

# 3 RECONSTRUCTION UPDATE



## RECONSTRUCTION UPDATE CONTENTS

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**Photo on previous page**

A midwife at the Sar-e-Hause health clinic talks with a young mother as part of a program aimed at improving health and nutrition, as well as reducing Afghanistan's high childbirth and childhood mortality rates. (World Bank photo)

## OVERVIEW

Section 3 presents updates on accomplishments, challenges, and initiatives in Afghanistan reconstruction to provide context for oversight. Sidebars identify SIGAR audits, completed and ongoing, relating to those efforts. Cross-references to Section 1 point to more detail.

SIGAR presents the data in this section in compliance with Public Law 110-181, which mandates that each of SIGAR's quarterly reports to Congress on reconstruction activities in Afghanistan include, among other things:

- obligations and expenditures of appropriated funds
- discussions of U.S. government entities' contracts, grants, agreements, or other mechanisms
- funds provided by foreign nations or international organizations to programs and projects funded by U.S. government entities

## TOPICS

This section has four subsections: Status of Funds, Security, Governance, and Economic and Social Development.

The **Status of Funds** subsection describes monies appropriated, obligated, and disbursed for Afghanistan reconstruction, including U.S. funds and international contributions.

The organization of the other three subsections mirrors the three pillars in the Prioritization and Implementation Plan developed in an international conference in July 2010 and announced by the Afghan government.

The **Security** subsection describes U.S. efforts to bolster the Afghan National Security Forces (the Army and Police), the transition away from private security contracting, and the battle against the narcotics trade.

The **Governance** subsection provides an overview of the Afghan government's progress toward good governance through capacity-building efforts, rule of law initiatives, and human rights recognition. This subsection also describes the status of reconciliation and reintegration, Afghan government control in various provinces, and initiatives to combat corruption.

The **Economic and Social Development** subsection looks at reconstruction activities by sectors like energy, mining, and health. It provides a snapshot

of the state of the economy and updates on progress in regulating financial networks, achieving fiscal sustainability, and delivering essential services.

## **METHODOLOGY**

Section 3 was compiled from open-source and U.S. agency data. Attributions appear in endnotes or notes to tables and figures. Multiple organizations provide data, so numbers may conflict. SIGAR has not verified data other than that in its own audits or investigations. Information from other sources does not necessarily reflect SIGAR's opinion. For details on 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. U.S. agencies responding to the latest data call include the Departments of State, Defense, Transportation, and Treasury, and the U.S. Agency for International Development. Responding agencies received a preliminary draft of this section so they could verify and comment on specific data they provided for this quarterly report.

## **Open-Source Research**

Open-source research draws on the most current, publicly available data from reputable sources. Sources used include the U.S. agencies represented in the data call, the International Security Assistance Force, the United Nations (and relevant branches), the International Monetary Fund, the World Bank, and Afghan ministries and other government organizations.

## UNDERSTANDING THE GRAPHICS AND DATA TERMS

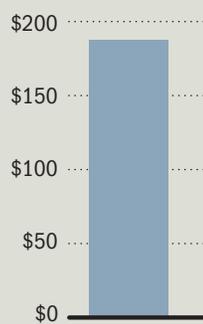
All figures and tables report data for this quarter, except where identified in titles or notes.

### BAR CHARTS

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



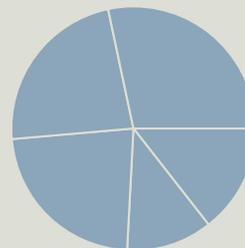
Bar chart with a break in scale



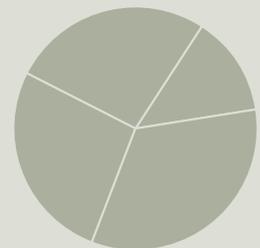
Bar chart without a break in scale

### UNITS IN BILLIONS AND MILLIONS

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



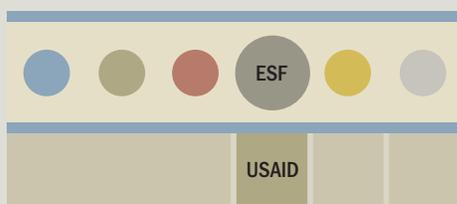
Pie chart in billions



Pie chart in millions

### 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.



### CALENDAR AND SOLAR YEARS

Afghanistan follows the solar Hejri calendar, which began in 622 A.D. in the Gregorian calendar. SIGAR converts Hejri solar years to Gregorian equivalents. The current Afghan solar year (SY) is 1392. It began on March 21, 2013, and ends on March 20, 2014. The Afghan government's fiscal year runs from December 21, 2012, to December 20, 2013.

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## STATUS OF FUNDS

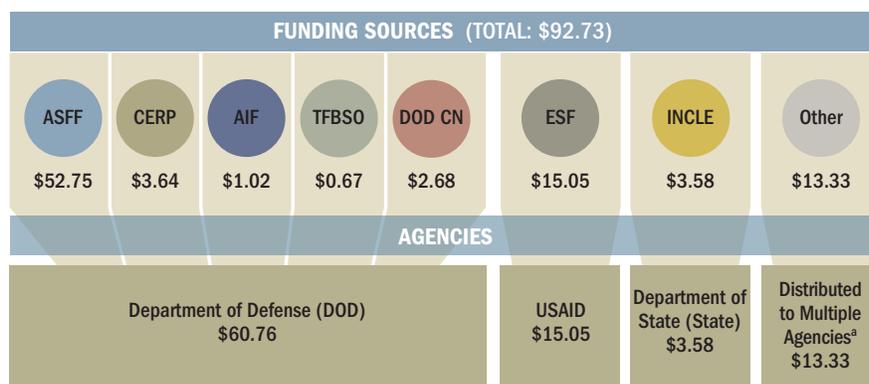
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of March 31, 2013, the United States had appropriated approximately \$92.73 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$54.27 billion for security
- \$22.97 billion for governance and development
- \$6.39 billion for counter-narcotics efforts
- \$2.43 billion for humanitarian aid
- \$6.66 billion for operations and oversight

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

FIGURE 3.1

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



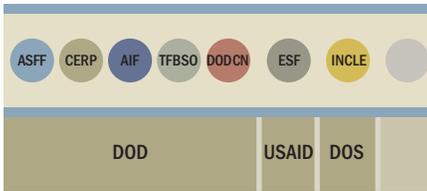
Note: Numbers have been rounded.

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

Sources: DOD, responses to SIGAR data call, 4/17/2013, 4/16/2013, 4/2/2013, 4/1/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2013, 4/10/2013, 4/5/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/5/2013; OMB, response to SIGAR data call, 1/3/2013; USAID, responses to SIGAR data call, 4/18/2013, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

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

# STATUS OF FUNDS



The amount provided to the seven major U.S. funds represents over 85.6% (more than \$79.40 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, over 83.6% (more than \$66.39 billion) has been obligated, and over 73.4% (more than \$58.29 billion) has been disbursed. The following pages provide additional details on these funds.

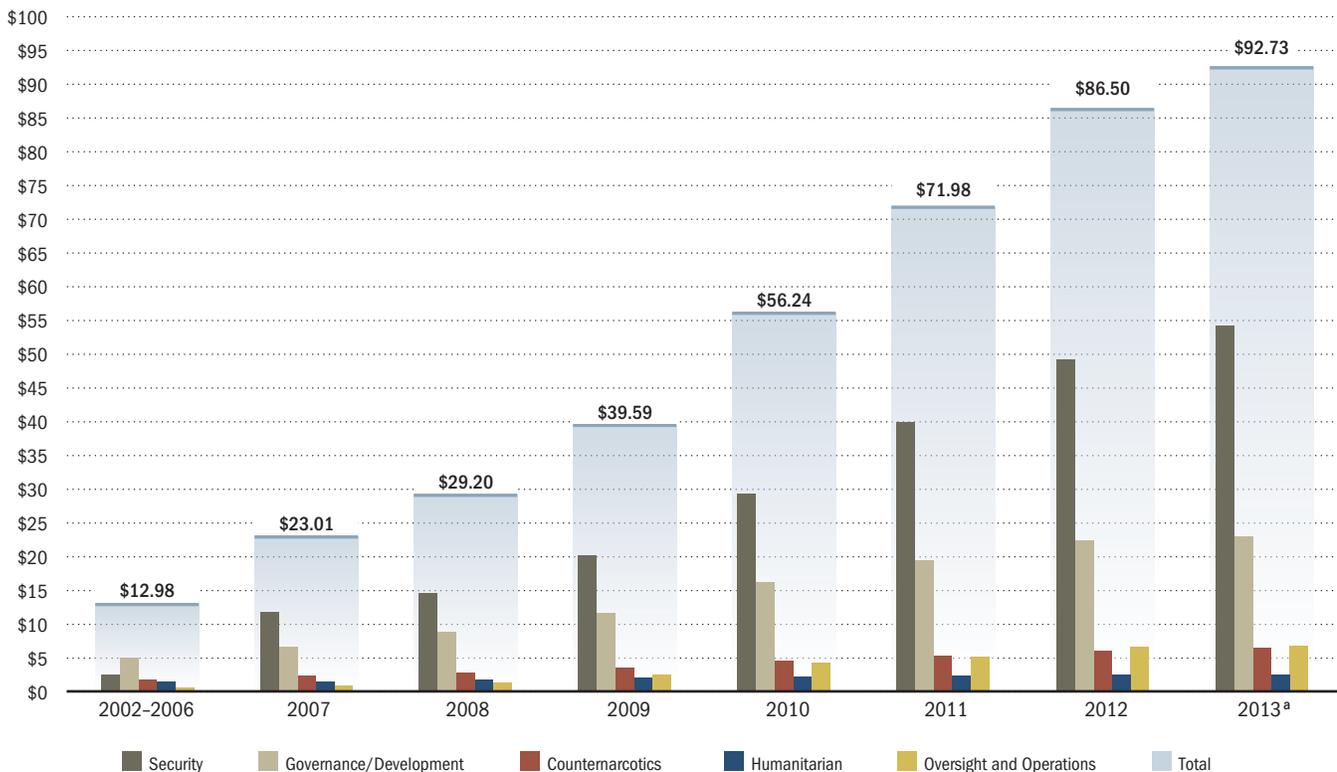
## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of March 31, 2013, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$92.73 billion. This total can be divided into five major categories of reconstruction funding: security, governance and development, counternarcotics, humanitarian, and oversight and operations. For complete information regarding U.S. appropriations, see Appendix B.

On March 26, 2013, President Obama signed the Consolidated and Further Continuing Appropriations Act, 2013, funding the U.S. government for the rest of the fiscal year and increasing cumulative funding for Afghanistan reconstruction to approximately \$92.73 billion, as shown in Figure 3.2. When this report went to press, final FY 2013 appropriation amounts for many Afghanistan relief and reconstruction accounts were still being determined, including State and USAID accounts. FY 2013 funding levels will increase when these amounts are known.<sup>24</sup>

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF MARCH 31, 2013 (\$ BILLIONS)



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

<sup>a</sup> Final appropriation figures for FY 2013 have not been determined for many accounts, including State and USAID accounts.

Sources: DOD, responses to SIGAR data call, 4/17/2013, 4/16/2013, 4/2/2013, 4/1/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2013, 4/10/2013, 4/5/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/5/2013; OMB, response to SIGAR data call, 1/3/2013; USAID, responses to SIGAR data call, 4/18/2013, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

# STATUS OF FUNDS

As of March 31, 2013, appropriations for FY 2013 amounted to more than \$6.22 billion as shown in Figure 3.3. Of this amount, more than \$5.12 billion was appropriated to the ASFF. The FY 2013 funding level for the ASFF is a decrease of more than \$6 billion from the \$11.2 billion initially appropriated in FY 2012. Since May 2012, cumulative appropriations for the ASFF have been reduced a total of \$3 billion. Reprogramming activity and rescissions reduced the FY 2012 appropriation amount from \$11.2 billion to \$9.2 billion, and reprogramming activity reduced the FY 2011 appropriation from \$11.6 billion to \$10.6 billion.<sup>25</sup>

As reported last quarter, a significant amount of FY 2012 funding remains to be obligated. Nearly \$5.21 billion of the more than \$11.76 billion appropriated to four of the largest U.S. reconstruction funds for FY 2012 remained available for obligation, as shown in Table 3.1.<sup>26</sup>

TABLE 3.1

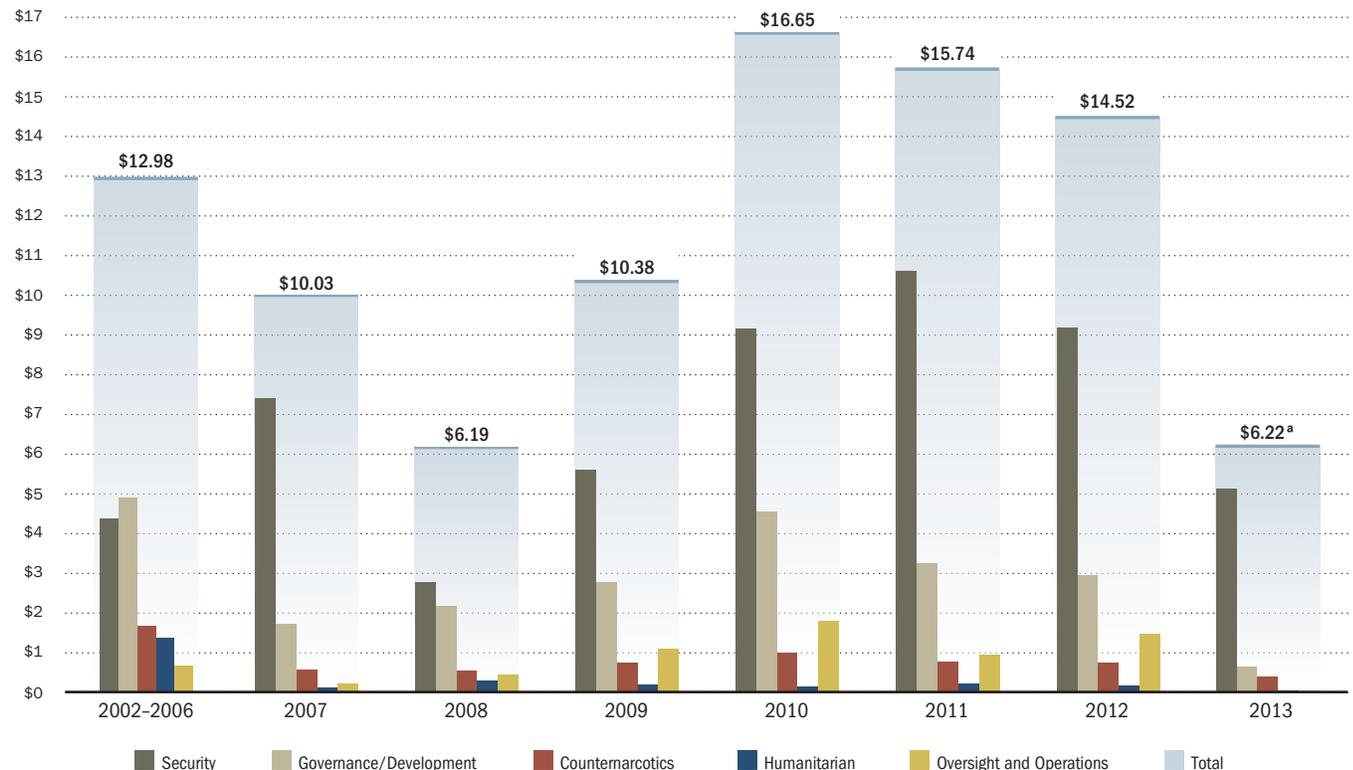
FY 2012 APPROPRIATIONS AND OBLIGATIONS, AS OF MARCH 31, 2013 (\$ MILLIONS)		
	Appropriated	Obligated
ASFF	\$9,200	\$5,936
AIF	\$400	\$321
ESF	\$1,837	\$0
INCLE	\$324	\$293
<b>TOTAL</b>	<b>\$11,761</b>	<b>\$6,550</b>
<b>To Be Obligated</b>		<b>\$5,211</b>

Notes: Numbers have been rounded. DOD reprogrammed \$1 billion out of FY 2012 ASFF, and P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF, reducing the funding level from \$11.2 billion to \$9.2 billion.

Sources: DOD, responses to SIGAR data call, 4/17/2013 and 4/16/2013; USAID, response to SIGAR data call, 4/18/2013; State, response to SIGAR data call, 4/15/2013; P.L. 112-74, 12/23/2011.

FIGURE 3.3

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

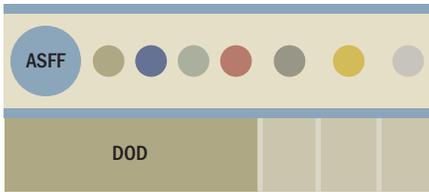


Notes: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

<sup>a</sup> Final appropriation figures for FY 2013 have not been determined for many accounts, including State and USAID accounts.

Sources: DOD, responses to SIGAR data call, 4/17/2013, 4/16/2013, 4/2/2013, 4/1/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2013, 4/10/2013, 4/5/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/5/2013; OMB, response to SIGAR data call, 1/3/2013; USAID, responses to SIGAR data call, 4/18/2013, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/20/2009; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

# STATUS OF FUNDS



## ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## AFGHANISTAN SECURITY FORCES FUND

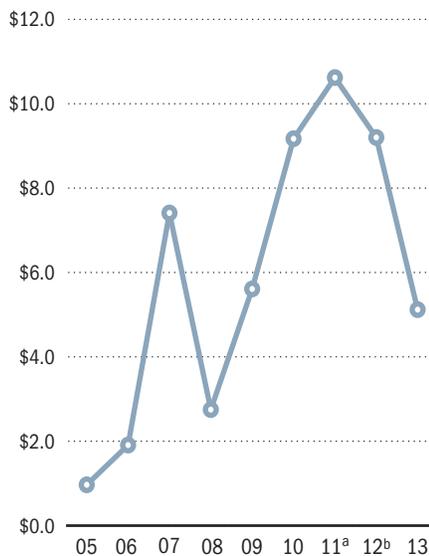
The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, supplies, services, and training, as well as facility and infrastructure repair, renovation, and construction.<sup>27</sup> The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization (NATO) Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan.<sup>28</sup>

The Consolidated and Further Continuing Appropriations Act, 2013, appropriated more than \$5.12 billion for the ASFF for FY 2013, increasing total cumulative funding to nearly \$52.75 billion.<sup>29</sup> As of March 31, 2013, nearly \$44.13 billion of total ASFF funding had been obligated, of which nearly \$39.99 billion had been disbursed.<sup>30</sup> Figure 3.4 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations as of March 31, 2013, increased by nearly \$1.04 billion over cumulative obligations as of December 31, 2012. Cumulative disbursements as of March 31, 2013, increased by more than \$1.85 billion over cumulative disbursements as of December 31, 2012.<sup>31</sup> Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.4

ASFF APPROPRIATED FUNDS BY FISCAL YEAR  
(\$ BILLIONS)



Notes: Numbers have been rounded.

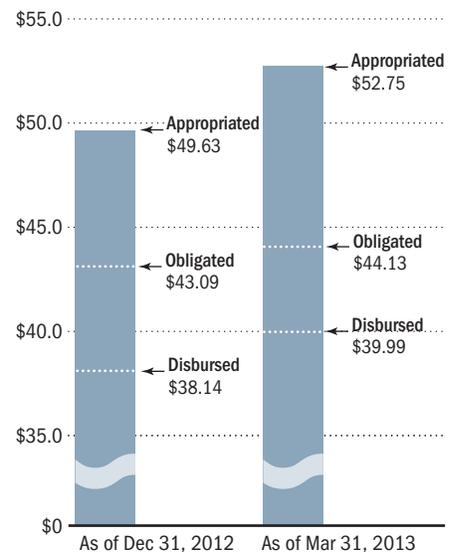
<sup>a</sup> DOD reprogrammed \$1 billion of FY 2011 ASFF.

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

Sources: DOD, response to SIGAR data call, 4/16/2013; P.L. 113-6, 3/26/2013.

FIGURE 3.5

ASFF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers have been rounded.

Sources: DOD, responses to SIGAR data call, 4/16/2013 and 1/17/2013; P.L. 113-6, 3/26/2013.

# STATUS OF FUNDS

## ASFF BUDGET ACTIVITIES

DOD allocates funds to three budget activity groups within the ASFF:

- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.<sup>32</sup>

As of March 31, 2013, DOD had disbursed nearly \$39.99 billion for ANSF initiatives. Of this amount, nearly \$26.25 billion was disbursed for the ANA, and nearly \$13.47 billion was disbursed for the ANP; the remaining more than \$0.27 billion was directed to related activities.<sup>33</sup>

As shown in Figure 3.6, the largest portion of the funds disbursed for the ANA—nearly \$10.38 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—more than \$4.67 billion—supported Sustainment, as shown in Figure 3.7.<sup>34</sup>

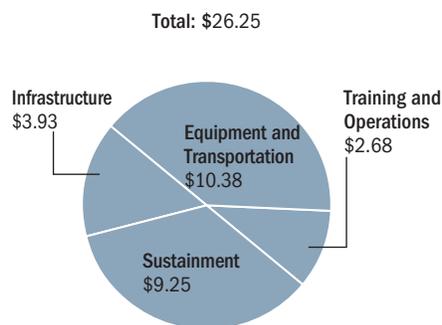
**Budget Activity Groups:** categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

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

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

FIGURE 3.6

**ASFF DISBURSEMENTS FOR THE ANA  
By Sub-Activity Group  
FY 2005–March 31, 2013 (\$ BILLIONS)**

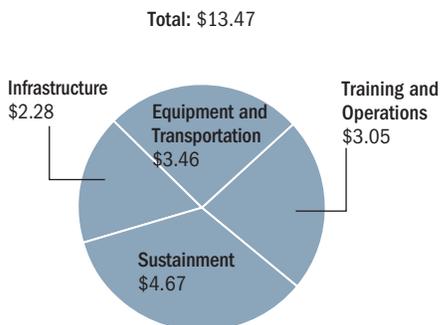


Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 4/16/2013.

FIGURE 3.7

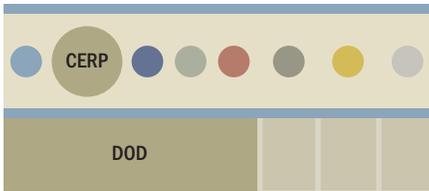
**ASFF DISBURSEMENTS FOR THE ANP  
By Sub-Activity Group  
FY 2005–March 31, 2013 (\$ BILLIONS)**



Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 4/16/2013.

# STATUS OF FUNDS



## CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

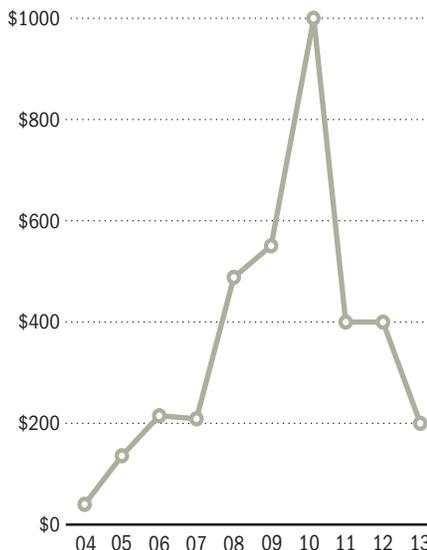
## COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.<sup>35</sup> Projects with cost estimates exceeding \$1 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over \$5 million require approval from the Deputy Secretary of Defense. CERP-funded projects may not exceed \$20 million.<sup>36</sup>

The Consolidated and Further Continuing Appropriations Act, 2013, appropriated \$200 million for CERP for FY 2013, increasing total cumulative funding to nearly \$3.64 billion.<sup>37</sup> Of this amount, DOD reported that more than \$2.27 billion had been obligated, of which more than \$2.20 billion had been disbursed.<sup>38</sup> Figure 3.8 shows CERP appropriations by fiscal year, and Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.8

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

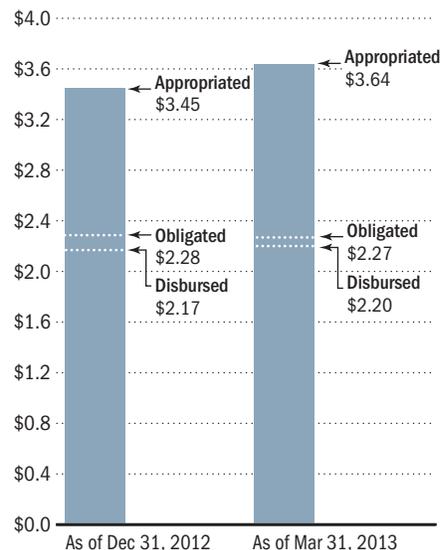


Notes: Numbers have been rounded. Data may include inter-agency transfers.

Sources: DOD, response to SIGAR data call, 4/17/2013; OMB, response to SIGAR data call 1/4/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.9

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



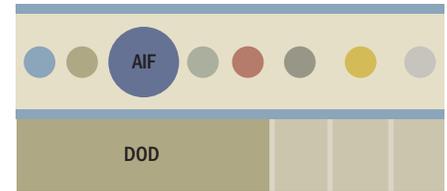
Notes: Numbers have been rounded. Data may include inter-agency transfers. Updated data resulted in a lower obligated figure.

Sources: DOD, responses to SIGAR data call, 3/17/2013 and 1/15/2013; OMB, response to SIGAR data call, 1/4/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

## AFGHANISTAN INFRASTRUCTURE FUND

The Ike Skelton National Defense Authorization Act for FY 2011 established the Afghanistan Infrastructure Fund (AIF) to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. Thirty days before obligating or expending funds on an AIF project, the Secretary of Defense and Secretary of State are required to notify Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.<sup>39</sup>

The Consolidated and Further Continuing Appropriations Act, 2013, appropriated \$325 million for the AIF for FY 2013, increasing total cumulative funding to more than \$1.02 billion.<sup>40</sup> This figure excludes \$101 million of FY 2011 AIF funds transferred to the FY 2011 Economic Support Fund for USAID's AIF-funded infrastructure project. As of March 31, 2013, approximately \$616.40 million of total AIF funding had been obligated, of which approximately \$102.90 million had been disbursed.<sup>41</sup> Figure 3.10 shows AIF appropriations by fiscal year, and Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for AIF projects.



### AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

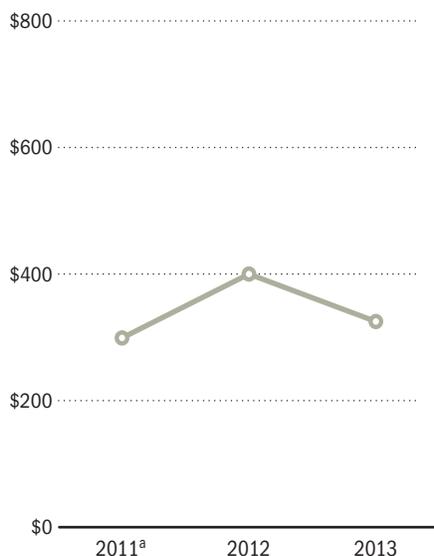
**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

FIGURE 3.10

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



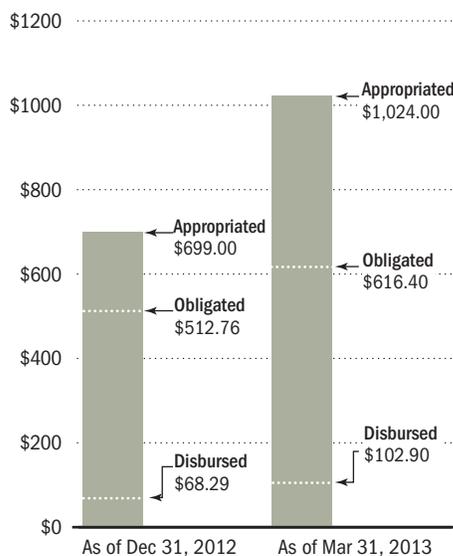
Notes: Numbers have been rounded.

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

Sources: DOD, response to SIGAR data call, 3/17/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.11

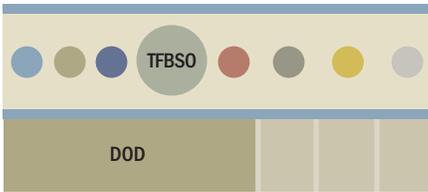
**AIF FUNDS, CUMULATIVE COMPARISON**  
(\$ MILLIONS)



Notes: Numbers have been rounded. Figures exclude \$101 million from FY 2011 transferred to USAID to execute an AIF project.

Sources: DOD, responses to SIGAR data call, 3/17/2013 and 1/17/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

# STATUS OF FUNDS



## TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

The Task Force for Business and Stability Operations (TFBSO) was established in June 2006 and operated for several years in Iraq. In 2010, TFBSO began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.<sup>42</sup>

As of March 31, 2013, TFBSO had been appropriated more than \$117.28 million for FY 2013, bringing cumulative appropriations for the task force to nearly \$672.04 million.<sup>43</sup> Of this amount, more than \$551.11 million had been obligated and more than \$369.97 million had been disbursed.<sup>44</sup> Figure 3.12 displays the amounts appropriated for TFBSO projects by fiscal year, and Figure 3.13 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.

FIGURE 3.12

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

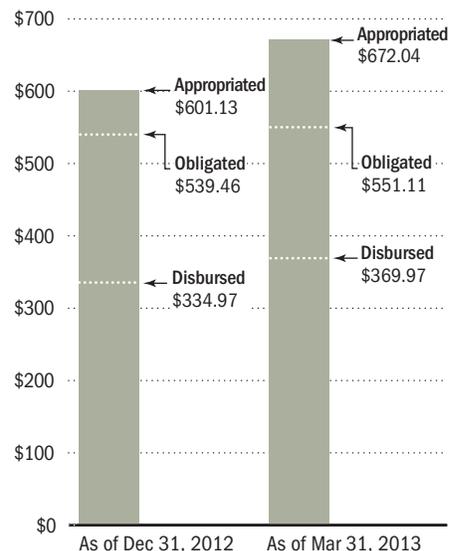


Notes: Numbers have been rounded. Data may include inter-agency transfers.

Sources: DOD, response to SIGAR data call, 4/2/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.13

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



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

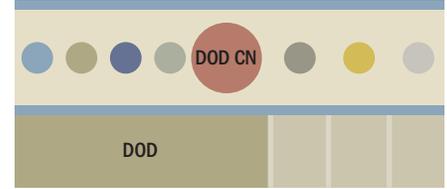
Sources: DOD, responses to SIGAR data call, 4/2/2013 and 1/4/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

## DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DOD's Drug Interdiction and Counter-Drug Activities Fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counternarcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.<sup>45</sup>

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counternarcotics Central Transfer Account to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.<sup>46</sup>

As of March 31, 2013, DOD reported that DOD CN received nearly \$372.07 million for Afghanistan for FY 2013, bringing cumulative funding for DOD CN to nearly \$2.68 billion since fiscal year 2004.<sup>47</sup> Figure 3.14 shows DOD CN appropriations by fiscal year, and Figure 3.15 provides a cumulative comparison of amounts appropriated and transferred to the military services and defense agencies for DOD CN projects.



### DOD CN FUNDS TERMINOLOGY

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

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

FIGURE 3.14

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

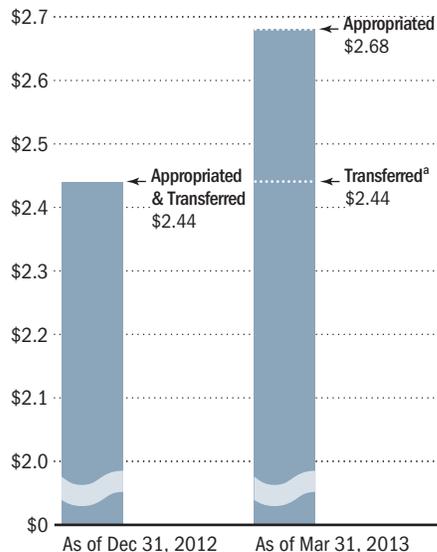


Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 4/1/2013.

FIGURE 3.15

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

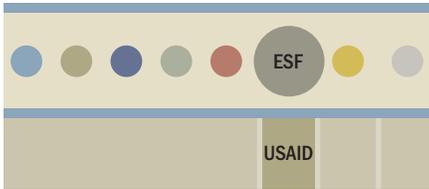


Notes: Numbers have been rounded.

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

Sources: DOD, responses to SIGAR data call, 4/1/2013 and 1/2/2013.

# STATUS OF FUNDS



## ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counterterrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.<sup>48</sup>

As of March 31, 2013, final FY 2013 funding levels for the ESF had not been determined. USAID reported that cumulative funding for the ESF amounted to more than \$15.05 billion. Of this amount, nearly \$12.90 billion had been obligated, of which more than \$10.61 billion had been disbursed.<sup>49</sup> Figure 3.16 shows ESF appropriations by fiscal year. Figure 3.17 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of March 31, 2013, increased by nearly \$2.98 million over cumulative obligations as of December 31, 2012. Cumulative disbursements as of March 31, 2013, increased by nearly \$232.60 million over cumulative disbursements as of December 31, 2012.<sup>50</sup> Figure 3.17 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.16

**ESF APPROPRIATIONS BY FISCAL YEAR**  
(\$ BILLIONS)

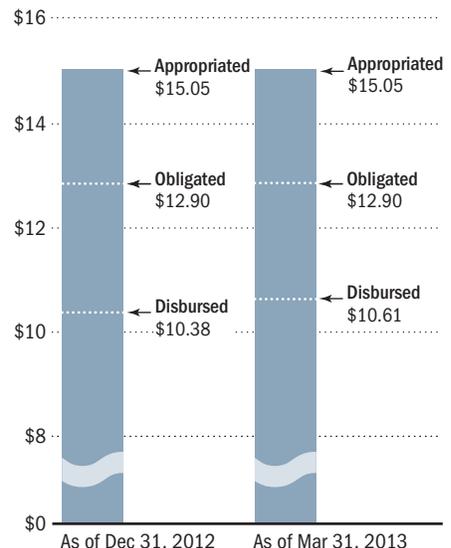


Notes: Numbers have been rounded. FY 2011 figure includes \$101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund. Final FY 2013 appropriation amount has not been determined.

Source: USAID, response to SIGAR data call, 4/18/2013.

