

3 RECONSTRUCTION UPDATE



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President Obama and President Karzai talk on the White House colonnade after a meeting in the Oval Office. (White House photo)

RECONSTRUCTION UPDATE

OVERVIEW

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

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

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

In the governance sector, U.S. agencies were unable to provide data that has been provided in past quarters. SIGAR requested, but did not receive, updates on the number of Afghan civil servants and the state of provincial, municipal, and district governance in five provinces in the south and east.

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Asked to assess governance in these provinces, both the State Department (State) and the Department of Defense (DOD) offered only that the PRTs had closed. Although the presence of civil servants is a necessary foundation for local government, USAID appears to no longer be able to track this and other indicators.

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

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

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

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

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

TABLE 3.1

U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, 2002–2013 (\$ MILLIONS)	
Government-To-Government	
DOD	\$4,240
State	\$92
USAID	\$1,060
Multilateral Trust Funds	
LOTFA	\$1,210
ARTF	\$1,960
AITF	\$412

Sources: SIGAR, Audit Report 14-32-AR: *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries' Ability to Manage Donor Funds, but Weaknesses Remain*, 1/2014; SIGAR, Special Project Report 14-12-SP: *Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of Over \$4 Billion in Direct Assistance Funding*, 12/2013; World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2013 (end of 12th month of FY 1392)," p. 5; UNDP, "LOTFA Phase VI Quarterly Progress Report Q3/2013," 12/31/2013, pp. 80-81; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 1/22/2014.

CONCERNS ABOUT LOTFA AND “GHOST WORKERS”

For several years, SIGAR has been concerned about the possibility of “ghost workers” on the ANP payroll. In 2011, a SIGAR audit report raised questions about the UNDP’s management of the Law and Order Trust Fund for Afghanistan (LOTFA), which is used to pay ANP salaries. SIGAR auditors found that neither the Afghan Ministry of Interior (MOI) nor the UNDP could verify payroll data. SIGAR concluded that there was “limited assurance that only ANP personnel who worked received pay and the LOTFA funds were used to reimburse only eligible costs.”⁴⁶

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

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

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

Last November on one of his quarterly visits to Afghanistan, the Special Inspector General for Afghanistan Reconstruction raised the expressed concerns of the European Commission about LOTFA and “ghost workers” with the Combined Security Transition Command-Afghanistan (CSTC-A), which is partly responsible for the U.S. contribution to LOTFA. None of the senior CSTC-A officials who



An Afghan police officer trains in Helmand province, Afghanistan. Students at the center received basic police training in subjects such as literacy, vehicle searching, improvised explosive device defeat, drill, and first aid. (DOD photo)

met with the SIGAR was aware of any investigations or the decision to withhold funds from LOTFA. This raises a number of concerns about CSTC-A’s oversight of LOTFA and about the degree to which international donors are sharing information.

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

FUNDING FOR AFGHANISTAN RECONSTRUCTION

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

DOD Programs

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

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

State and USAID programs

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

The funds for State and USAID reconstruction programs have not yet been determined. According to State, the final levels for Afghanistan reconstruction funds, including the Economic Support Fund (ESF) and the International Narcotics Control and Law Enforcement (INCLE) account have not been finalized.

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Table 3.2 shows cumulative appropriations, obligations, and disbursements. Table 3.3 and Table 3.4 show appropriations, obligations, and disbursements for FY 2012 and FY 2013.

TABLE 3.2

CUMULATIVE AMOUNT APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2014 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Expired
Afghanistan Security Forces (ASFF)	\$57.50	\$47.88	\$45.38	\$1.08
Commander's Emergency Response Program (CERP)	\$3.67	\$2.29	\$2.24	\$1.19
Afghanistan Infrastructure Fund (AIF)	\$1.22	\$0.90	\$0.20	\$0.03
Task Force for Business & Stability Operations (TFBSO)	\$0.78	\$0.69	\$0.52	\$0.03
DOD Drug Interdiction and Counter-drug Activities (DOD CN)	\$2.94	\$2.48	\$2.48	\$0.00
Economic Support Fund (ESF)	\$16.69	\$14.67	\$11.50	\$0.40
International Narcotics Control & Law Enforcement (INCLE)	\$4.18	\$3.54	\$2.85	\$0.09
Total & Major Funds	\$86.99	\$72.45	\$65.17	\$2.83
Other Reconstruction Funds	\$7.09			
Operations & Oversight	\$8.05			
Total	\$102.13			

TABLE 3.3

FY 2012 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Expired
Afghanistan Security Forces (ASFF)	\$9,200	\$8,837	\$7,909	\$363
Commander's Emergency Response Program (CERP)	\$400	\$112	\$99	\$288
Afghanistan Infrastructure Fund (AIF)	\$400	\$376	\$94	\$24
Task Force for Business & Stability Operations (TFBSO)	\$242	\$233	\$195	\$9
DOD Drug Interdiction and Counter-drug Activities (DOD CN)	\$423	\$423	\$423	\$0
Economic Support Fund (ESF)	\$1,837	\$1,779	\$151	\$58
International Narcotics Control & Law Enforcement (INCLE)	\$359	\$358	\$89	\$0
Total & Major Funds	\$12,860	\$12,119	\$8,959	\$741
Other Reconstruction Funds	\$309			
Operations & Oversight	\$1,493			
Total	\$14,662			

TABLE 3.4

FY 2013 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Expired
Afghanistan Security Forces (ASFF)	\$5,124	\$1,316	\$972	\$0
Commander's Emergency Response Program (CERP)	\$200	\$43	\$23	\$157
Afghanistan Infrastructure Fund (AIF)	\$325	\$236	\$0	\$0
Task Force for Business & Stability Operations (TFBSO)	\$137	\$135	\$66	\$0
DOD Drug Interdiction and Counter-drug Activities (DOD CN)	\$307	\$168	\$168	\$0
Economic Support Fund (ESF)	\$1,623	\$0	\$0	\$0
International Narcotics Control & Law Enforcement (INCLE)	\$569	\$13	\$8	\$0
Total & Major Funds	\$8,286	\$1,911	\$1,238	\$157
Other Reconstruction Funds	\$172			
Operations & Oversight	\$1,348			
Total	\$9,805			

For sources and notes see Appendix B of this report.

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STATUS OF FUNDS

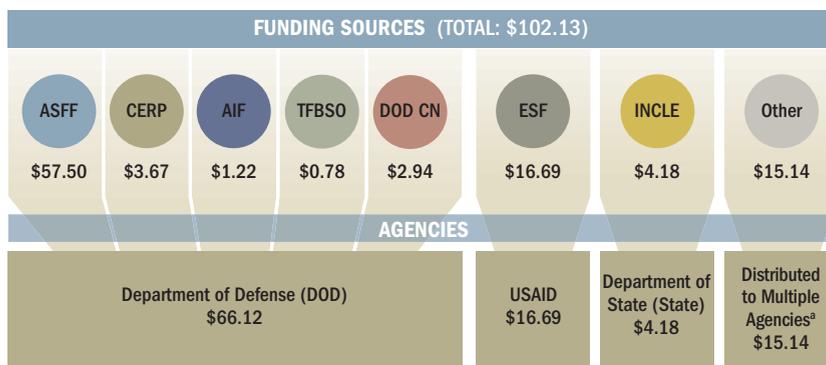
To fulfill SIGAR's legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of January 17, 2014, the United States had appropriated approximately \$102.13 billion for relief and reconstruction in Afghanistan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

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

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

FIGURE 3.0

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



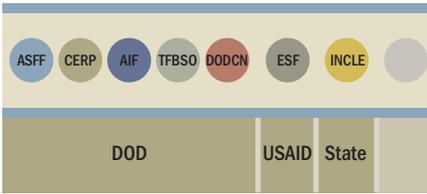
- ASFF:** Afghanistan Security Forces Fund
- CERP:** Commander's Emergency Response Program
- AIF:** Afghanistan Infrastructure Fund
- TFBSO:** Task Force for Business and Stability Operations
- DOD CN:** DOD Drug Interdiction and Counter-Drug Activities
- ESF:** Economic Support Fund
- INCLE:** International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

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

^a Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, BBG, and SIGAR.

Sources: DOD, responses to SIGAR data call, 1/22/2014, 1/2/2014, 12/30/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 1/13/2014, 1/9/2014, 6/27/2013, 10/5/2012, and 6/27/2012; Treasury, response to SIGAR data call, 1/2/2014; OMB, responses to SIGAR data call, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 1/7/2014, 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; CRS, response to SIGAR data call, 1/8/2014; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013," 1/18/2014; H.R. 3547, "Consolidated Appropriations Act, 2014," 1/17/2014; 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

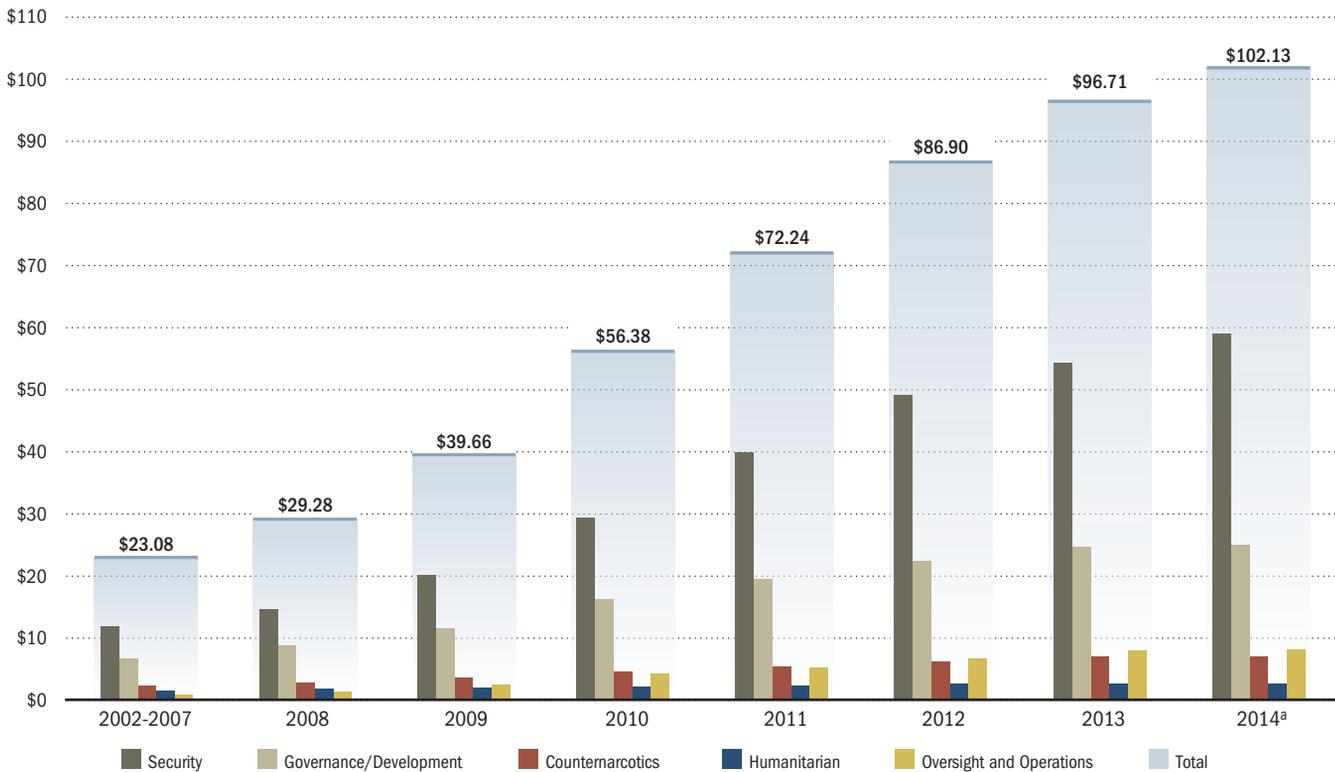


U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

On January 17, 2014, President Obama signed the Consolidated Appropriations Act, 2014, funding the U.S. government for the rest of the fiscal year and increasing cumulative funding for Afghanistan reconstruction to approximately \$102.13 billion, as shown in Figure 3.1. When this report went to press, final FY 2014 appropriation amounts for State and USAID accounts were still being determined. FY 2014 funding levels will increase when these amounts are known.⁴⁷ Because the FY 2014 appropriations bill was enacted before this report went to press, this section includes amounts appropriated in the bill; however, obligated and disbursed amounts are as of December 31, 2013. For complete information regarding U.S. appropriations, see Appendix B.

The amount provided to the seven major U.S. funds represents nearly 85.2% (nearly \$86.99 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 83.3% (more than \$72.45 billion) has been obligated, and over 74.9% (nearly \$65.17 billion) has been disbursed. An estimated \$2.8 billion of previously appropriated funds has expired.

FIGURE 3.1
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF JANUARY 17, 2014 (\$ 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.

^a Includes amounts appropriated in the Consolidated Appropriations Act, 2014.

Sources: DOD, responses to SIGAR data call, 1/22/2014, 1/2/2014, 12/30/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 1/13/2014, 1/9/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 1/2/2014; OMB, responses to SIGAR data call, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 1/7/2014, 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; CRS, response to SIGAR data call, 1/8/2014; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013," 1/18/2014; H.R. 3547, "Consolidated Appropriations Act, 2014," 1/17/2014; 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 January 17, 2014, appropriations for FY 2014 amounted to more than \$5.42 billion, as shown in Figure 3.2. Of this amount, nearly \$4.73 billion was appropriated to the ASFF.⁴⁸ Final appropriations for the ASFF and many other Afghanistan reconstruction accounts were significantly reduced from the FY 2014 budget proposal, as shown in Table 3.5. The Joint Explanatory Statement for the Consolidated Appropriations Act, 2014, notes that the Act “takes the necessary step of reducing new budget authority for Afghanistan to a more sustainable level that can be responsibly programmed and subject to effective oversight...many assistance programs have significant funding pipelines that could take many years to obligate and expend.”⁴⁹ Table 3.4 on page 67 of this report shows FY 2013 appropriation amounts yet to be obligated.

TABLE 3.5

FY 2014 APPROPRIATIONS COMPARED TO THE BUDGET REQUEST (\$ MILLIONS)			
	Requested	Appropriated	Change
ASFF	\$7,726	\$4,726	-39%
CERP	\$60	\$30	-50%
AIF	\$279	\$199	-29%
TFBSO	\$121	\$64	-47%
DOD CN ^a	\$321	\$321	0%
TOTAL	\$8,508	\$5,340	-37%

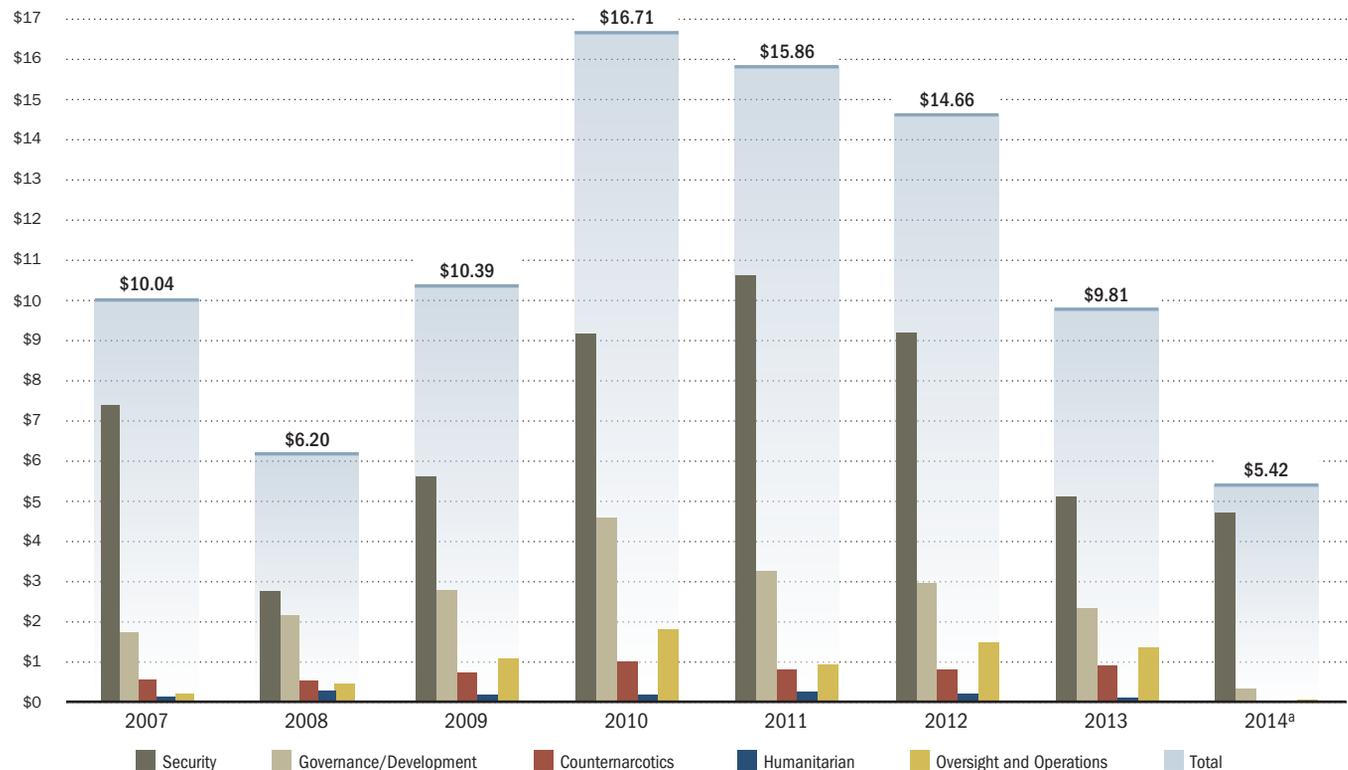
Notes: Numbers have been rounded. Final appropriation figures for have not been determined for State and USAID accounts.

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

Sources: DOD, response to SIGAR data call, 1/22/2013; H.R. 3547, 1/17/2014; OSD Comptroller, “Department of Defense Budget Amendment to the Fiscal Year 2014 President’s Budget Request for Overseas Contingency Operations (OCO): Operation and Maintenance Programs (O-1) Revolving and Management Funds (RF-1),” 5/2013, pp. 1-3.

FIGURE 3.2

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

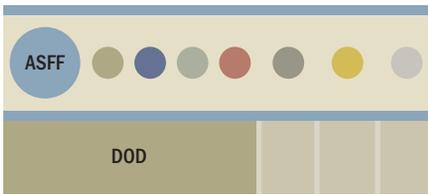


Notes: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

^a Includes amounts appropriated in the Consolidated Appropriations Act, 2014.

Sources: DOD, responses to SIGAR data call, 1/22/2014, 1/2/2014, 12/30/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 1/13/2014, 1/9/2014, 6/27/2013, 10/5/2012, and 6/27/2012; Treasury, response to SIGAR data call, 1/2/2014; OMB, responses to SIGAR data call, 7/19/2013, and 1/4/2013; USAID, responses to SIGAR data call, 1/7/2014, 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; CRS, response to SIGAR data call, 1/8/2014; DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013,” 1/18/2014; H.R. 3547, “Consolidated Appropriations Act, 2014,” 1/17/2014; 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.⁵⁰ The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan.⁵¹

The Consolidated Appropriations Act, 2014, appropriated nearly \$4.73 billion for the ASFF for FY 2014, increasing total cumulative funding to more than \$57.50 billion.⁵² As of December 31, 2013, more than \$47.88 billion of total ASFF funding had been obligated, of which nearly \$45.38 billion had been disbursed.⁵³ Figure 3.3 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations as of December 31, 2013, increased by more than \$894.63 million over cumulative obligations as of August 31, 2013. Cumulative disbursements as of December 31, 2013, increased by nearly \$1.84 billion over cumulative disbursements as of August 31, 2013.⁵⁴ Figure 3.4 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.3

ASFF APPROPRIATED FUNDS BY FISCAL YEAR
(\$ BILLIONS)

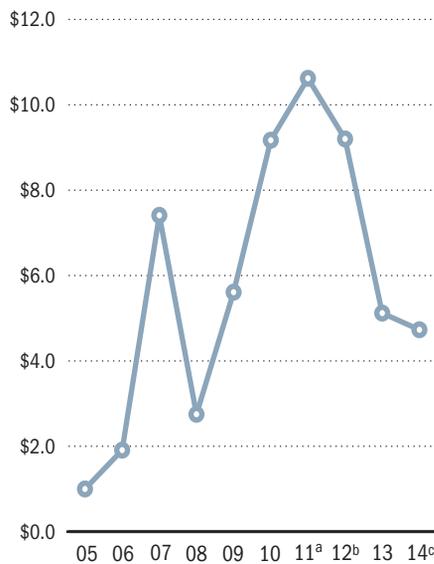
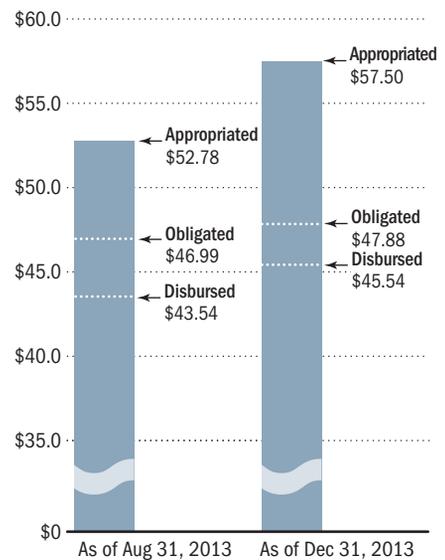


FIGURE 3.4

ASFF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded.

^a DOD reprogrammed \$1 billion of FY 2011 ASFF.

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

^c FY 2014 figure includes amount appropriated ASFF in the Consolidated Appropriations Act, 2014.

Sources: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013," 1/18/2014; DOD, response to SIGAR data call, 10/09/2013; H.R. 3547, "Consolidated Appropriations Act, 2014," 1/17/2014; 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.⁵⁵

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

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

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 3.5

ASFF DISBURSEMENTS FOR THE ANA BY SUB-ACTIVITY GROUP, FY 2005–DEC 31, 2013 (\$ BILLIONS)

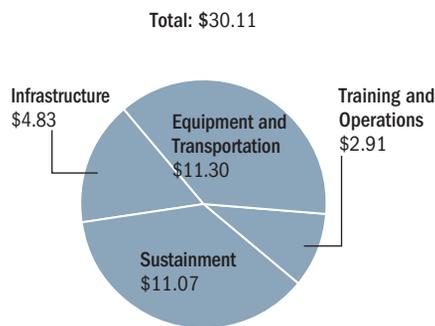
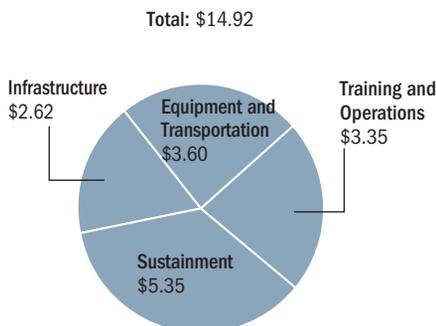


FIGURE 3.6

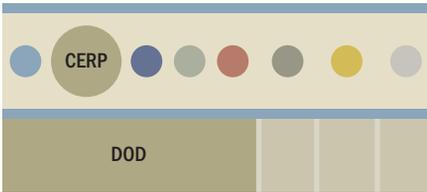
ASFF DISBURSEMENTS FOR THE ANP BY SUB-ACTIVITY GROUP, FY 2005–DEC 31, 2013 (\$ BILLIONS)



Note: Numbers have been rounded.

Sources: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013," 1/18/2014; DOD, response to SIGAR data call, 10/09/2013.

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.⁵⁸ 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.⁵⁹

The Consolidated Appropriations Act, 2014, appropriated \$30 million for CERP, increasing total cumulative funding to nearly \$3.67 billion.⁶⁰ Of this amount, DOD reported that nearly \$2.29 billion had been obligated, of which more than \$2.24 billion had been disbursed as of December 31, 2013.⁶¹ Figure 3.7 shows CERP appropriations by fiscal year, and Figure 3.8 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.7

CERP APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

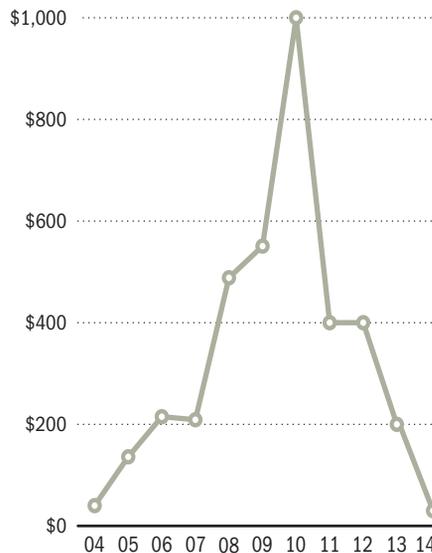
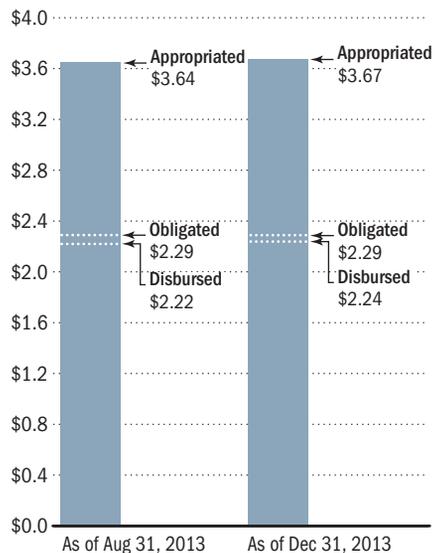


FIGURE 3.8

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

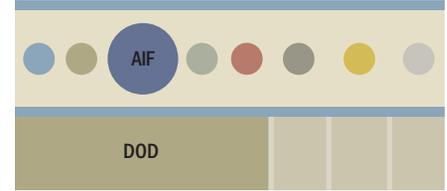
^a FY 2014 figure includes amount appropriated CERP in the Consolidated Appropriations Act, 2014.

Sources: DOD, responses to SIGAR data call, 1/22/2014 and 10/23/2013; OMB, response to SIGAR data call, 1/4/2013; H.R. 3547, "Consolidated Appropriations Act, 2014," 1/17/2014; 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 the Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.⁶²

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



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.

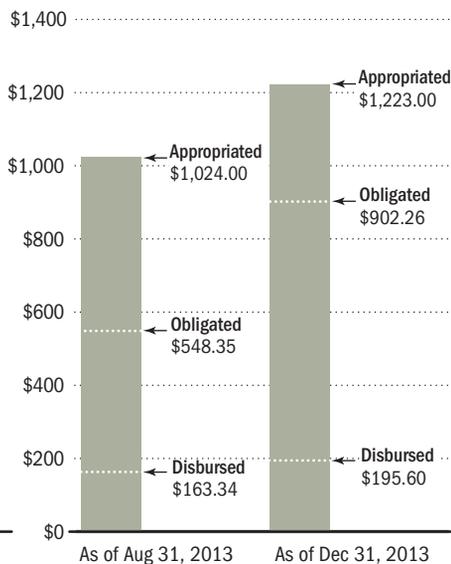
FIGURE 3.9

AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.10

AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Notes: Numbers have been rounded.

