR’s April 2010 quarterly report, the new stabilization strategy identifies agriculture as the fastest means to create licit jobs, which in turn will slow the funding stream that poppy cultivation provides to the insurgency. According to the U.S. Agency for International Development (USAID), its work in support of alternative development aims to create licit livelihoods for farmers and others in “poppy-prone” areas by focusing on high-value crops and activities that support agricultural marketing. This work includes rehabilitating roads to improve the movement of produce and goods, working with producer associations and groups, and providing technical assistance to farmers and other private-sector entities. USAID noted that external factors (such as security, disease, and raw opium prices) hinder the measurement of program success. To sustain achievements, it emphasized the need to coordinate with other programs that focus on rule of law, governance, public information, and interdiction.

Two USAID programs primarily support agricultural alternatives in the poppy-cultivating provinces in the south and west:

- Alternative Development Program Expansion South West (ADP SW)
- Afghanistan Vouchers for Increased Production in Agriculture (AVIPA) Plus

According to USAID, the ADP SW program has a budgeted cost of $75 million. The AVIPA Plus program had a budgeted cost of $300 million. The following subsections provide details on these programs.

Alternative Development Program South West

On July 29, 2010, the USAID Office of Inspector General (OIG) released its report of an audit of the ADP SW program, which launched in March 2008. The auditors found that the project is making progress toward achieving its overall goal of counteracting illicit poppy cultivation by providing alternative development programs and improved economic opportunities in these provinces. However, they identified areas of concern about the sustainability of program gains, including the following:

- lack of a follow-on program
- access to markets and instability of cereal-crop prices
- lack of water

As noted in SIGAR’s April 2010 quarterly report, the ADP SW program is slated to end in March 2011. The procurement of a five-year, approximately $370 million follow-on program was cancelled on June 14, 2009, because ADP SW program officials were concerned about who would administer the contract. The U.S. Special Representative to Afghanistan and Pakistan would have preferred that the GIRoA administer the program, but ADP SW program officials
were concerned about the GIRoA’s “incapacity to administer a U.S.-financed Government of Afghanistan program.”

The USAID OIG audit pointed out that if farmers cannot access markets to sell their crops, the risk that they will return to poppy cultivation is high. Roads in the southern and western provinces are very insecure, posing a serious challenge to farmers who try to reach markets. In some cases, as in Farah, farmers trying to reach a market would be required to pay bribes at checkpoints that would cost more than their crops would bring.

The sustainability of reductions in poppy cultivation, according to the auditors, depends largely on the availability of water. They identified water availability as a shortcoming in Farah, where snowmelt replenishes watersheds and aquifers but is typically sufficient for only one planting season, in early spring. To address this challenge, program administrators are conducting groundwater studies to identify areas where a summer planting season and alternative crops could be introduced. In a related effort to improve water management systems, the U.S. Afghanistan Water, Agriculture, and Technology Transfer project introduced a system of farm-level water management through canal turnouts. The turnouts are light, reinforced-concrete frames with leakproof lids installed in concrete-covered brick channels that control the direction and flow of water.

Despite these challenges, the audit found that the ADP SW program has had notable successes. They include the successful implementation of 45 cash-for-work projects to rehabilitate roads, canals, and markets; assisting farmers with sales of produce totaling nearly $3.8 million; and helping the Farah Farmer’s Union identify business opportunities and developing the Farah Agricultural Center.

Afghanistan Vouchers for Increased Production in Agriculture Plus
According to USAID, AVIPA Plus program components support alternative development efforts both by providing agricultural inputs and by training farmers in rural areas who “likely” cultivated poppy in the past. However, USAID noted that the program does not track whether the inputs have helped deter farmers from cultivating poppy. Instead, USAID has concluded that the “additional income derived from these inputs and training to improve agricultural techniques, are ready alternatives to poppy that ‘likely’ help farmers decide against poppy cultivation.”

From July 1 to the end of the program in August 2010, USAID distributed 11,954 vouchers to farmers in Helmand and Kandahar, primarily for seeds, such as spinach, carrots, tomatoes, and radishes. USAID noted that irrigation pumps were also distributed through the voucher program.
The United States and the Government of the Islamic Republic of Afghanistan (GIRoA) have not yet implemented comprehensive strategies to combat corruption in Afghanistan. A SIGAR audit released this quarter found that because the United States has not yet finalized a U.S. anti-corruption strategy, the majority of U.S. assistance has been provided without the benefit of cohesive guidance. In a separate effort, the GIRoA is working to launch a new Afghan National Transparency and Accountability Program, announced in July 2010.

According to DoS, continuing challenges facing U.S. and GIRoA anti-corruption efforts include limited political will, a weak central government, senior-level corruption networks, and limited consequences upon arrest. The non-governmental organization Transparency International (TI) echoed that concern in an open letter to the participants in the 2010 London Conference. The letter emphasized the potential impact of corruption on Afghanistan; namely, high levels of corruption undermine reconstruction efforts and threaten to destroy the Afghan people’s trust in their government. TI also pointed out that many Afghans are more concerned about corruption than security and employment. This is particularly true for the poorest Afghans.

Corruption is typically associated with fraudulent financial practices in Afghanistan; however, TI has also identified other types of corruption prevalent in Afghanistan:

- nepotism and cronyism
- sexual exploitation and abuse
- coercion and intimidation of humanitarian staff or aid recipients for personal, social, or political gain
- manipulation of assessments
- targeting and registration in favor of particular groups
- diversion of assistance to non-target groups

**U.S. ANTI-CORRUPTION STRATEGY**

In an audit report published this quarter, SIGAR found that from 2002 to 2010, the United States had provided nearly $55.7 billion in reconstruction funding without having established a comprehensive U.S. strategy for fighting corruption in Afghanistan. The United States had also provided relatively little assistance to Afghan anti-corruption bodies that might assist in monitoring the proper use of reconstruction funds.
According to the SIGAR audit, a multi-agency working group based at U.S. Embassy Kabul has now drafted an anti-corruption strategy for the United States in Afghanistan; however, as of the publication date of the audit report, the Department of State (DoS) had not yet approved the strategy. If approved, the strategy would provide guidance to U.S. agencies to help them improve transparency and accountability in Afghan institutions. For more information about the audit and its findings, see Section 2 of this report.

The most recent draft of the U.S. anti-corruption strategy addressed four goals, designed to work in concert with international anti-corruption policies:

• Improve the transparency and accountability of GIRoA institutions to reduce corrupt practices.
• Improve financial oversight.
• Build judicial capacity to investigate, prosecute, punish, and remove corrupt officials from power.
• Aid civil society organizations in educating and empowering the public to participate in transparent and accountable governance.

To reach those goals, the strategy requires cooperation between the United States and other international bodies, including the United Kingdom’s Department for International Development, the United Nations Development Programme, and the World Bank. The strategy also links U.S. assistance efforts with specific metrics that were established in coordination with the GIRoA. U.S. operating principles encourage the GIRoA to take the lead in developing and implementing its own anti-corruption strategy.

**U.S. SUPPORT FOR ANTI-CORRUPTION EFFORTS**

Despite the lack of a U.S. strategy to combat corruption, U.S. agencies working in Afghanistan continued to provide a variety of assistance this quarter to support the anti-corruption efforts of the GIRoA. For instance, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) supports the work of the Afghan Attorney General’s Office to monitor, investigate, prosecute, and appeal corruption cases. The Department of Justice provides legal and law enforcement advisors who train and mentor Afghan counterparts, with assistance from the Federal Bureau of Investigation, the Drug Enforcement Administration, and the U.S. Marshals Service.

The U.S. Department of the Treasury provides technical assistance to the Ministry of Finance to bolster public financial management to the GIRoA. In addition, the Economic Crimes Team of the U.S. Treasury Office of Technical Assistance (OTA) assists the GIRoA by supporting Afghanistan’s financial intelligence unit (FIU), which is called the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA). Additional U.S. agency support comes from the Department of Homeland Security, the Department of Defense, and the U.S. Agency for International Development.

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**Financial intelligence unit:** a specialized governmental agency created to combat money laundering, terrorist financing, and other financial crimes. An FIU is the central agency responsible for obtaining information (for example, suspicious transaction reports) from financial institutions, processing or analyzing the information, and then disseminating it to appropriate authorities.

ANTI-CORRUPTION

GI RoA ANTI-CORRUPTION EFFORTS
The National Transparency and Accountability Program, introduced in the GI RoAs Prioritization and Implementation Plan, is aimed at improving the transparency and accountability of procedures and controls. Projects under this program will focus on building effective and independent oversight institutions in Afghanistan while monitoring and evaluating the performance of GI RoA institutions and officials. Program goals include the following:

• Build effective and independent oversight institutions.
• Monitor and evaluate the performance of GI RoA institutions and officials.
• Facilitate systems and process reengineering of central and local government finance.
• Create effective mechanisms to prevent corruption and the misuse of public office for private gain.
• Reinforce the integrity of public and business-sector relationships.
• Promote transparency and provide citizens with information in an easily accessible and understandable manner.
• Increase political accountability.

To meet the goals of the program, the GI RoA has a number of oversight bodies already in place, including the Anti-Corruption Unit (ACU), the Major Crimes Task Force (MCTF), the High Office of Oversight (HOO), the Control and Audit Office (CAO), and the Criminal Justice Task Force.