FIGURE 3.17

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



Notes: Numbers have been rounded. Data may include inter-agency transfers. Figures include \$101 million from FY 2011 that was transferred to the ESF from the Afghanistan Infrastructure Fund. Final FY 2013 appropriation amount has not been determined.

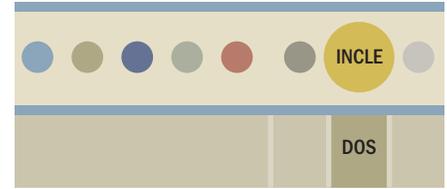
Sources: USAID, responses to SIGAR data call, 4/18/2013 and 1/3/2013.

## INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counter-narcotics, and rule of law and justice.<sup>51</sup>

As of March 31, 2013, final FY 2013 funding levels for INCLE had not been determined. State reported that cumulative funding for INCLE amounted to more than \$3.58 billion. Of this amount, nearly \$3.49 billion had been obligated, of which nearly \$2.58 billion had been disbursed.<sup>52</sup> Figure 3.18 shows INCLE appropriations by fiscal year. Figure 3.19 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of March 31, 2013, increased by nearly \$247.71 million over cumulative obligations as of December 31, 2012. Cumulative disbursements as of March 31, 2013, increased by nearly \$68.37 million over cumulative disbursements as of December 31, 2012.<sup>53</sup> Figure 3.19 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



### INL FUNDS TERMINOLOGY

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

**Appropriations:** Total monies available for commitments

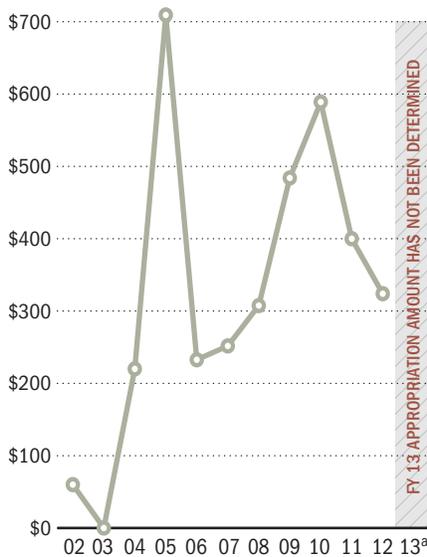
**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

FIGURE 3.18

INCLE APPROPRIATIONS BY FISCAL YEAR  
(\$ MILLIONS)



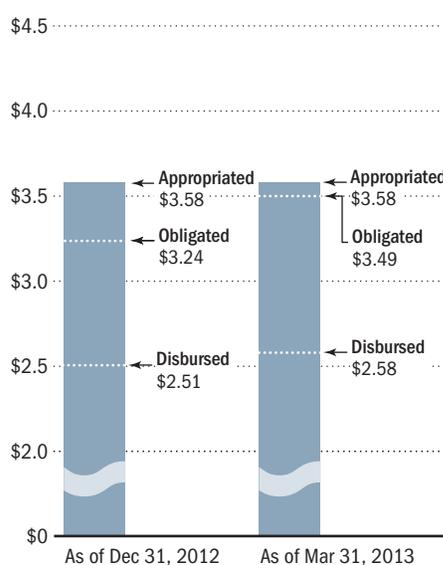
Notes: Numbers have been rounded. Data may include inter-agency transfers.

<sup>a</sup> Figure reflects amount obligated under continuing resolutions because the final FY 13 appropriation amount has not been determined.

Source: State, response to SIGAR data call, 4/15/2013.

FIGURE 3.19

INCLE FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Notes: Numbers have been rounded. Data may include inter-agency transfers. Final FY 13 appropriation amount has not been determined.

Sources: State, responses to SIGAR data call, 4/15/2013 and 1/8/2013.

# STATUS OF FUNDS

## INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

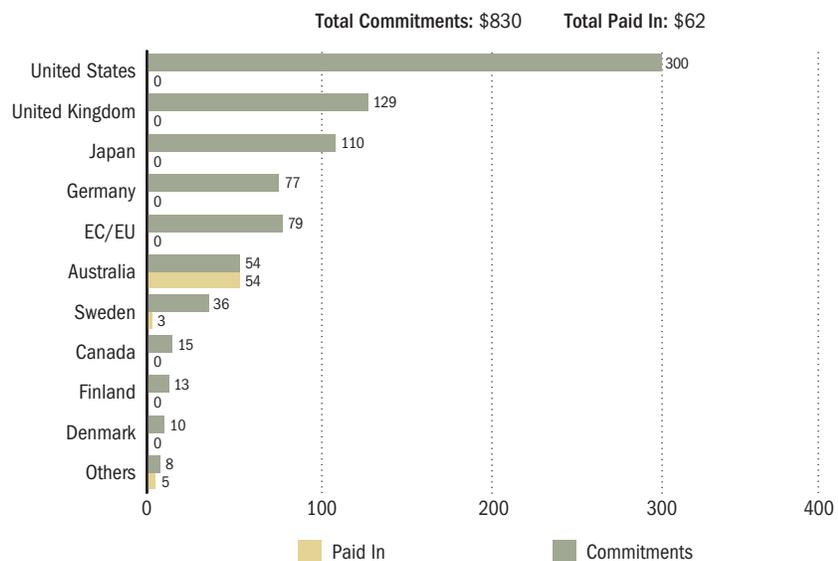
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).<sup>54</sup>

### The Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to March 20, 2013, the World Bank reported that 33 donors had pledged more than \$6.94 billion, of which nearly \$6.18 billion had been paid in.<sup>55</sup> According to the World Bank, donors have pledged approximately \$830.35 million to the ARTF for Afghan fiscal year 1392, which runs from December 21, 2012 to December 20, 2013.<sup>56</sup> Figure 3.20 shows the 10 largest donors to the ARTF for FY 1392.

FIGURE 3.20

ARTF CONTRIBUTIONS FOR FY 1392 BY DONOR, AS OF MARCH 20, 2013 (\$ MILLIONS)



Notes: Numbers have been rounded. FY 1392 = 12/21/2012–12/20/2013.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of March 20, 2013," p. 1.

# STATUS OF FUNDS

As of March 20, 2013, the United States had pledged more than \$2.04 billion and paid in more than \$1.74 billion since 2002.<sup>57</sup> The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing nearly 47% of its total funding, as shown in Figure 3.21.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.<sup>58</sup> As of March 20, 2013, according to the World Bank, more than \$2.69 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.<sup>59</sup> The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “prefer” ( earmark) more than half of their annual contributions for desired projects.<sup>60</sup>

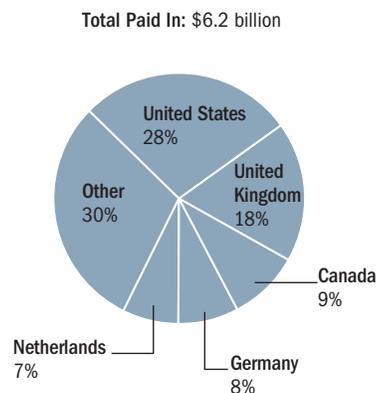
The Investment Window supports the costs of development programs. As of March 20, 2013, according to the World Bank, more than \$2.91 billion had been committed for projects funded through the Investment Window, of which nearly \$1.91 billion had been disbursed. The World Bank reported 22 active projects with a combined commitment value of nearly \$1.86 billion, of which approximately \$856.00 million had been disbursed.<sup>61</sup>

## The Law and Order Trust Fund for Afghanistan

The United Nations Development Programme administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior.<sup>62</sup> Since 2002, donors have pledged more than \$2.75 billion to the LOTFA, of which nearly \$2.75 billion had been paid in, according to the most recent data available.<sup>63</sup> The LOTFA’s sixth support phase started on January 1, 2011, and ran through March 31, 2013. In the 24 months since Phase VI began, the UNDP had transferred nearly \$1.03 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional \$22.55 million for capacity development and other LOTFA initiatives.<sup>64</sup> As of December 31, 2012, donors had committed more than \$1.22 billion to the LOTFA for Phase VI. Of that amount, the United States had committed more than \$394.56 million, and Japan had committed more than \$485.27 million. Their combined commitments make up nearly 72% of LOTFA Phase VI commitments.<sup>65</sup> The United States had contributed more than \$950.22 million to the LOTFA since the fund’s inception.<sup>66</sup> Figure 3.22 shows the four largest donors to the LOTFA since 2002, based on the latest data available.

FIGURE 3.21

ARTF CONTRIBUTIONS PAID IN BY DONORS SY 1381 (2002)–MARCH 20, 2013 (PERCENT)

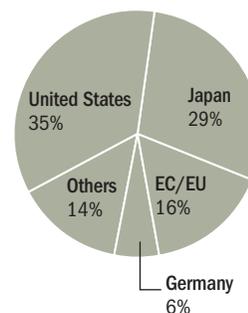


Note: Numbers have been rounded.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of March 20, 2013," p. 4.

FIGURE 3.22

DONORS' CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF DECEMBER 31, 2012 (PERCENT)



Notes: Numbers have been rounded. EC/EU = European Commission/European Union. "Others" includes 18 donors.

Sources: UNDP, "LOTFA 2012 Annual Project Progress Report," p. 24, 3/17/2013; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 4/20/2013.

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## SECURITY

As of March 31, 2013, the U.S. Congress had appropriated more than \$54 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$52.7 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided to the Combined Security Transition Command-Afghanistan (CSTC-A), the lead U.S. agency responsible for ANSF development. The purpose of the funding is to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the \$52.7 billion appropriated for the ASFF, approximately \$44.1 billion had been obligated and \$40.0 billion disbursed as of March 31, 2013.<sup>67</sup>

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

### U.S. FUNDING

On March 26, 2013, President Obama signed the “Consolidated and Further Continuing Appropriations Act, 2013” into law. This law provides \$5.12 billion for the ASFF for fiscal year (FY) 2013. This was \$625 million less than the amount sought in the Department of Defense’s (DOD) FY 2013 budget request. The cuts included \$100 million for ANA infrastructure and a general reduction of \$525 million “due to lack of execution.”<sup>68</sup> This does not include any amounts that may be affected by budget sequestration.

Prior-year ASFF funding has also been reduced. DOD **reprogrammed** \$1 billion of the FY 2011 ASFF. In addition, DOD reprogrammed \$1 billion of FY 2012 ASFF and, as part of the FY 2013 appropriations, Congress provided for **rescission** of another \$1 billion. These changes reduced the amount of FY 2012 ASFF from \$11.2 billion to \$9.2 billion.<sup>69</sup>

### The Law and Order Trust Fund for Afghanistan

As noted in the Status of Funds section of this report (page 67), the Law and Order Trust Fund for Afghanistan (LOTFA) is a multinational trust fund,

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**Reprogramming action:** permits the use of funds for purposes other than those originally intended by Congress. Depending on the circumstances, approval for reprogramming may be internal to DOD or may involve Congress.

**Rescission:** cancels budget authority previously provided by Congress. The Impoundment Control Act of 1974 specifies that the President may propose to Congress that funds be rescinded. If both Houses have not approved a rescission proposal (by passing legislation) within 45 days of continuous session, any funds being withheld must be made available for obligation.

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Sources: Defense Acquisition University, “Lesson 10: Financial Management: Program/Budget Execution,” accessed 4/12/2013; U.S. Senate, Glossary, accessed 4/12/2013.

administered by the United Nations Development Programme (UNDP), to pay ANP salaries and other ANP-related recurring costs, to build the capacity of the Ministry of Interior (MOI), and for community policing initiatives. Since 2002, donor countries had paid more than \$2.7 billion into this fund, of which the United States, the largest contributor, provided more than \$950 million. Most U.S. funding provided through the LOTFA is from the ASFF (see ANP Salaries in this section, page 101).

This quarter, LOTFA continued to meet the salary and remuneration requirements of Afghanistan's police officers and prison personnel, according to the UN Secretary-General. The UNDP Office of Audit and Investigations completed an inquiry into the LOTFA and distributed a summary to donors. Action on its findings is expected.<sup>70</sup> SIGAR had not seen the inquiry at the time this report went to press.

## **NATO ANA Trust Fund**

In addition to U.S.-provided funding in the security sector, most of which is routed through the ASFF, NATO also provides funding through its ANA Trust Fund. Through this fund, 22 countries (including the non-NATO country Japan) have donated nearly \$715 million since 2007, though often with restrictions on use. ANA Trust Fund donations are not direct contributions to the Afghan government. These funds are administered by the United States on behalf of NATO and non-NATO donors and are provided through the ASFF to pay for ANA sustainment (such as salaries and incentives), logistical support, and non-recurring costs (such as equipment). The DOD Office of Inspector General is currently auditing the NATO ANA Trust Fund; the audit is expected to be completed in summer 2013.<sup>71</sup>

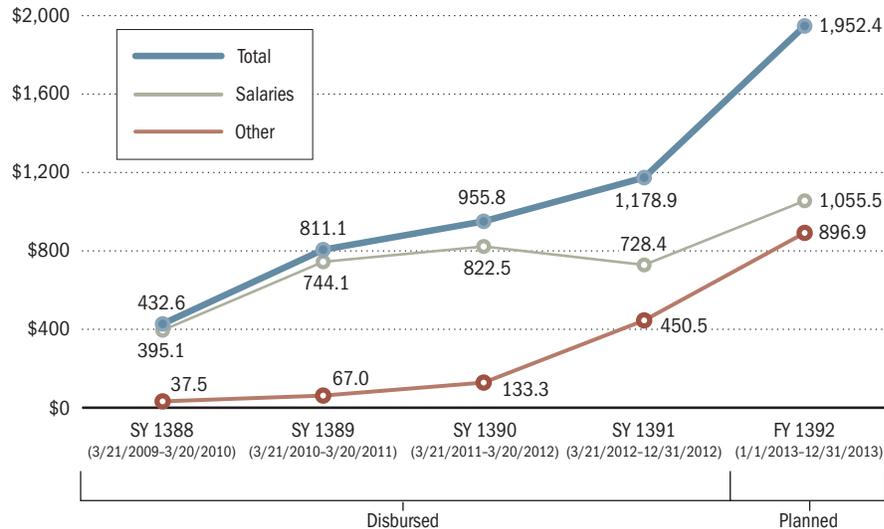
## **U.S. ON-BUDGET ASSISTANCE TO THE ANSF**

From March 21, 2009, through December 31, 2012, the United States has provided \$3.38 billion from the ASFF in direct, on-budget assistance to the government of Afghanistan; \$1.95 billion in direct assistance is planned for 2013, but has not yet been disbursed. Most disbursed and planned funding (\$3.75 billion) is to support the Afghan government's operational budget to pay for salaries, as shown in Figure 3.23. The rest (\$1.59 billion) covers sustainment-related expenses such as repairs and maintenance of facilities and equipment, and water and electrical service.<sup>72</sup>

More on-budget assistance is being provided as Afghans continue to improve their financial management capability and capacity. While this increases the risk to U.S. funding by limiting visibility of these funds and their use, it also increases the Afghan government's capacity to execute larger amounts and prepares it to identify and pay for future ANSF requirements.

FIGURE 3.23

## ASFF DIRECT CONTRIBUTIONS TO THE AFGHAN GOVERNMENT (\$ MILLIONS)



Note: Numbers have been rounded; SY = Afghan Solar Year; FY = Afghan Fiscal Year; increases in the "other" category reflect an ongoing shift from off-budget to on-budget assistance.

Source: CSTC-A, responses to SIGAR data call, 4/16/2013.

## KEY EVENTS THIS QUARTER

Most of the quarter's key events in security relate to the transition of security responsibility from Coalition Forces to the ANSF. These events included: a NATO-led International Security Assistance Force (ISAF) change of command, the MOI's new 10-year vision for the ANP; the first meeting of the new U.S. Secretary of Defense and President Karzai; and discussions of the size of the ANSF, the U.S. military footprint in the coming years, and the presence of U.S. Special Forces in certain provinces. Other key events related to the security environment include the rise in ANSF casualties, the ongoing threat of insider attacks, and the second-to-last tranche of provinces and districts beginning the transition from Coalition-led to ANSF-led security.

### General Dunford Assumes Command of ISAF

At a February 10 ceremony, departing ISAF and U.S. Forces commander General John R. Allen passed the reins to incoming commander General Joseph F. Dunford Jr.

U.S. and NATO leaders praised General Allen for his work during his 19 months of command in Afghanistan. In his remarks, General Dunford said, "Today is not about change, it's about continuity."<sup>73</sup>



General Joseph F. Dunford observes ANSF training on March 18, 2013. General Dunford assumed command of ISAF and USFOR-A in February 2013. (NTM-A photo)

## **New Police Initiative**

On February 5, 2013, the Minister of the Interior presented a draft 10-year vision for the Ministry and the ANP to the International Police Coordination Board, according to the UN Secretary-General. The strategy was created to transform the police from a security force into a law-enforcement and community-policing force. This followed the United Nations' launch of a democratic policing project funded by the Dutch government. The three-year project, which emphasizes outreach to women and children, is designed to empower Afghans to be more active in the issues of police accountability and community engagement.<sup>74</sup>

Also in February, senior MOI officials traveled to Turkey to observe community-policing initiatives during a 10-day study tour. LOTFA funds supported the tour.<sup>75</sup>

## **Secretary of Defense Meets with President Karzai**

On March 10, 2013, Secretary of Defense Chuck Hagel met with President Karzai in Kabul. The meeting followed controversial remarks by President Karzai suggesting that the United States was conspiring with the Taliban to keep violence levels high in order to ensure a U.S. military presence in Afghanistan beyond 2014. The Secretary discussed those comments with the Afghan president and denied the accusation. The Secretary also said that any negotiation with the Taliban “must come from the Afghan government.”<sup>76</sup>

## **U.S., Coalition, and ANSF Force Strength through 2018**

As transition from Coalition-led to Afghan-led security continues throughout Afghanistan, policy makers and military leaders must consider the right balance of Afghan and Coalition forces over the next few years. At the 2012 NATO Summit in Chicago, the leaders of ISAF-contributing countries outlined a plan to reduce the ANSF to a more fiscally sustainable 228,500-strong force in 2017. However, this quarter, U.S. officials suggested the current ANSF end-strength goal of 352,000 could be maintained through 2018.

On February 22, 2013, following a meeting of NATO defense ministers in Brussels, then Secretary of Defense Leon Panetta said the plan to reduce the Afghan force would not go forward and that it made sense to maintain a 352,000-strong ANSF through 2018. He also noted that the United States will maintain a force of 60,000 troops in Afghanistan through the spring and summer fighting seasons, then cut the U.S. presence to 34,000 by February 2014. U.S. forces are expected to stay at that level through the 2014 Afghan election cycle, then begin a final drawdown.<sup>77</sup>

On March 5, 2013, U.S. Central Command (CENTCOM) commander General James Mattis told the Senate Armed Services Committee he recommended a post-2014 force of 20,000 Coalition troops—13,600 of them U.S.—in Afghanistan. In their February meeting, NATO defense ministers discussed leaving a force of 9,500 U.S. and 6,000 Coalition troops.<sup>78</sup> A final

decision on a post-2014 Coalition force strength had not been reached as this report went to press.

On March 8, 2013, the Dutch Prime Minister announced that the Netherlands would end its Afghan police-training mission in July 2013.<sup>79</sup>

## U.S. Special Forces in Wardak

U.S. Special Forces are leaving Wardak following Afghan allegations that they harassed and killed citizens there. President Karzai said an Afghan-American citizen originally from Kandahar was part of a Special Forces team in Wardak and “was violating the rights of the Afghan people massively.”<sup>80</sup> In one example, he also noted that local residents complained after a student was found dead and alleged that U.S. forces had taken him from his home two days earlier.<sup>81</sup> ISAF officials have said that no evidence was found linking U.S. troops to abuse or murder in the region, but formed a joint ISAF/Afghan commission to further review allegations.<sup>82</sup> On February 24, 2013, President Karzai announced ISAF would stop all Special Forces operations in Wardak following the reports of “repeated local complaints of harassment and annoyance by the American Special Forces.”<sup>83</sup> Karzai told the Ministry of Defense (MOD) to make sure all U.S. Special Forces were out of the province within two weeks.<sup>84</sup>

On March 25, 2013, a senior U.S. official said ISAF and the Afghan government had reached a “favorable resolution.” The official said, “It wasn’t a complete departure of U.S. security forces from Wardak province; it was a transition from U.S. security forces to Afghan security forces in a small section of Wardak in the end.”<sup>85</sup> President Karzai welcomed the announcement of the withdrawal and said Afghan forces “will move in to provide security for the region.”<sup>86</sup>

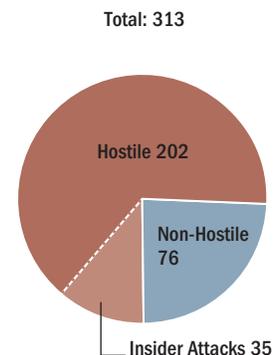
## Insider Attacks

The number of insider attacks (Afghans in uniform attacking their Coalition partners) has been on the rise, from two attacks in 2008 to 46 attacks in 2012.<sup>87</sup> The 2012 attacks resulted in 62 Coalition deaths, 35 of them U.S. personnel.<sup>88</sup> This accounts for more than 11% of all U.S. casualties and 15% of all U.S. casualties resulting from hostile actions in 2012, as shown in Figure 3.24. In addition, insider attacks by ANSF personnel (or individuals posing as ANSF personnel) against other ANSF personnel rose from three in 2008 to 29 in 2012 (through the end of September).<sup>89</sup>

This quarter, insider attacks continued. On March 8, two U.S. soldiers and two Afghan soldiers were killed and 10 U.S. soldiers were wounded in Wardak when an Afghan in uniform opened fire on them. According to media accounts of the incident, Coalition forces quickly returned fire and killed the attacker.<sup>90</sup> This was the third insider attack in 2013. In separate incidents this year, a British soldier was killed on January 7 and a U.S. contractor was killed on March 8.<sup>91</sup>

FIGURE 3.24

U.S. MILITARY DEATHS IN AFGHANISTAN:  
JANUARY 1 THROUGH DECEMBER 31, 2012



Note: “Non-Hostile” includes deaths from accident, injury, illness, homicide, or suicide.

Sources: DOD, Defense Casualty Analysis System, accessed 4/17/2013; DOD, “Report on Progress Toward Security and Stability in Afghanistan,” 12/2012, pp. 34–35; DOD, “Apparent Insider Attack Kills 2 Americans, 2 Afghans,” 3/11/2013.

In addition to insider attacks aimed primarily at U.S. and Coalition forces, insider attacks by Afghan police and soldiers against their colleagues continued this quarter. Notably, 17 U.S.-trained Afghan Local Police (ALP) personnel in Ghazni were killed February 27 after one of their own drugged and shot them, stole their weapons, and fled, according to a media report.<sup>92</sup> The Taliban claimed responsibility for that attack.<sup>93</sup> In an incident on March 21, an ALP member killed five other Afghan police personnel in Badghis.<sup>94</sup>

## TRANSITION PROGRESS

As of February 2013, four of five tranches (geographic areas) were transitioning to ANSF-led security with Tranche 4 just beginning the process this quarter, according to DOD. As of the end of February 2013, the ANSF had begun to assume the lead for security in 312 of the country's 405 districts where approximately 87% of Afghans were living. In all, 23 of Afghanistan's 34 provinces were completely in transition and areas in all 34 provinces were in some stage of transition.<sup>95</sup>

To ensure that security is maintained in transitioning areas, ISAF will continue to provide training, advising, and other support to the ANSF, according to DOD. As ANSF capabilities improve, ISAF support will be adjusted, allowing ANSF to move into the operational lead. DOD noted that counterinsurgency operations are increasingly Afghan planned, prepared, and executed with advice and enabler support provided by Coalition Security Force Assistance Teams. This support includes fire, air, aviation, medical evacuation, and counter-IED support to augment ANSF capabilities that are still under development. During this transition period, Coalition forces will realign their posture to set the conditions for the ANSF to assume full security responsibility in late 2014, prior to the withdrawal of the bulk of remaining Coalition troops.<sup>96</sup>

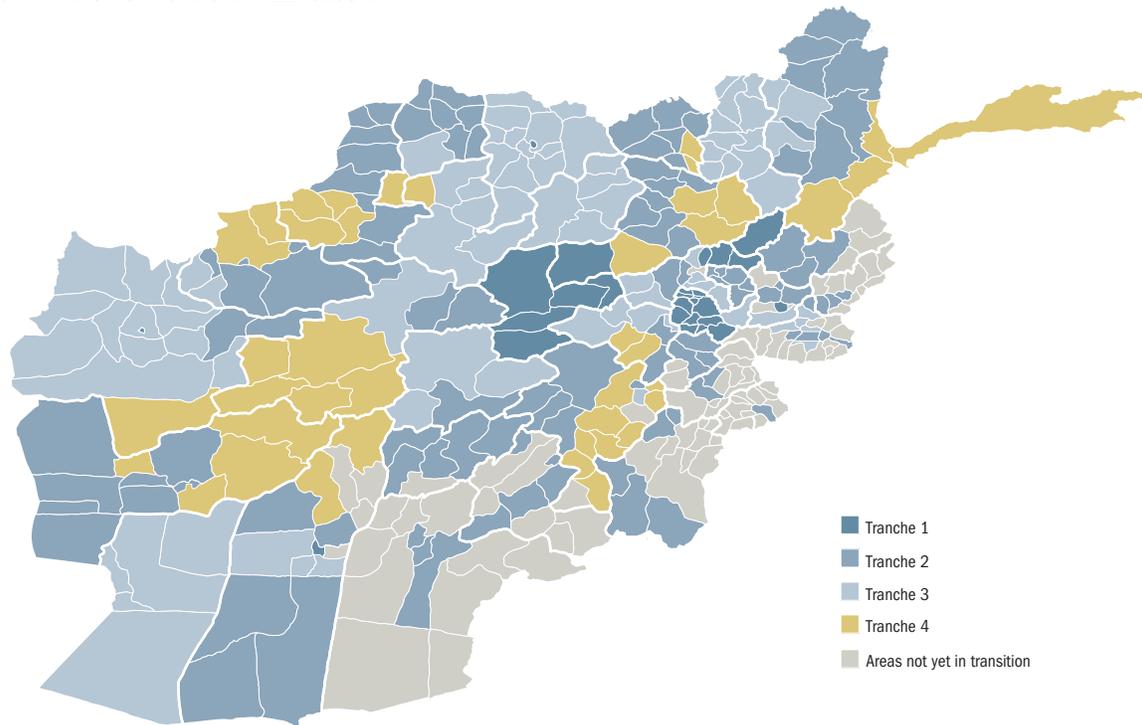
According to DOD, Tranche 5 will be announced this spring and will mark the point at which the ANSF will assume the operational lead for 100% of the population with ISAF in a support role through their train-advise-assist mission. Tranche 5 will be in the final tranche in the transition process and is expected to be implemented during the summer of 2013.<sup>97</sup> It includes a total of 91 districts in 11 provinces, mainly along the remaining eastern border areas, as shown in Figure 3.25.

## U.S. FORCES

According to the U.S. Central Command, 70,000 U.S. forces were serving in Afghanistan as of March 31, 2013. Of those, approximately 48,200 were assigned to ISAF and 1,800 to the NATO Training Mission-Afghanistan (NTM-A)/CSTC-A. Of the remaining U.S. personnel, 7,500 were assigned to the U.S. Forces-Afghanistan and 12,500 were designated "other military

FIGURE 3.25

## AREAS IN TRANSITION TO AFGHAN-LED SECURITY



Notes: Tranches include cities, districts, and provinces (or parts thereof). Tranche 1 began in July 2011, Tranche 2 in November 2011, Tranche 3 in July 2012, and Tranche 4 in February 2013. Source: NATO, "Transition to Afghan Lead: Inteqal," accessed 4/18/2013.

personnel."<sup>98</sup> As of April 15, 2013, a total of 2,072 U.S. military personnel have died in Afghanistan—83% of whom were killed in action—and 18,404 were wounded as part of Operation Enduring Freedom.<sup>99</sup>

### ANSF STRENGTH AND PERSONNEL DATA

In February, then Secretary of Defense Leon Panetta said supporting a 352,000-strong ANSF through 2018 is "an investment that would be worth making, because it would allow us greater flexibility as we take down our troops."<sup>100</sup> This is a change from the 228,500-strong ANSF that leaders of nations contributing to ISAF envisaged at the Chicago NATO Summit in May 2012.<sup>101</sup> This quarter, the ANSF force strength was 332,753 (181,834 assigned to the ANA and Afghan Air Force and 150,919 assigned to the ANP).<sup>102</sup> This is 4,763 fewer than the 337,516 ANSF force strength in March 2012, and 19,247 fewer than the end strength goal, as shown in Table 3.2 on the following page.

# SECURITY

TABLE 3.2

ANSF ASSIGNED STRENGTH, FEBRUARY 18, 2013			
ANSF Component	Current Target	Status as of 2/2013	Difference Between Current Strength and Target End-Strength Goals
Afghan National Army	187,000 personnel by December 2012	175,441	-11,559
Afghan National Police	157,000 personnel by February 2013	150,919	-6,081
Afghan Air Force	8,000 personnel by December 2014	6,393	-1,607
<b>ANSF Total</b>	<b>352,000</b>	<b>332,753</b>	<b>-19,247</b>

Sources: DOD, "Report on Progress Toward Security and Stability in Afghanistan," 12/2012, p. 56; CSTC-A, responses to SIGAR data calls, 1/2/2013, 1/4/2013, 1/6/2013, and 4/1/2013.

## SIGAR AUDIT

This quarter, SIGAR began an audit to assess the reliability and usefulness of data for the number of ANSF personnel authorized, assigned, and trained. This audit will also look at the methodology for gathering data on ANSF, including the extent to which DOD reviews and validates the information collected. For more information, see Section 2, page 32.

The goal to "train and field" 352,000 ANSF personnel by October 2012 was not met, although DOD reported that the ANSF reached its "recruiting" goal of 352,000.<sup>103</sup> In its December 2012 report to Congress, DOD noted that the number of reported ANSF personnel fell in 2012 after civilian personnel were removed from ANA force-strength reports. DOD also said the date for achieving an end strength of 352,000 ANSF personnel is by December 2014: 187,000 in the ANA by December 2012, 157,000 in the ANP by February 2013, and 8,000 in the Afghan Air Force by December 2014. However, according to DOD, the dates for all of these personnel to be trained, equipped, and fielded are December 2013 for the ANA and ANP, and December 2017 for the Afghan Air Force.<sup>104</sup>

Accurate and reliable accounting for ANSF personnel is necessary to help ensure that U.S. funds that support the ANSF are used for legitimate and eligible costs. However, SIGAR and others have reported that determining ANSF strength is fraught with challenges. U.S. and Coalition forces rely on the Afghan forces to report their own personnel strength numbers, which are often derived from hand-prepared personnel records in decentralized, unlinked, and inconsistent systems. CSTC-A reported last quarter that there was no viable method of validating personnel numbers.



An ANA Special Forces soldier talks with a potential ALP candidate in Helmand on April 4, 2013. The ALP provides security in rural areas with limited ANSF presence. (U.S. Marine Corps photo)

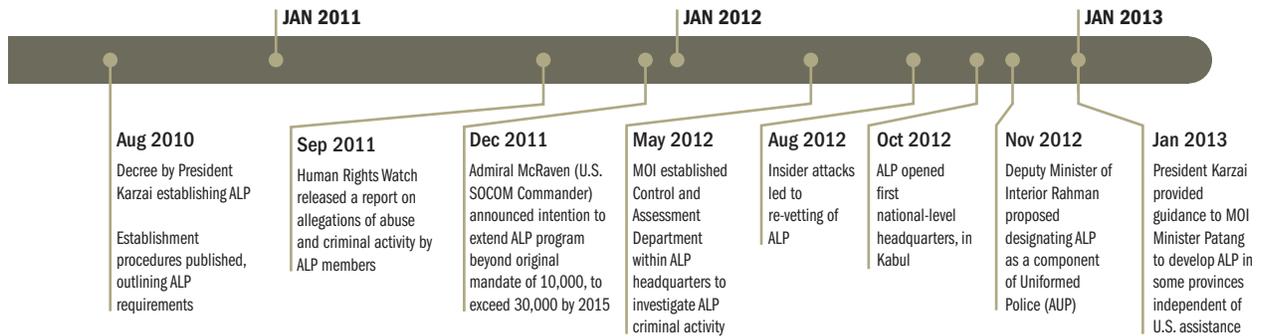
## AFGHAN LOCAL POLICE

The Afghan Local Police (ALP)—like Village Stability Operations described in the Governance section of this report—is part of the counterinsurgency strategy of ISAF and the Special Operations Joint Task Force-Afghanistan (SOJTF-A).<sup>105</sup> This quarter, the number of ALP—"guardians"—was 21,656. Of those, nearly 97% are fully trained and assigned.<sup>106</sup> This quarter, the ALP were operational at 104 sites.<sup>107</sup>

The Taliban's senior leadership considers the ALP the top threat to the insurgency's ability to control the population and threaten the Afghan government, according to DOD. Insurgents attack ALP units up to 10 times more often than other ANSF components. However, DOD noted, the ALP

FIGURE 3.26

## AFGHAN LOCAL POLICE TIMELINE: HISTORY, GROWTH, AND MAJOR EVENTS



Sources: SOJTF-A, response to SIGAR vetting, 4/12/2013; Human Rights Watch, "Just Don't Call It a Militia," 9/2011, pp. 5–8.

successfully defended their positions against these attacks more than 80% of the time.<sup>108</sup>

ALP members are recruited locally, recommended by village elders, and assigned to protect their home villages. Because they are a local force, the ALP has demonstrated “a unique resilience” against infiltration by the Taliban “as anyone outside the area would be immediately recognized as a foreigner.”<sup>109</sup> In addition, the ALP has the most stringent vetting procedures of all ANSF, according to the SOJTF-A.<sup>110</sup> DOD stated that all ALP members were recently revetted. Only 5% were removed from ALP ranks, mostly for drug use.<sup>111</sup>

The ALP has been evolving since its establishment in August 2010, as shown in Figure 3.26, but challenges remain. According to DOD, the ALP’s main challenge is “the MOI’s ability to support and manage the program.”<sup>112</sup> DOD also noted that the MOI “has identified these difficulties and is working with [the NATO Special Operations Component Command-Afghanistan (NSOCC-A)] to build an enduring logistics and support capacity in MOI to meet ALP requirements.”<sup>113</sup> In addition, NSOCC-A worked with the MOI to develop a revised ALP procedures document which extends the ALP program to 2025, increases the maximum age limit for potential ALP guardians from 45 to 50, and designates the ALP as a component of the Afghan Uniform Police (AUP), according to SOJTF-A. The last step is expected to institutionalize the ALP, raise its status within the ANSF, and enable ALP leadership to use AUP infrastructure and pay and logistics systems. The revised procedures document also increases the maximum length of ALP Guardian contracts from one to three years. The document is currently being reviewed at the MOI, and is expected to be released in April.<sup>114</sup>

As of March 31, 2013, the United States has obligated \$139.9 million of the ASFF to support the ALP. Of that amount, \$47.7 million are direct

contributions to the Afghan Ministry of Finance and \$91.6 million are “in-kind” funds that are used by U.S. forces to support the ALP.<sup>115</sup> According to SOJTF-A, after ALP guardians are trained they become employees of the MOI, sign yearly service contracts, work part-time, and are paid approximately 60% of basic police salary (about \$120 per month).<sup>116</sup>

In his latest report to the Security Council, the UN Secretary-General said “while [the ALP] initiative contributed to increased stability in some areas and progress in promoting accountability, concerns remain over insufficient implementation of policies regarding vetting, command and control and local-level oversight.” The Secretary-General also noted that United Nations Assistance Mission-Afghanistan (UNAMA) documented 55 incidents attributed to the ALP that resulted in 62 civilian casualties (24 deaths and 38 injuries) in 2012.<sup>117</sup>

## AFGHAN PUBLIC PROTECTION FORCE

The Afghan Public Protection Force (APPF) is a state-owned enterprise under the authority of the MOI that provides security services in Afghanistan. Following President Karzai’s 2010 decree to disband all national and international private security companies (PSCs), the Afghan government implemented a bridging strategy for a phased transition process to a public security company. As part of the transition, the APPF was expected to assume responsibility for security of development and humanitarian projects in March 2012 and for security of military installations in March 2013.