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

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

Sources: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013," 1/18/2014; DoD, response to SIGAR data call, 7/22/2013; H.R. 3547, "Consolidated Appropriations Act, 2014," 1/17/2014; 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

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

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

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

FIGURE 3.11

TFBSO APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)

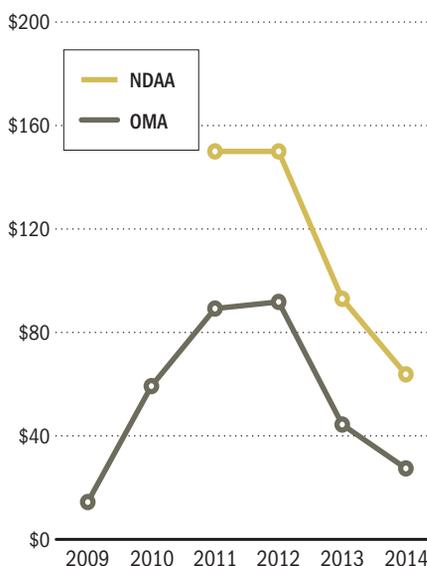
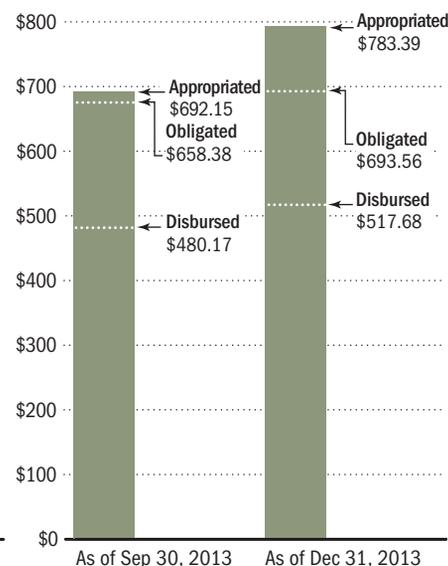


FIGURE 3.12

TFBSO FUNDS, CUMULATIVE COMPARISON (\$ MILLIONS)



Notes: Numbers have been rounded. NDA = National Defense Authorization Act. NDA funding is used to pay for activities directly related to reconstructing Afghanistan. OMA = Operations and Maintenance, Army. OMA funding is used to pay for sustainment of U.S. assets, civilian employees, travel, security, and other operational costs.

^a FY 2014 figure includes amount appropriated TFBSO in the Consolidated Appropriations Act, 2014.

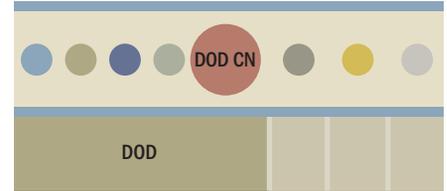
Sources: DOD, responses to SIGAR data call, 1/22/2014, 10/1/2013, and 10/4/2011; H.R. 3547, "Consolidated Appropriations Act, 2014," 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

DOD DRUG INTERDICTION AND COUNTERDRUG ACTIVITIES

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

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

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



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.

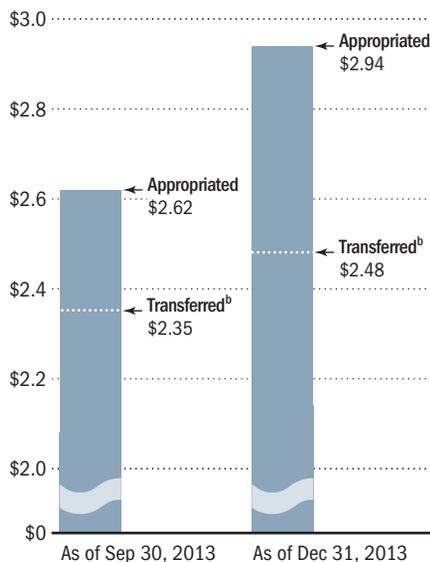
FIGURE 3.13

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.14

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



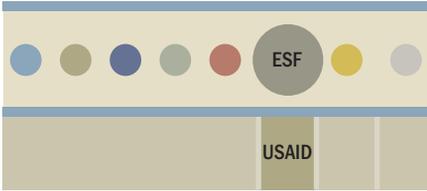
Notes: Numbers have been rounded.

^a FY 2014 figures includes amount appropriated DOD CN in the Consolidated Appropriations Act, 2014.

^b DOD reprograms all funds to the military services and defense agencies for obligation and disbursement.

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

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.⁷¹

When this report went to press, final FY 2014 funding levels for the ESF had not been determined. USAID reported that cumulative funding for the ESF amounted to nearly \$16.69 billion. Of this amount, nearly \$14.67 billion had been obligated, of which more than \$11.50 billion had been disbursed.⁷² Figure 3.15 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2013, increased by \$379,921 over cumulative obligations as of September 30, 2013. Cumulative disbursements as of December 31, 2013, increased by nearly \$329.10 million over cumulative disbursements as of September 30, 2013.⁷³ Figure 3.16 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

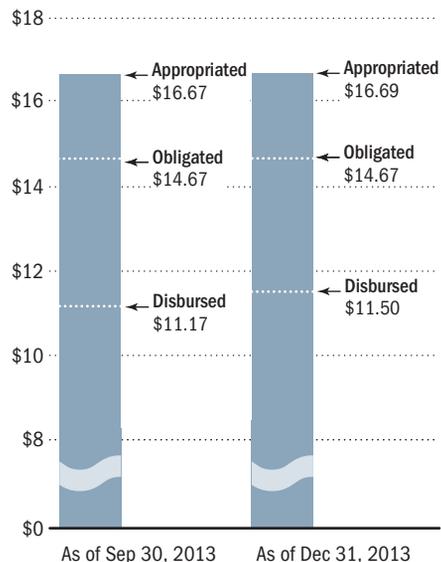
FIGURE 3.15

ESF APPROPRIATIONS BY FISCAL YEAR
(\$ BILLIONS)



FIGURE 3.16

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

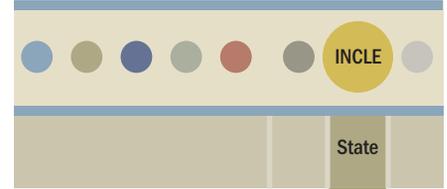
Sources: USAID, response to SIGAR data call, 1/7/2014 and 10/10/2013; State, response to SIGAR data call, 6/27/2013.

INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

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

When this report went to press, final FY 2014 funding levels for INCLE had not been determined. State reported that cumulative funding for INCLE amounted to more than \$4.18 billion. Of this amount, nearly \$3.54 billion had been obligated, of which nearly \$2.85 billion had been disbursed.⁷⁵ Figure 3.17 shows INCLE appropriations by fiscal year. Figure 3.18 shows INCLE appropriations by fiscal year.

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



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 3.17

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

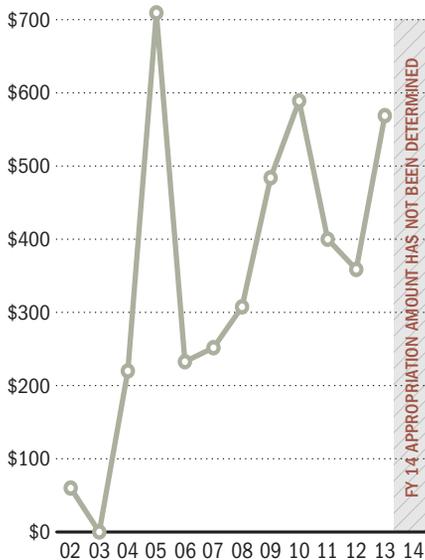
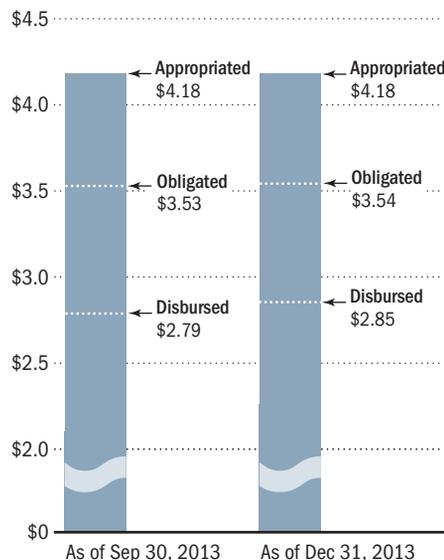


FIGURE 3.18

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. Data may include inter-agency transfers.
Sources: State, response to SIGAR data call, 1/13/2014 and 10/18/2013.

STATUS OF FUNDS

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

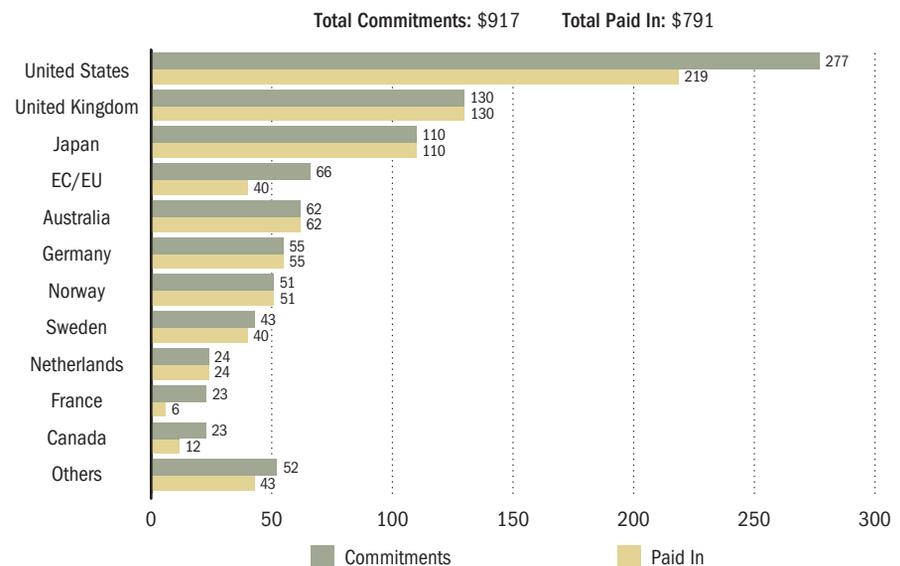
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust 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).⁷⁷

Contributions to the Afghanistan Reconstruction Trust Fund

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

FIGURE 3.19

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



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

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2013 (end of 12th month of FY 1392)," p. 1.

STATUS OF FUNDS

As of December 21, 2013, the United States had pledged nearly \$2.02 billion and paid in more than \$1.96 billion since 2002.⁸⁰ The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing more than 46% of its total funding, as shown in Figure 3.20.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁸¹ As of December 21, 2013, according to the World Bank, nearly \$2.93 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.⁸² The RC Window supports the operating costs of the Afghan government because the government's domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.⁸³

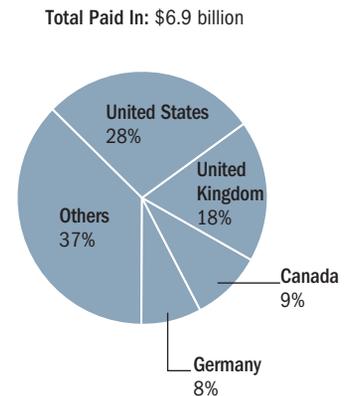
The Investment Window supports the costs of development programs. As of December 21, 2013, according to the World Bank, more than \$3.06 billion had been committed for projects funded through the Investment Window, of which more than \$2.29 billion had been disbursed. The World Bank reported 22 active projects with a combined commitment value of nearly \$1.89 billion, of which more than \$1.11 billion had been disbursed.⁸⁴

Contributions to the Law and Order Trust Fund for Afghanistan

The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior.⁸⁵ Since 2002, donors have pledged nearly \$3.18 billion to the LOTFA, of which more than \$3.17 billion had been paid in, according to the most recent data available.⁸⁶ The LOTFA's sixth support phase started on January 1, 2011. On March 20, 2013, the UNDP-LOTFA Steering Committee approved an extension of Phase VI to continue the phase beyond the planned end date of March 31, 2013, to December 31, 2013. In the 33 months since Phase VI began, the UNDP had transferred more than \$1.39 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional \$33.44 million for capacity development and other LOTFA initiatives.⁸⁷ As of September 30, 2013, donors had committed nearly \$1.65 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly \$659.11 million, and Japan had committed more than \$614.76 million. Their combined commitments make up more than 77% of LOTFA Phase VI commitments. The United States had contributed nearly \$1.21 billion to the LOTFA since the fund's inception.⁸⁸ Figure 3.21 shows the four largest donors to the LOTFA since 2002, based on the latest data available.

FIGURE 3.20

ARTF CONTRIBUTIONS PAID IN BY DONORS SY 1381 (2002)–DECEMBER 21, 2013 (PERCENT)

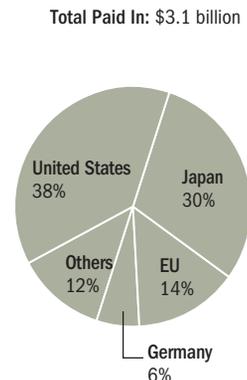


Notes: Numbers have been rounded. “Others” includes 29 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of December 21, 2013 (end of 12th month of FY 1392),” p. 5.

FIGURE 3.21

DONORS' CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF SEPTEMBER 30, 2013 (PERCENT)



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

Sources: UNDP, “LOTFA Phase VI Quarterly Progress Report Q3/2013,” 12/31/2013, pp. 80-81; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 1/22/2014.

SECURITY CONTENTS

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SECURITY

As of January 17, 2014, the U.S. Congress had appropriated more than \$59 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$57.5 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided to the Combined Security Transition Command-Afghanistan (CSTC-A). Its purpose is to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the \$57.5 billion appropriated for the ASFF, approximately \$47.9 billion had been obligated and \$45.4 billion disbursed as of December 31, 2013.⁸⁹

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

KEY ISSUES AND EVENTS THIS QUARTER

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

Bilateral Security Agreement

The future of the U.S. and international investment in Afghanistan may rest on political events that will develop in 2014. The outcome of current efforts of the United States and Afghanistan to reach a Bilateral Security Agreement (BSA) on future U.S. and Coalition troop levels after the U.S. troops draw down at the end of 2014 will have a profound impact on the willingness of the United States to continue to finance reconstruction programs and on Afghanistan’s ability to maintain progress in the security, governance, and economic sectors. This quarter, the U.S. and Afghan governments reached agreement on a draft text of the BSA and a *Loya Jirga* (tribal assembly) approved the document. Nevertheless, President

Hamid Karzai has refused to sign it. According to *The Washington Post*, U.S. Ambassador to Afghanistan James B. Cunningham has warned the Obama Administration that President Karzai is not likely to sign a BSA before the Afghan presidential election scheduled for April.⁹⁰

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

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

SIGAR AUDIT

An ongoing SIGAR audit is assessing the reliability and usefulness of data for the number of ANSF personnel authorized, assigned, and trained. As part of this effort, SIGAR is looking at ANSF personnel “unavailable” and “present for duty” to better determine the ANSF’s operational capability.

Questions about ANA Strength and Availability

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

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

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

why “combat strength” does not include soldiers categorized as in “combat” who are instead categorized as “unavailable.” For a more complete listing of “unavailable” categories, see “ANA Strength” in this section, page 91.

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

U.S. FORCES IN AFGHANISTAN

According to the U.S. Central Command (CENTCOM), 55,000 U.S. forces were serving in Afghanistan as of November 30, 2013. Of those, approximately 400 were assigned to the NATO Training Mission-Afghanistan (NTM-A), 300 to CSTC-A, and 32,000 to ISAF.⁹⁷ Since operations began in 2001, a total of 2,164 U.S. military personnel have died in Afghanistan—83% of whom were killed in action—and 19,558 were wounded as of January 3, 2014.⁹⁸

ANSF STRENGTH

This quarter, ANSF’s assigned force strength was 334,852, according to data provided by CSTC-A.⁹⁹ This is short of the goal to have an end strength of 352,000 ANSF personnel by October 2012. That goal had been in the Department of Defense’s (DOD) April 2012 *Report on Progress Toward Security and Stability in Afghanistan*.¹⁰⁰ When that end strength was not met, DOD revised the goal to 352,000 ANSF by 2014 (187,000 ANA by December 2012, 157,000 ANP by February 2013, and 8,000 Air Force by December 2014).¹⁰¹ Neither the ANA nor the ANP met their end-strength goal by the revised deadline, as shown in Table 3.6.

TABLE 3.6

ANSF ASSIGNED STRENGTH, AUGUST 20, 2013			
ANSF Component	Current Target	Status as of 12/2013	Difference Between Current Strength and Target End- Strength Goals
Afghan National Army	187,000 personnel by 12/2012	178,816	-8,184
Afghan National Police	157,000 personnel by 2/2013	149,466	-7,534
Afghan Air Force	8,000 personnel by 12/2014	6,570	-1,430
ANSF Total	352,000	334,852	-17,148

Sources: DOD, “Report on Progress Toward Security and Stability in Afghanistan,” 12/2012, p. 56; CSTC-A, response to SIGAR data call, 12/30/2013; CENTCOM, response to SIGAR vetting, 1/15/2014.

ANSF ASSESSMENT

Assessments of the ANA and ANP are indicators of the effectiveness of U.S. and Coalition efforts to build, train, equip, and sustain the ANSF. These assessments also provide both U.S. and Afghan stakeholders with updates on

the status of these forces as transition continues and Afghanistan assumes responsibility for its own security. Since August 15, 2013, ISAF has used the Regional Command ANSF Assessment Report (RASR) to rate the ANSF.¹⁰²

SIGAR has actively monitored ANSF assessments and issued an audit report on the systems and processes used to rate ANSF capability in 2010. SIGAR is now auditing the ISAF Joint Command's (IJC) Commander's Unit Assessment Tool (CUAT).¹⁰³ When the RASR replaced the CUAT, it became the third different assessment tool used to rate the ANSF since 2005.¹⁰⁴

According to IJC, the RASR is a "holistic intelligence, operational, and sustainment assessment and reporting mechanism" of the ANSF.¹⁰⁵ The RASR uses rating definition levels (RDLs), based upon ANSF capabilities, to assess ANSF units at the brigade level.¹⁰⁶ The RDLs use a simplified assessment matrix that is tailored to the specific unit type (e.g. infantry, intelligence, signals) and identifies the capabilities a unit must possess in order to be assessed "Fully Capable." According to IJC, "this simplified system is easily observable, not as labor intensive or complex [as the previous system], and could form the basis of Afghan 'self reporting' as ISAF continues to draw down."¹⁰⁷

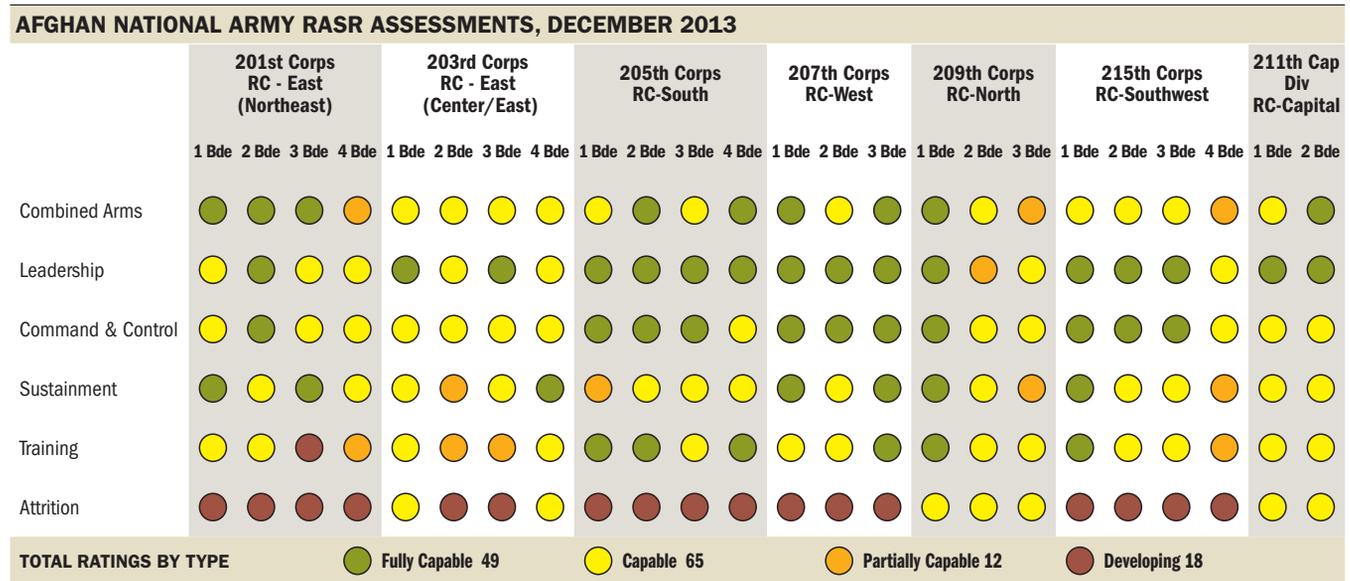
SIGAR's ongoing audit is also looking at how the withdrawal of Coalition forces will affect ISAF's ability to accurately assess the ANSF. In addition, the audit will review ISAF plans to (1) ensure the continued collection, analysis, validation, and reporting of ANSF capability assessments and (2) address the challenges associated with having fewer advisor teams available to conduct assessments.¹⁰⁸

The RASR rates ANA brigades in six areas:¹⁰⁹

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

For the ANA, the latest RASR report provides assessments of 24 brigades (22 corp brigades and 2 brigades of the 111th Capital Division). Of those, 88% were "fully capable" or "capable" of planning and conducting joint and combined arms operations, as shown in Figure 3.22. According to the latest RASR report, "[equipment] readiness within the ANA Ground Forces Command (GFC) continues to improve." However, attrition continues to be the major challenge for the ANA as 71% of brigades are still considered "developing" which means that attrition in these brigades is 3% or more per month. In other areas, most ANA brigades were rated "fully capable" or "capable," including leadership (96%), command and control (100%), sustainment (88%), and training (83%).¹¹⁰

FIGURE 3.22



Note: Bde = Brigade

Source: IJC, Regional ANSF Status Report, December 2013.

The RASR rates ANP components in six areas:¹¹¹

- Law Enforcement Operations (making arrests and prosecuting those arrested)
- Leadership
- Command & Control
- Sustainment
- Training (conducting training)
- Attrition

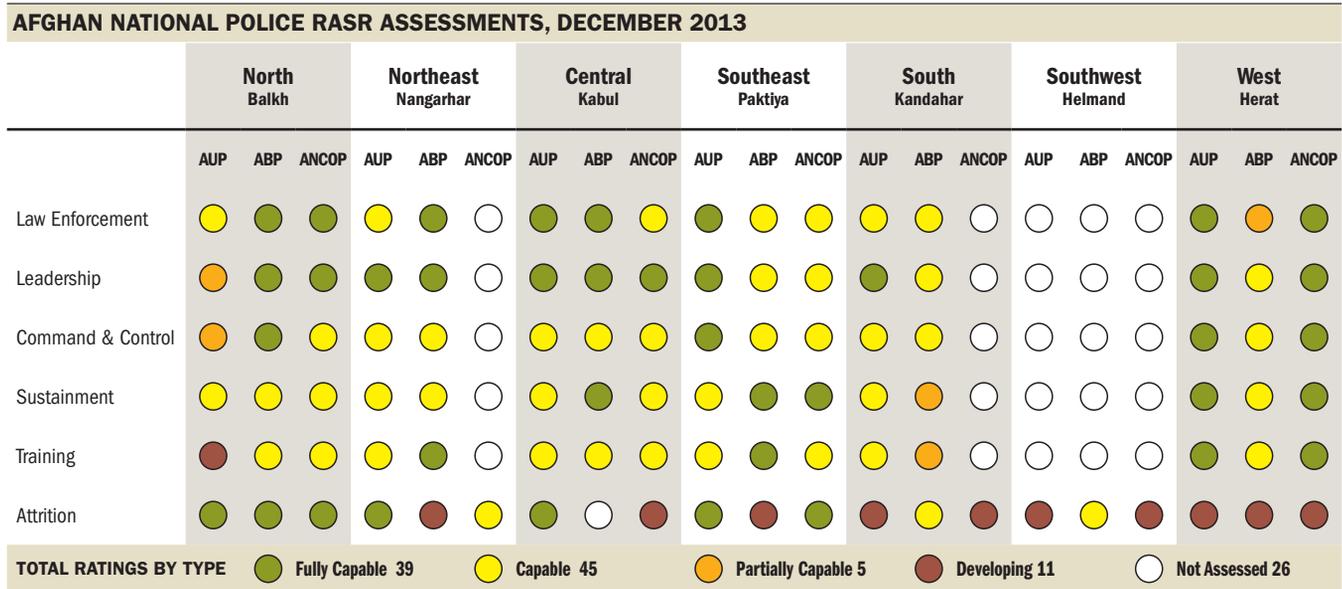
For the ANP, the latest RASR report provides assessments of 16 of 21 regional ANP components—the Afghan Uniform Police (AUP), Afghan Border Police (ABP), and the Afghan National Civil Order Police (ANCOP)—in seven different zones. Of the 16 that were assessed, 94% were “fully capable” or “capable” of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

SIGAR AUDIT

In an ongoing audit, SIGAR is examining the ISAF Joint Command’s system for rating the capability of the ANSF.

SECURITY

FIGURE 3.23



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

Source: IJC, Regional ANSF Status Report, December 2013.

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

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

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

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

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- General Staff – Communication Support Unit (CM-1A)
- General Staff – Communications (CM-1B)
- Assistant Minister of Defense for Personnel (CM-1B)
- Vice Chief of Staff – Air Force (CM-2B)
- Sergeant Major of the Army (CM-2B)
- General Staff – Logistics (CM-2B)
- Office of Gender Integration (CM-3)

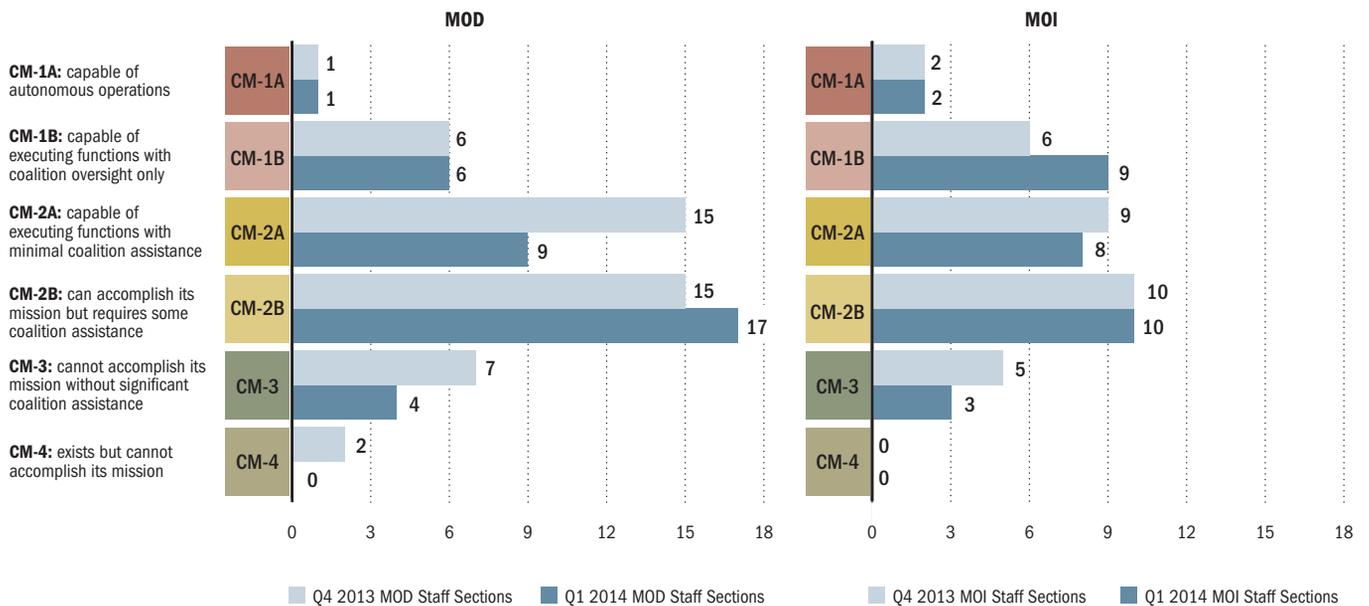
The office that regressed was the Assistant Minister of Defense for Strategy and Policy, which fell to CM-2B.¹¹⁵

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

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

FIGURE 3.24

CAPABILITY MILESTONE RATINGS OF MOD AND MOI, QUARTERLY CHANGE



Sources: CSTC-A, responses to SIGAR data call, 10/1/2013 and 12/30/2013.

