

3 RECONSTRUCTION UPDATE



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Afghan women show voter cards and vote-confirming inked fingers after casting ballots in the April 5 national elections. (UN Assistance Mission in Afghanistan photo by Shamsuddin Hamed)

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.

The Consolidated Appropriations Act of 2014 provided an additional \$6.6 billion for Afghanistan relief and reconstruction for fiscal year (FY) 2014, bringing the cumulative total appropriated to approximately \$103.2 billion. On March 4, 2014, the President submitted his budget proposal for FY 2015. Amounts requested for several of the largest reconstruction funds, such as the Afghanistan Security Forces Fund, remain to be determined until a decision is made about the scope of the enduring U.S. presence in Afghanistan.

During this reporting period, Afghanistan succeeded in holding presidential and provincial council elections despite ongoing concerns about security as the United States and its Coalition partners proceeded with their troop withdrawals. President Karzai declined to sign the bilateral security agreement with the United States, putting future U.S. assistance in question. However, the international community concluded that the Afghan government had made some progress towards instituting the reforms needed to ensure donor support after 2014. Meanwhile, Afghan revenues continued to miss their targets, increasing the already substantial gap between budget requirements and revenue collection.

At least seven million Afghans (of whom 35% were females) voted in the elections on April 5, 2014. The Independent Election Commission Chairman, Yousaf Nuristani, announced on April 20 that partial results representing 49.67% of polling stations showed presidential candidate Abdullah Abdullah with 44.47% and Mohammad Ashraf Ghani Ahmadzai with 33.18% of the vote. Under Afghan law, if no presidential candidate gains more than 50% of the vote, there will be a runoff between the top two candidates.

Despite early reports to the contrary, the Electoral Complaints Commission (ECC) announced on April 13 that there were more reports of serious instances of fraud than during the 2009 election. The ECC said it was too early to determine the seriousness of the allegations. If President Hamid Karzai hands power this year to one of the candidates in the April 5 election, it will be the first democratic transfer of power in Afghanistan's history.

The general security situation remained in flux. Afghan National Security Forces (ANSF) provided security for the elections. Despite a violent lead-up that included a number of attacks on foreigners in Kabul, the elections faced

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fewer violent attacks than in 2009, and attacks were mostly concentrated in the north, east, and west, rather than the south as in previous elections.

Karzai refused to sign a bilateral security agreement negotiated 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. However, the two leading candidates for president both told *The Wall Street Journal* that they would sign the agreement.

In March, General Joseph F. Dunford, Commander of the International Security Assistance Force and U.S. Forces–Afghanistan, told the Senate Armed Services Committee that the Afghan security forces would deteriorate without continued assistance. Dunford also initiated a report on corruption released in February. The report concluded that “Corruption directly threatens the viability and legitimacy of the Afghan state.”

In March, Afghanistan’s Minister of Interior held a meeting to discuss the disbandment of the Afghan Public Protection Force (APPF). Established in 2009, the APPF took over protecting people, facilities, infrastructure, and construction sites from private security companies. Although the Afghan National Police are expected to assume some of the APPF’s security responsibilities, the plan raised questions about who will protect many reconstruction projects in the future. Since the creation of the APPF in 2009 through FY 2012, the United States provided more than \$51 million dollars to build the force.

The Joint Coordination and Monitoring Board—a high-level decision-making body responsible for strategic coordination between Afghanistan and the international community—met in January to measure Afghan and donor progress on fulfilling Tokyo Mutual Accountability Framework requirements agreed to at the Tokyo Conference in July 2012. In a statement, the board concluded that both sides made “sound progress” while acknowledging that much still needed to be done.

At the same time, the Financial Action Task Force (FATF), an intergovernmental body that sets standards and promotes measures to combat money laundering and terrorist financing, downgraded Afghanistan to its “dark-gray list.” The FATF said Afghanistan had failed to address its anti-money-laundering deficiencies and pass legislation that would address those deficiencies. If Afghanistan does not show satisfactory improvement, it could be downgraded to the “black list” in June 2014, damaging its banking relationships around the world and further weakening the banking sector.

Afghanistan’s domestic revenues for the Afghan FY 1392 (December 21, 2012–December 20, 2013) missed Ministry of Finance budget targets by 11.9%. Domestic revenues paid for only 37% (\$2 billion) of Afghanistan’s total budget expenditures (\$5.4 billion) in FY 1392; donor grants covered the remainder.

DOD reported that the Village Stability Operations, a bottom-up counterinsurgency strategy aimed at connecting local governance to the Afghan

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district and national government, has largely ended, with the exception of the Afghan Local Police component. According to DOD, only two Village Stability Platforms and 16 District Stability Platforms (DSP) hosting U.S. special operations forces remain active. The DSPs are scheduled to complete their mission by October 31, 2014.

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 nearly \$9 billion in on-budget assistance. This includes about \$5.4 billion to Afghan government ministries and institutions, and more than \$3.6 billion to three multinational trust funds—the World Bank’s Afghan Reconstruction Trust Fund (ARTF), the United Nations Development Plan’s Law and Order Trust Fund for Afghanistan (LOTFA), and the Asian Development Bank’s Afghanistan Infrastructure Trust Fund (AITF). Table 3.1 shows U.S. on-budget assistance to Afghan government entities.

TABLE 3.1

U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
Government-To-Government	
DOD	\$4,274
State	92
USAID	1,060
Multilateral Trust Funds	
LOTFA	\$1,210
ARTF	1,977
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; DOD, response to SIGAR data call, 3/2014; USAID, response to SIGAR data call, 4/20/14.

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DOD	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
USAID	ESF: Economic Support Fund
State	INCLE: International Narcotics Control and Law Enforcement

FUNDING FOR AFGHANISTAN RECONSTRUCTION

Since 2002, Congress has appropriated nearly \$103.2 billion for Afghanistan relief and reconstruction. Of this amount, more than \$87.9 billion (85%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

A significant amount of reconstruction funding remains to be spent in the years following the withdrawal of U.S. and NATO combat forces. As of March 31, 2014, approximately \$17.9 billion of appropriated funds remained for possible disbursement, as shown in Figure 3.1. These funds will be used to complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; train, equip, and sustain the ANSF; combat narcotics production and trafficking; and, advance the rule of law, strengthen the justice sector, and promote human rights. Most of the funding in the pipeline has yet to be obligated. Only \$6.7 billion of the \$17.9 billion remaining has been obligated.

FIGURE 3.1

CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

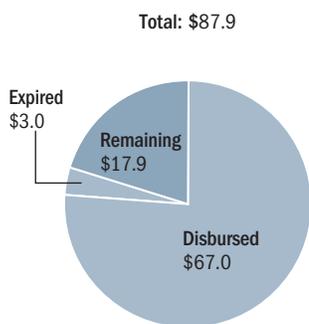


TABLE 3.2

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2014 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$57.33	\$48.92	\$46.65	\$9.59
CERP	3.67	2.29	2.26	0.06
AIF	1.22	0.89	0.23	0.92
TFBSO	0.80	0.73	0.55	0.22
DOD CN	2.93	2.61	2.61	0.32
ESF	17.53	14.66	11.71	5.43
INCLE	4.42	3.55	2.95	1.38
Total 7 Major Funds	\$87.90	\$73.64	\$66.95	\$17.91
Other Reconstruction Funds	7.23			
Civilian Operations	8.05			
Total	\$103.17			

Notes: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$3 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

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

While reconstruction appropriations have been trending downward since FY 2010, the FY 2015 budget request for the largest USAID and State accounts is higher than the amount appropriated to those accounts for FY 2014. The President requested \$1.2 billion for the ESF and \$325 million for INCLE for Afghanistan for FY 2015. Combined, these amounts are 28% lower than the FY 2014 request but 44% higher than the amount ultimately appropriated for FY 2014 in P.L. 113-76.

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Congress appropriated nearly \$8.1 billion to the seven major reconstruction funds for FY 2013. Of that amount, more than \$5.6 billion remained for possible disbursement, as of March 31, 2014, as shown in Table 3.3 and Figure 3.2.

TABLE 3.3

FY 2013 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$4,946	\$2,360	\$1,890	\$3,056
CERP	200	43	33	10
AIF	325	261	9	316
TFBSO	137	135	91	47
DOD CN	295	295	295	0
ESF	1,623	0	0	1,623
INCLE	569	13	9	560
Total 7 Major Funds	\$8,096	\$3,108	\$2,327	\$5,611

Notes: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$157 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

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

Congress appropriated nearly \$6.5 billion to the seven major reconstruction funds for FY 2014. Of that amount, nearly \$6.4 billion remained for possible disbursement, as of March 31, 2014, as shown in Table 3.4 and Figure 3.3.

TABLE 3.4

FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$4,727	\$0	\$0	\$4,727
CERP	30	1	0	30
AIF	199	0	0	199
TFBSO	112	68	11	10
DOD CN	321	0	0	321
ESF	852	0	0	852
INCLE	225	0	0	225
Total 7 Major Funds	\$6,466	\$69	\$11	\$6,455

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

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

FIGURE 3.2

FY 2013 AMOUNT REMAINING TO BE DISBURSED (\$ MILLIONS)

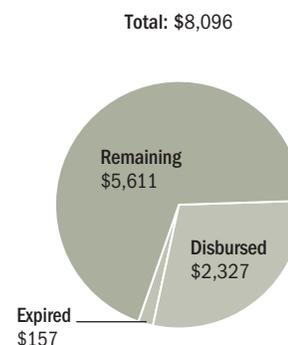
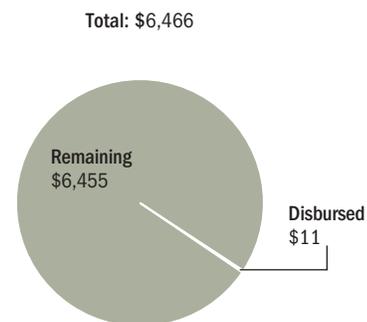


FIGURE 3.3

FY 2014 AMOUNT REMAINING TO BE DISBURSED (\$ MILLIONS)



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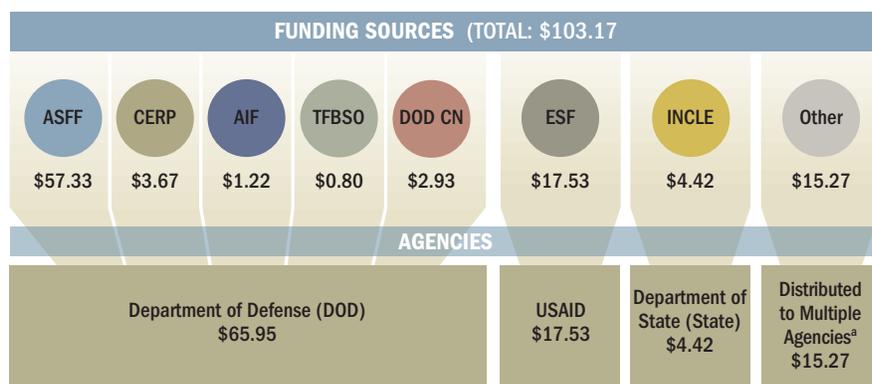
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of March 31, 2014, the United States had appropriated approximately \$103.17 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$58.84 billion for security
- \$25.96 billion for governance and development
- \$7.55 billion for counternarcotics efforts
- \$2.78 billion for humanitarian aid
- \$8.05 billion for civilian operations

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

FIGURE 3.4

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



Notes: Numbers have been rounded.

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

Sources: DOD, responses to SIGAR data call, 4/17/2014, 4/16/2014, 4/15/2014, 4/2/2014, 1/22/2014, 10/22/2012, 10/14/2009, and 6/27/2009; State, responses to SIGAR data call, 4/15/2014, 4/11/2014, 4/9/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/3/2014; OMB, responses to SIGAR data call, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 4/7/2014, 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 March 2014," 4/16/2014; P.L. 113-76, 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.

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

STATUS OF FUNDS



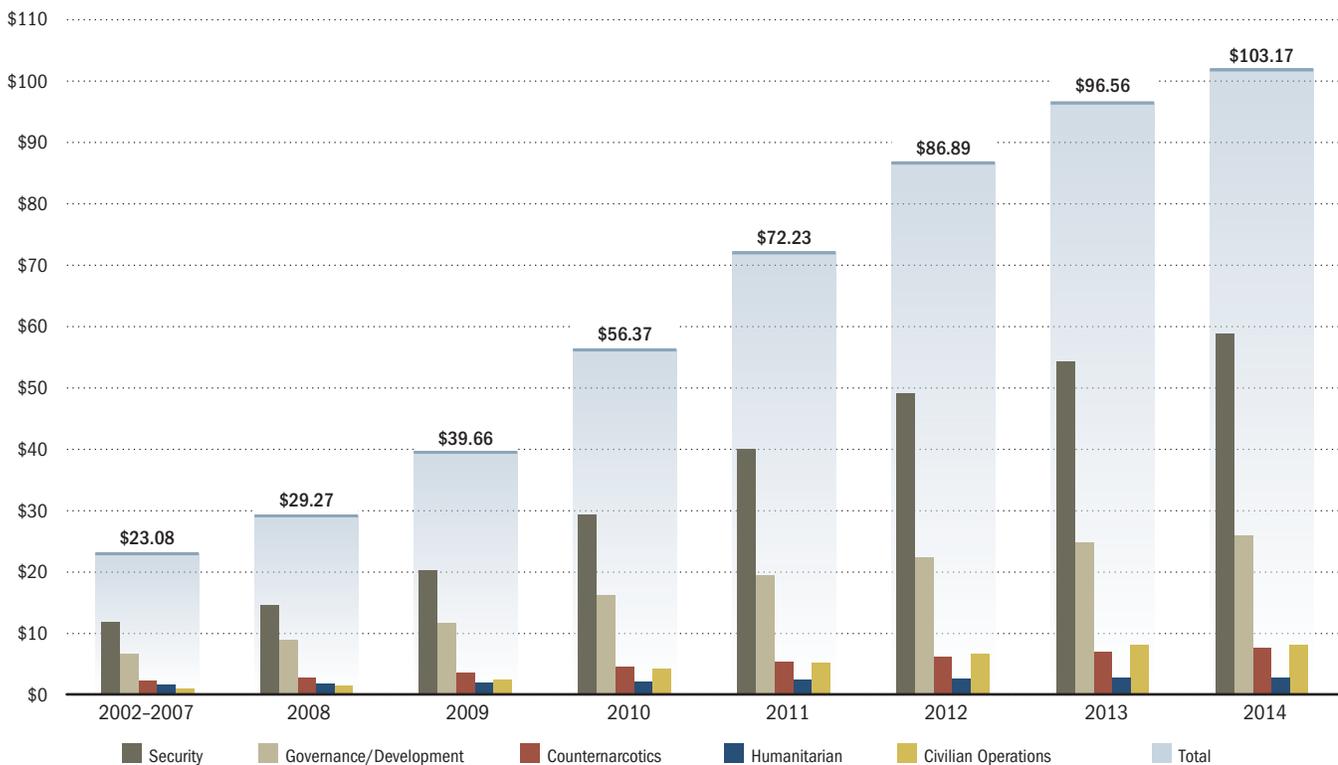
U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of March 31, 2014, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$103.17 billion, as shown in Figure 3.5. This total can be divided into five major categories of reconstruction funding: security, governance and development, counternarcotics, humanitarian, and civilian operations. For complete information regarding U.S. appropriations, see Appendix B.

The Consolidated Appropriations Act, 2014, provided an additional \$6.62 billion for FY 2014, as shown in Figure 3.6. Of this amount, nearly \$4.73 billion was appropriated to the Afghanistan Security Forces Fund (ASFF), bringing cumulative funding for the ASFF to nearly \$57.33 billion, approximately 55.6% of all reconstruction funding.⁴³

The amount provided to the seven major U.S. funds represents nearly 85.2% (more than \$87.90 billion) of total reconstruction assistance since FY 2002. Of this amount, nearly 83.8% (nearly \$73.64 billion) has been obligated, and nearly 76.2% (more than \$66.95 billion) has been disbursed. An estimated \$2.88 billion of the amount appropriated these for funds has expired.

FIGURE 3.5
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF MARCH 31, 2014 (\$ BILLIONS)



Notes: Numbers have been rounded. FY 2014 figures for State and USAID accounts reflect draft allocation amounts and are subject to final Congressional approval. 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 reprogrammed \$178 million from FY 2013 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

Sources: DOD, responses to SIGAR data call, 4/17/2014, 4/16/2014, 4/15/2014, 4/2/2014, 1/22/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2014, 4/11/2014, 4/9/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/3/2014; OMB, responses to SIGAR data call, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 4/7/2014, 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 March 2014," 4/16/2014; P.L. 113-76, 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

On March 4, 2014, the President submitted his budget proposal for FY 2015; however, the proposal contains a placeholder for DOD overseas contingency operations funding until conditions permit a decision about the scope of the enduring U.S. presence in Afghanistan.⁴⁴ As reported in prior quarters, a significant amount of reconstruction funding appropriated in the previous fiscal year remains to be obligated. Nearly \$4.83 billion of the \$7.46 billion appropriated to four of the largest U.S. reconstruction funds for FY 2013 remained available for obligation, as shown in Table 3.5.

TABLE 3.5

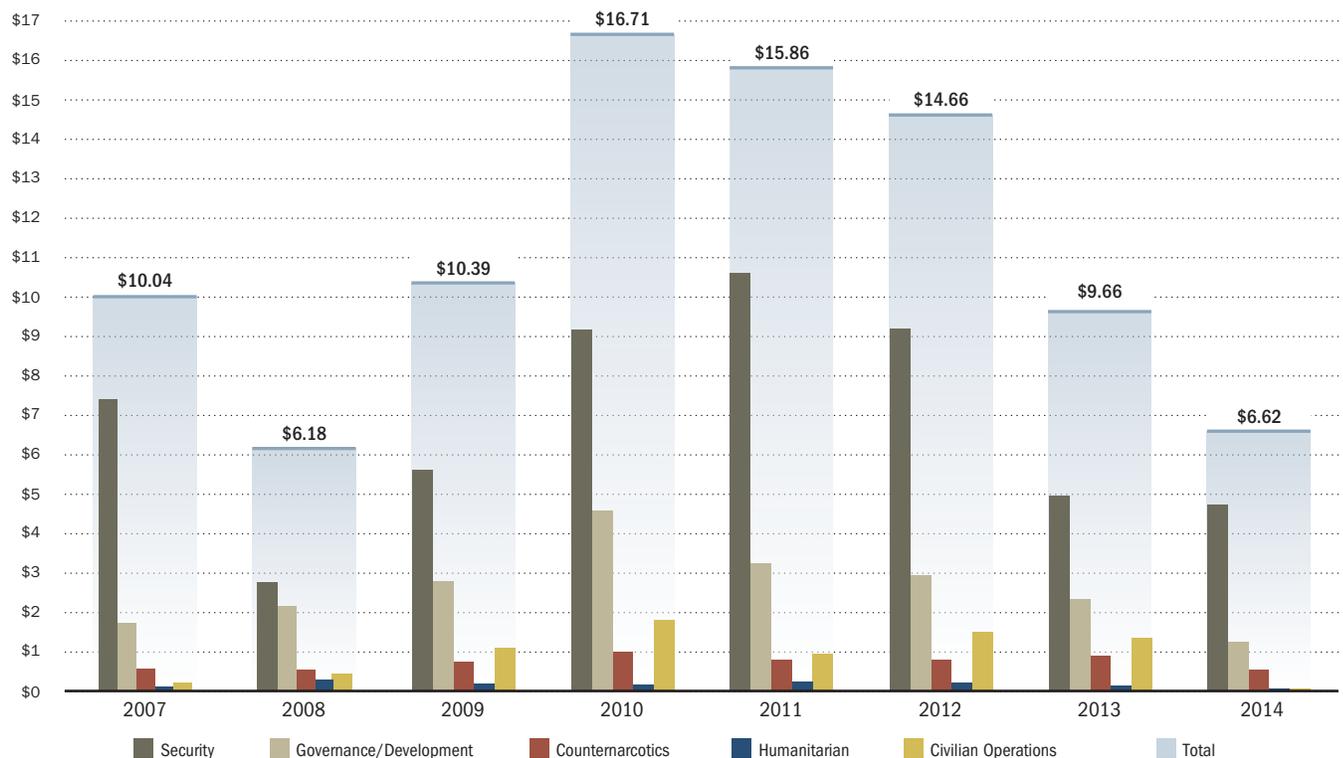
FY 2013 APPROPRIATIONS AND OBLIGATIONS, AS OF MARCH 31, 2014 (\$ MILLIONS)		
	Appropriated	Obligated
ASFF	\$4,946	\$2,360
AIF	325	261
ESF	1,623	0
INCLE	569	13
TOTAL	\$7,463	\$2,635
To Be Obligated		\$4,829

Notes: Numbers have been rounded. DOD reprogrammed \$178 million from FY 2013 ASFF.

Sources: DOD, response to SIGAR data call, 4/15/2014; USAID, response to SIGAR data call, 4/7/2014; State, responses to SIGAR data call, 4/11/2014 and 6/27/2013; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2014," 4/16/2014; P.L. 113-6, 3/26/2013.

FIGURE 3.6

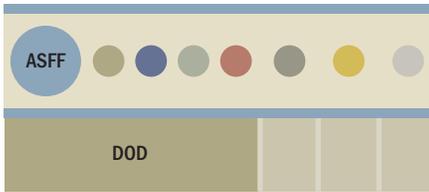
APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY (\$ BILLIONS)



Notes: Numbers have been rounded. FY 2014 figures for State and USAID accounts reflect draft allocation amounts and are subject to final Congressional approval. 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 reprogrammed \$178 million from FY 2013 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

Sources: DOD, responses to SIGAR data call, 4/17/2014, 4/16/2014, 4/15/2014, 4/2/2014, 1/22/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2014, 4/11/2014, 4/9/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/3/2014; OMB, responses to SIGAR data call, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 4/7/2014, 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 March 2014," 4/16/2014; P.L. 113-76, 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, training, and funding, as well as facility and infrastructure repair, renovation, and construction.⁴⁵ The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan.⁴⁶ A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.⁴⁷

The Consolidated Appropriations Act, 2014, appropriated nearly \$4.73 billion for the ASFF for FY 2014, increasing total cumulative funding to nearly \$57.33 billion.⁴⁸ As of March 31, 2014, more than \$48.92 billion of total ASFF funding had been obligated, of which nearly \$46.65 billion had been disbursed.⁴⁹ Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by more than \$1.04 billion over the quarter, and cumulative disbursements increased by nearly \$1.27 billion.⁵⁰ Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR
(\$ BILLIONS)

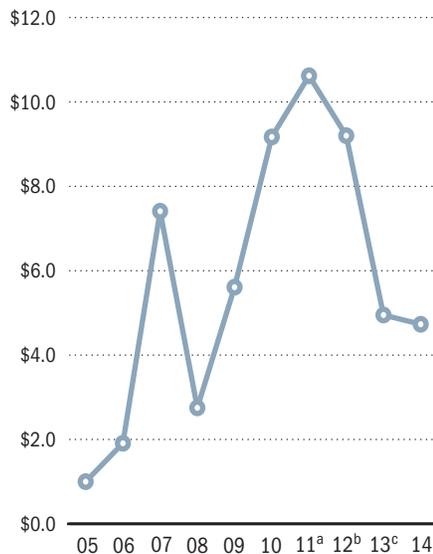
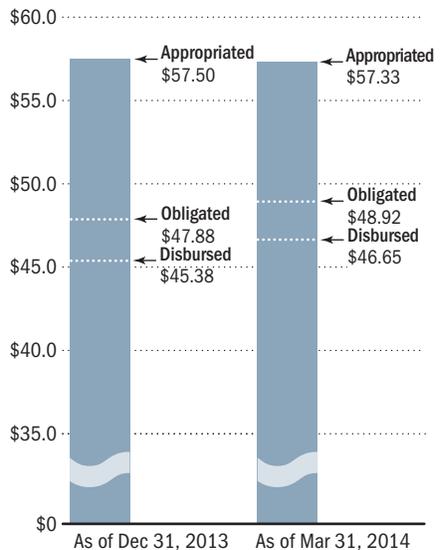


FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. Updated data resulted in a lower appropriation figure for FY 2013.

^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 DOD reprogrammed \$178 million of FY 2013 ASFF.

Sources: DOD, responses to SIGAR data call, 4/15/2014 and 1/23/2014; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013.

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.⁵¹ The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any non-standard equipment requirement in excess of \$100 million.⁵²

As of March 31, 2014, DOD had disbursed nearly \$46.65 billion for ANSF initiatives. Of this amount, more than \$30.90 billion was disbursed for the ANA, and more than \$15.39 billion was disbursed for the ANP; the remaining nearly \$353.76 million was directed to related activities.⁵³

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—more than \$11.54 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$5.70 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.⁵⁴

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 3.9

ASFF DISBURSEMENTS FOR THE ANA BY SUB-ACTIVITY GROUP, FY 2005-MAR 31, 2014 (\$ BILLIONS)

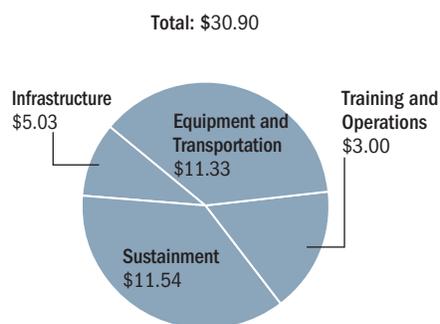
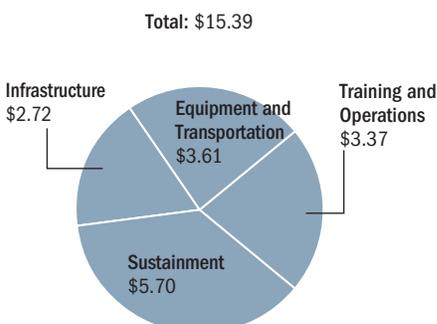


FIGURE 3.10

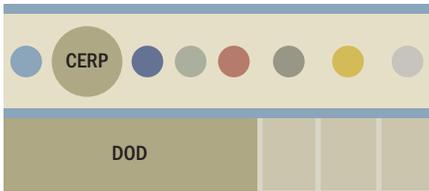
ASFF DISBURSEMENTS FOR THE ANP BY SUB-ACTIVITY GROUP, FY 2005-MAR 31, 2014 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 4/15/2014.

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.⁵⁵ 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 AROC. CERP-funded projects may not exceed \$20 million.⁵⁶

The Consolidated Appropriations Act, 2014, appropriated \$30 million for CERP, increasing total cumulative funding to nearly \$3.67 billion.⁵⁷ Of this amount, DOD reported that nearly \$2.29 billion had been obligated, of which nearly \$2.26 billion had been disbursed as of March 31, 2014.⁵⁸ Figure 3.11 shows CERP appropriations by fiscal year, and Figure 3.12 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.11

CERP APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

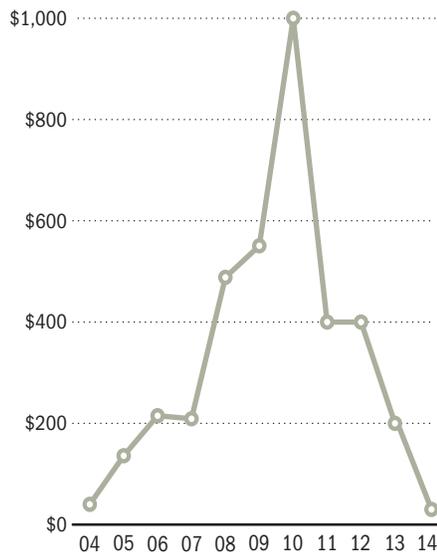
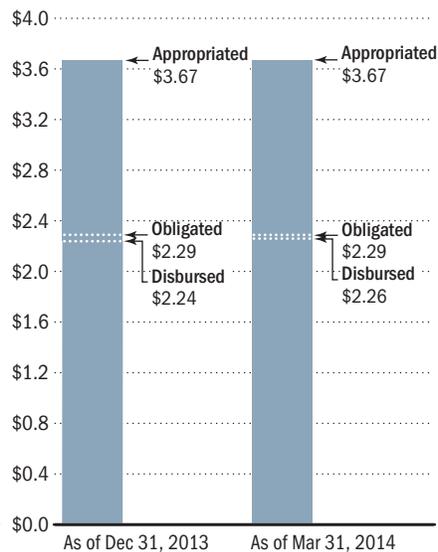


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



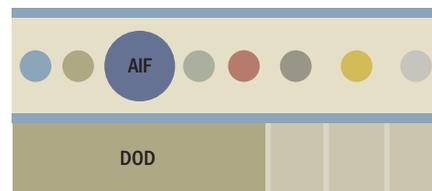
Notes: Numbers have been rounded. Data may include inter-agency transfers.

Sources: DOD, responses to SIGAR data call, 4/17/2014 and 1/22/2014; OMB, response to SIGAR data call, 1/4/2013; P.L. 113-76, 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 Afghanistan Infrastructure Fund (AIF) was established in FY 2011 to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. The AROC must approve all AIF-funded projects and the execution plan.⁵⁹ 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.⁶⁰

The Consolidated Appropriations Act, 2014, appropriated \$199 million for the AIF, increasing total cumulative funding to more than \$1.22 billion.⁶¹ This figure excludes \$101 million of FY 2011 AIF funds transferred to the FY 2011 Economic Support Fund for USAID's AIF-funded infrastructure project. As of March 31, 2014, nearly \$885.58 million of total AIF funding had been obligated, of which more than \$228.99 million had been disbursed.⁶² Figure 3.13 shows AIF appropriations by fiscal year, and Figure 3.14 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 3.13

AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

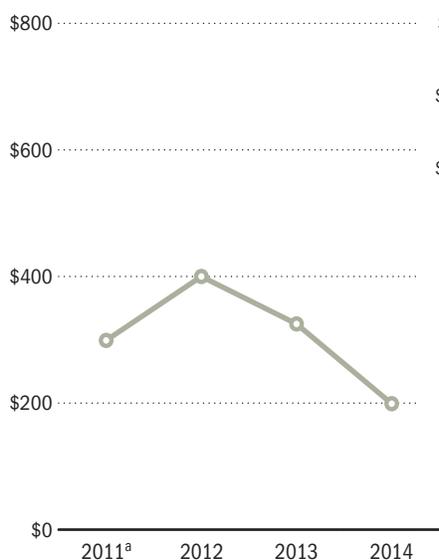
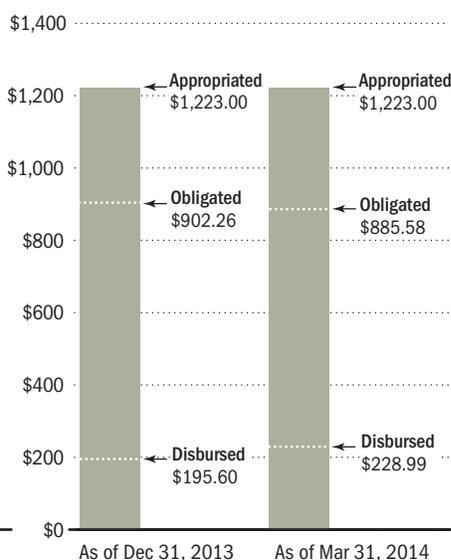


FIGURE 3.14

AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)

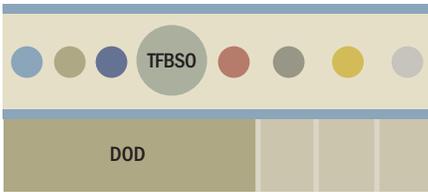


Notes: Numbers have been rounded. Updated data resulted in a lower obligation figure than reported last quarter.