This quarter, SIGAR initiated a follow-on audit to the agency’s March 2012 testimony and its June 2012 report that assessed the potential effects of USAID’s transfer of security functions for its projects from PSCs to the APPF. This audit will identify the following:

- the cost of security services for selected USAID projects and any effect the transition to the APPF had on overall security costs for reconstruction projects
- USAID mechanisms to review security costs and oversee security services
- the impact of the APPF transition on reconstruction projects

The audit will also determine whether USAID’s implementing partners for selected projects were appropriately using companies licensed by the Afghan government.

As of March 6, 2013, the number of personnel assigned to the APPF was 16,326—a 15% increase since last quarter—according to CSTC-A. Of these, 1,158 were officers, 1,217 were noncommissioned officers (NCOs), and 13,951 were guards.<sup>118</sup> The target goal for the APPF is approximately 23,000 personnel.<sup>119</sup>

### SIGAR AUDIT

This quarter, SIGAR initiated a follow-on audit to the agency’s March 2012 testimony and its June 2012 report that assessed the potential effects of USAID’s transfer of security functions for its projects from PSCs to the APPF. For more information, see Section 2, page 30.

## ANSF ASSESSMENTS

Assessments of the ANA and ANP are indicators of the effectiveness of U.S. efforts—and, by extension, of U.S. funding—to build, train, equip, and sustain the ANSF. These assessments also provide both U.S. and Afghan stakeholders with regular updates on the status of these forces as transition continues and Afghanistan assumes responsibility for its own security. SIGAR continues to closely monitor and report these assessments.

In assessing the capability of ANA and ANP units, the ISAF Joint Command (IJC) uses the Commander’s Unit Assessment Tool (CUAT), which has five rating levels:<sup>120</sup>

- **Independent with Advisors:** The unit is able to plan and execute its missions, maintain command and control of subordinates, call on and coordinate quick-reaction forces and medical evacuations, exploit intelligence, and operate within a wider intelligence system.
- **Effective with Advisors:** The unit conducts effective planning, synchronizing, directing, and reporting of operations and status. Leaders, staff, and unit adhere to a code of conduct and are loyal to the Afghan government. Coalition forces provide only limited, occasional guidance to unit personnel and may provide **enablers** as needed. Coalition forces augment support only on occasion.
- **Effective with Partners:** The unit requires routine mentoring for planning, synchronizing, directing, and reporting of operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Leaders, staff, and most of the unit adhere to a code of conduct and are loyal to the Afghan government. ANSF “enablers” provide support to the unit; however, Coalition forces may provide enablers to augment that support.
- **Developing with Partners:** The unit requires partnering and assistance for planning, synchronizing, directing, and reporting of operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Leaders and most of the staff usually adhere to a code of conduct and are loyal to the Afghan government. Some enablers are present and effective, providing some of the support. Coalition forces provide enablers and most of the support.
- **Established:** The unit is beginning to organize but is barely capable of planning, synchronizing, directing, or reporting operations and status, even with the presence and assistance of a partner unit. The unit is barely able to coordinate and communicate with other units. Leadership and staff may not adhere to a code of conduct or may not be loyal to the Afghan government. Most of the unit’s enablers are not present or are barely effective. Those enablers provide little or no support to the unit. Coalition forces provide most of the support.

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

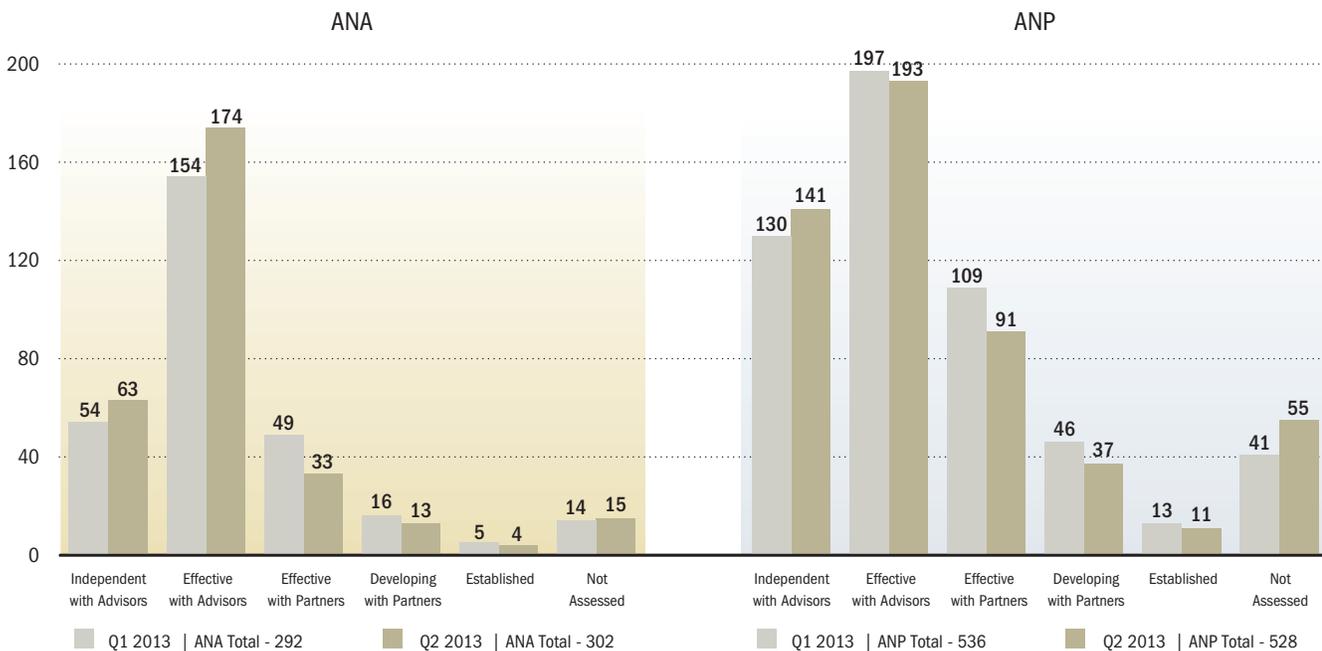
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Source: DOD, “Mullen Tours Forward Outposts in Afghanistan,” 4/22/2009, accessed 1/4/2012.

# SECURITY

FIGURE 3.27

CUAT RATINGS OF ANSF UNITS, BY QUARTER, 2013



Source: DOD, response to SIGAR vetting, 4/17/2013.

## SIGAR AUDIT

In a new audit, SIGAR is examining the methods and tools used to measure and evaluate the ANSF's operational effectiveness, including the extent to which these methods and tools are consistently applied, reliable, and validated. For more information, see Section 2, page 32.

During this reporting cycle, the total number of ANA units rose from 292 to 302. According to IJC, this increase is the result of new units being fielded, mostly in the 215th Corps.<sup>121</sup>

For the ANP, the total number of units fell from 536 to 528. According to IJC, "Special Police Units" are not reported, so they do not appear in this reporting cycle.<sup>122</sup>

Because not every unit is reported in every CUAT cycle, the IJC uses the most recent assessment (within the last 18 months) to "enable cycle to cycle comparisons." When compared this way, 9 more ANA units and 11 more ANP units were rated "independent with advisors," as shown in Figure 3.27. According to the most recent assessments, more than 78% of all ANA units were rated at the two highest levels: nearly 21% were "independent with advisors" and nearly 58% were "effective with advisors." Less than 5% of units had not been assessed within the last 18 months. For the ANP, more than 63% of units were rated at the two highest levels: nearly 27% were "independent with advisors" and nearly 37% were "effective with advisors." More than 10% of ANP units had not been assessed within the last 18 months.<sup>123</sup>

## MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

Assessments of the MOD and the MOI continued to show progress this quarter. To rate the operational capability of these ministries, NTM-A uses the Capability Milestone (CM) rating system. This system assesses staff sections (such as the offices headed by assistant or deputy ministers) and cross-functional areas (such as general staff offices) using four primary and two secondary ratings:<sup>124</sup>

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

At the MOD, all 46 staff sections and cross-functional areas were assessed this quarter, including the newly assessed Ground Forces Command, which debuted at CM-2B. Eight offices progressed, including:<sup>125</sup>

- Logistics Command (CM-1B)
- General Staff Communications (CM-2A)
- General Staff Force Structure, Training and Doctrine (CM-2A)
- Medical Command (CM-2A)
- Army Support Command (CM-2A)
- Director of General Staff (CM-2A)
- MOD Chief of Health Affairs (CM-2B)
- Director of Strategic Communications (CM-2B)

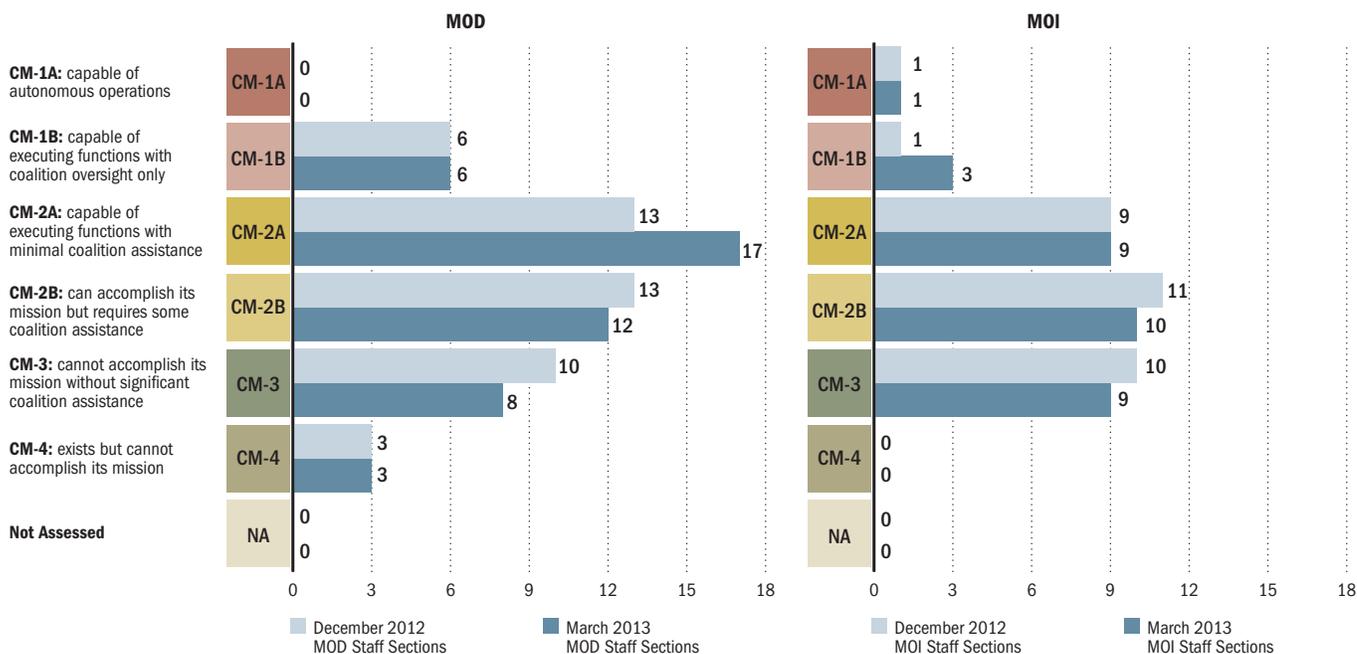
Two MOD offices received lower ratings: the Acquisition Agency (fell to CM-2B) and the General Staff Logistics office (CM-3). Three MOD offices were rated CM-4, meaning that they cannot accomplish their missions, as shown in Figure 3.28 on the following page. Those offices were the Assistant Minister of Defense for Intel Policy, the Afghan Air Force Command, and Gender Integration.<sup>126</sup>

All 32 staff sections at the MOI were assessed; four progressed since last quarter. The MOI office for the Afghan Local Police increased two rating categories since last quarter, from CM-3 to CM-2A. The other offices of the Legal Advisor and the Afghan National Civil Order Police progressed to CM-1B (the second highest rating category). The Office of the Surgeon (Medical) also increased to CM-2A.<sup>127</sup>

# SECURITY

FIGURE 3.28

## CAPABILITY MILESTONE RATINGS OF MOD AND MOI, QUARTERLY CHANGE



Sources: CSTC-A, responses to SIGAR data call, 1/2/2013 and 4/1/2013.

## AFGHAN NATIONAL ARMY

As of March 31, 2013, the United States had obligated \$28.9 billion and disbursed \$26.2 billion of the ASFF to build, train, and sustain the ANA.<sup>128</sup>

### ANA Strength

As of February 18, 2013, the overall assigned strength of the ANA was 181,834 personnel (175,441 Army and 6,393 Air Force), according to CSTC-A.<sup>129</sup> This is an increase of 1,317 since last quarter—as shown in Table 3.3—but lower than the 191,592 reported in May 2012.<sup>130</sup>

### ANA Sustainment

As of March 31, 2013, the United States had obligated \$9.7 billion and disbursed \$9.3 billion of the ASFF for ANA sustainment.<sup>131</sup>

As part of sustainment funding, the United States has provided the ANA with ammunition at a cost of approximately \$1.03 billion, according to CSTC-A.<sup>132</sup>

### ANA Salaries, Food, and Incentives

As of March 31, 2013, the United States had provided nearly \$1.6 billion through the ASFF to pay for ANA salaries, food, and incentives (since

TABLE 3.3

<b>ANA STRENGTH, QUARTERLY CHANGE</b>						
<b>ANA Component</b>	<b>Authorized</b>			<b>Assigned</b>		
	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Quarterly Change</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Quarterly Change</b>
201st Corps	18,421	17,821	-600	17,966	17,427	-539
203rd Corps	20,614	20,022	-592	20,625	19,095	-1,530
205th Corps	19,075	18,476	-599	19,856	18,982	-874
207th Corps	14,706	14,313	-393	13,261	12,803	-458
209th Corps	14,852	14,458	-394	14,170	13,065	-1,105
215th Corps	17,542	16,933	-609	17,135	17,307	+172
111th Capital Division	9,608	9,273	-335	9,152	8,654	-498
Special Operations Force	12,525	12,261	-264	10,338	10,366	+28
Echelons Above Corps <sup>a</sup>	44,712	37,592	-7,120	36,858	37,837	+979
TTHS <sup>b</sup>	-	-	None	15,284	16,103	+819
<b>ANA Total</b>	<b>172,055</b>	<b>161,149</b>	<b>-10,906</b>	<b>174,645</b>	<b>175,441</b>	<b>+796</b>
Afghan Air Force (AAF)	7,639	7,639	None	5,872	6,393	+521
<b>ANA + AAF Total</b>	<b>179,694</b>	<b>168,788</b>	<b>-10,906</b>	<b>180,517</b>	<b>181,834</b>	<b>+1,317</b>

Notes: Q4 data is as of 11/21/2012. Q1 data is as of 2/18/2013.

<sup>a</sup> Includes MOD, General Staff, and Intermediate Commands

<sup>b</sup> Trainee, Transient, Holdee, and Student; these are not included in counts of authorized personnel; also includes 3,802 cadets.

Sources: CSTC-A, responses to SIGAR data calls, 1/2/2013, 1/4/2013, 1/6/2013, 4/1/2013, and 4/16/2013.

FY 2008). The estimated annual amount of funding required for the base salaries, bonuses, and incentives of a 195,000-person ANA is \$686.1 million.<sup>133</sup>

CSTC-A said that all ANA personnel (including those in the Afghan Air Force) receive some sort of incentive pay as of November 20, 2012. CSTC-A also noted that payroll numbers are lower than end-strength numbers due to time delays in reporting between the payroll system and the personnel accounting system. For example, personnel absent without leave will stop receiving pay, but will be counted as part of the ANA's end strength until they are dropped from personnel rolls.<sup>134</sup>

## ANA Equipment and Transportation

The U.S. effort to equip the ANA is coming to an end as all vehicles and communications equipment have been procured and only \$858,920 worth of weapons are yet to be procured to meet ANA requirements as shown in Table 3.4.<sup>135</sup>

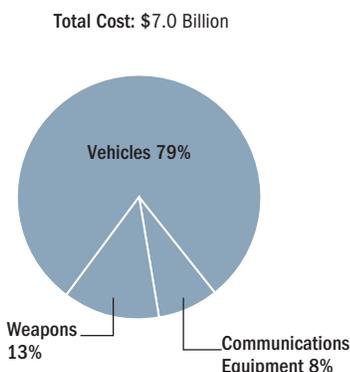
TABLE 3.4

<b>COST OF U.S.-FUNDED ANA EQUIPMENT</b>		
<b>Type of Equipment</b>	<b>Procured</b>	<b>Remaining to be Procured</b>
Weapons	\$878,027,233	\$858,920
Vehicles	\$5,556,502,248	\$0
Communications Equipment	\$580,538,328	\$0
<b>Total</b>	<b>\$7,015,067,809</b>	<b>\$858,920</b>

Source: CSTCA, response to SIGAR data call, 4/1/2013.

FIGURE 3.29

**COST OF U.S.-FUNDED ANA EQUIPMENT PROCURED, AS OF MARCH 31, 2013**  
(PERCENT)



Note: Numbers have been rounded.

Source: CSTC-A, response to SIGAR data call, 4/1/2013.

## SIGAR AUDIT

In an ongoing audit, SIGAR will assess the process CSTC-A uses to determine requirements and to acquire, manage, store, and distribute repair parts for the ANSF, and evaluate internal controls to determine if they are sufficient to account for these parts and to prevent fraud, waste, and abuse. For more information, see Section 2, page 34.

As of March 31, 2013, the United States had obligated and disbursed \$10.4 billion of the ASFF for ANA equipment and transportation.<sup>136</sup> Most of these funds were used to purchase weapons and related equipment, vehicles, communications equipment, and aircraft and aviation-related equipment. Nearly 80% of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Figure 3.29.<sup>137</sup>

This quarter, the Afghan Air Force inventory consisted of 113 aircraft, including Russian-built Mi-series helicopters, according to CSTC-A:<sup>138</sup>

- 48 Mi-17s (transport helicopters)
- 11 Mi-35s (attack helicopters)
- 16 C-27As (cargo planes)
- 26 C-208s (light transport planes)
- 6 C-182s (four-person trainers)
- 6 MD-530Fs (light helicopters)

Still to be procured are 12 Mi-17 transport helicopters and 20 light support aircraft.<sup>139</sup> The U.S. Air Force awarded an American company and its Brazilian subcontractor a \$427 million contract to build 20 A-29 Super Tucanos—a single-engine, air-to-ground combat, light support aircraft—for the Afghan Air Force. Once delivered, these aircraft will be used “to conduct advanced flight training, surveillance, close air support and air interdiction missions.”<sup>140</sup> In addition, on March 28, a contract for 20 C-27A cargo planes ended and was not renewed; 16 of the 20 are already in the Afghan Air Force. The remaining four will be replaced by four C-130H cargo planes.<sup>141</sup>

## GAO Report on DOD Procurement of Mi-17 Helicopters

DOD has been procuring Russian-made Mi-17 helicopters for the ANSF since 2005. The Mi-17 is a multi-use transport helicopter developed by the former Soviet Union to operate in the thin air of Afghanistan’s high elevations. The ANSF had approximately 50 Mi-17s as of 2012, with a goal of a fleet of about 80 helicopters.<sup>142</sup>

New Mi-17s are sold by Russia’s state-owned arms export firm, Rosoboronexport, the sole authorized exporter of military end-use products from Russia. As a result of multiple violations of U.S. law, Rosoboronexport was subject to U.S. sanctions in 2006. The sanctions were lifted in 2010.<sup>143</sup>

Prior to 2010, DOD competitively procured a small number of Mi-17s through U.S. companies, whose subcontractors purchased them new from the original equipment manufacturer in Russia. In 2010, the Navy initiated a competitive procurement for 21 Mi-17s in a civilian variant, but canceled the solicitation and transferred responsibility for it to the Army at DOD’s direction. In 2011, the Army contracted Rosoboronexport to purchase 21 Mi-17 military helicopters with the option to buy 12 additional aircraft. Members of Congress have criticized this contract for its structure and cost and because of Rosoboronexport’s alleged arms sales to Syria.<sup>144</sup>

In Senate Report 112-173 accompanying the FY 2013 National Defense Authorization Act, the Senate Armed Services Committee directed the Government Accountability Office (GAO) to review DOD’s procurement of Mi-17 helicopters from Rosoboronexport. GAO found that DOD had directed the Navy to cancel its solicitation for 21 civilian Mi-17s because Russian authorities told U.S. officials that the helicopters, intended for military use, could only be sold through Rosoboronexport. GAO also found that DOD did not assess alternative means for procuring Mi-17s after verifying that Russia would only sell them through Rosoboronexport. However, GAO noted, an Army analysis determined that the price paid to Rosoboronexport (\$17.5 million) for the Mi-17s was reasonable and the contract offered greater access to technical information and increased assurance of safety compared to previous Mi-17 contracts.<sup>145</sup>

According to a media account, Deputy Defense Secretary Ashton Carter notified members of Congress on April 3 that it was in the national interest to continue buying Mi-17s from Russia to equip Afghan forces.<sup>146</sup>

## ANA Infrastructure

As of March 31, 2013, the United States had obligated \$6.1 billion and disbursed \$3.9 billion of the ASFF for ANA infrastructure.<sup>147</sup> As of March 31, 2013, the United States had completed 213 infrastructure projects (valued at \$2.63 billion), with another 138 projects ongoing (\$3.11 billion) and 20 planned (\$321 million), according to CSTC-A. Of the ongoing projects, 37 new contracts (valued at more than \$645 million) were awarded this quarter.<sup>148</sup>

As with ANA equipment, the U.S. effort to provide ANA infrastructure is coming to an end. In total, nearly 95% of funding for ANA infrastructure has gone to projects now completed or ongoing. The 20 planned projects valued at \$321 million represent the final 5% of U.S. funding for ANA infrastructure as shown in Figure 3.30.<sup>149</sup>

This quarter, the largest ongoing ANA infrastructure projects were a brigade garrison for the 201st Corps in Kunar (at a cost of \$115.8 million), phase one of the MOD’s headquarters in Kabul (\$89.5 million), and a brigade garrison for the 205th Corps in Kandahar (\$89.1 million).<sup>150</sup>

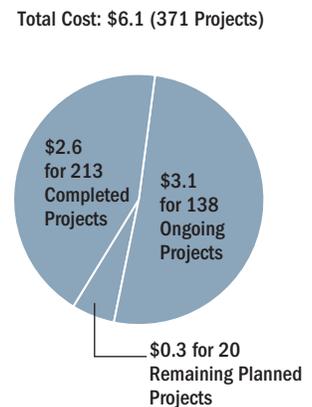
DOD’s FY 2013 ASFF budget request of \$190 million for ANA infrastructure was 85% less than the amount authorized in FY 2012. However, the final amount appropriated (\$90 million) for FY 2013 was \$100 million less than the request and a 93% decrease from the amount authorized in FY 2012. FY 2013 ASFF funding is not for construction projects, but for upgrades and modernizations of garrisons and force-protection systems, and to prepare Coalition facilities for handover to the ANSF as U.S. forces are drawn down.<sup>151</sup>

## ANA and MOD Training and Operations

As of March 31, 2013, the United States had obligated and disbursed \$2.7 billion of the ASFF for ANA and MOD operations and training.<sup>152</sup> This quarter,

FIGURE 3.30

**COST OF U.S.-FUNDED ANA INFRASTRUCTURE PROJECTS, AS OF MARCH 31, 2013**  
(\$ BILLIONS)



Note: Numbers have been rounded.

Source: CSTC-A, response to SIGAR data call, 4/1/2013.

## SIGAR AUDIT

In an ongoing audit, SIGAR will examine CSTC-A’s justification and support for the ANSF infrastructure project requirements. The audit will also assess: (1) the extent to which U.S. and Coalition basing plans for the ANSF reflect ANSF force-strength projections; (2) whether CSTC-A fully considered alternatives to new construction; (3) whether CSTC-A developed and used appropriate criteria to ensure that current and proposed construction projects for the ANSF are necessary, achievable, and sustainable by the Afghan government. For more information, see Section 2, page 34.

62,298 ANA personnel were enrolled in some type of training, with 46,264 enrolled in literacy training, according to CSTC-A. In addition, 8,211 enlisted personnel were enrolled in basic warrior-training courses, 2,090 were training to become commissioned officers, and 1,652 were training to become NCOs. Other training programs include combat specialty courses such as infantry training; combat support courses such as engineering, signals, and logistics; and courses to operate the high-mobility multipurpose wheeled vehicles known as “Humvees.”<sup>153</sup>

According to CSTC-A, the United States funds a variety of contracts to train the ANA. CSTC-A estimates that these training activities cost approximately \$106 million this quarter (down from \$140 million reported last quarter) and include costs for personnel, food, fuel, ammunition, facilities, and medical support. CSTC-A estimated that the total cost of this training is \$560 million per year.<sup>154</sup>

## **MOD Training Institutions Assessments**

The Capability Milestone (CM) rating system used to assess the operational capabilities of the MOD are also used to assess MOD training institutions. The training assessments use the same four primary and two secondary ratings.<sup>155</sup>

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

This quarter, 31 of 35 MOD training institutions were assessed. More than 61% had achieved a rating of CM-1B or higher. Three training institutions received a higher rating since last quarter: the Regional Military Training Center in Mazar-e-Sharif (CM-1A), the Kabul Military Training Center’s Female Training Brigade (CM-1B), and Kabul Military High School (CM-1A).<sup>156</sup>

## **ANA Literacy**

NTM-A/CSTC-A’s literacy program, which began in October 2009, seeks to achieve greater literacy rates within the ANA. The program is based on a 312-hour curriculum. According to CSTC-A, in order to progress from illiteracy to functional literacy, a student may take as many as seven tests. The student’s performance determines if he or she progresses to the next training level. Since the start of the program, the ANA success rates for passing these tests were: 95% for Level 1 literacy, 97% for Level 2, and 97% for Level 3.<sup>157</sup>

Level 1 literacy is the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At Level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At Level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute and use printed and written materials.” As of March 1, 2013, the number of ANA graduates at Level 3 was 27,111. The goal is to achieve 100% Level 1 literacy and 50% Level 3 (or functional) literacy by the time the NTM-A/CSTC-A program ends.<sup>158</sup>

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a base year and a five-year limit—one-year options may be exercised in August of each year—and a maximum cost of \$200 million. According to CSTC-A, these contractors were providing 724 literacy trainers to the ANA:<sup>159</sup>

- OT Training Solutions, a U.S. company, was providing 254 trainers.
- Insight Group, an Afghan company, was providing 178 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was providing 292 trainers.

The number of trainers fell sharply from the 1,391 reported last quarter.<sup>160</sup> CSTC-A said this was due to a shift from a focus on growing the program to ensuring that students in the program reach Level 3. To do this, the number of classes are being downsized “in an effort to maintain appropriate oversight and to ensure that those students already in the program are making progress” toward that goal.<sup>161</sup> CSTC-A said responsibility for literacy training for ANA personnel in the field will transition to the ANA between July 1, 2013, and July 1, 2014. Literacy training at ANA training centers is expected to transition by April 2014. In the meantime, a new contract is being coordinated to provide training for Afghan literacy trainers ahead of the transition.<sup>162</sup>

## Women in the ANA

As of February 20, 2013, ANA personnel included 366 women—254 officers, 105 NCOs, and seven enlisted personnel—according to CSTC-A. In addition, the Afghan Air Force included 46 women: 18 officers, 21 NCOs, and seven enlisted personnel. The current target is for women to make up 10% of the 195,000-strong combined ANA and Afghan Air Force.<sup>163</sup> However, during this reporting period, women made up only 0.2% of the combined ANA and Afghan Air Force strength, or one-fiftieth of the target level.

This quarter, an NCO course designed specifically to train women did not meet its 70-person quota, and of the 15 women recruited, only six met the educational standards for the course. However, the nine women who did not meet the educational standards graduated from a concurrent Basic Warrior Training Course. As for officers, 13 women were selected to attend the National Military Academy of Afghanistan’s class of 2017. They will join

## SIGAR AUDIT

In an ongoing audit, SIGAR is evaluating the implementation and oversight of the three ANSF literacy training program contracts. SIGAR will also assess whether the contractors provide qualified instructors and services; the extent to which CSTC-A monitored the contractors’ performance and training outcomes; and the extent to which the contracts are meeting the goal of providing basic, sustainable levels of literacy for the ANSF. For more information, see Section 2, page 35.

# SECURITY

16 women already at the academy who are expected to graduate in 2016. In addition, the ANA Officer's Academy—a one-year course with three entry dates per year—is expected to enroll 300–400 cadets for each class. Of those, 10% are expected to be women, according to CSTC-A.<sup>164</sup>

Several issues have impacted the ANA's ability to recruit women. Among these are challenges to outreach and cultural barriers to women serving in the military, according to CSTC-A. Although training slots and gender-appropriate positions are available, Coalition advisors are not sure if families are still reluctant to support the recruitment of women or if the ANA leadership is not ready to recruit more women.<sup>165</sup>

The United States has assigned advisors to the MOD and the Afghan National Defense University to assist with gender integration issues. In addition, NTM-A advisors and their Afghan counterparts are working on a recruiting plan to target high school students for officer training. The plan would also include an open house “to show male family members [training] facilities to help dispel any misconceptions.”<sup>166</sup>

## AFGHAN NATIONAL POLICE

As of March 31, 2013, the United States had obligated \$14.9 billion and disbursed \$13.5 billion of the ASFF to build, train, and sustain the ANP.<sup>167</sup>

### ANP Strength

As of February 18, 2013, CSTC-A reported the overall assigned strength of the ANP was 150,919 personnel: 103,851 Afghan Uniform Police (AUP), 22,029 Afghan Border Police (ABP), 14,592 Afghan National Civil Order Police (ANCOP), 3,059 in the Counter Narcotics Police of Afghanistan (CNPA), and 7,388 students in training. This is a slight decrease of 161

TABLE 3.5

ANP STRENGTH, QUARTERLY CHANGE						
ANP Component	Authorized			Assigned		
	Q4 2012	Q1 2013	Quarterly Change	Q4 2012	Q1 2013	Quarterly Change
AUP	110,279	108,122	-2,157	106,235	103,851	-2,384
ABP	23,090	23,090	None	21,928	22,029	+101
ANCOP	14,541	14,541	None	14,383	14,592	+209
NISTA <sup>a</sup>	-	9,000	None	5,953	7,388	+1,435
<b>ANP Total</b>	<b>-</b>	<b>154,753</b>	<b>-</b>	<b>148,499</b>	<b>147,860</b>	<b>-639</b>
CNPA	-	2,247	-	2,581	3,059	+478
<b>ANP + CNPA Total</b>	<b>157,000<sup>b</sup></b>	<b>157,000<sup>b</sup></b>	<b>None</b>	<b>151,080</b>	<b>150,919</b>	<b>-161</b>

Notes: Q4 2012 data is as of 11/20/2012. Q1 2013 data is as of 2/18/2013

<sup>a</sup> Personnel in training

<sup>b</sup> Total ANP authorized figures are higher than the sum of the AUP, ABP and ANCOP. It was unclear if other components were included in the ANP total.

Sources: CSTC-A, responses to SIGAR data calls, 10/1/2012, 1/2/2012, and 1/4/2013.

personnel since last quarter, as shown in Table 3.5. ANP personnel (those not in training) include 25,171 officers, 44,709 NCOs, and 74,151 patrolmen.<sup>168</sup>

## ANP Sustainment

As of March 31, 2013, the United States had obligated \$4.8 billion and disbursed \$4.7 billion of ASFF funds for ANP sustainment.<sup>169</sup>

As part of sustainment funding, the United States has provided the ANP with ammunition at a cost of approximately \$288 million, according to CSTC-A.<sup>170</sup>

## ANP Salaries

From 2008 through March 31, 2013, the U.S. government had provided \$818 million through the ASFF to pay ANP salaries and incentives (extra pay for personnel engaged in combat or employed in specialty fields), CSTC-A reported. However, that number does not include non-ASFF funds. Since 2002, the United States has provided more than \$950 million through the LOTFA to support the ANP. The United States also provided \$51.5 million outside of LOTFA for Afghan Local Police (ALP) salaries and incentives.<sup>171</sup>

According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require an estimated \$628.1 million per year to fund salaries (\$265.7 million), incentives (\$224.2 million), and food (\$138.2 million).<sup>172</sup>

## ANP Equipment and Transportation

The U.S. effort to equip the ANP is coming to an end; only \$8.8 million worth of weapons and vehicles (0.2% of the total funding for ANP equipment) are yet to be procured, as shown in Table 3.6.<sup>173</sup>

As of March 31, 2013, the United States had obligated and disbursed \$3.5 billion of the ASFF for ANP equipment and transportation.<sup>174</sup> Most of these funds were used to purchase weapons and related equipment, vehicles, and communications equipment.<sup>175</sup> More than 82% of U.S. funding in this category was for vehicles and vehicle-related equipment, as shown in Figure 3.31.