SIGAR SPECIAL PROJECT

In a special project report released this quarter, SIGAR found that CSTC-A had not conducted a comprehensive risk assessment of the capabilities of the MOD and MOI to manage and account for U.S. direct assistance dollars, of which \$4.2 billion has been committed and nearly \$3 billion disbursed. For more information, see Section 2, page 44.

Two MOI staff sections are rated CM-1A (capable of autonomous operations): the Chief of Staff Public Affairs Office and the Deputy Minister for Security Office of the Afghan National Civil Order Police.¹¹⁷

AFGHAN LOCAL POLICE

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

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

AFGHAN PUBLIC PROTECTION FORCE

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

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

The APPF recruits officers and non-commissioned officers (NCOs) from the ANP. New recruits attend courses on facility, convoy, and personal security at the APPF Regional Training Center. In some cases, trained guards also transition directly from private security companies into the APPF. According to CSTC-A, the most recent assessment of the APPF indicates they are "partially capable of conducting full spectrum security services with Coalition

support.” The United States has provided more than \$51 million to support the APPF.¹²² It was not clear if the money provided was payment for security services rendered or to standup and/or support the APPF.

AFGHAN NATIONAL ARMY

As of December 31, 2013, the United States had obligated \$31.7 billion and disbursed \$30.1 billion of ASFF funds to build, train, and sustain the ANA.¹²³

ANA Strength

As of December 30, 2013, the overall end strength of the ANA was 185,386 personnel (178,816 Army and 6,529 Air Force), according to CSTC-A. The ANA’s end strength showed a modest increase (1%) since last quarter, as shown in Table 3.7. The total includes 10,251 ANA personnel and 41 Air Force personnel who were AWOL, 10,905 trainees, students, and those awaiting assignment, as well as 5,010 cadets, according to CSTC-A. The ANA includes 9,336 civilians (both ANA and Air Force personnel) in its end strength.¹²⁴ SIGAR’s reporting of ANA’s end strength does not include these civilians, but does count unassigned military personnel and cadets.

SIGAR AUDIT

A SIGAR audit report released at the end of last quarter found that the transition to APPF-provided security has had a minimal effect on projects, but only because implementing partners hired risk management companies to fill APPF capacity gaps and perform critical functions. For more information, see SIGAR Audit 13-15.

TABLE 3.7

ANA Component	Authorized			Assigned		
	Q3 2013	Q4 2013	Quarterly Change	Q3 2013	Q4 2013	Quarterly Change
	201st Corps	18,130	18,130	None	18,636	18,749
203rd Corps	20,798	20,798	None	20,220	21,098	+878
205th Corps	19,097	19,097	None	19,331	18,963	-368
207th Corps	14,879	14,879	None	13,753	14,320	+567
209th Corps	15,004	15,004	None	14,681	15,364	+683
215th Corps	17,555	17,555	None	17,640	18,132	+492
111th Capital Division	9,174	9,174	None	9,492	9,276	-216
Special Operations Force	11,013	11,013	None	10,925	10,756	-169
Echelons Above Corps ^a	36,275	36,002	-273	33,687	25,992	-7,695
TTHS ^b	-	-	-	18,453 ^c	15,915 ^d	-2,538
AWOL ^e	-	-	-	8,797 ^f	10,251	+1,454
ANA TOTAL	161,925	161,652	-273	176,818	178,816	+1,998
Afghan Air Force (AAF)	7,097	7,370	+273	6,616	6,529	-87
AAF AWOL	-	-	-	-	41	
ANA + AAF TOTAL	169,022	169,022	NONE	183,434	185,386	+1,952

Notes: Q3 data is as of 8/20/2013; Q4 data is as of 12/30/2013.

^a Includes MOD, General Staff, and Intermediate Commands

^b Trainee, Transient, Holdee, and Student; these are not included in counts of authorized personnel

^c Includes 4,667 cadets

^d Includes 4,736 cadets

^e Absent without leave

^f AWOL personnel were rolled into the assigned strength last quarter

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

Personnel “Unavailable” and “Present for Duty”

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

Determining ANSF strength continues to prove challenging. In July 2012, following a request from SIGAR, CSTC-A defined two major terms—“unavailable” and “present for duty”—used to show the status of ANA personnel. In its July 2013 response to a request for data, CSTC-A stated that “The ANA counts those personnel ‘in the field’ or actively engaged in combat operations as unavailable, with present for duty only representing those personnel ‘in barracks.’ This explains the low present for duty numbers for those Corps actively engaged in ops.”¹²⁵

This quarter, the percentage of ANA personnel “unavailable” ranged from 70.1% for the 215th Corps to 20.5% for the 209th Corps. About 1.7% of the Afghan Air Force’s 6,529 personnel were unavailable.¹²⁶

Although limited details were available to account for the 126,658 personnel assigned to the ANA’s combat forces this quarter, SIGAR determined that these forces included personnel in the following categories:¹²⁷

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

However, as part of an ongoing audit, SIGAR was provided data on the ANA’s strength as of October 21, 2013, that can help put these numbers in perspective. At that time, 72,641 personnel were “unavailable,” including the following (partial list):¹²⁸

- In Combat: 39,249
- On leave: 19,570
- AWOL: 8,489
- On temporary assigned duty, inside the Afghan border: 3,541
- Outside TAD, temporary assigned duty, outside the Afghan Border: 2,116
- Course, soldier is currently parading on an authorized course outside the unit: 2,503
- In Hospital, soldier is in a military hospital: 699
- WIA, wounded in action: 645
- Detained, soldier is arrested and in a military jail: 264
- Unit Patient, soldier is in a unit field medical facility: 35
- Detainee in Unit, soldier is in custody of military police: 21
- Unauthorized absence with no weapons: 7
- Unauthorized absence with weapon: 1
- Captured by the enemy: 1

ANA Attrition

Attrition continues to be a major challenge for the ANA. Between January and November 2013, 38,916 ANA personnel left the service. The ANA has also suffered serious losses from fighting. Between December 2011 and November 2013, the ANA had 2,055 personnel killed in action (KIA) and 10,484 wounded in action (WIA).¹²⁹

ANA Sustainment

As of December 31, 2013, the United States had obligated \$11.4 billion and disbursed \$11.1 billion of ASFF funds for ANA sustainment.¹³⁰

ANA Salaries, Food, and Incentives

As of December 30, 2013, CSTC-A reported that the United States had provided nearly \$2 billion through the ASFF to pay for ANA salaries, food, and incentives since FY 2008. CSTC-A also estimated the annual amount of funding required for the base salaries, bonuses, and incentives of the ANA at \$542 million.¹³¹ This is a decrease from the estimate provided last quarter of \$931 million per year.¹³² CSTC-A explained that last quarter's estimate was based on the money Afghanistan's Defense Ministry actually spent in these areas. The latest figures are based on all disbursements made by DOD's Defense Finance and Accounting Services to Da Afghanistan Bank—Afghanistan's central bank—in FY 1392 (December 2012–December 2013). CSTC-A noted that funding is provided assuming the ANA is staffed at 100% of its authorized strength.¹³³ As shown earlier, that assumption generally does not correspond to reported data.

ANA Equipment, Transportation, and Sustainment

Determining the amount and cost of equipment provided to the ANA remains a challenge. Since April 2013, CSTC-A's reported total cost for weapons procured for the ANA has been falling due to corrections in determining the price of weapons. Between April 2013 and December 2013, the total reported cost for weapons purchased for the ANA has fallen from \$878 million to \$439 million.¹³⁴

CSTC-A has provided several explanations for the ongoing decrease in cost for weapons procured. In response to a recurring question from SIGAR, requesting the total "cost of weapons and weapons-related equipment procured and fielded to date," CSTC-A stated in April 2013 that the United States had procured \$878 million of weapons for the ANA.¹³⁵ In July 2013, CSTC-A reported that the total cost for weapons was actually \$623 million due to a \$153 million correction in the total cost of some equipment and accounting for nearly \$102 million in donated equipment that was not U.S.-funded.¹³⁶ In October 2013, CSTC-A stated that the actual total cost of weapons procured for the ANA was \$447 million. According to CSTC-A, the "decrease in the number procured from last quarter is a result of an

SIGAR AUDIT

In an audit report released last quarter, SIGAR found that CSTC-A was placing orders for vehicle spare parts without accurate information on what parts were needed or were already in stock. CSTC-A relies on the ANA to maintain records of vehicle spare parts availability and future requirements. However, the ANA has not been consistently updating its inventory.

extensive internal audit that revealed some equipment had been double-counted.”¹³⁷ This quarter, the total cost fell again to \$439 million. CSTC-A said the “decrease in total cost [was] due to discovery of incorrect pricing during [an] internal audit.” Moreover, CSTC-A noted that although the cost for donated weapons was not included, “the refurbishment and transportation cost of donated weapons was included because [reconstruction] funds were used.”¹³⁸

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

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

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

TABLE 3.8

COST OF U.S.-FUNDED ANA EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$439,229,147	\$32,390,974
Vehicles	\$4,385,763,395	\$14,784,960
Communications Equipment	\$612,205,922	\$51,610,799
Total	\$5,437,198,464	\$98,786,733

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

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

ANA Infrastructure

As of December 31, 2013, the United States had obligated \$6 billion and disbursed \$4.8 billion of the ASFF for ANA infrastructure.¹⁴³ At that time, the United States had completed 255 infrastructure projects (valued at \$2.9 billion), with another 123 projects ongoing (\$2.5 billion) and three planned (\$22 million), according to CSTC-A.¹⁴⁴

This quarter, the largest ongoing ANA infrastructure projects were a brigade garrison for the 201st Corps in Kunar (at a cost of \$115.8 million), phase one of the MOD's headquarters in Kabul (\$108 million), and a brigade garrison for the 205th Corps in Kandahar (\$89.1 million).¹⁴⁵ In addition, 15 projects were completed this quarter at a cost of \$236 million, 9 contracts worth \$258 million were terminated, and 10 contracts worth \$360 million were transferred.¹⁴⁶

According to CSTC-A, the projected operations and maintenance (O&M), sustainment, restoration, and minor construction cost for ANA infrastructure for FY 2015 through FY 2019 is \$966 million:¹⁴⁷

- FY 2015: \$209 million
- FY 2016: \$199 million
- FY 2017: \$186 million
- FY 2018: \$186 million
- FY 2019: \$186 million

CSTC-A noted that any estimated post-transition costs are based on current capacity levels and do not take into account any future policy decisions which could impact future cost estimates.¹⁴⁸

ANA and MOD Training and Operations

As of December 31, 2013, the United States had obligated and disbursed \$2.9 billion of the ASFF for ANA and MOD operations and training.¹⁴⁹ This quarter, 17,706 ANA personnel were enrolled in some type of training—down from 43,942 enrollees last quarter. Of that amount, 844 were enrolled in literacy training—down from 31,850—according to NTM-A.¹⁵⁰ NTM-A did not provide an explanation for the massive drop in enrollment from training courses.

Of those ANA personnel in training, 3,795 enlisted personnel were enrolled in basic warrior-training courses, 5,010 were training to become commissioned officers, and 2,680 were training to become NCOs. Other training programs include combat training in the United States, transportation and driving courses, and weapons systems training.¹⁵¹

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

According to NTM-A, \$188 million was obligated for training in 2013.¹⁵² NTM-A is also funding three contracts with a combined value of \$200 million to improve literacy in the ANA and the ANP.¹⁵³

SIGAR AUDIT

In an audit report released last quarter, SIGAR identified 52 construction projects that may not meet ISAF's December 2014 construction-completion deadline and would therefore be at risk due to lack of oversight and increasing costs. In addition, SIGAR learned that CSTC-A does not track the ANSF's use of constructed facilities and cannot determine whether existing or planned facilities meet ANSF needs or are being used for intended purposes.



A team of Afghan National Army soldiers prepares to breach a door during training in Nangarhar Province. (DOD photo)

ANA Literacy

Since 2009, NTM-A has viewed increasing literacy rates as critical to developing a capable, professional, and sustainable ANSF. An NTM-A commander estimated that the ANSF's overall literacy rate in 2010 was 14%.¹⁵⁴ At the time, NTM-A set a goal of having the ANSF achieve 100% proficiency for level 1 literacy and 50% proficiency at level 3 literacy.¹⁵⁵

Level 1 literacy is the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At level 3, an individual has achieved functional literacy and can "identify, understand, interpret, create, communicate, compute and use printed and written materials."¹⁵⁶

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

As of December 30, 2013, NTM-A reported that ANA personnel who have completed a literacy program include:¹⁵⁸

- 148,738 level 1 graduates
- 43,651 level 2 graduates
- 41,182 level 3 graduates

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

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a base year and a five-year limit—one-year options may be exercised in August of each year—and a maximum cost of \$200 million.¹⁶¹ According to NTM-A, these contractors were providing literacy trainers to both the ANA and the ANP. They have assigned 699 literacy trainers to the ANA:¹⁶²

- OT Training Solutions, a U.S. company, was providing 271 trainers.
- Insight Group, an Afghan company, was providing 208 trainers.

SIGAR AUDIT

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

- The Higher Education Institute of Karwan, an Afghan company, was providing 220 trainers.

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

Women in the ANA and Afghan Air Force

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

Advisors in the field, however, could confirm only 491 women in the ANA—273 officers, 147 NCOs, 28 enlisted personnel, and 43 cadets. According to CSTC-A, the discrepancy “may reflect civilian females who are working in the supply chain (e.g. sewing factories).” CSTC-A noted that over the next 6–8 weeks, a civilian personnel list will be created which “should create greater visibility between civilian employees and military members.” It was unclear if male civilian employees were still being counted as part of the overall ANA's strength.¹⁶⁵

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

AFGHAN AIR FORCE

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

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

According to CENTCOM, the Afghan Air Force inventory consisted of 103 aircraft:¹⁶⁸

- 58 Mi-17 transport helicopters (18 more than last quarter)
- 6 Mi-35 attack helicopters (of which 5 are flight capable)
- 26 C-208 light transport planes
- 6 C-182 fixed wing training aircraft



Afghan Air Force graduates of undergraduate pilot training wait to receive their pilot wings at a ceremony at Shindand Air Base. (DOD photo)

SIGAR AUDITS

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

In an audit report released last quarter, SIGAR found that DOD was moving forward with a \$771.8 million purchase of aircraft for the SMW despite the SMW having less than one-quarter of the personnel needed, facing steep recruitment and training challenges, and lacking the ability to maintain its current aircraft fleet.

SECURITY

TABLE 3.9

U.S. FUNDING TO SUPPORT AND DEVELOP THE AFGHAN AIR FORCE, 2010–2014 (\$ THOUSANDS)					
Funding Category	FY 2010	FY 2011	FY 2012	FY 2013 (request)	FY 2014 (request)
Equipment and Aircraft	461,877	778,604	1,805,343	169,779	1,068,329
Training	62,438	187,396	130,555	188,262	192,354
Sustainment	143,784	537,650	571,639	473,946	777,748
Infrastructure	92,200	179,600	113,700	0	0
Total	\$760,299	\$1,683,250	\$2,621,237	\$831,987	\$2,038,431

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

- 5 MD-530F rotary-wing helicopters
- 2 C-130H medium transport aircraft

Changes to the inventory since last quarter include: the addition of 18 Mi-17 helicopters and two C-130H aircraft, and the removal of one MD-530F helicopter (destroyed when it landed on an improvised explosive device during a training exercise), five Mi-35 helicopters (no longer operational), and 16 G-222 cargo planes (also referred to as the C-27A).¹⁶⁹ SIGAR had expressed concern about the Afghan Air Force’s reported inventory of the 16 G-222 aircraft after a DOD Office of Inspector General (DOD OIG) official told Congress that those aircraft were no longer in service.¹⁷⁰ SIGAR had also received photos showing the 16 G-222 aircraft sitting unused and was concerned that the aircraft were not in service or fit for service in the future. Another four G-222s sit at a base in Germany. According to CENTCOM, the aircraft titles were never transferred to the Afghan government; the program for these aircraft was cancelled because the contractor did not meet its obligations.¹⁷¹

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

SIGAR SPECIAL PROJECT

This quarter, SIGAR initiated a special project to review the \$486.1 million in acquisition and sustainment costs of the terminated G-222 (C-27A) aircraft program.

AFGHAN NATIONAL POLICE

As of December 31, 2013, the United States had obligated \$15.8 billion and disbursed \$14.9 billion of ASFF funds to build, train, and sustain the ANP.¹⁷²

ANP Strength

In November 2013, the overall strength of the ANP was 149,466 personnel, including 106,784 Afghan Uniform Police (AUP), 20,902 Afghan Border Police (ABP), 13,597 Afghan National Civil Order Police (ANCOP), 2,850 in the Counter Narcotics Police of Afghanistan (CNPA), and 5,333 students in training. The overall ANP strength has decreased by 3,191 since last quarter, as shown in Table 3.10. According to CSTC-A, unlike the ANA, the MOI does

not report ANP personnel who are on leave, AWOL, sick, or on temporary assignment in its personnel reports. For this reason, it is not known what the actual operational strength of the ANP is at any given time.¹⁷³

TABLE 3.10

ANP Component	Authorized			Assigned		
	Q3 2013	Q4 2013	Quarterly Change	Q3 2013	Q4 2013	Quarterly Change
	AUP	110,369	110,369	None	109,574	106,784
ABP	23,090	23,090	None	21,399	20,902	-497
ANCOP	14,541	14,541	None	14,516	13,597	-919
NISTA ^a	6,000	6,000	None	4,905	5,333	+428
ANP Total	154,000	154,000	None	150,394	146,616	-3,282
CNPA	2,247	2,243	-4	2,759	2,850	+91
ANP + CNPA Total	156,247	156,243	-4	153,153	149,466	-3,191

Notes: Q3 data is as of 8/20/2013; Q4 data is as of 11/2013; AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police.
^a NISTA = personnel in training

Sources: CSTC-A, responses to SIGAR data calls, 10/1/2013 and 12/30/2013; CENTCOM, response to SIGAR vetting, 1/15/2014 .

ANP Sustainment

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

ANP Salaries

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

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

ANP Equipment, Transportation, and Sustainment

As of December 31, 2013, the United States had obligated and disbursed \$3.6 billion of ASFF funds for ANP equipment and transportation.¹⁷⁸ Most of these funds were used to purchase weapons and related equipment, vehicles, and communications equipment.¹⁷⁹ Most funding was for vehicles and vehicle-related equipment, as shown in Table 3.11 on the following page.

ANP Pay Missed

A recent discovery of an Afghan ministerial mix-up may reinforce questions about ministry competence and security-force motivation. *The New York Times* has reported that the Afghan Interior Ministry was late getting salary paperwork for the country's police to the Finance Ministry. Tens of thousands of police got no pay for December 2013—or, in six provinces, for November—even though the donor-provided funds were in the Afghan treasury. The Interior Ministry says several officials have been sacked, the pay will be issued, and “This will not happen again.”

Source: *The New York Times*, “Afghan Police, Often Derided, Face Another Drawback: Missing Pay,” 1/12/2014.

TABLE 3.11

COST OF U.S.-FUNDED ANP EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$187,251,477	\$4,691,866
Vehicles	\$1,966,075,183	\$3,744,582
Communications Equipment	\$211,062,672	\$845,223
Total	\$2,364,389,332	\$9,281,671

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

As with the ANA, determining the cost of equipment provided to the ANP remains a challenge. CSTC-A reporting in this area has been inconsistent, raising questions about visibility and accountability for U.S. funding used to procure equipment for the ANP. For example, CSTC-A's estimate of the total cost of U.S.-funded ANP weapons procured fell from \$369 million two quarters ago to \$137 million last quarter.¹⁸⁰ At that time, CSTC-A said the “decrease in total cost from last quarter [was] due to actual, contracted equipment pricing being lower than estimated pricing.”¹⁸¹ This quarter, CSTC-A said the total cost for ANP weapons procured was \$187 million, an increase “caused by inclusion of weapons procured through alternate funding vehicles.”¹⁸²

CSTC-A's estimate of the total cost of vehicles procured for the ANP has also been decreasing. In July 2013, CSTC-A stated the total cost of vehicles was \$2.65 billion.¹⁸³ Last quarter, CSTC-A stated the actual cost of vehicles procured was \$2.03 billion. According to CSTC-A, the “decrease in the number procured from last quarter is a result of an extensive internal audit that revealed some equipment had been double-counted.”¹⁸⁴ This quarter, the total cost of ANP vehicles procured again fell, this time to \$1.97 billion. According to CSTC-A, the reason for the decrease from last quarter was “due to actual obligated, contracted equipment pricing being higher.”¹⁸⁵ It was not clear why a higher price would result in an overall *decrease* in the cost of vehicles procured to date.

The United States has also procured \$312 million in ammunition for the ANP and nearly \$1.4 billion worth of other equipment and supplies to sustain the ANP. According to CSTC-A, this latter amount was determined by subtracting the cost of weapons, vehicles, communications equipment, and ammunition from overall equipment and sustainment costs.¹⁸⁶

ANP Infrastructure

As of December 31, 2013, the United States had obligated \$3.3 billion and disbursed \$2.6 billion of ASFF funds for ANP infrastructure.¹⁸⁷ At that time, the United States had completed 599 infrastructure projects (valued at \$2.1 billion), with another 136 projects ongoing (\$776 million) and three planned (\$21 million), according to CSTC-A.¹⁸⁸

This quarter, 20 projects valued at \$77 million were completed and 19 valued at \$84 million were terminated. The largest ongoing ANP infrastructure projects were administrative facilities (\$59.5 million), building and utilities (\$34.3 million) at the MOI Headquarters, and an ANCOP patrol station in Helmand (\$28.5 million).¹⁸⁹

ANP Training and Operations

As of December 31, 2013, the United States had obligated \$3.4 billion and disbursed \$3.3 billion of ASFF funds for ANP and MOI training and operations.¹⁹⁰ This quarter, 9,513 ANP personnel were enrolled in some type of training, according to NTM-A. Of those, 1,422 were training to become officers and 3,404 were training to become NCOs.¹⁹¹

NTM-A/CSTC-A contracts with DynCorp International to provide training, mentoring, and support services at multiple training sites around the country. The ASFF-funded contract provides 356 mentors and trainers as well as approximately 1,045 support personnel at regional training centers and in mobile support teams. The contract value is \$1.21 billion.¹⁹²

ANP Literacy

NTM-A's literacy program for the ANP uses the same three contractors, follows the same curriculum, and uses the same standards as the ANA's literacy program described earlier in this section.¹⁹³

As of December 30, 2013, ANP personnel who have completed a literacy program include:¹⁹⁴

- 84,905 level 1 graduates
- 54,997 level 2 graduates
- 35,652 level 3 graduates

According to NTM-A, the contractors were providing 531 literacy trainers to the ANP.¹⁹⁵

- OT Training Solutions, a U.S. company, was providing 297 trainers.
- Insight Group, an Afghan company, was providing 112 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was providing 122 trainers.

Women in the ANP

As in prior quarters, the number of women in the ANP is increasing, but progress has been slow toward reaching the goal to have 5,000 women in the ANP by the end of 2014. CSTC-A said that “the ANP is currently focused more on finding secure areas (i.e., positions with appropriate facilities for females) for recruits than increasing recruiting to reach this target.”¹⁹⁶ Despite an increase this quarter, women make up only 1% of the force.

As of December 2013, ANP personnel included 1,592 women—232 officers, 636 NCOs, and 724 enlisted personnel—according to CSTC-A.¹⁹⁷ This is an increase of 388 women in two years (since August 22, 2011).¹⁹⁸

SIGAR AUDIT

In an audit report released this quarter, SIGAR found that NTM-A/CSTC-A's goal for achieving literacy in the ANSF was based on outdated ANSF personnel estimates and, therefore, may not be attainable. For more information, see Section 2, page 26.



Afghan National Army soldiers bandage a fellow soldier with a simulated injury during casualty-care training in Laghman Province. (DOD photo)

ANSF MEDICAL/HEALTH CARE

As of December 31, 2013, the United States has funded construction of 175 ANSF medical facilities valued at \$134 million with an additional 12 projects ongoing valued at \$36 million. In addition, Coalition forces obligated \$10 million in contracts to provide the ANSF with medical training, according to CSTC-A. Since 2006, Coalition forces have procured and fielded \$41 million in ANSF medical equipment.¹⁹⁹

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

REMOVING UNEXPLODED ORDNANCE

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

From October 1, 2012, through September 30, 2013, State-funded implementing partners cleared more than 25 million square meters (nearly 10 square miles) of minefields, according to the most recent data from the PM/WRA.²⁰³ An estimated 537 million square meters (more than 200 square miles) of contaminated areas remain to be cleared, as shown in Table 3.12. The PM/WRA defines a "minefield" as an area contaminated by landmines, and a "contaminated area" as an area contaminated with both landmines and explosive remnants of war.²⁰⁴

TABLE 3.12

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

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

Source: State, PM/WRA, response to SIGAR data call, 12/30/2013.

OVERSIGHT OF CONTRACT MANAGEMENT

CSTC-A reported that NTM-A/CSTC-A currently has 71 Contracting Officer Representatives (CORs)—including U.S. and Coalition military and civilian personnel—overseeing the performance of 155 ASFF-funded service contracts worth \$2.4 billion. According to CSTC-A, this number “is adequate to deal with the number, complexity, mission criticality, and geographic dispersion of its contracts.”²⁰⁵ CSTC-A said that this is a decline from six months ago when it had 99 CORs performing oversight on 206 contracts. NTM-A/CSTC-A also has five contracts managed by the Defense Contract Management Agency with an additional 50 CORs trained and assigned to perform contract oversight.²⁰⁶

NTM-A/CSTC-A monitors the number of CORs and ensures COR coverage of contracts using several methods and tools. These include using a contract management database, tracking contracts, and holding monthly general-officer-level meetings to discuss progress, COR coverage, and other issues.²⁰⁷

To train its CORs, NTM-A/CSTC-A follows the guidance of the U.S. Army Contracting Command and the CENTCOM Joint Theater Support Contracting Command. CORs are required to complete the three Defense Acquisition University on-line classes. In addition, CORs must be nominated by their chain of command, receive in-person training from a contracting officer, and complete a financial disclosure. According to CSTC-A, lengths deployments for CORs varies by service, but on average a COR would serve the following lengths of time:²⁰⁸

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

CSTC-A reported that lack of security will continue to be a challenge in executing, managing, and overseeing reconstruction contracts. CSTC-A noted that it is working to transition responsibility for logistical contracts to the ANSF. CSTC-A said that it has provided “a significant amount of training to the ANSF to improve their procurement processes and contract oversight.”²⁰⁹ The IJC is also training ANSF organizations, such as the Material Movement Center, to oversee the fuel ordering and reporting process. CSTC-A has helped to stand up the Afghanistan Defense Acquisition and Resource Management Institute, which started its first classes in June 2013. In addition, over the last year, NTM-A/CSTC-A has placed six Contract Advise & Assist Teams composed of a military leader with contracting experience and three to four contracted mentors in six different regions throughout Afghanistan. These teams mentor and advise the ANA and ANP at the Corps and provincial levels.²¹⁰

SIGAR TESTIMONY

Special Inspector General John Sopko testified this quarter before the Senate Caucus on International Narcotics Control on the state of the U.S. counternarcotics effort in Afghanistan. For more information, see Section 2, page 20.