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

Sources: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2014," 4/16/2014; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013," 1/18/2014; P.L. 113-76, 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.⁶³

TFBSO has two separate funding streams, the **National Defense Authorization Act (NDAA)** and the **Operations and Maintenance, Army (OMA)**, account.

Through March 31, 2014, the TFBSO has been appropriated more than \$112.24 million for FY 2014, increasing cumulative appropriations for the task force to more than \$804.39 million.⁶⁴ Of this amount, more than \$726.01 million had been obligated and nearly \$550.13 million had been disbursed.⁶⁵ Figure 3.15 displays the amounts appropriated for TFBSO projects by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.

National Defense Authorization Act

(NDAA): Funds authorized for TFBSO in the NDAA are used for activities directly related to reconstructing Afghanistan.

Operations and Maintenance, Army

(OMA): Funds TFBSO receives from the OMA account are used to pay for sustainment of U.S. assets, civilian employees, travel, security, and other operational costs.

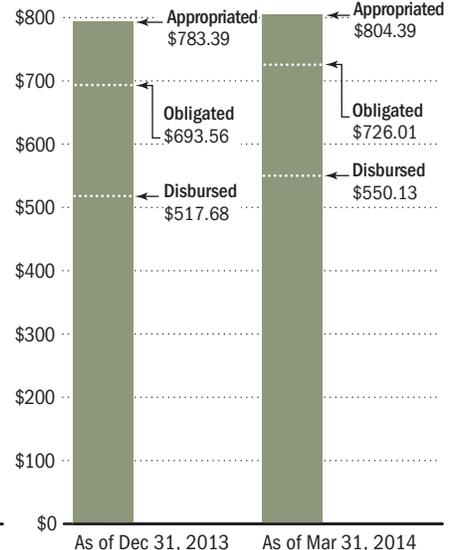
FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)



FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON (\$ MILLIONS)



Note: Numbers have been rounded.

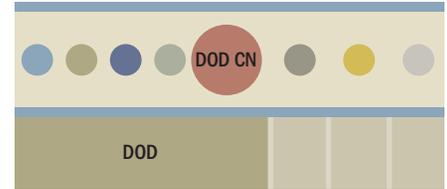
Sources: DOD, responses to SIGAR data call, 4/4/2014, 1/2/2014, and 10/4/2011; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DOD's Drug Interdiction and Counter-Drug Activities fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counternarcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.⁶⁶

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.⁶⁷

DOD reported that DOD CN received nearly \$320.79 million for Afghanistan for FY 2014, bringing cumulative funding for DOD CN to nearly \$2.93 billion since FY 2004. Of this amount, nearly \$2.61 billion had been transferred to the military services and defense agencies for DOD CN projects, as of March 31, 2014.⁶⁸ Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



DOD CN FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

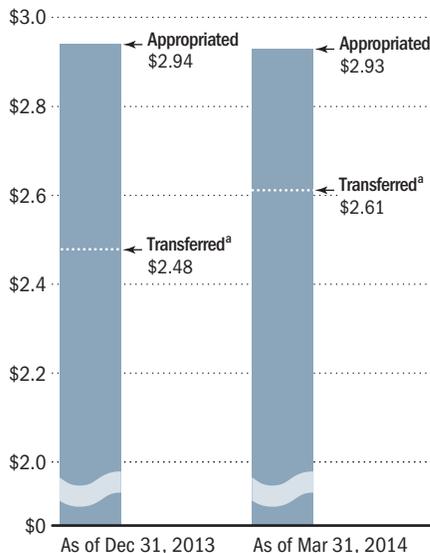
FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

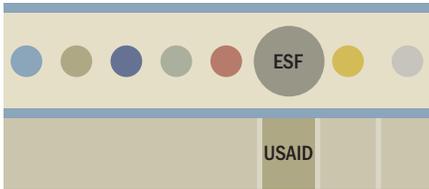


Notes: Numbers have been rounded. Updated data resulted in a lower appropriation figure for FY 2013.

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

Sources: DOD, responses to SIGAR data call, 4/16/2014, 3/28/2014, 1/22/2014, and 12/30/2013.

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 counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.⁶⁹

The ESF was appropriated \$852 million for FY 2014, bringing cumulative funding for the ESF to more than \$17.53 billion. Of this amount, more than \$14.66 billion had been obligated, of which nearly \$11.71 billion had been disbursed.⁷⁰ Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of March 31, 2014, decreased by approximately \$3.1 million from the amount reported last quarter. Cumulative disbursements as of March 31, 2014, increased by nearly \$538.83 million over cumulative disbursements as of December 31, 2013.⁷¹ Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

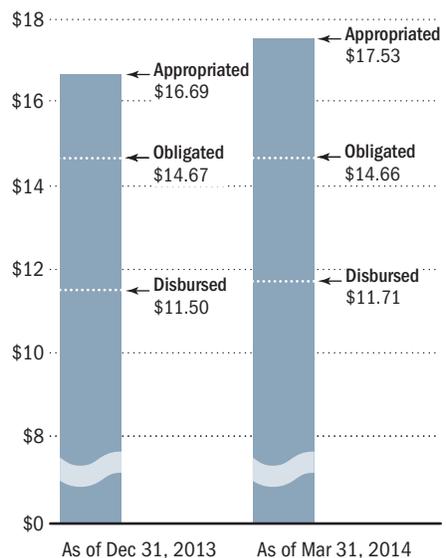
FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR
(\$ BILLIONS)



FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. FY 2014 figure reflects draft allocation amount for Afghanistan and is subject to final Congressional approval. FY 2011 figure includes \$101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund. Updated data resulted in a lower obligation figure than reported last quarter.

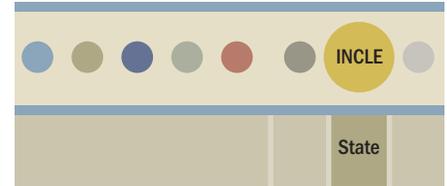
Sources: USAID, responses to SIGAR data call, 4/7/2014 and 1/7/2014; State, responses to SIGAR data call, 4/15/2014 and 6/27/2013.

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.⁷²

State reported that INCLE was appropriated \$225 million for FY 2014, bringing cumulative funding for INCLE to nearly \$4.42 billion. Of this amount, nearly \$3.55 billion had been obligated, of which nearly \$2.95 billion had been disbursed.⁷³ Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of March 31, 2014, increased by more than \$9.65 million compared to cumulative obligations as of December 31, 2013. Cumulative disbursements as of March 31, 2014, increased by nearly \$103.45 million over cumulative disbursements as of December 31, 2013.⁷⁴ Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



INL FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.21

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

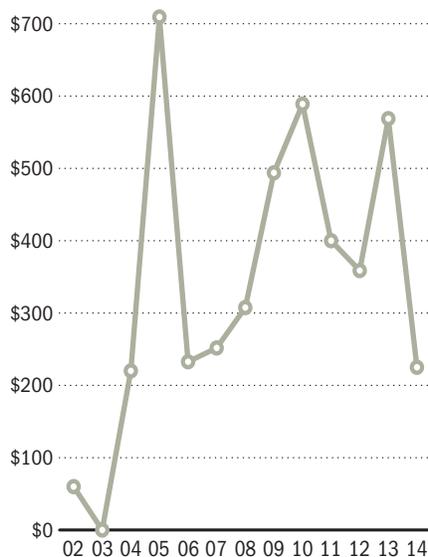


FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. FY 2014 figure reflects draft allocation amount for Afghanistan and is subject to final Congressional approval. Data may include inter-agency transfers.

Sources: State, responses to SIGAR data call, 4/15/2014, 4/11/2014, and 1/13/2014.

STATUS OF FUNDS

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

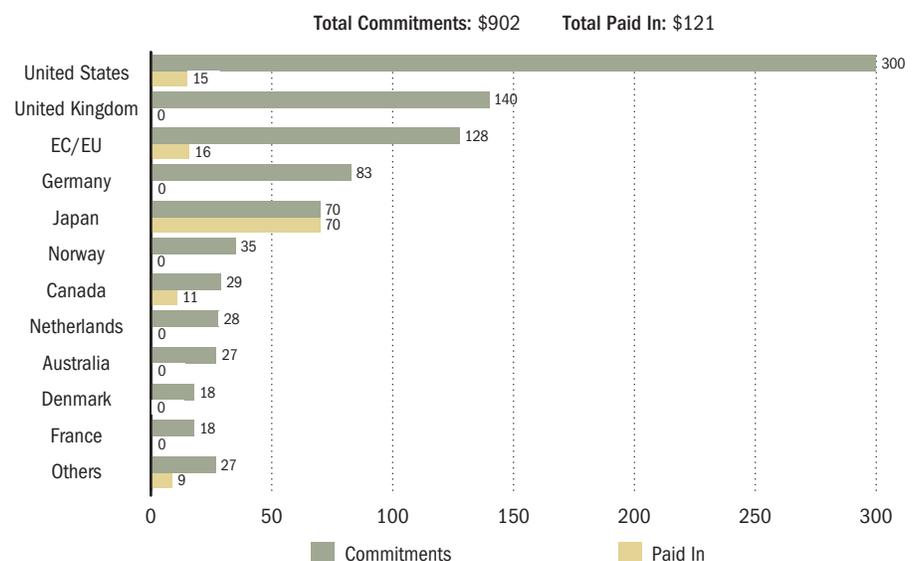
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust 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).⁷⁵

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 March 20, 2014, the World Bank reported that 33 donors had pledged nearly \$7.81 billion, of which nearly \$7.03 billion had been paid in.⁷⁶ According to the World Bank, donors had pledged approximately \$902.04 million to the ARTF for Afghan fiscal year 1393, which runs from December 21, 2013, to December 20, 2014.⁷⁷ Figure 3.23 shows the 11 largest donors to the ARTF for FY 1393.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1393 BY DONOR, AS OF MARCH 20, 2014 (\$ MILLIONS)



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

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of March 20, 2014 (end of 3rd month of FY 1393)," p. 1.

STATUS OF FUNDS

As of March 20, 2014, the United States had pledged more than \$2.26 billion and paid in nearly \$1.98 billion since 2002.⁷⁸ The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 46% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁷⁹ As of March 20, 2014, according to the World Bank, more than \$2.97 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.⁸⁰ 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.⁸¹

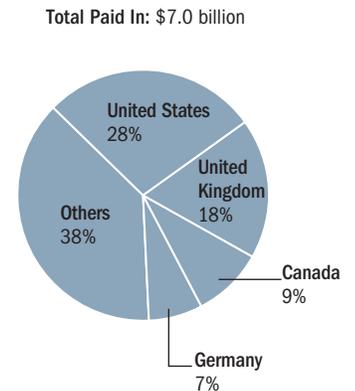
The Investment Window supports the costs of development programs. As of March 20, 2014, according to the World Bank, more than \$3.26 billion had been committed for projects funded through the Investment Window, of which nearly \$2.34 billion had been disbursed. The World Bank reported 19 active projects with a combined commitment value of more than \$2.03 billion, of which more than \$1.11 billion had been disbursed.⁸²

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.⁸³ 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.⁸⁴ The LOTFA’s sixth support phase started on January 1, 2011. Phase VI was initially planned to end on March 31, 2013, but after two extensions, the planned end date is currently December 31, 2014. 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.⁸⁵ 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.⁸⁶ Figure 3.25 shows the four largest donors to the LOTFA since 2002, based on the latest data available.

FIGURE 3.24

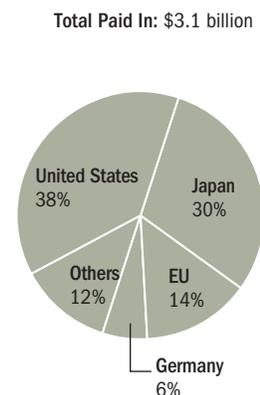
ARTF CONTRIBUTIONS PAID IN BY DONORS SINCE 2002, AS OF MARCH 20, 2014 (PERCENT)



Notes: Numbers have been rounded. "Others" includes 29 donors.
Source: World Bank, "ARTF: Administrator's Report on Financial Status as of March 20, 2014 (end of 3rd month of FY 1393)," p. 4.

FIGURE 3.25

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 March 31, 2014, the U.S. Congress had appropriated more than \$58.8 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$57.3 billion) were channeled through the Afghanistan Security Forces Fund (ASFF) and provided to the Combined Security Transition Command-Afghanistan (CSTC-A). Congress established the ASFF to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the \$57.3 billion appropriated for the ASFF, approximately \$48.9 billion had been obligated and \$46.6 billion disbursed as of March 31, 2014.⁸⁷

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 General Joseph F. Dunford's testimony before the House and Senate Armed Services Committees, continuing U.S. concerns over the lack of a signed U.S.-Afghan Bilateral Security Agreement, the Center for Naval Analysis' release of its independent assessment of the ANSF, the disbanding of the Afghan Public Protection Force, and the release of focus group findings gauging the public perception of the Afghan Local Police.

General Dunford Warns Congress: ANSF Needs Continued U.S. Support

On March 12, General Joseph F. Dunford, Commander of the International Security Assistance Force (ISAF) and U.S. Forces-Afghanistan (USFOR-A), warned lawmakers that the ANSF will need ongoing support if they are to succeed in their role of keeping Afghanistan secure. He told the Senate Armed Services Committee, "If we leave at the end of 2014, the Afghan security forces will begin to deteriorate. The security environment

"If we leave at the end of 2014, the Afghan security forces will begin to deteriorate."

—General Joseph F. Dunford

Source: *The Washington Post*, "U.S. commander in Afghanistan warns that full withdrawal will allow al-Qaeda to regroup," 3/12/2014.

will begin to deteriorate, and I think the only debate is the pace of that deterioration.”⁸⁸

General Dunford told the House Armed Services Committee on March 13 that the ANSF has made progress in countering the Taliban threat, but identified areas where they will need ongoing assistance. He told lawmakers, “After watching the Afghan forces respond to a variety of challenges since they took the lead in June, I don’t believe the Taliban insurgency represents an existential threat to them or the government of Afghanistan.” He also said, “Although the Afghans require less support in conducting security operations, they still need assistance in maturing the systems, the processes and the institutions necessary to support a modern national army and police force. They also need continued support in addressing capability gaps in aviation, intelligence and special operations. To address these gaps a ‘train, advise and assist’ mission will be necessary after this year to further develop Afghan self-sustainability.”⁸⁹

Bilateral Security Agreement

The Bilateral Security Agreement (BSA) between the United States and Afghanistan to determine the legal status of U.S. forces in Afghanistan after 2014 remains unsigned. The final status of the BSA will have a profound impact on the U.S. military footprint in Afghanistan after 2014, the willingness of the United States and the international community to continue to finance reconstruction programs, and on Afghanistan’s ability to maintain progress in the security, governance, and economic sectors. Last 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. President Hamid Karzai refused to sign it. However, the two leading candidates in Afghanistan’s April 2014 presidential election have said they will sign the BSA if elected, according to the *The Wall Street Journal*.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, ISAF commander General Joseph F. Dunford 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 counter-terrorism operations.⁹²

Independent Assessment of the ANSF

This quarter, the Center for Naval Analysis (CNA), a non-profit research organization, released its independent assessment of the ANSF. The Department of Defense (DOD) selected CNA in response to a 2013 National Defense Authorization Act requirement for “an independent assessment of the strength, force structure, force posture, and capabilities required to make the [ANSF] capable of providing security for their own country.”⁹³

The CNA study predicts that the insurgency in Afghanistan will be a greater threat in 2015–2018 than it is now due to the reduction in U.S. and NATO forces and continued presence of insurgent sanctuaries in Pakistan.⁹⁴ The CNA report forecasts that the Taliban will keep pressure on the ANSF, expand its influence in areas vacated by Coalition forces, encircle key cities, and conduct high-profile attacks in Kabul and other cities. It also said that the Taliban will conserve resources in the short term as it recovers from years of Coalition operations before launching “a larger and more intense military effort.”⁹⁵

The CNA assessment concluded that if the ANSF are successful through 2018, a negotiated political settlement is more likely in 2019–2023.⁹⁶ To do this, the ANSF needs a strength of 373,400 personnel, with some changes to its existing force structure, through 2018.⁹⁷ According to CNA, the ANSF’s current force strength is 382,000.⁹⁸ This figure differs from SIGAR’s current total of 336,388 because it is based on authorized—rather than assigned—force levels and includes Afghan Local Police (ALP), which are not included in SIGAR’s total; ALP are counted separately in this report. In addition, CNA concluded that the ANSF and the ministries that support the ANA and the ANP will require international assistance and advisors “through at least 2018” with “similar authorities to the mission in Afghanistan today.”⁹⁹ This will also require the continued commitment of the international community. According to CNA, “withdrawal of international community support is likely to have consequences up to and including renewed civil war in Afghanistan and increased instability in the region.”¹⁰⁰

Afghan Public Protection Force to be Disbanded

According to DOD, President Karzai directed on February 17 that the state-owned enterprise managing the Afghan Public Protection Force (APPF) be dissolved and that APPF personnel and functions be incorporated into the Ministry of Interior (MOI).¹⁰¹ On March 8, 2014, Afghanistan’s Minister of Interior held a meeting to discuss the disbandment of the Afghan Public Protection Force (APPF) and alternatives for continuing to provide security for convoys and Coalition installations.¹⁰²

According to DOD, four security areas will be impacted by the APPF transition: national projects, private sector, convoy and road security, and international projects.¹⁰³

Security of national projects will transition from APPF to the ANP. For protection of private-sector sites, the Ministry of Finance is working out legal details of a process for private customers to pay for security services. Convoy and road security will shift from APPF to ANP with greater responsibility for provincial police and a new highway patrol unit. A rapid-response force and MOI transportation brigade will also help ensure adequate convoy security, according to DOD. For international projects, a joint commission of international and MOI representatives is working to

“Withdrawal of international community support is likely to have consequences up to and including renewed civil war in Afghanistan and increased instability in the region.”

—*Center for Naval Analysis*

Source: Center for Naval Analysis, “Summary of Independent Assessment of the Afghan National Security Forces,” 1/24/2014, pp. 40–41.

develop a way forward, given procedures and legal restrictions vary among countries and organizations.¹⁰⁴

According to DOD, details of the new APPF entity will be worked out during a transition period of undetermined duration. After the transition, MOI envisions that security for international installations will be provided by “special ANP police” who work for a “special annex” of ANP. This entity would have its own bank account at the Ministry of Finance and its own payment scheme. The MOI said that while these ANP personnel cannot be called “guards,” they may have only limited law enforcement powers and will function as guards. Because highway security is already an ANP function, the ANP cannot receive compensation for providing convoy security. The MOI said there would be no fee for convoy security, according to DOD.¹⁰⁵

Since the creation of the APPF in 2009 through FY 2012, the United States provided more than \$51 million to stand up the force.¹⁰⁶ The state-owned enterprise raises its own revenue by providing contract security services to U.S. and international agencies.

For more information on the APPF, see “Afghan Public Protection Force” on page 96 in this section.

Public Perception of the Afghan Local Police

This quarter, the Special Operations Joint Task Force-Afghanistan (SOJTF-A) released the findings of a focus group survey to gauge the public’s perception of the ALP. During the survey, 28 focus groups consisting of six to ten community members and village elders were asked a series of questions about the ALP. While focus groups in the northern and southern districts had the most negative perception of the ALP, all focus groups agreed that the ALP improves community security. The ALP received mixed marks for fighting local crime and were criticized for participating in community dispute resolution in several districts. According to SOJTF-A, several participants noted that since the ALP came under control of the ANP, they have turned to corruption and criminality to offset salaries that are not always paid on time.¹⁰⁷

The focus group survey identified both strengths and weaknesses in the ALP. Among the ALP’s strengths are ALP members’ local knowledge, their constant presence in villages, and opportunities they provide local youth through recruitment. Weaknesses included insufficient training and a lack of adequate equipment as well as “the predatory practices of some ALP members on neighboring communities that lack their own ALP units.” Respondents also noted factionalism and tribal discrimination in the ALP recruitment process.¹⁰⁸

For an update on the ALP program, including force strength, see “Afghan Local Police” on page 95.

SECURITY ENVIRONMENT

According to the United Nations (UN) Secretary-General, the security situation in Afghanistan remains volatile. In his March 7 report to the UN Security Council, the Secretary-General said that 2013 had the second highest level of violence since the fall of the Taliban; 2011 had the highest. Armed clashes and improvised explosive device (IED) events accounted for 75% of all security incidents. The number of armed clashes was up 51% compared to the number in 2012. Afghan forces have proved capable of defending territory, but they have also suffered significant casualties.¹⁰⁹ Between November 16, 2013, and February 15, 2014, the number of security incidents increased by 24% over the number recorded during the same period in the prior year. As part of that increase, the UN recorded 35 suicide attacks compared to 17 the previous year.¹¹⁰

U.S. FORCES IN AFGHANISTAN

According to DOD, the number of U.S. forces serving in Afghanistan as of February 1, 2014, is 33,200.¹¹¹ Since operations began in 2001, a total of 2,178 U.S. military personnel have died in Afghanistan—83% of whom were killed in action—and 19,523 were wounded as of April 4, 2014.¹¹²



USFOR-A stores ammunition in munitions storage areas such as this one in Shindand. (SIGAR photo by Ron Riach)

COMPLIANCE WITH EXISTING CONTRACTING RULES STILL AN ISSUE

DOD contracting has been on the Government Accountability Office's (GAO) high-risk list since 1992—almost a quarter of a century.¹¹³ A January 2012 contracting shura in Kabul produced broad agreement among U.S. military commands in Afghanistan that widespread noncompliance with existing rules and guidance was a continuing problem. A June 2012 DOD report to Congress mentioned the shura and 26 agreed-upon follow-up measures.¹¹⁴

In its April–September 2013 semiannual report to Congress, however, the DOD Office of Inspector General (OIG) noted that “The Department continues to struggle to consistently provide effective oversight of its existing contracting efforts.”¹¹⁵ In preparation for its October 2013, and later for its January and April 2014 reports to Congress, SIGAR asked DOD to identify steps taken to improve compliance with existing regulations. SIGAR also asked if noncompliance continued, if any accountability measures had been adopted to impose substantial individual consequences for noncompliance, and if anyone had in fact faced consequences. To date, DOD has provided no answer. More than two years after the shura consensus and after three requests for information, SIGAR finds this pattern of nonresponse troubling.

ANSF STRENGTH

This quarter, ANSF’s assigned force strength was 342,809, according to data provided by CSTC-A.¹¹⁶ This is 97% of the ANSF’s end strength goal of 352,000 personnel. DOD’s goal to reach 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) has mostly been met.¹¹⁷ The ANA and ANP are within 2% of their target end strength and the Air Force (expected to reach its goal at the end of the year) is within 15%, as shown in Table 3.6. However, as noted below, ANA strength now includes civilian personnel.

TABLE 3.6

ANSF ASSIGNED STRENGTH, MARCH 2013			
ANSF Component	Current Target	Status as of 3/2014	Difference Between Current Strength and Target End-Strength Goals
Afghan National Army	187,000 personnel by 12/2012	182,777 (98%)	-4,223 (2%)
Afghan National Police	157,000 personnel by 2/2013	153,269 (98%)	-3,731 (2%)
Afghan Air Force	8,000 personnel by 12/2014	6,763 (85%)	-1,237 (15%)
ANSF Total	352,000	342,809 (97%)	-9,191 (3%)

Sources: DOD, “Report on Progress Toward Security and Stability in Afghanistan,” 12/2012, p. 56; CSTC-A, response to SIGAR data call, 3/31/2014; DCOM MAG, response to SIGAR vetting, 4/10/2014.

ANA Civilians Still Count Toward ANSF Strength

SIGAR has long been concerned about the issue of civilians constituting a part of Afghanistan’s Army. In July 2012, CSTC-A told SIGAR that civilians were included in the assigned strength of the ANA.¹¹⁸ In October 2012, CSTC-A said that civilians had been accounted for and removed from the ANA’s “end strength number.”¹¹⁹ CSTC-A also said that civilians were not included in the end strength of the ANA in January and April 2013.¹²⁰ However, in July and October 2013, CSTC-A reported that the ANA’s “military strength” again included civilians.¹²¹ In January 2014, CSTC-A told

SIGAR that 9,336 civilians were being counted as part of the ANA and Afghan Air Force.¹²² This quarter, CSTC-A reported 9,486 civilians in the ANA and Air Force.¹²³

According to CSTC-A, the 187,000 authorized positions in the ANA include civilians and that “civilians have to be reflected against ANA end strength if the 352K goal [352,000] is to be the point of comparison.”¹²⁴

In February 2012, a DOD OIG report identified the issue of and risks associated with civilians being counted as part of the ANA. In that report, DOD OIG found that ANA finance officers had “coded” civilian personnel as military or armed forces personnel and included them for payment by CSTC-A, despite an agreement between NTM-A/CSTC-A and the Ministry of Defense (MOD) that only military personnel would be reimbursed. At that time, CSTC-A finance personnel were unaware that civilians had been included for military pay.¹²⁵

According to the CNA independent assessment released this quarter, “uniformed ANSF positions in the MOD and MOI should be civilianized. If civilians with the appropriate expertise cannot be recruited or trained for these positions—or if active-duty ANSF personnel cannot be transitioned to the civil service—then ANSF force structure will need to be increased to accommodate them.”¹²⁶

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.¹²⁷

SIGAR has actively monitored ANSF assessment reporting and has issued two audit reports on the systems and processes used to rate ANSF capability—one in 2010 and another in February 2014. SIGAR’s February 2014 report found that the ISAF Joint Command (IJC) developed the RASR because the old Commander’s Unit Assessment tool (CUAT) was too difficult to read, inconsistently applied, and not useful.¹²⁸ The RASR is the third different assessment tool used to rate the ANSF since 2005.¹²⁹

According to IJC, the RASR is a “holistic intelligence, operational, and sustainment assessment and reporting mechanism” of the ANSF.¹³⁰ The RASR uses rating definition levels (RDLs), based upon ANSF capabilities, to assess ANSF units at the brigade level.¹³¹ 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

SIGAR AUDIT

An ongoing SIGAR audit is assessing the reliability and usefulness of data for the number of ANSF personnel authorized, assigned, and trained.

system], and could form the basis of Afghan ‘self reporting’ as ISAF continues to draw down.”¹³²

SIGAR’s report found that as Coalition forces withdraw, the IJC will have less insight into the ANSF’s capabilities and rely more on the ANSF for assessment data. However, the report noted that “ISAF has not developed a plan that details how it will (1) ensure the continued collection, analysis, validation, and reporting of ANSF capability assessments as Coalition forces draw down and (2) address the challenges associated with having few advisor teams available to conduct assessments and relying on the ANSF’s processes for conducting its own internal assessments.”¹³³

The RASR rates ANA brigades in six areas:¹³⁴

- 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 brigades within corps and two brigades of the 111th Capital Division). Of those, 83% were “fully capable” or “capable” of planning and conducting joint and combined arms operations. This is a decrease from the 88% assessed at those levels last quarter; however, this was due to one brigade not being assessed this quarter. Last quarter, that brigade was assessed as “capable.” In most assessment categories, the ANA’s capability either stayed the same or showed some improvement.¹³⁵ Most declines were due to one brigade not being assessed this quarter, as shown in Table 3.7.

According to the latest RASR report, the total number of “on hand” High-Mobility Multipurpose Wheeled Vehicle (HMMWV) gun trucks decreased by

TABLE 3.7

ANA RASR ASSESSMENTS, QUARTERLY CHANGE															
	Fully Capable			Capable			Partially Capable			Developing			Not Assessed		
	Q1	Q2	+ -	Q1	Q2	+ -	Q1	Q2	+ -	Q1	Q2	+ -	Q1	Q2	+ -
Combined Arms Operations	9	8	-1	12	12		3	3		0	0		0	1	1
Leadership	16	15	-1	7	6	-1	1	2	1	0	0		0	1	1
Command & Control	11	9	-2	13	14	1	0	0		0	0		0	1	1
Sustainment	7	6	-1	13	11	-2	4	6	2	0	0		0	1	1
Training	6	6		13	13		4	3	-1	1	1		0	1	1
Attrition	0	1	1	7	9	2	0	0		17	14	-3	0	0	

Note: Attrition assessment is based on the following monthly attrition rates: 0–1.99% = Fully Capable; 2–2.99% = Capable; 3%+ = Developing

Sources: IJC, December 2013 RASR, 12/30/2013; IJC, March 2014 RASR Status Report, Executive Summary, 4/9/2014.

400 vehicles. IJC noted that two brigades with significant reductions reported the decrease was the result of “an effort to turn in damaged and excess equipment.”¹³⁶ In most categories, the ANA meets or exceeds the amount of equipment it is authorized to have to fulfill its mission. However, not all of its equipment is “mission capable.” For example, in the case of HMMWV gun trucks, the ANA has 158% of the trucks it needs; however, since not all of those trucks are “mission capable,” its material readiness for those vehicles is 101%—still above the rate needed to fulfill its mission.¹³⁷ However, IJC noted that sustainment continues to be an impediment for progress for the ANA, mainly as a result of delivery and resupply issues.¹³⁸

Attrition also continues to be a major challenge for the ANA as 61% of brigades (not including the one brigade that was not assessed) are still considered “developing” which means that attrition in these brigades is 3% or more. However, this is a notable improvement from December 2013 when 71% were rated as “developing.” In other areas, most ANA brigades were rated “fully capable” or “capable,” including leadership (91%), command and control (100%), sustainment (74%), and training (83%).¹³⁹

The RASR rates ANP components in six areas:¹⁴⁰

- 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 18 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.¹⁴¹ Of the 18 that were assessed, 83% were “fully capable” or “capable” of carrying out law enforcement operations (making arrests and prosecuting those arrested), as shown in Table 3.8.