TABLE 3.6

COST OF U.S.-FUNDED ANP EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$366,108,080	\$2,853,472
Vehicles	\$2,643,049,123	\$5,960,454
Communications Equipment	\$201,958,600	\$0
<b>Total</b>	<b>\$3,211,115,803</b>	<b>\$8,813,926</b>

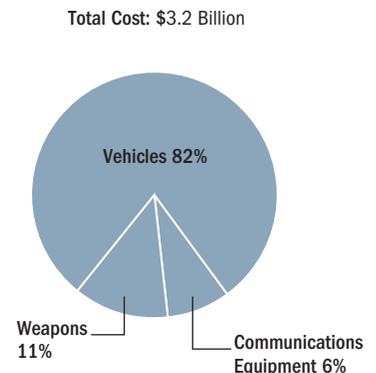
Source: CSTC-A, response to SIGAR data call, 4/1/2013.

## SIGAR AUDIT

In an ongoing audit, SIGAR will assess the ANP's logistics capacity for petroleum, oil, and lubricants. The audit focuses on two main issues: accuracy of fuel requirements, and accountability for fuel purchases. For more information, see Section 2, page 34.

FIGURE 3.31

COST OF U.S.-FUNDED ANP EQUIPMENT PROCURED, AS OF MARCH 31, 2013 (PERCENT)



Note: Numbers have been rounded.

Source: CSTC-A, responses to SIGAR data call, 4/1/2013.

## SIGAR INSPECTION

This quarter, SIGAR completed an inspection of the construction of the ANP Main Road Security Company compound in Kunduz. SIGAR found that the project is behind schedule and may not be sustainable. For more information, see Section 2, page 36.

FIGURE 3.32

### COST OF U.S.-FUNDED ANP INFRASTRUCTURE PROJECTS, AS OF MARCH 31, 2013 (\$ BILLIONS)

Total Cost: \$3.0 (763 Projects)



Note: Numbers have been rounded.

Source: CSTC-A, response to SIGAR data call, 4/1/2013.

## ANP Infrastructure

As of March 31, 2013, the United States had obligated \$3.5 billion and disbursed \$2.3 billion of the ASFF for ANP infrastructure.<sup>176</sup> As of March 31, 2013, the United States had completed 495 infrastructure projects (valued at \$1.57 billion), with another 246 projects ongoing (\$1.30 billion) and 22 planned (\$157 million), according to CSTC-A, and shown in Figure 3.32.<sup>177</sup>

As with the ANA, the U.S. effort to provide ANP infrastructure is coming to an end. In total, nearly 95% of funding for ANP infrastructure has gone to projects now completed or ongoing. Only 22 planned projects (those valued at \$157 million) remain. This is the final 5% of U.S. funding for ANP infrastructure projects.<sup>178</sup>

This quarter, the largest ongoing ANP infrastructure projects were regional police-training centers in Kandahar (at a cost of \$62.3 million) and Herat (\$62.2 million), and administrative facilities at the MOI Headquarters (\$59.5 million).<sup>179</sup>

All \$50 million of the DOD's FY 2013 ASFF budget request for ANP infrastructure was appropriated.<sup>180</sup>

## ANP Training and Operations

As of March 31, 2013, the United States had obligated \$3.1 billion and disbursed \$3.0 billion of the ASFF for ANP and MOI training and operations.<sup>181</sup> This quarter, 8,034 ANP personnel were enrolled in some type of training, according to CSTC-A. Of those, 910 were training to become officers and 4,692 were training to become NCOs. Other training programs include APPF and medic training courses.<sup>182</sup>

NTM-A/CSTC-A contracts with DynCorp International to provide training, mentoring, and support services at multiple training sites around the country. The ASFF-funded contract (two-year base and one option year) is under the DOD's Foreign Military Sales case system and provides 340 mentors and trainers as well as approximately 3,000 support personnel at regional training centers and in mobile support teams. The contract value is \$1.18 billion.<sup>183</sup>

## ANP Literacy

NTM-A/CSTC-A's literacy program, which began in October 2009, seeks to achieve greater literacy rates within the ANP. The ANP's literacy program, like the ANA's, is based on a 312-hour curriculum. According to CSTC-A, in order to progress from illiteracy to functional literacy, a student may take as many as seven tests. The student's performance determines if he or she progresses to the next training level. Since the start of the program, the ANP success rates for the passing these tests were: 90% for Level 1 literacy, 90% for Level 2, and 86% for Level 3.<sup>184</sup>

Level 1 literacy provides an individual with the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At

Level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At Level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute and use printed and written materials.” Since the start of the ANP literacy program, the number of ANP graduates at Level 3 was 27,251 as of March 1, 2013.<sup>185</sup>

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a base year and a five-year limit—one-year options may be exercised in August of each year—and a maximum cost of \$200 million. According to CSTC-A, these contractors were providing 742 literacy trainers to the ANP.<sup>186</sup>

- OT Training Solutions, a U.S. company, was providing 290 trainers.
- Insight Group, an Afghan company, was providing 152 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was providing 300 trainers.

The number of trainers fell sharply from the 1,776 reported last quarter.<sup>187</sup> CSTC-A noted that, as with the ANA’s program, this reflected a shift from a focus on growing the program to ensuring that students in the program reach Level 3. To do this, the number of classes is being downsized “in an effort to maintain appropriate oversight and to ensure that those students already in the program are making progress” toward that goal.<sup>188</sup> CSTC-A said responsibility for literacy training for ANP personnel in the field will transition to the ANP between July 1, 2013, and July 1, 2014. Literacy training at ANP training centers is expected to transition by April 2014. In the meantime, a new contract is being coordinated to provide training for Afghan literacy trainers ahead of the transition.<sup>189</sup>

## Women in the ANP

As of February 20, 2013, ANP personnel included 1,489 women—226 officers, 605 NCOs, and 658 enlisted personnel—according to CSTC-A. This is an increase of 32 since last quarter. The ANP currently has 2,995 authorized positions for women in the ANP.<sup>190</sup> The goal is for the ANP to recruit 5,000 women by March 2014.<sup>191</sup> During this reporting period, women made up less than 1% of the ANP.

The MOI is planning a conference for May 2013 to gain support from religious leaders and the community for recruiting women into the ANP—an effort the United States supports—according to CSTC-A. In addition, a U.S. advisor from NTM-A/CSTC-A is mentoring the MOI’s Human Rights, Gender, and Child Rights Directorate. CSTC-A noted that the U.S. Embassy Kabul has integrated these efforts into its gender strategy, which is based on four focus areas:<sup>192</sup>

- access to justice and security
- leadership and civic engagement

- economic development
- education and health

This strategy is aligned with the Afghan government's priorities outlined in the National Action Plan for Women and the Afghanistan National Development Strategy. These efforts also support other strategies such as the Tokyo Mutual Accountability Framework and U.S. Civilian Strategy for Assistance to Women in Afghanistan.<sup>193</sup>

## **ANSF MEDICAL/HEALTH CARE**

As of the end of this quarter, the ANSF health care system had 915 physicians—an increase of 169 since last quarter—out of 1,056 needed, according to CSTC-A. Of these, 706 were assigned to the ANA and 209 were assigned to the ANP. The ANSF had 6,821 other medical personnel (including nurses and medics)—a decrease of 731 since last quarter—out of 9,840 needed.<sup>194</sup>

## **REMOVING UNEXPLODED ORDNANCE**

From 2002 through 2013, the U.S. Department of State has provided nearly \$260 million in funding for weapons destruction and de-mining assistance to Afghanistan, according to its Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA). Through its Conventional Weapons Destruction program, the Department of State funds five Afghan nongovernmental organizations (NGOs), five international NGOs, the United Nations Mine Action Service, and a U.S. government contractor. These funds enable the clearance of areas contaminated by explosive remnants of war, support the removal and destruction of abandoned weapons that insurgents might use to construct improvised explosive devices, and provide mentoring to the Afghan government's Department of Mine Clearance.<sup>195</sup>

From January 1 through December 31, 2012, Department of State-funded implementing partners cleared nearly 41 million square meters of minefields, according to the most recent data from the PM/WRA.<sup>196</sup> An estimated 570 million square meters of contaminated areas remain to be cleared, as shown in Table 3.7. The PM/WRA defines a "minefield" as an area contaminated by landmines, and a "contaminated area" as an area contaminated with both landmines and explosive remnants of war.<sup>197</sup>

## **COUNTERNARCOTICS**

Despite efforts by the international community and the Afghan government to reduce poppy cultivation and illicit drug trafficking, Afghanistan still

TABLE 3.7

<b>CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1–DECEMBER 31, 2012</b>						
<b>Date Range</b>	<b>AT/AP Destroyed</b>	<b>UXO Destroyed</b>	<b>SAA Destroyed</b>	<b>Fragments Cleared</b>	<b>Minefields Cleared (m2)</b>	<b>Estimated Contaminated Area Remaining (m2)</b>
1/1–3/31/2012	2,113	62,043	467,071	3,364,885	14,604,361	585,000,000
4/1–6/30/2012	1,559	28,222	20,580	3,601,378	7,251,257	563,000,000
7/1–9/30/2012	5,542	165,100	121,520	2,569,701	11,830,335	550,000,000
10/1–12/31/2012	2,146	62,449	22,373	3,672,661	7,265,741	570,000,000
<b>Total</b>	<b>11,370</b>	<b>317,814</b>	<b>631,544</b>	<b>13,208,625</b>	<b>40,951,694</b>	<b>(remaining) 570,000,000</b>

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

Source: State, PM/WRA, response to SIGAR data call, 4/3/2013.

produces about 90% of the world’s opium. The illicit trade also funds the insurgency. The U.S. counternarcotics strategy strives to cut off the flow of money to the insurgency through interdiction operations.

As of March 31, 2013, the United States had appropriated \$6.4 billion for counternarcotics initiatives in Afghanistan since efforts began in 2002. Most of these funds were appropriated through two sources: State’s International Narcotics Control and Law Enforcement (INCLE) account (\$3.6 billion), and the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) fund (\$2.7 billion).<sup>198</sup>

DOD and State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) coordinate to support the counternarcotics efforts of the MOI and the Counternarcotics Police of Afghanistan (CNPA), INL stated. For example, in some provinces, DOD funded the construction of forward operating bases used by the CNPA’s National Interdiction Unit; INL funded the maintenance of those bases.<sup>199</sup>

## UNODC Opium Risk Assessment 2013

This quarter, the United Nations Office of Drugs and Crime (UNODC) released its 2013 Opium Risk Assessment of Afghanistan. UNODC expects poppy cultivation to increase in most regions and the main poppy-growing provinces. Overall, 12 provinces are expected to increase their poppy cultivation and one is expected to decrease. Another 14 are expected to maintain their status as poppy free and seven poppy-cultivating provinces are not expected to see a change in their status in 2013. Notably, increases in Helmand and Kandahar are expected due to the current high price of opium and because of a low opium yield in 2012. UNODC warned that some provinces may lose their poppy-free status if timely eradication is not implemented. UNODC also noted a “worrying situation” in the southern, eastern, western, and central regions where poppy cultivation is expected to expand in areas where it had previously existed and also in “new areas or in areas where poppy cultivation was stopped.”<sup>200</sup>

UNODC noted that “a strong association between insecurity, lack of agricultural assistance and opium cultivation continues to exist.” Villages with poor security, those that had not received agricultural assistance in the past year, and those that had not been reached by anti-poppy awareness campaigns, were significantly more likely to grow poppy. Unlike previous years, farmers frequently reported fear of eradication as a reason for not cultivating poppy.<sup>201</sup>

## Poppy Eradication

INL provides financial support to the Afghan government’s Governor-Led Eradication (GLE) program. INL said 9,672 hectares of poppy were eradicated in 2012 through the GLE program.<sup>202</sup>

INL also works with the Afghan Ministry of Counter Narcotics (MCN) to achieve and sustain poppy-free provinces. For example, INL funds the MCN’s Good Performer’s Initiative (GPI) which gives incentives for governors to reduce poppy cultivation in their provinces. According to INL, a province becomes eligible for \$1 million in GPI development projects if it is deemed poppy-free or has fewer than 100 hectares under cultivation during the year. In 2012, the number of provinces that qualified for GPI awards was 17, the same number as in 2011. INL noted that since the start of the GPI in 2007, more than 100 development projects—including the construction of schools, roads, bridges, and agricultural and medical facilities—are either complete or in progress in 33 provinces.<sup>203</sup>

INL also funds the Counternarcotics Public Information program to promote continued poppy-free status in provinces through nationwide pre-planting season public awareness and media campaigns in poppy-growing areas. In addition, INL funds a grant to the Aga Khan Foundation, which focuses on helping six key provinces maintain success in eliminating poppy cultivation by working with communities and local NGOs to increase opportunities for residents to find non-narcotics-related jobs.<sup>204</sup>

## Counternarcotics Police of Afghanistan

This quarter, the number of personnel assigned to the Counternarcotics Police of Afghanistan (CNPA) was 3,059, according to CSTC-A.<sup>205</sup>

NTM-A and the Drug Enforcement Administration (DEA) provide mentors and advisors to the CNPA. According to CSTC-A, NTM-A provides 16 advisors and the DEA provided 33 counternarcotics trainers (of which 20 are in country at a time). According to CSTC-A, a U.S. company provides 37 staff to assist the CNPA.<sup>206</sup> In addition, INL funds the training of the CNPA’s National Interdiction Unit and DOD funds the Special Mission Wing (which is also supported by INL helicopters). DOD also funds programs to improve the CNPA’s Tactical Operations Center/Intelligence Fusion Center which targets drug trafficking networks.<sup>207</sup>

### SIGAR AUDIT

In an ongoing audit, SIGAR will determine the extent to which U.S. assistance provides responsive air-mobility support for drug interdiction operations, assess U.S. government agencies’ oversight of their assistance to the Afghan Special Missions Wing, and evaluate the extent to which U.S. assistance has resulted in developing a sustainable capability to provide air-mobility support for counternarcotics efforts. For more information, see Section 2, page 33.

INL supports the interdiction activities of the CNPA's National Interdiction Unit and Special Investigative Unit by providing investigative and strategic mentoring, logistics, housing, food, and fuel, as well transportation to and from interdiction operation sites.<sup>208</sup>

## Interdiction Operations

From January 1 through March 28, 2013, the ANSF partnered with the United States and ISAF to conduct 50 interdiction operations—partnered patrols, cordon and search operations, and deliberate detention operations—according to DOD. These operations resulted in 57 detentions and led to the seizure of several thousand kilograms of narcotics and narcotics-related chemicals. Since 2008, a total of 1,650 Afghan and Coalition interdiction operations have resulted in 2,245 detentions and seizure of the following narcotics contraband:<sup>209</sup>

- 730,076 kg of hashish
- 346,059 kg of opium
- 43,432 kg of morphine
- 25,308 kg of heroin
- 412,082 kg of narcotics-related chemicals

The U.S. military provided general logistics and intelligence support in addition to on-ground quick-reaction assistance, according to DOD. DEA mentored specialized units throughout the country to establish investigative and law enforcement capability. In addition, the U.S. intelligence community provided targeting and analytical support to the Coalition mentors.<sup>210</sup>

As in past quarters, most interdiction activities continued to occur in the south and southwest, where the majority of opiates are grown, processed, and smuggled out of Afghanistan. According to DOD, Afghan forces in these areas increasingly led patrols and military operations. DOD noted that Afghan specialized units, aided by their Coalition mentors, synchronized their investigations with conventional military operations to target traffickers with ties to the insurgency.<sup>211</sup>

Conventional and specialized Afghan units continued to execute operations with support from interagency elements, including the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC). CJIATF-N and IOCC integrate information from various military and law enforcement sources to enable operations against corrupt narco-insurgent elements. According to DOD, all operations were coordinated with and received support from U.S. and Coalition military commanders.<sup>212</sup>

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## GOVERNANCE

As of March 31, 2013, the United States had provided nearly \$23 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$15 billion, was appropriated to the Economic Support Fund (ESF), administered by the State Department and the United States Agency for International Development (USAID).<sup>213</sup>

### KEY EVENTS

Afghan authorities, political parties, and civil society remained intensely focused this reporting period on the security and political transitions that will culminate in 2014 with the end of the International Security Assistance Force (ISAF) mission and Afghanistan's presidential elections. The United Nations (UN) Secretary-General warned that Afghan political leaders need to make some vital decisions in the near future. Most immediately, President Hamid Karzai must appoint a new chair of the Independent Election Commission, the body charged with managing the elections. Parliament must also pass election-related legislation in time for operational planning and preparations.<sup>214</sup> The Afghan government made only limited progress in three other critical areas—establishing a peace process with the Taliban, institutionalizing the rule of law, and curbing widespread corruption.

### RECONCILIATION AND REINTEGRATION

This quarter, the Afghan government increasingly sought to define and shape a potential reconciliation process under the auspices of the High Peace Council, according to the UN Secretary-General. In February, the governments of Afghanistan and Pakistan announced plans to open a negotiation office in Doha, Qatar, and committed themselves to do everything possible to achieve a peaceful settlement with the Taliban. The United States has previously expressed support for this negotiation office and stressed the need for Afghanistan to lead the reconciliation process. On February 14, Pakistan announced it had released 26 Afghan members of the Taliban detained in Pakistan as a confidence-building measure.<sup>215</sup> President Karzai met in Doha with the Qatari emir, Sheik Hamad bin Khalifa al-Thani, on March 31 for discussions about opening the office, but no developments

were announced after the meeting.<sup>216</sup> A few days later, Afghanistan accused Pakistan of placing unacceptable conditions on peace efforts. The breakdown in ties between the two neighbors threatened to hinder attempts to bring the Taliban to the negotiating table.<sup>217</sup>

## Afghanistan Peace and Reintegration

**Program:** the Afghan government's main program for promoting and managing insurgent reintegration. It provides a way for Taliban members and other anti-government elements to renounce violence and become productive members of Afghan society. The program attempts to give development opportunities to individuals who peacefully re-enter society. A Joint Secretariat, an inter-agency body with representation from the International Security Assistance Force, administers the program.

Source: UNDP, "UNDP Support to Afghan Peace and Reintegration Program," 5/2011, accessed 7/17/2012.

## High Peace Council

This quarter, the High Peace Council continued its efforts to build internal and international support that would set the conditions necessary for reconciliation. To build trust with the Taliban, the Council worked with the Afghan government and the UN Security Council to remove senior Taliban members from UN Sanctions List 2082, according to the State Department. These members were selected because they expressed their willingness to join the reconciliation process.<sup>218</sup>

The High Peace Council and the **Afghanistan Peace and Reintegration Program's** (APRP) Joint Secretariat worked with Afghan civil society to establish a national consensus on the peace process. In January, the Council and Secretariat met with civil society representatives to discuss a roadmap for peace and a joint mechanism for future partnership. The Council and Secretariat also continued to discuss the issues of safe passage for insurgent members to negotiation locations, provincial assessments, senior-level reintegration, and other trust-building measures.<sup>219</sup>

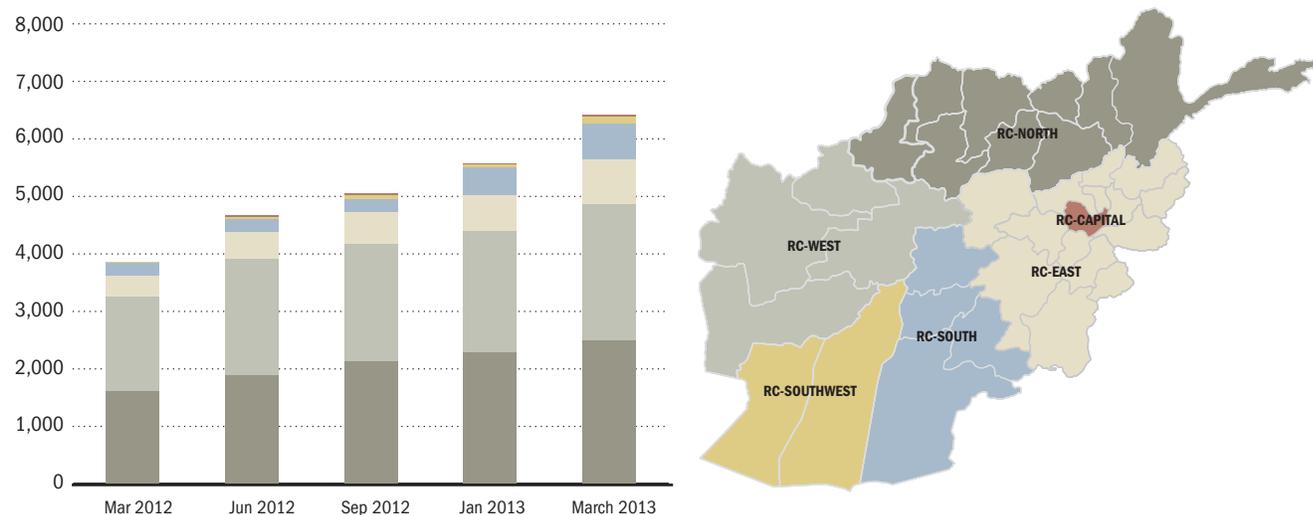
## Afghanistan Peace and Reintegration Program

Reintegration efforts nearly came to a complete stop for the first two months of the quarter because of the inability of the APRP's Joint Secretariat to reconcile financial accounts. The United Nations Development Programme (UNDP), which manages most of the APRP's operational funds, requires the Joint Secretariat to be able to account for 80% of funds before it releases donor money. The Joint Secretariat regularly struggles with this 80% requirement. The Provincial Joint Secretariat Teams (PJST) have to reconcile their accounts every quarter and report to the secretariat. This has been an ongoing problem but training is easing it. In addition, the UNDP delayed its approval of the APRP work plan, which also had to be done before funds could be disbursed. As a result, employees' salaries were not paid. The issue was resolved at the end of the quarter. The UNDP approved the work plan, the APRP's technical committee approved the program's fiscal year (FY)1392 budget, and the High Peace Council and Joint Secretariat reconciled more than 80% of the disbursed funds. This allowed reintegration funds to again flow to the field.<sup>220</sup>

This quarter, only 208 reintegrees joined the APRP, a sharp decline from the previous 12-month average of 597 per quarter. As of March 29, there were 6,409 reintegrees enrolled in the APRP, most of them from the north and west, as shown in Figure 3.33. Many of the reintegrees who entered the program this quarter were former detainees who were released from the Detention

FIGURE 3.33

REINTEGRES BY REGIONAL COMMAND, MARCH 2012–MARCH 2013



Source: SIGAR Quarterly Report, 1/30/2013, p. 97; State, responses to SIGAR data call, 4/2/2013, 1/2/2013, 10/2/2012, 7/5/2012, and 3/30/2012.

Facility in Parwan (DFIP). About 900 additional insurgents were in various stages of negotiations to enter the program at the end of the quarter.<sup>221</sup>

In spite of ongoing challenges, the Joint Secretariat conducted demobilization and reintegration missions to 14 provinces—Takhar, Kunar, Laghman, Nangarhar, Wardak, Ghazni, Daikundi, Uruzgan, Saripul, Jawzjan, Kunduz, Lagar, Paktika, and Helmand—during the reporting period. The Joint Secretariat estimates that it biometrically enrolled 208 individuals and the PJSTs distributed 164 transition-assistance packages for reintegrees around the country.<sup>222</sup>

### National Dispute Resolution Strategy

The APRP has not yet implemented a National Dispute Resolution Strategy to deal with the grievances of potential reintegrees. Although the Joint Secretariat approved the Strategy in June 2012, it is not clear whether the Joint Secretariat, the Independent Grievance Resolution Commission, or another Afghan body has the mandate to lead grievance-resolution efforts with insurgents. A UNDP evaluation found that reintegration efforts are not significantly utilizing conflict-analysis and opportunity-mapping tools.<sup>223</sup>

### Capacity Development for Reintegration

The capacity, competency, and activity levels of PJSTs continue to vary throughout the country. The APRP's Joint Secretariat created PJSTs to help manage implementation of the APRP and its recovery programs at the

provincial level.<sup>224</sup> As a result of the financial shutdown of the APRP this quarter, activities in the provinces ground to a halt for the first two months of the quarter, leading to little improvement in those PJSTs that continue to struggle. In provinces where the governor supports the APRP and there is cohesiveness among Provincial Peace Councils (PPC), PJSTs, and provincial security personnel, the APRP functions fairly well and reintegration levels are fairly high, according to State. These conditions prevail mostly in the north and west. The PJSTs that have been unsuccessful in promoting and managing reintegration efforts often suffer from poor security in their operating area, an unwillingness of local Taliban fighters to reconcile, and inadequate support from provincial governors and the councils.<sup>225</sup>

Coordination between the APRP and the Afghan government and security forces is improving, according to State. However, the level of coordination depends on the personalities involved and varies from province to province. When key provincial authorities support reintegration, the APRP is more successful at vetting potential reintegrees and conducting other activities.

The Afghan security ministries have greatly improved the vetting process, according to State. Provincial security ministries' representatives carefully scrutinize each potential reintegree and use input from the provincial government and the community into which the insurgent seeks to reintegrate. When the local vetting process is completed, the vetting forms are sent to Kabul, where the national security ministries conduct additional vetting.<sup>226</sup>

This quarter the UNDP distributed the results of an evaluation of the APRP. The evaluation identified several areas for improvement in provincial operations. The Joint Secretariat and UNDP have formed a working group to implement the recommendations. The Joint Secretariat also undertook an assessment of the PJSTs and the PPCs, with the assistance of UNDP, to identify poorly performing provincial programs and inform efforts to improve them. The Joint Secretariat inaugurated new PPCs and PJSTs in Bamyan and Parwan to enhance regional and provincial reintegration. The Joint Secretariat also brought in 75 additional community leaders and village elders into the Peace Advocates Program, increasing the total to 158. Peace Advocates lobby in their communities for peace, conduct outreach, and support peace efforts.<sup>227</sup>

U.S. Central Command (CENTCOM) recently approved creation of a new PJST capacity-building program, supported through the Defense Department's Afghanistan Reintegration Program fund. U.S. officials told SIGAR they expect a contract to be awarded in June.<sup>228</sup>

## Reintegration Program Funding

The Joint Secretariat executes the APRP's budget with UNDP oversight. The most recent finalized funding numbers showed that of the \$173.5 million the APRP has received from 12 donor countries, \$71.6 million was

expended by December 2012, a 41.2% cumulative expenditure rate. This was slightly less than its execution rate of 48.5% in Afghan FY 1391. The United States had contributed only \$50 million of the \$173 million.<sup>229</sup>

## Community Recovery Programs

The APRP has encouraged individuals who might not otherwise lay down arms to rejoin their communities by providing essential economic and social support to reintegrees and their communities, according to State. APRP community-recovery projects like demining, agriculture, small grants, and vocational and literacy projects are used to entice potential reintegrees to enter the program and communities to support the program. At the end of the quarter, the Joint Secretariat reported that over 70% of reintegrees and more than 1,785,000 people in communities with reintegrees had benefited from these community recovery projects since the APRP began.<sup>230</sup>



**After handing in their weapons,** former Afghan insurgents join in prayer at a reintegration ceremony at the governor's compound in Ghor Province. (ISAF photo)

## NATIONAL AND SUB-NATIONAL GOVERNANCE

On February 12, the Joint Coordination and Monitoring Board, a high-level decision-making body co-hosted by the Afghan Ministry of Finance (MOF) and the United Nations Assistance Mission to Afghanistan (UNAMA), endorsed an additional four National Priority Programs: efficient and effective governance; water and natural resources; national comprehensive agricultural production and market development; and national energy supply. At the 2010 Kabul Conference, Afghanistan pledged to the international community that it would develop, finalize, and implement 22 National Priority Programs intended to enhance development and governance capabilities. As of March 30, 2013, two programs still awaited endorsement: Anticorruption, and Law and Justice for All.<sup>231</sup>

## Karzai Decree Implementation

The Afghan government has dedicated significant resources to tracking implementation of President Karzai's Decree 45 on fighting corruption since it was issued on July 26, 2012, according to the State Department. The President's Office of Administrative Affairs (OAA) reports that 91–100% of the decree's 164 articles were completed within the first three months. To accomplish the decree's mandates, some ministries completed pending tasks and improved communication and linkages with other ministries and with the OAA. In the first four months after the decree was issued, representatives from the central government traveled to provincial and district centers to hear constituents' concerns and reported them to the cabinet.

Afghanistan's Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) issued a report in March challenging the OAA's statistics. The MEC wrote that many of the articles are procedural, often requiring the implementing institution to submit a plan or make a

report without actually requiring implementation of the proposed initiative. It said the OAA itself has indicated it is not able to verify all the reports it receives from ministries. The security situation does not permit its assessment teams to visit all provinces to conduct evaluations.<sup>232</sup>



**Workers from** the Afghan Independent Election Commission collect old election materials for destruction as a precautionary step in preparing for the 2014 presidential and provincial-council elections. (UNDP photo)

## Elections

Despite impending elections, the Parliament made no changes to electoral law this quarter. Two draft laws are currently before the body, one submitted by the executive branch's Council of Ministers, the other by the Cooperation Council, a loose association of opposition and other political leaders. These two proposals must be reconciled to clarify the procedures for resolving electoral complaints and attaining parliamentary seats. If electoral-law changes are passed, they would also have to be aligned with the Independent Elections Commission's (IEC) revised structure law being discussed by the Parliament.<sup>233</sup>

## Independent Elections Commission

This quarter, the Afghan government continued attempts to develop a more robust electoral system. On January 23, the IEC announced that the paper-based voter registration process for the April 2014 Presidential and Provincial Council elections would start by April 2013. The IEC plans to distribute 2.5 million–3.5 million new-voter registration cards, which it says will increase turnout while stemming voter fraud. The new cards will be issued to potential voters who have reached the age of 18 since the 2011 elections, those who failed to register in the past, those who lost their old registrations cards or changed their electoral constituencies, those who have repatriated to Afghanistan from abroad, and those whose cards were seriously damaged.<sup>234</sup>

The IEC estimated the total cost of the registration program for the new cards at \$15 million–\$20 million. The commission claims that it already has the required funds and technical capacity to carry out the registration process.<sup>235</sup>

The Free and Fair Election Foundation of Afghanistan said the IEC's plan will work so long as election officials and staff are properly trained to spot fake identity cards and to stop individuals from voting more than once.<sup>236</sup> Voters are allowed to use their old registration cards, and in an appearance on a Kabul television show, the head of the IEC said that his organization would be unable to identify counterfeit cards as the IEC has no database record of the old cards.<sup>237</sup>

The new paper cards will be issued only in areas where new electronic biometric identification cards called "e-tazkera" have not been rolled out, according to the IEC. The process, procedures, and technical aspects of establishing the e-tazkera system have faced difficulties in previous quarters. As a result, on January 31, President Karzai issued a decree mandating that the Ministry of Interior (MOI), along with the Independent Directorate

of Local Governance (IDLG), and the Central Statistics Organization (CSO), begin to distribute the electronic ID cards by March 21, 2013.