COUNTERNARCOTICS

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

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

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

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

State's Bureau of International Narcotics and Law Enforcement Affairs (INL) bears the primary responsibility for funding Afghan-led eradication, alternative livelihoods, and public awareness programs. DOD and INL coordinate to support the CN efforts of Afghanistan.²¹⁷ The Afghan Ministry of Counternarcotics (MCN), in partnership with UNODC, is responsible for verifying poppy cultivation and eradication.²¹⁸

Governor Led Eradication Program

INL supports the Afghan government's Governor Led Eradication (GLE) program. Eradication levels are verified by the UNODC and the MCN. According to a September 2013 final report, the GLE program was responsible for eradicating 7,323 verified hectares in 842 villages in 18 provinces. Compared to 2012, when 9,672 hectares were eradicated, there was a 24% decrease in eradication in 2013. According to INL, MCN attributes the decrease to diminished ANSF support for eradication efforts, Taliban attacks against the Counter Narcotics Police of Afghanistan (CNPA), the presence of cultivation in insecure and remote areas of the country, and hot weather, which shortened eradication time because farmers could harvest their crop earlier than in most years.²¹⁹

GLE occurs at different times of the year depending on the climate of the province, according to INL. Results are tracked on a cumulative basis by the MCN, and are subjected to UNODC verification on a rolling basis. A significant amount of eradication occurs in southern provinces. For example, 2,162 hectares of poppy were eradicated in Helmand and 1,083 hectares in Kandahar, as opposed to 262 hectares in Farah, 447 hectares in Nangarhar, and 352 hectares in Uruzgan. Only Badakhshan in the East had more poppy eradicated: 2,798 hectares.²²⁰

Good Performer's Initiative

The MCN's Good Performer's Initiative (GPI), funded by INL, provides development assistance as an incentive to provincial governors who significantly reduce or eliminate poppy cultivation within their province, according to INL. Provinces that achieve poppy-free status, reduce poppy cultivation by more than 10%, or demonstrate exemplary counternarcotics efforts receive development assistance to support local development priorities. A province is deemed poppy-free when UNODC, in cooperation with MCN, verifies that it has fewer than 100 hectares under poppy cultivation during the year. In 2013, 15 Afghan provinces qualified for GPI poppy-free awards, two less than in 2012.²²¹

GPI projects have included drug rehabilitation and rural development, such as improvements to roads and irrigation structures that provide farmers with access to water and markets. GPI projects provide short-term employment opportunities for local communities. Since the program was initiated, the number of poppy-free provinces in Afghanistan has grown from six to 15, according to INL.²²²

Since the start of the GPI program in 2007, more than 200 development projects are either complete or in process in all 34 of Afghanistan's provinces, including: school construction, road and bridge projects, irrigation structures, farm machinery projects, and hospitals and clinic construction. INL noted that while the backlog in implementing GPI projects has been reduced, the MCN-managed program has faced implementation delays as



A Navy Petty Officer provides security for Marines and members of the Afghan National Interdiction Unit as they conduct a counternarcotics raid in Helmand Province. (U.S. Marine Corps photo)

the capacity of the MCN continues to increase and the process is refined. There are also delays in implementation of construction projects due to security challenges in more dangerous areas of the country.²²³

Counter Narcotics Community Engagement

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

Aga Khan Foundation Grant

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

Monitoring, Verification, and Regional Cooperation

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

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

Ministry of Counter Narcotics Capacity Building Program

The MCN Capacity Building program focuses on training, procuring equipment, and upgrading facilities at the MCN. This quarter, INL advisors working with the MCN held two week-long training sessions in

Kabul for approximately 160 MCN provincial staff from more than 30 provinces. MCN advisors also participated in the annual personnel performance review process for INL-funded positions at MCN. This quarter, INL awarded a contract to provide the MCN with an updated vehicle fleet, including six utility vehicles for use at headquarters and one diesel truck for each of the ministry's 34 provincial offices. Also during the quarter, INL provided MCN provincial offices with information technology equipment, according to INL.²²⁸

Counter Narcotics Police of Afghanistan

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

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

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

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

Effect of the Coalition Drawdown on Counternarcotics Operations

DOD anticipates the ability of the CNPA and other Afghan government CN agencies to conduct CN operations in areas with decreased Coalition

SIGAR AUDIT

This quarter SIGAR announced an audit of the U.S. efforts to build the CNPA's provincial units. For more information, see Section 2, page 30.

presence will diminish as U.S. and Coalition forces draw down. However, DOD said Afghan CN units including the Special Mission Wing, the National Interdiction Unit (NIU), and the Sensitive Investigative Unit (SIU) are trained and capable units that have conducted CN operations independently or with limited U.S. and Coalition support.²³⁴

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

Interdiction Operations

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

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

INL supports the interdiction efforts of specific vetted units of the CNPA—the NIU and the SIU. INL-supported interdiction activities include investigative and strategic mentoring, logistics, housing, food and fuel, and transportation to and from seizure sites. INL's implementing partner, DEA, mentors NIU/SIU officers on investigative skills development and conducts joint raids with both NIU and ISAF.²³⁸

Interdiction Results

Since 2008, a total of 2,564 Afghan and Coalition interdiction operations have resulted in 2,604 detentions and seizure of the following narcotics contraband:²³⁹

- 729,109 kg of hashish (1 kilogram = approximately 2.2 pounds)
- 364,705 kg of opium
- 47,214 kg of morphine
- 27,037 kg of heroin
- 411,787 kg of **precursor chemicals**

Aviation Support

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

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

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

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GOVERNANCE

As of January 17, 2014, the United States had provided more than \$25 billion to support governance and economic development in Afghanistan. Most of this funding, nearly \$17 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department and the United States Agency for International Development (USAID).²⁴¹

KEY EVENTS

Preparations for the April 2014 presidential and provincial council elections continued this quarter. The Asia Foundation released their annual survey that reported more than half of those interviewed (56%) said they think the outcome of the presidential election will make their lives better. The survey also found an overwhelming majority of Afghans (90%) agree that everyone should have equal rights under the law, regardless of gender. Three elections polls were also released with no candidate registering over 50%, making a second round of voting likely.²⁴²

The Afghan parliament confirmed nominations of five ministers and two Supreme Court justices.²⁴³

In January, the Afghan government said it intended to release 72 high-profile detainees accused of killing U.S. and Afghan troops, despite U.S. and International Security Assistance Force (ISAF) protests that the release undermined the Afghan rule of law and Afghan relations with the United States. The United States had transferred 88 prisoners to Afghan custody last year in a move intended to show confidence in the Afghan judiciary. However, a spokesman for President Karzai said only 16 are to face trial. The spokesman said the Afghan government considered the evidence collected by the Afghan intelligence service and U.S. military insufficient to further detain the other 72 individuals.²⁴⁴

The quarter also saw the release of several surveys and polls as well as a report on implementation of Elimination of Violence Against Women (EVAW) law. The United Nations report on implementation of the EVAW law, however, found both progress and problems, including a 28% increase in registration of reported incidents, but only a 2% increase in use of the law as a basis for indictment.²⁴⁵

ELECTIONS

Special Representative for Afghanistan and Pakistan Ambassador James Dobbins continued to stress the importance of the April 5, 2014, presidential and provincial council elections this quarter, calling them the “critical event” of 2014.²⁴⁶ The United Nations Secretary-General said in December that a timely and inclusive election is the surest basis of internal and international legitimacy.²⁴⁷

The newly established Electoral Complaints Commission (ECC) received 1,056 objections and complaints about the eligibility of 27 presidential tickets, each with two vice-presidential nominees, and 3,057 provincial candidates starting October 22.²⁴⁸ Following adjudication, the ECC released on November 20 a list of 11 presidential tickets and 2,713 provincial council candidates.²⁴⁹ The 11 presidential candidates, in the order that they will appear on the ballot, are: Abdullah Abdullah, Daud Sultonzoy, Abdul Rahim Wardak, Abdul Qayum Karzai, Mohammad Ashraf Ghani Ahmadzai, Sardar Mohammad Nader Naim, Zalmai Rassul, Qutbudin Hilal, Mohammed Sahfiq Gul Agha Sherzai, Abdul Rab Rasul Sayaaaf and Hedayat Amin Arsala. Three of the vice-presidential nominees and 308 of the provincial council candidates are women.²⁵⁰

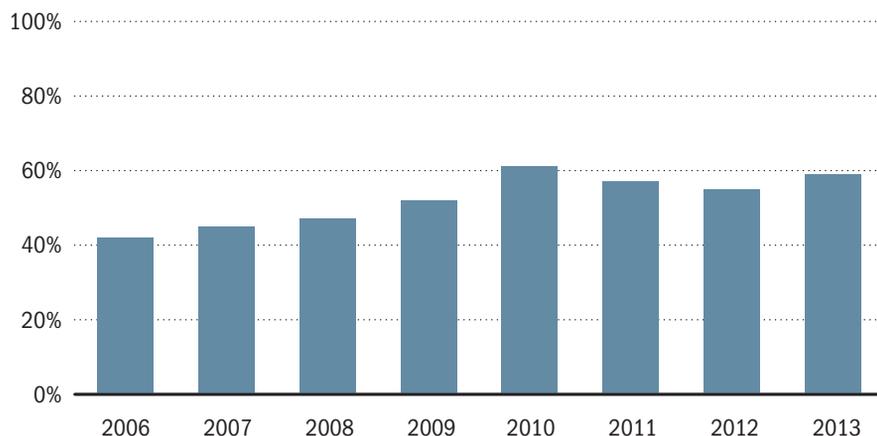
Although the November 20 list was supposed to be final, there may be additional changes to the slate of candidates. The head of the ECC told *Tolo News* in December that “there are war criminals among the presidential candidates.” The ECC head offered no specifics or names, but said additional presidential candidates may be ruled ineligible on the basis of war crimes, corruption, land grabbing, or dual nationality.²⁵¹ The ECC in January said it would refer criminal complaints against presidential candidates to the Afghan Attorney General’s Office.²⁵² Two weeks later, however, the Attorney General’s Office said that they would drop the investigation of presidential candidates due to a lack of specific charges against the candidates.²⁵³

The National Democratic Institute (NDI) made a seven-day visit to Afghanistan in December and reported that recent election reforms have led to “guarded optimism among many political and civic actors that the 2014 polls would be an improvement over previous elections.” An NDI statement said reforms must be faithfully enforced to improve the electoral process. NDI also noted that since President Karzai will not be running, “a new political contest is possible.”²⁵⁴

According to NDI, it is generally accepted that a second round of presidential balloting will be required.²⁵⁵ Three polls released in December, some of which were funded by the State Department, seem to support that belief: none of the front-runners polled over 50%.²⁵⁶ The contractor for one of the three polls told National Public Radio that the polls were intended to inform voters and candidates and reduce the potential for election fraud. An analyst with the Afghanistan Research and Evaluation Unit has warned in the same article, however, that polling is new to Afghanistan, and Afghans sometimes tell interviewers what they think the interviewer wants to hear.²⁵⁷

FIGURE 3.25

PERCENTAGE OF AFGHANS WHO WOULD PARTICIPATE IN NATIONAL OR PROVINCIAL ELECTIONS WITH SOME OR A LOT OF FEAR



Source: The Asia Foundation, *Afghanistan in 2013: A Survey of the Afghan People*, 12/2013, p. 94.

In The Asia Foundation's 2013 *Survey of the Afghan People*, also released in December, Afghans expressed generally positive feelings about the coming elections. More than half of those interviewed (56%) said they think the outcome of the presidential election will make their lives better, as shown in Figure 3.26.²⁵⁸ Despite the evidence of extensive fraud in the 2009 elections, 61% said that in general, elections in Afghanistan are free and fair. Respondents' reasons for thinking elections are not free and fair mostly concerned corruption: for example, corruption in counting the votes (23%), corruption in the election process in general (16%), and vote-buying (14%). Only 11% mentioned the lack of security.²⁵⁹ Majorities, however, said they would be afraid to run for public office (58%) and afraid to vote in a national or provincial election (59%), as shown in Figure 3.25. The Asia Foundation claims a margin of error of +/- 2.25% due to an increase in the sample size to 9,260 respondents surveyed between July 17 and July 25, 2013.²⁶⁰

Project Summary

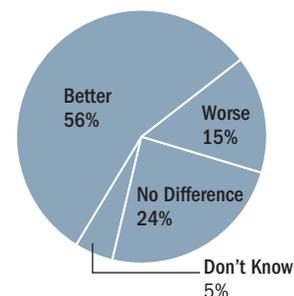
SIGAR reported extensively on the election support programs in the last quarter. Please see pages 110–119 of the October 2013 Quarterly Report for more detail. A summary of USAID programs intended to support the 2014 presidential and provincial elections appears in Table 3.13 on the following page.

Opportunities for Fraud

Independent observers highlighted the potential for fraud offered by Afghanistan's chaotic voter registration system. As NDI pointed out, there

FIGURE 3.26

EXPECTED IMPACT OF 2014 PRESIDENTIAL ELECTION ON AFGHANS' LIVES (PERCENT)



Source: The Asia Foundation, *Afghanistan in 2013: A Survey of the Afghan People*, 12/2013.

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TABLE 3.13

USAID PROGRAMS INTENDED TO SUPPORT THE 2014 PRESIDENTIAL AND PROVINCIAL COUNCIL ELECTIONS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2013 (\$)
Promoting Afghan Civic Education (PACE)	12/4/2013	12/3/2018	77,000,000	-
Enhancing Legal and Electoral Capacity for Tomorrow (ELECT) II	9/29/2013	12/31/2015	55,000,000	-
Electoral Reform and Civic Advocacy (AERCA)	7/13/2009	6/30/2014	29,208,419	28,053,544
Supporting Political Entities and Civil Society (SPECS)	7/7/2013	7/6/2016	18,000,000	2,484,815

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

is no voter registry, voter list, or census, making it impossible for accurate checks on voter registration and voter participation figures.²⁶¹ The Afghanistan Analysts Network (AAN) says the large discrepancy between the estimated number of voters and the number of voter cards may facilitate election manipulation. In addition to recent voter-registration drives, the Afghan government has allowed voter registration cards from past elections to remain valid. AAN reports that immediately before the 2010 poll, in which the Independent Election Commission (IEC) estimated the number of eligible voters to be 12.5 million and the UN estimated 10.5 million, a total of 17.5 million voter cards were distributed.²⁶² According to USAID, in November 2013 the IEC finalized the voter registration “top-up” campaign through a registration campaign that covered 395 out of 399 districts and added another 3.1 million voters.²⁶³

The total number of voters registered now stands at approximately 20.7 million, something the AAN said it found “unbelievable,” given that the estimated population of Afghanistan is 27 million with half, or 13.5 million people, of non-voting age.²⁶⁴

An IEC spokesman gave an even lower estimate of eligible voters in November, saying only about 12 million Afghans are eligible to vote.²⁶⁵ The IEC spokesman said the IEC does not know the true number of voters because multiple registrations have resulted in almost twice the number of registered voters as eligible voters. Further, the IEC spokesman said voter registration cards do not have an expiration date, were not tracked in a database, and are valid for any election. Without a voter list, there is no way to check eligibility on the election day.²⁶⁶

In December 2013, the ECC reported that 10,000 to 11,000 individuals had been placed on an IEC blacklist due to suspected improprieties in past elections.²⁶⁷ The IEC announced shortly thereafter that it would not hire the blacklisted individuals for the April 2014 elections.²⁶⁸ The IEC plans to recruit and train more than 100,000 polling staff starting in

March.²⁶⁹ According to NDI, candidates and civic groups expressed concern that the IEC will have difficulty recruiting and training such a large number of poll workers. NDI noted that in 2009, areas that suffered from poor recruitment and training of election officials also were likely to experience ballot box stuffing.²⁷⁰

According to news reports, the Free and Fair Election Foundation of Afghanistan announced they would field 10,000 observers for the April presidential and provincial council elections.²⁷¹ USAID said the USAID Supporting Political Entities and Civil Society (SPECS) program plans to award subgrants for domestic election monitoring in order to deploy approximately 2,200 observers (1,253 male and 947 female) to 34 provinces and 270 districts. USAID also plans to fund international observers but has not yet extended any contracts.²⁷²

The IEC has instituted several changes to mitigate fraud including improved tracking of ballots through packing numbers displayed on individual ballots, results sheet envelopes, and results forms; security features on the ballot; the use of both an invisible ultraviolet ink and indelible ink; and use of transparent tamper-resistant evidence bags.²⁷³

The Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) issued a statement that highlighted the lack of a monitoring and oversight mechanism to ensure that the presidential campaigns do not go beyond the allowable expenditure limit, currently 10 million afghanis (AFN), or approximately \$177,000 with an exchange rate of 56.52 AFN to USD, for presidential elections.²⁷⁴ The MEC also noted that sources of income and assets of presidential candidates are not verified.²⁷⁵

NDI pointed out that in past elections, the areas of the country most affected by the insurgency were also the most plagued by fraud. Because these areas were beyond the scrutiny of observers, they were highly vulnerable to electoral wrongdoing.²⁷⁶

Election Security

Afghan authorities are planning security for the 2014 elections much earlier than in the past. NDI considers this a significant improvement over the 2009 presidential election, when the list of polling stations was released just days before the election.²⁷⁷ The Ministry of Interior (MOI) has established a special commission on electoral security to work in close coordination with the IEC.²⁷⁸ The Afghan National Police (ANP) will guard polling stations while the Afghan National Army (ANA) will provide a second perimeter of defense. The MOI is currently using this system in support of the voter registration process and notes that voter registration has faced fewer security incidents than anticipated.²⁷⁹

In January, the MOI said that about 95% of polling centers are expected to be open for the April election. 6,431 polling sites will be open and 414 are planned to be closed. The IEC submitted a list of approximately 7,000

polling sites 14 months ago to Afghan security forces and requested a security assessment in advance of the polls.²⁸⁰

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

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

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

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

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

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

Also during this quarter, the leader of the Islamist party Hizb-e Islami, Golbuddin Hikmatyar, reversed his previous boycotts of Afghan elections and asked his supporters to participate in the April 2014 election.²⁸⁵

The MOI has launched the Female Searcher Program, which aims to improve security as well as female voter turnout by recruiting and training up to 13,000 female volunteers to serve as subsidized searchers at each of Afghanistan's more than 6,800 designated polling centers. The project intends to train 700 female searcher trainers in Kabul and 11 other locations. The trainers can then be dispersed to multiple locations in each province to conduct searcher training for an approximate 12,300 female searchers.²⁸⁶ Deploying female searchers is important because Afghan custom forbids men to touch unrelated women. Lack of female searchers might therefore enable women with weapons, or disguised men, to enter polling places to make attacks.

According to NDI, the MOI has allocated resources to support travel of male relatives to accompany these deploying female personnel.²⁸⁷ State and other international donors are providing technical and financial support for the \$4.2 million project via UNDP's Law and Order Trust Fund for Afghanistan. However, State said the process has been stymied by internal fighting, with the MOI missing deadlines for providing lists of female volunteers, including female police.²⁸⁸

NATIONAL GOVERNANCE

The United States provides assistance to Afghan governing institutions to build capacity to perform critical services and thereby increase their legitimacy in the eyes of the Afghan population.²⁸⁹ U.S. agencies are providing this support in two ways: through contracts, grants, and cooperative agreements, and increasingly, through on-budget assistance. In this final year of transition, the U.S. government is particularly focused on increasing the financial and program management capabilities of Afghan government institutions, and uses a combination of capacity building and on-budget programs to achieve this end.²⁹⁰

On-Budget Assistance

To improve governance and align development efforts with Afghan priorities, international donors including the United States committed to increase the proportion of development aid delivered on-budget through the Afghan government to at least 50% at the 2010 London Conference. The donors reiterated this pledge at the July 2012 Tokyo Conference.²⁹¹ However, donor support depends on the Afghan government's fulfilling a set of commitments outlined in the Tokyo Mutual Accountability Framework. These commitments include, among other things, improved management of public funds.²⁹²

To determine the degree to which the Afghan ministries could manage and account for funds, USAID hired two accounting firms to assess 16 Afghan ministries. This quarter, SIGAR published its audit report which analyzed USAID's process for conducting and using ministerial assessments

SIGAR AUDIT

This quarter SIGAR published an audit on USAID's process for conducting ministerial assessments when awarding direct assistance. For more information, see Section 2, page 28.

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

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

when awarding direct assistance to the Afghan government. SIGAR identified a number of areas where Afghan ministries need to strengthen their capabilities to effectively manage and execute funds. For example, although all Afghan ministries receiving direct assistance met **conditions precedent** before disbursing money, SIGAR found that USAID/Afghanistan has only required the ministries to implement 24 of the 333 identified risk mitigation measures prior to receiving funds.²⁹³ See Section 2 of this report for a summary of SIGAR's findings.

The United States is currently providing on-budget assistance through bilateral agreements with seven Afghan government entities and through contributions to two multi-donor trust funds: the Afghanistan Reconstruction Trust Fund (ARTF) and the Afghanistan Infrastructure Trust Fund (AITF). According to USAID, the majority of on-budget funds has been and will continue to be directed through the multi-donor trust funds, particularly the ARTF.²⁹⁴ The National Solidarity Program (NSP), which is the largest single ARTF-supported program, is discussed in greater detail in the subnational and reintegration sections of this report.

TABLE 3.14

USAID ON-BUDGET PROGRAMS					
Project Title	On-Budget Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2013 (\$)
Afghanistan Reconstruction Trust Fund (ARTF)*	Multiple (via World Bank)	6/20/2002	6/20/2020	2,669,320,295	1,743,234,795
Power Transmission Expansion and Connectivity (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	1/1/2013	12/31/2016	329,100,000	-
Partnership Contracts for Health (PCH) Program	Ministry of Public Health	7/20/2008	1/31/2015	236,455,840	151,913,665
Contribution to Afghanistan Infrastructure Trust Fund (AITF)	Multiple (via Asian Development Bank)	3/7/2013	3/6/2014	180,300,000	105,000,000
Sheberghan Gas Development Project	Ministry of Mines and Petroleum	5/15/2012	4/30/2015	90,000,000	-
Agriculture Development Fund (ADF)	Ministry of Agriculture, Irrigation and Livestock	7/18/2010	12/31/2014	74,407,662	29,000,000
Basic Education, Literacy, and Technical-Vocational Education (BELT) Community Based Education	Ministry of Education	10/29/2013	10/28/2017	56,000,000	-
Basic Education, Literacy, and Technical-Vocational Education (BELT)	Ministry of Education	11/16/2011	12/31/2014	43,296,813	18,829,265
Cash Transfer Assistance to Support the Civilian Technical Assistance Plan (CTAP)	Ministry of Finance	9/30/2009	9/30/2014	36,256,560	28,810,610
Afghanistan Workforce Development Program (AWDP)	Ministry of Education	9/18/2013	4/3/2016	30,000,000	-
Policy Capacity Initiative Activity	Ministry of Communications and IT	4/9/2009	3/31/2011	1,000,000	989,701

Notes: *This includes all USAID contributions to the ARTF. According to the agreement with the World Bank, donors can only express a preference on how their donations are used up to 50% of their total contribution. In the 2012 agreement with the World Bank, USAID expressed a preference for 47% of its contributions to be used on the National Solidarity Program (NSP).

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

As shown in Table 3.14, USAID expected to spend \$896.5 million on active direct bilateral assistance.²⁹⁵ It expects to contribute almost \$2.7 billion to the ARTF, which is managed by the World Bank, and more than \$180 million to the AITF, which is managed by the Asian Development Bank.

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

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

Capacity-Building programs

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

TABLE 3.15

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2013 (\$)
Leadership, Management, and Governance Project	Ministry of Public Health Ministry of Education	9/25/2011	9/24/2016	26,000,000	13,612,927
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	4/3/2013	4/3/2018	23,455,326	1,692,977
Ministry of Women's Affairs Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2015	15,000,000	1,526,620

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

National Assembly

USAID has noted that parliamentary power is very limited since the parliament does not have the authority to determine its own budget and rarely initiates legislation.³⁰³ Most bills originate in the executive branch.³⁰⁴

USAID funds the \$23.5 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan's parliament operate as an independent and effective legislative, representative, and oversight body.³⁰⁵ The project, which will run through April 2017, recently supported a comprehensive parliamentary review of the Afghan fiscal year 1391 (March 20 to December 20, 2012) development and operating expenditures and revenues. The review uncovered several Afghan ministry/agency budget violations, including inappropriately reclassifying 1.9 billion AFN, or approximately \$36.5 million with an exchange rate of 52.04 AFN to USD, in salaries and goods and services, which obscured the actual purpose of the expenditures.³⁰⁶

According to State, both chambers of the National Assembly demonstrated increased institutional capabilities during the quarter, especially in holding various government ministries accountable during question-and-answer sessions before the full parliament.³⁰⁷ For example, both chambers requested leaders of the Ministry of Finance, Ministry of Economy, Ministry of Interior, Independent Election Commission, Ministry of Refugees and Repatriation, and others, to appear before parliament.³⁰⁸

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

- Din Mohammad Mobarez Rashidi as Minister of Counter Narcotics
- Zarar Ahmad Osmani as Minister of Foreign Affairs
- Akbar Barezai as Minister of Mines
- Mohammad Aref Noorzai as Minister of Energy and Water
- Mohammad Shakir Kargar as Minister of Commerce and Industry
- Din Mohammad Giran and Abdul Qader Adalatkha for seats on the Supreme Court³⁰⁹

SUBNATIONAL GOVERNANCE

The United States government supports initiatives at the subnational level to give Afghans a greater stake in their own government. The goal is to make local government more visible, accountable, and responsive to the Afghan people, particularly in the south and east, where the insurgency has been tenacious.³¹⁰ These programs target rural areas, including districts and villages, as well as provincial centers and municipalities.

The withdrawal of U.S. forces, closure of Provincial Reconstruction Teams (PRTs), and downsizing of the U.S. civilian presence in Afghanistan, raise a number of concerns about the ability of the U.S. government to assess program effects. With the withdrawal of combat forces and the

closure of U.S. and coalition PRTs, the international community has less direct insight into the presence and performance of the Afghan government in provinces and districts. Of the five PRTs SIGAR inquired about in the south and east, all but the Helmand PRT have been closed.³¹¹

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

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

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

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

Rural Stabilization Programs

USAID has several stabilization programs aimed at helping the Afghan government extend its reach into unstable areas and build local governance capacity. These programs include USAID's four Stability in Key Areas (SIKA) projects, the \$161 million Community Cohesion Initiative (CCI), and \$2.67 billion in U.S. support to the ARTF which funds the Afghan government's National Solidarity Program (NSP).³¹⁷ Table 3.16 on the following page summarizes total program costs and disbursements to date.

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TABLE 3.16

USAID SUBNATIONAL (RURAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2013 (\$)
Afghanistan Reconstruction Trust Fund (ARTF)*	6/20/2002	6/20/2020	2,669,320,295	1,743,234,795
Stabilization in Key Areas (SIKA) East	12/7/2011	9/6/2015	177,054,663	46,413,247
SIKA West	1/29/2012	8/31/2015	62,998,824	21,028,210
SIKA South**	4/10/2012	2/28/2014	58,784,676	25,862,523
SIKA North	3/14/2012	7/14/2015	45,633,274	13,495,838

Notes:

*This includes all USAID contributions to the ARTF. According to the agreement with the World Bank, donors can only express a preference on how their donations are used up to 50% of their total contribution. In the 2012 agreement with the World Bank, USAID expressed a preference for 47% of its contributions to be used on the National Solidarity Program (NSP).

**This includes the totals for both SIKA South awards.

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

The Kandahar Model: developed in 2007 by the MRRD as a variant of the NABDP. The Kandahar Model features decentralized procurement and financial procedures, community contracting directly with community bodies, rapid decision making, and a reduction of red tape. Additionally, the Kandahar Model involves a written security agreement between the beneficiary community and the MRRD ensuring MRRD access to project NABDP project sites. The Kandahar Model generally uses community contracting without the involvement of external commercial companies or nongovernmental organizations.