TABLE 3.8

	ANP RASR ASSESSMENTS, QUARTERLY CHANGE																	
	Fully Capable			Capable			Partially Capable			Developing			Not Assessed					
	Q1	Q2	+ -	Q1	Q2	+ -	Q1	Q2	+ -	Q1	Q2	+ -	Q1	Q2	+ -			
Law Enforcement Operations	8	5	-3	7	10	3	1	3	2	0	0		5	3	-2			
Leadership	10	10		4	6	2	1	2	1	0	0		5	3	-2			
Command & Control	4	5	1	11	9	-2	1	4	3	0	0		5	3	-2			
Sustainment	5	4	-1	10	12	2	1	2	1	0	0		5	3	-2			
Training	4	5	1	10	9	-1	1	3	2	1	1		5	3	-2			
Attrition	7	7		3	4	1	0	0		10	9	-1	1	1				

Note: Attrition assessment is based on the following monthly attrition rates: 0–1.99% = Fully Capable; 2–2.99% = Capable; 3%+ = Developing

Sources: IJC, December 2013 RASR, 12/30/2013; IJC, March 2014 RASR Status Report, Executive Summary, 4/9/2014.

SIGAR AUDIT

In an audit report released this quarter, SIGAR found that ISAF Joint Command’s system for rating the capability of the ANSF—the Commander’s Unit Assessment tool (CUAT)—was too difficult to read, inconsistently applied, and not useful. As noted in this section, the CUAT has now been replaced by the RASR. For more information, see Section 2, page 22.

IJC noted that ANP material readiness (equipment levels) rates showed improvement in some areas and a decline in others. In addition, access to MOI-sponsored training for ANP personnel is low due to “disorganized MOI training events.”¹⁴² Attrition also continues to be a challenge for the ANP as 50% of regional components are still considered “developing” which means that attrition in these units is 3% or more. In other areas, the ANP regional components are mostly “fully capable” or “capable”: leadership (89%), command and control (78%), sustainment (89%), and training (78%).¹⁴³

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

DOD reported that this quarter the MOD and the MOI continued to increase their capacity to perform critical functions. 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:¹⁴⁴

- CM-1A: capable of autonomous operations
- CM-1B: capable of executing functions with Coalition oversight
- 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

Like last quarter, SIGAR was provided the CM ratings for only 37 MOD staff sections and cross-functional areas, down from 46 in prior quarters. According to CENTCOM, there was no change in MOD capability since last quarter, as shown in Figure 3.26. This is the first time no quarterly changes in MOD capability were reported to SIGAR.¹⁴⁵

All 32 staff sections at the MOI were assessed; five progressed and none regressed since last quarter, according to CENTCOM. Those whose ratings increased this quarter were:¹⁴⁶

- Deputy Minister for Security–Force Readiness (CM-1A)
- Chief of Staff Office of the Legal Affairs (CM-1B)
- Deputy Minister for Administration–Training Management (CM-1B)
- Deputy Minister for Counter Narcotics (CM-2A)
- Deputy Minister for the Afghan Public Protection Force (CM-2B)

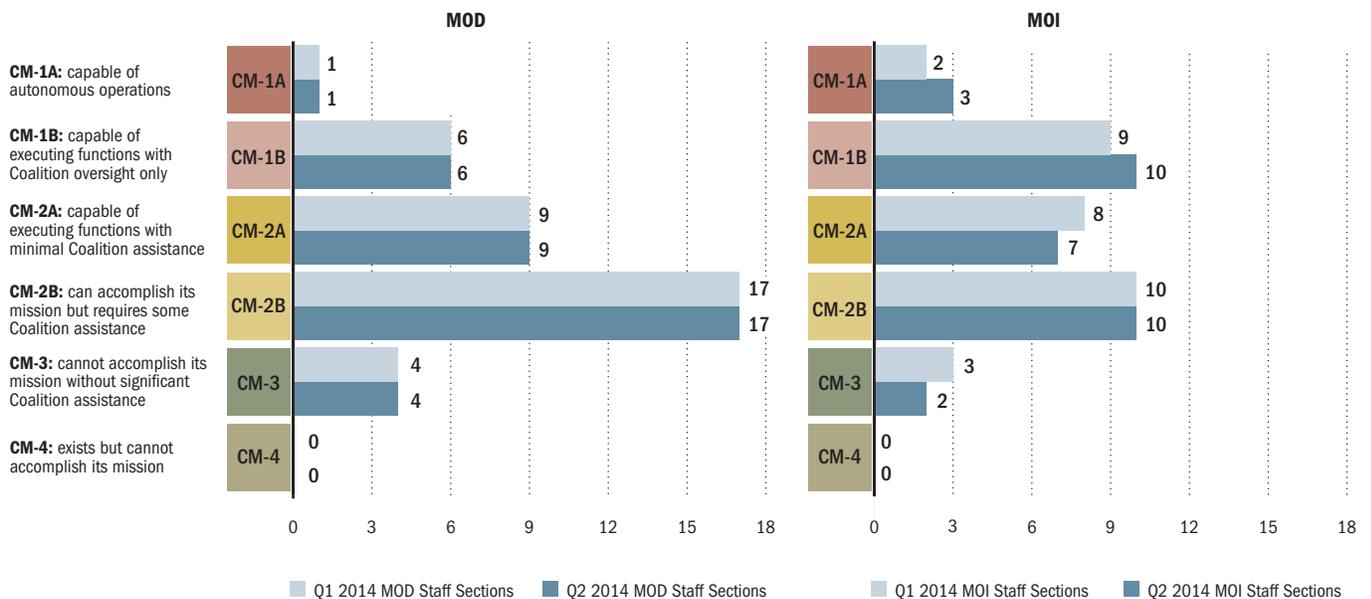
Three MOI staff sections are now rated CM-1A (capable of autonomous operations): the Chief of Staff Public Affairs Office, the Deputy Minister for Security Office of the Afghan National Civil Order Police, and the Deputy Minister of Security for Force Readiness.¹⁴⁷

SIGAR SPECIAL PROJECT

In a special project report released last 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.

FIGURE 3.26

CAPABILITY MILESTONE RATINGS OF MOD AND MOI, QUARTERLY STATUS



Sources: CSTC-A, responses to SIGAR data call, 12/30/2013 and 3/31/2014.

AFGHAN LOCAL POLICE

As of March 15, 2014, the ALP comprised 26,647 personnel, all but 887 of which were fully trained, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A). The current goal is to have 30,000 personnel by the end of December 2014.¹⁴⁸

As of March 31, 2014, nearly \$196 million of the ASFF had been obligated and expended to support the ALP. According to NSOCC-A, the ALP will cost \$121 million per year to sustain once it reaches its target strength. To date, 23,246 AK-47 rifles and 4,045 PKM machine guns—both Russian designed—have been provided to the ALP.¹⁴⁹

According to NSOCC-A, between March 1, 2013, and February 28, 2014, the ALP had a retention rate of 84.9%. During that period, 572 ALP personnel quit their job, 226 were fired, 1,165 were undefined administrative losses, and 1,623 were other losses (also undefined). NSOCC-A reported that 1,144—or about 4.8% of the force—were killed in action (KIA).¹⁵⁰

According to the CNA independent assessment released this quarter, CNA “interviewees in theater told us that the Chief of the ANA General Staff does not want [ANA Special Forces] to be formally associated with the ALP program, in part due to the ALP’s past record of human rights

abuses.”¹⁵¹ CNA noted that “it does not appear that the government of Afghanistan intends for the [ANA Special Forces] to continuing raising ALP after 2014.”¹⁵²

SIGAR AREA OF CONCERN

In discussions with the Professional Services Council—a national trade association representing businesses that provide services to the federal government—SIGAR has voiced its concern about the ability of the APPF to provide security services and how that ability will affect the implementation of reconstruction projects.

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.

AFGHAN PUBLIC PROTECTION FORCE

The Afghan Public Protection Force (APPF), a state-owned enterprise under the authority of the MOI, 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.¹⁵³

As part of that strategy, security for military installations was scheduled to be transferred to the APPF in March 2013. In October 2012, however, IJC told SIGAR that meeting the deadline was “extremely unlikely.”¹⁵⁴ As of March 31, 2014, only five military forward operating bases (FOBs) were secured by APPF personnel; 43 FOBs were still secured by PSCs. This quarter, the APPF comprised 22,727 personnel, according to CSTC-A. This quarter, the APPF had 480 active contracts for their services.¹⁵⁵

The United States has provided more than \$51 million to support the APPF, of which \$34 million was provided in FY 2012; no FY 2013 funds were spent on the APPF. Of the \$34 million provided in FY 2012, most funds were for APPF vehicles (\$17 million). The rest was for APPF facility construction, weapons, radios, training, and other equipment and services.¹⁵⁶

According to CSTC-A, the most recent assessment of the APPF’s capability indicates that the APPF is capable of “planning, executing, and sustaining full spectrum security services with advisory support.”¹⁵⁷

AFGHAN NATIONAL ARMY

As of March 31, 2014, the United States had obligated \$32.4 billion and disbursed \$30.9 billion of ASFF funds to build, train, and sustain the ANA.¹⁵⁸

ANA Strength

As of March 31, 2014, the overall end strength of the ANA was 189,540 personnel (182,777 Army and 6,763 Air Force), according to CSTC-A.¹⁵⁹ However, as noted previously, these numbers include 9,236 ANA civilians and 250 Air Force civilians. The total is more than 97% of its combined end strength goal of 195,000 ANA personnel. While the numbers of assigned personnel in the ANA’s six combat corps, the 111th Capital Division, and the Special Operations Force declined, the number of personnel in training or awaiting assignment increased, as shown in Table 3.9. Personnel absent without leave (AWOL) fell by half, from 10,251 last quarter to 5,141.¹⁶⁰

TABLE 3.9

ANA STRENGTH, QUARTERLY CHANGE						
ANA Component	Authorized			Assigned		
	Q4 2013	Q1 2014	Quarterly Change	Q4 2013	Q1 2014	Quarterly Change
201st Corps	18,130	18,130	None	18,749	17,489	-1,260
203rd Corps	20,798	20,798	None	21,098	20,029	-1,069
205th Corps	19,097	19,097	None	18,963	17,891	-1,072
207th Corps	14,879	14,879	None	14,320	13,806	-514
209th Corps	15,004	15,004	None	15,364	14,554	-810
215th Corps	17,555	17,555	None	18,132	16,310	-1,822
111th Capital Division	9,174	9,174	None	9,276	8,921	-355
Special Operations Force	11,013	12,149	+1,136	10,756	10,458	-298
Echelons Above Corps ^a	36,002	34,866	-1,136	25,992	29,727	+3,735
TTHS ^b	-	-	-	15,915 ^c	24,356 ^d	+8,441
Civilians	-	-	-	9,113	9,236	+123
ANA TOTAL	161,652	161,652	NONE	178,816^e	182,777	+3,961
Afghan Air Force (AAF)	7,370	7,097	-273	6,529	6,513	-16
AAF Civilians	-	-	-	223	250	+27
ANA + AAF TOTAL	169,022	168,749	-273	185,386	189,540	+4,154

Notes: Q4 2013 data is as of 12/30/2013; Q1 2014 data is as of 3/31/2014.

^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 5,010 cadets

^d Includes 4,701 cadets

^e Q4 2013 assigned total includes 10,251 AWOL personnel

Sources: CSTC-A, responses to SIGAR data calls, 1/6/2014 and 3/31/2014.

According to the CNA independent assessment released this quarter, “Afghanistan has a significant need for special operations forces [SOF], but the ANSF cannot support more SOF.”¹⁶¹ CNA also said “ANA SOF currently depend on the U.S. and ISAF for logistics, intelligence, and air mobility. Simply increasing the number of ANA SOF personnel without addressing these support requirements would not increase the overall capability of SOF to disrupt insurgent and terrorist networks.”¹⁶²

ANA Attrition

Attrition continues to be a major challenge for the ANA. Between February 2013 and February 2014, 43,887 ANA personnel were dropped from ANA rolls. The ANA has also suffered serious losses from fighting. Between March 2012 and February 2014, the ANA had 2,166 personnel KIA and 11,804 wounded in action.¹⁶³

ANA Sustainment

As of March 31, 2014, the United States had obligated \$12 billion and disbursed \$11.5 billion of ASFF funds for ANA sustainment.¹⁶⁴

ANA Salaries, Food, and Incentives

As of March 31, 2014, CSTC-A reported that the United States had provided \$2.2 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 \$693.9 million.¹⁶⁵ This is an increase from the estimate provided last quarter of \$542 million per year.¹⁶⁶ CSTC-A noted that funding is provided assuming the ANA is staffed at 100% of its authorized strength.¹⁶⁷

ANA Equipment, Transportation, and Sustainment

Determining the amount and cost of equipment provided to the ANA remains a challenge. After a year of decreasing total costs for weapons procured for the ANA, this quarter CSTC-A reported an increase. Between April 2013 and December 2013, the total reported cost for weapons purchased for the ANA decreased from \$878 million to \$439 million. However in March 2014, CSTC-A reported total costs of \$461 million.¹⁶⁸ The trend in total ANA weapons, vehicles, and communication equipment costs is shown in Table 3.10.

TABLE 3.10

CUMULATIVE U.S. COSTS TO PROCURE ANA WEAPONS, VEHICLES, AND COMMUNICATIONS EQUIPMENT (\$ MILLIONS)				
	Weapons	Vehicles	Communications	Total
April 2013	\$878.0	\$5,556.5	\$580.5	\$7,015.0
July 2013	622.8	5,558.6	599.5	6,780.9
October 2013	447.2	3,955.0	609.3	5,011.5
January 2014	439.2	4,385.8	612.2	5,437.2
April 2014	461.2	4,385.7	670.3	5,517.3

Notes: SIGAR has sought clarification as to why these cumulative totals have declined in some quarters. See text.

Sources: CSTC-A, responses to SIGAR data calls, 4/1/2013, 7/2/2013, 10/1/2013, and 3/31/2014.

In the past, CSTC-A has provided several explanations for the decreasing cost: 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,¹⁶⁹ an extensive internal audit that revealed double-counted equipment,¹⁷⁰ and discovery of incorrect pricing during an internal audit.¹⁷¹ 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.”¹⁷²

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 of U.S. funds used to equip the ANA. SIGAR is currently conducting an audit of ANSF weapons accountability.

Additionally, CSTC-A reported the cost of ANA equipment remaining to be procured has decreased from \$99 million last quarter to \$89 million this quarter.¹⁷³

As of March 31, 2014, the United States had obligated \$11.4 billion and disbursed \$11.3 billion of the ASFF for ANA equipment and transportation.¹⁷⁴ Of these funds, \$5.4 billion was used to procure vehicles, weapons and related equipment, and communications equipment. Nearly 81% of that \$5.4 billion was for vehicles and transportation-related equipment, as shown in Table 3.11.

TABLE 3.11

COST OF U.S.-FUNDED ANA EQUIPMENT BY CATEGORY		
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 \$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.¹⁷⁵

ANA Infrastructure

As of March 31, 2014, the United States had obligated \$6 billion and disbursed \$5 billion of the ASFF for ANA infrastructure.¹⁷⁶ At that time, the United States had completed 328 infrastructure projects (valued at \$4 billion), with another 71 projects ongoing (\$1.5 billion) and 12 planned (\$232 million), according to CSTC-A.¹⁷⁷

This quarter, the largest ongoing ANA infrastructure projects were brigade garrisons for the 2nd Brigade/201st Corps in Kunar (at a cost of \$116 million), the 3rd Brigade/205th Corps in Kandahar (\$91 million), and the 1st Brigade/215th Corps in Helmand (\$87 million).¹⁷⁸ Last quarter, the largest ongoing project was phase one construction of the MOD headquarters in Kabul (\$108 million).¹⁷⁹ SIGAR has initiated an inspection of that project. In addition, 12 projects were completed this quarter at a cost of \$176 million and two contracts worth \$20 million were terminated.¹⁸⁰

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 \$953 million:¹⁸¹

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



While in Afghanistan in March 2014, Special IG Sopko visited the Afghan Ministry of Defense's headquarters building, which is currently under construction. (SIGAR photo by Smythe Anderson)

SIGAR INSPECTION

SIGAR has initiated an inspection of the U.S.-funded construction of the MOD headquarters to determine if construction is being completed in accordance with contract requirements and if any occupied portions of the headquarters are being properly maintained and used as intended. For more information, see Section 2, page 39.

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.¹⁸²

ANA and MOD Training and Operations

As of March 31, 2014, the United States had obligated and disbursed \$3 billion of the ASFF for ANA and MOD training and operations.¹⁸³ This quarter, NTM-A's response to SIGAR's request for information on ANA training raised some questions about the status of U.S.-funded training programs. According to NTM-A, the number of ANA students enrolled in training as of March 18 was 4,363.¹⁸⁴ This is the third quarter in which the number of enrollees has fallen. Last quarter, 17,706 ANA personnel were enrolled in some type of training, which was down from 43,942 enrolled in September 2013.¹⁸⁵ NTM-A did not provide an explanation for the quarterly changes in training enrollment. In a separate response to SIGAR, CSTC-A noted that there were 19,655 ANA personnel in training *or* awaiting assignment. An additional 4,701 personnel were ANA cadets.¹⁸⁶

ANA Literacy

Despite its goal to have 100,000 ANSF personnel (both ANA and ANP) functionally literate by December 2014, NTM-A does not know how many trained personnel are still in the ANSF. While NTM-A tracks the number of ANSF personnel that have received training, it does not how many have been lost to attrition.¹⁸⁷ NTM-A told SIGAR that ANSF are solely responsible for tracking their own personnel.¹⁸⁸ NTM-A estimated that “due to attrition less than 20% of the ANSF will be functionally literate by December 2014.”¹⁸⁹

As of this quarter, 85,535 ANSF personnel—including 47,731 ANA personnel—have completed level 3 literacy training. NTM-A expects to reach its goal of 100,000 functionally literate by December 2014. In response to a SIGAR question about the number of ANA personnel who have completed the level 3 training and are still in the ANA, NTM-A said that the answers were “unattainable due to insufficient ANA personnel tracking and skill/education tracking systems.”¹⁹⁰

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%.¹⁹¹ 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 by the end of 2014.¹⁹²

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.”¹⁹³ However, in an audit report released last quarter, SIGAR found that U.S.-funded literacy contracts do “not require NTM-A/CSTC-A to independently verify students’ proficiency at the three literacy levels.”¹⁹⁴

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. SIGAR’s 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.¹⁹⁵

As of February 28, 2014, NTM-A reported that ANA personnel who have completed a literacy program include:¹⁹⁶

- 162,268 level 1 graduates
- 48,988 level 2 graduates
- 47,731 level 3 graduates

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.¹⁹⁷ According to NTM-A, these contractors were providing literacy trainers to both the ANA and the ANP. They have assigned 736 literacy trainers to the ANA.¹⁹⁸

- OT Training Solutions, a U.S. company, was providing 297 trainers.
- Insight Group, an Afghan company, was providing 202 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was providing 237 trainers.

The estimated cost of these contracts—including contracts for ANP literacy training—for 2014 is \$25 million.¹⁹⁹

Women in the ANA and Afghan Air Force

This quarter, the ANA reported to CSTC-A that 723 women serve in the ANA—672 in the Army and 51 in the Air Force. Of those, 244 were officers, 260 were non-commissioned officers (NCOs), 46 were enlisted, and 173 were cadets. However, according to CSTC-A, Coalition advisors believe that these numbers are overstated and include civilians. CSTC-A noted that, next quarter, the MOD is expected to modify the way personnel are counted to only reflect active duty military personnel and not civilians.²⁰⁰

The current recruitment and retention goal, last published in September 2013, is for 10% of the ANA to be women. To achieve this goal, the ANA has waived a requirement that the recruitment of women be balanced among Afghanistan’s various ethnic groups. The latest female officer candidate school class has 29 cadets: 18 Hazara, nine Tajik, and two Sadat. In addition, the ANA is using television advertisements to increase its recruitment of women. U.S. advisors at the Afghan National Army Officer Academy

SIGAR AUDIT

In an audit report released last 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.

continue to champion the idea that “women in Afghanistan are a talent pool the ANA cannot afford to ignore.” The ANA’s 12-week Basic Warrior Training course includes a class on behavior and expectations of male soldiers who work with ANA women.²⁰¹

Despite progress, the goal of 10% of the ANA to be women remains a distant milestone. Women make up less than 1% of the force. CSTC-A recognized that “training alone is not sufficient to change deep-seated cultural and religion-based attitudes toward women in the ANA. This training is a critical first step, but behavior will almost certainly not change significantly until male ANA personnel have the experience of working alongside well-trained, capable females.”²⁰²

The National Defense Authorization Act for FY 2014, Public Law 113–66, provides \$25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and treatment of women in the ANSF.²⁰³

SIGAR AUDIT

In an ongoing audit SIGAR is examining U.S. support for the Afghan Air Force to determine the Afghan Air Force’s capability to absorb additional equipment.

SIGAR INQUIRY

In 2008, DOD initiated a program to provide 20 G-222 Italian-built, twin propeller military transport aircraft to the Afghan Air Force at a cost of more than \$486 million. In January 2013, the DOD Inspector General reported that the G-222 project management office and NTM-A/CSTC-A did not properly manage the effort to obtain the spare parts needed to keep the aircraft flight worthy. SIGAR is reviewing the G-222 contract to ensure that the U.S. government does not repeat the mistakes made throughout this nearly half billion dollar program.

AFGHAN AIR FORCE

This quarter, the NATO Air Training Command-Afghanistan (NATC-A) reported that the Afghan Air Force has 88 aircraft, excluding aircraft “no longer in service (crashed)” and nine Mi-17 helicopters that are on loan to Afghanistan’s Special Mission Wing (SMW).²⁰⁴

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 6,513-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 3.12.

According to CENTCOM, the Afghan Air Force inventory consisted of 97 aircraft:²⁰⁵

- 58 Mi-17 transport helicopters (includes nine on loan to the SMW)
- 26 C-208 light transport planes
- Six C-182 fixed wing training aircraft
- Five MD-530F rotary-wing helicopters
- Two C-130H medium transport aircraft

TABLE 3.12

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.



NATO Air Training Command-Afghanistan personnel hold a ceremony to award newly certified Afghan Air force maintainers in Herat, Afghanistan. (SIGAR photo by Martin Wilson)

Since last quarter all the Mi-35 attack helicopters (totaling six, of which five were operational) were removed from the Afghan Air Force inventory.²⁰⁶ NATC-A did not provide a reason for the removal of those aircraft.

A SIGAR audit initiated in November 2013 is examining U.S. support for the Afghan Air Force.

According to the CNA independent assessment released this quarter, “Afghanistan has a significant need for air support, but the [Afghan Air Force] cannot support more air power than is currently planned.” CNA also noted that the Afghan Air Force is “struggling to find sufficient numbers of qualified recruits to grow to its planned size” and “even if additional recruits are found, only a small number could be fully trained by 2018.”²⁰⁷

AFGHAN NATIONAL POLICE

As of March 31, 2014, the United States had obligated \$16.2 billion and disbursed \$15.4 billion of ASFF funds to build, train, and sustain the ANP.²⁰⁸

ANP Strength

This quarter, the overall strength of the ANP totaled 153,269 personnel, including 109,184 Afghan Uniform Police (AUP), 21,616 Afghan Border Police (ABP), 14,477 Afghan National Civil Order Police (ANCOP), 5,916 students in training, and 2,076 “standby” personnel awaiting assignment. Of the 109,184 personnel in the AUP, 22,562 were MOI headquarters staff or institutional support staff. In addition, the Counter Narcotics Police of Afghanistan (CNPA) were also rolled into the AUP which may, in part, account for the AUP’s 2,400 increase since last quarter.²⁰⁹ Overall, the ANP’s strength increased 3,803 since last quarter, as shown in Table 3.13 on the following page.

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

TABLE 3.13

ANP STRENGTH, QUARTERLY CHANGE						
ANP Component	Authorized			Assigned		
	Q4 2013	Q1 2014	Quarterly Change	Q4 2013	Q1 2014	Quarterly Change
AUP ^a	110,369	115,527	+5,158	106,784	109,184 ^b	+2,400
ABP	23,090	22,955	-135	20,902	21,616	+714
ANCOP	14,541	14,518	-23	13,597	14,477	+880
NISTA ^c	6,000	6,000	None	5,333	5,916	+583
Standby ^e	-	-	None	-	2,076	+2,076
ANP TOTAL	154,000	159,000	5,000	146,616	153,269	+6,653
CNPA	2,243	^d	^d	2,850	^d	^d
ANP+CNPA TOTAL	156,243	159,000	2,757	149,466	153,269	+3,803

Notes: Q4 2013 data is as of 11/2013; Q1 2014 data as of 2/2014; AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; CNPA = Counter Narcotics Police of Afghanistan.

^a Includes MOI headquarters and institutional support personnel

^b Includes 22,562 MOI headquarters and institutional support personnel.

^c NISTA = Not In Service for Training

^d CNPA personnel included in AUP total in Q1 2014.

^e Personnel that are pending assignment.

Sources: CENTCOM, response to SIGAR vetting, 1/15/2014; CSTC-A, responses to SIGAR data calls, 3/31/2014; DCOM MAG, response to SIGAR vetting, 4/10/2014 and 4/11/2014.

personnel reports. For this reason, the actual operational capability of the ANP is not known.²¹⁰

ANP Sustainment

As of March 31, 2014, the United States had obligated \$5.9 billion and disbursed \$5.7 billion of ASFF funds for ANP sustainment.²¹¹ This includes the nearly \$1.27 billion that the United States has contributed to the Law and Order Trust Fund for Afghanistan (LOTFA) to support the ANP.²¹²

ANP Salaries

From 2008 through March 31, 2014, the U.S. government had provided \$1.09 billion of ASFF, paid through the LOTFA, to pay ANP salaries, food, and incentives (extra pay for personnel engaged in combat or employed in specialty fields), CSTC-A reported.²¹³

According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require an estimated \$510.7 million per year to fund salaries (\$268.4 million) and incentives (\$242.3 million). This is a decrease from the estimated \$628.1 million reported last quarter—mainly because food will no longer be covered by CSTC-A.²¹⁴

ANP Equipment, Transportation, and Sustainment

As of March 31, 2014, the United States had obligated and disbursed \$3.6 billion of ASFF funds for ANP equipment and transportation.²¹⁵ Most of these funds were used to purchase weapons and related equipment,

vehicles, and communications equipment.²¹⁶ More than 83% of U.S. funding in this category was for vehicles and vehicle-related equipment, as shown in Table 3.14.

TABLE 3.14

COST OF U.S.-FUNDED ANP EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$187,251,477	\$4,825,066
Vehicles	1,966,075,183	3,744,582
Communications Equipment	211,062,672	544,573
Total	\$2,364,389,332	\$9,114,221

Source: CSTC-A, response to SIGAR data call, 3/31/2014.

This quarter, CSTC-A reported no change in the total cost of the weapons, vehicles, communications equipment, and ammunition procured for the ANP. 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 in July 2013 to \$137 million in October 2013.²¹⁷ At the time, CSTC-A said the decrease in total cost was due to actual, contracted equipment pricing being lower than estimated pricing.²¹⁸ Then CSTC-A said in December 2013, the increase was "caused by inclusion of weapons procured through alternate funding vehicles."²¹⁹ Although the cumulative cost of equipment—a figure which should only go up or stay the same—has declined since July 2013, the total cost this quarter did not change from last quarter, as shown in Table 3.15.

CSTC-A's estimate of the total cost of vehicles procured for the ANP has been decreasing until this quarter. In July 2013, CSTC-A stated the total cost of vehicles was \$2.65 billion.²²⁰ In October 2013, 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 (July 2013) is a result of an extensive internal audit that revealed some equipment had been double-counted."²²¹ In December 2013, 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 the prior quarter was "due to actual obligated, contracted equipment pricing being higher."²²² It is not clear why a higher price would result in an overall *decrease* in the cost of vehicles procured to date. The total cost this quarter did not change from last quarter.

The United States has also procured \$312 million in ammunition for the ANP and \$1.5 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.²²³

SIGAR SPECIAL PROJECT

This quarter, SIGAR sent a letter to CSTC-A and NTM-A expressing concern that the United States may be unwittingly helping to pay the salaries of non-existent members—or "ghost workers"—of the ANP. For more information, see Section 2, page 41.

TABLE 3.15

CUMULATIVE COST TO PROCURE U.S.-FUNDED ANP VEHICLES DECLINING	
Date	Cumulative Cost
July 2013	\$2,646.3
October 2013	2,029.4
January 2014	1,966.1
April 2014	1,966.1

Sources: CSTC-A, responses to SIGAR data call, 7/2/2013, 10/1/2013, 12/30/2013, and 3/31/2014.

ANP Infrastructure

As of March 31, 2014, the United States had obligated \$3.3 billion and disbursed \$2.7 billion of ASFF funds for ANP infrastructure.²²⁴ At that time, the United States had completed 636 infrastructure projects (valued at \$3 billion), with another 97 projects ongoing (\$544 million) and 11 planned (\$55 million), according to CSTC-A.²²⁵

This quarter, 25 projects valued at \$116 million were completed and four valued at \$73 million were terminated. The largest ongoing ANP infrastructure projects were administrative facilities (\$59.5 million) and building and utilities (\$34.3 million) at the MOI Headquarters and an ANCOP patrol station in Helmand (\$28.5 million).²²⁶

According to CSTC-A, the projected O&M, sustainment, restoration, and minor construction cost for ANP infrastructure for FY 2015 through FY 2019 is \$485 million:²²⁷

- FY 2015: \$102 million
- FY 2016: \$98 million
- FY 2017: \$95 million
- FY 2018: \$95 million
- FY 2019: \$95 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.²²⁸

ANP Training and Operations

As of March 31, 2014, the United States had obligated and disbursed \$3.4 billion of ASFF funds for ANP and MOI training and operations.²²⁹ This quarter, according to NTM-A, the United States is no longer funding any ANP training courses. Since the beginning of 2014, a previously U.S.-funded ANP training course that was being held in Turkey is now NATO-funded. NTM-A continues to provide advisor support to the ANP.²³⁰ Last quarter, 9,513 ANP personnel were enrolled in some type of U.S.-funded training, according to NTM-A.²³¹

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.²³² Like the ANA, NTM-A tracks the number of ANP personnel that have received training, but NTM-A does not know how many trained personnel are still in the ANP.²³³ NTM-A told SIGAR that the ANSF is solely responsible for tracking its personnel.²³⁴

As of February 28, 2014, ANP personnel who have completed a literacy program include:²³⁵

- 92,740 level 1 graduates
- 57,395 level 2 graduates
- 37,804 level 3 graduates

SIGAR AUDIT

In an audit report released last 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.