In February 2013, the MOI began hiring staff to establish 401 registration teams throughout the country to start collecting the necessary personal information from citizens to create the electronic ID cards. On March 23, the MOI launched its e-tazkera enrollment effort in Kabul province. The IEC subsequently announced that it would delay voter registration to May 26 to better align activities with the e-tazkera implementation and improve security features on the cards. According to the UN, the e-tazkera project aims to distribute 14 million identification cards by March 2014.<sup>238</sup>

At the end of the quarter, the IEC was preparing a comprehensive operational plan that would focus on voting procedures, public relations, and education about voting, fraud mitigation procedures, and security for polling stations.<sup>239</sup>

## **Election Security**

This quarter, the IEC provided a list of all polling stations to the ANSF and recommended that the ANSF complete a security assessment by late summer 2013, according to State.<sup>240</sup> DOD observed that the planning process between the IEC, MOI, Ministry of Defense (MOD), and international entities has been slow. ISAF is supporting the MOI and MOD in their election security planning and will provide security assistance during the elections. This ISAF support will consist mainly of logistics, intelligence, and route clearance. ISAF will also provide emergency security assistance to the ANSF if required. DOD predicted that despite continued drops in U.S. troop levels, U.S. forces could provide adequate security support in the 2014 elections, even in the event of unrest.<sup>241</sup>

## **USAID Election Support**

USAID leads the U.S. effort in helping the Afghans build the capacity necessary to conduct successful elections. USAID has provided \$179 million in assistance for Afghan elections preparation from 2009 to 2013. It will extend the budget and programs to cover the 2014 presidential and provincial council elections, and the 2015 parliamentary election. The assistance includes expert advice and mentoring to the IEC on essential elements of its operations plan. Using USAID funding, the International Foundation for Electoral Systems completed a fraud-mitigation assessment this quarter that will help the IEC and UNDP in their anti-fraud efforts. The National Democratic Institute continued work with political parties and coalitions, including specific training on recruiting and mobilizing members.<sup>242</sup>

In addition, USAID-supported Democracy International conducted four preliminary sessions with civil society organizations and parliamentarians to identify concerns with the electoral law and to provide recommendations

to the Parliament on improving the law. Further, USAID's Elections and Political Process team started a country-wide outreach effort to engage election stakeholders. The team has so far traveled to Mazar-e-Sharif, Jalalabad, Kandahar, Paktika, Paktiya, and Helmand.<sup>243</sup>

## National Assembly

Parliament was in recess January 20 to March 2, 2013. Parliament began the new session with internal administrative elections and will focus on the election laws and mining laws in the next quarter, according to State.<sup>244</sup>

Afghanistan's National Assembly has demonstrated a slow but growing capacity and political maturity, State said. In the July 2012–January 2013 session, the Parliament approved a final budget and questioned ministers over their failure to properly execute their budgets. The legislative branch remains weak in comparison to the executive, but members of Parliament appear to be trying to strengthen their hand. However, staffing struggles, corruption, and low levels of education and experience continue to plague the body.<sup>245</sup>

The State Department called the Parliament's oversight of the national budget, where it has repeatedly and successfully reoriented the executive's spending priorities, the best example of its growing abilities. Parliament lacks the "power of the purse": the Afghan Constitution permits it only to accept or reject the executive branch's budget proposals. Yet Parliament has used what authority it has to force the executive to compromise on spending plans. Parliament has also demanded more oversight of ongoing projects, and now routinely summons officials from the MOF for both budget preparation and performance updates.<sup>246</sup>

## Civil Service Capacity

This quarter, the United Nations and the World Bank committed to align compensation of government staff paid through their funds with a government scale for national technical assistance. International donors have been criticized for establishing a "second civil service" where Afghans who work directly for the government or as contractors receive salary support from donors at pay rates of up to 11 times the highest rate for civil servants. These pay rates are unsustainable without continued high levels of donor financing. Aligning salaries to a scale the Afghan government can better afford will affect between 6,000 and 7,000 staff over the coming two to three years.<sup>247</sup>

USAID said it has helped the Civil Service Commission fill vacancies, despite the challenges of insecurity and a shortage of educated and experienced candidates. USAID supported commission job fairs in seven provinces that succeeded in recruiting 1,096 civil servants (64 women, 1,032 men). The commission is also advertising positions in insecure provinces in neighboring areas to increase the pool of qualified applicants. Under President Karzai's anticorruption measure, Presidential Decree 45, the majority of new civil servants will be recruited through a nationwide

exam to be held in Kabul and the provinces.<sup>248</sup> The hiring process for civil servants through merit-based hiring practices began with deputy provincial and district governors. The general exam for civil servants is to be given in mid-2013.<sup>249</sup>

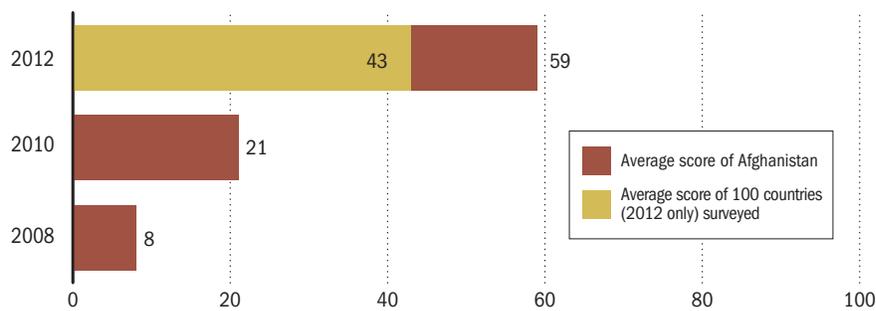
## National Budgeting

This quarter, the International Budget Partnership, a group that aims to ensure government budgets are responsive to the needs of the poor, released results of its latest Open Budget Survey. The Partnership’s survey found that Afghanistan made substantial improvements to the transparency, comprehensiveness, usefulness, and timeliness of its main budget documents. As seen in Figure 3.34, Afghanistan has improved from a score of eight out of 100 in 2008, to 59 out of 100 in 2012. Of the 100 nations surveyed, the average score was 43. The report noted that Afghanistan’s government provides the public with limited amounts of information on the national government’s budget and financial activities during the course of the budget year. This makes it challenging for citizens to hold the government accountable for its management of public money, according to the International Budget Partnership.<sup>250</sup> The report recommended that the Afghan government take steps to enhance its budgeting, including:<sup>251</sup>

- Improve the legislature’s budget oversight powers and responsibilities.
- Increase the comprehensiveness of year-end reports by providing audited actual expenditures, and extensive explanations for the differences between estimates/forecasts and actual outcomes of macroeconomic variables, non-financial data, performance indicators, and funds intended for programs targeting the poor.
- Expand the public’s ability to understand, engage, and be a part of the decision-making process in budgeting matters.

FIGURE 3.34

### SURVEY ASSESSMENT OF AFGHAN BUDGET PROCESS QUALITY, 2008–2012 (Score on a scale of 100)



Note: Scores calculated using survey questions to determine budget transparency, comprehensiveness, usefulness, and timeliness. Source: International Budget Partnership, “Open Budget Survey,” 1/23/2013.

## Local Governance

On January 8, the Independent Directorate of Local Governance (IDLG) appointed 60 district governors and 17 deputy provincial governors through a merit-based recruiting process. This process is intended to prevent corrupt practices from affecting the appointment process. More than half of the 364 district governors and 32 of 34 deputy provincial governors have undergone merit-based selection. The latest round of appointments included the country's first female district governor, Sayara Shakeeb Sadat, in Faizabad district, Jawzjan Province.<sup>252</sup>

## Southern Afghanistan Governmental Control

Improved security in the south has helped the Afghan government hold most urban centers, but the government continues to compete with insurgent groups for control of the population in more rural areas. State said local administrators require improved performance from Kabul ministries to sustain and expand their influence. The local administrators are technically capable, but increasingly unreliable support from IDLG, combined with irregular funding, undermines their work.<sup>253</sup>

## Helmand Province

The Helmand Provincial Reconstruction Teams (PRT) and District Support Teams (DST) continued their strong partnership with the province's new governor, Muhammad Naeem Baluch, a National Directorate for Security (NDS) Major General. The PRTs and DSTs support the new governor's shift in focus to northern Helmand, with particular emphasis on the Kajaki project and counternarcotics. These efforts reinforce U.S. strategic objectives for southern Afghanistan, as northern Helmand is not as advanced in terms of security, governance, or development as the Central Helmand River Valley.<sup>254</sup>

In central and southern Helmand, local officials effectively govern, aided by on-budget funding from the British government. The district centers of Now Zad, Kajaki, Musa Qala, Baghran, and Washir remain under government control, but the government and the ANSF are struggling to expand beyond these islands of governance. The provincial governor, council members, and line ministry officials are able to travel by road to Garmsir, Nawa, Marjah, Nad-e-Ali, Lashkar Gah, and Nahr-e-Saraj; and increasingly to Musa Qala and Sangin. Officials have occasionally driven in ANSF convoys to Kajaki, Khan-e Shin, and Now Zad, but more often travel with helicopter support from ISAF.<sup>255</sup>

## Kandahar Province

State continues to see evidence that the Afghan government is improving its capacity to govern throughout Kandahar, especially as it achieves security gains in key districts. However, Taliban shadow-government entities have

de facto control of many undergoverned spaces such as Ghorak, Shorabak, Myneshin, and Khakrez districts.<sup>256</sup>

Improving security has increased government officials' ability to travel. The provincial governor moves freely in most districts. On March 24, 2013, a host of provincial officials celebrated Nowruz/Farmers Day in Khakrez, one of the more isolated districts in the province. In previous years, they had been forced to celebrate at a secure location in Kandahar. But a significant number of district officials still reside in Kandahar City, instead of their assigned districts, due to perceived security risks.<sup>257</sup>

## Eastern Afghanistan Governmental Control

The eastern provinces of Paktiya, Paktika, and Khowst continue to suffer from insecurity and insufficient support from the central government. In addition, local government actors are often unable to provide adequate service delivery or to build relationships with their constituents. There is limited governance in remote districts in these provinces, particularly along the eastern and southern borders with Pakistan. Some areas are too insecure for Afghan officials to reside there and others have not had officials appointed.<sup>258</sup>

To alleviate some of these issues, provincial governments are increasingly becoming more capable in promoting development and in coordinating with security services to connect provincial governments with their rural populations, according to State. When the ANSF achieves victories over insurgents in eastern Afghanistan, they then try to coordinate meetings between residents and the local government.<sup>259</sup>

In Paktika, several districts along the eastern and southern borders with Pakistan and other remote areas have limited governmental influence. The remote Naka District has no district governor, and other district governors live outside their districts in Sharana, Paktika's capital. The Afghan government does not effectively administer governance in either Sharana or Orgun, and has limited influence in areas like Sarobi, Mota Khan, Jani Khel, and Sar Howza.<sup>260</sup>

PRTs and DSTs in these provinces have recently focused on facilitating communication and coordination among Afghan civilian and military leaders as well as launching public outreach campaigns. These public efforts emphasize the progress made in rebuilding Afghanistan since 2001 as well as the government's readiness for the transition period. In March, the provincial governor of Khowst assembled a town hall meeting for the provincial council, the provincial peace council, directors of government line departments, women's rights advocates, tribal elders, and the U.S. Senior Civilian Representative for Regional Command East. This quarter, the PRT in Paktika focused on mentoring, coaching, and consulting with the provincial government to help it prepare its first budget requests for the 2014 Afghan national budget. The budget request was submitted on time, which will help the province receive funds from the central government after ministries decide on allocation levels.<sup>261</sup>

## U.S. Stability Programs

### USAID’s Stability in Key Areas Program

USAID’s Stability in Key Areas (SIKA) program aims to foster popular confidence in the Afghan government by building government capacity to function effectively at the district level, deliver expected public services, and address the people’s problems. The program has four regional components: SIKA West, East, North, and South.

As of this quarter, USAID had obligated some \$81.6 million for the program, of which \$46.8 million had been disbursed. The total anticipated budget for SIKA is \$203.2 million. The project helps provincial and district entities address sources of instability and take measures to mitigate them. For example, SIKA West held a meeting in February of 30 District Stabilization Committee members and others. The participants identified poverty and a lack of job opportunities as local sources of instability. Among other proposals to improve stability, they suggested that the government rehabilitate the irrigation system and conduct literacy courses for men and women, as shown in Table 3.8.<sup>262</sup> SIGAR is currently reviewing the SIKA program.

TABLE 3.8

SIKA-WEST DSC MEETING IDENTIFICATION OF PROVINCIAL INSTABILITY		
Sources and Instability	Root Causes	Mitigating Activities
<ul style="list-style-type: none"> <li>· Poverty and lack of job opportunities</li> </ul>	<ul style="list-style-type: none"> <li>· Lack of government support to agriculture sector</li> <li>· Lack of market for agricultural production</li> <li>· Lack of proper education system</li> <li>· Foreign destabilizing influences</li> </ul>	<ul style="list-style-type: none"> <li>· Provide job opportunities through development projects</li> <li>· Rehabilitation of irrigation system</li> <li>· Conducting literacy courses for men and women</li> <li>· Find market for agriculture products</li> <li>· Afghan government to improve and train border police</li> </ul>

Source: USAID, Stability in Key Areas (SIKA)-West Monthly Report, 2013.

### Village Stability Operations

The U.S.-led, ISAF-and Afghan-supported Village Stability Operations (VSO) and Afghan Local Police (ALP) programs are complementary elements of the Special Operations Joint Task Force-Afghanistan’s counterinsurgency strategy. VSO and ALP work together by using the ALP to mobilize the local population to provide their own security so that the VSO can then assist the Afghan government in expanding its reach and efficacy in those areas.

According to DOD, the Afghan government is more active, responsive, and connected to the population in districts with a VSO presence than those without it. These districts with VSO have filled 90% of their critical

government positions, a rate much higher than the typical district in Afghanistan. Community Development Councils, designed to increase the connection between the government and population, have had increased attendance and participation in VSO districts.<sup>263</sup>

Most provincial and district governments support the ALP and often request expansions in the program so they can better provide essential services and goods. President Karzai was initially wary of VSO and the ALP, but has recently issued directives to the MOD and MOI to conduct the programs in Badakshan and Nuristan provinces, especially within the Warduz and Kamdesh districts. DOD noted that these areas would be the first to have VSO and the ALP completely initiated and conducted without ISAF support at the tactical level.<sup>264</sup>

## **U.S. Capacity-Building Programs for Public Administration**

Developing Afghanistan's human resources is a key goal of the U.S. reconstruction effort. The United States is implementing a number of programs to build Afghan governing capacity at the national, provincial, and local levels. This sub-section reviews some of those efforts.

### **Initiative to Promote Afghan Civil Society**

USAID's Initiative to Promote Afghan Civil Society (I-PACS) encourages development of a politically active civil society in Afghanistan. Through the program, USAID provides technical assistance, capacity-building, and grants to civil society organizations nationwide. In FY 2013, I-PACS increased its support of such grants to \$11.6 million, of which \$6.5 million has been awarded. USAID is working through I-PACS to address the lack of basic awareness of democratic principles and their role in a democratic framework. Similarly, USAID is working to build citizens' understanding of and trust in the Afghan government.<sup>265</sup>

### **USAID Performance Based Governance Fund**

The Performance-Based Governance Fund provides provincial governors with operational budgets to enhance their relationships with citizens and improve their overall management capacity. Each provincial governor's office receives an average annual fund of between \$200,000 and \$370,000. Higher performing governors receive more funds while lower performing governors receive less.<sup>266</sup> The program also embeds a locally hired advisor in each office to provide advice and oversight. Teams of staff evaluate the offices quarterly. When the Fund began in 2009, the offices did not prepare and submit budgets to the central government. Now all of them engage in bottom-up planning and budgeting processes and have learned to manage and expend funds according to basic accounting methods, according to USAID.<sup>267</sup>

## **USAID's RAMP-UP and Kabul City Initiative**

USAID's Regional Afghan Municipalities Program for Urban Populations (RAMP-UP) and the Kabul City Initiative (KCI) programs help municipal governments in Kabul and other urban centers increase the capacity of municipal officials, improve the delivery of municipal services, support economic growth initiatives, and raise revenues.<sup>268</sup> As of March 31, 2013, USAID had obligated more than \$210.1 million for RAMP-UP and \$41.4 million for KCI. USAID noted some accomplishments of the closely related programs:<sup>269</sup>

- KCI completed its third annual public opinion survey and opened three parks and a service center in Kabul.
- RAMP-UP helped transfer ownership of a solid-waste management system to the Kandahar Municipality, launched a performance-based budgeting system in 10 eastern municipalities, aided in a 40% increase of revenue generation for nine northern municipalities, and formed municipal advisory boards in four western municipalities.

Municipal governments are now independently operating many initiatives that were started by RAMP-UP and KCI, such as solid-waste collection, public outreach programs, donor coordination, and park maintenance, according to USAID. More municipal activities will be fully turned over to the municipal government as the programs near completion. To be more accountable to their citizens, several municipalities, such as Kabul, Kandahar, and Lashkar Gah, have recently opened citizen service centers, which act as "one-stop shops" for citizens to gather municipal information, request services, and pay fees and taxes. Similar centers will soon open in other municipalities.<sup>270</sup>

USAID noted that one of RAMP UP's main challenges is working with the Afghan government bureaucracy, where political and ethnic dynamics are extremely complicated. Afghan officials often serve many different authorities who often contradict one another. In addition, some Afghan officials are less supportive of programs after the drastic funding cuts that occurred almost two years ago. However, other mayors and their staff still back these projects.<sup>271</sup>

Afghanistan's top-down governance structure hampers local government's budgeting autonomy. The MOF still approves the yearly budgets for all municipalities, giving the Ministry a great deal of power in budget decision making. However, USAID noted that the municipalities now have the power to raise their own revenues and use those funds to provide services without having to turn these funds over to the MOF. The MOF and governors do have the authority to sign off on municipal budgets.<sup>272</sup>

## **Media Development**

USAID's Afghanistan Media Development and Empowerment Project (AMDEP) strives to build the capacity of local independent media

through technical support, equipment upgrades, hands-on training, and business development. As of March 31, 2013, USAID had obligated \$31.8 million for AMDEP.<sup>273</sup>

Nai, an Afghan sub-contractor for the project, has united existing Afghan journalism unions under one umbrella association: the Afghan Federation of Journalists. According to USAID, this synthesis has allowed for improved information sharing between the unions as well as a more organized dialogue with government representatives. Nai also helped develop a code of conduct for Afghan journalists. The Ministry of Information and Culture (MOIC) and the Afghan Federation of Journalists will present the code at regional consultations to garner feedback.<sup>274</sup>

Internews, an international NGO that also implements AMDEP, provides the Ministry of Communications and Information Technology (MCIT) and the MOIC technical support and advice in spectrum management so that Afghan media can transition to more technologically advanced broadcasting. This support has fostered enhanced communication between the MCIT and MOIC that has allowed for collaboration in the drafting of an information and communication technology law, spectrum management and transition, the drafting of a national cyber security strategy, and the Afghan government's push to transition to digital television.<sup>275</sup>

Internews and Nai partner to advocate for fair media regulation. This advocacy included public relations activities, lobbying, and the development of practical media resources, such as legal training and materials, a newsletter, a database on violence against journalists, and a media directory.<sup>276</sup> Nai has also assumed a seat on the Ministry of Justice (MOJ) committee tasked with reviewing all laws, including the media law, the access to information law, and the media contract law. USAID said this partnership helped establish a working group consisting of civil society and media leaders to review and make recommendations on the access to information law.<sup>277</sup>

## JUDICIAL REFORM AND RULE OF LAW

Afghanistan continues to struggle with establishing a competent and sustainable justice system. Widespread corruption in Afghanistan's judicial system has led more than 50% of Afghans to use traditional courts and courts governed by the Taliban, according to the Afghan NGO Afghan Integrity Watch. Insecurity and a lack of courts also forces Afghans to seek community councils and traditional methods to obtain justice.<sup>278</sup> One of the two remaining National Priority Programs the Joint Coordination and Monitoring Board has not finalized is "Law and Justice for All."<sup>279</sup>

### Criminal Procedure Code

This quarter, the Afghan government again failed to pass an updated Criminal Procedure Code. The government pledged at the Kabul

Conference in 2010 to enact a new Code by the beginning of 2011. In June 2012 the MOJ presented a revised draft to Parliament. The U.S. and Afghan justice sector professionals, as well as many in the international community, criticized the draft, saying it was not a basis for a successful rule of law system. At the end of this quarter, a committee of Parliament was reconsidering the draft. According to the State Department, the United States was working with the committee on revisions and adjustments to the Code.<sup>280</sup>

## U.S. Justice Sector Training

This quarter, the International Development Law Organization (IDLO) took over the Justice Sector Support Program's (JSSP) training component from the American contracting company PAE. This new, U.S.-funded and IDLO-operated program will be called the Justice Training Transition Program (JTTP). The program change occurred because the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) decided that the continued security transition process would mean that successful and sustainable judicial training would be best carried out through the Afghan justice ministries as opposed to an externally-run service.

State said Afghanistan is a member of the IDLO, a public international organization. IDLO specializes in rule of law work. Therefore, State decided that IDLO would be in a better position than an American contractor to get the institutional support needed from the Afghan government to conduct more Afghan-led judicial training. The JTTP will focus on building a continuing legal education program for prosecutors, defense attorneys, judges, and criminal investigators that Afghan justice ministries will be able to run on their own by the end of 2014. The 30-month contract is for \$47.7 million.<sup>281</sup>

Most JSSP activities continue with the program concentrating its efforts on providing capacity building and technical assistance to the Afghan justice ministries, building the capacity of the Afghan government to track criminal cases, promoting case-management system integration, and assisting with legislative reform.<sup>282</sup>

## Counternarcotics Justice Center

Investigators and prosecutors at the Counternarcotics Justice Center (CNJC) in Kabul are operating at a relatively high level of competency, according to State. Cases prosecuted at the CNJC fall under the Afghan Counternarcotics Law. The justice professionals who work at the CNJC routinely evaluate evidentiary sufficiency, strategize over case composition, and build effective criminal cases. The most recent available statistics show that from April 2011 to March 2012, the conviction rate at the CNJC's Primary Court was 97%. Over that time period, 44 Afghan government officials were convicted of drug-related crimes.

### SIGAR AUDIT

SIGAR is conducting an audit of the JSSP. SIGAR also plans to review DOD's Rule of Law Field Force-Afghanistan and USAID's Rule of Law Stabilization Program, both of which also seek to train justice personnel. The planned audit is described on page 35 of Section 2 in this report.

State noted that the CNJC court process is less affected by corruption and is more efficient, fair, and transparent than other parts of the judicial sector. For example, in February, the CNJC's Primary Court convicted Haji Lal Jan, a U.S.-designated drug kingpin who was arrested by Afghan authorities, and two of his associates for drug trafficking. All three were given 20 years in prison. Although Lal Jan has close tribal and family ties to the political elite, he was still arrested and convicted.<sup>283</sup>

INL has spent \$31 million to support construction, operations, and maintenance of the CNJC's facility in Kabul. INL transferred an additional \$18.8 million to the U.S. Department of Justice (DOJ) for programs that support mentoring, training, and advisory services, much of which goes to the Afghan Criminal Justice Task Force's police, prosecutors, and judges who work at the CNJC.<sup>284</sup> State said CNJC sustainability is directly related to the Afghan government's ability to put the Center on-budget; it is currently in the external budget. INL is coordinating with its interagency and international partners to design a process to accomplish this change. To ensure a successful transition to the MOI, INL, DOJ, and the British Embassy are working to reduce operating costs by taking such steps as bringing the facility onto the local power grid. In addition, to make the CNJC operations more sustainable, justice professionals from the Supreme Court, Attorney General's Office (AGO), and MOI are overseeing the professional development of the police, prosecutors, and judges at the CNJC.<sup>285</sup>

## Detention Center Transfer

A series of intense, high-level negotiations, including a meeting between Presidents Obama and Karzai during President Karzai's January 2013 visit to the United States, culminated in an agreement for the transfer of the U.S. Detention Facility in Parwan to Afghan government control. On March 25, 2013, the United States and Afghanistan signed a memorandum of understanding transitioning all detainee operations involving Afghan nationals to Afghanistan. A transfer ceremony was held that day. The Afghan authorities renamed the facility the Afghan National Detention Facility at Parwan.

Following the transfer, all Afghan detainees are under Afghan custody and control. Afghan-U.S. consultations on the disposition of detainees have gone smoothly, according to DOD. Afghan Review Boards, which will be Afghan-only, will now make disposition recommendations. The Afghans have committed to holding those detainees designated by the United States as enduring security threats. There are also serious concerns about the Afghan government's treatment of detainees, as discussed in the Human Rights portion of this section.<sup>286</sup> The United States will provide funding and use Security Force Assistance Teams to continue to provide training, advising, and assistance to the Afghan National Army Detentions Operations Command. As of the end of the quarter, the United States had provided over

\$250 million dollars to build facilities in Parwan and Pol-e-Charkhi. The United States has pledged an additional \$39 million to support the Parwan detention facility.<sup>287</sup>

## ANTICORRUPTION

This quarter, the United Nations Office on Drugs and Crime (UNODC) and Afghanistan's High Office of Oversight and Anticorruption (HOO) released a survey that further underscored the seriousness and pervasiveness of corruption within the Afghan government and the broader economy. In 2012, half of Afghan citizens surveyed reported that they paid a bribe while requesting a public service. The total cost of bribes reportedly paid to public officials amounted to \$3.9 billion. If accurate, this figure well exceeds the Afghan government's domestic revenues of \$2.4 billion. This represents a 40% increase in real terms from the UNODC's 2009 survey. In 2009, Afghans who paid bribes said they paid an average of 4.7 bribes annually. In 2012, those who paid bribes reported paying an average 5.6 bribes for the year. Since 2009, the average cost of a bribe has risen 29%, from \$158 to \$214. In education, the percentage of those reporting paying a bribe to a teacher jumped from 16% in 2009 to 51% in 2012.<sup>288</sup>

### Afghan Attorney General's Office

Insufficient political will and a lack of dedicated resources continue to severely limit the ability of the Anticorruption Unit (ACU) in the Attorney General's Office (AGO) to investigate and prosecute high-level officials or well-connected individuals. This quarter the MEC reported that the AGO has not prioritized the initiatives that the MEC has identified in its recommendations, thereby allowing corruption to continue unabated.<sup>289</sup> Last quarter, the head of the ACU was fired after prosecutors from his unit furnished him alcohol and videotaped him speaking ill of the Attorney General. The DOJ has reported positive interactions with the unit's new leader. However, State said it was still too early to conclude if the change in leadership will lead to more anticorruption prosecutions. INL and DOJ both intend to continue to educate and train prosecutors at the ACU, but the State Department noted that the fundamental lack of prosecutorial independence and corruption in the management of cases will continue to be a problem in the ACU, and the AGO generally, for the foreseeable future.<sup>290</sup>

State observed that the ACU did manage the prosecutions of the 21 individuals charged in the Kabul Bank case. On March 5, the Special Tribunal for the Bank case convicted both the Bank's founder and its former chief executive for a breach of trust. The men were sentenced to five years in prison and ordered to return a combined \$808 million. The Tribunal failed to issue guilty verdicts for the more serious crimes of money laundering, embezzlement, and forgery, which would have

carried sentences up to 20 years and provided a basis for orders to confiscate their assets. On March 16, the AGO appealed the initial verdict because it failed to properly account for evidence that may have led to the two Bank executives being convicted of the more serious crimes. It was unclear which appellate court will take up the appeal, but a verdict must be reached by May 15, 2013. The United States supports the appeal, although it recognizes that the appeals process could result in the existing sentences being overturned. The Kabul Bank case was the only one prosecuted this quarter involving key political leaders, high-level government officials, or well-connected business leaders.<sup>291</sup>

Although Justice Department tracking of prosecutions of lower-level officials involved in corruption cases is limited and anecdotal, some local cases held promise. In Kunar, the Tsowkay district chief of police was convicted of soliciting bribes and sentenced to two and a half years in prison. The entire case—detection, investigation, and prosecution—was conducted by Afghan authorities who used relatively sophisticated investigative techniques to gain a conviction. Additional public-corruption trials were also held in Laghman, Mazar-e-Sharif, Pakitka, and other provinces this quarter. Restricted access to the provinces has limited DOJ's knowledge of these local corruption cases, but the fact they are occurring and are Afghan-led was seen as a demonstration of growing Afghan capacity.<sup>292</sup>

## Special Cases Committee Cases

This quarter, there were no formal charges of high-level officials connected to the Dawood National Military Hospital case, the first case identified for investigation and prosecution by the Special Cases Committee in January 2012. Progress in this investigation continues to be very slow, according to DOD. Investigations into the senior management of the Hospital, namely Major General Zia Yaftali, continue but there is significant doubt whether anyone will ever face trial on the full range of charges. The MOD independently pursued the only prosecutions in this case. They involved low-level officials convicted of relatively minor charges of negligent and abuse of authority involving expired pharmaceuticals valued at \$120.<sup>293</sup>

## Major Crimes Task Force

The Federal Bureau of Investigation (FBI) ended its mission with the Major Crimes Task Force (MCTF) in February 2013. The FBI determined that it met its capacity-building objectives. With adequate political and fiscal support, the Force has the ability to be an effective anticorruption unit. However, the AGO continues to lack the political will necessary to prosecute the corruption cases the MCTF develops. The new head of the AGO's ACU has yet to demonstrate increased willingness or ability to prosecute corruption cases. State said MCTF's future is uncertain as it remains legally and politically vulnerable.<sup>294</sup>

**The Special Cases Committee (SCC) was formed in December 2011 as a joint Afghan and international mechanism for supporting the efforts of the AGO in significant public corruption cases after the AGO failed to adequately prosecute many previous cases. The SCC is not meant to investigate or prosecute cases but instead is designed to identify and recommend to the ACU the significant cases that warrant special attention and then track the progress in those cases. The role of international advisors, including U.S. personnel, on the SCC is to help the AGO select cases for special attention and devote resources to investigating and prosecuting them if there is supporting evidence. In addition, the international advisors help the AGO design its investigations and prosecution strategies. The international participation also helps the AGO acquire information and evidence in possession of the international community that can advance cases of interest.**

Source: State, responses to SIGAR data call, 3/26/2013 and 7/5/2012.

In 2012, the House Committee on Oversight and Government Reform's Subcommittee on National Security, Homeland Defense, and Foreign Operations held a hearing on what happened and what went wrong at the Dawood National Military Hospital in Kabul. In 2011, the media had reported on the deplorable conditions for patients at the Dawood National Military Hospital in Kabul. Widespread corruption led to the siphoning off of U.S. funds as well as theft of medical supplies intended to support hospital operations. In addition, patients often did not receive care because they or their families could not produce bribes for hospital staff. Officials in the MOD and ANA, including the ANA's Surgeon General, Major General Zia Yaftali, were implicated in the scandal. Some U.S. military officials were also criticized for not doing more to investigate and prevent the scandal.

Source: "Dawood National Military Hospital Afghanistan: What Happened and What Went Wrong?" Hearing Before the Subcommittee on National Security, Homeland Defense, and Foreign Operations, Committee on Oversight and Government Reform, House of Representatives, 112th Congress, second session, July 24, 2012, pp. 2-4.

## Assistance to Afghanistan's

**Anticorruption Authority (4A):** This USAID project supports strategic, technical, and administrative capacity development at the Afghan government's anticorruption agency, the High Office of Oversight and Anticorruption (HOO), ministries delivering key services to the Afghan public, and outreach to civil-society organizations engaged in the fight against public corruption.

Source: USAID, "Assistance to Afghanistan Anti-Corruption Authority," 12/2012, accessed 4/23/2013.

## Monitoring and Evaluation Committee

The MEC issued three reports this quarter. The first concerned the implementation of President Karzai's governance and corruption decree issued last year, Presidential Decree 45. It found that the Afghan government had mixed results in implementing 38 articles of the decree that would enhance efforts to fight corruption. Of the 38 articles, eight have been implemented, 23 have been partially implemented and seven have not been implemented. For example, the MEC found that Afghans were still being held in detention with no clear fate, a manifestation of gaps in the timely investigation and prosecution of cases. It also found that the decree's policy on cash smuggling through Afghan airports had not been implemented effectively.<sup>295</sup> The second report contained the commission's fifth set of recommendations and benchmarks for combating corruption. Among the recommendations, the MEC proposed that all government institutions dealing with infrastructure projects should establish a corruption-reporting mechanism, such as a "call center." It also recommended that the United Nations High Commissioner for Refugees conduct and publish the results of a forensic audit to address allegations regarding the double payment of salaries and renting facilities from high officials of the Afghan government.<sup>296</sup> The third report surveyed the mixed results of the MEC's recommendations. It found that the justice sector and the HOO have not had the same success tackling corruption as other areas of government.<sup>297</sup>

## High Office of Oversight and Anticorruption

The HOO made little progress this quarter toward its goal of fighting corruption, according to State. State said that the DOJ engages with the HOO on a very limited basis.<sup>298</sup> However, USAID said its anticorruption program was helping to develop HOO capacity in the areas of asset registration and ministerial assessments.<sup>299</sup>

## USAID's Assistance to Afghanistan's Anticorruption Authority

This quarter, USAID reported that its **Assistance to Afghanistan's Anticorruption Authority (4A Project)** continued to improve the capacity of the HOO in several areas of operation:<sup>300</sup>

- **On-line Asset Registration:** Afghan law requires asset declarations by public servants, but efforts to establish accurate and widespread asset registration have floundered in recent years. In order to make the asset registration process easier, the 4A Project developed an on-line system this quarter that is expected to become functional by mid-April 2013.
- **Vulnerability to Corruption Assessments:** The 4A Project trained the entire staff of the HOO's Corruption Prevention Directorate on conducting Vulnerability to Corruption Assessments in the ministries. The Directorate also reached agreements to conduct the assessments

on selected business processes with the Ministry of Public Health and the Ministry of Mines and Minerals. This quarter, assessments on issues related to hospitals and medicines were conducted for the Ministry of Public Health, but no assessment work was done on the Ministry of Mines and Minerals.

- **Recruitment and Selection Policy:** In January, the 4A Project eliminated some loopholes in the HOO's recruitment and selection policy.

In addition to its work with the HOO, the 4A supports several other anticorruption efforts. This quarter, the project worked with the Ariana Television Network to air 10 segments of 30-minute anticorruption programs that recorded citizens' views on the lack of provision and quality of public services, followed by invitations to officials in the implicated ministries to explain the lapses in basic services. The project also worked with a female parliamentary anticorruption caucus to build their legislative capacity in areas like oversight, budgeting, and conflict of interest.<sup>301</sup>

## Corruption in Afghan Security Forces

The MOD has made moderate progress in countering corruption within its forces, DOD said. However, the Office of the National Security Council still provides no direction or engagement to the MOD's Transparency and Accountability Office on how to operate the MOD's Transparency and Accountability Working Group. The Minister of Defense and the Transparency and Accountability Office unilaterally decided to begin holding Working Group sessions to push for anticorruption reforms within the MOD. Of particular note has been the fact that the MOD has held three senior-level anticorruption meetings this quarter, chaired by either the Minister or the First Deputy Minister.<sup>302</sup>

The MOI also has made progress in its anticorruption efforts, albeit more slowly than the MOD. Again, the Minister has been quite vocal in support of these efforts, and especially of his Inspector General. The MOI's Inspector General has in turn demonstrated determination and force of character, which has helped to instill some anticorruption improvements within the MOI, according to DOD.<sup>303</sup>

## CJIATF-Shafafiyat

Combined Joint Interagency Task Force (CJIATF)-Shafafiyat, an ISAF-interagency group created in 2010 to coordinate anticorruption efforts, has narrowed its objectives to focus on promoting transparency and accountability in the ANSF. CJIATF-Shafafiyat is working to identify and transition selected anticorruption initiatives before the end of 2014. This transition effort involves working closely with the NATO Afghanistan Transformation Task Force and other international partners to identify who will take ownership of future task execution on completion of the current mission.

## SIGAR AUDIT

SIGAR is conducting an audit of the transition as the International Security Assistance Force (ISAF) concludes its mission in 2014. This audit will determine whether U.S. government agencies have transition plans in place and whether those plans address the asset-transfer process, the Afghan government's ability to maintain those assets, and the extent to which a comprehensive inventory of all U.S.-funded projects and assets has been developed and documented. See page 32 in Section 2 of this report for more details.