Anti-Corruption Unit
Since its establishment in 2008, the ACU has worked within the Attorney General’s Office to investigate and prosecute corruption cases. In that time, according to DoS, the ACU has prosecuted only one case in the Anti-Corruption Tribunal: a brigadier received eight years in prison for embezzlement of funds and narcotics-related crimes. DoS noted that the major challenge to prosecuting senior-level officials is interference from other senior-level officials.

In consideration of these challenges, DoS identified actions that the GI RoA could take to improve its ability to fight corruption:

• Add more qualified prosecutors to the ACU and MCTF, and increase their salaries.
• Draft clear, detailed anti-corruption laws with specific sentencing guidelines so prosecutors will have fewer excuses to dismiss cases.

As of August 2010, the ACU had 51 prosecutors. According to DoS, this number has increased, but no specific numbers were available as of September 30, 2010. DoS emphasized that the Attorney General’s Office hired many prosecutors who are unvetted and uneducated.


Major Crimes Task Force
The MCTF’s criminal investigations focus on kidnappings, organized crime, and public corruption. The MCTF Corruption Investigation Unit has been investigating mid- to high-level officials. According to DoS, the GIRoA views the MCTF as a very capable task force; however, DoS also noted that the GIRoA is “threatened” by the MCTF’s ability to make arrests. In a new anti-corruption audit announced this quarter, SIGAR will examine U.S. efforts to strengthen the MCTF. Since its inception in November 2009, the MCTF has made 18 arrests; 4 produced convictions. According to DoS, 7 of the arrests were “significant.” However, since the June 2010 arrest of Mohammad Zia Salehi, both the Ministry of Interior and the Attorney General’s Office have prevented the MCTF from arresting any high-level targets. DoS noted that the MCTF made three arrests that have yet to go to trial; the Attorney General has transferred the cases out of the ACU and into the military courts.

U.S. mentors for the MCTF come from the Federal Bureau of Investigation, the Department of the Treasury, and the U.S. Army. International mentors from the French Gendarmerie and the British Serious Organized Crime Agency (SOCA) also assist the MCTF. These mentors do not take part in investigations but advise MCTF staff on how to organize, coordinate, and operate a major investigation. The MCTF also receives specialized training support from 16 U.S. and international law enforcement personnel.

High Office of Oversight
President Karzai established the HOO in 2008 to oversee the implementation of the GIRoAs National Anti-Corruption Strategy. Following the January 2010 London Conference, President Karzai vowed to grant the organization greater independence and authority; however, as noted in a SIGAR audit report published in August 2010, the HOO remains severely limited by a lack of independence, audit authority, and capacity. Large-scale U.S. support for the HOO ended in March 2010. However, according to DoS, USAID has provided ongoing assistance through salary support for 12 personnel.

Control and Audit Office
The CAO, also known as Afghanistan’s Supreme Audit Agency, has audit authority over government bodies, public enterprises, and international donor funds. In a 2010 audit of the office, SIGAR found that the legal framework for the CAO was weak and did not provide the office with sufficient independence or authority to serve as an effective anti-corruption institution.

This quarter, the United States began to provide assistance for the CAO through USAID’s Economic Governance and Growth Initiative. According to DoS, the CAO will receive further support following the passage of a new audit law. This law is expected to provide the CAO with greater independence and to clarify audit roles and responsibilities within the GIRoA. According to USAID, the law is expected to pass in March 2011.
Criminal Justice Task Force
Established under the 2005 Counter Narcotics Law, the Criminal Justice Task Force investigates and prosecutes narcotics crimes. U.S. and British mentors assist Afghan prosecutors in developing and presenting cases. Primary and appellate court judges also meet regularly with mentors to discuss aspects of pending cases.

The task force typically focuses on heroin and smuggling cases, but it also handles corruption cases. For example, one recent case involved corruption by customs and border officials who took bribes from drug traffickers.

FinTRACA
Established under the Afghan Anti-Money Laundering Law of 2004, FinTRACA is the Afghan FIU. It aims to prevent individuals who have obtained funds through illegal means from accessing Afghan financial institutions, according to its Web site.

A large amount of anti-corruption support is filtered through this unit, according to the OTA. For instance, FinTRACA provides the ACU with financial data that can be used to investigate and prosecute corrupt government officials. In addition, FinTRACA conducts financial analyses of government officials who have been flagged as potentially corrupt. Findings from these financial analyses are forwarded to the ACU and the MCTF. FinTRACA also assists the HOO by analyzing the asset and liability statements submitted by high-level government officials.

According to OTA, FinTRACA is working with the United States and other international donors to encourage the use of electronic funds transfers. Electronic payments reduce the need to move large quantities of difficult-to-track cash in order to pay contractors. For more information on FinTRACA’s efforts to combat financial crimes, see the “Economic and Social Development” section of this report.
A Healing Touch
A local Afghan woman receives care from a medic attached to the 10th Mountain Division's 1st Brigade Combat team. For two days in October, 2 medical providers and 7 medics cared for more than 400 people at the Ghormach Clinic. This quarter, the United States announced a commitment to spend $37 million over the next four years to train Afghan women in health care professions. (DoD photo, Blair Neelands)
4 OTHER AGENCY OVERSIGHT
OTHER AGENCY OVERSIGHT

Each quarter, the Special Inspector General for Afghanistan Reconstruction (SIGAR) requests updates from other agencies on completed and ongoing oversight activities. 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)

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, and preferred spellings; and third-person instead of first-person construction.

COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the 17 oversight projects related to reconstruction or security that the participating agencies reported were completed this quarter. Because GAO

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<td>Construction of the New Kabul Compound Lacked Planning and Coordination</td>
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<td>DoD OIG</td>
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<td>Afghanistan Development: USAID Continues to Face Challenges in Managing and Overseeing U.S. Development Assistance Programs</td>
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<tr>
<td>GAO</td>
<td>GAO-10-368</td>
<td>7/14/2010</td>
<td>Afghanistan Development: Enhancements to Performance Management and Evaluation Efforts Could Improve USAID’s Agricultural Programs</td>
</tr>
</tbody>
</table>
Army Use of Time-and-Materials Contracts in Southwest Asia
(Report No. D-2010-081, Issued August 27, 2010)

Army contracting and DoD program officials did not properly award and administer the 18 Time and Material contracts and task orders for work performed in Southwest Asia, including several contracts supporting reconstruction and security in Afghanistan such as a contract valued at about $428 million to assist the Government of the Islamic Republic of Afghanistan (GIROA) in security institutions, policies, programs, and procedures. Contracting and program officials awarded contracts and task orders with invalid sole-source justifications or unfair competition (10 of 18), did not negotiate reasonable prices (17 of 18), and did not justify their use of the Time and Material contract type (12 of 18). These conditions occurred because contracting and program officials ignored acquisition regulations. In addition, contracting and program officials did not perform adequate contractor surveillance for the 18 contracts and task orders because of inadequate organization and planning by the Army officials responsible for contractor oversight.

Table 4.1 (Continued)
Air Force Use of Time-and-Materials Contracts in Southwest Asia
(Report No. D-2010-078, Issued August 16, 2010)
DoD OIG found that the Air Force Center for Engineering and the Environment (AFCEE) contracting and program officials did not perform adequate contract oversight for work performed on the six task orders we reviewed valued at $120.8 million. Specifically, for the six task orders reviewed, contracting and program officials did not monitor the contractors hired to perform the oversight function for construction work in Iraq and Afghanistan for five task orders valued at $110.2 million; did not adequately review invoices for five task orders valued at $98.6 million; and did not prepare quality assurance surveillance plans for the six task orders. These conditions occurred because the title II contracting officer’s representatives did not conduct site visits or monitor the title II contractors working in Iraq and Afghanistan. According to the contracting officer, there were not enough personnel to review the invoices initially. As a result, the Air Force has no assurance that the contractors were working efficiently and effectively. For example, faulty construction work and other serious engineering and construction issues resulted in a fire at the Afghan National Army Barracks. In addition, the Air Force was charged for labor categories and rates that were not included in the base contract or in the task orders issued. Specifically, the contractor invoiced a total of $24.3 million in labor costs that AFCEE officials had not agreed to.

(Report No. D-2010-079, Issued August 13, 2010)
In response to a January 2010 shooting incident in Afghanistan involving a contractor linguist and U.S. forces, DoD OIG reviewed the statement of work and 40 task orders included in contract W911W4-07-D-0010 to determine whether the contract contained appropriate security provisions. The contract and 24 task orders referenced an out-of-date policy for screening contract linguists, even though the provisions in the contract and task orders met current standards for screening potential linguists. Although INSCOM awarded the contract before the 2008 memorandum was issued, the contract provisions on security and force protection were consistent with the updated counterintelligence and security screening standards established by the May 2008 Army memorandum. An INSCOM official stated that referencing the 1998 memorandum was an oversight, and the command plans to correct future task orders. In addition, DoD OIG found that the contract and 38 of 40 task orders contained a weapons clause that was consistent with DoD policy for authorizing contractors to carry weapons (2 task orders had limited statements of work).
Department of State Office of Inspector General—Middle East Regional Office

Kabul Embassy Security Force (KESF)
(Report No. MERO-A-10-11, Issued September 2010)

The objective of this performance audit was to provide an overall review and summary of the requirements and provisions of the Kabul Embassy Security Force contract. Specific objectives were (1) the requirements and provisions of the contract; (2) whether contract performance measures had been established and were being achieved; (3) how well the Department has administered the contract to provide proper oversight of Armor Group of North America in Kabul; (4) whether the contract was being effectively managed; (5) whether the contract included FAR clause 52.222.50, which provides administrative remedies if, during the term of the contract, the contractor or subcontractor engage in severe forms of trafficking in persons; and (6) whether Armor Group of North America provided for a safe and adequate living environment for the guards and whether the Department provides proper oversight of the contract and task orders.