However, in an audit report released last quarter, SIGAR found that U.S.-funded literacy contracts do “not require NTM-A/CSTC-A to independently verify students’ proficiency at the three literacy levels.”²³⁶

According to NTM-A, the contractors were providing 454 literacy trainers to the ANP.²³⁷

- OT Training Solutions, a U.S. company, was providing 263 trainers.
- Insight Group, an Afghan company, was providing 61 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was providing 130 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. This quarter, ANP personnel included 1,743 women—226 officers, 728 NCOs, and 789 enlisted personnel—according to CSTC-A.²³⁸ This is an increase of 539 women since August 22, 2011.²³⁹

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.”²⁴⁰ Despite an increase this quarter, women make up only 1% of the force.

However, according to CSTC-A, the Minister of Interior recently signed off on a plan that would emphasize achieving the goal of 5,000 women in the ANP by the end of solar year 1393 (March 20, 2015). CSTC-A supports the MOI’s efforts by providing advisors on the recruitment and training of women. This advising has focused on recruiting and enrolling women in “safe units in order to prevent much of the abuse and harassment that has been reported by international agencies.”²⁴¹ In addition, Coalition advisors have created an ANP training curriculum on human, gender, and child rights. As of this quarter, 25,059 ANP personnel have received that training. The course covers topics such as eliminating violence against women, international criteria for human rights, and self-defense for women in law enforcement.²⁴²

The FY 2014 National Defense Authorization Act, Public Law 113–66, provides \$25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and treatment of women in the ANSF.²⁴³

ANSF MEDICAL/HEALTH CARE

As of March 31, 2014, the United States has funded construction of 176 ANSF medical facilities valued at \$155 million with an additional 11 projects ongoing valued at \$15 million. In addition, Coalition forces obligated \$11.7 million in contracts to provide the ANSF with medical training, according to CSTC-A. Since 2006, Coalition forces have procured and fielded \$48 million in ANSF medical equipment.²⁴⁴

SECURITY

This quarter, CSTC-A reported the ANSF health care system had 966 physicians out of 1,203 authorized. Of these, 611 were assigned to the ANA and 355 were assigned to the ANP. The ANSF also had 1,889 nurses, physicians’ assistants, and other medical personnel out of 2,234 authorized. In addition, the ANSF had trained 4,828 medics since 2010, but it was not clear if all of those trained medics were still in service. According to NTM-A, 5,022 medic positions are authorized. NTM-A also noted that 1,288 trauma medics had been trained by DynCorp and were currently equipped and working in their field.²⁴⁵

REMOVING UNEXPLODED ORDNANCE

Since FY 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).²⁴⁶ 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 IEDs.²⁴⁷

From January 1 through December 31, 2013, State-funded implementing partners cleared nearly 24 million square meters (more than nine square miles) of minefields, according to the most recent data from the PM/WRA.²⁴⁸ An estimated 518 million square meters (more than 200 square miles) of contaminated areas remain to be cleared, as shown in Table 3.16. 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.²⁴⁹

On April 9, *The Washington Post* reported that “dozens of children have been killed or wounded” after encountering unexploded ordnance—grenades, rockets, and mortar shells—the remnants of U.S. military

TABLE 3.16

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1–DECEMBER 31, 2013						
Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m ²)	Estimated Contaminated Area Remaining (m ²)
1/1–3/31/2013	1,984	100,648	105,553	3,722,289	7,978,836	552,000,000
4/1–6/30/2013	1,058	18,735	49,465	1,079,807	5,586,198	537,000,000
7/1–9/30/2013	1,243	21,192	98,306	1,673,926	4,229,143	521,000,000
10/1–12/31/2014	8,211	2,460	54,240	3,064,570	5,729,023	518,000,000
TOTAL	12,496	143,035	307,564	9,540,592	23,523,200	518,000,000

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: DOS, PM/WRA, response to SIGAR data call, 3/31/2014.

munitions.²⁵⁰ According to the article, the military has left about 800 square miles of land that once served as firing ranges. So far, the U.S. military has only cleared about 3% of the contaminated land. The rest of the land could take two to five years to clear at an expected cost of \$250 million. However, due to lack of planning, funding has not yet been approved.²⁵¹

COUNTERNARCOTICS

As of March 31, 2014, the United States has provided \$7.5 billion on counternarcotics efforts in Afghanistan since 2002. Congress appropriated most of these funds through two channels: the State Department’s International Narcotics Control and Law Enforcement (INCLE) account (\$4.4 billion), and the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) fund (\$2.9 billion).²⁵²

The United States’ drug control policy has shifted in recent years from eradication to interdiction and agricultural development assistance that aims to provide farmers with alternative livelihoods.²⁵³ The Ministry of Counter Narcotics (MCN) is the lead government agency for developing counternarcotics policy, coordinating activities with other governmental and international agencies as well as implementing various drug interdiction and reduction programs. The MCN is also working to insert counternarcotics into the activities of the entire government by “mainstreaming” counternarcotics efforts into other existing nation strategies and programs.²⁵⁴

The Counter Narcotics Justice Center (CNJC), which includes the Counter Narcotics Tribunal and the Criminal Justice Task Force (CJTF), investigates, prosecutes and tries major narcotics and narcotics-related corruption cases. The CJTF is a vetted, self-contained unit comprised of investigators, prosecutors, and first instance and appellate court judges.²⁵⁵ The Counter Narcotics Police of Afghanistan (CNPA) conducts interdiction operations with DOD and ISAF elements providing training and support.²⁵⁶ USAID funds agriculture and alternative livelihood programs, which are discussed in the Economic and Social Development section of this report on page 179.

According to an April 2014 United Nations Office of Drugs and Crime (UNODC) report on drug use, “Afghanistan is the world’s largest producer and cultivator of opium poppies,” accounting for nearly “three quarters of the world’s illicit opium.”²⁵⁷ The latest UNODC Opium Survey estimates that 209,000 hectares are under opium-poppy cultivation, an all-time high and a 36% increase from 2012.²⁵⁸ This expansion occurred despite the goal outlined in Afghanistan’s draft National Drug Control Strategy for 2012–2016 of reducing the cultivation of poppy by 50% from its 2011 baseline of 131,000 hectares.²⁵⁹ Eighty-nine percent of the opium fields are located in nine provinces in the country’s southern and western regions, as shown in Figure 3.27 on the following page.²⁶⁰

SIGAR TESTIMONY

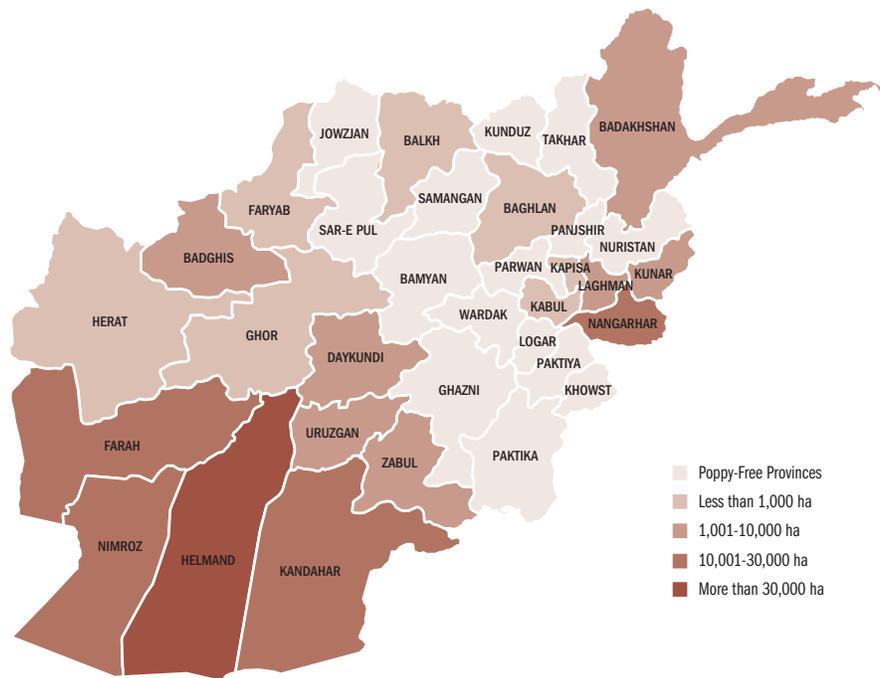
In his January 15 testimony before the Senate Caucus on International Narcotics Control, Special Inspector General John F. Sopko told lawmakers that the narcotics situation in Afghanistan “is dire with little prospect for improvement in 2014 or beyond.” He also said “the expanding cultivation and trafficking of drugs is one of the most significant factors putting the entire U.S. and donor investment in the reconstruction of Afghanistan at risk.” Noting that the United States has not made counternarcotics efforts a priority, he outlined several steps that SIGAR is taking to augment counternarcotic efforts. For more information, see SIGAR’s website www.sigar.mil.

SIGAR AUDIT

In an ongoing audit, SIGAR is assessing U.S. government efforts to develop and strengthen the capacity and sustainability of the CNPA’s provincial units.

FIGURE 3.27

OPIUM CULTIVATION IN AFGHANISTAN BY PROVINCE, IN HECTARES, 2013



Note: A hectare (ha) is about 2.5 acres.

Source: UNODC, *Afghanistan Opium Survey 2013*, 12/2013, p. 13.

Opium cultivation has significant social, political, and economic repercussions for the country and the region. The drug trade undermines the Afghan government because it funds the insurgency, fuels corruption, and distorts the economy. Moreover, the number of domestic addicts is growing. Earlier this year the executive director of UNODC pointed out that “more must be done to confront [the] drug trade, [and the] rise in domestic addiction.”²⁶¹ Domestic addiction poses a serious threat to public health, good governance, and sustainable development.

Drug Use in Afghanistan

The most recent Afghanistan National Urban Drug Use Survey, conducted by State’s Bureau of International Narcotics and Law Enforcement Affairs (INL), in 2012 estimated the number of adult drug users (aged 15 years and older) above 1.3 million, or more than 7.5% of the population.²⁶² An earlier 2009 UNODC survey shows how the problem has been increasing. The 2009 survey estimated that one million Afghans were dependent on drugs.²⁶³ UNODC surveys have shown a climb in regular opium usage from 150,000

users in 2005 to approximately 230,000 in 2009 (a 53% increase). Meanwhile, regular heroin users had grown from 50,000 in 2005 to approximately 120,000 in 2009 or 140% increase. The 2009 UNODC survey also revealed a high number of parents—as high as 50% in the north and south of the country—providing opium to their children.²⁶⁴

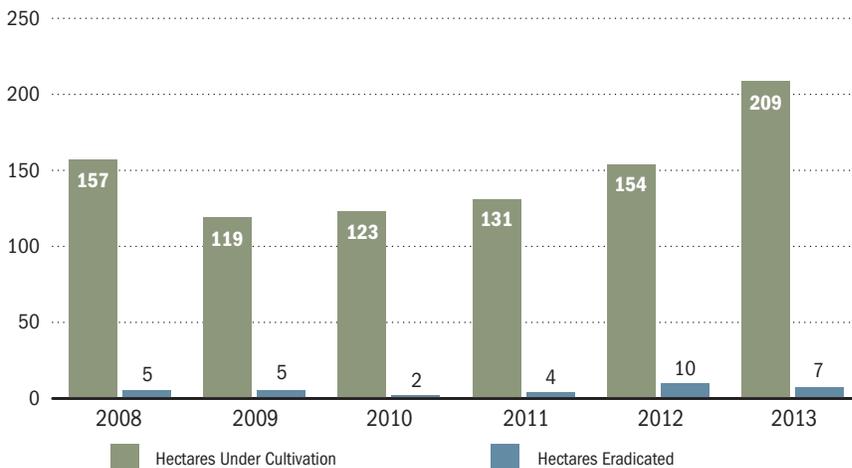
INL funds a number of drug prevention and treatment initiatives as well as eradication, interdiction, and other law enforcement efforts.²⁶⁵ However, according to State, U.S. and Afghan efforts have contributed to the concentration of poppy cultivation in limited, remote, and largely insecure areas of the country.²⁶⁶

Governor Led Eradication Program

INL funds the Afghan government’s Governor Led Eradication (GLE) Program. The MCN, in partnership with UNODC, is responsible for verifying poppy cultivation and eradication.²⁶⁷ According to INL, the Afghan government’s eradication target for 2014 is 22,500 hectares. In 2013, governors eradicated 7,348 hectares, a decline from the 9,672 hectares eradicated in 2012, but still above the 2010 level of 2,316 hectares and the 2011 level of 3,810 hectares.²⁶⁸ Although poppy cultivation expanded in 2013, INL told SIGAR that the MCN has placed increased focus on eradication in provinces close to poppy-free status in order to further increase the number of poppy-free provinces.²⁶⁹ Since 2008, eradication efforts have affected on average less than 4% of the annual national poppy crop, as shown in Figure 3.28.

FIGURE 3.28

HECTARES OF POPPY CULTIVATED AND ERADICATED, 2008–2013 (THOUSANDS)



Note: A hectare is 10,000 square meters, or almost 2.5 acres.

Sources: UNODC, *World Drug Report 2012*, 6/2012, pp.27-28; UNDOC, *Afghanistan Opium Survey 2012: Summary Findings*, 11/2012, p.3; UNODC, *Afghanistan Opium Survey 2013*, 12/2013, pp. 17-18, 32, 35.

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 satellite verification on a rolling basis.²⁷⁰

In preparation for the 2014 eradication season, the MCN hosted a December conference for governors at which provincial leaders determined eradication targets. Another conference was held in January for the Afghan line ministries to coordinate efforts to support the GLE campaign. On January 26, 2014, a new Memorandum of Understanding (MOU) was signed between INL and the MCN to renew the GLE program for another year. The MOU also modified a few aspects of the program, including new advance payment regulations and the creation of a new joint INL-MCN bank account.²⁷¹

The 2014 eradication season began on March 3, 2014, in Helmand. Kandahar, Farah, and Nimroz are scheduled to begin eradication campaigns in mid-April.²⁷² The fact that this year's poppy-growing cycle and eradication efforts coincided with Afghan elections is likely to negatively impact eradication levels in 2014, as security forces were less available to support eradication activities.²⁷³

Good Performer's Initiative

INL also supports the MCN's efforts to achieve and sustain poppy-free provinces through the Good Performer's Initiative (GPI). Under the current terms of the GPI program, a province is eligible for \$1 million in GPI development projects for each year that it achieves poppy-free status, according to INL. INL told SIGAR that the completion of GPI projects in a given province incentivizes continued counternarcotics performance in the year ahead, shows provincial leadership and citizens that there are tangible benefits to countering poppy cultivation, and reinforces the writ of the government in the province, district, and community.²⁷⁴ Since the start of the GPI program in 2007, more than 200 development projects either have been completed or are in process in all 34 of Afghanistan's provinces, including: school construction, road and bridge projects, irrigation structures, farm machinery projects, and hospital and clinic construction.²⁷⁵

As of February 28, 2014, a total of 209 GPI projects with a value of \$106.7 million had been approved. Of those, 108 were completed, 95 were ongoing, and six were nearing completion.²⁷⁶ INL is collaborating with the MCN to redesign the GPI program to incentivize action on counternarcotics issues and focus on support for rural alternative livelihoods.²⁷⁷

Demand Reduction

With INL support, the Afghan government has established drug treatment centers to help address domestic drug dependency throughout the country. Nevertheless, as described in the Afghan government's latest Drug Demand Reduction Policy, 99% of Afghanistan's drug addicts are not receiving

treatment at the 50 drug treatment centers currently providing services.²⁷⁸ During this quarter, INL continued work with UNODC and the **Colombo Plan** to support treatment centers and rehabilitation services for men, women, and children in Afghanistan. INL supports 76 treatment programs of the 113 programs in the country.²⁷⁹ This quarter it provided support for the training of clinical staff, treatment services, and outpatient and village-based demand reduction, while continuing to implement a transition plan to transfer 13 treatment programs to Afghan authorities. The transition plan includes building staff capacity and promoting continued cooperation between the MCN and MOPH. INL's transition plan will continue through 2017, with additional programs transitioning to Afghan control each year.²⁸⁰ INL said it seeks to create uniformity among the treatment centers nationwide and help incorporate existing Afghan treatment professionals into the Afghan government civil service structure. Under the plan, treatment programs will transition to the Afghan government as INL support to individual programs slowly decreases over the coming years.²⁸¹

Counter Narcotics Community Engagement

INL also funds the Counter Narcotics Community Engagement (CNCE) program which aims to promote poppy-free status for provinces. CNCE, implemented through Sayara Media Communications, targets farmers through national and local public awareness and media campaigns in opium 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 to ensure the MCN develops the capability to take direct responsibility for CN media relations, public awareness, and behavioral change activities, with the goal of ensuring lasting success beyond conclusion of the program.²⁸²

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 district- and cluster-level development councils, local NGOs, and provincial line departments to increase licit livelihood opportunities as a platform for sustaining transitions away from a dependence on poppy cultivation. The grant aims to strengthen community-level linkages between the Afghan National Drug Control Strategy and the Afghan National Development Strategy.²⁸³

International Cooperation

The United States was among the 127 countries that attended the Commission on Narcotic Drugs (CND) meeting in Vienna, Austria, on

Colombo Plan: The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific was instituted as a regional intergovernmental organization for the furtherance of economic and social development of the region's nations. It was conceived at a conference held in Colombo, Sri Lanka, in 1950 with seven founding member countries and has expanded to 26 member countries. INL continues to support the Colombo Plan's Asian Centre for Certification and Education of Addiction Professionals, a training unit of treatment experts to assist governments in the process of developing a professional certification process for addiction professionals in Asia and Africa.

Sources: The Colombo Plan Secretariat website, History, www.colombo-plan.org; INL, *International Narcotics Control Strategy Report: Volume I Drug and Chemical Control*, 3/2013, p. 20.

March 13–21, 2014.²⁸⁴ The CND, a United Nations body responsible for drug control matters, has two functions. It oversees the application of international drug control treaties and acts as the governing body for the UNODC, including approving the UN International Drug Control Programme's budget.²⁸⁵ As part of those responsibilities, the CND monitors the world drug situation, develops strategies on international drug control, and recommends measures to combat the world drug problem, including through reducing demand for drugs, promoting alternative development initiatives, and adopting supply reduction measures. The CND provides a forum for the United States to work with multilateral partners to coordinate and discuss global drug issues, including illicit narcotics in Afghanistan.²⁸⁶

The 2014 CND meeting addressed a number of issues relevant to the growing narcotics problem in Afghanistan, including: supply and demand reduction, international cooperation, and UNODC activities. In addition, special side events included discussions on Afghan and Pakistani customs and the trafficking of Afghan opiates. The CND members have begun planning for the UN General Assembly Special Session on Drugs to take place in 2016.²⁸⁷

Ministry of Counter Narcotics Capacity Building Program

This quarter, the MCN and INL signed the MCN Capacity Building Program/Advisor Support MOU. The program, which was renewed for 18 months, provides funding for 24 local and national advisors and helps build the MCN's capacity. INL tracks and evaluates the program's effectiveness using a performance measuring plan being implemented to track and evaluate the advisors' effectiveness.²⁸⁸ According to INL, this process not only helps stakeholders monitor the success of the Advisor Support program, but also improves the MCN human resources department's employee evaluation practices. In addition, this quarter INL assisted in the installation of information technology equipment for the MCN's headquarters.²⁸⁹

Effect of the Coalition Drawdown on Counternarcotics Operations

According to DOD, the drawdown of Coalition forces has hurt the CNPA and other Afghan counternarcotics agencies. The impact has been most pronounced in Helmand and Kandahar—the focus of the Coalition surge and subsequent withdrawal. Vetted counternarcotics units like the Intelligence and Investigation Unit, the Sensitive Investigative Unit (SIU), Technical Investigative Unit, and the National Interdiction Unit (NIU) have also suffered from the drawdown, most significantly by losing access to ISAF-provided enablers.²⁹⁰

These factors have, in part, resulted in a decrease in operations and seizures. According to the Consolidated Counterdrug Database, these decreases included the following:²⁹¹

- Counternarcotic operations decreased 17% (624 in FY 2011 at the height of the ISAF surge to 518 in FY 2013)
- Heroin seizures decreased 77% (10,982 kg in FY 2011 to 2,489 kg in FY 2013)
- Opium seizures decreased 57% (98,327 kg in FY 2011 to 41,350 kg in FY 2013)

The decrease in overall counternarcotic missions was likely the result of reduced partnering of ISAF with Afghan forces conducting counternarcotic operations. According to DOD, the majority of Afghan seizures are a result of routine police operations near population centers or transportation corridors, such as at checkpoints or border crossings. Drug labs, storage sites, and major trafficking networks are concentrated in rural areas that are increasingly off limits to Afghan forces due to the ISAF drawdown and declining security in these areas. Despite the marked decreases in drug seizures, DOD told SIGAR that the Afghan counternarcotics units have shown increased ability over the past year to successfully conduct complex counter-network drug investigations and operations without Coalition assistance.²⁹²

INL maintains helicopters at Kandahar Airfield to support U.S. Drug Enforcement Administration (DEA) missions in southern Afghanistan. The CNPA operates at both the national and provincial levels; CNPA detachments exist in both Kandahar and Helmand.²⁹³

Interdiction Operations

From January 1, 2014, to March 14, 2014, Afghan security and law enforcement forces conducted 66 drug interdiction operations resulting in the detention of 71 individuals. These operations included routine patrols, cordon and search operations, vehicle interdictions, and detention operations. Afghan operations during this period also resulted in the seizures of the following narcotics contraband:²⁹⁴

- 7,701 kg of hashish/marijuana
- 2,873 kg of opium
- 269 kg of heroin
- 4,654 kg of **precursor chemicals**

The U.S. military provided general logistics and intelligence support, while the DEA provided mentorship and support to specialized Afghan investigative units. The U.S. intelligence community provided supplemental targeting and analytical support to Coalition mentors.²⁹⁵

According to DOD, most interdiction activities occurred in eastern Afghanistan and in Kabul Province. Previously, interdictions were concentrated in southern and southwestern Afghanistan, where the majority of opiates are grown, processed, and smuggled out of the country. This shift is

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.

likely a result of the Coalition drawdown as the threat to interdiction forces in eastern Afghanistan and Kabul Province are generally less than the threat in the south and southwest. The U.S. forces conducted only one unilateral drug operation during this reporting period, detaining one individual and seizing 200 kg of marijuana. All other U.S. interdiction efforts were partnered with Afghan forces as ISAF continued its drawdown.²⁹⁶

Interagency groups, 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.²⁹⁷

INL and DOD share in developing Afghanistan's counternarcotics police vetted units. For example, DOD and INL both provide funding for the CNPA's NIU. DOD funding helped build three Regional Law Enforcement Centers (RLECs), while INL funding helped pay sustainment costs for the Kunduz RLEC, handed over to the Afghans in 2013, and the Herat RLEC, which is still funded by INL. DOD also funded training for the provincial CNPA and funds mentors who are based at the CNPA headquarters. At the operational level, DEA and specialized CNPA units such as the NIU typically use a mix of INL/Airwing and Afghan SMW aircraft during operations.²⁹⁸

Interdiction Results

Since 2008, a total of 2,649 Afghan and Coalition interdiction operations have resulted in 2,712 detentions and seizure of the following narcotics contraband:²⁹⁹

- 736,810 kg of hashish
- 368,398 kg of opium
- 47,214 kg of morphine
- 27,359 kg of heroin
- 416,591 kg of precursor chemicals

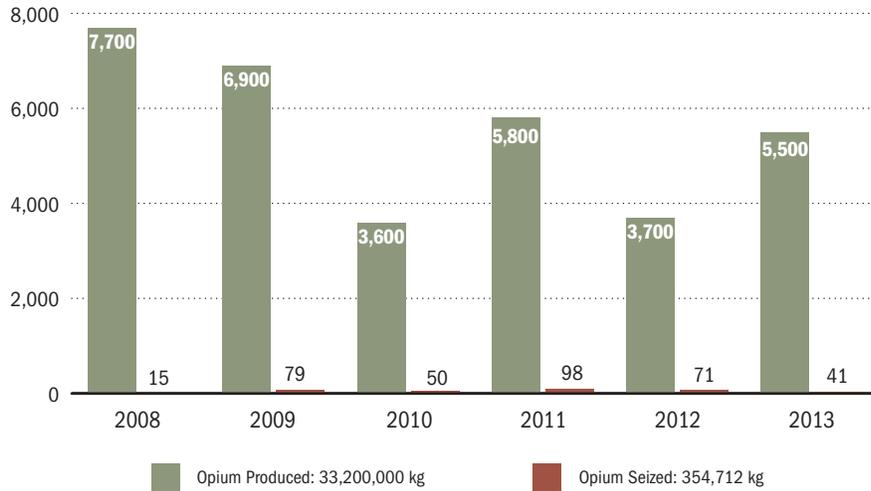
However, as shown in Figure 3.29, seizures have affected on average only 1% of the total opium produced annually.

Aviation Support

During this reporting period, Department of State aircraft provided a total of 223.7 flight hours, conducted 123 sorties, moved 642 passengers, and transported 35,437 pounds of cargo.³⁰⁰ According to INL, State's "Embassy Air" will support INL poppy reconnaissance flights in late March. Counternarcotics support to the DEA consisted of 10.3 flight hours supporting intelligence, surveillance, and reconnaissance mission profiles; 34.4 flight hours supporting interdiction efforts; and 146 flight hours supporting

FIGURE 3.29

AFGHAN OPIUM PRODUCED AND SEIZED (2008–2013) (THOUSANDS OF KILOGRAMS)



Sources: UNODC, *World Drug Report 2012*, 6/2012, p.28; UNODC, *Afghanistan Opium Survey 2012: Summary Findings*, 11/2012, p.3; UNODC, *Afghanistan Opium Survey 2013*, 12/2013, p. 12; DOD, response to SIGAR data call, 3/28/2014.

Afghan NIU and DEA passenger movements. Additionally, DEA support included 17.9 flight hours during training. During the month of February, a task force consisting of DEA, DOD Special Operations Forces, and host-nation personnel supported a mission originating from Kandahar Airfield that resulted in the confiscation and destruction of 1,120 kg of marijuana and hashish in addition to the collection of two persons under confinement. Embassy Air also supported the SIGAR delegation from March 9 to March 12.³⁰¹

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GOVERNANCE

As of March 31, 2014, the United States had provided nearly \$26 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$17.5 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department and the United States Agency for International Development (USAID).³⁰²

KEY EVENTS

Afghanistan held presidential and provincial council elections on April 5. Approximately seven million Afghans (of whom 35% were females) voted.³⁰³ Eight presidential candidates and 2,595 provincial candidates (including 299 females) participated in the election.³⁰⁴ Of the provincial council candidates, 70% were reported to be between the ages of 25 and 35.³⁰⁵ The election faced fewer violent attacks than in 2009, and attacks were mostly concentrated in the north, east, and west, rather than the south as in previous elections.³⁰⁶

On April 7, the chief of the Electoral Complaints Commission (ECC) told journalists that the April 2014 election appeared to be less fraudulent than the 2009 presidential election, but he noted that it was too early to determine the seriousness of the complaints.³⁰⁷ On April 13, however, the ECC announced that there were more reports of serious instances of fraud than during the 2009 election.³⁰⁸

The Independent Election Commission (IEC) Chairman, Yousaf Nuristani, announced on April 20 that partial results representing 49.67% of votes (3,451,982 votes from 34 provinces) showed presidential candidate Abdullah Abdullah with 44.47% and Mohammad Ashraf Ghani Ahmadzai with 33.18% of the vote.³⁰⁹ Full preliminary results are due on April 24.³¹⁰ A summary of the partial results appears in Table 3.17.

In other news, First Vice President Muhammad Qasim Fahim died from natural causes on March 9, 2014. Mr. Fahim was a former Northern Alliance commander and ethnic Tajik leader.³¹¹ President Karzai nominated Yunus Qanooni, another ethnic Tajik formerly with the Northern Alliance, as Mr. Fahim's replacement following consultations with politicians from northern Afghanistan and former anti-Soviet commanders.³¹² On March 25, parliament approved Mr. Qanooni.³¹³

TABLE 3.17

PARTIAL RESULTS OF THE APRIL 5 PRESIDENTIAL ELECTIONS AS OF APRIL 20, 2014

Name of Candidate	Number of Votes	Percent
Dr. Abdullah Abdullah	1,535,212	44.47
Dr. Ashraf Ghani Ahmadzai	1,145,400	33.18
Dr. Zalmay Rassoul	354,921	10.28
Abdul Rab Rassoul Sayyaf	240,963	6.98
Qutbuddin Hilal	94,488	2.74
Gul Agha Shirzai	55,744	1.61
Mohammad Daoud Sultanzyoy	16,890	0.49
Hedayat Amin Arsala	8,364	0.24
Total Votes	3,451,982	

Notes: The partial results represent approximately 49.67% of the votes cast from 34 provinces. According to the Independent Election Commission, the results were based on votes whose authenticity had been verified.

Sources: Independent Election Commission, "Presidential Elections Partial Results," 4/20/2014; Tolo News, "Abdullah Leads Second Round of Partial Results," 4/20/2014.