The Task Force has encouraged ISAF and Afghan leaders to bring anti-corruption and organized crime issues into the security transition process through transition counter-corruption boards, according to DOD. These boards make corruption assessments of provinces and districts scheduled to undergo transition. In addition, the boards target corrupt actors in positions critical to transition. The Afghan government's political will and capacity will heavily dictate if the anticorruption efforts the Task Force is involved with produce any enduring results.<sup>304</sup>

## Corruption in Customs Collections

Fraud and corruption in customs remain serious problems that threaten the fiscal sustainability of the Afghan government due to losses of revenue collection at the borders, customs depots, and airports. Customs revenues fell in 2012 as a result of rising corruption. However, the Afghan government took several important steps this quarter to stem corruption.<sup>305</sup>

The MOF undertook a large-scale restructuring of the Afghan Customs and Revenue Department. To prevent customs officials from building local corruption networks, the MOF replaced a large number of high-ranking officials and rotated most provincial customs directors. The Minister of Finance expressed confidence in the capabilities of the new senior officials. At the end of the quarter, it was too early for the State Department to know how effective this move was, but it has the potential to reduce corruption.<sup>306</sup>

In February this year, the MOF signed the charter of the Presidential Executive Commission (PEC) on Borders, Airports, and Customs Depots. The PEC had been in limbo for much of the past year. The PEC is a new interagency body tasked with identifying corrupt practices, recommending cross-ministerial reforms, and coordinating efforts to increase revenue while limiting opportunities for corruption. The PEC had not begun operations at the end of the quarter, but when it does it could significantly improve the transparency and accountability of the sector if run effectively, according to State.<sup>307</sup>

The Afghan government also continued to expand implementation of the Borders Management Model (BMM). The BMM seeks to clarify roles and responsibilities at the borders to reduce the number of extraneous government agencies involved at border crossings. The BMM operated at three border crossings at the end of the quarter, with an additional four crossings expected to utilize the BMM by July 2013. State noted that the expansion of the BMM will be an IMF benchmark for future donor assistance.<sup>308</sup>

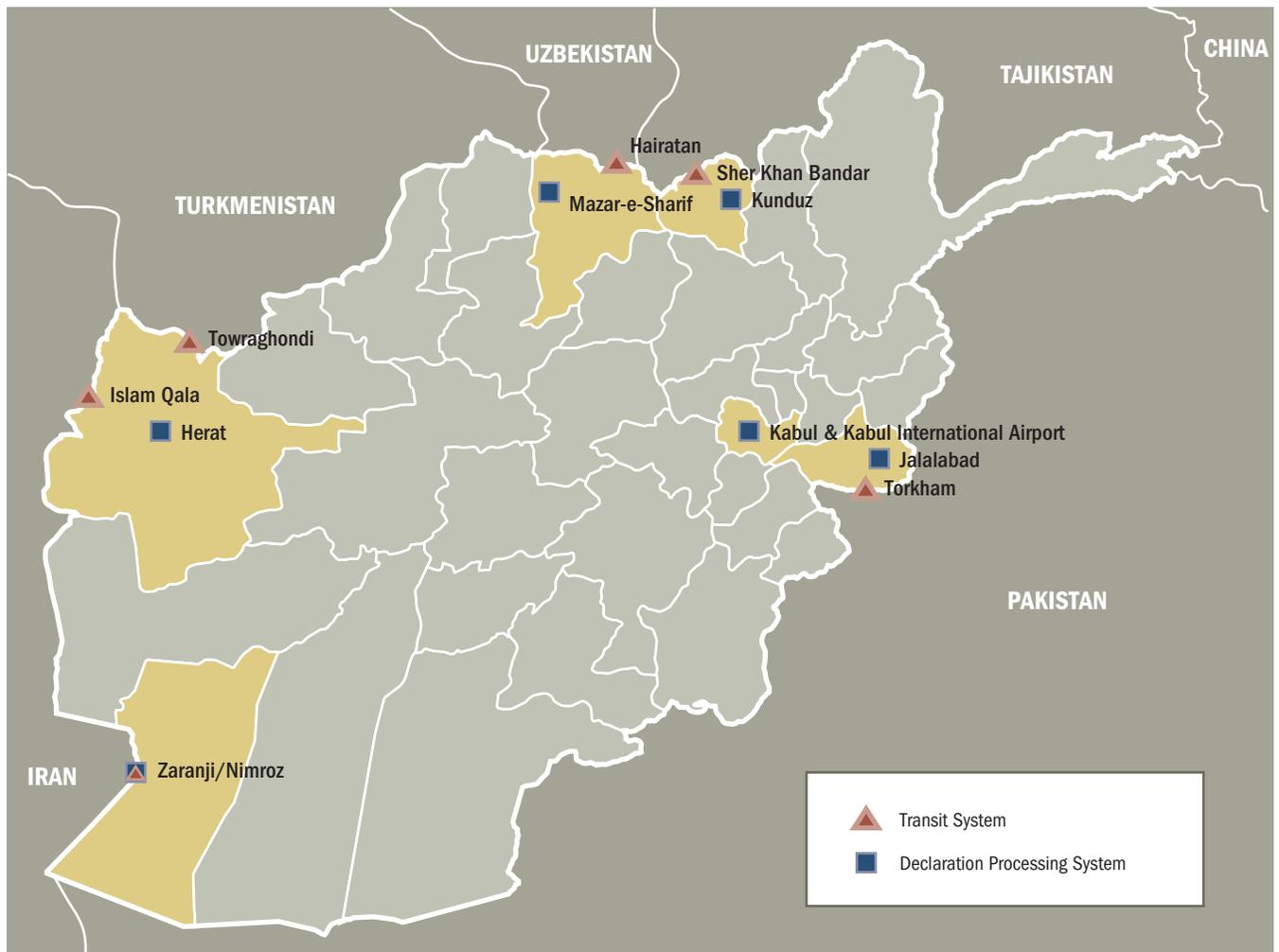
USAID worked with the Afghan government to initiate a risk-management pilot program at Kabul International Airport's customs yard. The program is expected to streamline trade by targeting high-risk shipments for inspection and to reduce corruption by automating the selection of shipments for inspection.<sup>309</sup>

# GOVERNANCE

The Automated System for Customs Data (ASYCUDA) is now in place at all major border crossings and customs depots, according to State. The program allows customs data to be tracked and audited from a central location. The program's electronic system allows for more transparency and accountability than the previous paper-based system. However, many shipments are never entered into ASYCUDA due to operator negligence, inconsistent power supplies at remote borders, and corruption, according to the State Department.<sup>310</sup> Figure 3.35 shows locations where ASYCUDA is operational.

FIGURE 3.35

## IMPLEMENTATION OF ASYCUDA CUSTOMS SYSTEM IN AFGHANISTAN



Source: UN, ASYCUDA Afghanistan, accessed 4/17/2013.

**The U.S. government has long had serious concerns about the flow of cash out of Afghanistan. In July 2011, SIGAR reported on U.S. government efforts to strengthen oversight over the flow of U.S. funds through the Afghan economy, including the provision of bulk currency counters to better regulate cash flowing out of Kabul International Airport. A follow-up Special Report last quarter found that the cash counters were still not being used for their intended purpose.**

Source: SIGAR, Quarterly Report to Congress, 1/30/2013, pp. 44–45.

Several U.S. agencies support Afghan efforts to modernize and reform customs processes. USAID's Trade Accession and Facilitation for Afghanistan program helps to implement many of the Afghan government's reforms. The Department of Homeland Security's (DHS) Customs and Border Protection administer the CENTCOM-funded Border Management Task Force (BMTF). The BMTF works directly with border officials at both the headquarters and border levels to train them in best practices and implementation. DHS's Homeland Security Investigations (HSI) leads U.S. Embassy Kabul efforts to prevent the bulk transfers of cash out of the country. This quarter, HSI deployed three cash-counting machines to Azizi Bank and Afghan United Bank branches in Kabul to assist bank personnel in documenting withdrawals or deposits of \$10,000 or more. All information gleaned from the transaction (serial numbers, biographical, etc.) will be reported to the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) for analysis.<sup>311</sup>

## HUMAN RIGHTS

This quarter the U.N. Secretary-General reported mixed progress on human rights in Afghanistan. UNAMA in February released its 2012 annual report on the protection of civilians in armed conflict. The report documented 2,754 civilian deaths and 4,805 civilian injuries in 2012. That was a 4% decrease in civilian casualties as compared to 2011—the first such reduction in six years. On the other hand, the protection of women's rights activists remained a matter of grave concern as did the torture of prisoners in Afghan detention centers.<sup>312</sup>

### Detainees

According to UNAMA, torture continues to be a major problem in Afghan detention centers. In January 2013, UNAMA released a follow-up to its January 2012 report on the treatment of detainees. The report found that more than half of the 635 detainees it interviewed had experienced torture and ill-treatment at facilities run by the ANP, NDS, ANA, and ALP. This torture generally took the form of abusive interrogation techniques whereby Afghan interrogators deliberately inflicted severe pain and suffering on detainees to obtain a confession or information. UNAMA observed that of the 105 child detainees it interviewed, 80 children (76%) had experienced torture or ill treatment, an increase of 14% compared to UNAMA's previous report.<sup>313</sup> UNAMA also found credible and reliable evidence that 25 of the 79 detainees interviewed (31%) who had been transferred by international military forces or foreign intelligence agencies to Afghan custody experienced torture by ANP, NDS, or ANA officials. UNAMA said ISAF has rules in place, in accordance with international law, stipulating that individuals should not be transferred to facilities where there is a risk of torture and ill treatment.<sup>314</sup>

UNAMA also received credible allegations of the disappearance of 81 individuals taken into ANP custody in Kandahar from September 2011 to October 2012. The whereabouts of these individuals was unknown as of January 2013.<sup>315</sup>

In response to the UNAMA report, President Karzai set up a fact-finding delegation to investigate the torture allegations. In February 2013, the delegation confirmed the use of torture and ill treatment on Afghan detainees by Afghan police and national security officials. According to the delegation, almost 48% of those interviewed had said they were tortured and 66% said they had no access to defense lawyers. The delegation proposed 11 recommendations to Afghan institutions to address the issues.<sup>316</sup>

## Women's Shelters

The Afghan government's administration of women's shelters remains inconsistent. Women who need shelters often lack access to them. There are 25 women's shelters in 13 provinces. INL funds the operations for 10 of these shelters. INL-funded shelters are completely Afghan staffed and operated. In provinces without shelters, such as Kandahar and Uruzgan, NGOs attempt to transport victims of gender-based violence to the nearest province with a shelter. However, in provinces without shelters, women in need of safe shelter often go unnoticed or the local NGOs lack resources to intervene. State noted there is a need for more shelters, particularly in rural areas.<sup>317</sup>

Police and prosecutors have increased their requests for referrals to shelters, and as a result women have become more aware of the shelters and how they can provide refuge from crisis and physical harm. Women are typically referred to the shelters through the Violence Against Women's prosecutorial units, the Ministry of Women's Affairs (MOWA), or the police.<sup>318</sup>

The Afghan government's relationship with shelter providers was damaged in 2011 when the government announced it would nationalize all shelters and equated the existing shelters with brothels. Distrust lingers between the shelters and the MOWA, which is the Afghan body responsible for overseeing shelter operations. However, the relationship is gradually improving.<sup>319</sup>

MOWA allows women to leave shelters only after it grants permission. This practice impedes women from leaving shelters unless they marry or return to their families. The effectiveness of provincial Departments of Women's Affairs (DOWAs), which fall under the MOWA's authority, varies significantly throughout the country. State noted that in January, a teenage girl sought refuge after being raped in the DOWA offices in Daykundi. The province lacks a shelter, so she was to stay in the offices until she could be transferred to a shelter or returned to her family. On her first night at the offices, DOWA guards allegedly raped the girl. Provincial authorities were investigating the incident at the end of the quarter. On the other hand, the Kunduz DOWA successfully defended a women's shelter from false

**The UNAMA report outlined fourteen different types of torture at Afghan facilities, including: suspension (hanging from the ceiling by the wrists or from chains attached to the wall, iron bars or other fixtures so that the victim's toes barely touch the ground or he is completely suspended in the air with his body weight on his wrists for lengthy periods); prolonged and severe beating with cables, pipes, hoses or wooden sticks (including on the soles of the feet); punching and kicking the detainee; twisting of genitals; electric shock; stress positions; forced exposure to cold environments for long periods of time; and threats of execution and/or sexual violence against the detainee.**

Source: UNAMA, "Treatment of Conflict-Related Detainees in Afghan Custody: One Year On," January 2013, p. 4.

accusations that it was prostituting its beneficiaries. State said security remains a major impediment to the DOWA's ability to oversee and advocate for shelters. In 2012, two DOWA directors were assassinated in Laghman in separate incidents because of their work on women's issues.<sup>320</sup>

## Refugees

Pakistan has not agreed to a longer-term resolution for the approximately 1.7 million Afghan refugees living within its borders. It is unlikely that any decision will be made until a new Pakistani government is formed. However, it did not appear that Pakistan would force mass deportations in the near future, according to the State Department. In December 2012, Pakistan agreed to extend its honoring of registration cards for the refugees until June 2013. Pakistani government interlocutors informally indicated that the country would continue to uphold the principle that refugee return should be voluntary and that there will not be deportations.<sup>321</sup>

## Human Trafficking

Afghanistan has made some progress in implementing its anti-human-trafficking reform plan, but more work remains. In June 2012, in its Trafficking in Persons Report, the State Department identified Afghanistan as a source as well as a transit and destination country for men, women, and children subjected to forced labor and sexual trafficking. For the third straight year, the report listed Afghanistan on its Tier 2 Watch List, the second-lowest rating. The State Department noted at the time that the nation would have been given the lowest rating if it had not developed its anti-human-trafficking reform plan. Afghanistan's High Commission Against Trafficking in Persons has continued its quarterly meetings and the AGO has prosecuted some traffickers under a 2008 anti-trafficking law, although these cases are being appealed.<sup>322</sup>

The United States is involved in a number of programs to support training and development to prevent the conditions that permit widespread human trafficking. The Office to Monitor and Combat Trafficking in Persons funds the NGO Hagar International in its efforts to coordinate anti-trafficking related activities between Afghan civil society and the government. The Office also funds Hagar International's research in the identification of trafficking hot spots in the country and of the nature and magnitude of the problem in specific regions. State commented that this research will inform the development of a model of recovery services for trafficked Afghan boys up to 18 years old; this model will be used as the basis of a pilot project in a risk community.<sup>323</sup>

## Media Freedom

In February, civil society and media watchdog organizations urged the government to immediately send a draft of the Access to Information Law, which allows for greater public access to governmental information, to the parliament for approval. Despite repeated civil society and media organization advocacy for progress, the draft law has been with the MOJ for legislative review since February 2012. Integrity Watch Afghanistan noted that a lack of access to governmental information by citizens had caused weak public oversight, creating a breeding ground for corruption.<sup>324</sup>

This quarter, Reporters Without Borders released its annual World Press Freedom Index. The report ranked Afghanistan 128th out of 179 countries, a 22-place improvement from the last report. The report noted that no journalists were killed in 2012 and the arrests of media workers declined. The report pointed out that the government did not tackle the issue of impunity for those accused of violence against journalists. Moreover, the withdrawal of foreign troops along with deteriorating conditions in neighboring Pakistan meant the improvements were precarious.<sup>325</sup>

## Afghanistan Independent Human Rights Commission

The Afghanistan Independent Human Rights Commission (AIHRC) continues to function even though it is operating without the majority of its commissioners, according to the State Department. Of the nine commissioner seats, five remained vacant, as of March 22, 2013. In January 2011, one commissioner was killed in a suicide bombing. In December 2011, President Karzai decided not to renew the terms of three commissioners. The AIHRC also decided to dismiss one of its commissioners in September 2012 for mishandling information. Reportedly, President Karzai developed a list of nominees for the AIHRC's commissioner but they were not seen to have the proper-level of human rights qualifications. At the end of the quarter, the State Department, civil society organizations, and the AIHRC were working together to present a list of qualified candidates to President Karzai for his review.<sup>326</sup>

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## ECONOMIC AND SOCIAL DEVELOPMENT

As of March 31, 2012, the U.S. government had provided nearly \$23 billion to support governance and economic development in Afghanistan. Most of the funds flowed through four major programs and accounts: the United States Agency for International Development's (USAID) Economic Support Fund (ESF), the Department of Defense's (DOD) Commander's Emergency Response Program (CERP), the Task Force for Business Stability Operations (TFBSO), and the DOD-State Department jointly administered Afghanistan Infrastructure Program (AIP) supported by DOD's Afghanistan Infrastructure Fund (AIF).<sup>327</sup>

The services sector, led by telecommunications, transport, and government services, has been the most important driver of economic growth, while construction has propelled the industrial sector. According to the World Bank, legal agriculture is the second leading contributor to GDP, but it fluctuates with the weather. Mining production has been limited so far, but could eventually add 2–3% to GDP growth.<sup>328</sup>

Afghanistan's economy has grown 9% annually on average since 2002, fueled by international military spending and development assistance. This growth is projected to slow with the departure of most international forces after 2014. The decline in assistance will leave a large fiscal gap between government revenues and expenditures in a country that still suffers from high rates of poverty, unemployment, food insecurity, and poppy cultivation.<sup>329</sup>

This quarter, the United States and the international community sought to further prepare Afghanistan to take full control of its national security and to minimize economic contraction in what the Afghan government is calling the "Transformation Decade" following the drawdown of Coalition forces in 2014. However, U.S. government responses to SIGAR show that insecurity remains a formidable obstacle to the successful implementation of economic and social development programs in Afghanistan.

### KEY EVENTS

This quarter saw three important developments. First, the Special Tribunal for Kabul Bank announced guilty verdicts for 21 individuals in the Kabul Bank scandal, including the main architects of the bank's near-collapse. However, critics said the sentences were not tough enough.<sup>330</sup>

Second, USAID reached a bilateral agreement with the Afghan government to provide on-budget assistance through the national utility company, Da Afghanistan Breshna Sherkat (DABS), to install a third turbine at Kajaki Dam in Helmand Province. Despite a costly, British-led operation to move the turbine to the dam site in 2008, it was never installed.<sup>331</sup> USAID said DABS could take responsibility for the installation, but a SIGAR audit earlier this year found that DABS lacked the capacity to install and manage equipment needed for commercialization.<sup>332</sup>

Third, the Joint Coordination and Monitoring Board (JCMB) endorsed four of the six outstanding National Priority Programs (NPPs), bringing the total number of approved NPPs to 20.<sup>333</sup> The JCMB, a high-level decision-making body co-chaired by the Afghan Ministry of Finance (MOF) and the United Nations Assistance Mission to Afghanistan, is responsible for strategic coordination between Afghanistan and the international community of development programs. NPPs, an outgrowth of the Afghanistan National Development Strategy of 2008, consolidate hundreds of bilateral and multilateral development projects into a coherent suite of programs that can be absorbed into the Afghan budget to help ensure their sustainability.<sup>334</sup> The four approved programs this quarter include National Water and Natural Resources Development, National Comprehensive Agriculture Production and Market Development, National Energy Supply, and Efficient and Effective Government. Two remaining NPPs are expected to be presented to the JCMB later this year.<sup>335</sup>

In other developments, the World Bank staff released a final report based on a series of their earlier transition studies that began before the Bonn Conference in 2011;<sup>336</sup> the MOF rejected the one purchase bid it received for the New Kabul Bank;<sup>337</sup> and the Council of Ministers gave approval to a revised draft mining law.<sup>338</sup>

## **WORLD BANK 'AFGHANISTAN IN TRANSITION, LOOKING BEYOND 2014'**

The World Bank's comprehensive examination of Afghanistan's transition highlights several challenges facing the country. Afghanistan's rapid economic and social progress since 2002 has been aid-dependent. While government revenues have grown, they fall far short of requirements.<sup>339</sup> The Bank estimates Afghanistan will need more than \$7 billion annually in on-budget assistance—\$5 billion of which will go toward security sustainment—through 2021/2022 to close its budget gap between domestic revenues and expenditures. Even with this assistance, Afghanistan's fiscal outlook will remain fragile and vulnerable.<sup>340</sup>

Fiscal projections from the government and international community alike assume production at the Aynak copper mine and Hajigak iron-ore mine will

start in 2017.<sup>341</sup> However, Afghanistan faces legislative, logistical, and security challenges that may lead to delays. These are discussed on pages 146–149.

The World Bank’s analysis of countries with similar experiences showed political consolidation and stability as a requisite for successful transition. Afghanistan, however, is regressing in these areas, according to the Bank’s report. The transition is likely to increase unemployment, currently estimated at 8%, because labor-intensive industries like services and construction have benefitted the most from foreign capital. Worse hit will be the 48% of the workforce who are underemployed (working less than 35 hours a week on average). Many of the jobs created by aid are “casual”: day labor, food, cash-for-work programs. These will be the first jobs lost once international forces and provincial reconstruction teams leave Afghanistan. Moreover, according to the World Bank, insecure provinces where most of the foreign assistance was concentrated will suffer more than the secure ones as foreign aid declines.<sup>342</sup>

The World Bank recommended that donors avoid sharp reductions in aid, which would force the Afghan government to make even more arduous budgetary choices between security and civilian spending. It could also lead to sudden economic disruptions like a rapid depreciation of Afghan currency and labor-market destabilization. A gradual reduction in aid will inject more predictability to aid flows in both timing and funding to assist in long-term economic planning.<sup>343</sup>

## ECONOMIC PROFILE

Afghanistan’s economy has improved significantly since 2002. Its annual GDP growth rate has averaged 9% and is on par with or exceeds that of many neighboring countries.<sup>344</sup> The World Bank estimated Afghanistan’s calendar-year 2012 real GDP growth at 10.3%, driven by a near-record breaking wheat and cereal harvest, while inflation should remain relatively low, as seen in Table 3.9.<sup>345</sup> The table reveals some differences in the way analysts calculate economic growth in Afghanistan, but general agreement

TABLE 3.9

	ECONOMIC FIGURES, DIFFERENCES IN REPORTING											
	FY 2011				FY 2012*				FY 2013*			
	CIA	ADB	IMF	WB	CIA	ADB	IMF	WB	CIA	ADB	IMF	WB
Real GDP, % change	5.8	7.2	5.8	7.3	11	11.9	5.2	10.3	N/A	3.3	6.5	N/A
Inflation, %	13.8	11.8	11.8	11.3	N/A	6.2	6.6	6.5	N/A	6.1	6.7	N/A
Per Capita GDP, US\$	1,000	N/A	N/A	543	1,000	N/A	N/A	528	N/A	N/A	N/A	N/A

Note: \* Projected

Sources: World Bank, e-mail message to SIGAR, 1/2013; World Bank, “Afghanistan in Transition: Looking Beyond 2014,” 2/28/2013, accessed 3/18/2013; World Bank, “GDP Per capita (current US\$),” accessed 4/10/2013. IMF, “World Economic Outlook,” 10/2012, accessed 4/9/2013; CIA, “World Factbook,” 3/27/2013, accessed 4/9/2013; ADB, “Asian Development Outlook 2013,” accessed 4/9/2013.

on trends. The World Bank projects GDP growth to fall to 6%, on average, through 2018, and to 5% in the longer term.<sup>346</sup>

The Afghan government's fiscal year had been the same as the solar year, but the most recent fiscal year (1391) ran only from March 21, 2012, to December 20, 2012, to better align with donors' fiscal calendars. This one-time, nine-month fiscal year bridged the change to a new Afghan fiscal year that now runs from December 21–December 20. The “12-month comparison” references in the text offer a normalized basis for comparison.

“Afghanistan will require substantial international assistance through the next decade to grow its private sector and promote its integration in greater South Asia’s thriving economy.”

Source: The White House “Fact Sheet: Afghanistan,” 2/12/2013.

## BUDGET

The FY 1392 (December 2012–December 2013) budget totals \$7.04 billion, as compared to \$6.07 billion in FY 1391 (12-month comparison). The budget has two main parts: the operating budget (\$3.77 billion), which covers current government expenditures—security, salaries, operations and maintenance, capital, etc.—and the development budget (\$3.27 billion), which covers donor-financed projects and programs executed by the government.<sup>347</sup>

The FY 1392 development budget is 37% higher than FY 1391.<sup>348</sup> Last quarter, SIGAR noted the government’s historically poor execution rate of the development budget—just 52% in FY 1390. DOD echoed this concern in its latest report to Congress on progress toward security and stability in Afghanistan.<sup>349</sup> Poor budget execution is one of the concerns donors have about contributing more aid directly to the Afghan government. SIGAR has an ongoing audit to review USAID’s efforts to assess the ability of the Afghan government to manage and account for funds provided through direct or “on-budget” assistance. For more information about this audit, see Section 2, page 32.

## Fiscal Sustainability

Afghanistan’s fiscal sustainability ratio—domestic revenues versus operating expenditures—is one of the lowest in the world.<sup>350</sup> Although Afghanistan’s annual domestic revenues grew from \$0.6 billion in 2006 to \$2 billion in 2011, mostly from customs and taxes, during this period, its total annual public expenditures grew from \$5.8 billion to \$17.4 billion. From 2006 through 2011, these expenditures totaled \$72.9 billion. Afghanistan’s domestic revenues covered only 10% of these expenditures (\$7.3 billion). The remaining 90% was covered by the United States (\$46.3 billion) and the rest of the international community (\$19.3 billion).<sup>351</sup>

## Revenue Collection

Taxes make up an estimated 68% of total revenue collections.<sup>352</sup> This quarter, the MOF saw sweeping leadership changes in the departments of customs, revenue, public properties, and internal audit and administration. This shakeup, in which all 10 provincial customs directors were replaced, was to improve revenue collection and fiscal sustainability across the country through the infusion of “more capable, energetic and trusted leadership.” The ministry expects this change to help curb corruption and achieve greater efficiencies.<sup>353</sup>

Despite the expected improvements in revenue collection, the United States and its Coalition partners recognize that under current and

medium-term economic conditions, the Afghan government cannot generate enough revenue to cover its current operating expenditures. The World Bank projects this fiscal gap to reach the equivalent of 25% of GDP by 2021/2022 and has said the international community will have to bridge that gap.<sup>354</sup>

This quarter, USAID and the U.S. Customs and Border Protection agency are helping the Afghan Customs Department inspect cargo shipments at Kabul International Airport more efficiently. Customs officials aim to reduce smuggling and corruption by non-compliant traders as well as facilitate legal trade. Through these efforts, State said that trade reported at the airport increased by 36%. Customs revenues are expected to rise to two billion Afghanis (\$36.9 million) in 2013, representing a 43% increase over 2012.<sup>355</sup>

## U.S. ECONOMIC SUPPORT STRATEGY

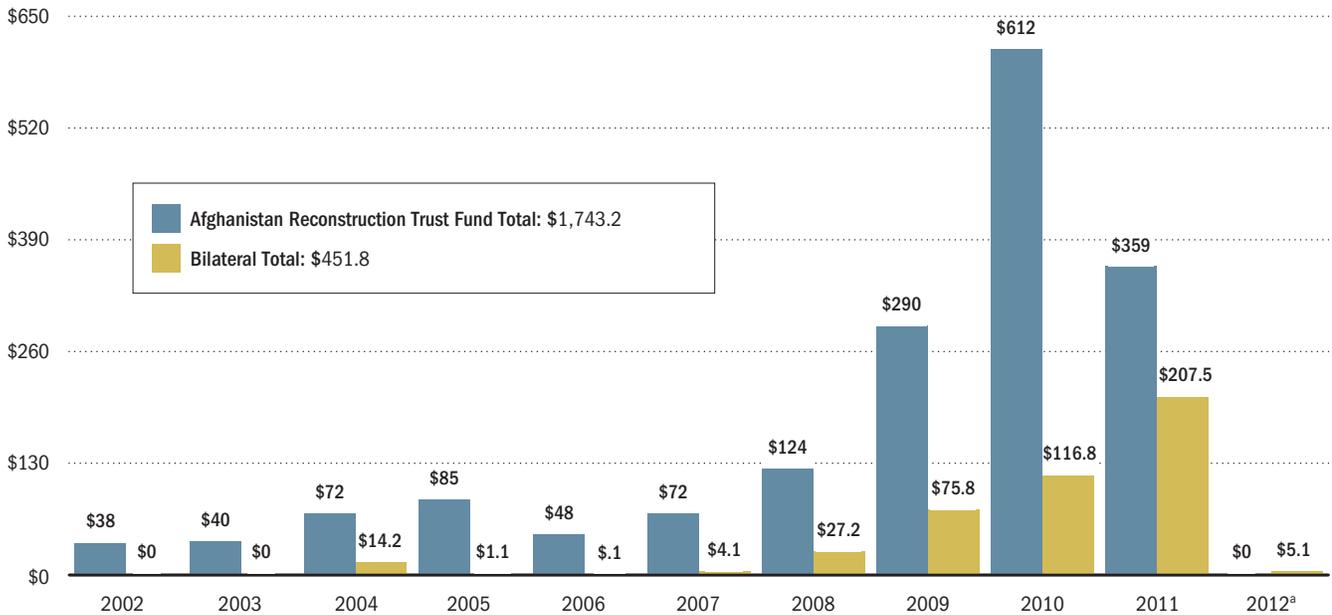
The U.S. economic transition strategy in Afghanistan seeks to mitigate the negative economic impact of the withdrawal of most international security forces by 2014 and the expected accompanying reduction in donor assistance. It also seeks to help Afghanistan develop its resources for sustainable growth.<sup>356</sup> Through the Strategic Partnership Agreement signed in May 2012, the United States committed security and economic assistance to Afghanistan until 2024. Although the Afghan government requested \$2 billion per year in economic aid, the United States did not specify an amount in the agreement.<sup>357</sup> After 2024, the United States expects the Afghan government to generate the revenues to pay for its operating expenses.

U.S. economic assistance focuses on supporting public and private-sector development, promoting private-sector investment, creating jobs, and improving food security. The United States has been gradually increasing the amount of development assistance it provides directly to the Afghan government as shown in Figure 3.36 on the following page. According to a Government Accountability Office (GAO) report, the United States intends to strengthen the capacity of the Afghan government at the central and sub-national levels to encourage better revenue generation, delivery of services, and a business-friendly regulatory environment. The United States is also advancing the New Silk Road initiative, a policy aimed at achieving sustainable, inclusive economic growth by helping Afghanistan to become increasingly integrated economically within the region.<sup>358</sup>

The following section describes developments and U.S.-funded efforts in the major economic sectors: banking and finance, natural resources, agriculture, and essential services, including electricity, transportation, health, and education.

FIGURE 3.36

USAID ON-BUDGET ASSISTANCE, 2002-2011 (\$ MILLIONS)



Notes: Numbers have been rounded.

<sup>a</sup> Most FY 2012 USAID funding for On-Budget Assistance had not been obligated as of March 31, 2013.

Sources: USAID, responses to SIGAR data call, 4/18/2013 and 4/11/2013.

## Land Reform in Afghanistan Project

USAID continued to promote land reform, highlighting the economic importance of legally recognized and enforceable property rights as a prerequisite for private-sector investment and job creation. In 2010, the Ministry of Agriculture, Irrigation and Livestock (MAIL) created the Afghan Land Authority to encourage investors to lease government land for agricultural use. To advance this goal, USAID started the Land Reform in Afghanistan (LARA) project in March 2011. As of March 31, 2013, \$30.6 million has been obligated for this effort.<sup>359</sup>

LARA has been working with the Jalalabad municipality to help design electronic title-deed and property-registration systems. USAID reported to SIGAR that a land-title software program has been completed and installed on LARA's Jalalabad office computers for testing, and over 2,000 parcels have been entered in and linked to the municipal tax map. USAID reported a boost in revenue from government-owned land after LARA began assistance to the Afghan Land Authority—from an average of 7 million Afghanis (Afs) (\$127,872) a year before 2011, to Afs 175 million (\$3.2 million) in 2012—with further gains expected.<sup>360</sup>

## UPDATE ON TOKYO MUTUAL ACCOUNTABILITY FRAMEWORK

During this reporting period, SIGAR followed up with the State Department to see what actions had been taken to implement the Tokyo Mutual Accountability Framework, established by the Afghan government and the international community at the donors' conference in July 2012. SIGAR found that the Afghan government and the international community had made incremental progress.

The Framework was created to structure international development assistance to Afghanistan through 2015. Under the Framework, the international community pledged to improve aid effectiveness by, among other things, increasing direct government-to-government assistance to Afghanistan and aligning donor aid to Afghan National Priority Programs. However, the international community said its "ability to sustain support for Afghanistan depends upon the Afghan government delivering on its commitments described in the Tokyo Framework."<sup>361</sup>

Those commitments included taking specific steps—which the Framework calls "indicators"—to achieve broad goals in five major areas of development and governance:

- Representational Democracy and Equitable Elections
- Governance, Rule of Law, and Human Rights
- Integrity of Public Finance and Commercial Banking
- Governmental Revenues, Budget Execution, and Sub-National Governance
- Inclusive and Sustained Growth and Development

For example, the goal for the first major area is to conduct credible, inclusive, and transparent presidential and parliamentary elections in 2014 and 2015 in line with the Afghan constitution. Indicators include developing by early 2013 a comprehensive election timeline

and ensuring "that a robust electoral architecture is developed in a secure, participatory, and transparent manner to enable successful and timely elections."<sup>362</sup>

The Framework required the Afghan government to develop work plans and timelines to achieve the governance and development indicators specified under each of the five major areas. The Framework also tasked the Afghan government and the international community to establish "a transparent and regular monitoring process" to hold each other accountable. The monitoring mechanism has three elements:

- The Standing Committees and the Joint Coordination and Monitoring Board (JCMB) to review progress on a regular basis
- A Senior Officials Meeting to be held in 2013 and every second year subsequently to review progress and update indicators where needed
- A Ministerial-level Meeting to be held in 2014, and every second year subsequently to review progress, update indicators, assess resource requirements, and renew international commitments

The Afghan government submitted its first draft "concept paper" for implementing the Tokyo Framework on July 31, 2012. The concept paper called for the Afghan government to complete an action plan for each of the five governance and development areas and identified coordination mechanisms within the Afghan government to monitor progress.

On October 14, 2012, the Afghan Ministry of Finance presented implementation plans at the first Tokyo Technical Committee meeting. These plans addressed three of the five areas: Democracy and Elections, Rule of Law and Human Rights, and Sustained Growth and Development. In February 2013, the Afghan government provided the remaining two action plans to the

international community for approval. According to the U.S. Embassy Kabul donors have responded to these action plans by identifying key priorities in each of them. The Afghan government has primary responsibility for monitoring its progress on the Tokyo reforms and for presenting its findings to the international community, according to State.<sup>363</sup>

The JCMB met in late February 2013 and reviewed the action plans. According to the JCMB report, the first three action plans submitted have been revised to incorporate the international donor community's concerns and comments. At the meeting the international community reached consensus with the Afghan government to focus on the critical, high-level indicators, rather than on a detailed technical dialogue. The international community will review Afghan progress at the senior-official level scheduled for July 3, 2013, and then again in 2014 at the ministerial level, after which changes to progress indicators, resource requirements, and Afghan and donor commitments, will be adjusted as necessary.<sup>364</sup>

In the meantime, the United States seeks to coax the Afghan government to live up to its reform commitments by increasing funding of "incentivized programs," including through multilateral mechanisms like the World Bank's ARTF.<sup>365</sup> Incentives programs offer financing provided Afghanistan achieves agreed to benchmarks that are verified.<sup>366</sup> For its part, the U.S. Embassy Kabul will monitor and assess all 16 Tokyo Mutual Accountability Framework indicators in the absence of detailed benchmarks agreed upon by the Afghan government and international donors.<sup>367</sup>

One important goal of the Tokyo Framework is to shift the relationship between the Afghan government and international community from that of recipient and donors to that of owner and partners.