Limited-Scope Review of Policies and Procedures for Vetting Foreign Service Nationals at Embassy Kabul in Afghanistan
(Project No. MERO-I-10-10, Issued August 2010)

The objectives of this performance audit were to (1) review the policy and procedures used by the Foreign Service National Investigators (FSN-I) in pre-employment personnel security vetting of Afghan locally engaged staff; (2) review foreign service national investigation files; (3) document investigation techniques used by FSN-I personnel to vet foreign service nationals prior to employment with the Embassy; and (4) determine the degree of family and friendship relationships of current Embassy staff.

U.S. Army Audit Agency

Contracting Operations, Joint Contracting Command-Iraq/Afghanistan, Regional Contracting Center - Fenty (Jalalabad), Afghanistan

USAAA performed this audit at the request of the Commanding General, Joint Contracting Command-Iraq/Afghanistan. Although the Regional Contracting Center was successfully accomplishing its contracting mission by promptly awarding contracts to meet customer needs, some contracts awarded in FY 2008 and first quarter FY 2009 were not properly justified, awarded, or administered. Issues in these areas occurred because requiring activities were not sufficiently performing short-, mid-, and long-term planning and did not have sufficient organizational structures and procedures in place to properly monitor contractor...
performance, and because the high operational tempo environment and other challenges led to more emphasis being placed on awarding contracts than on developing sound contract requirements, monitoring contractor performance, and performing other administrative functions. In addition, improvements were needed to make sure all contracts were properly closed out and unused funds were deobligated.

**Contracting Operations, Joint Contracting Command-Iraq/Afghanistan, Salerno Regional Contracting Center, Afghanistan**  

USAAA performed this audit at the request of the Commander, Joint Contracting Command-Iraq/Afghanistan. Although the Regional Contracting Center was successfully accomplishing its contracting mission by promptly awarding contracts to meet customer needs, some contracts awarded in FY 2008 were not properly justified, awarded, or administered. Issues in these areas occurred because (i) management oversight over operations was not sufficient, (ii) requiring activities and the Contracting Center were not sufficiently performing short-, mid-, and long-term planning, (iii) the requiring activity did not have sufficient organizational structures and procedures in place to develop high-quality contract requirements and properly monitor contractor performance, and (iv) the high operational tempo environment and other challenges led to more emphasis being placed on awarding contracts than on developing sound contract requirements, monitoring contractor performance, and performing other administrative functions.

**Contracting Operations, Joint Contracting Command-Iraq/Afghanistan, Kandahar Regional Contracting Center, Afghanistan (FOUO)**  
(Report No. A-2010-0135-ALL, Issued July 12, 2010)

This report is protectively marked For Official Use Only (FOUO). USAAA performed this audit at the request of the Commander, Joint Contracting Command-Iraq/Afghanistan. USAAA reported that, although the Regional Contracting Center was successfully accomplishing its contracting mission by awarding contracts in a timely manner to meet customer needs, some contracts awarded in FY 2008 were not properly justified, awarded, or administered. Issues in these areas occurred because (i) requiring activities and the Contracting Center were not sufficiently performing short-, mid-, and long-term planning, (ii) the requiring activity did not have sufficient organizational structures and procedures in place to develop high-quality contract requirements and properly monitor contractor performance, and (iii) the high operational tempo environment and other challenges led to more emphasis being placed on awarding contracts than on developing sound contract requirements, monitoring contractor performance, and performing other administrative functions.
U.S. Agency for International Development
Office of Inspector General

Review of Security Costs Charged to USAID Projects in Afghanistan
(Report No. 5-306-10-002-S, Issued September 29, 2010)

The final report was issued on September 29, 2010. The objective of the review
was to determine if a private security contractor had misused USAID funds to pay
the Taliban or others in exchange for protection. The review found that there was
no indication that the private security firm had used USAID funds to pay for pro-
tection in three projects covered by the review. However, there was a likelihood
that the Afghan subcontractors of USAID’s prime contractor on one of the three
projects, the Local Governance and Community Development (LGCD) project,
had paid insurgents for protection in remote and insecure areas of Afghanistan.
The payments were made as part of a security arrangement with local communi-
ties that very likely included the Taliban or groups that support the Taliban. There
were also indications of pervasive fraud within LGCD’s office in Jalalabad and
indications of endemic corruption in the province in which Jalalabad is located.
USAID OIG referred these findings to USAID OIG/Investigations.

In light of these findings, USAID OIG expanded its ongoing investigation of the
LGCD fraud and worked with members of the International Contract Corruption
Task Force, SIGAR, the FBI, the local Afghanistan Prosecutor’s Office, and the
Afghanistan Major Crimes Task Force. In June 2010, the prime contractor termi-
nated 10 LGCD employees, including several engineers and other staff members
who were involved in the fraud scheme.

The report contains four recommendations to help USAID/Afghanistan
reduce the likelihood of subcontractors misusing USAID funds to pay off Taliban
insurgents or other criminal elements and to mitigate the risk of fraud within the
LGCD project.

Audit of USAID/Afghanistan’s Alternative Development Program
Expansion, South West
(Report No. 5-306-10-011-P, Issued July 29, 2010)

The final report was issued on July 29, 2010. The objective of the audit was to
determine if USAID/Afghanistan’s $75 million Alternative Development Program
was achieving its main goal of counteracting illicit poppy cultivation by provid-
ing alternative development programs and improved economic opportunities in
selected southern and western provinces.

The audit determined that the program is achieving its main goal of counteract-
ing illicit poppy cultivation in selected southern and western provinces. However,
the audit identified a number of issues that could affect this positive outcome.
First, the audit found that sustainability of poppy reductions may not be possible
due to: (1) a lack of a follow-on alternative development program, (2) a critical
southern province not being included in the current program, (3) the access to
markets for cereal crops (grown in lieu of poppy) is not guaranteed—nor is the
stability of cereal prices, (4) success of programs outside the mission’s control may affect poppy cultivation and harvest, and (5) a lack of availability of water for alternative crops. The audit also found that program had experienced significant delays and was facing future challenges. Initial delays resulted from deteriorating security, a shift in mission focus from northern to southern provinces, and the lack of integration of cash-for-work activities into the overall program strategy. While these issues had been mostly resolved at the time of the audit, changes in how the mission obtains approval from the Department of State for funding increases and a reorganization of the International Security Assistance Force could adversely impact the program in the future if not properly managed. The audit made three recommendations to keep the program on track.

ONGOING OVERSIGHT ACTIVITIES

As of September 30, 2010, the participating agencies reported 34 ongoing oversight activities related to reconstruction or security in Afghanistan. The activities reported are listed in Table 4.2. This section includes all the descriptions that the agencies provided.

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<td>GAO</td>
<td>320794</td>
<td>7/21/2010</td>
<td>Accountability of U.S. Direct Funding to Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>351514</td>
<td>6/14/2010</td>
<td>Army Advise and Assist Brigades</td>
</tr>
</tbody>
</table>
The Department of Defense (DoD) continues to face many challenges in executing its Overseas Contingency Operations (OCO), formerly known as “the Global War on Terror.” DoD OIG has identified priorities based on those challenges and has responded by expanding its coverage of OCO operations and its presence in Southwest Asia. As DoD continues its OCO to include Operation Enduring Freedom (OEF), it will stay focused on issues important to accomplish the mission and ensure the department makes efficient use of its resources to support the warfighter.

The DoD OIG–led Southwest Asia Joint Planning Group coordinates and deconflicts federal and DoD OCO–related oversight activities. The Group held its 14th meeting in August 2010.

For FY 2010, the completed and remaining ongoing OEF-related oversight activities addresses the safety of personnel with regard to construction efforts, force protection programs for U.S. personnel, accountability of property, improper payments, contract administration, information operations, armor capability, and acquisition planning and controls over funding for the Afghan National Security Forces.

### Oversight Activities

For the fourth quarter of FY 2010, DoD OIG had 33 ongoing oversight activities and issued 12 reports that support OEF. Of those 33 ongoing projects,
9 directly relate to reconstruction or security operations in Afghanistan and are incorporated in this quarterly report. Of the 12 issued reports, 4 directly relate to reconstruction or security operations in Afghanistan and are incorporated in this quarterly report.