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

USAID intended the four SIKA programs to “be seen as an extension of the [Afghan government], not as increased foreign presence,” and stipulated that SIKA “must work within Afghan structures.”³¹⁸ Additionally, the contracts mandate the SIKA programs follow the **Kandahar Model** (a variant of the **National Area Based Development Program**), which includes written community-security guarantees to facilitate Ministry of Rural Rehabilitation and Development (MRRD) staff visits to project sites.³¹⁹ The four SIKA contracts require the MRRD, the primary partner for the SIKA programs, to have representation in the district in order to operate in that district. The degree of required MRRD presence ranges from an individual MRRD representative who comes to work on “a semi-regular basis” (SIKA South) to MRRD representation that is able to effectively operate and monitor SIKA activities in the district as well as provide support and leadership (SIKA West).³²⁰

Although the MRRD is supposed to be involved in every aspect of the projects, it appears that the SIKA projects are not requiring Afghan government personnel to physically monitor projects. For example, USAID reported that 78% of the monitoring of SIKA South projects was conducted exclusively by SIKA South personnel. About 70% of SIKA East projects were monitored exclusively by SIKA East personnel. USAID said “very few” Afghan government personnel made individual monitoring visits despite the encouragement and constant follow-up by SIKA North. In SIKA West, district governors or their representatives conducted only 20 individual project site visits of the 190 ongoing or completed projects for the region.³²¹ In the case of SIKA West, USAID reports that a MRRD representative is expected to sign handover documentation when a project is completed despite

Sources: SIGAR, *Stability in Key Areas (SIKA) Programs: After 16 Months and \$47 Million Spent, USAID Had Not Met Essential Program Objectives*, 7/2013, p. 3; Ministry of Rural Rehabilitation and Development, “The Kandahar Model,” 2010, p. 2.

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security threats preventing MRRD officials from visiting the project sites.³²² This raises questions about Afghan ownership and the ultimate sustainability of the SIKA efforts.

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

Despite the apparent lack of Afghan government involvement in the SIKA programs, there are plans to transfer portions of the programs on-budget to the Afghan government. A SIKA sustainability conference is planned for late January/February 2014 to lay out the parameters for graduating SIKA districts in order to transfer the program on-budget. According to USAID, it is most likely that SIKA will slowly transfer the SIKA training component and parts of the grants implementation to the MRRD and the Independent Directorate of Local Governance (IDLG) by the end of 2014.³²⁵

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

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

High turnover rates among some district and provincial government personnel have had a negative impact on program implementation, according to USAID.³²⁹ USAID reports that the CCI contractor conducted 32% of all grant monitoring on its own, Afghan government personnel conducted approximately 38%, and joint groups of Afghan government officials and



A resident of the Ghor provincial capital reads an SMS highlighting government achievements sent by the Ghor deputy provincial governor. (USAID photo)

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CCI contractor staff conducted approximately 30% of all grant-monitoring visits.³³⁰ CCI expects Afghan government turnover to be less of a challenge in the year ahead as the CCI moves away from providing grants to government entities and implements more grants through the community-based organizations.³³¹ It is not clear why Afghan government officials appear to participate more in CCI project monitoring than the SIKAs projects.

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

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

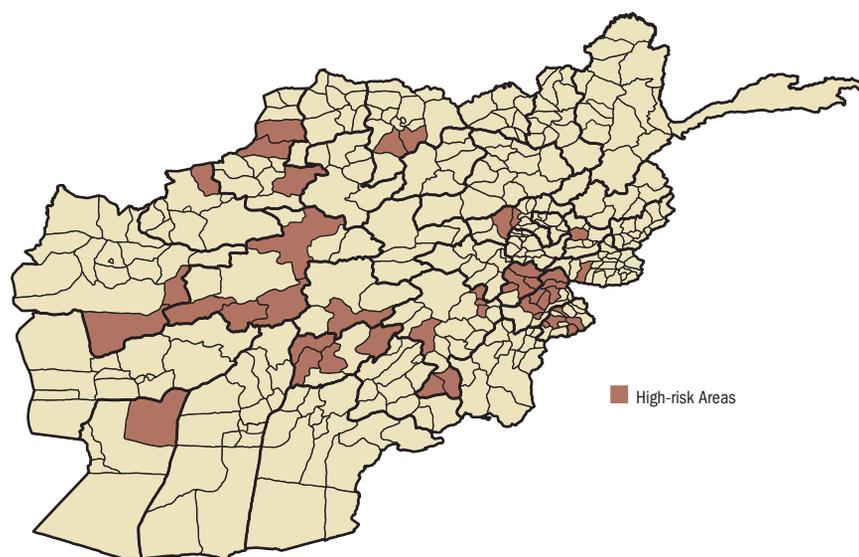
To its credit, USAID acknowledged that there is a lack of evidence indicating that NSP increases stability in insecure parts of Afghanistan. Therefore, USAID no longer preferences funds to the program through the ARTF. According to USAID, NSP does achieve some positive results, including community level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

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

According to the MRRD, NSP has modified its approach, the High Risk Areas Implementation Strategy, in 44 districts across 14 provinces due to insecurity as seen in Figure 3.27.³³⁸ This approach allows nongovernmental facilitating partners to hire community members to act on their behalf, subcontract to a local nongovernmental organization, and modify CDC election procedures.³³⁹ As noted in the 2011 SIGAR audit, this approach may reduce the effectiveness of NSP activities and permit less oversight.³⁴⁰

FIGURE 3.27

MAP OF NATIONAL SOLIDARITY PROGRAM (NSP) HIGH-RISK AREAS IMPLEMENTATION STRATEGY DISTRICTS



Notes: NSP classifies the security of a given district once every six months. "High-risk" indicates that the security environment does not allow for consistent access to communities.

Source: Ministry of Rural Rehabilitation and Development, NSP Quarterly Report, 9/22/2013.

This quarter, SIGAR asked USAID to provide an assessment of the way NSP operates in insecure areas to better understand if the program facilitates connecting the government to the population. USAID responded that this information is not available.³⁴¹

Urban and Provincial Centers

USAID's four Regional Afghan Municipalities Program for Urban Populations (RAMP UP) projects, extended to March 2014, aim to improve the capacity of the provincial and urban levels of government to improve budgeting and, in the case of municipalities, improve revenue collection. The RAMP UP programs followed the Afghanistan Municipal Strengthening Program which focused on municipalities in 11 provinces and operated from May 2007 to August 2010 with a final disbursement of \$25 million dollars.³⁴² Table 3.17 on the following page details USAID's subnational (urban and provincial) programs, including RAMP UP.

The RAMP UP projects aim to assist governments in urban centers to increase the capacity of municipal officials, improve the delivery of municipal services, support economic growth initiatives, and increase own-source

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TABLE 3.17

USAID SUBNATIONAL (URBAN AND PROVINCIAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2013 (\$)
Regional Afghan Municipalities Program for Urban Populations South	6/10/2010	3/31/2014	149,023,047	88,351,892
Regional Afghan Municipalities Program for Urban Populations East	6/10/2010	3/31/2014	147,011,369	84,955,414
Economic Growth and Governance Initiative (EGGI)	8/15/2009	8/31/2013	92,371,523	80,745,277
Performance Based Governor Fund (PBGf)	11/1/2009	9/30/2013	48,924,296	48,055,668
Regional Afghan Municipalities Program for Urban Populations North	2/8/2011	3/31/2014	40,000,000	31,884,079
Regional Afghan Municipalities Program for Urban Populations West	11/1/2010	3/31/2014	35,000,000	28,095,884

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

revenues. The RAMP UP projects fund small service delivery projects to develop municipal management capacity.³⁴³ A recent RAMP UP performance evaluation summarized the state of municipal governance across the country:

The problems of Afghan cities are numerous and daunting. Many administrators, who have served 20 years or more in the municipality, have little motivation or knowledge of the ways of a functioning bureaucracy. They arrive at around 7:00 am at a municipal building that often-times has no electricity, sit idly chatting and drinking tea with individuals who drop into their office as if it were a corner barbershop in a US neighborhood, and go home for the day around noon. Most cities have few resources, and employees typically receive less than \$100 per month for their work. Citizens expect little, and receive it. Meanwhile corruptions, ranging from kickbacks on large contracts to the obligatory ‘fee’ that typically must be paid any time a signature or action is required from the government, is pervasive.³⁴⁴

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

Critically, Afghan municipalities are the only subnational government entities to collect and keep local revenues, and many have moved aggressively to apply this authority. Municipalities operate in a system that, for all of its

problems, provides them revenue collection latitude far greater than their counterparts in other developing countries, and provides the country a path to the establishment of a strong system of local self-governance.³⁴⁵

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

Municipal Revenue Collection

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

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

Municipal Service Delivery

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

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

by the municipality, then leased out to a private business.³⁵⁴ The projects for which municipalities contributed land in RAMP UP South appear to be in keeping with the interests of the city as a landlord.

Provincial Budgeting

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

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

International donors remain interested in the provincial budgeting process and continue to track progress as a key deliverable of the Tokyo Mutual Accountability Framework.³⁶¹ However, the fact that the previous USAID attempt to support a provincial budgeting pilot failed due to lack of Afghan government funding and political will does not bode well.

As reported in the latest Tokyo Mutual Accountability Senior Officials' report, there remains a lack of strategic vision at the provincial level due to the disconnect between provincial planning processes and national plans.³⁶² This is apparently despite the U.S.-supported provincial budget pilot that was meant to link the local priorities and preferences of ministry provincial offices to national priority programs.³⁶³ According to USAID, the MOF has developed a new provincial budgeting policy which donors have reviewed



Zabul Province Deputy Governor
Mohammad Jan Rasulyaar attends a shura meeting in Qalat District. (U.S. Army photo)

and commented on, and that the MOF submitted in late December 2013 to the cabinet, which is deliberating on the approval of this new policy.³⁶⁴

RECONCILIATION AND REINTEGRATION

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

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

Reconciliation

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

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

HPC members traveled to Pakistan in November with the intention of meeting with Mullah Abdul Ghani Baradar, the former Taliban second-in-command. It is unclear, however, whether Mullah Baradar can or will advance the peace process, or even whether a meeting with him occurred.³⁷²

The HPC also traveled to Saudi Arabia to attend the Islamic Countries Conference in December. HPC representatives called on participants to help with Afghanistan's peace process.³⁷³

Afghanistan Peace and Reintegration Program

DOD reported last quarter that the Afghanistan Peace and Reintegration Program (APRP) has succeeded in reintegrating former insurgents, but is not a major influence on the conflict.³⁷⁴ The APRP is an Afghan-led reintegration program targeted towards low-level foot soldiers and their commanders, and financed through \$182.3 million in contributions from twelve donor nations. Operational funding for the program is provided by seven donor nations (primarily Japan and Germany), while the United States provides funding towards community recovery efforts administered by the World Bank.³⁷⁵

According to State and DOD, the \$50 million U.S. contribution in support of APRP via the MRRD's NSP Community Recovery Intensification and Prioritization (CRIP) mechanism has not been linked to the APRP for fear of endangering NSP nongovernmental facilitating partners. The U.S. funds have instead been subsumed into the broader ARTF budget rather than being used in support of specific reintegration initiatives. A recent DOD report states, "Due to its unique focus in insecure districts, CRIP delivery is by nature indirect, limited, and unannounced, relying on the overall stabilization effect attributed to NSP III rather than direct programming of activities to APRP reintegrees or their communities" [emphasis added].³⁷⁶

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



A reintegree accepted by the Afghan government in Panjwai District, Kandahar Province, Afghanistan. (U.S. Army photo)

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peace dividends it seeks to establish by failing to link community recovery benefits with the return of reintegrees. According to State, the presence of reintegrees does not drive NSP/CRIP programming.³⁷⁷

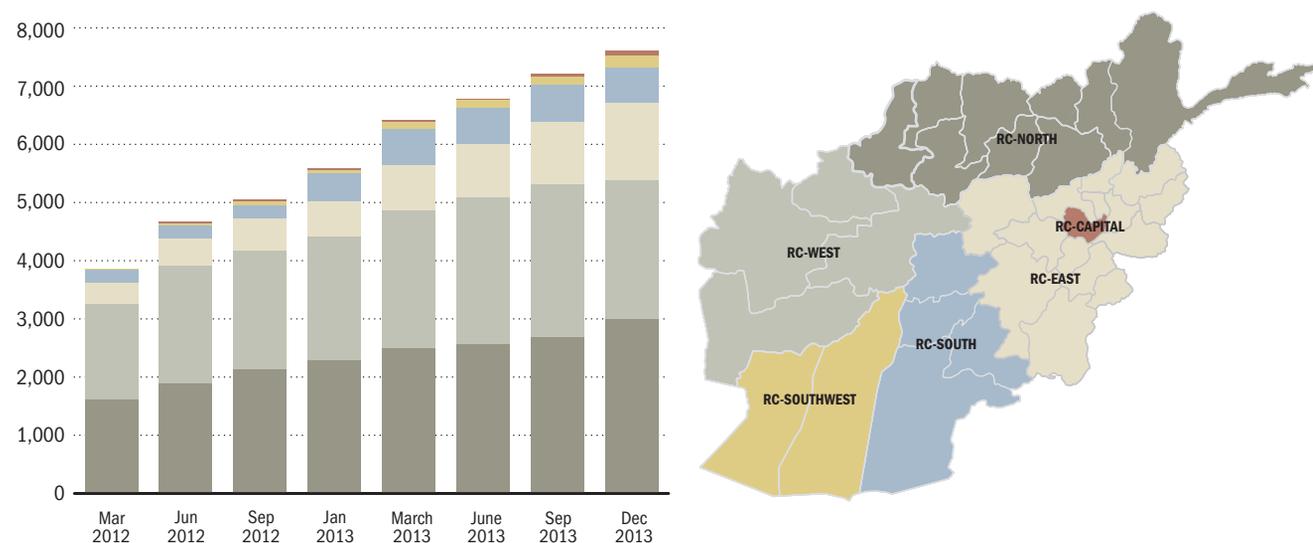
The U.S. Embassy Kabul has reportedly raised the issue repeatedly with the Afghan government Joint Secretariat and the MRRD, but has been advised that the MRRD is reluctant to publicly identify projects in NSP/CRIP districts with the APRP for fear of reprisal attacks. The FRIC also notes that it is impossible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

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

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

FIGURE 3.28

CUMULATIVE REINTEGREES BY REGIONAL COMMAND



Note: Sources did not explain why the cumulative number in RC-West and RC-Southwest decreased this quarter; the current number of confirmed recidivists is 16 individuals.

Sources: 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, 3/30/2012, 7/1/2013, 10/4/2013; DOD, response to SIGAR data call, 12/31/2013.

provincial and national levels who negotiate and administratively process the reintegree. The international role is limited to being able to access the Reintegration Tracking and Monitoring Database.³⁸¹

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

The FRIC reported that the APRP has a rigorous process to determine whether an individual has become a recidivist and returned to the insurgency. Recidivism is determined on an individual basis and is usually based on Coalition intelligence and Afghan provincial governmental reporting. The evidence against a suspected recidivist must be substantiated and presented to the ISAF Joint Command (JLC) Reintegration Team and the FRIC. According to the FRIC, the requirement for verifiable reporting keeps the overall recidivism number fairly low. However, the FRIC believes the likely number of actual recidivists exceeds the official number of 16.³⁸³ The process for being declared a recidivist involves several Coalition entities, unlike the process for being labeled a reintegree which is almost exclusively Afghan. There is no requirement for reintegrees to continue contact to confirm reintegree status. Reintegrees are expected to contact officials to receive up to six months of transition-assistance payments, but need make no contact after that as they are considered regular Afghan citizens.³⁸⁴

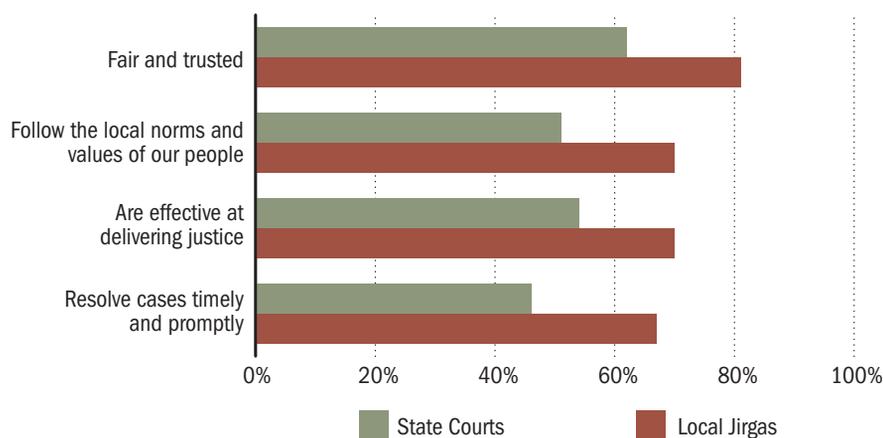
RULE OF LAW AND ANTICORRUPTION

The geographic coverage and effectiveness of Afghanistan's formal justice sector is unclear. In his Presidential Decree 45, President Karzai requested that the Supreme Court activate all inactive courts in the provinces and districts, and staff them with professional personnel by March 21, 2013.³⁸⁵ The Supreme Court of Afghanistan and the Afghan Attorney General's Office reported that all districts have prosecutors assigned and all districts have functioning courts.³⁸⁶ Insecure districts that do not physically host prosecutors or judges, however, are still labeled "functioning" so long as cases are processed in provincial capitals. For example, the prosecutors for the 51 most insecure districts work from their assigned provincial centers, which may be outside of those districts.³⁸⁷ State notes that positions remain unfilled and cases continue to be referred to provincial justice centers.³⁸⁸

According to The Asia Foundation's *Survey of the Afghan People*, 19% of the respondents say that in the past two years they have taken a dispute to either the formal justice system or local informal justice system. The

FIGURE 3.29

AFGHANS' CONFIDENCE IN STATE COURTS VS. LOCAL JIRGAS/SHURAS



Source: The Asia Foundation, *Afghanistan in 2013: A Survey of the Afghan People*, 12/2013, p. 86.

survey also reports that 67% say informal bodies resolve cases in a timely and prompt fashion, while only 46% say the same of the state courts. There was also a varying degree of confidence between the state court system and informal local systems, with informal systems rated higher, as shown in Figure 3.29.³⁸⁹

Project Summary

The United States has provided assistance to the formal and informal justice sectors through several mechanisms. These include the USAID/Rule of Law Stabilization Formal and Informal Components (RLS-F and RLS-I), the USAID/Assistance to Afghanistan Anti-Corruption Authority Program (4As), and the State Department Justice Training Transition Program (JTTP). These and other rule of law and anticorruption programs are detailed in Table 3.18 on the following page.

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

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TABLE 3.18

USAID RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 12/31/2013 (\$)
Rule of Law Stabilization - Formal Component	7/16/2012	2/15/2014	18,900,000	13,809,331
Rule of Law Stabilization - Informal Component	7/16/2012	3/13/2014	15,651,679	12,973,595
Assistance to Afghanistan Anti-Corruption Authority Program (4As)	10/1/2010	11/15/2013	9,400,000	8,338,049
Fight Corruption Tooth and Nail	7/4/2012	7/5/2014	997,000	435,935
GAPS Anti-Corruption Grant	6/7/2012	6/6/2014	992,379	555,000

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

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

JTTP provides regional training to justice-sector officials, including police, prosecutors, judges, and defense attorneys on a wide range of criminal justice topics, including anticorruption. JTTP also provides mentoring on specific cases and legal issues to justice sector officials, including prosecutors and judges. According to State, beneficiaries of JTTP training have demonstrated increased capacity and knowledge, leading to improved effectiveness. However, State indicated that it was unable to assess the state of Afghan court administration.³⁹²

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

justice sector development. See Section 2 of this report for a summary of SIGAR's findings.³⁹³

The Supreme Court and the Formal Justice Sector

Under the Afghan constitution, Supreme Court justices serve set terms. State previously reported that four Supreme Court justices with expired terms were still serving; however, during this quarter, two new Supreme Court justices were appointed.³⁹⁴ According to USAID, the Supreme Court broadly lacks political will to support women's participation in the judiciary and to increase judicial transparency and accountability.³⁹⁵ State considers three recent court rulings involving women this quarter as evidence that the court is increasing its application of legal protections to women:

- The case of Lal Bibi, 18, a woman from Kunduz province who was abducted by a group of policemen who beat and raped her for five days. The primary court sentenced all four policemen to 16 years' imprisonment. The Appellate Court and Supreme Court affirmed the decision.³⁹⁶
- The case of Sahar Gul, 14, who was forced into marriage. When she refused to accept the marriage, the family she was married into brutally tortured her and locked her away in the basement. The procedural history of the case is unclear, but during the appeals process, the lower court set the abusers free. The Supreme Court issued a public statement expressing its anger, and recently sentenced the mother-in-law and father-in-law to five years in prison. The sister-in-law's acquittal was affirmed, but the Court said her husband, who arranged the forced marriage, and a brother-in-law should be prosecuted. Finally, the Court said claims for marriage annulment and damages should be heard in civil court. The Sahar Gul case marks the first time a victim of domestic violence in Afghanistan sought criminal and civil action herself against her abusers.³⁹⁷
- The case of four people accused in the attempted rape and murder of Zarifa, a provincial representative of Jawzjan province. The primary court sentenced each perpetrator to 14 years in prison. The Appellate Court applied Article 396 of penal code and Article 17 of the EAW law and sentenced each to 18 years imprisonment. The Supreme Court approved the decision, indicating that courts are in fact utilizing and enforcing, if unevenly at times, the EAW law.³⁹⁸

Afghan Correctional System

The inmate population of Afghanistan's prisons managed by the General Directorate of Prisons and Detention Centers (GDPDC) has continued to increase at a rate of 16.4% annually over the past five years, leading to overcrowding, according to State. As of October 20, 2013, the last date for which data is available, the GDPDC incarcerated 29,140 individuals. The Ministry of Justice's Juvenile Rehabilitation Directorate (JRD) incarcerated 1,209 juveniles. This total does not include detainees held by any

SIGAR INSPECTIONS

This quarter SIGAR initiated inspections of the Pol-i-Charki provincial prison east of Kabul and the provincial prison in Baghlan Province. The inspections will assess whether construction of the facilities is in accordance with contract requirements and construction standards, and if the facilities are being used as intended and maintained.

other Afghan governmental organization as State's Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to data for other organizations.³⁹⁹

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities. As of October 20, 2013, the total male provincial prison population was at 282% capacity, as defined by International Committee of the Red Cross' (ICRC) minimum 3.4 square meters per inmate. The total female provincial prison population was at 137% of the ICRC capacity. Data from Herat Provincial Prison exemplifies the severity of the overcrowding in GDPDC facilities: according to a 2011 ICRC assessment, Herat Provincial Prison has the capacity for 491 prisoners, yet data from October 2013 indicates that over 3,100 prisoners are housed in the facility. Information on the capacity of GDPDC-operated district detention centers and the JRD's juvenile rehabilitation centers is not available, however, anecdotal reporting by INL advisors visiting facilities indicates that overcrowding is a substantial problem in many provinces.⁴⁰⁰

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

Anticorruption

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

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

According to The Asia Foundation's *Survey of the Afghan People*, 84% of respondents stated that corruption was either a major or minor problem in daily life, a decrease by 3 percentage points from last year. According to respondents who have had to give cash or a gift to, or perform a favor for, a government official, the most frequent situation involved seeking

public healthcare services (38%), applying for jobs (31%), interacting with the judiciary/courts (33%), receiving official documents (28%), in dealing with the Afghan National Police (31%), and in contacting the Afghan National Army (21%).⁴⁰⁴

During the quarter, the mayor of Pul-e-Alam, the provincial capital of Logar province, was accused of corruption and embezzling funds. An official of the MEC is quoted as saying the mayor has illegally appointed and dismissed employees, illegally seized land, and committed forgery, major theft, and bribery. MEC officials reportedly conducted an investigation and found that documents were forged in order to embezzle tens of millions of AFN from municipal revenues. The MEC reportedly recommended legal action several months ago but the central government has not responded.⁴⁰⁵

Afghan Attorney General's Office

There were no significant changes in the technical capacity or effectiveness of the Attorney General's Office (AGO).⁴⁰⁶ The Anti-Corruption Unit (ACU) of the AGO has seen a decrease in INL and Department of Justice (DOJ) engagement due to reduced interest by the ACU. Although the ACU has demonstrated capacity to prosecute minor corruption cases, it remains ineffective against higher-level corruption. State INL assesses this as being almost entirely due to a lack of will.⁴⁰⁷

The AGO has made little progress on Kabul Bank asset recovery. According to State, the AGO signed off on several mutual legal assistance requests, but all were reportedly prepared by international mentors and there has been limited follow-up. Moreover, the AGO has not yet assigned a full-time prosecutor to focus on asset recovery.⁴⁰⁸

The Major Crimes Task Force (MCTF) is the investigatory arm for the AGO internal control and monitoring unit. In February 2013, Federal Bureau of Investigation mentors disengaged from the MCTF and were succeeded by personnel from the Combined Joint Interagency Task Force-Afghanistan (CJATF-A).⁴⁰⁹ According to reports from CJATF-A mentors, MCTF investigators remain interested in pursuing significant corruption cases. The chief of the MCTF was removed on December 25, 2013. His successor is a professional police officer, with ten years' experience leading several investigative departments in Kabul. His appointment is seen as a positive development. The MCTF remains frustrated with the lack of cooperation by AGO.⁴¹⁰

Independent Joint Anti-Corruption Monitoring and Evaluation Committee

Despite demonstrating political will to address some of the toughest corruption-related questions, the MEC was assessed by State as lacking the authority to do more than illuminate poor or corrupt practices.⁴¹¹

The MEC recommended during the quarter that the Afghanistan Investment Support Agency (AISA) be the subject of an independent audit

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

Supreme Audit Office

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

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

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

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

- The ministries at the center and provinces have not adequately complied with the Public Finance and Expenditure Management Law, Income Tax Laws, or the Procurement Law, as well as other budgetary authorities in making payments, managing expenditures, procurements of goods and services, and execution of development projects.
- The ministries demonstrated weak control in executing contracts.
- The execution of the four ministries' development budgets was very low.
- The majority (67.9%) of the Ministry of Public Health's development expenditure in 1391 was transferred to nongovernmental organizations and the Ministry spent only 32.1% directly through its agencies.

- Large sums of the expenditures have been recorded under “Not Elsewhere Classified” and are not identified with any appropriate object of expenditure.

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

High Office of Oversight and Anticorruption

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

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

Corruption in Afghan Security Forces

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

GOVERNANCE

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

Ministry of Defense

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

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

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

Ministry of Interior

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

In October 2013, the MOI replaced its inspector general, Major General Masood Ragheb, with Brigadier General Hakim Najrabi. DOD considered the replacement an improvement in terms of attitude and receptiveness to reform.