## **BANKING AND FINANCE**

Private-sector development requires solid financial institutions to provide capital and facilitate the exchange of money for goods and services. However, Afghanistan's financial sector remains largely underdeveloped. It makes limited capital investments in businesses, and contributes little to Afghanistan's private-sector activity.<sup>368</sup> The banking sector still has not recovered from the 2010 near-collapse of Kabul Bank, and further reforms are needed, including stronger financial supervision, anticorruption measures, and reduced exposure to risk.<sup>369</sup> DOD cautions that while a new banking law is planned to address these issues, a lack of leadership and professional capacity in the banking sector could hinder meaningful reform.<sup>370</sup>

### **Extended Credit Facility Arrangement**

A second International Monetary Fund (IMF) Board review of its Extended Credit Facility (ECF) Arrangement with Afghanistan and an accompanying third disbursement of funding planned for December 2012 was deferred due to the Afghan government's poor performance, according to Treasury.<sup>371</sup> The three-year, \$129 million ECF loan agreement signed in November 2011 is conditions-based. Disbursements are contingent upon Afghanistan making progress on specific banking and financial structural reforms. Since the agreement was signed, the IMF has released two disbursements of \$18.2 million. The first was in November 2011, the second in June 2012, despite the IMF's review characterizing Afghan reform as weak and slow.<sup>372</sup>

IMF staff visited Kabul January 19–February 2, 2013, to discuss progress on the combined second and third reviews of the ECF scheduled for the spring. Given that the Afghan government has not achieved the required benchmarks, Treasury said the spring review and disbursement may be delayed.<sup>373</sup>

### **The Kabul Bank**

On March 5, 2013, the Special Tribunal of the Supreme Court on Kabul Bank issued its judgment on 21 individuals charged in the Kabul Bank fraud. The two leaders of the fraud, ex-chairman Sherkhon Farnood and ex-CEO Khalilullah Ferozi, were convicted of breach of trust and sentenced to the maximum of five years' imprisonment. Farnood was ordered to return \$278 million and Ferozi \$530 million.<sup>374</sup> They were acquitted of the more serious charges of embezzlement, forgery, and money-laundering, all of which carry longer prison terms.<sup>375</sup> It is unclear if Farnood and Ferozi's loose house arrest since 2011, which reportedly included freedom of movement during the day and house detention at night, will count as time served toward their sentences.<sup>376</sup>

Masood Ghazi, CEO of the good-asset successor New Kabul Bank, was ordered to return \$5 million and sentenced to three years in prison. The former governor of Da Afghanistan Bank, Abdul Fitrat, who has since fled to

the United States, was convicted of a failure to enforce laws and sentenced in absentia to two and a half years in prison. Mustafa Masoudi, the former head of the government financial-transaction analysis and reporting agency, was fined a total of Afs 24,000 (\$500) for a failure to inform authorities when there is a duty to do so. Another 16 regulatory and banking officials received sentences ranging from three months to two years.<sup>377</sup>

The MOF boasted that the convictions demonstrate the government's commitment and ability to fight economic-financial crimes.<sup>378</sup> But the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) expressed concern over the disproportionately light sentences handed out to the bank leadership compared to rank-and-file perpetrators.<sup>379</sup> The text of the verdict detailing the court's rationale has not yet been made public.<sup>380</sup>

The MEC also deemed the overall verdict and punishments to be inappropriate noting the judges failed to issue a confiscation order under Afghanistan's Anti-Money Laundering and Proceeds of Crime Law, making it harder for the government to recover stolen funds.<sup>381</sup> The Attorney General's Office concurred and filed an appeal on March 16, 2013. This reopens the case, giving the appellate court authority to uphold the Supreme Court judgment, overturn convictions, or impose tougher verdicts. An appellate court ruling is expected within 60 days of the filed appeal. Afterward, the Supreme Court has five months to undertake a final review and render a decision.<sup>382</sup>

Kabul Bank had been Afghanistan's largest banking service provider, distributing most civil salaries on behalf of the Afghan government.<sup>383</sup> The bank's 2010 near-collapse brought to light the loss of \$935 million in stolen funds. Last quarter the Afghan government updated the total amount owed to \$982 million after adding "significant non-loan claims" like unauthorized cash disbursements and expense claims.<sup>384</sup> Over 92% of the stolen funds went to 19 individuals and companies.<sup>385</sup> Afghanistan's central bank—Da Afghanistan Bank—covered these losses, amounting to 5–6% of Afghanistan's total GDP.<sup>386</sup> Under the IMF's ECF Arrangement, the government is required to recapitalize the central bank; recover assets and hold accountable those responsible for the Kabul Bank crisis; strengthen banking reforms and supervision through Afghanistan's central bank; improve the management and transparency of public funds; and combat money laundering and terrorist financing.<sup>387</sup>

As of March 31, 2013, cash recoveries totaled \$138 million, unchanged from last quarter. Additionally, the Financial Disputes Resolution Commission (FDRC), which was set up to help settle civil cases that cannot be resolved by the Kabul Bank Receivership, completed all nine civil cases it was given and ruled in the receivership's favor in every case. However, it has yet to finalize any repayment agreements, according to State. The Receivership is finalizing six more cases to hand over to the FDRC.<sup>388</sup>

## Sale of New Kabul Bank to Private Investors

After the bailout of the Kabul Bank, the Afghan government created New Kabul Bank (NKB) as a temporary ‘bridge bank’ containing the good assets and deposits from Kabul Bank. Privatizing the NKB is an ECF benchmark; the MOF intends to sell NKB to private investors or liquidate it by the end of 2013. Expressions of interest were due November 27, 2012.<sup>389</sup> Five expressions of interest were received, but only one bid was submitted, which the MOF reportedly rejected. The Ministry has not announced a new strategy.<sup>390</sup>

## DEVELOPMENT OF NATURAL RESOURCES

The United States, the Afghan government, and the international donor community count on developing Afghanistan’s natural resources to underpin economic growth in the face of declining external aid. Although mining has contributed less than 1% to the country’s GDP to date, the Afghan government expects to receive significant revenues from large-scale investments in the Aynak (copper) and Hajigak (iron-ore) mines. However, SIGAR has consistently warned that the Afghan government may not be able to earn revenues from Afghanistan’s estimated \$1 trillion dollars worth of minerals, coal, petroleum, and natural gas resources any time soon because considerable infrastructure investment is required to develop them.<sup>391</sup> The Congressional Research Service reports that even if Afghanistan’s natural resources are successfully developed and its economy is integrated with others in the region, “Afghanistan will likely remain dependent on foreign aid indefinitely.”<sup>392</sup>

The United States, through DOD’s Task Force for Business Stability Operations (TFBSO), has supported the Afghan government’s efforts to attract investment in the mining sector. Contract negotiations have begun on several areas tendered last quarter with TFBSO assistance. That assistance is continuing as Afghanistan prepares for a new round of tenders in 2013. Out of \$6.8 million total for mining-sector development, TFBSO obligated \$4.8 million, and of that, committed \$2 million, as of March 31, 2013.<sup>393</sup>

## New Minerals Law

This quarter, the Afghan Cabinet approved the latest draft of the revised minerals law, which is an IMF and Tokyo Mutual Accountability Framework benchmark.<sup>394</sup> Updating the law is meant to better protect Afghan resources, encourage investors, and align regulations to international best practices.<sup>395</sup> Its delay has significantly hindered private-sector investment, according to TFBSO, which said mining companies value political and legal stability over security.<sup>396</sup>

Cabinet members had rejected the previous iteration, expressing concerns over thresholds for the bidding/tendering process, conversion of exploration rights, and the role of international firms.<sup>397</sup> In the latest draft, several issues that were initially agreed to were stripped out. For example,

the new draft no longer links exploration and extraction rights in all tenders—something international investors were demanding. Instead it says whether investors gain extraction rights along with exploration rights will be determined case-by-case. It also makes all assets, regardless of size, available for tender and requires artisanal mining projects to be tendered instead of application-based.<sup>398</sup>

The State Department said the minerals law will now be submitted to Parliament.<sup>399</sup> TFBSO warned that without linking exploration and extraction rights, many companies will not bid on new tenders and will not sign contracts on existing awards. Final Parliamentary consideration has not yet been scheduled.<sup>400</sup>

## **Assistance to the Ministry of Mines and Afghanistan Geological Survey**

This quarter, TFBSO continued its technical assistance to the Ministry of Mines and Petroleum (MOMP) and Afghan Geological Survey (AGS) for oil and gas data management, including geology reports, seismic data, well logs, and production logs. Additionally, TFBSO supported Afghanistan's North Aynak Drilling program in Logar province, which is designed to strengthen MOMP and AGS capacity and to provide results on a potential copper deposit. AGS employees were trained in ground geophysics, drilling, and sample preparation; the data results from the program can now be used in future tenders.<sup>401</sup>

TFBSO and the U.S. Geological Survey are also assisting the MOMP and AGS with visits to U.S. mines, official meetings, and attendance at international conferences related to resource development.<sup>402</sup>

## **MIDAS**

USAID's Mining Investment and Development for Afghan Sustainability (MIDAS) project was awarded on March 31, 2013. The \$45 million off-budget and \$45 million on-budget mechanisms will support comprehensive capacity building at the MOMP to improve government revenue generation as international donor support winds down. MIDAS's off-budget support will focus on three primary components: legal and regulatory reform, technical assistance to the MOMP, and Small and Medium Enterprise development. The on-budget activity will provide technical assistance in geo-science field investigation, and other areas as needed. No funds have yet been disbursed.<sup>403</sup>

## **Aynak Copper Mine: Update**

China Metallurgical Group (MCC) was awarded extraction rights at the Mes Aynak copper mine in Logar province in 2007, but has not yet begun extraction. However, ancillary infrastructure facilities around the mine opened this quarter. These included a 512-plot resettlement township for Afghans displaced by the mine. The township includes an 1,800-capacity mosque,

schools, bridges, a health center, access road, and shopping area. Each family will be given a 450-square meter (about a ninth of an acre) plot of land.<sup>404</sup>

The development of the mine itself, however, continues to experience delays from discovery of cultural relics in the area, difficulties in land acquisition, lack of primary infrastructure, and security concerns. According to State, the Ministry of Interior and MOMP have failed to adequately address site security issues.<sup>405</sup> State also cautions that further delays are possible. MCC has the option to renegotiate its contract in 2013, and may be deferring further investment until it evaluates the results of Afghanistan's 2014 presidential election and the post-transition security environment.<sup>406</sup>

Despite these pitfalls, the Afghan government is relying on Aynak's revenue stream in its future revenue predictions. The international donor community is also using the projected revenues in its calculations for future assistance levels. According to published summaries of the contract, the government is slated to receive royalty rates of up to 19.5%, or \$808 million in pre-royalty payments, a 400 MW coal-fired power plant, and an associated coal mine.<sup>407</sup>

## Hajigak Iron-ore Mine: Update

Contract negotiations for the Hajigak iron-ore concessions continue. The MOMP awarded three blocks to a seven-member Indian consortium led by state-owned Steel Authority India Ltd. (SAIL) in November 2011, and one block to Canadian Kilo Goldmines. According to State, the Indians and Canadians made passage of the revised Minerals Law a condition for their investments.<sup>408</sup>

A mining-industry publication blamed the unfinished negotiations on strict conditions laid out by the Afghan government. The article said the government insisted that prospective firms start exploratory projects within six months of a contract signing or face contract termination. The government also demanded an export cap of six million tons per year and fixed six-month production targets. Missing the targets could also trigger contract termination.<sup>409</sup> The same publication reported the Indian government denied the SAIL-led consortium financial grant support, making it more difficult for them to raise debt and make investments in infrastructure and logistics facilities at the mine.<sup>410</sup>

## Hydrocarbons

Afghanistan's efforts to develop its oil and gas reserves are focused on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan. This quarter, TFBSO continued its technical assistance to the MOMP and Afghan Geological Survey to develop this sector.

## Amu Darya Basin Production: Update

The Amu Darya Basin is estimated to contain 87 million barrels of crude oil. The China National Petroleum Corporation Watan Energy Afghanistan

Ltd. (CNPCI-W) produced approximately 5,000 barrels of crude from three blocks in 2012. TFBSO reported that CNPCI-W produced 500 tons of crude in January/February 2013 (about 3,665 barrels), generating \$45,000 in royalties to the government. State reported that although CNPCI-W is able to continue production, it is currently producing no oil while it works to secure a buyer for its output. Afghanistan lacks refining capacity, prompting CNPCI-W to seek take-off agreements with regional refineries.<sup>411</sup>

Government revenues from Amu Darya will depend on future production rates and market values. CNPCI-W's planned production for FY 2013 is 1.75 million barrels. Contract terms calls for the government to receive 15% of production value, 20% in income tax revenues, and a 50–70% share of profits accrued after the royalty is deducted and CNPCI-W recovers its operating costs.<sup>412</sup> TFBSO is providing technical support to Amu Darya Petroleum Authority, which is managing the Amu Darya contract. It is also helping develop a larger Afghan authority to manage existing and future hydrocarbon contracts.<sup>413</sup>

## **Afghan-Tajik Basin (Phase I) Update**

This quarter Afghanistan's Inter-Ministerial Commission authorized the MOMP Contract Evaluation Team (CET) to negotiate with the consortium of Dragon Oil, Turkish Petroleum Corporation, Kuwait Energy, and Ghazanfar Group to sign an exploration and production-sharing contract for the two blocks it was awarded in the Afghan Tajik Basin in November 2012. TFBSO advisors continue to provide technical, legal, and commercial support to the CET during negotiations. Financial details will be available upon the contract award.<sup>414</sup>

## **AGRICULTURE**

Agriculture is a major factor in the Afghan economy. Eighty percent of Afghans directly and indirectly earn a living from this sector.<sup>415</sup> The legal agricultural sector is the second-largest contributor to GDP. Given its importance to the labor force, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.<sup>416</sup> Since 2002, USAID has provided about 15% of its funds to agriculture programs, helping Afghanistan to double its legal agricultural output from 2007.<sup>417</sup>

This quarter, the JCMB approved two agriculture-related NPPs—National Water and Natural Resources Development, and National Comprehensive Agriculture Production and Market Development.<sup>418</sup>

## **The National Water and Natural Resources Development**

One of four NPPs in the Agriculture and Rural Development cluster group, this program was developed to address the effects of drought and desertification on Afghanistan's agro-ecosystem. According to the government,

75% of land in the north, west, and south suffers from moderate to severe desertification. The program seeks to promote proper management and use of Afghanistan's water resources to improve agricultural productivity, increase access to safe drinking water, and provide rural energy. It aims to achieve these goals by strengthening ministerial and institutional capacity, expanding irrigation, protecting natural resources, and providing access to rural energy for agribusinesses. Afghanistan has budgeted \$1.87 billion over three years for this NPP. It has secured \$1.15 billion, leaving a \$714.6 million shortfall. Funding will be provided on-budget either through the Afghanistan Reconstruction Trust Fund or other special account.<sup>419</sup>

## National Comprehensive Agriculture Production and Market Development

The goal of the National Comprehensive Agriculture Production and Market Development program is to improve sustainable agricultural production to ensure food security, promote economic growth, reduce dependency on subsistence farming, and encourage production of legal crops. The government aims to create a better regulatory environment for farmers and commercial food producers through improved access to credit, land tenure, rural infrastructure, food storage and processing facilities, and other business development services. Government ministerial capacity will also be strengthened for better policy and regulatory formulation as well as program implementation.

Afghanistan has budgeted \$1.13 billion over three years for this NPP in three areas: Food For Life, Food Zone, and Market and Enterprise Development. The government has only secured \$270 million, leaving an \$859 million shortfall. USAID will provide \$10 million off-budget aid in 2013 and \$10 million on-budget in 2014 for the Food Zone program, which focuses on counternarcotics efforts beginning in Kandahar. On-budget funding for this NPP will go either through the ARTF or another special account.<sup>420</sup>

USAID provides assistance to the agriculture sector through several programs. The three highest priorities, worth more than \$350 million total, are:<sup>421</sup>

- Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE)
- Incentives Driving Economic Alternatives—North, East, and West (IDEA-NEW)
- Commercial Horticulture and Agricultural Marketing Program (CHAMP)

## Agricultural Development Fund and Agricultural Credit Enhancement

Agricultural Development Fund and Agricultural Credit Enhancement (ADF-ACE), a \$150 million agricultural-credit project, has two complementary activities that aim to support MAIL's efforts to provide loans and build

MAIL's capacity to manage them. ADF was established to provide loans across the agricultural value chain through banks, farm stores, leasing companies, and food processors, which in turn provide agricultural credits to farmers. ADF-ACE designed and launched nine innovative financial lending products, one exclusively for women. Of ADF's \$75 million total allocation, \$64.6 million has been obligated and \$53.7 million has been disbursed (\$9 million on-budget) as of March 30, 2013.<sup>422</sup>

ACE, the technical-assistance component, manages all ADF lending activities and helps build MAIL capacity. As of March 30, 2013, 16,000 farmers have benefitted from \$46 million in loans, 1,000 more than SIGAR reported last quarter. Despite these successes, USAID noted that Afghan political and legal obstacles delayed ADF legal registration and access to lending funds, which, in turn, reduced the number of loans approved and the number of beneficiaries.<sup>423</sup>

## **Incentives Driving Economic Alternatives—North, East, and West**

Incentives Driving Economic Alternatives—North, East, and West (IDEA-NEW) is a five-year cooperative-agreement project that provides agricultural assistance and economic alternatives to growing poppies in select provinces in eastern Afghanistan and in poppy regions in the northern and western parts of the country. As of March 30, 2013, USAID has obligated \$127.1 million to the IDEA-NEW program and has disbursed \$118.2 million. IDEA-NEW helps farmers shift to legal agricultural production by increasing commercial opportunities, extending access to financial services, and promoting value-chain development for key regional industries and trade corridors. It also facilitates connections between producers, traders, and buyers through market information activities and sales promotion.<sup>424</sup>

After an extensive review, IDEA-NEW has shifted away from infrastructure activities, voucher programs, and production-level assistance to farmers. Instead, it is focusing its efforts further up the value chain and working with businesses, cooperatives, associations, farm service centers, and other intermediaries.<sup>425</sup>

USAID reported that more than 950,000 households have directly benefitted from IDEA-NEW, which resulted in over 46,000 full time jobs and \$4.35 million in agricultural exports. However, oversight remains a challenge. Site visits are a vital part of effective monitoring, but safety and site access are becoming more acute concerns as provincial reconstruction teams and foreign combat forces leave Afghanistan.<sup>426</sup> SIGAR has consistently expressed concern about this constraint.

## **Commercial Horticulture and Agricultural Marketing Program**

Commercial Horticulture and Agricultural Marketing Program (CHAMP), a \$40.3 million program begun in 2010, aims to help farmers plant and operate

more profitable orchards and vineyards. CHAMP works with farmers to improve crop quality and promotes export and trade corridors. The program also works with traders to improve harvesting, packing, cold storage, and shipping methods.<sup>427</sup>

Approximately 6,000 hectares of new commercial fruit orchards and vineyards have been established through CHAMP assistance, benefitting more than 18,000 farmers. As of March 30, 2013, USAID has obligated \$24.3 million and disbursed almost \$23.3 million. However, insecurity continues to be CHAMP's most acute challenge to full implementation and material distribution. Insurgent groups threaten both CHAMP staff and farmers, particularly in Kandahar, Helmand, Zabul, Wardak, Logar, and Ghazni provinces.<sup>428</sup>

## ESSENTIAL SERVICES/DEVELOPMENT

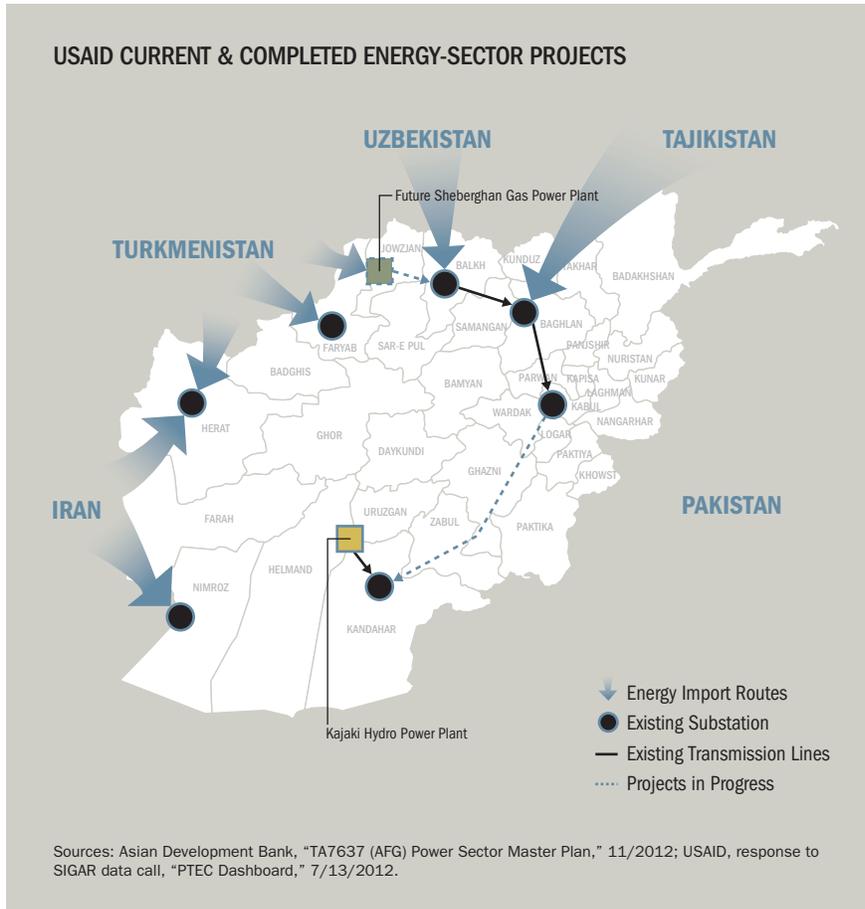
Since 2002, the United States has provided reconstruction funds to increase electricity, build roads and bridges, and improve health and education. This section addresses key developments in U.S. efforts to improve the government's ability to deliver essential services such as electricity, transportation, health, and education.

### Energy

This quarter, one energy-related NPP was approved—the National Energy Supply Program (NESP). NESP is the third of four NPPs in the Infrastructure Development cluster, which is comprised of infrastructure investments, mineral resources development, and regional integration to drive economic growth. It will be implemented in conjunction with the Afghanistan Power Sector Master Plan. Through NESP, Afghanistan will make priority investments in the power-supply chain, encourage public-private partnerships and energy-sector reforms, and strengthen government capacity and accountability to support its goal to increase its energy supply by 10% annually. Its three-year budget, beginning in January 2013, is \$3.48 billion, of which Afghanistan has secured \$1.98 billion, leaving a shortfall of almost a \$1.49 billion. The portion of aid to be provided on-budget has not been decided.<sup>429</sup>

Electricity is critical to Afghanistan's development. In collaboration with the Afghan government and in alignment with their stated priorities, the United States has made developing an integrated energy sector one of its top reconstruction priorities since 2002. From 2002–2011, USAID alone has provided close to \$2 billion from the ESF to build generators, substations, and transmission lines, and provide technical assistance to the sector. It plans to spend at least \$900 million more over the next few years.<sup>430</sup> In addition, DOD has provided \$292 million for electricity projects through CERP and \$530 million through the AIF, which is jointly managed by DOD and

FIGURE 3.37



State.<sup>431</sup> This assistance has lifted the number of Afghans with access to electricity from 5% of the population in 2001 to 30% in 2012.<sup>432</sup>

Afghanistan currently has nine separate power systems. The primary two are: the Northeast Power System (NEPS) and the Southeast Power System (SEPS). USAID has three projects to connect and increase the electricity supply in both systems, as shown in Figure 3.37.<sup>433</sup>

## Sheberghan Program

USAID is implementing its part of the Sheberghan Program through two mechanisms: the \$90 million on-budget Sheberghan Gas Development Project (SGDP), and the \$35 million off-budget Sheberghan Gas Generation Activity.<sup>434</sup> The Overseas Private Investment Corporation is backing financing of a \$300 million privately funded 200 MW gas-fired power plant; the Asian Development Bank (ADB) will support construction of the associated transmission lines.<sup>435</sup>

Bidding for the drilling and rehabilitation of SGDP opened this quarter; evaluations are in progress. The contract award is expected in June 2013. However, USAID noted the project scope is up to four wells. Drilling companies view that as a job with a small return on investment given the security and political risks.<sup>436</sup>

In other developments at Sheberghan, TFBSO is assisting the MOMP to tender operations of the compressed natural gas (CNG) station that TFBSO funded and handed over to the MOMP in 2012. Private investors are being sought for possible expansion of activities at the site. CNG is 50% cheaper than gasoline, as well as cleaner; if taken to a scalable level, use of CNG should reduce Afghanistan's reliance on imported fuel.<sup>437</sup> As of March 31, 2013, TFBSO has obligated \$11.2 million and committed \$345,000 toward this effort.<sup>438</sup>

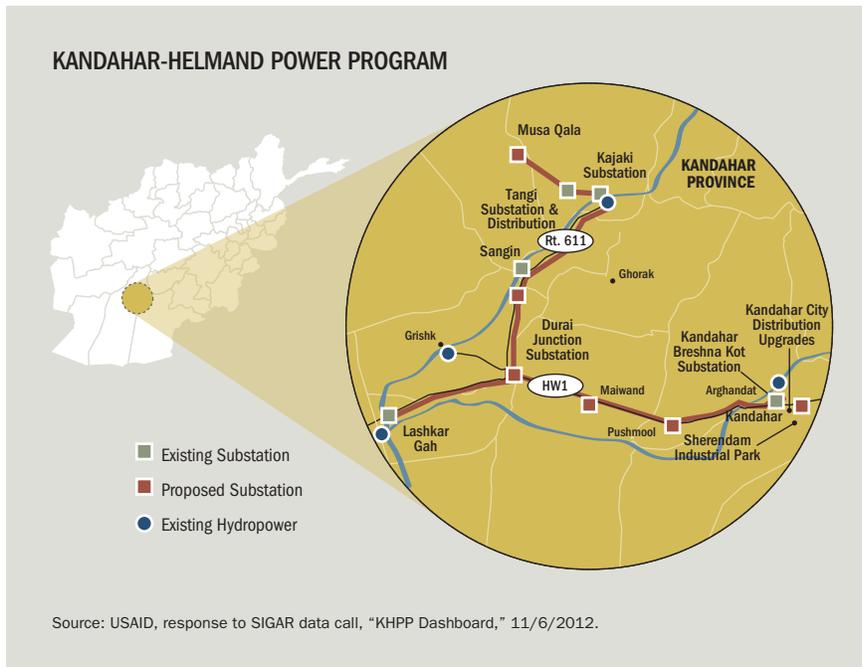
## Kandahar-Helmand Power Project

The Kandahar-Helmand Power Project (KHPP), shown in Figure 3.38, considered an important element of the counterinsurgency strategy in southern Afghanistan, is intended to simultaneously increase the power supply in Kandahar and make it more accessible to the population. In 2010, USAID awarded a \$266 million contract to Black and Veatch to rehabilitate power substations, upgrade the medium-voltage distribution system in Kandahar City, install a third turbine at the Kajaki Dam, and design and install new diesel-powered generators. DOD is committed to funding the fuel for these and other U.S. Army Corps of Engineers-installed generators through 2014 using AIF. This fuel subsidy will be extended, but USAID expects it to decrease as Afghanistan's national utility, DABS, takes the required steps to secure the revenue needed to sustain the fuel costs.<sup>439</sup> As of March 15, 2013, USAID had obligated \$229.6 million of ESF funds for the KHPP, an increase of \$90.1 million from last quarter. Of that, \$152.2 million had been disbursed.<sup>440</sup>



**The turbine hall** at the Kajaki hydroelectric station in Helmand Province currently has two turbines like the one visible at left. U.S. aid will provide for installation of a much-needed third turbine delivered in 2008. (State Department photo)

FIGURE 3.38



In response to a request by President Karzai to President Obama during a January 2013 visit to Washington, DC, installation of a third turbine at Kajaki Dam has been descoped from the KHPP contract. Instead, USAID will provide \$60–80 million of on-budget assistance through the MOF to DABS to install the turbine.<sup>441</sup> On April 9, 2013, SIGAR announced a review of USAID’s plans for providing this direct assistance, its assessments of DABS’ capacity to manage it, and its measures to support DABS in managing this money.<sup>442</sup>

USAID is helping DABS advertise and award a contract for the turbine installation. This new implementation strategy will shift the timeline for completion to late 2015. The Black and Veatch contract, which includes technical assistance, expires on September 30, 2013, leaving little time for DABS to make progress on the installation before the contractor departs.<sup>443</sup> All other components of KHPP are expected to be completed by that date, according to USAID.<sup>444</sup>

U.S. Forces-Afghanistan, the U.S. Army Corps of Engineers, and USAID are working closely on related power-infrastructure efforts within SEPS. KHPP has continued to encounter logistical difficulties this quarter. USAID reported a three-month delay in getting more than 100 shipping containers of equipment and supplies across the Pakistani border due to new customs rules, protests, and strikes. On the Afghan side of the border, it took eight weeks to repair 14 transformers damaged by thieves who stole copper components. Additionally, DABS lacks capacity in quality control, causing delays

in upgrading Kandahar power distribution. USAID is helping DABS staff strengthen its capabilities by involving them directly in expanding and maintaining the distribution system.<sup>445</sup> Other project components proceed on or ahead of schedule, such as the replacement of 10.5 MW of diesel generation at the Breshna Kot substation, which was 68 days ahead of schedule.<sup>446</sup>

## SIGAR AUDIT

This quarter SIGAR published an audit of U.S.-funded projects to help commercialize DABS found that DABS-Kandahar, which is to assume responsibility for this portion of the grid, has little capacity to acquire, operate, install, or manage systems equipment independently. For more information see Section 2, page 26.

## Power Transmission Expansion and Connectivity Program

Power Transmission Expansion and Connectivity (PTEC), a U.S.-funded program designed to strengthen and expand the power-generation, transmission, and distribution systems, directly supports the National Energy Supply Program of the Afghanistan National Development Strategy. The strategy calls for improving the collection rate against energy billings and increasing the supply of power.

A key component of PTEC is constructing a transmission line between Kabul and Kandahar to connect NEPS with SEPS. This 530 kilometer connection, together with the rehabilitation of the Kajaki Hydropower Plant, was identified in 2010 as the only viable, long-term solution to displace costly and unsustainable diesel-power generation in Kandahar with affordable and reliable power. PTEC will be implemented in stages. The ADB is responsible for the first 40 kilometer, Kabul–Arghandi substation connector. USAID will fund construction of the next 120 kilometer section from Arghandi to Ghazni through on-budget aid to DABS. USAID approved DABS's bid-package solicitation. Meanwhile, the U.S. Army Corps of Engineers is constructing the transmission line from Arghandi to Pul-e Alam and Gardez.<sup>447</sup>

Some \$417 million of PTEC's total estimated cost of \$814 million is being transferred on-budget to DABS through the multi-donor-funded Afghanistan Infrastructure Trust Fund (AITF), implemented by the ADB. The ADB established the AITF in December 2010, to allow bilateral, multilateral, and individual contributors to partner with the ADB in financing infrastructure investments. USAID is working on the transfer agreement. In other developments, USAID approved and DABS released bid-solicitation documents for the DABS Capacity Building and Commercialization project, which is expected to be awarded in May 2013. USAID also helped design and develop bid packages for the Salang Tunnel substation, a high-voltage transmission line from Jalalabad to Hisar-e Shahi Industrial Park, and improvements to existing NEPS infrastructure.<sup>448</sup>

## DOD-Funded Programs

This quarter, DOD continued implementing several priority energy-sector projects using FY 2012 and FY 2013 AIF money. These included:

- the Kandahar Power Bridging Solution
- Kandahar–Durai Junction transmission lines
- Charikar–Bazirak and Charikar–Mahmood Raqi transmission lines and power substations

## **Kandahar Power Bridging Solution**

This project provides fuel for the diesel power generators in Kandahar City until the KHPP has been completed. FY 2012 funding remains at \$79.8 million. The estimated FY 2013 cost is \$100 million, which includes \$90 million for fuel and \$10 million for operations and maintenance (O&M).<sup>449</sup> DOD plans to continue purchasing fuel and providing O&M support through FY 2015.<sup>450</sup> It sees this electricity as critical to the counterinsurgency strategy to help stabilize Kandahar by supporting economic development and improving citizens' quality of life. DOD said the Kandahar Bridging Solution is a central to the Afghanistan Electrification Plan and the State Department's development plan for Afghanistan.<sup>451</sup>

A July 2012 SIGAR audit of FY 2011 AIF projects found, in part, that until alternative fuel sources can be found to replace the diesel generators or increase the amount of fuel going to Kandahar City, there is no indication that the costs of the bridging solution will decrease.<sup>452</sup>

## **Kandahar to Durai Junction Transmission Lines**

Part of the effort to expand SEPS, this project continues earlier efforts to install or repair transmission lines from Kandahar City to Durai Junction and to construct or repair substations at Maiwand and Pashmul. The project cost remains \$40 million in FY 2012 funds, \$115,000 of which has been disbursed, according to DOD's FY 2012 End of Year AIF report to Congress. This transmission line will help address the need for reliable electricity in Afghanistan's south and southeast and constitutes a key element for the larger PTEC project linking SEPS and NEPS.<sup>453</sup> DOD's goal is to promote economic growth, security, stability, and capacity-building efforts within DABS to improve the commercialization of power that will allow it to generate sufficient revenues to fund capital improvements to the grid.<sup>454</sup> Completion of this project is essential to distribute power generated by the third turbine awaiting installation at Kajaki Dam, according to DOD.<sup>455</sup>

## **Charikar-Bazirak and Charikar-Mahmood Raqi Transmission Lines and Power Substations**

This project will install 52 kilometers of transmission lines from Charikar to Bazirak and from Charikar to Mahmood Raqi, and will build three substations to expand NEPS. The \$48 million allocated for the project was moved to FY 2013 with another \$22 million added, for a total estimated cost of \$71 million, according to a DOD notification to Congress. Annual estimated costs are \$580,000.<sup>456</sup> DOD told Congress the project will bring reliable electricity to 1.15 million Afghans across three provinces and help fuel private-sector growth, especially in the agriculture, processing, manufacturing, and mining sectors.