**Controls Over the Reporting and Propriety of Commander’s Emergency Response Program Payments in Afghanistan**

(Project No. D2010-D000FL-0276.000, Initiated September 2, 2010)

DoD OIG is determining whether the internal controls over the Commander’s Emergency Response Program payments made to support operations in Afghanistan are adequate. Specifically, DoD OIG will review the controls to ensure payments are proper and that complete, accurate, and meaningful data is reported to those decision-makers responsible for managing the Commander’s Emergency Response Program. This audit is the second in a series of audits that addresses the internal controls over the Commander’s Emergency Response Program payments made to support operations in Afghanistan.

**Implementation of Security Provisions of a U.S. Army Intelligence and Security Command Contract for Linguist Support**

(Project No. D2010-D000JA-0165.001, Initiated June 21, 2010)

DoD OIG is determining whether the security provisions of a U.S. Army Intelligence and Security Command contract for linguist support in Afghanistan (W911W4-07-D-0010) were implemented effectively. This project is one in a series of reviews regarding linguist support in Afghanistan. Project D2010-D000JA-0165.000 addresses whether contract for linguist support in Afghanistan (W911W4-07-D-0010) included appropriate security provisions.

**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 and U.S. Forces - Afghanistan 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 the U.S. Army Corps of Engineers properly monitored contractor performance during construction of the Detention Facility in Parwan and whether the U.S. Army Corps of Engineers has taken or should take recourse against the contractor because of potential latent defects, negligence, or fraud.

**Assessment of Efforts to Train, Equip, and Mentor the Expanded Afghan National Police**

(Project No. D2010-D000SPO-0198.000, Initiated April 19, 2010)

DoD OIG is determining whether U.S. government, North Atlantic Treaty Organization/International Security Assistance Force (NATO/ISAF), Coalition,
and Government of the Islamic Republic of Afghanistan goals, objectives, plans, guidance, and resources to train, equip, and mentor the Afghan National Police are prepared, issued, operative, and relevant. DoD OIG will also determine the status of actions taken in response to recommendations made in Department of Defense Inspector General Report Nos. SPO-2009-006 and SPO-2009-007, as they pertain to the Afghan National Police.

**Afghanistan National Army Equipment Maintenance Apprenticeship and Services Program Contract**  
(Project No. D2010-D000JB-0157.000, Initiated March 4, 2010)  
DoD OIG is determining whether adequate quality assurance and quality control procedures exist for the Afghanistan National Army Vehicle and Maintenance Contract. Specifically, DoD OIG will determine whether government contractual requirements have been met and adequate contract surveillance is being conducted. In addition, DoD OIG will determine whether the contractor requires additional warehouse space to effectively perform contractual tasks and whether the contractor submitted a fair and reasonable request for equitable adjustment for parts reimbursement.

**Information Operations in Afghanistan**  
(Project No. D2010-D000JA-0138.000, Initiated February 18, 2010)  
DoD OIG is evaluating the ability of U.S. Central Command and U.S. Forces - Afghanistan to conduct information operations in Afghanistan. Additionally, DoD OIG will assess the support provided by DoD organizations that enable those commands to conduct Information Operations.

**Internal Controls Over the Disbursing Process for Commander’s Emergency Response Program Payments Made to Support Operations in Afghanistan**  
(Project No. D2010-D000FL-0100.000, Initiated February 18, 2010)  
DoD OIG is determining whether the internal controls over the Commander’s Emergency Response Program payments made to support operations in Afghanistan, and processed through DoD disbursing systems, are adequate. Specifically, it will determine whether the controls ensure the reliability of computer-processed payment data and whether the payments are proper and used for their intended purpose.

**Force Protection Programs for U.S. Forces in Afghanistan**  
(Project No. D2010-D000JA-0091.000, Initiated December 9, 2009)  
DoD OIG is reviewing the force protection programs for primary gathering facilities and billeting areas of U.S. forces in Afghanistan. Specifically, it is assessing the program support and resources that commanders have for facility planning, antiterrorism, and safety programs protecting their forces. The audit is focusing on Bagram Airfield, Kandahar Airfield, Camp Eggers, and the New Kabul Compound.
DoD Body Armor Contracts
(Project No. D2008-D000CD-0256.000, Initiated August 7, 2008)
DoD OIG is examining the contracts and contracting process for body armor and related test facilities. Specific objectives will include evaluating the background and qualifications of the contractors, the criteria for awarding the contracts, the quality assurance process, and any relationships that may exist between the contractors and government officials. The review of the quality assurance process will include reviewing the results of First Article Testing and Lot Acceptance Testing for the body armor contracts. DoD OIG issued Report No. D-2010-029, on December 21, 2009, discussing the contract award of DoD body armor contracts. DoD OIG plans to issue additional reports related to this project.

Department of State Office of Inspector General–Middle East Regional Office

Oversight Activities

Review of the Bureau of International Narcotics and Law Enforcement Affairs’ Correction Systems Support Program (CSSP) in Afghanistan (Contract Evaluation)
(Project No. 10-MERO-3021, Initiated September 2010)
Objectives: The primary objectives of this evaluation are to determine whether (1) technical training, institutional capacity building, and leadership training for corrections systems and Ministry of Justice officials are appropriate and effective; (2) new prison renovation and construction meets human and sustainable standards and is being completed in a timely manner; (3) the prison classification system separates common criminals from insurgents; (4) programs to reduce radicalization of prisoners are effective; and (5) adequate correction facilities exist to meet the needs of juveniles and women.

Review of the Bureau of Population, Refugees, and Migration (PRM) Program Effectiveness to Reintegrate and Resettle Afghan Refugees
(Project No. 10-MERO-3004, Initiated September 2010)
Objectives: The objectives of this performance audit are to determine (1) the requirements and provisions of agreements with UNHCR, ICRC, and NGOs; (2) how assistance requirements were calculated; (3) whether assistance reached intended targets; (4) if program performance measures were established and achieved; and (5) the effectiveness of Embassy Kabul and Provincial Reconstruction Teams to manage and coordinate the humanitarian response in Afghanistan.
Review of the Department of State’s Contract with PAE to Provide Operations and Maintenance to Embassy Kabul
(Project No. 10-MERO-3002, Initiated February 2010)

Objectives: The objectives of this performance audit are to determine (1) the requirements and provisions of the contract and task orders; (2) the amount of funding the Department has obligated and expended to provide embassy facility operations and maintenance through contracts for FY 2005–2009; (3) the effectiveness of PAE’s contract performance in providing facility operations and maintenance to Embassy Kabul; (4) PAE’s controls for inventorying, recording, and safeguarding U.S. government-furnished equipment and property in Afghanistan, whether the equipment has been properly accounted for, and the challenges to maintaining accountability; (5) how well the Department administers and manages the contract and task orders to provide oversight of PAE’s performance in Afghanistan; (6) whether the contract includes FAR clause 52.222.50, which provides administrative remedies if, during the term of the contract, the contractor or subcontractor engage in severe forms of trafficking in persons; and (7) how the Department ensures that costs are properly allocated and supported.

Review of the Department of State’s Contract with PAE to Provide Operations and Maintenance to Afghan Counternarcotics Units in Afghanistan
(Project No. 10-MERO-3001, Initiated February 2010)

Objectives: The objectives of this performance audit are to determine (1) the requirements and provisions of the contract and task orders; (2) the amount of funding the Department has obligated and expended to provide embassy facility operations and maintenance through contracts for FY 2005–2009; (3) the effectiveness of PAE’s contract performance in providing facility operations and maintenance to Afghan counternarcotics units in Afghanistan; (4) PAE’s controls for inventorying, recording, and safeguarding U.S. government-furnished equipment and property in Afghanistan, whether the equipment has been properly accounted for, and the challenges to maintaining accountability; (5) how well the Department administers and manages the contract and task orders to provide oversight of PAE’s performance in Afghanistan; (6) whether the contract includes FAR clause 52.222.50, which provides administrative remedies if, during the term of the contract, the contractor or subcontractor engage in severe forms of trafficking in persons; and (7) how the Department ensures that costs are properly allocated and supported.

Government Accountability Office
During the last quarter, GAO testified before Congress on the oversight of U.S. development assistance in Afghanistan and on U.S. counternarcotics efforts in Afghanistan; released three reports pertaining to the training of U.S. forces, USAID agricultural programs, and counter-IED efforts; and released a special publication on regional and provincial poverty rates and major crop production in Afghanistan.
• The first testimony (July 15, 2010) was before the House of Representatives’ Committee on Appropriations’ Subcommittee on State, Foreign Operations, and Related Programs. GAO found that several challenges confront U.S. development assistance programs in Afghanistan, including the “high-threat” working environment; the difficulties preserving institutional knowledge, due to the absence of a formal mechanism for retaining and sharing information during staff turnover; and the GIRoA ministries’ lack of capacity and corruption challenges. Furthermore, the USAID Mission to Afghanistan has not consistently followed established performance management and evaluation procedures. In the absence of consistent application of existing performance management and evaluation procedures, USAID assistance programs are more vulnerable to corruption, fraud, waste, and abuse. To improve its management of development programs in Afghanistan, GAO recommended that the Administrator of USAID take steps to (1) ensure programs have performance indicators and targets; (2) fully assess and use program data and evaluations to shape current programs and inform future programs; (3) address preservation of institutional knowledge; and (4) improve guidance for the use and management of USAID contractors (GAO-10-932T).