In July 2013, the Afghan Council of Ministers signed an internal-discipline regulation placing the MOI under the same courts martial system as the MOD. DOD believes the new discipline system is a setback as it leaves the MOI reliant on what has proved to be an unreliable Attorney General's Office for criminal prosecution, and prevents the MOI from administratively removing bad actors except in limited egregious cases. The Minister of Interior is therefore limited to operational actions such as transfers or removal to the reserves, which usually results in reinstatement at a later date.⁴²⁸

HUMAN RIGHTS

Gender Equity

In December, the United Nations Assistance Mission in Afghanistan (UNAMA) released a progress report on the Elimination of Violence Against Women Law (EVAW). The report found both progress and continuing gaps in the implementation of the EVAW law by judicial and law enforcement institutions. It observed that while registration of reported incidents increased by 28%, the use of the EVAW law as a basis for indictment increased by only 2%. According to UNAMA, Afghan courts this year applied the EVAW law in 60 decisions (55% of 109 indictments filed) compared to 52 decisions (72% of indictments filed) last year, a 17 percentage-point decrease in courts' use of the EVAW law to decide cases in the current period. Of concern, the overall number of criminal indictments filed by prosecutors in violence against women cases under all applicable laws decreased this year despite the rise in reported and registered incidents. UNAMA observed that increased reporting and registration of incidents of violence against women by police and prosecutors did not lead to a similar



Afghan National Army soldiers pin purple ribbons on themselves in support of elimination of violence against women. (U.S. Army photo)

increase in the use of the EAW law to resolve cases by prosecutors and courts particularly through criminal prosecution.⁴²⁹

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

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

Refugees and Internal Displacement

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

The United Nations High Commissioner for Refugees (UNHCR) noted an increase of 34,377 in the number of conflict-related internally displaced persons (IDP) since the last SIGAR quarterly report bringing the total registered conflict-affected IDPs to 624,561.⁴³³ UNHCR notes, however, that official figures for the number of IDPs are widely considered to under-represent the scale of the displacement problem in Afghanistan as they exclude those dispersed in urban and semi-urban areas, as well as those displaced to rural locations in areas inaccessible to humanitarian actors.⁴³⁴ Figure 3.30 shows trends in refugee returnees and conflict-related internally displaced persons.

Human Rights Watch issued a report on the state of Afghan refugees in Iran. According to the report, Afghans represent the largest refugee population in the world with the vast majority residing in Pakistan (1.7 million) and Iran (1 million). At least half of the Afghan refugees in Iran have received forms of temporary status in Iran. In addition to the 1 million registered as refugees, an estimated additional 1.4 to 2 million Afghans living and working in Iran have not registered as refugees.⁴³⁵ According to Human Rights Watch, many Afghans living in Iran have a higher quality of life than

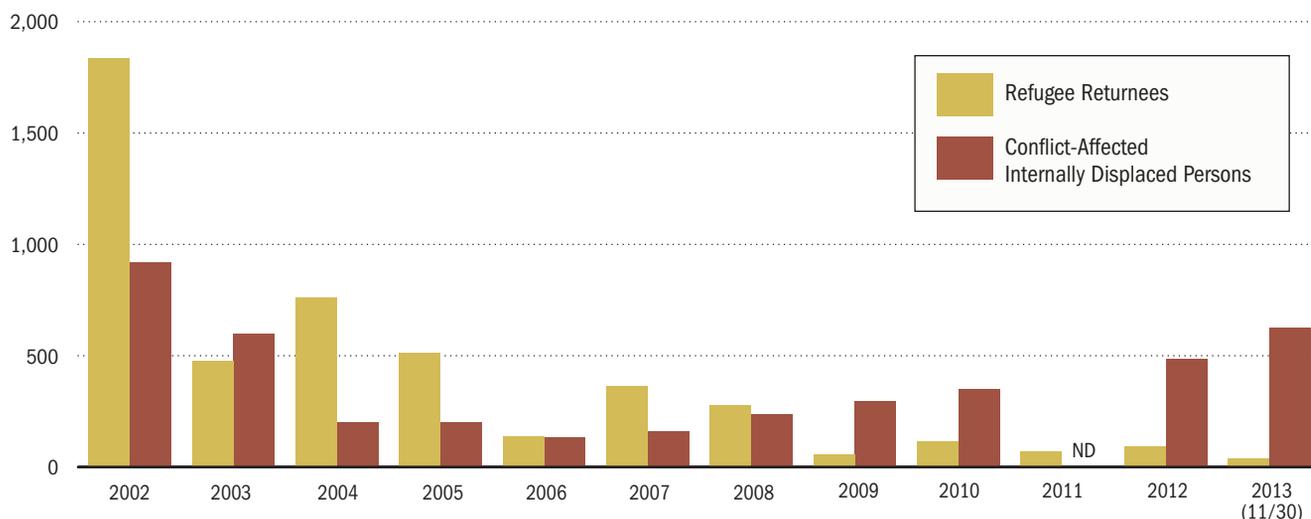
would likely be available in Afghanistan.⁴³⁶ Despite the benefits Iran has provided past refugees, the report concludes that since at least 2007, Iran is falling short of its obligations because it is failing to provide newly arriving asylum seekers access to protection and is subjecting many Afghans to a range of rights abuses including arbitrary arrests and detention.⁴³⁷

Afghanistan Independent Human Rights Commission

According to State, the Afghanistan Independent Human Rights Commission (AIHRC) continues to do model work on human rights in a difficult environment, but a lack of independence resulting from the Afghan government's appointment of AIHRC commissioners may threaten its reaccreditation ranking.⁴³⁸ Last quarter, the top UN human rights official warned that the AIHRC could lose its international "A" status—which signifies compliance with the Paris Principles and is a reflection of the institution's legitimacy and credibility—as recognized by the International Coordinating Committee (ICC) due to the appointments President Karzai made to the commission last quarter.⁴³⁹ State reports that it remains unclear what impact a change in ICC "A" status would have on international support for the AIHRC.⁴⁴⁰

FIGURE 3.30

REFUGEE RETURNS AND CONFLICT-AFFECTED INTERNAL DISPLACEMENTS IN AFGHANISTAN (THOUSANDS)



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

Sources: State, response to SIGAR data call, 12/30/2013; UNHCR, "VOLREP and Border Monitoring Monthly Update," 4/2013; UNHCR, "Conflict-Induced Internal Displacement - Monthly Update," 1/2013; Internal Displacement Monitoring Centre, "Internal Displacement Caused by Conflict and Violence," accessed 1/2014.

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ECONOMIC AND SOCIAL DEVELOPMENT

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

TABLE 3.19

CUMULATIVE APPROPRIATIONS FOR AFGHANISTAN DEVELOPMENT, AS OF JANUARY 17, 2014 (\$ BILLIONS)		
Fund	Managing Agency	Appropriated
ESF	USAID	\$16.7
CERP	DOD	\$3.7
TFBSO	DOD	\$0.8
AIF	DOD/STATE	\$1.2
Total		\$22.4

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

Source: See Appendix B of this report.

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

KEY EVENTS

This quarter saw a number of developments that could have a profound impact on the Afghan economy during the coming year. Afghanistan's domestic revenues decreased by 7.4% in the first nine months of the Afghan fiscal year (FY) from the same period a year ago, and missed Ministry of Finance (MOF) budget targets by 12.2%.⁴⁴¹ Domestic revenues paid for only 40% of Afghanistan's operating budget and development expenditures in FY 2012; donor grants covered the remainder.⁴⁴²

At the same time, the Wolesi Jirga approved the FY 1393 national budget (December 21, 2013–December 20, 2014). It totals \$7.5 billion, a 10.3% increase over FY 1392.⁴⁴³

During this reporting period the International Monetary Fund’s Extended Credit Facility Arrangement review and disbursement remain delayed due to insufficient Afghan progress toward meeting the agreement’s quantitative and legislative requirements.⁴⁴⁴

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

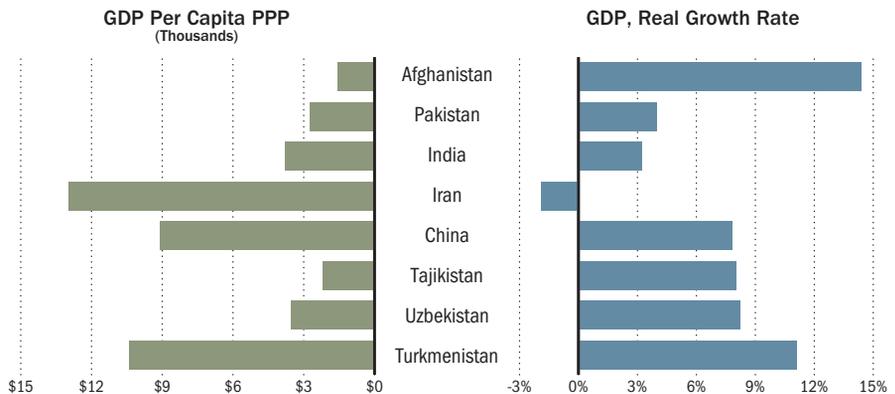
ECONOMIC PROFILE

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

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

FIGURE 3.31

REGIONAL GDP COMPARISONS (2012)



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

Sources: World Bank, "World Development Indicators, World Bank National Accounts Data, and OECD National Accounts Data Files; and International Comparison Program Database," accessed 1/10/2014; International Monetary Fund, World Economic Outlook Database, October 2013, accessed 1/10/2014.

aid and spending after 2014, World Bank projections show average real GDP growth declining to 4–6% annually through 2018.⁴⁴⁹

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

Opium production is not calculated in official GDP figures (more than \$21 billion in 2013), although it figures prominently in the economy. Farm-gate price of the opium economy is estimated at 4% of GDP by the United Nations Office on Drugs and Crime (UNODC), which also calculated exports of opium and its derivatives, such as heroin and morphine, at 14% of GDP (almost \$3 billion) in 2013.

Source: UNODC, Afghanistan Opium Survey 2013, 12/2013, pp. 10, 12.

Fiscal Sustainability

The Afghan government’s revenues declined in 2013 as public spending increased, according to the World Bank.⁴⁵⁴ Budget expenditures are expected to continue rising, largely due to spending on security, service delivery, building essential infrastructure, and operations and maintenance.⁴⁵⁵

Afghanistan’s fiscal gap between government revenue and expenditures is growing. Its fiscal sustainability ratio—domestic revenues versus operating expenses—remains one of the lowest in the world, according to the Department of Defense (DOD).⁴⁵⁶ Recent World Bank calculations show that Afghanistan’s fiscal sustainability ratio declined to 60.1% of GDP in FY 2012, compared to 66.5% in FY 2011. It is projected to drop to 56.7% in 2013.⁴⁵⁷ Low fiscal sustainability ratios limit a country’s ability to pay for discretionary services and are likely to delay Afghanistan’s progress to self reliance.⁴⁵⁸ The Bank describes Afghanistan’s fiscal outlook as subpar and likely to delay progress to self-reliance.⁴⁵⁹

Budget

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

Revenue Generation

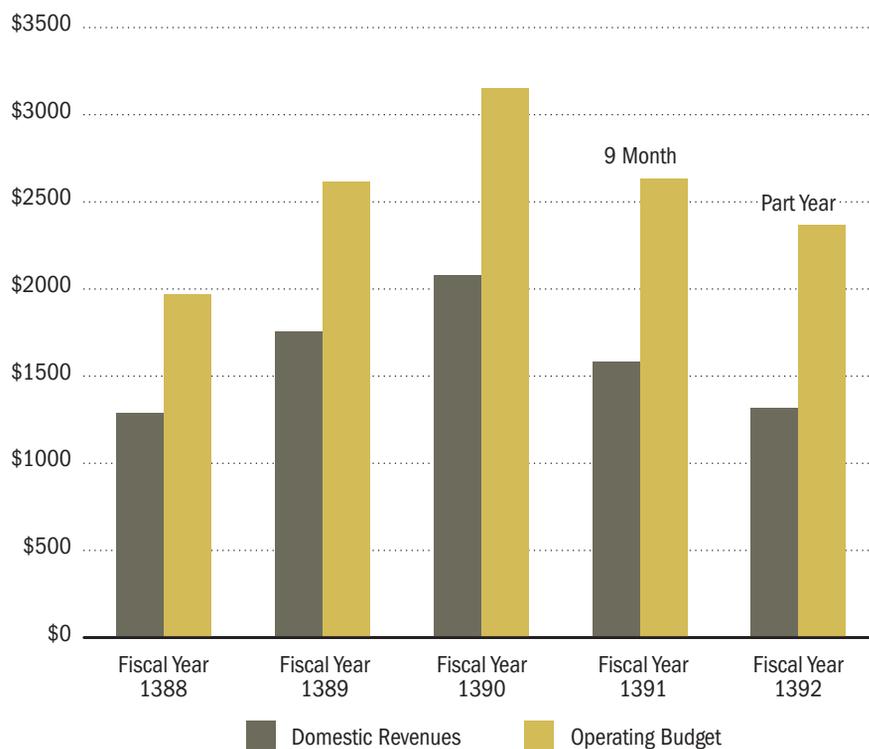
Last year, the Afghan MOF projected domestic revenue for FY 1392 (December 21, 2012, to December 20, 2013) at \$2.4 billion (at the January 2013 currency-exchange rate of 51.6 afghanis or AFN to the U.S. dollar), an increase of 40% over FY 1391 (March 2012 to December 2012).⁴⁶¹ However, in the first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

decreased by 7.4% from the same period in FY 1391, and missed MOF budget targets by 12.2%.⁴⁶² Figure 3.32 depicts the disparity between the government's domestic revenues—derived primarily from taxes and customs duties—and budget operating expenditures from FY 1388 to FY 1392.

The World Bank noted that domestic revenues paid for only 40% of Afghanistan's operating budget and development expenditures in FY 2012; donor grants covered the rest.⁴⁶³ The Bank attributed Afghanistan's weak revenue performance to a slowdown in economic activity, changes in the structure of imports, and corruption, particularly in customs collections. The Bank estimates that domestic revenues will amount to about 10.1% of GDP in 2013. Afghanistan's commitments under the Tokyo Mutual Accountability Framework call for it to increase revenues to 15% of GDP by 2016 and to 19%

FIGURE 3.32

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

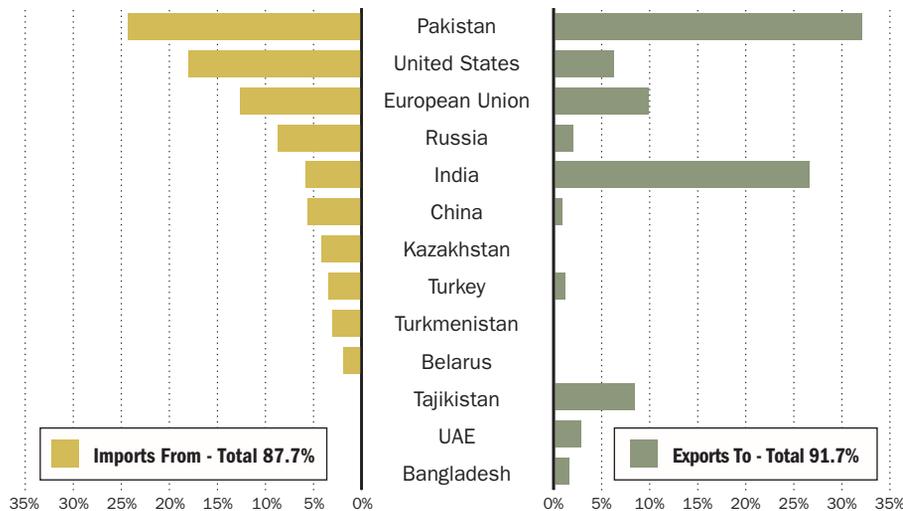


Notes: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1388 corresponds to March 20, 2009, to March 20, 2010, and so on. Nine-month data for fiscal year 1391 reflect a change in the timing of the Afghan fiscal year. The most recent MOF data available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

Sources: MOF, "1388 National Budget," accessed 7/2/13; MOF, "1389 National Budget," accessed 7/2/13; MOF, "1390 National Budget," accessed 7/2/13; MOF, "1391 National Budget," accessed 7/2/13; MOF, "National Budget Procedures Fiscal Year 1391," accessed 6/26/13; MOF, "Annual Fiscal Report 1391," accessed 6/20/2013; MOF, "1392 National Budget," accessed 7/1/13; MOF, "Monthly Fiscal Bulletin, Month 9," 10/20/2013, accessed 1/10/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," 10/20/2013, accessed 1/14/2014.

FIGURE 3.33

AFGHANISTAN'S TOP TRADING PARTNERS (2012)



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

Source: European Commission, Directorate-General for Trade, "European Union, Trade in Goods with Afghanistan," 7/11/2013.

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

Trade

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

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

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

Source: World Bank, Afghanistan Economic Update, 10/2013.

World Trade Organization Accession

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

Afghanistan completed bilateral negotiations in December 2013 and the next WTO Working Party meeting is anticipated in February 2014, but has not been scheduled as of January 14, 2014. Afghanistan must now pass a series of WTO-compliant laws and regulations. The U.S. government is providing technical assistance in these efforts.⁴⁶⁸

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

Source: SIGAR, Audit 14-16-AR, Afghanistan's Banking Sector: Central Bank's Capacity to Regulate Commercial Banks Remains Weak, 1/8/2014.

EXTENDED CREDIT FACILITY ARRANGEMENT

The three-year, \$129 million ECF loan agreement signed in November 2011 makes disbursements contingent upon completion of program reviews, as determined by IMF Management and the Executive Board. So far, the IMF has released two disbursements of \$18.2 million—at the initial ECF approval, and again after the first Board review in June 2012. Neither the second IMF review, originally planned for December 2012, nor the third, originally planned for March 2013, has been completed.⁴⁶⁹

This quarter, the Afghan government again made insufficient progress on the specific banking and financial structural reforms required by the IMF to qualify for another ECF Board review and accompanying disbursement of loans. The Afghan government has neither submitted an internationally acceptable revised Anti-Money Laundering (AML/CFT) law to parliament, nor met the quantitative macroeconomic targets set forth under the ECF Arrangement, according to Treasury.⁴⁷⁰

Additionally, Afghanistan has not made progress on submitting several other pieces of economic and financial legislation to parliament or implementing structural reforms, such as signing a memorandum of understanding (MOU) on information sharing between Da Afghanistan Bank (DAB), the Financial Transactions and Reports Analysis Center of Afghanistan, and Afghan law enforcement agencies.⁴⁷¹

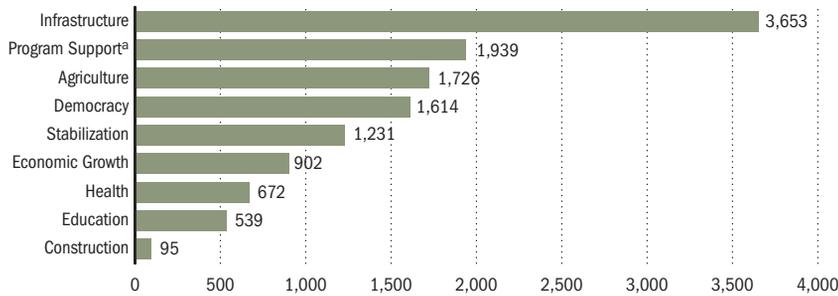
The existence of an ECF agreement is important to the international community because it demonstrates the Afghan government's political will to enact necessary reforms. Adherence to the IMF benchmarks and fulfilling macroeconomic requirements also has a direct effect on the levels of foreign aid the international community contributes to the Afghanistan Reconstruction Trust Fund (ARTF). In solar year 1390 (March 2011- March 2012), the donor community withheld 85% of the total \$933 million in donations to the ARTF until the IMF approved a new ECF agreement for Afghanistan in November 2011.⁴⁷²

U.S. ECONOMIC SUPPORT STRATEGY

The U.S. economic transition strategy in Afghanistan seeks to mitigate the negative economic impact of the withdrawal of most international security forces in 2014 and the expected accompanying reduction in donor assistance. It also seeks to help Afghanistan develop its resources for sustainable growth.

FIGURE 3.34

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE AS OF DECEMBER 31, 2013 (\$ MILLIONS)



Notes: Numbers rounded.

^a Program Support projects include civilian technical augmentation, performance metrics, results tracking, technical assistance to ministries, and funding to the ARTF.

Although the Consolidated Appropriations Act, 2014, was signed into law on January 17, final FY 2014 funding levels for many Afghanistan relief and reconstruction accounts, including State and USAID accounts like the Economic Support Fund (ESF) are still to be determined. Most ESF support is used for USAID’s development programs. Figure 3.34 shows USAID assistance by sector.

USAID said it will concentrate its resources on three development objectives to reduce Afghanistan’s dependence on international assistance and consolidate peace and stability in Afghan communities. These include:⁴⁷³

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

“The mobility of Department of State and USAID personnel is severely limited due to security constraints, and oversight of programs will become increasingly difficult as the United States military draws down its forces.”

Source: U.S. Congress, “Joint Explanatory Statement, Division K—Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014,” 1/2014.

USAID On-Budget Assistance to the Afghan Government

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

The United States includes as on-budget assistance both direct, government-to-government transfers and multilateral trust-fund contributions

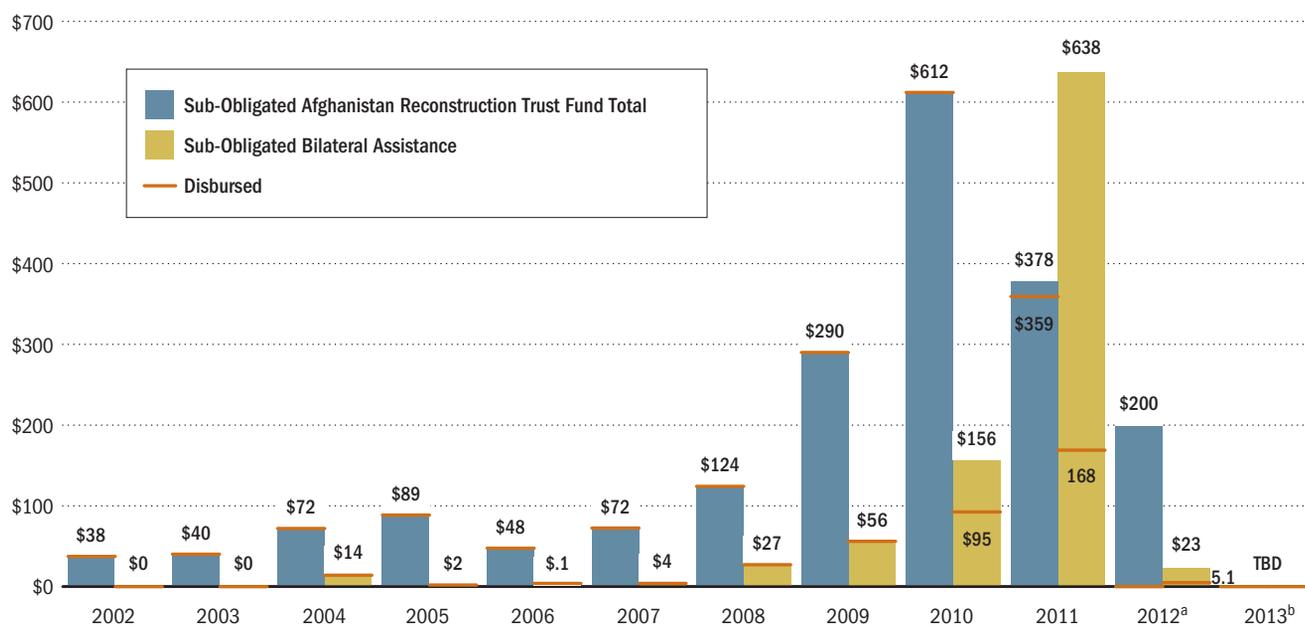
to the Law and Order Trust Fund for Afghanistan (LOTFA), the Afghan Reconstruction Trust Fund (ARTF), and the Afghanistan Infrastructure Trust Fund (AITF). These funds, which are managed by the United Nations Development Programme (UNDP), the World Bank, and the ADB respectively, support the Afghan national budget. The Afghan government provides input, guidance and oversight, and some projects are run through the government, but the funds are not fully under the Afghan government's control.⁴⁷⁴ See page 64 for details about all U.S. on-budget funding to Afghanistan.

This quarter, USAID obligated approximately \$53 million and disbursed \$93 million in on-budget assistance—including ARTF—from prior fiscal-year funds. Cumulatively, USAID obligated \$2.88 billion and disbursed \$2.11 billion in on-budget assistance, as of December 31, 2013, as shown in Figure 3.35.⁴⁷⁵

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

FIGURE 3.35

USAID ON-BUDGET ASSISTANCE SUBOBLIGATED AND DISBURSED, FY 2002-FY 2013, AS OF DECEMBER 31, 2013 (\$ MILLIONS)



Notes: Numbers have been rounded. Subobligation is funding for project-level agreements.

^a Most FY 2012 USAID funding for on-budget assistance had not been disbursed as of December 31, 2013.

^b Spending in 2013 was done from prior fiscal year funds. Subobligations and Disbursements for FY 2013 are not yet known.

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

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

Tokyo Mutual Accountability Framework

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

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

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

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

BANKING AND FINANCE

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

FIGURE 3.36

SUMMARY OF AFGHANISTAN'S 17 'HARD DELIVERABLES' UNDER THE TOKYO MUTUAL ACCOUNTABILITY FRAMEWORK

Representational Democracy and Equitable Elections	1 Develop timeline for election preparation and polling through 2015	2 Set up a 'qualified and well respected' elections commission	3 Support a legislative framework including an impartial, independent mechanism for resolving electoral complaints	4 Ministries cooperate with elections commission on registration, outreach, fraud mitigation, etc.	
	Governance Rule of Law and Human Rights	5 Collect and publish asset declarations from high-ranking officials	6 Follow international standards for appointment of human-rights commissioners	7 Prepare inter-ministry report on application of Elimination of Violence Against Women Law	
		Integrity of Public Finance and Commercial Banking	8 Take action on recommendations to improve banking system and recover stolen assets	9 Implement and follow government finance program supported by International Monetary Fund	10 Implement public-finance management plan and improve accountability score
			11 Raise transparency of public funds measured by Open Budget Initiative	12 Implement international recommendations to fight money laundering and terrorist financing	
Government Revenues, Budget Execution and Subnational Governance	13 Develop provincial budgeting process with input to ministries and consultation				
Inclusive and Sustained Growth and Development	14 Analyze FY 1392 budget allocations re health, gender, education, environment, and food security	15 Plan for accession to World Trade Organization by end of 2014	16 Establish road and civil aviation institutions	17 Approve international-standard mining law to encourage extractive-industry investment	

Source: SIGAR summary of 2012 Tokyo Mutual Accountability Framework.

SIGAR AUDIT

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

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

According to Treasury, many banks are undercapitalized and lending is concentrated in a small number of sectors with loans largely to related parties—outside businesses that are controlled by the same individuals or groups that own the bank. This can create a conflict of interest and risk that the bank may incur losses to benefit the businesses. The banking sector is also highly dollarized, which may expose Afghan financial institutions to

currency risks.⁴⁸⁵ The banking sector's **loan-to-deposit ratio** dropped from 56.8% in 2010 to 23% in 2012.⁴⁸⁶

Few Afghan banks operate in accordance with international standards. Audits of major banks in Afghanistan conducted in the wake of the Kabul Bank scandal have revealed “systemic fragility and vulnerability in all areas of banking governance and operations,” according to a 2013 World Bank report.⁴⁸⁷ State said Afghanistan's banks also suffer from political interference and lack of oversight.⁴⁸⁸ In addition, Afghanistan's controls against money laundering and terrorist financing are widely viewed as deficient.⁴⁸⁹

Consequently, on November 30, 2013, several of Afghanistan's banks lost U.S. dollar correspondent banking relationships with German-based Commerzbank. This major **money-center bank** ended its dealings with Afghan banks to reduce risk and exposure to heightened regulatory scrutiny in the wake of huge fines several British banks agreed to pay to settle U.S. money laundering accusations against them. According to Treasury, it is possible that other banks could also sever their correspondent relationships with Afghan banks.⁴⁹⁰

The general Afghan population distrusts banks, preferring to borrow and save with family and friends, and transfer money through informal, trust- or honor-based hawala networks.⁴⁹¹ Afghans also prefer to use foreign currency rather than their national currency, the afghani (AFN), which is depreciating against the dollar. In early January 2012, a U.S. dollar cost about 49 AFN; now it costs about 56 AFN, according to the Afghan central bank.⁴⁹² Treasury said that both depreciation and the level of dollarization may be a function of the public's preference for borrowing and keeping deposits in dollars, while depreciation is likely a cause for that preference.⁴⁹³

Banking Law

The Council of Ministers approved the Banking Law on January 28, 2013, but a year later it remains pending before parliament. The legislation strengthens corporate governance provisions, regulates capital requirements and large exposures, enhances bank supervision, and facilitates bank resolution. If enacted, the law will help prevent, mitigate, and respond to the problems in the financial sector, according to Treasury. Failure to enact it will likely lead to weaker financial-sector governance and supervision. DAB will have less authority to enforce banking regulations, key existing vulnerabilities will remain in the banking sector, and bank supervisors will have less protection and authority in the conduct of their duties. In the event of another bank collapse, there would still not be a clear legal framework in place for the resolution process for that troubled bank.⁴⁹⁴

The Kabul Bank

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

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

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

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

Sources: NASDAQ, “Money Center Banks Definition,” accessed 1/14/2014; Investopedia, “Loan-To-Deposit Ratio,” <http://www.investopedia.com/terms/l/loan-to-deposit-ratio.asp>, accessed 9/30/2013; Finance Formulas, “Loan to Deposit Ratio,” <http://www.financeformulas.net/Loan-to-Deposit-Ratio.html>, accessed 9/30/2013; Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering InfoBase, “Correspondent Accounts (Foreign)—Overview,” accessed 10/1/2013.