DOD assumes that DABS will take over responsibility for national-grid O&M as well as for completed infrastructure improvements, and will

be able to sustain them with improved revenue sources and capacity.<sup>457</sup> However, as noted above, SIGAR has raised questions about DABS's capacity, and other audits have said Afghanistan lacks the resources necessary to fulfill O&M commitments.<sup>458</sup>

## CERP Projects in the Electricity Sector

DOD also uses CERP funds to pay for small-scale electricity projects across the country, such as installing generators, solar panel systems, and utility poles. During the first quarter of FY 2013, funding for eight new CERP electricity projects was obligated (valued at \$56,312). The largest of these new projects (\$28,500) will repair power poles and power lines in Parwan that were damaged by military vehicles, causing outages to 18 homes and a mosque. This project will employ 45 citizens for 12 weeks.<sup>459</sup>

## TRANSPORTATION

Afghanistan's lack of transportation infrastructure continues to hinder trade and economic growth.<sup>460</sup> The country has one of the worst road systems in the world. It has less than 100 miles of railroad, and is 2,000 kilometers from the nearest seaport—one of the longest distances from a seaport among all landlocked developing countries.<sup>461</sup> In addition, neighboring countries often have incentives to make movement of Afghan goods across their borders difficult.<sup>462</sup>

Afghanistan's infrastructure shortcomings are especially problematic for the service and agriculture sectors, which currently contribute most to GDP. They also hold back the extractives industry, whose future revenues the Afghan government and international donor community are counting on to supplement declining aid.<sup>463</sup> According to a World Bank analysis, restoring the transportation sector is imperative for economic recovery and development.<sup>464</sup> This quarter, the United States continued its efforts to develop transportation laws, ministry capacity, and compliance with international standards.

### Road

Most of Afghanistan's 39,000 kilometers of roads need repair, according to the World Bank, which said the country required an investment of \$3 billion to put Afghan roads in a maintainable state. The road network is scheduled to expand to 46,000 kilometers in 2014.<sup>465</sup>

The United States has funded road construction primarily through the ESF and CERP. Since 2002, USAID has provided \$2.1 billion to build roads and bridges, with road and bridge building accounting for approximately 25% of all USAID spending in Afghanistan.<sup>466</sup> According to USAID, these projects have completed and helped maintain more than 2,000 kilometers of roads.<sup>467</sup>



**Community members discuss** street-widening plans. (USAID photo)

Donors have generally emphasized building and rehabilitating roads as opposed to carrying out O&M, according to the World Bank. Only \$28 million was allocated in Afghanistan's 2011/2012 core budget for O&M of roads and bridges, while an estimated \$290 million was needed. That figure is expected to rise to \$394 million in 2014. This severe underfunding of O&M threatens donor investments in the transportation sector.<sup>468</sup>

USAID is planning to phase out investments in new road construction. Instead the agency will focus on sustainability by improving O&M, and by strengthening Afghan government capacity and institutional reform so that it can manage construction quality and operate its transportation infrastructure. It will do so with the assistance of the U.S. Department of Transportation, under its forthcoming Road Sector Sustainability (RSS) project, which will include a combination of off-budget and multi-donor on-budget assistance to help key ministries develop construction plans, specifications, and standards; vehicle operations oversight and regulation standards; and priority institutions, such as a Road Authority, Road Fund, and Transportation Institute.<sup>469</sup>

RSS will address short-term needs through a \$5 million, off-budget, emergency O&M account. In the medium term, there will be a \$33 million, on-budget road O&M program to be implemented through the ADB's AITF, as well as a \$33 million effort to build the Ministry of Public Works' capacity for oversight and management. In the long term, RSS will provide \$35 million in technical assistance for the Road Authority, Road Fund, and Transportation Institute. The AITF will make funding for new road construction conditional on the Afghan government's ability to adequately maintain existing facilities.<sup>470</sup>

In addition, DOD uses CERP funds on road construction projects to support its mission. More than \$509 million of CERP had been spent on road projects in Afghanistan since 2005; 44 projects worth \$44 million are ongoing at this time.<sup>471</sup> During the first quarter of FY 2013, 11 new CERP-funded road construction projects were obligated (valued at \$830,249). The largest of these new projects was an emergency repair to a highway in Paktika that is critical to the flow of commerce in that province.<sup>472</sup>

In its January 2013 report to Congress on the implementation of the Afghanistan Infrastructure Program, DOD reported one ongoing road project using FY 2011 funds (valued at \$22 million) and two using FY 2012 funds (\$45.6 million).<sup>473</sup> DOD relinquishes responsibility for inspecting and maintaining roads it has built once they are handed over to the Afghan government. If maintenance or reconstruction is required, the government can apply for CERP funds through the standard application process.<sup>474</sup>

## Rail

The United States and its international partners have been helping Afghanistan develop its rail sector, with the goal of building a profitable and sustainable system. Currently, Afghanistan has no meaningful railroad development, operational experience, or capacity. Only one completed rail line exists—a 75 kilometer line from Hairatan, on the border with Uzbekistan, to Mazar-e-Sharif.<sup>475</sup>

U.S. assistance includes helping the Ministry of Public Works stand up the Afghan Rail Authority and develop a national railway plan. U.S. work has also included assessments of several railroad “ports” or cargo-handling areas with roads, ramps, equipment, and structures.<sup>476</sup> A DOD-funded Afghanistan National Rail Plan (ANRP) feasibility study is ongoing. A U.S. government working group as well as officials from the Ministry of Public Works and Ministry of Mines and Petroleum reviewed drafts of the data, models, and analysis in the study. The final report is scheduled to be published in July 2013.<sup>477</sup>

On March 20, 2013, Afghanistan signed a memorandum of understanding with Turkmenistan and Tajikistan to build an interlinking rail line, providing increased trade and export opportunities. The proposed 400 kilometers line will connect Atamurat-Yamnazar in Turkmenistan to Akina-Andkhoy in Afghanistan, then proceed to Pyandzh, Tajikistan, through Sher Khan rail port in Kunduz province. The memorandum calls for construction to begin in Turkmenistan by July 2013.<sup>478</sup>



**A policeman patrols** alongside a new railway track in northern Afghanistan. (AFP photo)

## EDUCATION

Since 2002, USAID has supported education through aid for building schools, developing curricula, and conducting training. USAID’s ongoing priority programs in the Education sector funded through the ESF this quarter include:

- Basic Education, Literacy, and Technical-Vocational Education and Training (BELT)
- Higher Education Project (HEP)
- American University of Afghanistan (AUAF)

## Basic Education, Literacy, and Technical-Vocational Education and Training

Basic Education, Literacy, and Technical-Vocational Education and Training (BELT) is a three-year (December 2011–October 2014), \$173 million on-budget program that aims to improve access to quality basic education in communities typically beyond the reach of the government. The program provides technical-vocational education and training, as well as literacy programs. As of March 31, 2013, USAID obligated \$20 million and of that, disbursed approximately \$4.7 million.<sup>479</sup>

Technical Vocational Education and Training (TVET) is a forthcoming component of BELT. Its objective will be to provide quality education and training to Afghan children and youth to make them more employable, especially girls in rural and remote areas. USAID and the Ministry of Education have agreed on a set of performance milestones that, if reached, will trigger on-budget disbursement of funds. USAID expects to sign an implementation letter for funding in May 2013, and identify TVET schools by the end of 2013.<sup>480</sup> The implementation letter will spell out the performance milestones, means of verification, and the funding level associated with each milestone. USAID will establish the number and criteria for selecting participating schools in the program, but selection will be by the Ministry of Education.<sup>481</sup>

BELT TVET is another on-budget component of this effort to build the quality and professionalism of TVET educators. It aims to provide graduate, secondary, and post-secondary students with accredited, certified skills, and will set up a national accreditation system for and equivalency for TVET in the Ministry of Education.<sup>482</sup>

## Higher Education Project

Since the Higher Education Project (HEP) project began in 2006, it has successfully supported the Ministry of Higher Education execute its National Higher Education Strategic Plan, according to USAID. HEP's latest phase, scheduled to end in August 2013, provides technical assistance to increase ministry capacity through professional training, quality assurance and accreditation, curriculum review, university partnerships, academic policies, and regulation. USAID said that as it operates in an environment replete with logistical and security challenges, HEP does not have significant outcome data to quantify its impact. However, USAID is considering an evaluation design for the follow-on HEP (2013–2017) that will include greater attention to outcome measures and data collection.<sup>483</sup> As



**U.S. Ambassador James Cunningham** speaks at an American University of Afghanistan convocation about U.S. support of higher education and the new International Center for Afghan Women's Economic Development. (State Department photo)

of March 31, 2013, USAID had obligated \$21.2 million toward HEP and disbursed \$12.4 million, representing no change since last quarter.<sup>484</sup>

## American University of Afghanistan

This five-year (August 2008–July 2013), \$42 million program is designed to support development of American University of Afghanistan's (AUAF) English-language undergraduate and continuing-education programs, with a concentration on liberal arts. Undergraduate degrees include business administration, information technology and computer science, political science and public administration, and mass communication. AUAF also offers a master's degree in business administration. As of March 31, 2013, USAID had obligated \$39.6 million and disbursed \$37.6 million toward this effort, representing no change since last quarter.<sup>485</sup>

## LABOR

Assessing the transition's impact on Afghanistan's labor market is difficult given the limited and inconclusive available data, according to the World Bank. 2009 figures showed just 6.8% of Afghans unemployed, but more than 48% were underemployed (working fewer than 35 hours a week, on average). Conflict-affected provinces faced less unemployment than non-conflict ones, but had higher underemployment. The World Bank surmised this was caused by short-term job opportunities created by provincial reconstruction teams in those areas.<sup>486</sup>

## Labor Market Surveys

SIGAR has previously noted the generally poor quality of Afghanistan's higher-education curriculum. USAID is working with the Afghan government and others to help the country's public-sector technical schools provide training for the skills needed to meet business and industry requirements. In 2012, USAID started aligning Afghanistan's education goals with

industry needs through a series of labor-market surveys of small- and medium-sized enterprises in six urban areas. USAID planned to conduct four surveys over a two-year period; two were completed. USAID reported this quarter that the third survey did not occur because the contract was descope and a close-out letter was issued to the implementing partner.<sup>487</sup>

## Afghanistan Workforce Development Program

USAID's Afghanistan Workforce Development Program (AWDP) aims to offer access for 25,000 Afghan men and women to labor-market-driven vocational education and training, business-development support, business-management training programs, financial credit, and job-placement services. AWDP is trying to mitigate high unemployment and the scarcity of technically skilled Afghan labor and trained Afghan business managers. The goal of the program is to facilitate job creation, develop a skilled workforce at mid-career and semi-professional levels, increase self-employment, and promote economic growth in Afghanistan.<sup>488</sup>

The AWDP is also supporting efforts to build the capacity of technical/vocational educators and trainers. AWDP seeks to both improve the quality of these training programs through public-private partnerships, and make them more accessible. As of January 31, 2013, the AWDP expended approximately \$3.7 million of the \$5 million originally obligated to the program. On March 10, 2013, an additional \$6.7 million was allocated to AWDP for a total of \$11.7 million.<sup>489</sup>

## HEALTH

No sector has benefited more from Afghanistan's reconstruction than the health sector. Afghanistan has experienced extraordinary improvements in its health indicators since 2002. Although the country still has one of the highest mother-and-child mortality rates in the world, life expectancy has improved by as much as 15–20 years according to the USAID-funded Afghanistan Mortality Study 2010.<sup>490</sup> Although National Public Radio reported that some experts who worked on the survey question the validity of its results, USAID remains confident in the data and has not revised it.<sup>491</sup>

From FY 2002 through FY 2011, U.S. on-and-off budget assistance to Afghanistan's health sector totaled \$926 million, as shown in Figure 3.39 on the following page.<sup>492</sup> On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, medical and non-medical supplies, in-service training, minor renovations of facilities, medical equipment, and monitoring and supervision. Off-budget assistance comprises pharmaceuticals and contraceptives.<sup>493</sup>

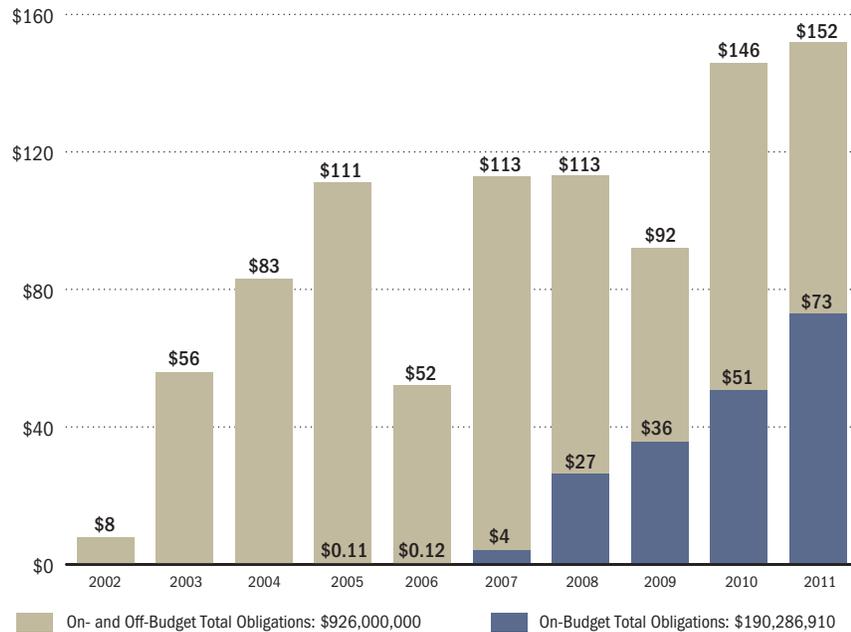
Out of the more than 1,970 primary health-care facilities in Afghanistan, the United States funds 545 across 13 provinces, including 27 non-provincial hospitals. The United States also funds tertiary care in

### SIGAR AUDIT

A SIGAR audit released this quarter questioned Afghanistan's ability to financially sustain two new USAID-funded hospitals under construction and appropriately staff five existing USAID-funded provincial hospitals. For more information, see Section 2, page 28.

FIGURE 3.39

USAID FUNDING TO HEALTH SECTOR FY 2002–FY 2011, ON- AND OFF-BUDGET (\$ MILLIONS)



Note: Numbers have been rounded.

Source: USAID, responses to SIGAR data call, 4/11/2013 and 4/1/2013.

five provincial hospitals and one national hospital, as shown in Figure 3.40.<sup>494</sup> According to USAID, 60% of Afghans are now within one hour’s walk from a health-care facility.<sup>495</sup>

In 2002, the MOPH, with the help of the international community, devised a strategy to deliver a basic package of health services (BPHS) that encompasses cost-effective interventions aimed at vulnerable populations. It does so, in part, by contracting out the delivery of local health services to nongovernmental organizations (NGOs) so that the ministry can focus on Afghanistan’s national healthcare system. NGOs are currently working in 31 of Afghanistan’s 34 provinces. MOPH staff provides services in the remaining three.<sup>496</sup>

Under the BPHS, Afghanistan’s primary health care system comprises six types of facilities, described here from most basic to most extensive:

**Health Posts** are community extensions of primary health care facilities, ideally staffed by three volunteer community health workers—two male and one female—who deliver limited services out of their homes to an area of 1,000–1,500 people. Services include diagnosis and treatment of malaria, family planning, and nutrition supplements and counseling. The workers also treat minor illnesses and identify disabilities and mental

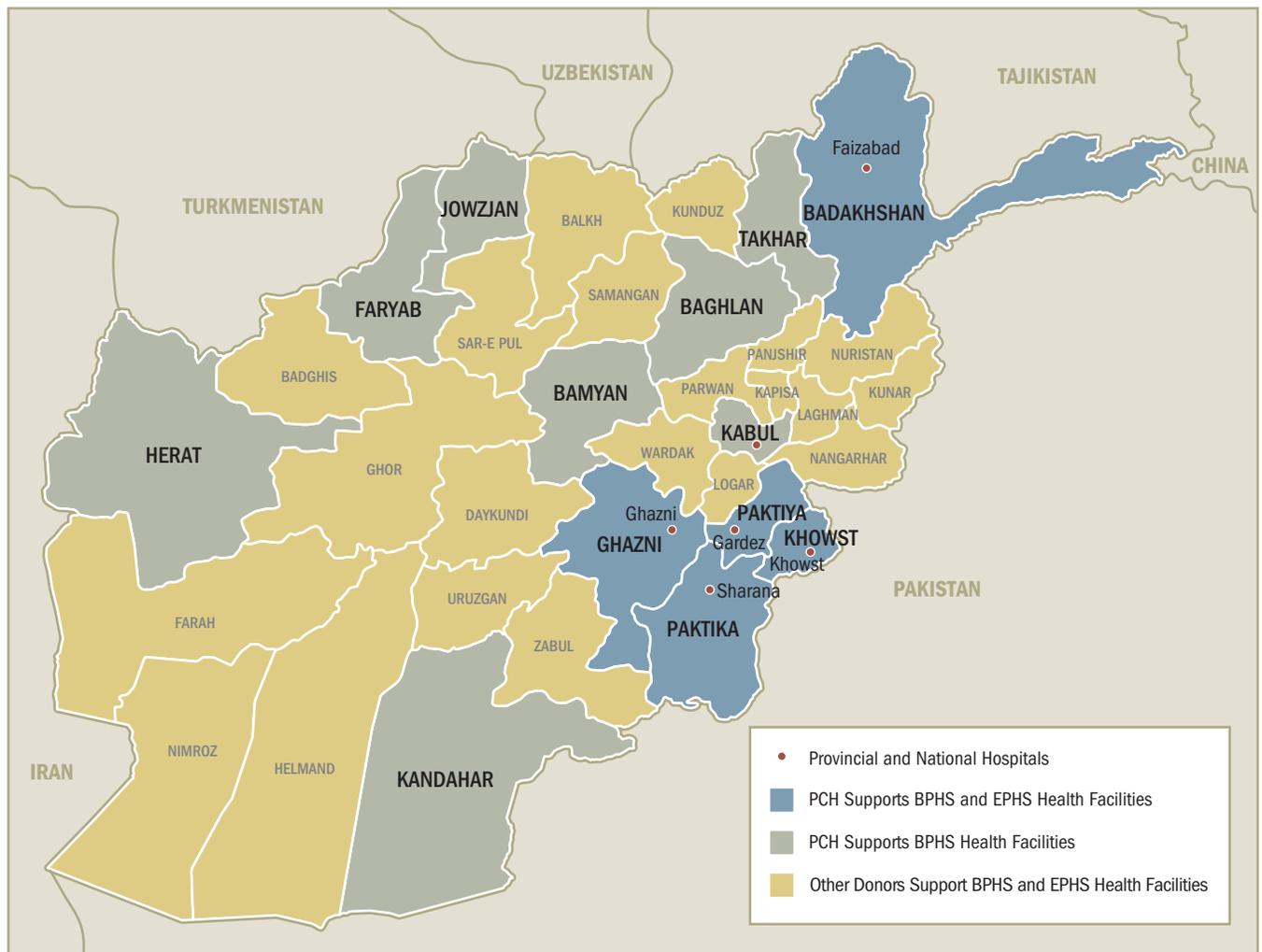
## SIGAR INSPECTION

A SIGAR inspection this quarter found the CERP-funded Qala-I-Muslim Medical Clinic in Kabul to be well-sustained and serving its 4,000-member community effectively. More than 1,500 patients have been treated since opening in 2011. For more information, see Section 2, page 38.

# ECONOMIC AND SOCIAL DEVELOPMENT

FIGURE 3.40

## U.S.-FUNDED TERTIARY CARE HOSPITALS



Note: Tertiary care is specialized consultative care in a center that has personnel and facilities for special investigation and treatment.

Sources: USAID, response to SIGAR data call, 4/11/2013; USAID, "Partnership for Contract Health, Fact Sheet," 1/2013, accessed 4/16/2013; Johns Hopkins Medicine, "Tertiary Care Definition," accessed 4/19/2013.

conditions. Female community-health workers promote pregnancy and birth preparedness and basic essential newborn care.<sup>497</sup>

**Health Sub-Centers** are temporary health centers that offer services at levels between health posts and other BPHS facilities. Health Sub-Centers (HSC) provide care to underserved, rural populations of 3,000–7,000 people. They are run out of private houses and should be no more than a two-hour

walk for patients. HSCs are potential precursors for more permanent facilities depending on established need and community commitments. Services include health education, immunization, antenatal care, family planning, tuberculosis detection, referral and follow up, and diarrhea and pneumonia treatment. HSCs are staffed by a male nurse and a community midwife, as well as a cleaner/guard.<sup>498</sup>

**Basic Health Centers** provide primary outpatient care, including immunizations, antenatal, delivery, postpartum and newborn care, nonpermanent contraception, integrated management of childhood illnesses, malaria and tuberculosis treatment, identification of disabilities and mental conditions, and issues referrals and follow-up care. Basic Health Centers (BHC) supervise the activities of the health posts in their area of responsibility, comprising 15,000–30,000 people, depending on location. Minimum staffing requirements are one nurse, one community midwife, and two vaccinators.<sup>499</sup>

**Mobile Health Teams** are extensions of BHCs that provide the same services to small, remote communities. Mobile Health Teams are comprised of one male doctor or nurse, one female community midwife or nurse, a vaccinator, and a driver.<sup>500</sup>

**Comprehensive Health Centers** offer a greater range of services than BHCs. They can handle complications during childbirth, serious childhood disease, difficult cases of malaria, and outpatient mental health care. Comprehensive Health Centers have a larger staff than a BHC, including male and female doctors and nurses, midwives, one psychosocial counselor, as well as laboratory and pharmacy technicians. Physiotherapists from the district hospital visit on an outreach basis.<sup>501</sup>

**District Hospitals** handle all BPHS services, including major surgery, x-rays, emergency obstetric care, sterilizations, comprehensive mental-health care, and physiotherapy rehabilitation. District hospitals offer a wider range of essential drugs, treatment of severe malnutrition, and laboratory services. They are staffed with female obstetricians/gynecologists, a surgeon, a pediatrician, an anesthetist, a mental-health doctor, psychosocial counselors/supervisors, midwives, laboratory and X-ray technicians, a pharmacist, a dentist and dental technician, and two physiotherapists (male and female). Each district hospital accommodates between 100,000 and 300,000 people.<sup>502</sup>

USAID's highest-priority programs in the health sector this quarter include:

- Partnership Contracts for Health (PCH) Services
- Health Policy Project (HPP)
- Leadership, Management, Governance Project (LMG)

## Partnership Contracts for Health Services

A five-year (2008–2013), \$218 million on-budget program, Partnership Contracts for Health (PCH) supports the MOPH's efforts to provide the BPHS and the Essential Package of Hospital Services across Afghanistan.

As noted on page 163, the United States is supporting 545 of these health facilities. A SIGAR audit this quarter assessed Afghanistan's ability to sustain two PCH hospitals under construction and staff the five provincial ones funded by USAID. The audit found that USAID did not assess the MOPH's ability to operate and maintain these facilities once completed, and some provincial hospitals are experiencing staffing shortages in key medical positions. As of March 30, 2013, USAID had obligated \$190.3 million to this program and disbursed \$121.3 million.<sup>503</sup>

PCH delivers health care ranging from basic to highly specialized diagnostic and treatment services. It also supports Community Midwifery Education (CME) contracts, which help reduce both maternal and child mortality. This quarter, 136 CME students graduated and most deployed to health facilities, 17 non-governmental organization contracts were extended to December 20, 2013, and a second round of CME contracts are being procured. USAID reported several challenges to better program implementation, including insecurity, an increasing unavailability of air transportation to monitor activities in kinetic areas, political interference in PCH priorities, and shortages of female health staff at all levels.<sup>504</sup>

## Health Policy Project

The Health Policy Project (HPP), an 18-month (June 2012–November 2013), \$18 million program, is building MOPH capacity to address basic health needs through public-private partnerships. As of March 31, 2013, USAID had obligated \$8.8 million to the program. HPP works to expand private-sector capacity to deliver high-quality services, improve HIV care and prevention policies, and promote behavioral change through social media marketing. Accomplishments of the HPP include fully staffing a Public Private Partnership Unit within the MOPH, completing an assessment of Jumhoriat Hospital's commercial viability and value, and providing technical assistance to the Afghanistan Social Marketing Organization's board of directors. Challenges to implementation include insecurity in provinces, the lack of a legal framework governing public-private partnerships, and private industry's difficulty in navigating the bureaucratic morass of the Afghan government.<sup>505</sup>

## Leadership, Management, Governance Project

The 18-month (September 2012–February 2014), \$25 million Leadership, Management, Governance (LMG) Project works with the MOPH and the Ministry of Education, at both the provincial and central level to build leadership, management, and governance capacity within Afghanistan's health and education systems. It also aims to improve transparency and accountability within the MOPH and helps both ministries manage on-budget assistance. As of March 31, 2013, USAID had obligated \$16.3 million and disbursed \$2.5 million for the program.<sup>506</sup>

USAID reported this quarter that all 14 LMG participatory hospitals have gone from controlling no part of their budgets to managing 76–100%. The agency also said these facilities established management committees and formed four provincial maternal and child health committees. The MOPH developed governance guides and an assessment tool for provincial and district health coordination, and trained all 74 departments at the ministry on standardized reporting techniques. USAID reported no specific security threats to the program on a provincial level, but stressed the need to monitor potential security vacuums in some communities once U.S. forces withdraw.<sup>507</sup>

## PRIVATE SECTOR DEVELOPMENT

The United States is supporting private-sector development through the ESF, TFBSO, and CERP. USAID's priority economic-growth projects, funded through the ESF, include:<sup>508</sup>

- Assistance in Building Afghanistan by Developing Enterprises (ABADE)
- Economic Growth and Governance Initiative (EGGI)
- Trade Accession and Facilitation for Afghanistan (TAFA) I and II

### Assistance in Building Afghanistan by Developing Enterprises

USAID's newly initiated, \$105 million Assistance in Building Afghanistan by Developing Enterprises (ABADE) program is focused on helping productive, Afghan-registered, small-to-medium enterprises add jobs, increase investment, and improve sales of domestic products and services. ABADE will support private-sector businesses that offer the best leverage and opportunity for sustained economic growth. Last quarter, ABADE hired staff and finalized its work plan and performance metrics.<sup>509</sup> In this reporting period, ABADE held a formal inaugural event and conducted road shows in Kabul, Jalalabad, Herat, and Mazar-e-Sharif to reach out to potential business partners.<sup>510</sup>

### Economic Growth and Governance Initiative

The \$92 million Economic Growth and Governance Initiative (EGGI) program aims to strengthen government capacity to conduct more effective public financial management. It provides assistance for national budgeting, tax administration, and revenue generation. It also provides Women in Government internships to increase women's civil-service participation to 30%, which is the Millennium Development Goal. As of January 31, 2013, 208 women had graduated the internship program in FY 2012, of whom 76% found full-time employment.<sup>511</sup>

EGGI continues to face implementation challenges. Its provincial budgeting component has been descope from the program as of March 2013. Afghanistan's civil service commission has still not finalized changes to its

recruitment procedures, which, once complete, will require the Women in Government internship program to realign its efforts to adhere to any new requirements. EGGI also faces funding constraints.<sup>512</sup>

## Trade Accession and Facilitation for Afghanistan I and II

Parts I and II of Trade Accession and Facilitation for Afghanistan (TAFA), at a combined cost of \$83 million, are designed to generate economic growth, trade, and investment by improving the conditions for international trade and transit for both the government and private sector. TAFA assists the Afghan government in three areas: trade-policy liberalization, customs reform, and trade facilitation. TAFA promotes the New Silk Road initiative by facilitating Afghanistan's accession to the World Trade Organization, developing bilateral and regional trade agreements, and streamlining customs and export procedures. As of March 30, 2013, approximately \$19.8 million has been obligated to TAFA II and \$4 million expended.<sup>513</sup>

This quarter, TAFA worked with the Afghan Customs Department to streamline and standardize customs procedures at six Inland Customs Depots and at Kabul International Airport. TAFA efforts strengthened risk management controls and helped improve the Automated System for Customs Data (ASYCUDA) at these locations, potentially saving the Afghan government \$90 million–\$100 million annually. In addition, TAFA is providing assistance to the Da Afghanistan Bank and the MOF in their efforts to implement an electronic-payment system of customs duties and taxes to help combat corruption.<sup>514</sup>

Also this quarter, TAFA initiated a month-long risk-management training program for Afghan customs officials at Kabul International Airport. Training focused on best practices to inspect high-risk cargo while allowing legitimate trade to flow expeditiously. According to USAID, initial risk-management results show a marked increase in infraction reporting, which helps determine a trader's risk level. Traders with infractions are targeted with more inspections, while law-abiding traders are rewarded with fewer.<sup>515</sup>

A TAFA review of its streamlining efforts in 2012 found the number of customs-clearing steps dropped from 23 to 12, on average, saving traders over \$40 million in time and money.<sup>516</sup> Additionally, U.S. assistance to the customs department reduced the overall customs-processing time from 24 hours in 2011 to seven in 2012. Despite these successes, USAID noted that the customs department is in the midst of shifting positions, which occurs every six to 12 months, challenging TAFA progress and Afghan capacity-building efforts. Furthermore, TAFA has still not reached an agreement with the Afghan government on composition of future assistance under the Strategic Objective Agreement. This, in turn, has caused delays in TAFA receiving its allocated funding, and threatened its ability to provide timely services.<sup>517</sup>

**The ASYCUDA software is used in more than 80 countries as the basis of a comprehensive, integrated customs information system. Computerization strengthens customs administration by accelerating customs clearance and simplifying procedures, helping countries facilitate trade.**

Source: UNCTAD, "What is ASYCUDA," accessed 4/3/2013.

In other private-sector developments this quarter, USAID moved forward on a Global Development Alliance (GDA) with the Aga Khan Foundation, a large non-profit development organization based in Geneva. On March 24, 2013, USAID awarded a collaboration agreement to the Aga Khan Development Network for implementing a business incubator, investment-fund project called the Multi-Input Area Development (MIAD) GDA.<sup>518</sup> This \$60.9 million, 5-year, off-budget program will begin in May 2013. It will leverage private-sector investment to help fund sustainable social and economic development in Badakhshan province. The program will have two components: a MIAD financing facility, which will invest in small-, medium-, and large-scale enterprises that will serve as economic drivers; and a MIAD social-development trust fund that will provide block grants to district-level government for rural development, social service delivery, and local government capacity-building activities.<sup>519</sup>

USAID will contribute \$7.5 million to the MIAD financing facility, while the Aga Khan Foundation will provide \$22.5 million in mobilized capital. USAID will contribute \$22.5 million to the MIAD trust fund, with the Aga Khan Foundation paying \$7.5 million. USAID's first-year program funding will cap out at approximately \$5.5 million.<sup>520</sup>

The Aga Khan Foundation will conduct routine monitoring of program implementation and outcome/impact assessments. USAID will closely monitor these assessments and conduct site visits to confirm results. USAID will also develop a performance-monitoring plan that includes performance and impact indicators such as the percentage of profits from economic drivers returned to the social-development trust fund; the net present value of economic drivers to Afghan beneficiaries; and the number of Badakhshan residents benefiting from social-development projects.<sup>521</sup>

## Task Force for Stability and Business Operations

In addition to helping the Afghan government develop natural resources, TFBSO has supported private-sector initiatives. TFBSO awarded the American University of Afghanistan a \$5 million grant to fund construction of a 5,500 square meter, state-of-the-art International Center for Afghan Women's Economic Development on its campus in Kabul. The Center is scheduled to open April 2013 and will lead and coordinate international and Afghan public- and private-sector efforts to advance women's role in economic growth.<sup>522</sup>

TFBSO also sourced and conducted due diligence on 50 companies this quarter, bringing the total number of companies assessed to 650, as of March 31, 2013. TFBSO also helps carpet, jewelry, and cashmere producers and other indigenous Afghan businesses meet international standards and access international markets.<sup>523</sup>

## TRADE

Given Afghanistan's geographic position between South and Central Asia, regional economic integration, as called for in the New Silk Road initiative, could net it substantial customs revenues, according to a Congressional Research Service report. But despite the Central Asian countries' long-standing interest in a moderate and stable Afghanistan, the United States has not succeeded in its efforts to convince all of Afghanistan's neighbors to put the country's stability in the region above their particular interests.<sup>524</sup> Tolo News reported in February that Pakistan fined Afghan traders \$50 million for approximately 3,700 containers that were held up by Pakistani authorities for 85 days in the Port of Karachi. These delays disrupt the free flow of goods and add fuel and transportation costs for Afghan traders.<sup>525</sup>

On February 27, 2013, officials from the United States and Afghanistan met in Washington, DC, to evaluate progress under the United States-Afghanistan Trade and Investment Framework Agreement signed in 2004. Discussions included an introduction to the U.S. Generalized Systems of Preferences, Afghanistan's accession to the World Trade Organization, and intellectual-property rights, as well as sector-specific investment challenges and impediments to greater trade and investment flows between the two countries.<sup>526</sup>

## COMMUNICATIONS

Afghanistan's private-sector-led telecommunications sector is growing rapidly, and is one of the country's economic success stories.<sup>527</sup> In 2010/2011, telecom contributed 45% of total tax revenue and is expected to continue driving economic growth and development next year.<sup>528</sup>

As of March 9, 2013, USAID has allocated and disbursed almost \$15.2 million, on-budget, to the Ministry of Communications and Information Technology (MCIT) for two projects—the District Communications Network and the Policy Capacity Initiative, both of which have ended. USAID is not providing any ongoing assistance to MCIT.<sup>529</sup>

According to UNAMA, the Afghan government is planning to either launch its own communications satellite into space through a competitive bidding process or link to an existing satellite. Three international companies submitted proposals to the government, but the official bidding process has not yet begun. The winner would be responsible for all costs, which would be recouped through service charges.<sup>530</sup>