• The second testimony (July 21, 2010) was before the House of Representatives’ Committee on Oversight and Government Reform’s Subcommittee on Domestic Policy. GAO found that while U.S. international counter-narcotics programs in Afghanistan and elsewhere support broad U.S. foreign policy objectives relating to security, counter-insurgency, and governance, they have only partially met established targets for reducing the supply of illegal drugs. For Afghanistan, eradication goals were not met due to a number of factors, including lack of political will on the part of Afghan central and provincial governments. In 2009, the United States revamped its counter-narcotics strategy in Afghanistan to deemphasize eradication efforts and shift to interdiction and increased agricultural assistance. For Afghanistan, the use of poppy cultivation and eradication statistics is the principal measure of effectiveness, but this does not capture all aspects of the counternarcotics effort in the country. For example, these measures overlook potential gains in security from the removal of drug operations from an area and do not take into account potential rises in other drug-related activity such as trafficking and processing of opium (GAO-10-921T). In an April 2010 report GAO made recommendations to improve the U.S. government’s ability to assess counter-narcotics goals in Afghanistan (GAO-10-291).

• GAO’s report on Army and Marine Corps efforts to train forces on a fuller range of missions to support larger deployments to Afghanistan found that the services face several challenges as they plan to broaden the scope and size of training rotations to meet future training requirements. Specifically, the Army projects capacity shortfalls at its combat training centers as it seeks to train brigade combat teams to meet future requirements for both ongoing operations and full-spectrum operations—offensive, defensive, and
stability operations. Until the Army finalizes its reserve-component training strategy it will not be able to determine whether it can leverage existing resources to meet future training requirements, or whether any excess reserve-component training capacity exists. In the future, the Marine Corps plans to expand training to allow larger numbers of forces to train together, but it lacks sufficient space at its combat training center. It is considering alternatives for acquiring land and expects to reach a decision by FY 2012. GAO recommended that the Army develop a risk-assessment and mitigation plan to address gaps in training capacity, and assess how it can maximize existing resources to conduct reserve-component training called for under its force generation model (GAO-10-720).

- GAO’s report on USAID agricultural programs in Afghanistan found that, since 2008, the agency has operated without a required Mission performance management plan for Afghanistan. Specifically, USAID did not approve all implementing partner monitoring plans for the eight USAID agricultural programs GAO reviewed; did not assure all performance indicators had targets; did not consistently analyze, interpret, or document program performance for these eight programs; and did not document decisions linking program performance to changes made to the duration or funding of programs. GAO recommended that the USAID Administrator take a number of steps to enhance performance planning, monitoring and evaluation, and knowledge transfer procedures, such as approving implementing partner performance indicators and targets, analyzing and interpreting program data and evaluations, and preserving institutional knowledge (GAO-10-368).

- GAO’s report on the Joint Improvised Explosive Device Defeat Organization (JIEDDO) found that JIEDDO needs to take additional actions to improve its counter-IED efforts, including developing processes for assessing the overall effectiveness of its counter-IED initiatives, adhering to its review and approval process for developing counter-IED initiatives, and addressing overall internal control system weaknesses. GAO recommended that DOD monitor JIEDDO’s progress in improving its internal control system (GAO-10-660).

- GAO’s special publication on regional and provincial poverty rates and major crop production in Afghanistan reported that, during 2007/2008, the poverty rate in Afghanistan ranged from a low of 23% in the Southwest region to a high of 45% in the East and West-central regions. An interactive map provides information for 34 provinces on selected indicators, which include access to land, safe drinking water, health facilities, and electricity. GAO also reported that, between 2007 and 2008, wheat was the most frequently cited primary crop produced during the summer planting season, followed by opium and potatoes on irrigated land and cotton and barley on rain-fed land; corn, sorghum, and rice were grown on irrigated land during the winter planting season (GAO-10-756SP). In addition, GAO began a new engagement focusing on U.S. internal controls and oversight over U.S. direct assistance to Afghanistan.
U.S. Army Audit Agency

Oversight Activities

Micro-Purchases of Field Ordering Officers - Afghanistan-Planning
(Project Code A-2010-ALL-0568.000, Initiated September 2, 2010)
This audit will determine whether procedures for micro purchases by field ordering officers had sufficient controls in place to justify requirements and accountability of purchases.

Agreed-Upon Procedures Attestation for USFOR-A LOGCAP Course of Action-Afghanistan
(Project Code A-2010-ALL-0480.000, Initiated May 21, 2010)
This attestation is being performed in Afghanistan. It will determine if the corrective actions presented in the USFOR-A LOGCAP course of action decision brief were implemented and provide assurance that requirements were processed through the appropriate review board.

LOGCAP IV Contract Requirements Determination-Afghanistan
(Project Code A-2010-ALL-0421.000, Initiated March 29, 2010)
This audit will determine if the requirements determination and validation processes for the LOGCAP IV contract are in place and operating as intended.

Controls Over Vendor Payments Phase II – Afghanistan
(Project Code A-2010-ALL-0103.000, Initiated February 22, 2010)
This audit will determine if the Army has effective controls to ensure the accuracy of vendor payments for contingency operations in Southwest Asia (Afghanistan).

Commander’s Emergency Response Program (CERP)-Afghanistan
(Project Code A-2009-ALL-0531.000, Initiated May 19, 2009)
This audit will determine if the CERP in Afghanistan had sufficient internal controls in place to ensure commanders and unit personnel implemented the program properly.
U.S. Agency for International Development
Office of Inspector General

Oversight Activities
During the quarter, USAID OIG issued one financial audit covering $3.5 million in costs incurred under a USAID agreement with Advanced Engineering Associates International. The audit identified $12,115 in ineligible questioned costs. Also during the quarter, four additional financial audits were being planned, were in process, or were in the draft report phase. Afghanistan financial audits are being performed for USAID and USAID OIG by a public accounting firm and by DCAA.

Review of USAID/Afghanistan’s Ministerial Assessment Process
Objective: To determine whether USAID/Afghanistan’s ministerial assessment process provides reasonable assurance of identifying significant vulnerabilities that could result in waste or misuse of U.S. government resources.

Audit of USAID/Afghanistan’s Water, Agriculture and Technology Transfer (AWATT) Program
Objective: To determine if AWATT is achieving its main goals to help develop Afghanistan’s agricultural institutional framework for effective management of limited water resources and to catalyze policy reforms to provide a mechanism for efficient use of water supply for agriculture.

Audit of USAID/Afghanistan’s Construction of Health and Education Facilities (CHEF) Program
Objective: To determine if the activities funded under USAID/Afghanistan’s CHEF program are achieving the program’s main goals of strengthening the GIRoA’s ability to provide health service to its citizens and train competent teachers by constructing provincial hospitals, midwife training centers, and provincial teacher training centers.

Audit of USAID/Afghanistan’s Support to the American University of Afghanistan Activity
Objective: To determine if USAID/Afghanistan’s support to the American University of Afghanistan is achieving its main goals of increasing student enrollment; increasing the number of qualified staff; reforming the undergraduate curriculum; improving the school’s infrastructure; and enhancing the university’s ability to become self-sustaining.
Audit of USAID/Afghanistan’s Partnership in Advancing Community Education in Afghanistan (PACE-A) Program
Objective: To determine if activities funded under USAID/Afghanistan’s Partnership in Advancing Community Education in Afghanistan Program is achieving the program’s main goal of expanding access to primary education for children living in remote areas of Afghanistan.

OTHER AGENCY INVESTIGATIONS
SIGAR regularly coordinates with other government agencies conducting investigations in Afghanistan to monitor the progress of those investigations. As of September 30, 2010, five open cases were being investigated by DoS OIG Investigations (DoS OIG-INV). Table 4.3 lists the number of open and closed investigations as of September 30, 2010.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Open Cases</th>
<th>Closed Cases</th>
<th>Total Cases</th>
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</thead>
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<tr>
<td>DoS OIG-INV</td>
<td>5</td>
<td>0</td>
<td>5</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
<td><strong>0</strong></td>
<td><strong>5</strong></td>
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</table>

The Official Seal of SIGAR

The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal's center is in Dari and means “SIGAR.” The phrase along the bottom side of the seal's center is in Pashtu and has the same meaning.
APPENDICES AND ENDNOTES
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), and to the semiannual reporting requirements prescribed for inspectors general more generally under the Inspector General Act of 1978, as amended (5 U.S.C. App. 3) (Table A.2).