ELECTIONS

Despite threats from insurgents, Afghanistan successfully held presidential and provincial council elections on April 5. According to the National Democratic Institute (NDI), a nongovernmental organization funded by USAID to support the Afghan election process, the turnout of an estimated seven million voters was unexpectedly high, causing some polling stations to run out of ballots and prompting extension of polling hours. According to NDI, as of April 7 it was too early to evaluate the effects of anti-fraud measures and to make a final assessment of the electoral process.³¹⁴

The head of the IEC was quoted as saying a run-off election, if required, may occur in either late May or early June.³¹⁵

Of the 11 presidential candidates approved by the ECC in November, three withdrew prior to the election. Candidates Abdul Qayum Karzai and Sardar Mohammad Nader Naim withdrew from the race and offered their support to former foreign minister Zalmay Rassoul on March 6 and March 26, respectively. Former defense minister Abdul Rahim Wardak withdrew from the race on March 16, but made no announcement of support.³¹⁶ The remaining candidates were Abdullah Abdullah, Daud Sultonzoy, Mohammad Ashraf Ghani Ahmadzai, Zalmay Rassoul, Qutbuddin Hilal, Mohammed Sahfiq Gul Agha Sherzai, Abdul Rab Rassoul Sayaaaf, and Hedayat Amin Arsala.³¹⁷

On March 19, the ECC announced the disqualification of 116 out of 2,713 provincial council candidates for failing to meet either the education or age requirements, or for failing to appear before the ECC to defend themselves against complaints.³¹⁸ This announcement concluded the ECC's review of the 2,212 complaints leveled against provincial council candidates.³¹⁹ According to NDI, the ECC has disqualified 205 provincial council candidates since November 2013.³²⁰ The ECC has also referred 200 complaints to the Afghan Attorney General's Office (AGO) for possible criminal prosecution.³²¹

During this reporting period, the ECC also warned, and in one case fined, presidential candidates for violations of the election law. The violations included improper use of government assets. Presidential candidate Ghani received a 50,000 afghani (AFN) fine—approximately U.S. \$871—for continuing to use armored vehicles provided to him when working for the government. The ECC warned two other candidates against using government resources, but indicated evidence was insufficient to warrant more than a letter. Presidential candidate Sultanzoy was accused of threatening a reporter; the ECC referred his case to the AGO.³²² On April 1, the ECC fined candidate Rassoul 300,000 AFN—approximately U.S. \$5,198—and candidate Sherzai 100,000 AFN—approximately U.S. \$1,733—for improperly benefiting from government resources and insulting another candidate respectively.³²³

According to NDI, despite a widespread perception that candidates exceeded their campaign spending limits, the IEC and ECC had almost no

ability to monitor candidate compliance of these regulations. At one point they called on civil society and the general public to report any overspending by candidates.³²⁴

U.S. Support for the Elections

The U.S. government funded programs providing technical support, outreach, and polling, as well the deployment of both domestic and international observers to help the Afghan government hold free and fair elections.

USAID contributed \$55 million to the United Nations Development Programme's (UNDP) Enhancing Legal and Electoral Capacity for Tomorrow-Phase II (ELECT II) to help the Afghan government prepare for and manage the elections. The United Kingdom, the European Union, Italy, Germany, France, the Netherlands, Sweden, Denmark, Norway, and Japan contributed the remainder of the \$129 million that ELECT II estimated was necessary to support the elections.³²⁵

The U.S. Embassy Kabul announced in late January that it had cancelled funding for a series of opinion polls following accusations that the polls were an attempt to manipulate the outcome of the elections. A U.S. Embassy Kabul spokesman told reporters such accusations of bias were baseless.³²⁶

USAID provided assistance for electoral monitoring through its Supporting Political Entities and Civil Society (SPECS) program. SPECS awarded sub-grants to four Afghan civil society organizations to deploy approximately 2,200 domestic elections observers (1,253 male and 947 female) to 34 provinces and 270 districts.³²⁷ According to NDI, more than triple the number of domestic monitoring groups applied for IEC accreditation this year compared to 2009. In the 2009 elections, the IEC accredited 21 observer groups and 9,228 domestic observers. In 2014, the IEC accredited 67 domestic election monitoring groups and issued 11,357 accreditation cards.³²⁸

USAID supported international election observation missions through awards to three organizations: NDI, Democracy International (DI), and the Organization for Security and Co-operation in Europe (OSCE). NDI and DI received six-month awards, February 1–August 1, 2014, designed to cover a potential run-off campaign. The OSCE election support team planned to be in Afghanistan for eight weeks beginning in early March 2014.³²⁹

More than 417 foreign observers from 17 organizations registered as election monitors for the April 2014 election. This was significantly fewer than the 1,200 who observed the 2009 presidential poll. On March 20, the Serena Hotel in Kabul was attacked and one of the NDI election monitoring party was among those killed.³³⁰ Recent news reports indicated that several international observer missions have either withdrawn or significantly reduced their presence following the Serena Hotel attack. The OSCE mission initially withdrew, but sent back half of their 15-person advisory team. NDI withdrew its international observers after one of them died in the Serena



In February, SPECS master trainers trained female provincial council candidate agents on election rules and regulations, rights and obligations of polling staff, voting, and the vote counting processes. (SPECS photo)

GOVERNANCE

TABLE 3.18

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 3/31/2014 (\$)
Afghan Civic Engagement Program (ACEP)	12/4/2013	12/3/2018	\$70,000,000	\$1,341,817
Enhancing Legal and Electoral Capacity for Tomorrow (ELECT) II	9/28/2013	9/27/2014	55,000,000	-
Electoral Reform and Civic Advocacy (AERCA)	7/7/2009	12/31/2015	38,702,682	29,122,253
Supporting Political Entities and Civil Society (SPECS)	7/7/2013	7/6/2016	18,000,000	5,478,876
International Election Observation (NDI)	2/1/2014	8/1/2014	4,000,000	490,000
International Election Observation (DI)	2/1/2014	8/1/2014	3,999,925	761,829
Election Support Team to Afghanistan (OSCE)	2/20/2014	7/15/2014	1,500,000	1,500,000

Source: USAID, response to SIGAR data call, 4/7/2014.

attack; however, NDI reported that 101 NDI Afghan staff observed the elections at 327 polling stations in 26 provinces. DI chose not to withdraw any of its 18-person team, but refrained from sending an additional 10 observers.³³¹

In February, the USAID Office of Inspector General issued an audit of their June 2011 to June 2013 review of USAID's election assistance programs in Afghanistan. The audit found that:³³²

- USAID assistance has strengthened Afghan institutions' ability to promote electoral credibility, inclusiveness, and transparency.
- USAID had not finalized support arrangements for electoral dispute resolution, and its support for civic outreach and education, electoral observation and monitoring, and women's participation had limitations.
- USAID-supported debate and discussion culminated in the approval of two laws that established a permanent electoral complaints commission and set out a clear process for appointing commissioners to oversee the bodies responsible for administering elections and resolving electoral disputes.
- The sustainability of some USAID-supported activities including the funding and staffing of the IEC and civil society organizations (CSO) remains problematic.
- Monitoring and reporting weaknesses characterized some aspects of electoral assistance.

SIGAR previously reported extensively on the election support programs. 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 3.18.

Preparations for the Election

According to the UN Secretary-General's Special Representative for Afghanistan, technical preparations for the April 2014 elections, which included plans for fraud prevention and mitigation, were superior to previous election cycles.³³³ According to USAID, the Afghan government met the

four elections-related targets for Tokyo Mutual Accountability Framework “hard deliverables” by (1) updating and maintaining an election timeline, (2) appointing qualified elections commissioners, (3) swiftly implementing the new elections law, and (4) coordinating security-related elections preparations and implementing voter registration drives.³³⁴

Despite the improvements, ensuring female participation in the election process remained a challenge. According to NDI, the voter-registration process indicated that women in less secure regions were less likely to apply for voter cards. Both the IEC and the ECC had difficulty meeting their targets for recruiting female personnel across the country. As of mid-March, the IEC reported that women comprised 21% of its 3,200 district field coordinators, slightly higher than previous elections but significantly short of its 50% target. The IEC also sought to recruit women for its civic and voter education program. Although it did not reach its 50% goal, about 33% of its 1,428 educators were women. There were stark differences between regions, with female representation ranging from 40% to 50% in northern and western provinces to as little as 8% to 19% in southern and eastern provinces. Although the ECC’s goal was to have women comprise 30% of its staff, as of mid-March women accounted for only 10% of its staff. Only six of the 102 provincial commissioners sworn in were women.³³⁵

According to USAID, the IEC continued to register new voters at the 41 registration centers in 34 provincial capitals until two weeks before polling day. These included returnees, people who changed constituency, and those whose old voter cards were lost or damaged. As of February, the IEC had registered an additional 3,557,260 voters, of whom 1,228,578 (34.58%) were female.³³⁶

Opportunities for Fraud

Early reports on the elections indicated that there was much less fraud committed than in the 2009 elections. On April 7, the chief of the ECC told journalists that despite a total of 122 fraud-related complaints lodged against the presidential candidates, the April 2014 election appeared to be less fraudulent than the 2009 presidential election. He noted that it was too early to determine the seriousness of the complaints.³³⁷ The two front-runners, Abdullah and Ghani, reportedly said the 2014 elections were “much cleaner” and “the scale of the fraud is not massive.”³³⁸ On April 9, the Free and Fair Election Forum of Afghanistan (FEFA) reported that initial observations from their 9,500 elections observers suggested election irregularities and fraud occurred less often than in 2009. FEFA did, however, report proxy voting (wherein a person casts a vote on behalf of someone else) at 507 polling stations and ballot stuffing at 141 stations.³³⁹

On April 13, however, the ECC announced that there were more reports of serious instances of fraud than during the 2009 election. The ECC has recorded a total 870 incidents of fraud classed as “Priority A,” complaints



The Afghan Air Force picking up election ballots to deliver to remote districts in Paktika Province. (U.S. Army photo)

considered serious enough to affect the outcome of the election, higher than the 815 incidents recorded in 2009. The ECC stated that it may be necessary to extend the complaint review period to further accommodate complaints from the provinces.³⁴⁰

On April 16, the FEFA and the Transparent Election Foundation of Afghanistan stated that elections authorities have not allowed domestic monitoring groups to observe vote counting and the complaints adjudication process. Both the IEC and ECC rejected this criticism. The IEC said observers have been able to observe the vote counting. Although the ECC is investigating roughly 1,400 cases of possible voting irregularities, the ECC said it had not yet begun to review fraud cases and therefore has not invited domestic observer groups to adjudication meetings.³⁴¹

Independent observers highlighted the potential for fraud in Afghanistan's chaotic voter registration system. NDI pointed out that Afghanistan has no voter registry, voter list, or census, making it impossible to conduct accurate checks on voter registration and determine accurate voter participation figures.³⁴² The Afghanistan Analysts Network (AAN) reported that a large discrepancy between the estimated number of voters and the actual number of voter cards might facilitate election manipulation. The total number of legal voter-registration cards issued stands at approximately 21 million, something the AAN previously said it found "unbelievable."³⁴³

No one knows how many Afghans are eligible to vote. Both the IEC and NDI estimated that about 12 million Afghans are eligible to vote, while the European Union has cited an estimated 13.5 million.³⁴⁴ The IEC spokesman said the IEC does not know the true number of voters because multiple registrations have produced twice as many registration cards as the estimated number of eligible voters. Furthermore, 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 was no way to check eligibility on the election day.³⁴⁵

According to NDI, female voters are not required to have their photo taken during the registration process, which makes proxy registration and registration of "ghost" voters possible. Figures indicating a higher number of female registrants in some of the more conservative areas of the country (for example 47% in Paktika compared to only 33% in Kabul) raise questions about the potential for fraud and election irregularities. In addition, there are no safeguards against multiple registrations and use of multiple cards obtained in previous registration drives.³⁴⁶

According to the AAN, the IEC is looking into the possibility that a considerable proportion of the ballot shortages reported on election day may have been caused by partial stuffing of ballot boxes before polling stations opened or hiding papers to be subsequently filled in after hours.³⁴⁷ According to NDI, the IEC provided 600 ballots per polling station with the expectation that it would take at least 10 hours to go through 600 ballots at

one minute per voter.³⁴⁸ However, several polling centers reported that they ran out of ballots by noon.³⁴⁹

The IEC has instituted several changes to mitigate fraud. These include:

- improving tracking of ballots through packing numbers displayed on individual ballots, incorporating results forms and results sheet envelopes
- adding security features on the ballot
- employing both an invisible ultraviolet ink and indelible ink to identify those who have voted
- using transparent tamper-resistant evidence bags³⁵⁰

The IEC also announced plans to distribute election materials to polling centers much closer to the date of the election to prevent tampering. Moreover, the IEC decided not to have polling centers in private homes, as in past elections, but in government buildings such as schools or clinics. Votes were to be counted on-site.³⁵¹

The Ministry of Interior (MOI) announced arrests and suspensions for attempted election manipulation. In one case, the MOI suspended three senior police officers, a lieutenant general, and two colonels for interference—such as backing a particular candidate—in the election process.³⁵² The day before the election, the MOI also announced the arrest of five people, including an IEC employee who served as a district field coordinator, for attempting to sell 4,000 voting cards in Kabul. Police in Kunar Province also arrested a 10-year-old boy for carrying approximately 12,000 fake voter cards in Kunar Province.³⁵³

NDI pointed out that in past elections, the areas of the country most affected by the insurgency and beyond the scrutiny of observers were also the most plagued by fraud.³⁵⁴

Election Security

Afghan authorities began planning security for the 2014 elections much earlier than in the past. NDI considered this a significant improvement over the 2009 presidential election, when the list of polling stations was released just days before the election.³⁵⁵ The MOI established a special commission on electoral security to work in close coordination with the IEC.³⁵⁶ The plan called for the Afghan National Police (ANP) to guard polling stations while the Afghan National Army (ANA) provided a second perimeter of defense.³⁵⁷ The Afghan Local Police (ALP) were not asked to guard election sites due to concern that they are affiliated with various provincial candidates, but were deployed in the second or third security perimeters.³⁵⁸

On March 30, the IEC announced an updated, final list of polling sites, with 748 of 6,770 proposed polling sites to be closed, partially to mitigate fraud.³⁵⁹ The most affected provinces included Ghazni (60 centers), Herat (31 centers), Nangarhar (115 centers), and Zabul (32 centers).³⁶⁰ Zabul and



On election day, Afghan National Security Forces discuss strategies in the Regional Operations Coordination Center in Paktia Province. (U.S. Army photo)

Nuristan Provinces were particularly affected, with, respectively, 58.1% and 82.8% of the designated polling stations closed on election day.³⁶¹ On election day, 205 of the final estimate of 6,423 centers did not open, primarily due to insecurity, with the largest number of closures in Herat and Nangarhar. In total, approximately 13% of the polling centers initially planned for the 2014 elections were not open on April 5.³⁶²

In a review of the 2009 presidential elections, DI found that bad actors exploited the reality that fewer observers, agents, and IEC officials were able to be present at polling locations in insecure areas. The DI report quotes the UNDP's 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.³⁶³

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.’”³⁶⁴

Last 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.³⁶⁵ A Hizb-e Islami spokesman later qualified the support as being limited to presidential candidate Qutbuddin Hilal, who is himself a former head of Hizb-e Islami’s political commission.³⁶⁶

Insurgents conducted several high-profile attacks and attempted to intimidate voters in the run-up to the election. Especially in the rural south and east, the Taliban planted statements warning voters to boycott the election or face violence.³⁶⁷ Three presumptive presidential front-runners (Abdullah, Ghani, and Rassoul) cancelled their appearances in televised debates scheduled for early April due to security threats in Kabul.³⁶⁸ Some presidential candidates did hold large campaign gatherings across the country, but those were mostly confined to provincial capitals as many districts were deemed too insecure.³⁶⁹

Insurgents attacked the IEC headquarters in Kabul hours before the election commission was due to announce details of how many polling stations would be opened.³⁷⁰ There were also reports of a provincial council candidate being kidnapped and killed in Sar-e Pul Province; five IEC personnel kidnapped in Nangarhar Province; insurgents announcing the planting of mines along roads to dissuade voters in Ghazni Province; and an attack against a regional IEC office in eastern Kabul that killed a provincial council candidate.³⁷¹ In addition, insurgents mounted attacks against several presidential campaigns, including candidates.³⁷²

Afghan election officials reported that from June 1, 2013, to April 3, 2014, they recorded 160 security-related incidents against electoral bodies, with the highest number reported from Herat Province. In the week preceding the polls, there were 116 threats recorded against the polling centers and electoral activities in 25 provinces.³⁷³ The IEC was quoted as saying that there were no attacks on any polling centers in Kandahar Province in the south.³⁷⁴ In the east, however, the U.S. commander of Training, Advise, and Assist Command Southeast was quoted saying, election day was “one of the most violent days in Afghanistan.” He also acknowledged that it is easier to defend against attacks that are expected, such as those during the election, but it is much harder for the Afghan security forces to sustain that level of defense.³⁷⁵

To improve security as well as increase female voter turnout, the MOI launched the Female Searcher Program, which, according to the MOI, recruited and trained up to 13,000 female volunteers to serve as subsidized personnel to conduct body searches of women at each of Afghanistan’s more than 6,400 designated polling centers. Deploying women to search female voters is important because Afghan custom forbids men to touch unrelated women. The goal of this project was prevent women with weapons—or men disguised as women—from entering polling places to conduct attacks.³⁷⁶

As it is customary for Afghan women to travel under the escort of male relatives, the MOI allocated resources to support the travel of male relatives to accompany its female searcher personnel, according to NDI.³⁷⁷ State contributed \$1.7 million to this \$3.7 million project via UNDP’s Law and Order Trust Fund for Afghanistan (LOTFA). State said the process was initially impeded by significant logistical hurdles, but reports indicate that female searchers were deployed and working in urban areas.³⁷⁸

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 in two ways: through contracts, grants, and cooperative agreements, and increasingly, through on-budget assistance.³⁷⁹ In this final year of the security transition, the U.S. government is particularly focused on increasing the financial and program-management capabilities of Afghan government institutions. It is using a combination of capacity building and on-budget programs to achieve this end.³⁸⁰

According to the UN Secretary-General’s Special Representative for Afghanistan, the Tokyo Mutual Accountability Framework (TMAF) serves as the cornerstone of international engagement and is the agreed instrument for deploying civilian development assistance in Afghanistan.³⁸¹ The international community and Afghan government agreed to the TMAF at the Tokyo Conference of donors in July 2012. The TMAF set out 16 commitments, called indicators under the agreement, for the Afghan government

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TABLE 3.19

U.S. ASSESSMENT OF GOVERNANCE-RELATED TOKYO MUTUAL ACCOUNTABILITY INDICATORS AND HARD DELIVERABLES		
Tokyo Mutual Accountability Framework Indicator	Tokyo Mutual Accountability Framework "Hard Deliverable"	Hard Deliverable Met? (Yes/No)*
Representational Democracy and Equitable Elections		
Develop, by early 2013, a comprehensive election timeline through 2015 for electoral preparations and polling dates.	Develop, by early 2013, a comprehensive election timeline through 2015 for electoral preparations and polling dates.	Yes
Ensure that a robust electoral architecture is developed in a secure, participatory, and transparent manner to enable successful and timely elections.	The government engages in a consultative and transparent process for all upcoming senior Independent Electoral Commission (IEC) appointments, which results in the selection of qualified and well respected IEC senior appointees, so they have broad support.	Yes
	The government actively supports the implementation of a legislative framework to be passed by the National Assembly by June 2013. The framework is to meet international standards and include an impartial, credible, and independent electoral complaint resolution mechanism.	Yes
	Government ministries coordinate and work closely with the IEC to help ensure timely and successful implementation of the IEC's: (i) voter registration plan which complements e-tazkera; (ii) operations plan which includes security planning, capacity building, fraud mitigation, and inclusive voter outreach.	Yes
Governance, Rule of Law and Human Rights		
Ensure respect for human rights for all citizens, in particular for women and children, and allow the Afghanistan Independent Human Rights Commission (AIHRC) and civil society organizations to perform their appropriate functions.	AIHRC commissioners are appointed in accordance with Article 11 of the AIHRC Law and Paris Principles, and drawing on consultation with cross-section of civil society organizations. The appointment process will enable AIHRC to retain its 'A' accreditation by the International Coordination Committee of National Human Rights Institutions.	No
Demonstrated implementation, with civil society engagement, of both the Elimination of Violence Against Women Law (EVAW), including through services to victims as well as law enforcement, and the implementation of the National Action Plan for Women (NAPWA) on an annual basis.	The Ministry of Women's Affairs (MOWA), Ministry of Interior (MOI) and Attorney General's Office (AGO) coordinate to produce a detailed report on the application of the EVAW law in each province. The report should include: the number of EVAW cases brought to the police, disposition of each case (whether prosecuted or not) and the outcome of the prosecuted cases. The data collected should be made public and serve as a baseline for future analyses of EVAW law implementation.	No
Enact and enforce the legal framework for fighting corruption including, for example, annual asset declarations of senior public officials including the executive, legislative, and judiciary.	Collect the asset declarations forms from high-ranking government officials (per Article 154 of the Constitution), and publish them on the High Office of Oversight (HOO) website to be available for the public and mass media. Declared assets will continue to be verified based on Afghan law and HOO capacity.	No
Government Revenues, Budget Execution and Sub-National Governance		
Through more efficient, transparent, and accountable customs and tax systems, raise the ratio of revenue collection to GDP from 11% to 15% by 2016, and to 19% by 2025.	N/A	N/A
Improve budget execution to 75% by 2017.	N/A	N/A
Enact a legal framework to clarify roles, and responsibilities of government agencies at national, provincial, and district levels, in line with the 2010 Sub-National Governance Policy.	N/A	N/A
Develop a provincial budgeting process that includes provincial input into the relevant ministries' formulation of budget requests, linked to a provincial planning process in which Provincial Councils have their consultative roles.	Develop a provincial budgeting process for FY 1393 that includes provincial input into the relevant ministries' formulation of budget requests, linked to a provincial planning process in which provincial councils have their consultative roles.	Yes

*These assessments of progress were used to inform the TMAF incentive funds disbursement decisions.

Source: USAID, ODG, response to SIGAR data call, 3/31/2014.

and nine for the international community. Under the framework, follow-up mechanisms were also put in place to monitor progress at Senior Officials Meetings. In the run-up to the first meeting on July 3, 2013, the TMAF indicators were augmented with intermediate targets called “hard deliverables” for both the Afghan government and the international community.³⁸²

A Special Joint Coordination and Monitoring Board (JCMB) meeting was held on January 29, 2014, to assess TMAF progress and to formulate guidance in anticipation of a new Afghan government following the elections.³⁸³ The progress of governance-related TMAF indicators and hard deliverables is discussed throughout this quarterly report. Table 3.19 summarizes the TMAF indicators and hard deliverables along with the latest assessment of progress.

On-Budget Assistance

To improve governance and align development efforts with Afghan priorities, international donors at the 2010 London Conference committed to increase the proportion of development aid delivered on-budget through the Afghan government to at least 50%. The donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference.³⁸⁴ However, donors conditioned their support on the Afghan government’s fulfilling a set of commitments outlined in the TMAF. These commitments include, among other things, improved management of public funds.³⁸⁵

The United States is 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).³⁸⁶ The ARTF, administered by the World Bank, provides funds to both the Afghan government’s operating and development budgets in support of Afghan government operations, policy reforms, and national priority programs.³⁸⁷ The AITF, a multi-donor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.³⁸⁸ According to USAID, the majority of on-budget funding has been and will continue to be directed through the multi-donor trust funds, particularly the ARTF.³⁸⁹

As shown in Table 3.20 on the following page, USAID expected to spend \$986 million dollars on direct bilateral assistance. It also expects to contribute almost \$2.7 billion to the ARTF and more than \$180 million to the Afghanistan Infrastructure Trust Fund (AITF).³⁹⁰

According to USAID, 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.³⁹¹

The U.S. and Afghan governments have differing ways of measuring U.S. progress toward fulfilling its commitments to provide more funding through the Afghan government budget.³⁹² USAID says the Afghan government only

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TABLE 3.20

USAID ON-BUDGET PROGRAMS					
Project Title	On-Budget Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 3/31/2014 (\$)
Afghanistan Reconstruction Trust Fund (ARTF)*	Multiple (via World Bank)	6/20/2002	3/31/2017	\$2,684,320,295	\$1,961,820,295
Power Transmission Expansion and Connectivity (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	1/1/2013	12/31/2016	342,000,000	4,781,000
Partnership Contracts for Health (PCH) Program	Ministry of Public Health	7/20/2008	1/31/2015	236,455,840	164,648,037
Contribution to Afghanistan Infrastructure Trust Fund (AITF)	Multiple (via Asian Development Bank)	3/7/2013	3/6/2018	180,300,000	105,000,000
Sheberghan Gas Development Project	Ministry of Mines and Petroleum	5/15/2012	4/30/2015	90,000,000	-
Kajaki Dam Unit 2	DABS	4/22/2013	12/31/2015	75,000,000	1,632,194
ADF (Agriculture Development Fund)	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 Textbooks	Ministry of Education	11/16/2011	12/31/2014	26,996,813	21,955,403
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	-
Cash Transfer Assistance for Civil Service Reform	Independent Administrative Reform and Civil Service Commission	10/31/2011	2/28/2014	15,000,000	13,000,000
E-Government Resource Center	Ministry of Communications and IT	8/28/2013	6/1/2016	3,900,000	-

Note: *This includes all USAID contributions to the ARTF.

Source: USAID, response to SIGAR data call, 4/7/2014.

considers funds “on budget” when they are 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) as on-budget support.³⁹³

Capacity-Building Programs

USAID capacity-building programs seek to improve ministries’ performance to prepare, manage, and account for on-budget assistance. As shown in Table 3.21, programs include USAID’s \$31 million Leadership, Management, and Governance Project that aims to strengthen Afghanistan’s financial-management systems, and the capacity of the Ministry of Public Health and the Ministry of Education to meet requirements set at the 2010 Kabul International Conference for increased on-budget aid.³⁹⁴ USAID is also funding the \$5 million Ministry of Women’s Affairs Organizational Restructuring and Empowerment (MORE) project, which among other things assists the

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TABLE 3.21

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL						
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 3/31/2014 (\$)	
Leadership, Management, and Governance Project	Ministry of Public Health Ministry of Education	9/25/2011	9/24/2016	\$32,000,000	\$15,657,888	
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	23,455,326	3,007,595	
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2015	5,000,000	2,202,306	

Source: USAID, response to SIGAR data call, 4/7/2014.

ministry to improve its financial management, as required for future on-budget assistance.³⁹⁵

National Assembly

USAID has noted that the Afghan parliament has very little power because it does not have authority to determine its own budget and rarely initiates legislation.³⁹⁶ Most bills originate in the executive branch.³⁹⁷ According to USAID, both houses of parliament require subject-matter expertise to analyze and draft legislation.³⁹⁸

During the quarter, elections and the parliamentary recess limited the parliament's work. The parliament passed the national budget in early January before going on recess from January 21 to March 6, 2014.³⁹⁹ According to State, parliament's return was delayed a few days following the unexpected death of First Vice President Marshall Fahim. On March 25, the *Wolesi Jirga* (the lower house) confirmed Yunus Qanooni as First Vice President to replace Fahim.⁴⁰⁰

In March, neither house of parliament could conduct business because a majority of representatives were absent. For example, on March 18, only 24 of the 102 members of the *Meshrano Jirga* (the upper house) were present, less than half the 52 members required for a quorum. Fifty sitting senators were contesting the provincial council elections and many others were campaigning for presidential candidates.⁴⁰¹ On March 31, the *Wolesi Jirga* had only 12 of 246 members present; a quorum requires 125.⁴⁰²

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.⁴⁰³ In the last quarter, ALBA focused on initiatives to help members of parliament and their staff to improve their capacity. According to USAID, one of the most important initiatives this quarter was courses held for secretariat staff during the parliamentary recess. ALBA has also continued supporting development of the Parliamentary Anti-Corruption Caucus, establishing relations between the group and the Independent Anti-Corruption Monitoring and Evaluation Committee (MEC). In addition, ALBA continued

to help the caucus develop its internal organization, formal charter, and other foundation documents. Finally, throughout January 2014, ALBA closely monitored the consideration and passage of the revised 1393 budget, which the parliament had rejected in December 2013.⁴⁰⁴

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.⁴⁰⁵ These programs target rural areas, including districts and villages, as well as provincial centers and municipalities.

USAID said the Afghan government faces a number of challenges to filling civil service positions at the provincial and local levels. It noted that insecurity presents a significant obstacle in some areas of Afghanistan, although quantifying recruitment impact is very difficult. In addition, many positions have specific education requirements that limit the pool of candidates. Verifying educational background for candidates with degrees obtained outside of Afghanistan poses additional difficulties.

The Independent Appointment Board of the Civil Service Commission (IARCSC) plans to review its appointment procedures to address gaps in the current system and adopt a competency-based appointment system. However, USAID noted these efforts will take a couple of years to complete.⁴⁰⁶

This quarter, USAID was able to provide data on the status of civil service staffing and vacancies of 14 provinces plus Kabul. Figure 3.30 summarizes the civil servant staffing and vacancies for five Ministries in 14 provinces outside Kabul, based on IARCSC figures. Kabul was not included because USAID did not provide information about the number of employed civil servants in several ministries.⁴⁰⁷

In a yearly report released in February on protection of civilians in armed conflict, the United Nations Mission in Afghanistan (UNAMA) found that insurgents continued to target and kill Afghan government employees, civilians accused by insurgents of spying for the government, community leaders, and off-duty police officers or ANP performing solely civilian law-enforcement functions. In many cases, the Taliban claimed responsibility for the killings on their public website. Targeted killings were most prevalent in the eastern region, with 184 incidents, followed by the southern (129 incidents), southeast (96), northern (92), western (58), central (49), and northeast (35) regions. Nangarhar Province had the highest number of targeted killing incidents documented by UNAMA, followed by Kandahar with 77 incidents and Kunar with 67.⁴⁰⁸

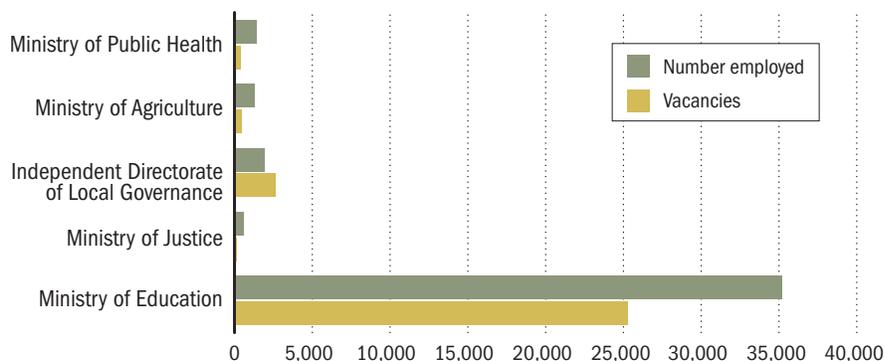
This quarter, DOD reported that the Village Stability Operations (VSO), a bottom-up counterinsurgency strategy aimed at connecting local governance



Special IG Sopko and SIGAR staff meet with Kandahar's provincial governor during Sopko's March 2014 trip to Afghanistan. (SIGAR photo by Steven Mocsary)

FIGURE 3.30

CIVIL SERVANT STAFFING FOR 14 PROVINCES OUTSIDE OF KABUL



Notes: This data was provided to USAID by the Afghan Independent Appointment Board of the Civil Service Commission (IARCSC). The data is for 14 of Afghanistan's 34 provinces (Daykundi, Farah, Ghazni, Helmand, Kandahar, Khowst, Logar, Wardak, Nimroz, Nuristan, Uruzgan, Paktiya, Paktika, and Zabul). Kabul was not included because several of the cells show zero for number of employed civil servants. The amounts for the Independent Directorate of Local Governance include personnel who work for provincial municipalities.