Exhibitors tend their booth at the second Access to Finance Exhibition in Kabul. Thousands of business representatives from across Afghanistan attended the exhibition promoting branchless banking and electronic payments. (USAID photo)

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

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

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

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

Afghanistan’s Attorney General’s Office (AGO) launched no new investigations, filed no new charges, and indicted no additional defendants this quarter, despite the March 2013 order by the Supreme Court’s special tribunal on Kabul Bank that it do so. However, the court ordered that the uncharged shareholders—together with ex-chairman Farnood and ex-CEO Ferozi—appear at a meeting between the defendants, the prosecutors,

and the Kabul Bank receiver to resolve disputes over defendants' monetary liabilities. Farnood and Ferozi insist they are not liable for the entire monetary judgment against them—\$279 million and \$531 million, respectively—since some funds have been paid back by shareholders or by sales of real property.⁴⁹⁸

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

Cash and Asset Recoveries

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

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

New Kabul Bank

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

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

Grant Thornton LLP's calendar-year 2012 financial audit of NKB expressed unqualified concern regarding the bank's ability to continue business without successful privatization. NKB lost an average of \$1.85 million

In March 2013, the special tribunal ordered the arrest and prosecution of 16 individuals with existing warrants—many of whom have since fled the country—and the investigation and prosecution of 16 others as recipients of illegal loans. DOJ has repeatedly discussed this inaction with various AGO representatives, to no avail.

Source: DOJ, response to SIGAR data call, 9/30/2013 and 6/29/2013.

New Kabul Bank (NKB): a temporary "bridge bank" containing the good assets and deposits from Kabul Bank. Privatizing NKB, which provides salary payment and direct deposit services to hundreds of thousands of government employees, is an ECF benchmark.

Source: IMF, "Islamic Republic of Afghanistan-First Review Under the Extended Credit Facility Arrangement, Request for Waiver of Nonobservance of a Performance Criterion, Modification of Performance Criteria, and Rephasing of Disbursements," 6/19/2012, accessed 1/3/2014.

per month in 2012.⁵⁰⁶ Last quarter, Treasury quoted an Afghan government official as saying NKB losses are running at \$500,000 per month.⁵⁰⁷ According to the IMF and Treasury, NKB's lack of a lending portfolio, restrictions on developing lending before being offered for sale, and the need to maintain a conservative asset-management strategy mean it will continue to suffer modest operating losses prior to sale.⁵⁰⁸ After an initial privatization effort failed, the Afghan government decided to allow potential investors to bid for 50% to 100% of the bank.⁵⁰⁹

DEVELOPMENT OF NATURAL RESOURCES

The United States, the Afghan government, and the international donor community count on developing Afghanistan's natural resources to underpin future economic growth in the face of declining external aid. Although mining has contributed less than 2% to the country's GDP to date, the Afghan government expects to eventually receive significant revenues from large-scale investments in the Aynak (copper) and Hajigak (iron-ore) mines, and from oil and gas fields in the Afghan-Tajik basin.⁵¹⁰

DOD maintains that Afghanistan's mineral resources could generate significant revenue and create large numbers of jobs. However, SIGAR has long cautioned that the Afghan government may not be able to earn substantial revenues from Afghanistan's natural resources any time soon because of the considerable infrastructure investment required to develop them, especially given the difficult security environment.⁵¹¹

This quarter, State said it does not expect the mining sector to contribute significantly to the Afghan budget until after the mining law is passed and implemented.⁵¹² TFBSO also warned that the global mining economy is limiting new investment, and many companies and financiers view Afghanistan as too risky.⁵¹³

Ministerial Transition

On December 25, 2013, Mohammad Akbar Barakzai was confirmed by the Wolesi Jirga, the lower house of parliament, as the new Minister of Mines and Petroleum.⁵¹⁴ Minister Barakzai replaced Wahidullah Shahrani, who resigned in order to run for first vice president on Qayum Karzai's ticket.⁵¹⁵ TFBSO reported no major shift in the minister's strategy or in his willingness to accept U.S. government support, although that may change. According to TFBSO, Minister Barakzai said a new minerals law is one of his priorities, although he stopped short of saying he will push to address international investor concerns about aspects of its current draft.⁵¹⁶

TFBSO Transition

TFBSO, which will cease its activities in Afghanistan by the end of 2014, will turn over all of its projects to an Afghan ministry, a private business,

“Working on behalf of the Department of Defense and with concurrence of the Department of State, TFBSO identifies and develops strategic economic opportunities in conflict and post-conflict environments that enable the expansion of the private sector, thus setting conditions for long-term economic growth that is critical to sustainable stability.”

Source: TFBSO, “Task Force for Business and Stability Operations Fiscal Year 2013 Transition Plan and Report on Transition Implementation,” 8/19/2013, p. 1.

or another U.S. government agency.⁵¹⁷ In anticipation, Congress required in the FY 2013 National Defense Authorization Act that DOD develop a plan for transitioning TFBSO programs to either State or USAID to be reviewed, revised, and signed by the Secretary of Defense every 90 days. While no TFBSO programs have yet been proposed for transfer to USAID or any other U.S. government agency, transition reports are being prepared for many of its larger, non-mining programs.⁵¹⁸

New Minerals Law

This quarter, the long-delayed draft of the new minerals law passed through the Natural Resources Committee of the lower house and as of December 23, awaits consideration by the full parliament. Parliamentarians continue to seek clarification on components of the law from Ministry of Mines and Petroleum (MOMP) officials.⁵¹⁹ TFBSO's advisory team held an information session for interested members of parliament to help them better understand the law's provisions.⁵²⁰ Once passed by both the lower and upper houses, the law will be sent to the president for final approval.⁵²¹ TFBSO is not aware of any changes to the law this reporting period, although State reported that parliamentary discussions are ongoing.⁵²²

Impediments to Investment

Proposed revisions to the minerals law are meant to better protect Afghan resources, encourage investors, and align regulations to international best practices. Passing a new law is an important Tokyo Mutual Accountability Framework benchmark to improve Afghanistan's revenues and overall fiscal and external sustainability.⁵²³ Submitting amendments to the law and to the Ministry of Justice in order to develop a transparent fiscal regime for natural resources is an outstanding IMF structural benchmark.⁵²⁴ DOD's TFBSO warns that without legislative reform that includes linking investor exploration with extraction rights, and institutes a formal and fixed royalty rate, many companies will not bid on new tenders. The current draft law does not include that linkage.⁵²⁵ The law also requires mining companies to use Afghan labor exclusively and to prioritize purchasing Afghan, rather than foreign, goods. These provisions are unlikely to comply with World Trade Organization rules and could deter private investment, according to State.⁵²⁶

State and TFBSO differ on the ramifications of the delayed new minerals law. TFBSO said it has significantly hindered private-sector investment, but not the existing contracts still under negotiation, which will be signed under the current minerals law.⁵²⁷ Unsigned contracts include Hajigak (iron ore, awarded in November 2011);⁵²⁸ Shaida (copper, November 2012); Badakhshan (gold, November 2012); Balkhab (copper, November 2012); and Zarkashan (copper, gold, December 2012).⁵²⁹ In contrast, State said that the

delay in passing a new mining law has impeded these existing contracts, but not private-sector investment.⁵³²

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

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

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

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

Mining Investment and Development for Afghan Sustainability

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

USAID expects to achieve the following results from MIDAS:

- improve capacity at MOMP in governance, internal controls, procurement procedures, and financial management

TFBSO has fully obligated its \$17.2 million total for mining-sector development in FY 2013, and \$7.5 million in FY 2014, as of December 27, 2013.⁵³⁰ After more than three years of TFBSO engagement in Afghanistan TFBSO reported this quarter that it created a metrics system to measure the microeconomic impacts of their assistance programs. However, the data contained in the system is limited, only going back an average of six months, and the metrics criteria can vary by project. TFBSO is also creating an economic impact assessment of its efforts that will collect data on a macroeconomic level, which can be transferred to USAID or their Afghan partners. TFBSO's authority is scheduled to expire at the end of 2014.⁵³¹

- improve capacity of Afghan small-to-medium enterprises to provide support services to the mining sector
- establish communications between the MOMP, the private sector, and local communities
- implement programs for small-to-medium Afghan enterprises to participate in research, development, and management of mines
- create a system for effective monitoring of on-budget funding⁵³⁸

USAID will measure MIDAS's success against the following metrics: the political will to foster a business-friendly environment for foreign and domestic investment in the mining sector; a business-friendly regulatory environment, aligned with international standards to attract investment; transparency in tendering and awarding contracts; and gender equality in the extractives industries sector.⁵³⁹

Capacity of the Ministry of Mines and Petroleum

TFBSO's strategy for promoting economic growth in Afghanistan rests largely on developing Afghanistan's natural resources. In its transition report to Congress, TFBSO claimed that, as a result of its strategy to partner with Afghans at every stage of project planning and execution, "Afghans will have the capability to handle on-going project requirements."⁵⁴⁰ TFBSO said the MOMP has either taken or is close to taking the lead in tender evaluation and award, and contract negotiation and award. At the same time, TFBSO acknowledged weaknesses in the ministry, especially in the areas of capacity, monitoring, and oversight. TFBSO said the MOMP's lack of capable employees leaves most of the work in the hands of a small group of knowledgeable and capable, yet overworked, employees.⁵⁴¹

A SIGAR audit this quarter of assessments of Afghan ministries found that USAID/Afghanistan identified 16 risks and 33 corresponding mitigation measures needed for the MOMP before it receives U.S. direct-assistance funds. Despite USAID's own conclusion that MOMP controls are inadequate to mitigate the risk of corruption, USAID obligated \$30 million for one active direct-assistance program. USAID also committed \$45 million for a proposed mining investment and development project, as of August 1, 2013.⁵⁴²

Mine Security

It is uncertain who is providing mine security and in what numbers. Mine security was supposed to be the responsibility of Afghan Mines Protection Units (MPUs), which still have only 1,500 personnel, according to the MOMP website.⁵⁴³

However, this quarter, State reported that the Afghan Public Protection Force (APPF) is responsible for mine security, and that the Ministry of Interior (MOI) and APPF recruit and train security personnel after a contract is signed with the MOMP. As of this reporting period, the MOMP has

only contracted APPF services for Mes Aynak, the northern Amu Darya Basin, and the Sheberghan gas fields.⁵⁴⁴

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

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

Aynak Copper Mine

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

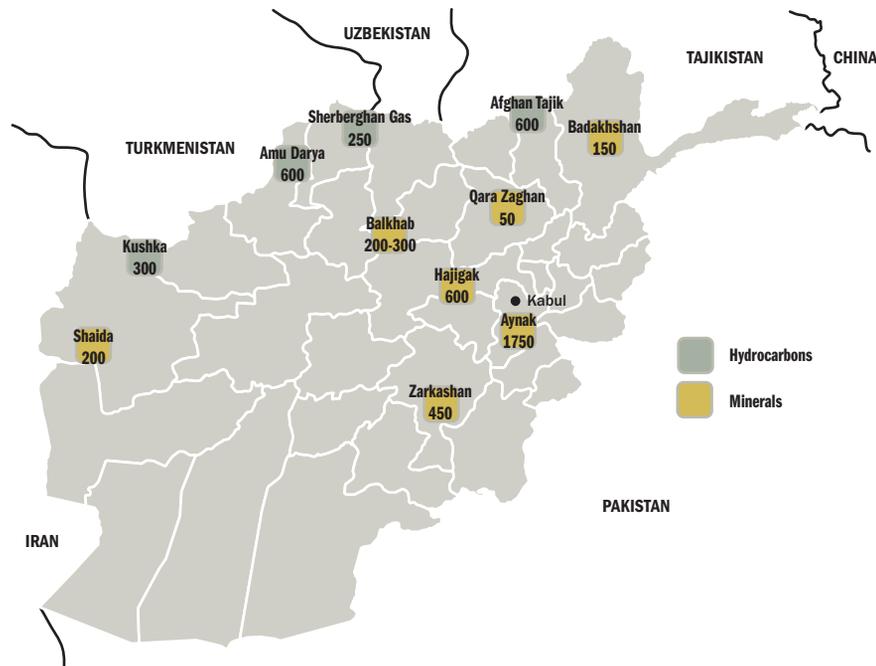
Development of the Mes Aynak copper mine remains delayed by the discovery of cultural relics in the area, difficulties in land acquisition, lack of primary infrastructure, and security concerns.⁵⁵¹ TFBSO suspects other contributing factors include unwieldy contract terms, continuing volatility in the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

North Aynak Drilling

TFBSO's \$4.5 million North Aynak drilling exploration program, which began in November 2012, ended in spring 2013. It was to be followed by a MOMP tender. However, the MOMP decided not to tender the area at this time even though it has a completed technical report, according to TFBSO. No explanation or timeline was forthcoming.⁵⁵⁴

FIGURE 3.37

APPF PERSONNEL REQUIREMENTS FOR EXTRACTIVE SECTOR SECURITY



Note: APPF = Afghan Public Protection Force
 Source: State, response to SIGAR data call, 12/29/2013.

In November 2013, 35 Afghan Geological Survey (AGS) employees completed a three-month drilling and maintenance training program facilitated by TFBSO. It combined classroom-based modules and hands-on drill training with AGS-owned equipment that had been sitting dormant since its purchase in 2009. The training sought to continue training AGS employees on operating their own equipment and drilling in their own country, and to demonstrate Afghan capability to the international minerals industry. TFBSO said a variety of exercises and tests were used to track participants' progress, but did not share the results.⁵⁵⁵

Hajigak Iron-Ore Mine

Contract negotiations for the Hajigak iron-ore concessions continued this quarter. The MOMP awarded three blocks to Afghan Iron and Steel Consortium (AFISCO), a seven-member consortium led by state-owned Steel Authority of India Ltd. in November 2011, and one block to Canadian Kilo Iron Ore, a subsidiary of Kilo Goldmines.⁵⁵⁶

AFISCO is considering cutting its initial investment from \$11 billion to \$1.5 billion, according to a news report, due to uncertainty about security once U.S. troops leave in 2014.⁵⁵⁷ Kilo Iron Ore has consented in principle to all contract-negotiation terms. Both firms continue to await parliamentary approval of the new minerals law before signing contracts.⁵⁵⁸

Hydrocarbons

Afghanistan's efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan. Even with two newly operational refineries, Afghanistan lacks adequate refining capacity, and remains heavily import-dependent for fuels. The country imports 10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and Iran.⁵⁵⁹

Amu Darya Basin

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

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

AGRICULTURE

Agriculture continues to be the main source of employment and subsistence for the Afghan population. Only 12% of the land is arable and less than 6% is cultivated, yet the sector accounts for 31% of GDP and, according

The latest available data provided to SIGAR showed that CNPCI-W produced approximately 14,916 barrels of crude as of August 31, 2013, missing its minimum production requirements for FY 2013 of 1.65 million barrels. From that, the Afghan government received \$4.67 million in royalty and surface rental fees.

Sources: TFBSO, response to SIGAR data call, 9/30/2013; TFBSO, response to SIGAR data call, 7/3/2013; TFBSO, response to SIGAR vetting, 7/17/2013.

to the latest World Bank report, provides employment to about 59% of the labor force.⁵⁶⁷ Given its importance, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.⁵⁶⁸

Between FY 2002 and FY 2012, USAID has appropriated approximately \$2.46 billion for agricultural and alternative development funding to improve production, increase access to markets, and provide alternatives to poppy cultivation.⁵⁶⁹ Of that, USAID has obligated about \$29 million and disbursed \$29 million in direct assistance to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL).⁵⁷⁰

USAID is currently providing on- and off-budget assistance to the agriculture sector through several programs. USAID's three highest-priority programs, worth more than \$350 million total, are:

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

Agricultural Credit Enhancement and Agricultural Development Fund

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Agricultural Credit Enhancement	7/15/2010	1/15/2015	\$75,175,296	\$61,542,072
Agriculture Development Fund	7/18/2010	12/31/2014	\$74,407,662	\$29,000,000

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

The Agricultural Development Fund and Agricultural Credit Enhancement (ADF-ACE), a \$150 million agricultural-credit project, has two complementary activities that aim to support MAIL's efforts to provide loans and build ADF staff capacity to manage them. ADF was established to provide loans across the agricultural value chain through banks, farm stores, leasing companies, and food processors, which in turn provide agricultural credits to farmers. ACE is the technical assistance component that manages all ADF lending activities and helps build MAIL capacity.⁵⁷¹

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

SIGAR ALERT LETTER

SIGAR last quarter alerted USAID that it had not used 27 watershed assessments—for which it paid \$3.5 million—that were intended to guide its future water sector development in Afghanistan.

which, in turn, reduced the number of loans approved and the number of beneficiaries of its programs.⁵⁷²

Incentives Driving Economic Alternatives-North, East, and West

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Incentives Driving Economic Alternatives-North, East, and West	3/2/2009	3/1/2014	\$159,878,589	\$138,072,218

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

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

USAID reported this quarter that 14,000 hectares are under alternative crop cultivation due to IDEA-NEW.⁵⁷⁴ In addition, USAID said thousands of people have benefitted from agricultural productivity and business skills training, as well as program-supported agricultural inputs. However, USAID also acknowledged low crop production, limited food processing opportunities, and shifting security conditions as challenges to IDEA-NEW.⁵⁷⁵ Afghanistan had 209,000 hectares of opium under cultivation in 2013, a 36% increase over 2012.⁵⁷⁶

A USAID Office of Inspector General audit of IDEA-NEW in June 2012 found a number of problems, concluding that: the program was unfocused, program directives were not followed, program goals were deleted from the performance management plan, and evidence of progress could not be produced.

Source: USAID OIG, Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program, Audit report No. F-306-12-004-P, 6/29/2012.

Commercial Horticulture and Agricultural Marketing Program

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Commercial Horticulture and Agricultural Marketing Program	2/1/2010	12/30/2014	\$40,320,139	\$30,522,754

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

The Commercial Horticulture and Agricultural Marketing Program (CHAMP), a \$40 million program begun in 2010, aims to help farmers plant and operate more profitable orchards and vineyards by enhancing crop quality and promoting export and trade corridors. The program also works with traders to improve harvesting, packing, cool storage, and shipping methods.⁵⁷⁷



Kabul International Agricultural Fair attendees display products from a company assisted by IDEA-NEW. (USAID photo)

As CHAMP approaches the 2014 transition, USAID said it will shift focus to post-harvest commercialization of high-value crops. The program seeks to increase exports through marketing and to promote import substitution. However, USAID said insecurity continues to challenge full implementation of CHAMP. Insurgent groups threaten both CHAMP staff and farmers, particularly in Kandahar, Helmand, Zabul, Wardak, Logar, and Ghazni provinces.⁵⁷⁸

Kandahar Food Zone

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Kandahar Food Zone	7/31/2013	7/30/2015	\$19,695,804	\$990,000

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

This quarter, USAID announced it was launching the Kandahar Food Zone (KFZ) program with two major components: capacity building at the Ministry of Counter Narcotics (MCN) and alternative livelihood projects. The capacity-building component seeks to build up the MCN's ability to design, implement, and manage alternative livelihood projects. The alternative-livelihood component aims to improve community infrastructure and increase legal economic opportunities. As of December 8, 2013, KFZ had not yet begun any community-level projects. The initial cooperative agreement has an estimated value of \$19.7 million, of which \$611,000 was disbursed as of December 8, 2013.⁵⁷⁹

Although it is partly modeled on the Helmand Food Zone (HFZ), USAID said the KFZ program is taking a different approach. The HFZ program

implementers focused on crop substitution and eradication, an input-driven and unsustainable approach, according to USAID. In contrast, the KFZ program engages with communities to identify the social, political, and economic drivers of poppy cultivation, and then tailor appropriate projects to them. Finally, unlike HFZ, KFZ was designed to treat the MCN as an active partner.⁵⁸⁰

Afghan Agriculture Research and Extension Development Program

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Afghan Agricultural Research and Extension Development (AGRED)	7/7/2012	7/16/2017	\$23,638,611	\$3,227,399

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

Afghan Agriculture Research and Extension Development (AGRED) is an on-budget program (with an off-budget mechanism) in partnership with MAIL designed to increase agricultural production and benefit rural livelihoods through the use of improved agricultural technologies. AGRED is rehabilitating research and extension centers for MAIL and the Directorate of Agriculture, Irrigation, and Livestock (DAIL) and across seven provinces and 50 districts. AGRED also provides training to MAIL and DAIL personnel so that they can, in turn, provide technology and advisory services to Afghan farmers and herders.⁵⁸¹

After a slow start that required shifting some funding off-budget due to MAIL's limited capacity, USAID reported that AGRED now has a detailed budget, implementation benchmarks, and means of verification approved by MAIL. In addition, AGRED has conducted inventories of targeted research and extension facilities and completed 21 trainings for 504 MAIL/DAIL personnel.⁵⁸²

ESSENTIAL SERVICES/DEVELOPMENT

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

Energy

The latest World Bank report noted that Afghanistan has one of the lowest rates of electric-service connection in the world, with only 28% of its

population connected to the power grid. Of those who are connected, an estimated 77% live in urban areas.⁵⁸³

Because electricity is critical to Afghanistan's development, the United States, in collaboration with the Afghan government and the international community, has made developing an integrated energy sector one of its top reconstruction priorities since 2002.⁵⁸⁴ In 2002–2011, USAID alone provided close to \$2 billion from the ESF to build generators, substations, and transmission lines, and provide technical assistance to the sector. It plans to spend at least \$500 million more over the next few years.⁵⁸⁵ In addition, DOD has provided approximately \$292 million for electricity projects through the Commander's Emergency Response Program (CERP) and roughly \$700 million through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.⁵⁸⁶

Afghanistan currently has nine separate power systems. The primary two are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**. USAID has three projects to connect and increase the electricity supply in both systems— Sheberghan; the Kandahar-Helmand Power Project, which includes Kajaki Dam hydropower; and the Power Transmission Expansion and Connectivity Program. DOD is contributing to both NEPS and SEPS through AIF projects. The Afghan government, coordinating closely with USAID and DOD, prioritized these programs to increase the availability of affordable, grid-based power. Connecting the power grids is intended to promote the best use of lowest-cost generation, reduce the need for duplicative generating reserves, and improve system reliability.⁵⁸⁷

Sheberghan Program

Afghanistan currently imports more than 70% of the energy it needs, according to USAID.⁵⁸⁸ Together with the ADB, the Overseas Private Investment Corporation, and the MOMP, USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation.⁵⁸⁹

USAID is implementing its part of the Sheberghan Program through two mechanisms: the \$90 million, on-budget Sheberghan Gas Development Project (SGDP), and the \$35 million, off-budget Sheberghan Gas Generation Activity (SGGA).⁵⁹⁰ USAID will pay \$30 million on-budget through SGDP for the rehabilitation of two wells and the drilling of one well in the Juma and Bashikurd field in the Amu Darya Basin. An additional \$7 million will come from Afghanistan's national budget. The National Petroleum Company of Turkey signed a contract with the MOMP on December 14, 2013, to perform the work. Gas reserves are expected to be confirmed in August/September 2014. If, in the end, the wells have sufficient capacity to run a 200 MW gas-fired power plant, USAID will fund a gas gathering system and gas processing plant to fuel it with its remaining \$60 million, on-budget through SGDP. No disbursements have yet been made.⁵⁹¹

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

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

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

The off-budget SGGA component is being implemented under a contract task order with Advanced Engineering Associates International to provide technical assistance to the MOMP for the drilling portion of this project and to help the MOMP tender the Engineering/Procurement/Construction contract for the gas-gathering system and gas-processing plant. As of December 18, 2013, approximately \$23 million has been obligated, of which more than \$10 million was disbursed.⁵⁹²

USAID is funding 21% of the Sheberghan program; the Overseas Private Investment Corporation is expected to back financing of a \$300 million privately funded 200 MW gas-fired power plant (52% of total funding); the ADB will support construction of the associated transmission lines (22% of total funding); and the MOMP will cover the remaining 5%.⁵⁹³

Kandahar-Helmand Power Project

The Kandahar-Helmand Power Project (KHPP) is intended to increase power supply and reliability in Kandahar and Helmand provinces. It was designed to support interim diesel power for critical needs, increase long-term sustainable hydro power, and reduce losses while strengthening the SEPS transmission and distribution system.⁵⁹⁴

On October 29, 2010, USAID signed a \$266 million contract with Black & Veatch to rehabilitate and build power substations, upgrade the medium-voltage distribution system in Kandahar City, install, test, and commission a third turbine at the Kajaki Dam, and design and install new diesel-powered generators for interim power supply until lower cost, more sustainable power becomes available from the Kajaki Dam and/or the NEPS-SEPS connector.⁵⁹⁵ The turbine parts, transported to the power station by a U.S.-British military mission that had to fight its way to the dam site in 2008, have remained unassembled in containers and under tarps ever since.⁵⁹⁶

On April 22, 2013, USAID signed a bilateral, on-budget implementation letter with the Afghan government, and sub-obligated \$75 million for installing, testing, and commissioning the third turbine at the Kajaki hydropower station, which had not occurred under the Black & Veatch KHPP contract, as required.⁵⁹⁷ The turbine installation requirement contained within the Black & Veatch KHPP contract has been descoped.⁵⁹⁸

Afghanistan's national utility, Da Afghanistan Breshna Sherkat (DABS), has assumed responsibility for carrying out the terms and conditions of the Implementation Letter.⁵⁹⁹ On December 9, 2013, DABS signed a \$6 million contract with Dubai-based GFA Consulting for the up-front engineering, procurement, and tendering services pertaining to the installation of Kajaki's third turbine, in addition to security and site support services.⁶⁰⁰ Meanwhile, on December 17, 2013, USAID announced that it intends to negotiate a sole-source contract extension of KHPP with Black & Veatch for technical support services to DABS and USAID in support of the third turbine installation. Black & Veatch would provide project documentation and

SIGAR ALERT LETTER

This quarter, SIGAR issued a letter to USAID alerting them about possible weaknesses in oversight provisions in their agreement for providing direct assistance funds to Afghanistan's national utility, Da Afghanistan Breshna Sherkat (DABS), for the installation of an additional turbine at Kajaki Dam. For more information, see Section 2, page 48.