### TABLE A.1

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervision</td>
<td></td>
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<tr>
<td>Section 1229(e)(1)</td>
<td>The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense</td>
<td>Report to the Secretary of State and the Secretary of Defense</td>
<td>All sections</td>
</tr>
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</table>

### Duties

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<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Section</th>
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</thead>
<tbody>
<tr>
<td>Section 1229(f)(1)</td>
<td>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—</td>
<td>Review appropriated/available funds</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(1)(A)</td>
<td>The oversight and accounting of the obligation and expenditure of such funds</td>
<td>Review obligations and expenditures of appropriated/available funds</td>
<td>SIGAR Oversight Funding</td>
</tr>
<tr>
<td>Section 1229(f)(1)(B)</td>
<td>The monitoring and review of reconstruction activities funded by such funds</td>
<td>Review reconstruction activities funded by appropriations and donations</td>
<td>SIGAR Oversight</td>
</tr>
<tr>
<td>Section 1229(f)(1)(C)</td>
<td>The monitoring and review of contracts funded by such funds</td>
<td>Review contracts using appropriated and available funds</td>
<td>Note 1</td>
</tr>
<tr>
<td>Section 1229(f)(1)(D)</td>
<td>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</td>
<td>Review internal and external transfers of appropriated/available funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(f)(1)(E)</td>
<td>The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]</td>
<td>Maintain audit records</td>
<td>SIGAR Oversight Appendix C Appendix D</td>
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### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229

<table>
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<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
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</thead>
<tbody>
<tr>
<td>Section 1229(f)(1)(F)</td>
<td>The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy</td>
<td>Monitoring and review as described</td>
<td>Audits</td>
</tr>
<tr>
<td>Section 1229(f)(1)(G)</td>
<td>The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.</td>
<td>Conduct and reporting of investigations as described</td>
<td>Investigations</td>
</tr>
<tr>
<td>Section 1229(f)(2)</td>
<td>OTHER DUTIES RELATED TO OVERSIGHT.— The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)</td>
<td>Establish, maintain, and oversee systems, procedures, and controls</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(3)</td>
<td>DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978.— In addition,. . .the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978</td>
<td>Duties as specified in Inspector General Act</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(4)</td>
<td>COORDINATION OF EFFORTS.— The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development</td>
<td>Coordination with the inspectors general of DoD, DoS, and USAID</td>
<td>Other Agency Oversite</td>
</tr>
</tbody>
</table>

### Federal Support and Other Resources

<p>| 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 |</p>
<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Section</th>
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<tr>
<td>Section 1229(h)(5)(B)</td>
<td>REPORTING OF REFUSED ASSISTANCE.— Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.</td>
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<td>Reports</td>
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<tr>
<td>Section 1229(i)(1)</td>
<td>QUARTERLY REPORTS.— Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –</td>
<td>Report – 30 days after the end of each calendar quarter</td>
<td>All sections Appendix B</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Summarize activities of the inspector general</td>
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<tr>
<td></td>
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<td>Detailed statement of all obligations, expenditures, and revenues</td>
<td></td>
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<tr>
<td>Section 1229(i)(1)(A)</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Appendix B</td>
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<tr>
<td>Section 1229(i)(1)(B)</td>
<td>A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program</td>
<td>Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program</td>
<td>Funding Note 1</td>
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<tr>
<td>Section 1229(i)(1)(C)</td>
<td>Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of donor funds</td>
<td>Funding</td>
</tr>
</tbody>
</table>
## CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229

<table>
<thead>
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<tr>
<td>Section 1229(i)(1)(D)</td>
<td>Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of funds from seized or frozen assets</td>
<td>Funding</td>
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<tr>
<td>Section 1229(i)(1)(E)</td>
<td>Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan</td>
<td>Operating expenses of agencies or any organization receiving appropriated funds</td>
<td>Appendix B</td>
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<td>Section 1229(i)(1)(F)</td>
<td>In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* – (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition</td>
<td>Describe contract details</td>
<td>Note 1</td>
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<td>Section 1229(i)(3)</td>
<td>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</td>
<td>Publish report as directed</td>
<td><a href="http://www.sigar.mil">www.sigar.mil</a></td>
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<td>Section 1229(i)(4)</td>
<td>FORM.— Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary</td>
<td>Publish report as directed</td>
<td>All sections</td>
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### CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) (“IG ACT”)

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<td>Section 5(a)(1)</td>
<td>Description of significant problems, abuses, and deficiencies</td>
<td>Extract pertinent information from SWA/JPG member reports List problems, abuses, and deficiencies from SIGAR audit reports, investigations, and inspections</td>
<td>Other Agency Oversight See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
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<td>Section 5(a)(2)</td>
<td>Description of recommendations for corrective action...with respect to significant problems, abuses, or deficiencies</td>
<td>Extract pertinent information from SWA/JPG member I reports List recommendations from SIGAR audit reports</td>
<td>Other Agency Oversight See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
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<td>Section 5(a)(3)</td>
<td>Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed</td>
<td>List all instances of incomplete corrective action from previous semiannual reports</td>
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<td>Section 5(a)(4)</td>
<td>A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted</td>
<td>Extract pertinent information from SWA/JPG member reports List SIGAR Investigations that have been referred</td>
<td>Other Agency Oversight</td>
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<td>Section 5(a)(5)</td>
<td>A summary of each report made to the [Secretary of Defense] under section 6(b)(2) (instances where information requested was refused or not provided)</td>
<td>Extract pertinent information from SWA/JPG member reports List instances in which information was refused SIGAR auditors, investigators, or inspectors</td>
<td>Other Agency Oversight</td>
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<td>Section 5(a)(6)</td>
<td>A listing, subdivided according to subject matter, of each audit report, inspection report and evaluation report issued...showing dollar value of questioned costs and recommendations that funds be put to better use</td>
<td>Extract pertinent information from SWA/JPG member reports List SIGAR reports</td>
<td>Other Agency Oversight</td>
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<td>Section 5(a)(7)</td>
<td>A summary of each particularly significant report</td>
<td>Extract pertinent information from SWA/JPG member reports Provide a synopsis of the significant SIGAR reports</td>
<td>Other Agency Oversight A full list of significant reports can be found at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
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<td>Section 5(a)(8)</td>
<td>Statistical tables showing the total number of audit reports and the total dollar value of questioned costs</td>
<td>Extract pertinent information from SWA/JPG member reports Develop statistical tables showing dollar value of questioned cost from SIGAR reports</td>
<td>See reports of SWA/JPG members In process</td>
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<td>Section 5(a)(9)</td>
<td>Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management</td>
<td>Extract pertinent information from SWA/JPG member reports Develop statistical tables showing dollar value of funds put to better use by management from SIGAR reports</td>
<td>See reports of SWA/JPG members In process</td>
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<td>Section 5(a)(10)</td>
<td>A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision</td>
<td>Extract pertinent information from SWA/JPG member reports Provide a synopsis of SIGAR audit reports in which recommendations by SIGAR are still open</td>
<td>See reports of SWA/JPG members None</td>
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### CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) ("IG ACT")

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<td>Section 5(a)(11)</td>
<td>A description and explanation of the reasons for any significant revised management decision</td>
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<td>Explain SIGAR audit reports in which significant revisions have been made to management decisions</td>
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<td>Section 5(a)(12)</td>
<td>Information concerning any significant management decision with which the Inspector General is in disagreement</td>
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<td>Explain SIGAR audit reports in which SIGAR disagreed with management decision</td>
<td>No disputed decisions during the reporting period</td>
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<td>Section 5(a)(13)</td>
<td>Information described under Section 804 [sic] of the Federal Financial Management Improvement Act of 1996 (instances and reasons when an agency has not met target dates established in a remediation plan)</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
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<td>Provide information where management has not met targets from a remediation plan</td>
<td>No disputed decisions during the reporting period</td>
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<td>Section 5(a)(14)(A)</td>
<td>An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or SIGAR has posted in full the results of, and reports from, SIGAR's most recent peer reviews (completed during July 2010, prior to the current reporting period), on its Web site</td>
<td>Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
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<td>Section 5(a)(14)(B)</td>
<td>If no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General</td>
<td>15 July 2010</td>
<td>Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
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<td>Section 5(a)(15)</td>
<td>A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete</td>
<td>None – all peer review recommendations effectively addressed, and remedial measures implemented, by 30 September 2010</td>
<td>Recommendations and related materials posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
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<td>Section 5(a)(16)</td>
<td>Any peer reviews conducted by SIGAR of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review . . . that remain outstanding or have not been fully implemented</td>
<td>Not applicable (SIGAR did not conduct, or participate in the conduct, of a peer review of another Office of Inspector General during the reporting period)</td>
<td>SIGAR Oversight</td>
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Note 1: Although this data is normally made available on SIGAR’s Web site (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 appropriated funds by program, per year, for Afghanistan reconstruction efforts.

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<td><strong>Total: Security</strong></td>
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<td><strong>GOVERNANCE &amp; DEVELOPMENT</strong></td>
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<td>Commander's Emergency Response Program (CERP) DoD</td>
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<td>Economic Support Fund (ESF) USAID</td>
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<td>Afghanistan Freedom Support Act (AFSA) DoD</td>
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<td>Child Survival &amp; Health (CSH + GHAI) USAID</td>
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<td>Commodity Credit Corp (CCC) USAID</td>
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<td>Non-Prolif, Antiterrorism, Demining, &amp; Related (NADR) DoS</td>
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<td>Provincial Reconstruction Team Advisors USDA</td>
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<td>Treasury Technical Assistance Treasury</td>
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<td><strong>Total: Governance &amp; Development</strong></td>
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<td>International Narcotics Control &amp; Law Enforcement (INCLE) DoS</td>
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<td><strong>Total: Counter-Narcotics</strong></td>
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<td>Transition Initiatives (TI) USAID</td>
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<td>Migration and Refugee Assistance (MRA) DoS</td>
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<td>Voluntary Peacekeeping (PKO) DoS</td>
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<td>Emergency Refugee &amp; Migration Assistance (ERMA) DoS</td>
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<td><strong>TOTAL FUNDING</strong></td>
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Notes: Numbers affected by rounding. Updated data resulted in a higher appropriation figure for FY 2009 than reported last quarter.