Source: USAID, ODG, response to SIGAR data call, 3/31/2014.

to the Afghan district and national government, has largely ended with the exception of the Afghan Local Police (ALP) component. According to DOD, only two Village Stability Platforms and 16 District Stability Platforms (DSP) hosting U.S. special operations forces remain active. The DSPs are scheduled to complete their mission by October 31, 2014.⁴⁰⁹

According to DOD, the impact of VSO varies from village to village, district to district, and province to province, making it difficult to make broad assessments of this theater-wide program.⁴¹⁰ DOD used a combination of team assessments and surveys to assess VSO progress and impact. U.S. special operations forces used a number of governance-related indicators to inform their VSO assessments. These included:⁴¹¹

- the presence or absence of a district governor, district attorney, or chief of police
- the number of villagers attending district bazaars or councils
- the presence of medical facilities
- school attendance

DOD's latest district assessment report, completed in February 2014, found that the VSO has had a positive impact on local governance, enabling district governors and other Afghan ministry representatives to spend more time at their district centers.⁴¹² According to the report, of the 47 districts where the Coalition provided oversight and support to VSO, 53% had "adequate" or "effective" governance. The remaining 47% had "poor" or

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“ineffective” governance. All districts in the report showed the same status for governance over the past year, except for one that improved from “adequate” to “effective.”⁴¹³

At the same time, DOD noted that it found much of the quarterly VSO survey data to be untrustworthy because of fraudulent or fabricated data included in some surveys conducted by local Afghan polling contractors.⁴¹⁴ Surveys from November 2010 to February 2012 showed local views of district governance as extremely positive, with community council performance, district government performance, and local dispute-resolution mechanisms all registering over 80% satisfaction.⁴¹⁵

Rural Stabilization Programs

USAID has several stabilization programs aimed at helping the Afghan government extend its reach into unstable areas and build local governance capacity. These programs include USAID’s four Stability in Key Areas (SIKA) projects, the two Community Cohesion Initiative (CCI) programs, and \$2.67 billion in U.S. support to the ARTF which funds the Afghan government’s National Solidarity Program (NSP) (of which \$865 million had an explicit earmark for NSP).⁴¹⁶ Table 3.22 summarizes total program costs and disbursements to date.

USAID intended the four SIKA programs to “be seen as an extension of the [Afghan government], not as increased foreign presence,” and stipulated that SIKA “must work within Afghan structures” in order to partner with the Afghan Ministry of Rural Rehabilitation and Development (MRRD).⁴¹⁷ 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).⁴¹⁸

TABLE 3.22

USAID SUBNATIONAL (RURAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 3/31/2014 (\$)
Afghanistan Reconstruction Trust Fund (ARTF)*	6/20/2002	3/31/2017	\$2,684,320,295	\$1,961,820,295
Stabilization in Key Areas (SIKA) East	12/7/2011	9/6/2015	177,054,663	53,868,540
Community Cohesion Initiative (East, South, Southwest)**	3/1/2012	2/28/2015	161,499,422	7,373,529
SIKA South***	4/10/2012	4/9/2015	117,324,445	31,969,249
SIKA West	1/29/2012	8/31/2015	62,998,824	25,658,723
SIKA North	3/15/2012	6/14/2015	45,633,274	16,390,620
Community Cohesion Initiative (North, West)**	9/10/2013	9/9/2015	36,221,640	45,185

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. USAID has explicitly preferred \$865 million of its ARTF contributions for the National Solidarity Program.
 ** Disbursement data is for activities only and does not reflect operational expenditures.
 ***The disbursement data includes the totals for both SIKA South awards.

Source: USAID, response to SIGAR data call, 4/7/2014.

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In Baraki Barak District, Logar Province, a Community Development Council used a SIKa East grant to clear a deep underground canal. (SIKA East photo)



Three of the 18 men who received training in grant management from SIKa East in Baraki Barak District, Logar Province. (SIKA East photo)

The amount of Afghan government participation in physically monitoring projects varies among regions. For example, this quarter USAID reported that 82% of the monitoring of SIKa East projects was conducted exclusively by SIKa East personnel without Afghan government participation.⁴¹⁹ Approximately 64.5% of SIKa South monitoring visits to the project site during the quarter were conducted exclusively by SIKa South personnel.⁴²⁰ In the north, USAID reports that all grant monitoring visits were conducted either in partnership with the Afghan government or by the Afghan government alone.⁴²¹ For SIKa West, USAID reports that in the month of February, 70% of grant monitoring visits to the community project site were conducted either in partnership with the Afghan government or by the Afghan government alone.⁴²²

According to USAID, the MRRD and the Independent Directorate for Local Governance (IDLG) increasingly provide leadership and guidance for SIKa through developing materials for trainings and aiding in grant implementation. A SIKa sustainability conference was previously planned for late January/February 2014 to lay out the parameters for graduating SIKa districts in order to transfer program responsibilities to the Afghan government. According to USAID, planning for the sustainability conference and hand-over strategy continues, with the date and agenda to be determined.⁴²³

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The Khani Baba street network repair project aims to rehabilitate 800 meters of village streets and drainage trenches to build confidence in the local government. (CCI photo)

USAID’s Community Cohesion Initiative (CCI) programs, split between one program covering the east, south, and southwest, and another covering the north and west, aim to build what USAID calls “resilience” in areas that are vulnerable to violence and insurgent exploitation.⁴²⁴ CCI implements initiatives, such as local community-development projects that engage community leaders and government officials in their identification and oversight. The CCI also supports peace-advocacy campaigns at sporting events.⁴²⁵

In contrast to SIKA, USAID has not explicitly defined the Afghan government’s role in implementing the CCI. Although the CCI does not require the presence of the Afghan government to go forward with activities, Afghan civil servants are supposed to play an important role in grant monitoring and oversight of the vast majority of CCI activities. According to USAID, this serves both to improve oversight and to strengthen ties by bringing government officials to local communities.⁴²⁶

USAID reports that the CCI contractor conducted 32% of all grant monitoring on its own, while Afghan government personnel conducted approximately 38% of the grant monitoring visits.⁴²⁷ CCI also scheduled 2,373 visits by Afghan government officials to 508 activity sites in 12 provinces. Of these visits, 17% are at provincial centers, 36% are at district centers, and 47% are in villages at the project sites.⁴²⁸

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 essential services by channeling resources to democratically elected Community Development Councils (CDCs).⁴²⁹

Although NSP was 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,⁴³⁰ SIGAR has raised questions regarding the ability of the Afghan government to effectively oversee the program, particularly in insecure areas.⁴³¹

USAID previously “preferenced” (earmarked) funds to the NSP, via the ARTF, to advance counterinsurgency objectives in areas newly under Afghan government control. To its credit, USAID stopped preferencing funds to NSP after reviewing documents, including a 2011 SIGAR audit, that found that NSP is implemented in very insecure areas but does not mitigate violence or improve attitudes toward the government in those areas.⁴³² USAID acknowledged a lack of evidence that NSP increases stability in insecure parts of Afghanistan and adjusted its funding accordingly.⁴³³ USAID had preferenced a total of \$865 million directly for NSP.⁴³⁴

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.⁴³⁵

During the quarter, the USAID Measuring Impacts of Stabilization Initiatives (MISTI) project, a third-party monitoring and evaluation program that evaluates the impact of USAID stabilization programs, issued a final performance evaluation of the Community Development Program (CDP).⁴³⁶ CDP ran from March 2009 through August 2013, cost \$264 million in disbursements, implemented 337 infrastructure projects across 19 provinces of Afghanistan, and employed 373,859 laborers on a short-term basis. CDP adopted stabilization objectives beginning in September 2010 and implemented labor-intensive projects primarily in rural areas. The evaluation focused its findings on CDP's fourth and fifth program phases, in which CDP implemented 73 projects in seven provinces of eastern and southern Afghanistan from April 2012 through August 2013.⁴³⁷ CDP featured direct implementation, wherein the prime USAID implementer managed all aspects of project implementation, including security, with the result that they were much faster and more flexible than many other USAID contractors working in similar areas.⁴³⁸

The MISTI evaluation found theories of change associated with CDP that differed between the implementer, which emphasized keeping combat-age men in key areas busy to reduce the numbers available to join the insurgency or participate in criminal activities, and USAID staff, who emphasized the importance of linking communities to the Afghan government.⁴³⁹

USAID and the CDP implementer requested that the MISTI evaluation team avoid sending interviewers to villages while CDP projects were ongoing in a district as a security measure. Because the evaluation team was not allowed to visit project sites during implementation, it was sometimes hard to locate enough laborers or stakeholders from each of the sample projects.⁴⁴⁰ The report noted the consequences of this approach:

[CDP]'s request that evaluation team members visit project areas only after all CDP projects in the district had been finished meant that the evaluation team could not verify numbers of laborers reported. When the evaluation team presented its preliminary results to [CDP], one [CDP] staff member said, "There is no way your staff went to that site," implying that the area was too dangerous. This raises at least two questions: If project sites are too dangerous for third-party evaluators, how was [CDP] able to implement projects and independently monitor them? How was USAID able to verify the project's reports? Where it is not secure enough to monitor or verify projects, it should be assumed that the risk for corruption is extremely high. Implementing projects without proper monitoring should be done when the benefits—in this case, contributing to the military strategy—clearly outweigh the sizeable risks.⁴⁴¹

The evaluation found that one of the most challenging aspects of CDP procurement was the bidding process. The practice of accepting the lowest bid for materials works well in a competitive environment, but CDP's environment was not always conducive to fair and effective competition. Several respondents from the communities noted that prices for materials were high. Having so few suppliers in the local area may have led to collusion for higher-than-normal quotes, even if the bidding process was technically followed. The evaluation noted that procurement was one of the few avenues for local powerbrokers to attempt exploitation. In Kandahar, respondents noted that influential community members and even district governors received contracts.⁴⁴²

The evaluation also found that CDP projects faced very high risk for corruption and fraud, particularly in the most dangerous areas, where fewer people had access and it was easier to evade the CDP checks and balances.⁴⁴³ USAID had limited ability to detect problems because its on-site monitors lived on military bases and could visit projects only on military-supported trips. CDP used systems to attempt to dissuade and identify corruption. Still, many problems were found during CDP implementation, and local interviewers recorded numerous additional allegations of corruption, notably the problem of "ghost workers," absent or imaginary employees who may appear on payrolls.⁴⁴⁴ CDP reportedly implemented more robust monitoring procedures following an incident in the latter half of 2012 in which CDP local staff colluded in fabricating payroll sheets that were approved by the CDP provincial manager without sufficient review.⁴⁴⁵

The MISTI evaluation left its findings related to project outcomes unresolved. The evaluation interviewers asked community respondents who was responsible for bringing the project. The most common responses included an NGO (some named the implementer by name), USAID, the provincial reconstruction team, the Afghan government, and community elders. The MISTI report did not provide a breakdown of the attribution results, making it hard to determine which institutions were most frequently perceived to have been responsible for the CDP projects. The report also noted it had to rely upon a few positive anecdotes to determine whether CDP reduced the supply of labor available for anti-government elements or criminal activities.⁴⁴⁶

Urban and Provincial Centers

USAID's four Regional Afghan Municipalities Program for Urban Populations (RAMP UP) programs concluded this quarter. The programs, which were extended to March 2014, aimed to improve the capacity of the provincial and urban levels of government to improve budgeting and, in the case of municipalities, increase revenue collection.⁴⁴⁷ Table 3.23 details USAID's RAMP UP programs.

TABLE 3.23

USAID REGIONAL AFGHAN MUNICIPALITIES PROGRAM FOR URBAN POPULATIONS (RAMP UP)

Region	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 3/31/2014 (\$)
South	6/10/2010	3/31/2014	\$101,046,401	\$95,590,637
East	6/10/2010	3/31/2014	95,000,000	90,936,407
North	2/8/2011	3/31/2014	40,000,000	37,715,295
West	11/14/2010	3/31/2014	34,177,405	31,033,010

Source: USAID, response to SIGAR data call, 4/7/2014.

Provincial Budgeting

International donors continue to track the provincial budgeting progress as a key deliverable of the TMAF.⁴⁴⁸ According to USAID, provincial input into budget formulation and expenditure, including submissions of provincial directorates (central-ministry representatives at the provincial level), is critical to the Afghan government's ability to meet the essential needs of the population.⁴⁴⁹ USAID reported to SIGAR that the Afghan government met the one TMAF hard deliverable for provincial budgeting by developing a draft provincial budget policy.⁴⁵⁰

According to USAID, the current provincial budgeting policy differs from previously unsuccessful 1386 (2007) and 1391 (2012) provincial budgeting pilots because it focuses simultaneously on central line ministries and provincial line directorates. The earlier pilots of 1386 and 1391 concentrated their reform efforts on provincial governors and provincial ministry representatives with little attention given to central line ministries. The 1386 pilot targeted only the three provinces of Balkh, Panjshir, and Kandahar; the 1391 pilot extended to all 34 provinces. Both pilots provided fixed allocations to a handful of major line ministries to fund development project proposals submitted by their respective provincial directors. In both earlier pilots, emphasis was put on training provincial officials, but the effort ultimately fell short.⁴⁵¹

The 1391 pilot incorporated lessons learned from the 1386 pilot and used professional trainers to provide capacity-building training to provincial line directorates. In addition to fixing an allocation for key line ministries' provincial directorates, the 1391 pilot provided training in budget formulation to provincial staff, but did not include central ministry personnel. Ultimately, disagreements between the Afghan government and donors over the source of funding for the proposed projects resulted in the cancellation of the pilot project's.⁴⁵²

It is USAID's assessment that the new policy stresses collaboration between the ministries, provincial directorates, and provincial governor's offices with consultation and input from provincial councils. The policy reportedly encourages improved allocation of budgetary resources across

all 34 provinces; provincial consultation, planning and monitoring; and the role of provinces in budget execution. The policy also provides for increasing the capacity of both ministries and directorates to plan, budget, and finance operations as well as maintain assets.⁴⁵³

In the 1393 budget, \$3 million has been allotted to each of the 11 least developed provinces and \$1 million has been allotted to each of the remaining 23 provinces as a discretionary, contingency fund.⁴⁵⁴ Project proposals are expected to be submitted to a Public Financial Management (PFM) Committee headed by the provincial finance director, and including the provincial governor's office, the director of economy, and the director of women's affairs. The PFM Committee, in consultation with the Provincial Council, will assess the project proposals for submission to the Ministry of Finance. Once the projects are approved, the provinces will be responsible for all procurements, disbursements, and oversight associated with the approved projects.⁴⁵⁵ According to the UN Secretary-General, the outcome of this third pilot will be used to evaluate prospects for the implementation of a more general, decentralized fiscal policy.⁴⁵⁶

RECONCILIATION AND REINTEGRATION

The current U.S. Civil-Military Framework states that political reconciliation between the Afghan government and insurgency is “the solution to ending the war in Afghanistan.”⁴⁵⁷ However, the UN Secretary-General recently described progress toward the establishment of a formal peace process as limited.⁴⁵⁸

Reconciliation

According to State, there has been no noticeable progress in the ability of the Afghan High Peace Council (HPC) to garner support for reintegration and reconciliation efforts during the quarter.⁴⁵⁹ State reported that the HPC continues to conduct regular meetings, but State has no visibility on the results.⁴⁶⁰

During the quarter, both the Afghan national security advisor and the HPC chairman were quoted saying that constitutional protections for women would not be sacrificed to further peace negotiations with insurgent groups.⁴⁶¹

High-level reconciliation efforts remained opaque during the quarter. News reports underscored some of the challenges the Afghan government faces in trying to negotiate with the Taliban. For example, there were reports in February of a meeting in Dubai of former Taliban officials who expressed the desire for a peaceful settlement to the Afghanistan conflict. The Afghanistan National Security Council praised this as progress.⁴⁶² A few days later, one of the Taliban officials who reportedly attended the meeting was killed in Peshawar, Pakistan. An Afghan presidential spokesman condemned the killing. The body of the murdered Taliban official was later

transferred to his home province via a military helicopter. The presidential spokesman was quoted as saying, “Whenever Taliban leaders show willingness to talk to the Afghan side, they are targeted and killed.”⁴⁶³ However, in a statement attributed to the Taliban, the group indicated that it did not participate in the Dubai meeting and that it remains opposed to direct talks with the Afghan government.⁴⁶⁴

Reacting to news reports last quarter of secret meetings between President Karzai’s office and the Taliban, an HPC spokesman disavowed any knowledge of such meetings.⁴⁶⁵ Later in February, the HPC issued a statement that the HPC had met with a faction of the Taliban and that both sides agreed to continue dialogue.⁴⁶⁶

On April 10, the HPC announced that talks with the Taliban would resume in the United Arab Emirates “soon,” without disclosing a specific date. The HPC expected to meet with Agha Jan Mutasim, a former Taliban leader who had previously held talks with the HPC in Dubai. The next day, however, Agha Jan Mutasim was reported to be missing in a news report that was later confirmed by the Afghan Ministry of Foreign Affairs.⁴⁶⁷

Since SIGAR’s last quarterly report to Congress, an HPC spokesman was suspended after he made controversial remarks such as calling Osama bin Laden a martyr and blaming the conflict in Afghanistan on foreign interference due to the U.S. presence.⁴⁶⁸

Afghanistan Peace and Reintegration Program

The Afghanistan Peace and Reintegration Program (APRP), an Afghan-led reintegration program targeted towards low-level foot soldiers and their commanders, is financed through \$182.3 million in contributions from 12 donor nations. Operational funding for the program is provided by seven donor



In January 2014, 19 reintegree candidates join the Herat Afghan Peace and Reintegration Program (APRP). The Provincial Peace Council (PPC) collected 18 different kinds of weapons. (ISAF photo)

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nations (primarily Japan and Germany). The United States provides funding towards community-recovery efforts administered by the World Bank.⁴⁶⁹

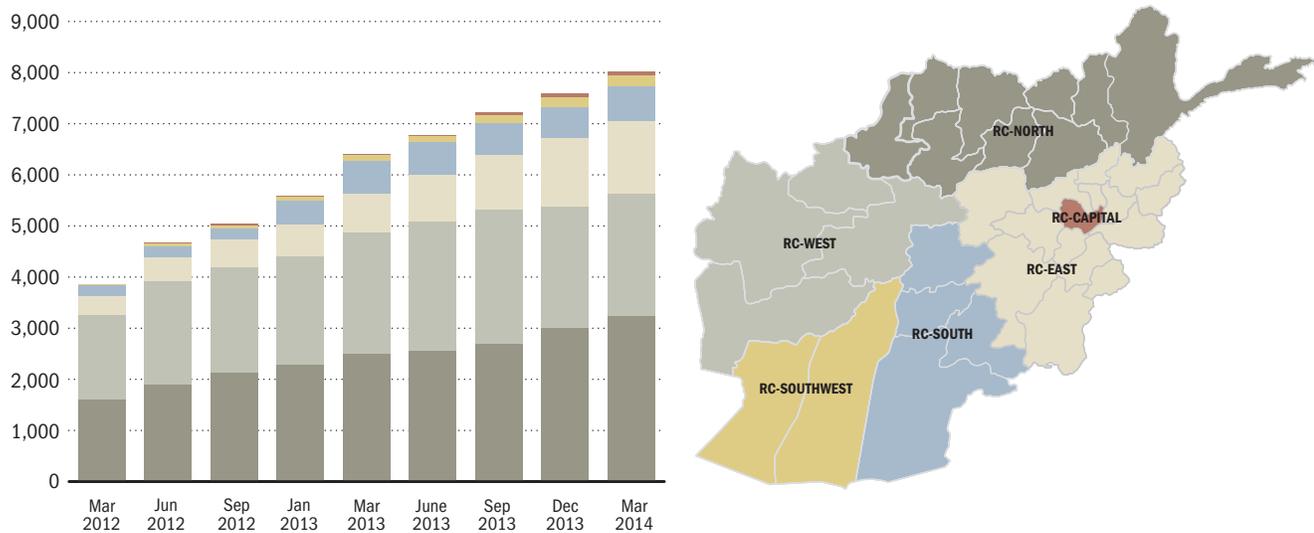
According to the Force Reintegration Cell (FRIC), an International Security Assistance Force (ISAF) element supporting the APRP, the APRP Joint Secretariat and Provincial Joint Secretariat Teams continue to make outreach a priority. For example, the APRP recently mounted a countrywide women’s campaign that gathered more than 250,000 women’s signatures in a petition for peace.⁴⁷⁰

The FRIC also reports 96 small grant projects and 1,228 Afghan government projects are under way in 31 provinces and 136 districts.⁴⁷¹

During this quarter, 426 new reintegrees joined the program, increasing the total to 8,025 reintegrees, as shown in Figure 3.31. According to FRIC, there is a current backlog of approximately 500 reintegration candidates who have been fully vetted at the provincial and national level, and who will complete the enrollment process as soon as 2014 funds are available.⁴⁷² According to State and the FRIC, the APRP has a robust vetting process to confirm that individuals who want to join the program are actually insurgents. Afghan civil government and ANSF officials at the provincial and national levels are responsible for processing reintegrees. The international role is limited to being able to access the Reintegration Tracking and Monitoring Database.⁴⁷³

FIGURE 3.31

CUMULATIVE REINTEGREES BY REGIONAL COMMAND



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

Sources: State, responses to SIGAR data call, 10/4/2013, 7/1/2013, 4/2/2013, 1/2/2013, 10/2/2012, 7/5/2012, 3/30/2012. DOD, responses to SIGAR data call, 3/31/2014, 12/31/2013.

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, 2013.⁴⁷⁴ The Supreme Court of Afghanistan and the AGO reported that all districts have assigned prosecutors and all districts have functioning courts.⁴⁷⁵ However, insecure districts with no prosecutors or judges physically present are still labeled "functioning" so long as cases are processed in provincial capitals.⁴⁷⁶ A news report quoted the chief of the appellate court in Ghazni Province saying 14 of its 18 districts have no judges present due to growing insecurity. Residents therefore must either travel to the provincial capital or use informal dispute resolution.⁴⁷⁷

USAID says it is unclear what proportion of trials in insecure provinces take place in the districts as opposed to the provincial capital. Judges assigned to insecure provinces appear to hold court in the provincial capitals, with cases primarily filed in the provincial center and not the districts because of insecurity and the lack of facilities. In Kandahar, rule-of-law officials do not reside in their districts and have limited effectiveness in most of the province. The fact that prosecutors are absent in several Kandahar districts has led to police releasing detainees following informal discussions with local elders, rather than adhering to formal procedures.⁴⁷⁸

According to USAID, Afghan legal professionals cite the lack of suitable work facilities and financial hardships associated with living in their assigned districts as reasons for not taking up residence. For example, the judge assigned to Zharey District provides judicial services from Kandahar City and visits the district infrequently because it lacks a courthouse and adequate office space. USAID cited one positive example of two judges and a prosecutor who were consistently present in Arghandab District, partially due to the presence of a courthouse with housing facilities for the officials.⁴⁷⁹

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

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

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TABLE 3.24

USAID RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 3/31/2014 (\$)
Rule of Law Stabilization-Formal Component	7/16/2012	7/14/2014	\$22,581,128	\$15,967,182
Rule of Law Stabilization-Informal Component	7/16/2012	3/13/2014	15,651,679	14,520,833
Fight Corruption Tooth and Nail	7/4/2012	7/3/2014	997,000	528,783
GAPS Anti-Corruption Grant	6/7/2012	6/6/2014	1,292,379	664,707

Source: USAID, response to SIGAR data call, 4/7/2014.

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 3.24.

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. USAID previously reported that 81% of Afghan judges have completed this course. RLS-F has also implemented public outreach efforts to strengthen civic awareness of Afghan legal rights and the country's judicial processes.⁴⁸⁰

RLS-I provides assistance to the traditional justice sector to increase the quality of justice services provided and facilitate linkages of formal and traditional justice sectors. 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, 5,192 elders have pledged to cease some traditional practices such as *baad*, the practice of exchanging women to settle a dispute. USAID reports that 67 women's elders groups have been established.⁴⁸¹

USAID says it is finalizing an impact evaluation of RLS-I, but initial findings include: (1) disputants who seek the mediation services of RLS-I elders showed improved perceptions of procedural fairness and overall justice; (2) the more knowledge the elder has, the more satisfied people are with the dispute resolution; and (3) RLS-I participants gain and retain knowledge, with higher gains for relevant, practical knowledge, such as family or inheritance law.⁴⁸²

The State Department's 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 did not provide an assessment of the state of Afghan court administration.⁴⁸³

The Supreme Court and the Formal Justice Sector

According to State, there were no notable rulings by the Supreme Court during the quarter.⁴⁸⁴

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.⁴⁸⁵ The UN Secretary-General reported that Afghanistan's general prison population grew from 12,000 in 2008 to 29,000 in January 2014, with a growing number of hunger strikes over conditions of detention as well as inconsistent application of prisoner releases.⁴⁸⁶

The Ministry of Justice's Juvenile Rehabilitation Directorate (JRD) incarcerated 1,233 juveniles. This total does not include detainees held by any other Afghan governmental organization as State's Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to data for other organizations.⁴⁸⁷

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities. As of January 20, 2014, the total male provincial prison population was at 296% of capacity, as defined by International Committee of the Red Cross's (ICRC) minimum 3.4 square meters per inmate. The total female provincial prison population was at 135% of the ICRC recommended capacity. Information on the capacity of GDPDC-operated district detention centers and the JRD's juvenile rehabilitation centers is not available. However, anecdotal reporting by INL advisors visiting facilities indicates that overcrowding is a substantial problem in many provinces.⁴⁸⁸

In April, SIGAR issued an alert letter regarding an \$11.3 million prison built by an INL contractor in Baghlan Province. Although security concerns prevented SIGAR from physically inspecting the prison, the agency's review of contract files found evidence of serious structural damage that resulted in at least one housing unit being demolished.⁴⁸⁹ According to INL, the construction design specifications required compliance with International Building Code (IBC) standards, as well as seismic reinforcement, and, in accordance with these requirements, the facilities were built using reinforced brick.⁴⁹⁰ The designs indicate that this unit and other buildings at the site were built using unreinforced brick walls between concrete columns. SIGAR recommended that INL reconsider its plan and direct that the structures be rebuilt using reinforced masonry between concrete columns, which SIGAR believes is called for in the IBC.⁴⁹¹ INL stated that it will continue to comply with IBC standards in any future reconstruction contracts in Afghanistan.⁴⁹²

Anticorruption

Afghan anticorruption efforts demonstrated no significant progress during the quarter. State is aware of one new case this quarter involving a high-level official, but has not yet reviewed the case file and cannot comment on the quality of the evidence. The chief prosecutor in Balkh Province was charged with embezzlement and abuse of power for diverting flour shipments at the Uzbek border. 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.⁴⁹³

Special Inspector General John F. Sopko spoke at the Atlantic Council on March 20, 2014, to point out that allowing corruption to continue unabated in Afghanistan will likely jeopardize all the United States has accomplished in 12 years of reconstruction. For more information, see Section 2, page 55.