Kajaki hydropower plant design support. USAID based its decision on Black & Veatch's experience with the Kajaki hydropower plant.⁶⁰¹

DOD is funding fuel for the U.S. Army Corps of Engineers-installed generators in Kandahar City through 2014 using AIF. DABS is providing fuel for other existing generators in the area. The U.S. fuel subsidy may be extended, but USAID expects it to decrease as DABS takes the required steps to secure revenue needed to sustain the fuel costs. One step is contracting for the installation of Kajaki's third turbine, which when operational should generate additional power and revenues.⁶⁰²

Improving revenue collection will be challenging. A SIGAR audit found that despite USAID investments that resulted in some commercialization successes for DABS-Kabul, including increasing cash collections by 60%, the Afghan utility is still operating at a financial loss. Also, DABS may not be able to pay its bills without continued government subsidies that are set to expire in 2014.⁶⁰³ As of December 18, 2013, USAID had obligated \$229.6 million of ESF funds for the KHPP, and of that, approximately \$209.3 million had been disbursed, an increase of \$17.9 million from last quarter.⁶⁰⁴

Power Transmission Expansion and Connectivity Program

The U.S.-funded Power Transmission Expansion and Connectivity (PTEC) program was designed to strengthen and expand the power-generation, transmission, and distribution systems. This program directly supports the National Energy Supply Program of the Afghanistan National Development Strategy, which calls for improving the collection rate against energy billings and increasing the supply of power.⁶⁰⁵

In addition to strengthening and expanding NEPS, a key component of PTEC is funding 304 miles of the 329-mile transmission line between Kabul and Kandahar to connect NEPS with SEPS. The NEPS-SEPS connector will include eight substations located at major population centers along the way. This connection, together with the rehabilitation of the Kajaki Hydropower Plant, was identified in 2010 as the only viable, long-term solution to displace costly and unsustainable diesel-power generation in Kandahar.⁶⁰⁶

Connecting NEPS to SEPS is a multi-donor effort. The ADB is responsible for the first 25-mile section from Kabul to Arghandi.⁶⁰⁷ USAID will fund construction of the next 75 mile section from Arghandi to Ghazni, which includes \$101 million of DOD's AIF that was transferred to USAID. USAID, the MOF, and DABS formalized the bilateral agreement for this segment in February 2013.⁶⁰⁸ USAID plans to contribute \$417.6 million from its \$814 million PTEC project to ADB's Afghanistan Infrastructure Trust Fund (AITF) with a portion used to construct the remaining 230-mile section of transmission line from Ghazni to Kandahar connecting NEPS with SEPS. Completion of the NEPS-SEPS connector will be delayed by two years to 2017/2018. Of USAID's contribution to AITF, approximately \$290 million

will be used to construct the remaining transmission line from Ghazni to Kandahar to complete the NEPS to SEPS connection.⁶⁰⁹

The ADB established the AITF in December 2010, to allow bilateral, multilateral, and individual contributors to partner with the ADB in financing infrastructure investments. AITF will fund projects on-budget through DABS or other Afghan government ministries. Current contributors to AITF also include the UK's Department for International Development and the Japanese Embassy.⁶¹⁰

As of December 31, 2013, USAID has obligated \$180.3 million to AITF and disbursed \$105 million of which \$45 million was disbursed concurrently with the signing of the Program Contribution Agreement in March 2013 and \$60 million was disbursed in December 2013 pursuant to an ADB request. USAID has also obligated \$263.3 million in on-budget assistance to the MOF and DABS for PTEC, but disbursed no funds in the last two quarters.⁶¹¹ That is because USAID set 12 conditions for DABS to fulfill. In an implementation letter dated December 5, 2013, USAID declared that DABS recently met the conditions for funds disbursement, so DABS is submitting contracts to USAID for approval.⁶¹²

DOD-Funded Programs

DOD has viewed establishment of reliable and sustainable power generation, transmission, and distribution as the linchpins to security, stability, and economic growth in Afghanistan. This quarter, DOD continued implementing several priority energy-sector projects using FY 2012 and FY 2013 AIF money. These included:⁶¹³

- Kandahar Power Bridging Solution
- Kandahar–Durai Junction transmission lines
- Charikar–Bazirak and Charikar –Mahmood Raqi transmission lines and power substations
- Kajaki Dam to Musa Qalah transmission lines

Kandahar Power Bridging Solution

This project is providing fuel for the diesel generators in Kandahar City until affordable, sustainable power becomes available through the joint DOD-USAID effort to expand and connect NEPS and SEPS systems.⁶¹⁴ The generators at Shorandam Industrial Park and Bagh-e-Pol have a combined average output of 8–13 MW. Funding levels have not changed from last quarter. FY 2012 funding remains at \$79.8 million for fuel and operations and maintenance (O&M). The estimated FY 2013 cost is \$100 million, which includes \$90 million for fuel and \$10 million for O&M.⁶¹⁵

Based on the president's FY 2014 budget request of \$279 million for AIF, DOD proposed to spend \$100 million for the diesel power generators and to integrate prior DOD and USAID power projects. DOD will reevaluate this plan based on the final FY 2014 appropriation.⁶¹⁶ This will improve overall

power management in Kandahar by consolidating Kandahar's "power islands" into an integrated grid. DOD plans to continue purchasing fuel and providing O&M support into FY 2015, but intended to transfer the generators to DABS in December 2013, along with six months of spare parts. DOD said it will provide technical support for one year following the transition.⁶¹⁷ It sees this electricity as critical to the counterinsurgency strategy to help stabilize Kandahar by supporting economic development and improving citizens' quality of life. DOD said the Kandahar Bridging Solution is central to the Afghanistan Electrification Plan and the State Department's development plan for Afghanistan.⁶¹⁸

Kandahar to Durai Junction Transmission Lines

Part of the effort to expand SEPS, this project continues earlier efforts to install or repair transmission lines from Kandahar City to Durai Junction and to construct or repair substations at Maiwand and Pashmul. The cost for this project, which began in 2012, remains \$40 million in FY 2012 funds. This transmission line constitutes a key element for the larger PTEC project linking SEPS and NEPS and addresses the need for reliable electricity in Afghanistan's south and southeast. DOD's goal is to promote economic growth, security, stability, and capacity-building efforts within DABS to help it generate sufficient revenues to fund capital improvements to the grid. Completion of this project is essential to distribute power generated by the third turbine awaiting installation at Kajaki Dam, according to DOD.⁶¹⁹

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

This project will install 52 miles of transmission lines from Charikar to Bazirak and from Charikar to Mahmood Raqi. It will also build three power substations to expand NEPS. DOD has allocated \$38 million in FY 2012 funds and \$33 million in FY 2013 funds for the project, for a total estimated cost of \$71 million, according to a DOD notification to Congress last quarter. Annual estimated O&M costs for the transmission lines and substations are \$580,000.⁶²⁰

DOD told Congress the project will bring reliable electricity to 1.15 million Afghans across three provinces and help fuel private-sector growth, especially in the agriculture, processing, manufacturing, and mining sectors. Consistent with all AIF-funded projects, and by formal agreement, this project will be transferred to the Afghan government upon completion. DABS will assume responsibility for O&M. Increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment, according to DOD.⁶²¹ However, SIGAR has raised questions about DABS's capacity, and other audits have said Afghanistan lacks the resources necessary to pay for O&M.⁶²²

Kajaki Dam to Musa Qalah Transmission Lines

This project is building new transmission lines from the Kajaki Dam hydropower plant to Musa Qalah in Helmand Province. The \$12 million in FY 2013 funds allocated for Phase I of the project will construct approximately 9 miles of new 110kV transmission line from Kajaki to a new substation that will join with the existing 20kV transmission line. Phase II plans to use \$49 million in FY 2014 funds to build 23 miles of 110kV transmission line from the substation to Musa Qalah, build a new 110kV substation, and rehabilitate the existing 20kV substation at Musa Qalah. The project aims to benefit the approximately 60,000 residents of Musa Qalah, according to DOD.⁶²³

Other components of the project are designed to help integrate SEPS projects into a single, interconnected system. Consistent with all AIF-funded projects, and by formal agreement, this project will be transferred to the Afghan government upon completion. DABS will assume responsibility for O&M. Increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainability, according to DOD.⁶²⁴ As noted above, SIGAR audits have raised concerns about DABS' capacity and resources.

PRIVATE-SECTOR DEVELOPMENT

The United States is supporting private-sector development through the ESF, TFBSO, and CERP. From FY 2002 to FY 2012, USAID appropriated \$1.06 billion for economic growth in Afghanistan.⁶²⁵ USAID's top ongoing economic-growth project, funded through the ESF, is Assistance in Building Afghanistan by Developing Enterprises (ABADE).

Assistance in Building Afghanistan by Developing Enterprises

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Assistance in Building Afghanistan by Developing Enterprises	10/16/2012	10/15/2016	\$104,997,656	\$12,515,789

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

USAID's \$105 million Assistance in Building Afghanistan by Developing Enterprises (ABADE) program focuses on helping productive, Afghan-registered, small-to-medium enterprises add jobs, increase investment, and improve sales of domestic products and services through public-private alliances. It does so through three components: implementing public-private alliances once they are approved; identifying, selecting and supporting the alliances; and working with the Afghan government to improve the environment for business.⁶²⁶

Since ABADE's launch in February 2013, USAID reported that 25 public-private alliances—compared to five reported seven months ago—and 16 applications are awaiting approval, as of January 14, 2014. Additionally, business-outreach and government capacity-building efforts continued this quarter.⁶²⁷

ABADE implementation continues to face restrictions from Presidential Decree 62, which requires the use of APPF and Risk Management Companies for security. The APPF is unable to provide adequate mobile escort units or vehicles, making it difficult for ABADE staff to travel across the region, according to USAID.⁶²⁸

TRANSPORTATION

Afghanistan's lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said restoring the transportation sector is imperative for economic recovery and development.⁶²⁹ Afghanistan's infrastructure shortcomings particularly constrain the service and agriculture sectors, which currently contribute most to GDP. They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to supplement declining aid.⁶³⁰ This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, sustaining operations and maintenance, and complying with international standards.⁶³¹

Roads

USAID approved its Road Sector Sustainability (RSS) project design on July 14, 2013. The project has four main activities:⁶³²

- Activity 1 - Emergency O&M. This is in the RFP development phase.
- Activity 2 - Technical Assistance to the Ministry of Public Works (MOPW). Firms were pre-qualified to bid in September/October 2013, the RFP was released on November 27, 2013 and proposals are expected January 15, 2014.
- Activity 3 - Capacity Building for the MOPW. The Statement of Work is being finalized and a Request for Task Order Proposal is in development.
- Activity 4 - Road O&M Activity. USAID is continuing discussions with ADB's AITF to determine funding options and proposed activities.

USAID's technical assistance to the MOPW is focused on Activity 2, helping the MOPW establish a Road Authority, Road Fund, and Transportation Institute. USAID said the primary challenge for establishing a road authority is political. The president and the cabinet finally approved establishing a Road Authority and Road Fund on August 12, 2013. Maintaining political

support will be challenging given the country's political and security uncertainties in 2014.⁶³³

Rail

In November 2013, the Afghan Rail Authority (ARA) received the final U.S. Central Command (CENTCOM) rail study and is reviewing the document along with rail master plans developed by other international donors. According to the U.S. Department of Transportation, ARA's immediate priorities are to finalize its legal and regulatory framework legislation and have parliament approve it so that its roles and responsibilities in developing Afghanistan's rail sector are clearly defined.⁶³⁴

Currently, Afghanistan has no meaningful railroad development, operational experience, or capacity. Only one completed rail line exists—a 47-mile line from Hairatan, on the border with Uzbekistan, to Mazar-e-Sharif.⁶³⁵ The country needs to expand the 47-mile line if it is to further the U.S. government's New Silk Road vision of regional and economic connectivity. Development of an interlinking 249-mile line between Afghanistan, Turkmenistan, and Tajikistan was inaugurated in June 2013.⁶³⁶

For a detailed discussion on CENTCOM's national railway plan, see pp. 164–166 in SIGAR's July 2013 Quarterly Report.

SIGAR INSPECTION

A SIGAR inspection this quarter of the Balkh Education Facility found that it has not been completed or constructed in accordance with contract requirements and technical specifications; it cannot be turned over to Afghan authorities five years after construction began; and Afghan faculty and students were using the facility although it was not approved for occupancy. For more information, see Section 2, page 40.

EDUCATION

According to the data available to USAID last quarter from the Ministry of Education's (MOE) Information Management System (EMIS), Afghanistan had a total of 13,562 primary, lower secondary, and upper secondary schools in solar year (SY) 1390 (March 2011–March 2012). The same data showed more than 185,255 teachers employed across all education programs in Afghanistan, and approximately 7.5 million students enrolled in primary, government lower secondary, and government upper secondary schools.⁶³⁷

However, USAID said it was concerned about the reliability of the MOE/EMIS, which is the only database tracking education metrics at the MOE. USAID relies primarily on EMIS for its information, but told SIGAR it cannot verify the data. With more USAID assistance now going on-budget, USAID is working to support the MOE to improve the reliability of EMIS data. USAID said it also uses internal reports from its officers, the International Security Assistance Force (ISAF), other donors, and implementing partners to help verify and check information.⁶³⁸ SIGAR is concerned that U.S. government agencies and international donors are unable to verify Afghanistan's oft-cited gains in education.

A SIGAR audit this quarter of assessments of ministries receiving direct bilateral assistance from the U.S. government found that USAID/Afghanistan identified 12 risks and 39 corresponding mitigation measures needed for the MOE before it receives U.S. direct assistance. Despite USAID's own conclusion that the U.S. government cannot rely on MOE internal controls to manage donor funds, USAID disbursed \$11.8 million for

one active direct-assistance program. USAID also committed \$206.1 million for two planned basic-education and workforce-development programs, as of August 1, 2013.⁶³⁹

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

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

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

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Basic Education, Literacy, and Technical-Vocational Education and Training	11/16/2011	12/31/2014	\$43,296,813	\$18,829,265
BELT-Community Based Education	10/29/2013	10/28/2017	\$56,000,000	\$0

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

Basic Education, Literacy, and Technical-Vocational Education and Training (BELT) aims to improve access to quality basic education in communities typically beyond the reach of the government. The program provides textbooks, technical-vocational education, and training, as well as community-based education programs.⁶⁴⁰

BELT has five separate components: capacity building for the MOE, teacher training, Technical Vocational Education and Training (TVET) to meet unmet labor-market needs, procurement of MOE textbooks for grades 1–6, and community-based education.⁶⁴¹

For BELT CBE, Implementation Letter Number 39-01 was signed with the MOE and MOF on September 18, 2013, and spells out substantive matters such as student targets, performance milestones, means of verification, and funding levels. BELT TVET is currently being redesigned to focus on youth development and aims to provide quality basic skills, workforce readiness and TVET training for out-of-school youth.⁶⁴²

Higher Education Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Higher Education Project	2/23/2011	2/28/2014	\$21,216,813	\$16,499,985

Source: USAID, response to SIGAR data call, 12/31/2013.

SIGAR AUDIT

In an ongoing audit, SIGAR is examining the U.S. government’s efforts to assist and improve the education sector in Afghanistan.



A U.S. Navy chaplain helps an Afghan girl with an English lesson at Bagram Airfield. (DOD photo)

Since the Higher Education Project (HEP) project began in 2006, it has supported the Ministry of Higher Education in executing its National Higher Education Strategic Plan. HEP's latest phase, extended to February 28, 2014, provides technical assistance to increase ministry capacity through professional training, quality assurance and accreditation, curriculum review, university partnerships, academic policies, and regulation.⁶⁴⁴ This quarter, the Wolesi Jirga did not approve the Higher Education Law, which grants, in part, public universities the autonomy to generate and manage revenues and donations. However, an associate-degree program for Kabul Polytechnic University was finalized with HEP's assistance and the first class convened in January 2014.⁶⁴⁵

American University of Afghanistan

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
American University of Afghanistan	8/1/2013	8/31/2018	\$40,000,000	\$2,054,928

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

USAID's second, five-year cooperative agreement is designed to continue support for developing the American University of Afghanistan's (AUAF) English-language undergraduate and continuing-education programs. Support will come from USAID's forthcoming STEP-UP program and will help introduce new science, education, and management curricula, as well as a new master's program, distance learning, and on-line resources. The four components of this agreement aim to strengthen academic and professional development programs, enhance program quality, expand programs for women, and increase financial self-sufficiency.⁶⁴⁶

Other Active USAID Education Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Global Partnership for Education	10/11/2012	3/31/2015	\$2,500,000	\$290,158
Afghanistan Reads	6/30/2013	5/31/2015	\$625,000	\$150,000
Afghanistan Technical Vocational Institute	6/15/2013	1/14/2015	\$1,000,000	\$355,000

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

SIGAR AUDIT

A SIGAR audit of MOPH capacity to account for U.S. direct assistance found that despite financial-management deficiencies at the MOPH, USAID continues to provide millions of U.S. taxpayer dollars in direct assistance with little assurance that the ministry is using these funds as intended.⁶⁴³

HEALTH

Afghanistan has experienced significant improvements in its health indicators since 2002, according to USAID. Although the country still has some of the highest maternal- and child-mortality rates in the world, the

USAID-funded Afghanistan Mortality Survey 2010 found that life expectancy has increased by as much as 20 years to an average of 62–64 years.⁶⁴⁷ However, other institutions have cited more modest gains. The CIA *World Factbook* gives the Afghan life expectancy from birth as 50 years, while the World Bank calculated life expectancy at 48.⁶⁴⁸

From FY 2002 through FY 2012, U.S. on- and off-budget assistance to Afghanistan’s health sector totaled \$1.06 billion.⁶⁴⁹ On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, medical and non-medical supplies, in-service training, minor renovations of facilities, medical equipment, and monitoring and supervision. Off-budget assistance includes activities to strengthen health systems, engage the private sector, and procure pharmaceuticals and contraceptives.⁶⁵⁰

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

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

Partnership Contracts for Health Services

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Partnership Contracts for Health Services	7/20/2008	1/31/2015	\$236,455,840	\$151,913,665

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

The host-country contract Partnership Contracts for Health (PCH) program supports the MOPH’s efforts to provide the Basic Package of Health Services (BPHS) and the Essential Package of Hospital Services (EPHS) in 13 provinces. The United States supports 553 of these health facilities—26.4% of total health facilities in Afghanistan—including:⁶⁵¹

- 5 Provincial Hospitals
- 27 District Hospitals
- 13 Comprehensive Health Centers+ (“+” indicates expanded services)
- 157 Comprehensive Health Centers
- 271 Basic Health Centers
- 64 Health Sub-Centers
- 10 Prison Health Facilities

USAID also supports 6,402 health posts throughout Afghanistan—48.5% of all health posts. On average, over 1.3 million patients are served each month.⁶⁵²

PCH delivers health care ranging from primary care to highly specialized diagnostic and treatment services. It also supports the Community Midwifery Education program, which helps to increase the number of female health-care workers and contributes to reducing maternal and child mortality.⁶⁵³

SIGAR INSPECTION

A SIGAR inspection this quarter found that CERP-funded Salang Hospital was not built in accordance with contract requirements and suffered from significant safety issues; the deficiencies identified earlier by U.S. Forces-Afghanistan were not corrected; and the hospital was not providing many of its intended services. For more information, see Section 2, page 41.

USAID reports the growing health demands of communities cannot be addressed through existing BPHS and EPHS. Furthermore, turnover of PCH staff within the Grants and Contracts Management Unit, as well as deteriorating security conditions, have temporarily closed health facilities, delayed management activities, staff deployment, monitoring, and supervision activities.⁶⁵⁴

PCH reports semi-annually to USAID.⁶⁵⁵ Yet, SIGAR's audit of the MOPH found that USAID provides advance, incremental funding to cover operational expenses every 45 days. These and other MOPH internal-control deficiencies put U.S. funds provided under the PCH program at risk of fraud, waste, and abuse. The audit also noted that USAID officials said they have not verified what, if any, actions the MOPH has taken to address these deficiencies.⁶⁵⁶

USAID Oversight

USAID funds a team within MOPH's Grants and Contracts Management Unit (GCMU), which is responsible for monitoring USAID-funded facilities through regular site visits and monthly reports from implementing NGOs. USAID reported that the GCMU team conducted 55 field monitoring visits in FY 2013, visiting 242 (44%) health facilities supported by the PCH program. The NGOs are supposed to provide routine monitoring of each health facility and their monthly reports are supposed to document the number of active health facilities, and the number of staff on hand.⁶⁵⁷ The numbers of patients present, the type, quality, or outcome of health services were not included.

For now USAID relies on the MOPH's Health Management Information System (HMIS) for Afghan health data, as it does for the MOE's EMIS. Unlike with EMIS, USAID, through its Leadership, Management, and Governance (LMG) project is assisting the MOPH implement a data-quality assessment tool to better ensure that HMIS data is more complete, timely, and accurate. USAID also helped the MOPH conduct a data-quality assurance sampling survey this quarter. Data collection was completed in October 2013; results are forthcoming.⁶⁵⁸ For more information about the LMG program, see page 181.

Health Policy Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Health Policy Project	6/2012	10/2014	\$28,000,000	\$13,700,000

Source: USAID, response to SIGAR data call, 12/31/2013; USAID, response to SIGAR vetting, 10/13/2013.

The Health Policy Project (HPP) is building MOPH capacity to address basic health needs through design, negotiation, and management of hospital public-private partnerships (PPPs). The project also aims to build the capacity of local private-sector organizations to partner with the Afghan

government in generating demand for and delivery of high-quality health services through social-media marketing.⁶⁵⁹

USAID said MOPH and other stakeholders have a poor understanding of market economies, and there is insufficient political support for private health-sector initiatives, which is a major barrier for private health-sector investment. Limited availability of qualified international consultants to help support hospital PPPs; lack of office space within MOPH to house a central PPP unit; insecurity; and a lengthy legislative process to reform private health sector price fixing regulations are delaying PPP activities.⁶⁶⁰

Despite these challenges, HPP continued its training programs this quarter, including on the correct use of socially marketed health products aimed at reducing maternal and child mortality, and gender-based-violence training for health providers. Also, MOPH's Directorate of Private Sector Coordination, with HPP assistance, established a commission to streamline the medicine licensing process, which aims to reduce transaction costs and encourage private health sector growth.⁶⁶¹



An Afghan family waits to receive care from Afghan National Army (ANA) medics at an ANA aid center in Kandahar Province. (DOD photo)

Leadership, Management, and Governance Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Leadership, Management, and Governance	9/25/2011	9/24/2016	\$26,000,000	\$13,612,927

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

The Leadership, Management, Governance (LMG) Project works with the MOPH and the MOE at the provincial and central levels to build leadership, management, and governance capacity within Afghanistan's health and education systems. It also aims to improve transparency and accountability within the MOPH and helps both ministries manage on-budget assistance.⁶⁶²

This quarter, with LMG help, two data-quality analyses were conducted, the results of which will be forthcoming next quarter; the Financial Management Information System (FMIS) was introduced at four Kabul-area hospitals so expenditure information can be uploaded directly to the MOF system; and a community-shura guide was finalized and is being presented to MOPH leadership for endorsement.⁶⁶³

Despite advances at 14 national hospitals, USAID said hospital staff currently has poor capacity to operate autonomously. USAID hopes that human-resources autonomy—the right to hire and fire staff—will pave the way for additional reforms. This quarter, the MOPH agreed to delegate human-resource authority to a Kabul-based hospital. A proposal to the Civil Service Commission is awaiting approval.⁶⁶⁴ Last quarter, USAID reported that LMG efforts to provide technical assistance to the hospitals specifically for human resources autonomy were challenged by social and political interference affecting hospitals' internal staffing decisions.⁶⁶⁵

Additionally, the MOPH technical departments and implementing LMG partners are having difficulty aligning their respective roles to respond to Community-Based Health Care needs throughout Afghanistan, making it a challenge to LMG to help the ministry ramp up health initiatives nationwide. Increasing insecurity and limited air transportation options are also reducing LMG efforts in the field.⁶⁶⁶

Other Active USAID Health Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2013
Strengthening Pharmaceutical System	8/29/2011	8/27/2015	\$24,499,936	\$10,951,500
Polio Eradication Activities	7/20/2008	1/31/2014	\$10,750,000	\$9,415,102
TB = Field Support	9/29/2010	9/28/2015	\$4,600,000	\$600,000
University Research = Field Support	9/30/2009	9/29/2013	\$13,950,000	\$12,950,000

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

COMMUNICATIONS

Building an adequate national telecommunications infrastructure has been a top priority for the Afghan government since 2002. Over the past few years, the Information and Communication Technology (ICT) sector has grown to become one of the largest revenue-generating sectors for the Afghan government, contributing roughly \$140 million annually in revenue and accounting for nearly 12% of total government revenues.⁶⁶⁷

A SIGAR audit this quarter of assessments of ministries receiving direct bilateral assistance from the U.S. government found that USAID/Afghanistan identified 13 risks and 56 corresponding mitigation measures needed for the Ministry of Communications and Information Technology (MCIT) before it receives U.S. direct-assistance funds. Yet despite the auditing firm's 2012 conclusion that MCIT is a high-risk entity and USAID's own conclusion that the U.S. government cannot rely on MCIT systems operation and internal controls to manage donor funds, USAID committed \$3.9 million for a planned on-budget E-Government program, as of August 1, 2013.⁶⁶⁸

ATAT primarily helps develop the fiber-optic network used by U.S. forces, which in turn supports Afghanistan's ICT sector. This benefits governance, stability, and social development, according to DOD. Goals include improving cyber security, spectrum, support to government regulatory authorities and the ANSF, mobile-money implementation, and emergency calling services.⁶⁶⁹

While the lack of a skilled ICT workforce and insufficient training are challenges, inadequate cyber security threatens the entire ICT sector, according to TFBSO. Moreover, fiber-optic network access is monopolized

The U.S. Defense Information Systems Agency (DISA) supports Afghanistan's telecommunications efforts through its support to the Afghanistan Telecom Advisory Team (ATAT). The total cost of this support for DISA in Q1 FY 2014 was \$930,116, which was funded with FY 2013 funds. \$866,166 was for contractor support; \$64,000 was used for government/military travel and overtime.

Source: TFBSO, response to SIGAR data call, 12/30/2013.

by Afghan Telecom, which struggles to meet reliability, responsiveness, and availability demands.⁶⁷⁰

Afghan Telecom is 100% owned by the MCIT. Afghan Telecom's management responds to the company's board of directors, which is chaired by MCIT Minister Amirzai Sangin and composed of MCIT and MOF officers, as well as representatives of other Afghan corporations. According to State, Afghan Telecom operates in line with its commitments under its business license and all applicable Afghan laws. It owns and operates all infrastructure transferred to it by the MCIT, including networks constructed with donor funding and infrastructure it acquired through its own financial means. It is also profitable, and receives no subsidies from the Afghan Government.⁶⁷¹

State did not respond to SIGAR on whether Afghan Telecom's relationship with the MCIT constituted a conflict of interest or whether its sole national unified license gave it an unfair advantage over other telecom operators.⁶⁷² It is unsurprising that Afghan telecom is profitable while using and setting prices on networks built and funded by donors. DOD cited Afghan telecom's fiber monopoly as a challenge and risk to the ICT sector, and the World Bank said Afghan Telecom's management of the national backbone network (tying together interconnecting networks) helped keep internet prices artificially high compared to regional countries. At least one internet service provider has expressed concerns to SIGAR about the lack of fair competition in the ICT sector.⁶⁷³

According to State, Afghan Telecom offers managed-bandwidth services to Mobile Network Operators (MNOs), Internet Service Providers (ISPs), and other organizations on commercial terms. State also said MNOs and ISPs can, and often do, use alternative transmission infrastructure (based on satellite and their own terrestrial microwave networks). Additionally, MNOs are allowed to build and operate their own fiber networks where there is no Afghan Telecom fiber.⁶⁷⁴ This does not, however, address the advantage Afghan Telecom currently enjoys from its official-monopoly status.

SIGAR AUDIT

This quarter SIGAR initiated a sector-wide audit of U.S. government efforts to assist in the reconstruction and commercialization of Afghanistan's information and communication technology (ICT) sector. For more information, see Section 2, page 29.