### APPENDICES

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APPENDIX C
SIGAR AUDITS

Completed Audits
During this reporting period, SIGAR completed seven audits, as listed in Table C.1.

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
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<tr>
<td>SIGAR-Audit-11-5</td>
<td>Actions Needed To Mitigate Inconsistencies in and Lack of Safeguards over U.S. Salary Support to Afghan Government Employees and Technical Advisors</td>
<td>10/29/2010</td>
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<tr>
<td>SIGAR-Audit-11-4</td>
<td>DoD, DoS, and USAID Obligated Over $17.7 Billion to as Many as 6,900 Contractors and Other Entities for Afghanistan Reconstruction during Fiscal Years 2007–2009</td>
<td>10/27/2010</td>
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<td>SIGAR-Audit-11-3</td>
<td>ANP District Headquarters Facilities in Helmand and Kandahar Provinces Contain Significant Construction Deficiencies Due to Lack of Oversight and Poor Contractor Performance</td>
<td>10/27/2010</td>
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<tr>
<td>SIGAR-Audit-11-2</td>
<td>U.S. Civilian Uplift in Afghanistan Is Progressing, but Some Key Issues Merit Further Examination as Implementation Continues</td>
<td>10/26/2010</td>
</tr>
<tr>
<td>SIGAR-Audit-11-1</td>
<td>Weaknesses in Reporting and Coordination of Development Assistance and Lack of Provincial Capacity Pose Risks to U.S. Strategy in Nangarhar Province</td>
<td>10/26/2010</td>
</tr>
<tr>
<td>SIGAR-Audit-10-16</td>
<td>Lessons Learned in Preparing and Conducting Elections in Afghanistan</td>
<td>9/9/2010</td>
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New Audits
During this reporting period, SIGAR initiated six new audits, as listed in Table C.2.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
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<tbody>
<tr>
<td>SIGAR-35A</td>
<td>Review of U.S. Assistance To Develop Afghanistan’s Agricultural Sector</td>
<td>10/15/2010</td>
</tr>
<tr>
<td>SIGAR-34A</td>
<td>Joint Audit with Department of State Office of Inspector General to Review Aspects of the Civilian Uplift, Including Sustainability of the Deployment</td>
<td>10/14/2010</td>
</tr>
<tr>
<td>SIGAR-32A</td>
<td>U.S. Efforts To Strengthen the Capabilities of the Afghan Major Crimes Task Force</td>
<td>8/24/2010</td>
</tr>
<tr>
<td>SIGAR-31A</td>
<td>Review of Afghan National Army Logistics</td>
<td>8/11/2010</td>
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</table>
Ongoing Audits
SIGAR has eight audits in progress, as listed in Table C.3.

**TABLE C.3**

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
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<tbody>
<tr>
<td>SIGAR-030A</td>
<td>Review of Selected CERP Projects in Afghanistan</td>
<td>7/19/2010</td>
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<tr>
<td>SIGAR-028A</td>
<td>Planning for ANSF Facilities</td>
<td>7/14/2010</td>
</tr>
<tr>
<td>SIGAR-023A</td>
<td>Review of Afghanistan's National Solidarity Program</td>
<td>4/13/2010</td>
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Forensic Audits
SIGAR has three forensic audits in progress, as listed in Table C.4.

**TABLE C.4**

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR-27A</td>
<td>Forensic Review of Department of State Transaction Data Related to Afghanistan Reconstruction</td>
<td>6/24/2010</td>
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<tr>
<td>SIGAR-22A</td>
<td>Forensic Review of Afghanistan Security Forces Fund Transaction Data (Pilot)</td>
<td>2/25/2010</td>
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APPENDIX D
SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations
This reporting period, SIGAR opened 32 new investigations and closed 6, bringing the total of open investigations to 81. Of those open investigations, most involve corruption and procurement/contract fraud, as shown in Figure D.1. Of the closed investigations, most lacked prosecutive merit or did not use reconstruction money, as shown in Figure D.2.

SIGAR Hotline
Of the 125 Hotline complaints received last quarter, most were submitted by e-mail or telephone, as shown in Figure D.3. Of these complaints, most were closed, referred to other agencies, or assigned, as shown in Figure D.4.
## APPENDIX E
### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td>AAF</td>
<td>Afghan Air Force</td>
</tr>
<tr>
<td>ABP</td>
<td>Afghan Border Police</td>
</tr>
<tr>
<td>ACU</td>
<td>Anti-Corruption Unit</td>
</tr>
<tr>
<td>ADP/SW</td>
<td>Alternative Development Program South-West</td>
</tr>
<tr>
<td>AED</td>
<td>Afghanistan Engineering District</td>
</tr>
<tr>
<td>AFCCE</td>
<td>Air Force Center for Engineering and the Environment</td>
</tr>
<tr>
<td>AIF</td>
<td>Afghan Infrastructure Fund</td>
</tr>
<tr>
<td>ALP</td>
<td>Afghan Local Police</td>
</tr>
<tr>
<td>AMDEP</td>
<td>Afghanistan Media Development and Empowerment Project</td>
</tr>
<tr>
<td>ANA</td>
<td>Afghan National Army</td>
</tr>
<tr>
<td>ANCDP</td>
<td>Afghan National Civil Order Police</td>
</tr>
<tr>
<td>ANDS</td>
<td>Afghanistan National Development Strategy</td>
</tr>
<tr>
<td>ANP</td>
<td>Afghan National Police</td>
</tr>
<tr>
<td>ANSF</td>
<td>Afghan National Security Forces</td>
</tr>
<tr>
<td>APRP</td>
<td>Afghanistan Peace and Reintegration Program</td>
</tr>
<tr>
<td>ARP</td>
<td>Afghanistan Reintegration Program</td>
</tr>
<tr>
<td>ARTF</td>
<td>Afghanistan Reconstruction Trust Fund</td>
</tr>
<tr>
<td>ASFF</td>
<td>Afghanistan Security Forces Fund</td>
</tr>
<tr>
<td>ASIU</td>
<td>Afghan Shafafiyat Investigative Unit</td>
</tr>
<tr>
<td>AUP</td>
<td>Afghan Uniform Police</td>
</tr>
<tr>
<td>AVIPA</td>
<td>Afghanistan Vouchers for Increased Productive Agriculture</td>
</tr>
<tr>
<td>AWOL</td>
<td>absent without leave</td>
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<tr>
<td>CAO</td>
<td>Control and Audit Office (Afghan)</td>
</tr>
<tr>
<td>CENTCOM</td>
<td>Central Command (U.S.)</td>
</tr>
<tr>
<td>CERP</td>
<td>Commander’s Emergency Response Program</td>
</tr>
<tr>
<td>CIGIE</td>
<td>Council of the Inspectors General on Integrity and Efficiency</td>
</tr>
<tr>
<td>CM</td>
<td>Capability Milestone</td>
</tr>
<tr>
<td>CNTPO</td>
<td>Counter-Narcoterrorism Technology Program Office (U.S.)</td>
</tr>
<tr>
<td>COIN</td>
<td>counter-insurgency</td>
</tr>
<tr>
<td>CSSP</td>
<td>Correctional System Support Program</td>
</tr>
<tr>
<td>CSTC-A</td>
<td>Combined Security Transition Command - Afghanistan</td>
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<tr>
<td>CUAT</td>
<td>Commander’s Unit Assessment Tool</td>
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<tr>
<td>DAB</td>
<td>Da Afghanistan Bank</td>
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<tr>
<td>DABS</td>
<td>Da Afghanistan Breshna Sherkat (national electric company)</td>
</tr>
<tr>
<td>DANIDA</td>
<td>Danish International Development Agency</td>
</tr>
<tr>
<td>DBA</td>
<td>Defense Base Act</td>
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<tr>
<td>DFAS</td>
<td>Defense Finance and Accounting Services (U.S.)</td>
</tr>
<tr>
<td>DoD</td>
<td>Department of Defense (U.S.)</td>
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<tr>
<td>DoD CN</td>
<td>Department of Defense Counternarcotics (U.S.)</td>
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<tr>
<td>DoD OIG</td>
<td>Department of Defense Office of Inspector General (U.S.)</td>
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<tr>
<td>ACRONYM OR ABBREVIATION</td>
<td>DEFINITION</td>
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<tr>
<td>-------------------------</td>
<td>------------</td>
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<td>Department of State (U.S.)</td>
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<td>DoS OIG</td>
<td>Department of State Office of Inspector General (U.S.)</td>
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<tr>
<td>DSCA</td>
<td>Defense Security Cooperation Agency (U.S.)</td>
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<td>DST</td>
<td>District Support Team</td>
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<td>ECC</td>
<td>Electoral Complaints Commission (Afghan)</td>
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<td>ELECT</td>
<td>Enhancing Legal and Electoral Capacity for Tomorrow (UN)</td>
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<td>ESF</td>
<td>Economic Support Fund</td>
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<td>FAO</td>
<td>Food and Agriculture Organization (UN)</td>
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<tr>
<td>FBI</td>
<td>Federal Bureau of Investigation (U.S.)</td>
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<tr>
<td>FinTRACA</td>
<td>Financial Transaction and Reports Analysis Center of Afghanistan</td>
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<tr>
<td>FIU</td>
<td>financial intelligence unit</td>
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<tr>
<td>FIRUP-K</td>
<td>Food Insecurity Response for Urban Populations of Kabul</td>
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<tr>
<td>FMS</td>
<td>Foreign Military Sales</td>
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<tr>
<td>FOB</td>
<td>Forward Operating Base</td>
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<tr>
<td>FOOUO</td>
<td>For Official Use Only</td>
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<td>FY</td>
<td>fiscal year</td>
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<td>FY 2010 Supplemental Appropriations Act</td>
<td>FY 2010 Supplemental Appropriations Act</td>
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<td>GAO</td>
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<td>GIRoA</td>
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<td>Global</td>
<td>Global Strategies Group</td>
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<td>HCMS</td>
<td>SIGAR Hotline and Complaints Management System</td>
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<td>HF</td>
<td>High Frequency</td>
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<td>HOO</td>
<td>High Office of Oversight for Anti-Corruption (Afghan)</td>
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<td>IDLG</td>
<td>Independent Directorate of Local Governance (Afghan)</td>
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<td>IDP</td>
<td>internally displaced person</td>
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<td>IEC</td>
<td>Independent Election Commission (Afghan)</td>
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<td>IED</td>
<td>improvised explosive device</td>
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<td>International Security Assistance Force Joint Command</td>
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<td>International Labor Organization</td>
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<td>International Narcotics Control and Law Enforcement</td>
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<td>INL</td>
<td>Bureau of International Narcotics and Law Enforcement Affairs (U.S.)</td>
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<td>Joint Contracting Command-Iraq/Afghanistan</td>
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<td>Joint Regional Afghan Security Forces Compound</td>
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<td>Justice Sector Support Program</td>
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<td>LARA</td>
<td>Land Reform in Afghanistan (project)</td>
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<td>Local Governance and Community Development</td>
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<td>MAIL</td>
<td>Ministry of Agriculture, Irrigation, and Livestock (Afghan)</td>
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## APPENDICES