The Department of Defense's Joint Staff issued a report on corruption in February. The study, initiated by ISAF Commander General Joseph F. Dunford, quoted former ISAF Commander General John Allen as saying that "Corruption is *the* existential, strategic threat to Afghanistan."⁴⁹⁴ The report found that: (1) U.S. initial support of warlords, reliance on contracting for military logistical support, and the deluge of military and aid spending overwhelmed the absorptive capacity of the Afghan government and created an environment that fostered corruption and impeded later counter/anticorruption (CAC) efforts; (2) the necessary preconditions for combating corruption do not exist due to an initial delayed U.S. understanding of the nature of Afghan corruption, decreasing levels of physical security, lack of political will on the part of both the international community and the Afghan government, and lack of effective popular pressure against corruption resulting in a large-scale culture of impunity that frustrated CAC efforts; and (3) there was an improvement in understanding of the corruption issues and supported intelligence-driven CAC planning and operations but lack of unity of effort reduced the effectiveness of CAC operations and the persistent lack of political will on the part of the Afghan government rendered almost all countercorruption efforts moot.⁴⁹⁵

According to the report, there are two lines of effort to combat corruption: anticorruption and countercorruption. Anticorruption measures are those aimed at limiting the opportunities for corruption. They include transparency and accountability control measures, inspections, audits, and actions to influence individual behavior. The report pointed out that anticorruption measures inconvenienced corrupt actors but did not sanction them for their actions, which possibly helped further a culture of impunity in Afghanistan. In contrast, countercorruption measures are corrective in nature, focus on sanctioning corrupt individuals, and provide a deterrent against corruption. However, Afghanistan lacks the effective legal system, and particularly an independent judiciary which

the countercorruption measures require. According to the report, without this, the international coalition's countercorruption actions are usually a step behind the corrupt actors.⁴⁹⁶

The report offered several criticisms of the U.S. approach to Afghanistan reconstruction including weak oversight of subcontractors, the inability to account for spending, and the emergence of a perverse incentive to demonstrate progress through increased spending at the tactical level that undercut oversight.⁴⁹⁷ The report also questioned the value of international CAC initiatives, noting that the use of classified intelligence created legal dilemmas when the information could not be shared with the Afghan court system. In addition, improved understanding of prime contractors was not replicated at the subcontractor level. Moreover, the report found that on the whole ISAF's CAC effort remained Kabul-centric and lacked visibility outside of headquarters. Finally, the report concluded that the Afghan government impeded international CAC efforts by conducting illusory corruption reform and slow-rolling domestic reform, such as delaying appointments to the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC).⁴⁹⁸

This quarter, there were reports of subnational Afghan government officials being accused of corruption related to wheat distribution. The governor of Nuristan Province, along with the directors of disaster management and rural reconstruction and development, were removed from office for the theft of hundreds of tons of government wheat.⁴⁹⁹ Similarly, a district governor in Ghazni Province has reportedly been suspended after being accused of selling 90 tons of improved wheat seed meant for distribution to local farmers.⁵⁰⁰

Afghan Attorney General's Office

There were no significant changes in the technical capacity or effectiveness of the AGO. The AGO declined offers from State to train AGO prosecutors in investigative methods, and cancelled numerous scheduled meetings with State. According to State, the election made the pursuit of high-level corruption cases less likely.⁵⁰¹

The Major Crimes Task Force (MCTF) is the investigatory arm for the AGO internal control and monitoring unit.⁵⁰² According to State, the MCTF continues to be an increasingly capable investigatory force but is stymied by the AGO's refusal to pursue corruption cases.⁵⁰³

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

According to USAID, the MEC has sufficient technical capacity to carry out its mandate to develop anticorruption recommendations and benchmarks; monitor and evaluate the government and international community efforts to fight corruption; and report to the Afghan president, parliament, people,

and international community. The MEC remains one of the only effective organizations engaged in the fight against corruption in Afghanistan. The MEC's two main donors, Denmark and the United Kingdom (UK), have been working with the MEC to improve some of the administrative deficiencies found by UK auditors several months ago. According to USAID, donors and the U.S. government are impressed with the MEC's ability to confront the Afghan government on serious corruption issues.⁵⁰⁴

In April, the MEC issued its fifth six-month-report that covers their work and recommendations from July 1 to December 31, 2013.⁵⁰⁵ SIGAR has previously reported on these recommendations (for example, please see pages 137–138 in the January 30, 2014, and October 30, 2013, quarterly reports). The MEC reported that it is monitoring more than 40 Afghan government institutions and international organizations. In the report, the MEC introduced a rating system for 23 institutions (or type of institutions such as the international community/donor) for the amount of cooperation and effort in responding to MEC recommendations. According to the MEC, the best performing institutions are the IEC, Da Afghanistan Bank, the Ministry of Mines and Petroleum, and the Supreme Court. The worst-performing institutions are ISAF, the Ministry of Refugees and Repatriations, the Kabul Bank Special Tribunal, and the Afghanistan Investment Support Agency.⁵⁰⁶

The MEC recently stated that the Afghan government has not effectively implemented asset registration and verification procedures for high-ranking Afghan officials, opening the door for embezzlement. According to the MEC, a properly implemented asset registration and verification system is an effective tool in fighting corruption. The MEC found that the High Office of Oversight and Anticorruption (HOO) has been able to register the assets of officials to some extent, but not annually as required; that the HOO has failed to verify the assets they have registered and did not refer illicit enrichment cases to the Attorney General's Office; and that the HOO's Asset Registration and Declaration Department suffers from low staff capacity.⁵⁰⁷

High Office of Oversight and Anticorruption

State and USAID have reported previously that the HOO is dysfunctional, ineffective, and politicized.⁵⁰⁸ USAID reports that the HOO has adequate administrative and technical capacity to carry out its programs and mandate.⁵⁰⁹ 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 and political elite. The new HOO director has not increased productivity and continues to request donor assistance to build capacity in HOO staff. According to USAID, the donor community is reluctant to invest more at this time because it has not seen sufficient results from the funding it has already invested in the HOO.⁵¹⁰

According to the UN Secretary-General, the HOO registered the assets of 2,975 government officials. The HOO has published information on the asset registration of 44 senior government officials, and asset verification has been completed for 33 high-level government officials, including the president, vice presidents, ministers and governors. The verification of the asset declarations of an additional 32 senior officials is under way.⁵¹¹

According to USAID, 1,150 Afghan officials are confirmed to have completed an asset-declaration form, although HOO claims the number is between 2,500 and 5,000. The HOO maintains that 7,000 officials are required to file asset-declaration forms. 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 2010.⁵¹² Because of this, the Afghan government failed to meet its TMAF hard deliverable regarding the collection and publishing of the assets of high-ranking officials.⁵¹³

CSTC-A Oversight of MOD and MOI Direct Contributions

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. See Figure 3.32. Once audit or assessment findings are communicated to the relevant ministry, CSTC-A will begin the process. On Day 30, the commanding general

FIGURE 3.32

COMBINED SECURITY TRANSITION COMMAND-AFGHANISTAN (CSTC-A) FINANCIAL LEVERS STRATEGY

<p>DAY X</p> <p>Audit or assessment related to Ministry of Defense (MOD) or Ministry of Interior (MOI) uncovers an issue.</p>	<p>DAY 1</p> <p>CSTC-A ministerial advisor receives briefing of audit/assessment results. Audit recommendations letter goes to audited organization.</p>	<p>DAY 15</p> <p>Auditor follows up with MOD/MOI to determine status of audit recommendations and any progress in rectifying problems identified.</p>	<p>DAY 30</p> <p>CSTC-A commander or deputy sends letter of audit recommendations to MOD or MOI showing all “open” and “closed” recommendations. Intent is to elevate issues and address open recommendations.</p>
<p>DAY 45</p> <p>Review board confirms consensus at CSTC-A that findings are not being addressed and recommendations are not being followed in a timely fashion.</p>	<p>DAY 46</p> <p>First lever pulled: 50% disbursement delay to affected budget code, or more serious follow-on actions occur if MOD or MOI ignore audit recommendations and do not respond.</p>	<p>DAY 60</p> <p>Another CSTC-A follow-up determines status of audit recommendations.</p>	<p>DAY 61</p> <p>Second lever pulled: Commitment letter funding decreased, or disbursement delayed to affected budget codes by 100%. Higher-level budget code has broader implications for MOD or MOI.</p>

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

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 an issue 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.⁵¹⁴

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, 2013.⁵¹⁵ From August through October 2013, CSTC-A audited the MOI payroll. CSTC-A issued an audit report to the MOI in early November 2013. The audit contained findings related to pension deductions being erroneously calculated; payroll issues including late payments, inadequate withholding of payroll taxes, and improper deduction of pension contributions; and cooperative-stores funding that is unconstitutional, not accessible to its contributors, and with fees that exceed estimated operating costs. The MOI has responded to the audit by issuing a decree to stop all cooperative-store pay deductions.⁵¹⁶

According to CSTC-A, there are several mechanisms for monitoring U.S. direct contributions to the Afghan budget for the Afghan security forces. CSTC-A uses a bilateral commitment letter to ensure that the Afghan government understands the terms and conditions surrounding the proper utilization of CSTC-A funds (including the purpose, time, and amount) and the possible consequences of improper use of funds.⁵¹⁷ Direct-contributions funding is provided to the Ministry of Finance, and later allotted to MOD and MOI, incrementally on an as-required basis.⁵¹⁸

It is CSTC-A's assessment that once funds enter the Afghan government's bank account, oversight becomes significantly more challenging. CSTC-A currently compares on a weekly basis the reported Afghanistan Financial Management Information System (AFMIS) expenditures (by five-digit expenditure code) to the approved amounts in the commitment letter. CSTC-A notes, however, that AFMIS is a manual-entry system and its reliability is only as good as the Afghan government official who is entering the data. If CSTC-A observes that the spending of an expenditure code exceeds the amount specified in the commitment letter by any amount, then CSTC-A will investigate. Similarly, CSTC-A acts if it observes execution of any amount on a budget code that is not specified in the commitment letter.⁵¹⁹

CSTC-A says it can reconcile U.S. direct contributions to MOI and MOD through an analysis of disbursements and expenses through AFMIS, but is currently examining, in collaboration with USAID, an alternate approach for providing direct contributions following a Department of Defense Inspector General audit. CSTC-A is analyzing the method used by USAID

in which the Afghan government establishes a special bank account granting USAID full audit rights over the account. According to CSTC-A, this arrangement could provide CSTC-A with another tool for strengthening accountability over direct contributions. Currently, CSTC-A direct contributions are pooled with all sources of Afghan government revenues (including other donor nations and domestic revenues) deposited in the single treasury account of the central bank. According to CSTC-A, this approach has the advantage of being more simple and provides the Afghan government more flexibility, but requires additional effort from CSTC-A to reconcile the reported use of funds.⁵²⁰

CSTC-A also uses audits designed to detect and correct improper spending to monitor high-risk areas such as fuel and pay. CSTC-A has initiated 12 audits over the last several months to examine payroll accountability and the purchases of clothing, fuel, and utilities in the Ministries of Defense and Interior.⁵²¹

HUMAN RIGHTS

Gender Equity

In January, the Afghan Ministry of Women's Affairs (MOWA) released their first report on the implementation of the Elimination of Violence Against Women (EVAW) Law. According to UNAMA, this report reinforced UNAMA's findings from a December 2013 report and shows that too many cases are resolved through mediation rather than the criminal justice system.⁵²² The report found a total of 4,505 reported cases of violence against women—on average 35 cases per 100,000 women—in 32 of the 34 provinces. The five most reported types of cases were beating/battery and laceration (40.5%), murder (7.3%), abuse (5.4%), denial of food (5.4%), and forced marriage (5.1%).⁵²³ The current state of the reported cases include resolution through mediation and other processes (41%), resolution through the formal legal system (11.5%), and still in progress (47%).⁵²⁴

According to USAID, the Afghan government failed to meet the TMAF hard deliverable to produce a detailed report on the application of the EVAW law in each province. The advanced draft of the report that was supplied to donors prior to the January 28, 2014, Special Joint Coordination Monitoring Board had a disparity between the reported number of cases by the MOI, Afghanistan Independent Human Rights Commission (AIHRC), or MOWA and the reported number of arrests, prosecutions, and convictions; a lack of complete data in the provinces; a lack of coordination between provincial justice institutions and provincial MOWA offices; a lack of technical support in the provinces; and the lack of an adequate and centralized data collection system for Kabul and the provinces.⁵²⁵

The new European Union Ambassador to Afghanistan stated in March that the Afghan government has not demonstrated a sufficient sense of urgency with regard to women's rights in Afghanistan and lacks a strong policy on the matter.⁵²⁶

There was controversy this quarter regarding a portion of the Criminal Procedure Code (CPC). Following a six-year drafting process, Article 26 of the CPC, which dealt with those who cannot be questioned as witnesses in criminal proceedings, was approved by parliament and signed into law, but was later amended through a decree by President Karzai.⁵²⁷ There was concern that Article 26 would impact the prosecution of domestic violence and child abuse by restricting relatives of abusers from appearing as witnesses. The European Union, the U.S. Embassy Kabul, and other international donors issued statements requesting an amendment of the article.⁵²⁸

According to State, the final version of the CPC is a vast improvement over the original version passed by parliament. However, civil society groups have raised concerns over how the CPC will be effectively implemented.⁵²⁹ According to USAID, the positive amendments were due to the strong advocacy and pressure of civil society, which is reflective of how much more active and organized Afghan civil society has become throughout the past decade.⁵³⁰ According to Human Rights Watch, the revised Article 26 language still exempts too many family members from being called to court as witnesses and therefore poses a serious challenge for successful prosecution of violence against women and witness protection.⁵³¹

Refugees and Internal Displacement

According to State, the UN High Commission for Refugees (UNHCR) recorded no new refugee outflows in the region in this quarter. In the first two months of 2014, returns totaled 965 individuals, which is 57% lower than the 2,265 returns during the same period in 2013. The decrease in the rate of returns can be attributed to the uncertain security situation in Afghanistan, the unknown outcome of the April 2014 Afghan presidential and provincial council elections, and the extension of proof-of-registration cards for Afghan refugees in Pakistan. Return trends also decline during the winter season with February being the lowest month historically. Afghans remain among the largest group of asylum seekers worldwide with 38,653 claims in 2013.⁵³²

As of February 28, UNHCR recorded a total number of 654,664 registered conflict-affected Internally Displaced Persons (IDPs) compared to 647,779 registered IDPs since January 31. According to State, the actual number of internally displaced could be much higher, but is difficult to verify.⁵³³

In February, the Afghan government launched a new national policy on internal displacement. It set forth the roles and responsibilities of various Afghan government ministries and agencies and their development and humanitarian partners. According to the UN Secretary General, an

implementation strategy is currently being developed.⁵³⁴ Under the new policy, the Afghan government bears the primary responsibility to provide emergency assistance, longer term support, and protection to displaced persons in Afghanistan. According to UNHCR, the responsibility exists regardless of the cause of displacement. It also applies whether displaced persons are living in settlements, with host families, in rural or in urban settings, and inside or outside their province of origin. The policy ensures that Afghans will have the right to integrate in the place where they are living, return to their place of origin, or to relocate to a new place. Displaced people cannot be encouraged or compelled to return or relocate to areas where their lives will be at risk.⁵³⁵

The Government of Pakistan began issuing new refugee cards that will be valid until the end of 2015 to more than 1.6 million registered Afghan refugees. Pakistan's Cabinet decided in July of 2013 to further extend the temporary stay of Afghan refugees. According to UNHCR, the refugee card is important as it provides for Afghans to legally remain in Pakistan and thereby protects against risks such as extortion, arbitrary arrest, and detention as well as deportation under Pakistan's Foreigners Act. The process will be carried out in two phases. During February-June 2014 all expired cards will be replaced. In the second phase, from July to the end of the year, Pakistan will register and issue individual cards to some 150,000 children born during the past five years. An additional 330,000 Afghan children below the age of 18 will receive birth certificates for the first time under this initiative.⁵³⁶

The Norwegian Refugee Council (NRC) issued a report that found that rapid urban growth has been fuelled by the repatriation of refugees, internally displaced persons fleeing conflict and disasters, and economic migration. According to NRC, the arrival of IDPs and refugee returnees in Afghanistan's cities has created precarious living conditions, including a constant risk of forced evictions. Afghan domestic law does not have clear legal standards for eviction. Evictions are planned and carried out with no genuine consultation, inadequate notice, no due process, and without compensation. NRC found that in the vast majority of cases, evicted IDP and returnee families have no prospect of being relocated to adequate alternative housing by either the government or private land-owners.⁵³⁷

Afghanistan Independent Human Rights Commission

According to State, the Afghanistan Independent Human Rights Commission (AIHRC) continues to make significant progress in increasing awareness about human rights issues, documenting the current human rights situation, speaking out about abuses, and monitoring the ongoing elections. However, the Afghan government's process for appointing AIHRC commissioners created concern over the AIHRC's independence that could threaten its reaccreditation ranking.⁵³⁸

On January 28, the International Coordinating Committee (ICC) published the findings of its review of the AIHRC. The ICC currently rates the AIHRC as having “A” status, signifying compliance with the Paris Principles and reflecting institutional legitimacy and credibility.⁵³⁹ The review, conducted every five years, concluded with a decision to defer the question of AIHRC’s status for one year. The ICC, while expressing great respect for AIHRC’s work and effectiveness, noted with concern the Afghan government’s process of appointing new commissioners, the lack of sufficient female staff, and the dependence on donor funding. The ICC stressed the need for the AIHRC to address those concerns with the Afghan government by November 2014, failing which it would be recommended for a downgrading to a lower “B” status.⁵⁴⁰ Because of this, the Afghan government failed to meet the TMAF hard deliverable regarding the appointment of AIHRC commissioners.⁵⁴¹ State reported that the current donors remain committed to supporting the AIHRC despite the uncertainty of its international rating.⁵⁴²

DATA QUALITY ASSESSMENT OF THE SURVEY OF THE AFGHAN PEOPLE

SIGAR reported last quarter on the annual *A Survey of the Afghan People* issued by the Asia Foundation. USAID currently funds approximately 26% of the survey’s cost through a \$750,000 grant.⁵⁴³

At the conclusion of last quarter, USAID finalized a data-quality assessment of the survey. USAID’s report noted that the Asia Foundation survey, the only publicly available study of nationwide perceptions in Afghanistan since 2006, has become controversial due to a wide discrepancy between the survey’s reported optimism and opinions captured in other surveys.⁵⁴⁴ According to the report, analysts and organizations working on the ground in Afghanistan often dismiss the survey, while policy makers and key decision makers tout it as evidence of the progress the international community has made in Afghanistan.⁵⁴⁵

According to the USAID assessment, the Asia Foundation made a number of changes to improve the quality of the survey in 2013 including changes to the survey plan, instrument, method, and analysis.⁵⁴⁶ Some of these changes sought to better capture the opinions of Afghans living in insecure areas. The 2013 survey introduced what the Asia Foundation describes as “intercept interviews” to capture perceptions of Afghans living in inaccessible areas. The Foundation ‘intercepted’ respondents from insecure areas in a secure or accessible location, such as a bazaar, hospital, or travel point. The assessment notes that this is not an ideal method for capturing opinions from insecure areas.⁵⁴⁷

Another change included the hiring of a third-party monitoring company to observe the survey implementation process. The third-party monitor,

however, was not able to conduct truly independent monitoring of the survey process because the survey implementer did not define ahead of time their survey schedule so that the monitor was not able to plan monitoring site visits in advance using a random selection of survey sampling points. Instead, the monitor had to rely on guidance from the survey implementers in order to observe the survey process. Consequently, there was no assurance that survey implementers did not guide the third party to monitor the best enumerators performing the surveys rather than conduct a random sampling of enumerators.⁵⁴⁸ Despite these changes, the assessment team found continuing areas of concern, including the process of replacing sampling points, misunderstanding by some enumerators of the randomized respondent selection process, and weak survey questions. According to the report, these findings illustrate continuing weaknesses in the survey.⁵⁴⁹

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ECONOMIC AND SOCIAL DEVELOPMENT

As of March 31, 2014, the U.S. government has provided nearly \$26 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 3.25.

TABLE 3.25

CUMULATIVE APPROPRIATIONS FOR AFGHANISTAN DEVELOPMENT, AS OF MARCH 31, 2014		
(\$ BILLIONS)		
Fund	Managing Agency	Appropriated
ESF	USAID	\$17.5
CERP	DOD	3.7
TFBSO	DOD	0.8
AIF	STATE/DOD	1.2
Total		\$23.2

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 \$23.2 billion appropriated for these funds, approximately \$18.6 billion had been obligated and \$14.7 billion disbursed, as of March 31, 2014.

KEY EVENTS

This quarter saw a number of developments that could have a profound impact on the Afghan economy during the coming year. Afghanistan was downgraded to a “dark-gray” list by the Financial Action Task Force (FATF) for insufficient progress made on improving its anti-money laundering regulations. Afghanistan could be blacklisted to the high-risk, non-cooperative jurisdiction category in June if satisfactory improvement is not made, affecting its banking relationships around the world and further weakening its banking sector.⁵⁵⁰

The Joint Coordination and Monitoring Board (JCMB)—a high-level decision-making body responsible for strategic coordination between Afghanistan and the international community—met in January to measure

Afghan and donor progress on fulfilling Tokyo Mutual Accountability Framework requirements and to provide guidance for the new government. In a statement, the board concluded that both sides made “sound progress” while acknowledging that challenges remain ahead.⁵⁵¹

Afghanistan’s domestic revenues in Afghan fiscal year (FY) 1392 (December 21, 2012–December 20, 2013) missed Ministry of Finance (MOF) budget targets by 11.9%.⁵⁵² Domestic revenues paid for only 37% (\$2 billion) of Afghanistan’s total budget expenditures (\$5.4 billion) in FY 1392; donor grants covered the remainder.⁵⁵³

At the same time, the Afghan government approved its FY 1393 national budget (December 21, 2013–December 20, 2014), totaling \$7.65 billion, a 23% increase over FY 1392.⁵⁵⁴

During this reporting period, the International Monetary Fund’s Extended Credit Facility arrangement review and disbursement remain delayed due in part to insufficient Afghan progress toward meeting domestic-revenue collection and legislative requirements.⁵⁵⁵

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.⁵⁵⁶ Moreover, the government continues to delay passing the new mining law, hindering significant private investment in the mining sector.⁵⁵⁷

ECONOMIC PROFILE

Afghanistan’s GDP growth has slowed significantly over the last year. The International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB) all projected that Afghanistan’s GDP growth (excluding opium production) will fall from about a high of 14% in 2012 (due to a near-record-breaking wheat and cereal harvest) to an estimated 3–4% for 2013. They attribute the decline in GDP growth to increasing uncertainty about the volatile political and security environment. The World Bank, IMF and ADB project GDP growth in 2014 to remain at around 3.5%.⁵⁵⁸ With an expected reduction in international aid and spending after 2014, the Bank projects average real GDP growth at about 5% annually through 2018 under its baseline scenario. More uncertainty, fueled by insecurity and instability, could further dampen growth.⁵⁵⁹ By contrast, Afghanistan’s economy grew by an annual average of 9.4% during the years it was boosted by international military spending and development assistance from 2003 to 2012.⁵⁶⁰

The services and agriculture sectors have been the most important components of GDP. Increased public spending buoyed demand in 2013 for services, the leading contributor to GDP, from 2005–2012, although it slowed considerably in 2013, according to the World Bank.⁵⁶¹ However, in 2013 the ADB found weakened demand in industry and services due to business and consumer uncertainty about insecurity, lower spending by international security forces, and the winding down of a large number

of development projects in advance of the 2014 drawdown.⁵⁶² 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.⁵⁶³

Fiscal Sustainability

The Afghan government's revenues declined as a percentage of GDP in 2013 (9.6%)—compared to 10.3% in 2012 and 11% in 2011—as public spending increased, according to the World Bank.⁵⁶⁴ Afghan government expenditures are expected to continue rising, largely due to spending on security, service delivery, building essential infrastructure, and operations and maintenance.⁵⁶⁵

The World Bank describes Afghanistan's fiscal outlook as subpar and likely to delay progress to self-reliance.⁵⁶⁶ Afghanistan's fiscal gap between government revenue and expenditures is growing. The Bank estimates a large financing gap of 25% of GDP (\$7 billion) in 2018 and a similar gap of 20% of GDP in 2025. This will limit Afghanistan's ability to pay for discretionary services without significant donor support and is likely to delay its progress to self-reliance.⁵⁶⁷

Budget

On January 15, 2014, Afghanistan's parliament approved the country's FY 1393 national budget (December 21, 2013–December 20, 2014), totaling approximately \$7.55 billion—\$4.94 billion for the operating budget and \$2.61 billion for the development budget.⁵⁶⁸ Budget expenditures will focus on security (44% of the total budget), infrastructure (14%), education (13%), agriculture (8%), and health (4%).⁵⁶⁹

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 (AFN) to the U.S. dollar), an increase of 40% over FY 1391 (March 2012 to December 2012), noting a 12 month to nine month comparison.⁵⁷⁰ However, in FY 1392, the MOF reported total domestic revenues missed MOF budget targets by 11.9%.⁵⁷¹ Figure 3.33 on the following page 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 37% or \$2 billion of Afghanistan's total budget expenditures of \$5.4 billion in FY 1392; donor grants covered the rest.⁵⁷² The World Bank and the ADB attributed Afghanistan's weak revenue performance to a slowdown in economic activity, changes in the structure of imports, and corruption, particularly in customs collections.⁵⁷³

Opium production is not calculated in official GDP figures (GDP was 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.

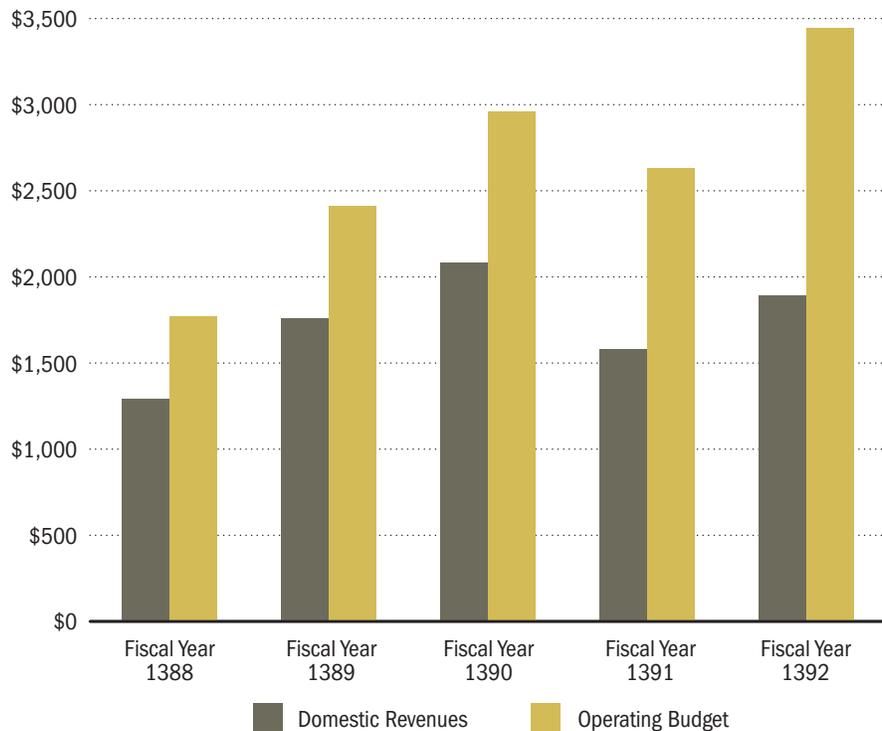
Source: UNODC, Afghanistan Opium Survey 2013, 12/2013, pp. 10, 12.

Donor grants are expected to finance approximately \$4.8 billion of Afghanistan's \$7.55 billion FY 1393 national budget. Of the donor grants, \$2.76 billion will go toward the operating budget and \$2.07 billion will go toward the development budget.

Source: MOF, "1393 National Budget Approved by WJ," 1/18/2014; GIROA, 1393 National Budget, pp.8–9.

FIGURE 3.33

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. Starting in FY 1392, the Afghan fiscal year runs from December 21 to December 20.

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

The Afghan economy continues to grow, albeit at a reduced rate of growth, 3–4% in 2013 and 2014 versus approximately 14% in 2012.⁵⁷⁴ The U.S. Central Intelligence Agency (CIA) estimates the Afghan population is growing by 2.29% a year, so real growth of at least that rate is required to prevent per capita GDP, a key measure of economic wellbeing, from declining.⁵⁷⁵

As noted earlier, domestic revenues declined to 9.6% of GDP in 2013, one of the lowest in the world.⁵⁷⁶ Afghanistan's commitments under the Tokyo Mutual Accountability Framework call for it to increase revenues to 15% of GDP by 2016 and to 19% by 2025. The Bank warned that the current decline in revenue poses risks to long-term sustainability and to achieving Tokyo Mutual Accountability Framework targets, upon which donor assistance is predicated.⁵⁷⁷

U.S. officials told SIGAR that corruption is the biggest issue affecting Afghan customs processes and revenues.⁵⁷⁸ USAID added that political will and inefficient systems also affect Afghan customs processes and revenues;⁵⁷⁹ customs revenue is a major component of Afghanistan's national budget.⁵⁸⁰

Afghanistan's 2008 National Development Strategy proposed streamlining and automating customs processing procedures in order to reduce corruption. However, as the U.S. Agency for International Development's (USAID) Afghanistan Trade and Revenue (ATAR) program contract documents noted, "a major predictor of sustainability is [Afghanistan's] political will to implement reforms and combat corruption."⁵⁸¹

In one example of the impact of political will on stemming corruption, USAID reported that following the resignation of Nangahar Province Governor Sherzai to run for president, there was a noticeable difference in approach at the Torkham border crossing point (BCP) regarding revenue collection. Illegal taxes, which had been designated as regional construction fees imposed by the "Governor's House" administration, ended. The new governor closed all weigh bridges between Torkham BCP and Jalalabad to stem corruption, and there are no reported instances of threats against any customs staff, according to USAID's ATAR.⁵⁸²

Trade

As a land-locked nation, Afghanistan is highly dependent on other countries for its trade, transit, security, and stability. Pakistan is Afghanistan's largest trading partner, followed by the United States, the European Union, and regional neighbors.⁵⁸³

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 2013.⁵⁸⁴

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 2014.⁵⁸⁵ USAID reported that from a technical standpoint, Afghanistan is positioned to accede to the WTO in time to meet the deadline.⁵⁸⁶ However, a SIGAR audit of Afghanistan's customs revenue collection showed that Afghanistan still requires external assistance to negotiate international trade agreements, as evidenced by USAID support of Afghan accession to the WTO.⁵⁸⁷

This quarter, USAID reported that Afghanistan completed all bilateral market access negotiations as well as circulated draft concessions and commitments schedules on goods and services to its WTO Working Party. The Afghan government postponed a Working Party meeting scheduled for March 31 because of its regulation banning travel by Afghan officials until after the elections. Afghanistan must still pass a series of 24 WTO-compliant laws and seven regulations. The U.S. government is providing technical assistance in these efforts.⁵⁸⁸

Afghanistan Trade and Revenue Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Afghanistan Trade and Revenue	11/7/2013	11/6/2017	\$77,754,267	\$1,920,915

Source: USAID, response to SIGAR data call, 4/7/2014.

SIGAR AUDIT

A SIGAR audit of Afghanistan's customs revenue collection found that although a risk management and electronic payment system are highlighted in the TAFAs and ATAR contract documents, the ATAR contract does not require the implementing partner to meet annual targets for the implementation of the systems. For more information, see Section 2, page 25.

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.