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<th>ACRONYM OR ABBREVIATION</th>
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<td>MoD</td>
<td>Ministry of Defense (Afghan)</td>
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<td>MoE</td>
<td>Ministry of Education (Afghan)</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance (Afghan)</td>
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<td>MoI</td>
<td>Ministry of Interior (Afghan)</td>
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<td>MoM</td>
<td>Ministry of Mines (Afghan)</td>
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<td>MoPH</td>
<td>Ministry of Public Health (Afghan)</td>
</tr>
<tr>
<td>MoTCA</td>
<td>Ministry of Transportation and Civil Aviation (Afghan)</td>
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<td>NAPWA</td>
<td>National Action Plan for Women of Afghanistan</td>
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<tr>
<td>NATO-C</td>
<td>NATO Air Training Command - Afghanistan</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NCO</td>
<td>non-commissioned officer</td>
</tr>
<tr>
<td>NGO</td>
<td>non-governmental organization</td>
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<td>NTM-A</td>
<td>NATO Training Mission - Afghanistan</td>
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<td>OCO</td>
<td>Overseas Contingency Operations</td>
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<td>OEF</td>
<td>Operation Enduring Freedom</td>
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<tr>
<td>OPIC</td>
<td>Overseas Private Investment Corporation</td>
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<td>OSD</td>
<td>Office of the Secretary of Defense (U.S.)</td>
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<td>OTA</td>
<td>Office of Technical Assistance (U.S.)</td>
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<td>PDC</td>
<td>Provincial Development Committee</td>
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<tr>
<td>PDY</td>
<td>present for duty</td>
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<td>PRM</td>
<td>Bureau of Population, Refugees, and Migration (U.S.)</td>
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<tr>
<td>PRT</td>
<td>Provincial Reconstruction Team</td>
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<tr>
<td>PSC</td>
<td>private security contractor</td>
</tr>
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<td>PST</td>
<td>Provincial Support Team</td>
</tr>
<tr>
<td>RC</td>
<td>Regional Command (ISAF)</td>
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<td>RC Window</td>
<td>Recurrent Cost Window</td>
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<tr>
<td>SIGAR</td>
<td>Special Inspector General for Afghanistan Reconstruction</td>
</tr>
<tr>
<td>SMDC</td>
<td>U.S. Army Space and Missile Defense Command</td>
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<tr>
<td>TAPI</td>
<td>Turkmenistan-Afghanistan-Pakistan-India (natural gas pipeline)</td>
</tr>
<tr>
<td>TFBSO</td>
<td>Task Force on Business and Stability Operations in Afghanistan</td>
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<td>Treasury</td>
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<tr>
<td>U.K.</td>
<td>United Kingdom (adj.)</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNAMA</td>
<td>UN Assistance Mission in Afghanistan</td>
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<td>UNDP</td>
<td>UN Development Programme</td>
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<tr>
<td>UNODC</td>
<td>UN Office on Drugs and Crime</td>
</tr>
<tr>
<td>U.S.</td>
<td>United States (adj.)</td>
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<td>USAAA</td>
<td>U.S. Army Audit Agency</td>
</tr>
<tr>
<td>USACE</td>
<td>U.S. Army Corps of Engineers</td>
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<td>USAID</td>
<td>U.S. Agency for International Development</td>
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<td>USAID OIG</td>
<td>USAID Office of Inspector General</td>
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<tr>
<td>USFOR-A</td>
<td>U.S. Forces - Afghanistan</td>
</tr>
<tr>
<td>VHF</td>
<td>Very High Frequency</td>
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</table>
ENDNOTES

11. These figures take into account the passage of the FY 2010 Supplemental Appropriation.
12. H.R. 4173, “Dodd-Frank Wall Street Reform and Consumer Protection Act,” signed into law on July 21, 2010, includes a provision (Section 989C) that requires the Offices of Inspector General to disclose their peer review activity in their semiannual reports. The Peer Reviews of SIGAR’s Audit and Investigations Directorates were posted to SIGAR’s Web site immediately upon their issuance, before the passage of this Act.
24. See Appendix B of this report.
28. See Appendix B of this report; DoD, response to SIGAR data call, 10/22/2010.
32. USAID, response to SIGAR data call, 10/15/2010.
33. USAID, response to SIGAR data call, 10/15/2010.
34. DoS, response to SIGAR data call, 10/13/2009.
36. See Appendix B of this report.
49. See Appendix B of this report.
ENDNOTES

61. CSTC-A, response to SIGAR data call, 10/4/2010;
64. CSTC-A, response to SIGAR data call, 10/4/2010.
104. OSD, response to SIGAR data call, 10/7/2010.
105. OSD, response to SIGAR data call, 10/7/2010.
111. OSD, response to SIGAR data call, 7/16/2010.
119. See Appendix B of this report.
139. U.S. Senate Committee on Foreign Relations, “Following Meeting with Chairman Kerry, President Hamid Karzai of Afghanistan Pledges To Allow Anti-Corruption Units to Operate Independently,” 8/20/2010.
175. INL, response to SIGAR data call, 10/4/2010; INL, response to SIGAR vetting, 10/18/2010.
ENDNOTES

231. USAID, response to SIGAR data call, 10/5/2010.
245. USAID, response to SIGAR data call, 10/5/2010.
246. USAID, response to SIGAR data call, 10/5/2010.
255. USAID, response to SIGAR data call, 10/14/2010.
ENDNOTES

289. See Appendix B of this report.
321. See Appendix B of this report.
Cover Captions (clockwise from left):

An Afghan examines the complex ballot for the September 18 parliamentary elections. The Afghan Independent Election Commission took full responsibility for elections preparation, using funding provided by the international community through the United Nations Development Programme. Final results will be announced in early November. (USAD photo)

A farmer feeds livestock at the fourth International AgFair, held in Kabul on October 7, 2010. Afghanistan is home to one of the fastest-growing agricultural markets in Central Asia. The fair presented an opportunity for Afghans to showcase their products to potential exporters. (ISAF photo, SSgt Joseph Swafford)

Afghan girls attend the Omid School in Kabul in October. This quarter, more than 100 girls and teachers were poisoned with an agricultural pesticide. Toxicologists confirmed that the exposure was intentional and could not have been caused by casual or regular contact. Attacks on Afghan schoolgirls have occurred regularly since the fall of the Taliban. (U.S. Navy photo, CPO Joshua R. Treadwell)

A cobbler assembles combat boots for the ANA at the Afghan-owned Milli Trading Company factory in Kabul in September. Formerly, U.S. companies supplied boots to the ANA. The Afghan First Initiative encourages the ANA, NATO, ISAF, and U.S. forces to increase procurement from Afghan companies. This factory makes about 2,400 boots per day. (U.S. Air Force photo, SSgt Sarah Brown)

The new Tojg Bridge is open for traffic after three years of construction. Funded by CERP the $1.7 million bridge stretches approximately 300 meters across the Farah River, providing a shorter route between several districts and the capital of Farah. The bridge is expected to enhance economic activity and to reduce the ANA’s response time in the area. (ISAF photo)