The ATAR Project is USAID's most recent effort designed to (1) support Afghanistan's accession to the WTO, (2) facilitate support bilateral and multilateral regional trade agreements, and (3) improve and streamline the government's ability to generate revenue. Expected outcomes include Afghanistan's 2014 accession to the WTO and implementation of its associated legal and regulatory requirements; increased exports to neighboring countries along with expedited cross-border transit; more government revenue from increased customs collections and implementation of a value-added tax; and greater public awareness of trade opportunities.⁵⁸⁹

This quarter, ATAR reviewed the streamlined procedures of its predecessor program, Trade Accession and Facilitation for Afghanistan (TAFAs). It found that a number of extraneous customs clearing processes had worked their way back into the system, negating some of savings to Afghan businesses and the government. ATAR is working to reintroduce best practices and focus on capacity building. It is planning an awareness campaign for traders that will explain the official customs process and promote a hotline to report corruption.⁵⁹⁰

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—one at the initial ECF approval, and the second 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.⁵⁹¹

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

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 IMF has not provided a complete or formal accounting of all ECF benchmarks and performance targets. However, the Afghan government has neither submitted an internationally acceptable revised Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) law to parliament, nor met domestic revenue collection targets set forth under the ECF Arrangement, according to Treasury.⁵⁰² Insufficient progress this quarter led the United States to withhold \$15 million in bilateral incentive funding linked to Afghan progress toward its ECF commitments.⁵⁰³

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 2011.⁵⁰⁴

In November 2013, the World Bank and donors discussed whether to disburse some or any ARTF Incentive Program (IP) funds. While Afghanistan achieved several ARTF IP benchmarks, its long delay in sufficiently completing required ECF benchmarks prompted the recommendation to withhold some funds. However, if the donor community determined that this ECF delay constituted a 'lapse' in the program, ARTF IP funds would have to be withheld entirely. Some \$44.8 million was eventually released based on achievement of four ARTF IP benchmarks and IMF guidance that the ECF program is still active.⁵⁰⁵

The current ECF expires in November 2014. The new Afghan government will determine its level of engagement with the IMF, including whether to negotiate a new ECF. In the interim, Treasury said that IMF staff and Afghan authorities have agreed on the continued monitoring of structural reforms and quantitative performance.⁵⁰⁶

Tokyo Mutual Accountability Framework

The Tokyo Mutual Accountability Framework (TMAF), 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 fulfilling 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

Donor assistance through an incentive fund is not new. In 2008, Afghanistan Reconstruction Trust Fund (ARTF) donors agreed to establish an incentive program (IP) to help offset the annual automatic decline in the baseline financing within the ARTF Recurrent Cost Window. A new IP was agreed to in 2012, which allows for a more programmatic, multi-year approach and more frequent technical reviews and disbursements.⁵⁰⁸

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.⁵⁹⁷

Tranche I (\$75 million) is linked to five areas:⁵⁹⁹

1. Elections
2. Governance, Rule of Law & Human Rights
3. Integrity of Public Finance and Commercial Banking
4. Government Revenues, Budget Execution, and Subnational Governance
5. Inclusive and Sustained Growth and Development

On January 29, 2014, the Special Joint Coordination and Monitoring Board (JCMB), comprising the Afghan government, donors, and the United Nations, met to assess progress on fulfilling TMAF requirements and to agree upon required next steps for continuing progress toward unmet commitments.⁶⁰⁰ On March 6, 2014, USAID announced it released \$30 million in Tranche I bilateral incentive funding after determining that the Afghan government made sufficient progress in two of five areas—Elections and Government Revenues, Budget Execution, and Subnational Governance.⁶⁰¹ Fifteen million dollars was disbursed to the World Bank’s ARTF Recurrent Cost Window for progress in Elections—creating election timelines, appointing election committee commissioners, implementing election laws, and cooperating on election security. The United States will also disburse an additional \$15 million for progress in Government Revenues, Budget Execution, and Subnational Governance for developing a draft provincial budgeting policy.⁶⁰²

The United States told Afghanistan that the \$15 million linked to Governance, Rule of Law & Human Rights and the \$15 million linked to Integrity of Public Finance and Commercial Banking will not be disbursed because of insufficient progress in those areas. A significant factor in withholding funds linked to Integrity of Public Finance and Commercial Banking was the lack of progress the Afghan government has made in meeting conditions required for the IMF to conduct its ECF reviews. The remaining \$15 million for Inclusive and Sustained Growth and Development requires Afghanistan to make what the United States deems sufficient progress in passing a new minerals law. The United States will make a final determination on April 16, 2014.

Tranche II funding will be developed with Afghanistan’s new government.⁶⁰³

BANKING AND FINANCE

The World Bank reported that 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.⁶⁰⁴ In State’s view, the banking sector faces both

political and economic risks, which could be mitigated if a draft banking law that enhances oversight and the Anti-Money Laundering/Combating the Financing of Terrorism Law were enacted and implemented.⁶⁰⁵

In 2011, the United States offered conditional assistance to the central bank—Da Afghanistan Bank (DAB)—which was declined. Conditions included:

- Afghanistan staying on track to meet its obligations under the IMF ECF program;
- Kabul Bank shareholders not being involved in the banking sector (formally or informally);
- Clear communication from President Karzai that Treasury advisors would be welcomed;
- Clear roles, objectives, progress benchmarks, and obligations, in writing, for Treasury’s technical advisors;
- The cessation of public statements by Afghan officials that the United States was responsible for the Kabul Bank crisis;
- That Afghanistan’s financial sector plan would need to instill confidence in Treasury in return for its support.⁶⁰⁶

A SIGAR audit released last 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.⁶⁰⁷

Treasury has previously said many Afghan banks are undercapitalized and that lending is concentrated in a small number of sectors with loans largely going 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 increases the risk that the bank may incur losses to benefit the businesses. Treasury has also characterized the banking sector as highly dollarized, which may expose Afghan financial institutions to currency risks.⁶⁰⁸

According to Treasury, these are symptoms of the underlying underdeveloped economy as well as the weak quality of Afghan banks and regulatory institutions. Treasury said most banking systems reflect their host economies to some degree and progress addressing those underlying factors is naturally slow in an impoverished environment such as Afghanistan.⁶⁰⁹

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.⁶¹⁰ State said Afghanistan’s banks also suffer from political interference and lack of oversight.⁶¹¹ In addition, Afghanistan’s controls against money laundering and terrorist financing are widely viewed as deficient.⁶¹²

The general Afghan population distrusts banks, preferring to borrow and save with family and friends, and transfer money through informal, trust- or

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.

Sources: 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.

Financial Action Task Force (FATF): an intergovernmental policy-making body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system.

Source: Financial Action Task Force, "Who We Are," accessed 4/2/2014.

honor-based *hawala* networks.⁶¹³ Indicating a declining banking sector in the wake of the Kabul Bank crisis, commercial loans plummeted, according to the World Bank, and the banking sector's **loan-to-deposit ratio** dropped from 56.8% in 2010 to 23% in 2012.⁶¹⁴ Afghans also prefer to use foreign currency rather than their national currency, the afghani (AFN), which is depreciating against the dollar.⁶¹⁵ In early January 2012, a U.S. dollar cost about 49 AFN; on March 31, 2014, it cost about 58 AFN, according to the Afghan central bank.⁶¹⁶

Banking Law

The Council of Ministers approved a new banking law on January 28, 2013, but more than a year later it remains pending before parliament. Treasury maintains that 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 the troubled bank.⁶¹⁷

Money Laundering

On February 14, 2014, the **Financial Action Task Force (FATF)** noted that Afghanistan had failed to address deficiencies and make necessary progress in improving its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime. FATF specifically recommends Afghanistan—which has developed a AML/CFT action plan, but is categorized as a jurisdiction not making sufficient progress—address its deficiencies by taking the following steps:

- adequately criminalizing money laundering and terrorist financing;
- establishing and implementing a legal framework to identify, trace, and freeze terrorist assets;
- implementing an adequate oversight program for all financial sectors;
- establishing and implementing adequate procedures for confiscating money-laundering assets;
- establishing a fully functional and operational financial-intelligence unit; and
- establishing effective controls for cross-border cash transactions.⁶¹⁸

These recommendations are identical to those the FATF issued in June 2013.⁶¹⁹ As such, the FATF plenary in February 2014 downgraded Afghanistan to the "dark-gray list" for failure to address its AML/CFT

deficiencies and pass AML/CFT legislation that would address those deficiencies. If Afghanistan fails to pass AML/CFT legislation that addresses these deficiencies, it faces further downgrading to the FATF Public Statement, known as the “black list,” at the next plenary in June 2014.⁶²⁰ Afghanistan could join nine other countries currently on that list—Algeria, Ecuador, Ethiopia, Indonesia, Myanmar, Pakistan, Syria, Turkey, and Yemen. Iran and North Korea are on a more severe black list and have “countermeasures” in place against them. A FATF downgrade would further weaken Afghanistan’s banking sector. In extreme cases where the international financial system is deemed threatened, FATF members may be asked to apply financial countermeasures, such as rejecting **correspondent account** relationship requests from high-risk countries to open branches and subsidiaries in their jurisdictions.⁶²¹ It may also affect whether aid and assistance can be moved through Afghan banks.⁶²²

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. accusations that they laundered money. According to Treasury, it is possible that other banks will also sever their correspondent relationships with Afghan banks.⁶²³

The Kabul Bank

Afghanistan’s Attorney General’s Office (AGO) filed no new charges, launched no new prosecutions, and indicted no additional beneficiaries in connection with the near collapse of Kabul Bank this quarter, despite both primary and appellate court orders to do so or explain why it did not.

State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) noted the beneficiaries of the fraud have millions of dollars worth of assets that could be subject to forfeiture.⁶²⁴ The U.S. Department of Justice (DOJ) again raised the issue of pursuing additional prosecutions with the AGO this quarter, to no avail. The Attorney General said that “investigations were ongoing,” a claim DOJ told SIGAR was not credible. The evidence needed to prosecute additional shareholders and beneficiaries is the same that has already been used to prosecute the two main perpetrators of the fraud—bank ex-chairman Sherkhan Farnood and ex-CEO Khalillullah Ferozi.⁶²⁵ In January 2014, the AGO convened an appellate court-ordered meeting in which uncharged shareholders—together with ex-chairman Farnood and ex-CEO Ferozi—were to meet with the defendants, the prosecutors, and the Kabul Bank receiver to resolve disputes over defendants’ monetary liabilities. Only two shareholders appeared. A second meeting is planned, but is not yet scheduled. According to DOJ, the Financial Dispute Resolution Commission, which was set up to help settle civil cases that cannot be resolved by the Kabul Bank Receivership, insists

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.

Money-Center Banks: institutions that lend and borrow with governments, large corporations and regular banks.

Sources: Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering InfoBase, “Correspondent Accounts (Foreign)—Overview,” accessed 10/1/2013; Source: Investopedia, “Definition of ‘Money Center Banks,’” accessed 1/10/2014.

it has resolved all accounting disputes and does not understand the need for this meeting.⁶²⁶

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.⁶²⁷

On March 5, 2013, the Special Tribunal of the Supreme Court on Kabul Bank issued its judgment of 21 individuals charged with fraud. The two leaders of the fraud, ex-chairman Sherkhani Farnood and ex-CEO Khalillullah Ferozi were given modest five-year prison sentences and required only partial restitution. The AGO appealed the verdict on March 16, 2013.⁶²⁸ The appellate court's decision is still pending.⁶²⁹

Limited Cash and Asset Recoveries

During this reporting period, no new information was available on recoveries of money stolen from the Kabul Bank.⁶³⁰ The sole source of that information, 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. Total recoveries so far represent less than 20% of the stolen funds.⁶³¹

State INL said the Afghanistan's pursuit of high-level corruption became less likely in the lead up to the April election. The AGO canceled scheduled meetings this quarter.⁶³² Similarly, DOJ observed little political will to recover greater sums of stolen funds from Kabul Bank. For example, the Gas Group, which is owned by ex-Kabul Bank CEO Khalillullah Ferozi and received more than \$100 million in improper loans, entered an agreement with the government to repay those loans in \$20,000 monthly increments. The Kabul Bank Receivership reported to DOJ this quarter that Gas Group stopped making payments months ago. Despite the Receivership's requests for intervention, the AGO has taken no punitive actions.⁶³³

New Kabul Bank

The sale of **New Kabul Bank** (NKB) to private investors has been a long-standing objective of Afghanistan's central bank and the international community.⁶³⁴ The accounting firm Grant Thornton LLP's calendar-year 2012 financial audit of NKB expressed concern regarding the bank's ability to continue business without successful privatization. NKB lost an average of \$1.85 million per month in 2012.⁶³⁵ According to Afghan officials, current monthly operational losses total \$700,000 including depreciation.⁶³⁶

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.

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.⁶³⁷ One revenue stream available to NKB is its distribution of government salaries—approximately 450,000 accounts for the Ministries of Interior, Defense, and Education. NKB receives approximately \$550,000–\$600,000 per month from the MOF for this service.⁶³⁸

Afghanistan's Council of Ministers has yet to endorse the MOF's December 29, 2013, decisions on two bids to take over NKB.⁶³⁹ According to State, the Council of Ministers is concerned the bid offers were too low and that the government salary payment service was too important for a private bank to handle. They asked for a report detailing the costs to the government of maintaining ownership of NKB.⁶⁴⁰ Afghanistan's central bank must also evaluate whether the winner satisfies “fit-and-proper” criteria. This process has reportedly begun, according to Treasury.⁶⁴¹

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.⁶⁴² In contrast, Afghanistan's draft Banking Law defines “a fit and proper bidder” as someone that has not been “convicted by an authorized court of an offense for which he was sentenced to imprisonment unless such sentence was motivated by his religious or political views or activities.” According to Treasury, the FATF raised this as possibly presenting a subjective loophole in the criteria.⁶⁴³

U.S. ECONOMIC SUPPORT STRATEGY

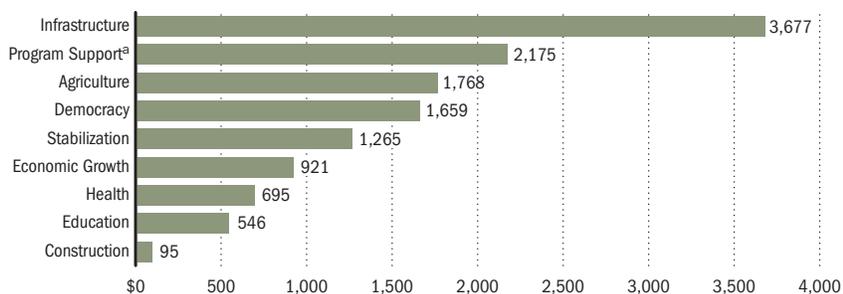
The economic transition strategy in Afghanistan as called for in the 2013 U.S. Civil-Military Strategic Framework seeks to mitigate the negative economic impact of the withdrawal of most international security forces in 2014 and the expected accompanying reduction in donor assistance. It also seeks to help Afghanistan develop its resources for sustainable growth.⁶⁴⁴ Most ESF support is used for USAID's development programs. Figure 3.34 on the following page shows USAID assistance by sector.

This quarter, USAID announced three new development initiatives worth almost \$300 million intended to help prevent Afghanistan's economy from reversing hard-won gains post-2014. The programs will focus on three areas:⁶⁴⁵

1. The agricultural sector, including agribusiness development and getting crops to market (\$125 million)

FIGURE 3.34

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



Notes: Numbers rounded.

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

Source: USAID, response to SIGAR data call, 4/7/2014.

2. Fiscal sustainability, including improved tax and revenue collection, and opening up Afghanistan to greater international trade and investment (\$77 million)
3. The education sector, including funding to 10 Afghan universities—in partnership with three American universities—to train a young workforce in the practical skills needed for jobs in the public and private sectors (approximately \$100 million)

SIGAR AUDIT

A SIGAR audit published last quarter reviewed assessments of Afghan ministries receiving direct bilateral assistance from the U.S. government. 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.

USAID On-Budget Assistance to the Afghan Government

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. 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.

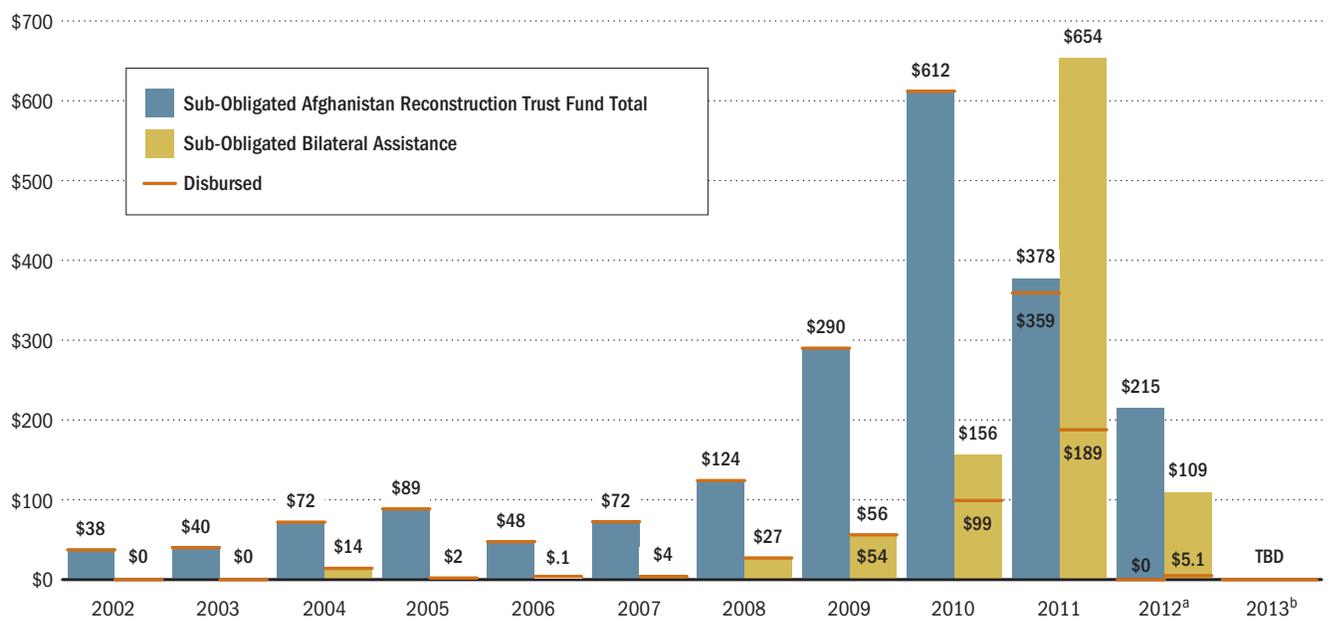
Most U. S. government agencies include as on-budget assistance direct, government-to-government transfers and multilateral trust-fund contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), the Afghan Reconstruction Trust Fund (ARTF), and the Afghanistan Infrastructure Trust Fund (AITF). 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 control of the Afghan government.⁶⁴⁶ See page 67 for details about all U.S. on-budget funding to Afghanistan.

ECONOMIC AND SOCIAL DEVELOPMENT

This quarter, USAID obligated approximately \$117 million and disbursed \$24 million in on-budget assistance—including ARTF—from prior fiscal-year funds. Cumulatively, USAID obligated \$3 billion and disbursed \$2.14 billion in on-budget assistance, as of March 31, 2014, as shown in Figure 3.35.⁶⁴⁷

FIGURE 3.35

USAID ON-BUDGET ASSISTANCE SUBOBLIGATED AND DISBURSED, FY 2002-FY 2013, AS OF MARCH 31, 2014 (\$ 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 March 31, 2014.
^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, 4/7/2014.

DEVELOPMENT OF NATURAL RESOURCES

The United States, the Afghan government, and the international donor community count on the development of 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.⁶⁴⁸

DOD maintains that Afghanistan’s mineral resources could generate significant revenue and create large numbers of jobs.⁶⁴⁹ However, SIGAR has long cautioned that the Afghan government may not be able to earn

“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.” Cumulative Appropriations total \$804 million, as of March 31, 2014.

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

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.

This quarter, the Task Force for Business and Stability Operations (TFBSO) repeated its warning that the global mining economy is limiting new investment, and many companies and financiers view Afghanistan as too risky.⁶⁵⁰

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, or another U.S. government agency.⁶⁵¹ In anticipation, Congress required in the FY 2014 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 180 days.⁶⁵² 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.⁶⁵³

New Minerals Law

Last quarter, the long-delayed draft of the new minerals law passed through the Natural Resources Committee of the lower house but it still awaits consideration by the full parliament. Parliament was on a 45-day recess mid-January to end of February 2014. Although President Karzai said he would implement the new minerals law by decree in January during the legislative break, he failed to do so.⁶⁵⁴

Parliamentarians continue to seek clarification on components of the law from Ministry of Mines and Petroleum (MOMP) officials. TFBSO’s advisory team to the MOMP has helped answers questions, mostly dealing with tenure of mining rights and royalty rates. It also held several information sessions for interested members of parliament on geological and investment best practices.⁶⁵⁵

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 TMAF benchmark to improve Afghanistan’s revenues and overall fiscal and external sustainability.⁶⁵⁶ TFBSO believes delayed passage is likely due to parliamentarians’ unwillingness to take political risks, explaining that a lack of understanding of geological and other tender structures like royalty rates causes some parliamentarians to think the law is exploitative and weighted toward foreigners at the expense of Afghanistan. A vote for any legislation that can be construed as opening up the country to outside investment can be dangerous and detrimental to their position in their districts.⁶⁵⁷

DOD's TFBSO previously warned 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.⁶⁵⁸ It is unclear if the latest draft law includes that linkage.⁶⁵⁹ 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.⁶⁶⁰

TFBSO believes that the new minerals law must be comparable to those in other countries in order to attract Western investment. The law's delayed passage is causing investors to be more cautious, but is not the only impediment to investment in Afghanistan's extractive industries. Private mining companies are obviously concerned about the country's lack of security. There is also a lack of available capital in the mining industry. If more money was available, TFBSO said passing a new mining law would be less of an issue.⁶⁶¹

While the law remains unpassed, a number of contracts remain unsigned, including Hajigak (iron ore, awarded in November 2011);⁶⁶² Shaida (copper, November 2012); Badakhshan (gold, November 2012); Balkhab (copper, November 2012); and Zarkashan (gold, December 2012).⁶⁶³

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, the U.S. Geological Survey (USGS), and USAID. These organizations are supporting mineral and hydrocarbon tenders as well as oil-and-gas data management.

The USGS is conducting ongoing on-the-job training at the AGS, including data compilation and data packages on mining areas of interest using mapping and illustrative software, geophysics, and hyperspectral imaging training. Older Russian reports and maps produced in the 1970s and 1980s provide AGS geologists with locations for potential mineral wealth. On March 10, 2014, the USGS and TFBSO released 60 sets of hyperspectral maps that reveal detailed imagery of Afghanistan's topographic layout and mineral wealth. The MOMP can use these maps to attract future investment. TFBSO said Afghanistan is now one of the most geologically mapped countries in the world.⁶⁶⁴

TFBSO and USAID provide 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.⁶⁶⁵

TFBSO had obligated \$8.6 million in FY 2014 for mining sector development, as of March 31, 2014. TFBSO's authority is scheduled to expire at the end of 2014.⁶⁶⁶



SIGAR staff and Special IG Sopko visit a carpet cleaning facility set up by TFBSO. (SIGAR photo by Smythe Anderson)

SIGAR AUDIT

A SIGAR audit announced this quarter will focus on the extent to which TFBSO and USAID programs met their goals to develop Afghanistan's extractives industry and the challenges, if any, to creating a stable and lasting source of extractives revenue for Afghanistan. For more information, see Section 2, page 30.

Mining Investment and Development for Afghan Sustainability

USAID's only mining program—the Mining Investment and Development for Afghan Sustainability (MIDAS)—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 March 31, 2014, USAID had obligated \$16 million and disbursed approximately \$5.05 million to begin off-budget implementation.⁶⁶⁷

This quarter, MIDAS held several workshops for MOMP officials, communities, civil society, and the private sector, on topics ranging from mining basics, mineral economics, business value chains, and legal and regulatory reform. Exploration plans were completed for three areas and donor coordination meetings were held to reduce project overlap. The MOMP and MOF made limited progress on a memorandum of understanding for on-budget activities, and developing terms and conditions to be included in an Implementation Letter with USAID.⁶⁶⁸

Capacity of the Ministry of Mines and Petroleum

One part of TFBSO's strategy for promoting economic growth in Afghanistan is 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."⁶⁶⁹ TFBSO reported that incremental progress is being made, saying the MOMP has either taken or is close to taking the lead in tender evaluation and award, and contract negotiation and award. As issues arise in these areas, TFBSO provides assistance and oversight, but not formal training.⁶⁷⁰

TFBSO acknowledged weaknesses in the ministry, especially with monitoring, and oversight. It recommended that USAID focus its MIDAS program in these areas. 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. It suggests putting in place a long-term hiring and capacity-building program.⁶⁷¹

Mine Security

On February 17, 2014, President Karzai directed the Afghan Public Protection Force (APPF)—responsible for mine security—to be disbanded. The functions performed by the APPF will remain within the scope of the Afghan National Police under the Ministry of Interior (MOI). It is unclear

who will actually provide security for not only extractives sector sites, but also U.S. and international development projects and associated personnel more broadly.⁶⁷²

Currently, the 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.⁶⁷³ It is unclear how these APPF changes may affect extractives-sector site security.

The United States has spent \$51.3 million cumulatively on the APPF, which has 22,727 personnel, as of March 31, 2014. Some 1,557 APPF are assigned to protect mining sites and more than 1,400 of those were at Mes Aynak in 2013.⁶⁷⁴ Former MOMP Minister Sharani estimated approximately 5,200 APPF would be needed for 11 major extractives sites across Afghanistan. However, since there are currently no major active mining sites in Afghanistan, TFBSO said heavy security is not needed at this time.⁶⁷⁵ For more information about the APPF, see pages 87 and 96.

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 2008.⁶⁷⁶ 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.⁶⁷⁷

However, development of the Mes Aynak copper mine remains delayed by the discovery of cultural relics in the area and associated archeological work, difficulties in land acquisition, lack of primary infrastructure, and security concerns.⁶⁷⁸ 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.⁶⁷⁹ Media reports suggest that MCC intends to renegotiate the contract.⁶⁸⁰ Afghanistan's FY 1393 national budget does not anticipate any revenue from Aynak, as opposed to the FY 1392 budget, which anticipated \$50 million in revenues that never arrived.⁶⁸¹

Hajigak Iron-Ore Mine

There is no reported change in contract negotiations for the Hajigak iron-ore concessions this quarter.⁶⁸² 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.⁶⁸³ New reports indicate that AFISCO is considering cutting its initial investment from \$11 billion to \$1.5 billion.⁶⁸⁴

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 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.⁶⁸⁵

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.⁶⁸⁶ Production is currently stalled, but one of the three blocks has infrastructure in place to begin production of 5,000 barrels per day. CNPCI-W is in final negotiations with an undisclosed international company for a multi-year sale of 230,000 tons minimum per annum of its crude oil.⁶⁸⁷ The Afghan government has so far received less than \$2 million in royalties from this award. Once full production starts, the government expects about \$60,000 per day.⁶⁸⁸

At the same time, the government is working on Cross Border Transit Agreements (CBTA) with neighboring countries. Negotiations with Uzbekistan continue that would allow Afghan oil to be transported there and be refined before coming back to Afghanistan to be sold. State reported an agreement was sent to Uzbekistan in February 2014, but will likely not be signed because of Uzbek concerns that the oil will be sold domestically instead of being re-exported to Afghanistan.⁶⁸⁹

TFBSO explained these hydrocarbon CBTAs serve as import/export agreements that govern customs, import, and export fee rates when refined products made from Afghan crude are exported and reimported into Afghanistan. Their effect on revenue generation for the extractives sector itself is minimal and does not necessarily make Afghanistan more attractive for international oil companies. The undisclosed company with which CNPCI-W is negotiating its crude oil sale has not asked for a CBTA so TFBSO no longer considers CBTAs a priority.⁶⁹⁰

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.⁶⁹¹ The contract area contains 28 billion cubic meters of reserves in two known gas fields and more than 50 proven and prospective subsurface structures. Expressions of interest are due February 8, 2014.⁶⁹² TFBSO followed up on its tender preparation assistance to the MOMP, providing technical, legal, commercial, and transparency advisory services, as it did with the Afghan-Tajik tender.⁶⁹³ A bidder conference was held on March 20, 2014, which all five prequalified bidders attended. Bids are due May 31, 2014.⁶⁹⁴

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 to the latest World Bank report, provides employment to about 59% of the labor force.⁶⁹⁵ Given its importance, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.⁶⁹⁶

Between FY 2002 and FY 2012, USAID has provided approximately \$2.46 billion for agricultural and alternative development funding to improve production, increase access to markets, and provide alternatives to poppy cultivation.⁶⁹⁷ Of that, USAID has obligated \$54 million and disbursed \$29 million in direct assistance to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL).⁶⁹⁸

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:⁶⁹⁹

- 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 3/31/2014
Agricultural Credit Enhancement	7/15/2010	1/15/2015	\$75,175,296	\$63,908,185
Agriculture Development Fund	7/18/2010	12/31/2014	\$74,407,662	\$29,000,000

Source: USAID, response to SIGAR data call, 4/7/2014.

The Agricultural Development Fund and Agricultural Credit Enhancement (ADF-ACE) 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.⁷⁰⁰

As of February 28, 2014, ADF's loan portfolio was \$85.7 million, loans disbursed were \$43.5 million, with \$21 million repaid. Another 24 loans are in the pipeline. USAID reports that a high retention rate of borrowers is

On March 28, 2014, a suicide car bomber and four armed gunmen attacked Roots of Peace—an international humanitarian, nonpolitical organization—at its Kabul facility, killing a 16-year-old girl and a driver, along with the five attackers. Two APPF guards and one expatriate were injured. Roots of Peace is currently implementing two USAID agricultural efforts: the Commercial Horticulture and Agriculture Marketing Program (CHAMP) and the Afghan Agricultural Research and Extension Development (AGRED) program.

Sources: Roots of Peace, "Official Release: Taliban Attacks Roots of Peace Compound," 3/28/2014; USAID, response to SIGAR data call, 4/7/2014.

SIGAR AUDIT

A SIGAR audit issued this quarter sought to determine the extent to which USAID met key objectives of the 2010 U.S. Inter-Agency Water Strategy for Afghanistan and the extent to which four USAID water projects implemented since 2010 are meeting their project goals and objectives. It found that a new water sector strategy for Afghanistan is needed with goals and objectives that reflect USAID's water priorities; a performance measurement plan to evaluate the strategy; and clear lines of responsibility and accountability for those implementing it. For more information, see Section 2, page 28.



Special IG Sopko visits a soybean plant during his March 2014 trip to Afghanistan. (SIGAR photo by Smythe Anderson)

crucial to ADF operations, which has reached 68% due to returning clients. ADF has provided loans to 22,386 farmer households in 32 provinces.⁷⁰¹

Incentives Driving Economic Alternatives-North, East, and West

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Incentives Driving Economic Alternatives-North, East, and West	3/2/2009	2/28/2015	\$159,878,589	\$141,080,906

Source: USAID, response to SIGAR data call, 4/7/2014.

Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW) is a 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. This quarter, it was extended to a sixth year. 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.⁷⁰²

USAID reported that 14,027 hectares are under alternative crop cultivation due to IDEA-NEW, compared to 209,000 hectares of opium under cultivation in 2013.⁷⁰³ While USAID said thousands of people have benefited from agricultural productivity and business skills training, as well as program-supported agricultural inputs, it also acknowledged low crop production, limited food processing opportunities, and shifting security conditions as challenges in the Afghan agriculture sector that impede on the progress of IDEA-NEW.⁷⁰⁴

Commercial Horticulture and Agricultural Marketing Program

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Commercial Horticulture and Agricultural Marketing Program	2/1/2010	12/30/2014	\$40,320,241	\$34,722,834

Source: USAID, response to SIGAR data call, 4/7/2014.

The Commercial Horticulture and Agricultural Marketing Program (CHAMP) 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.⁷⁰⁵

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.⁷⁰⁶

Afghan Agriculture Research and Extension Development Program

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Afghan Agricultural Research and Extension Development (AGRED)	7/17/2012	7/16/2017	\$23,638,611	\$4,193,245

Source: USAID, response to SIGAR data call, 4/7/2014.

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.⁷⁰⁷

Kandahar Food Zone

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Kandahar Food Zone	7/31/2013	7/30/2015	\$19,695,804	\$2,428,000

Source: USAID, response to SIGAR data call, 4/7/2014.

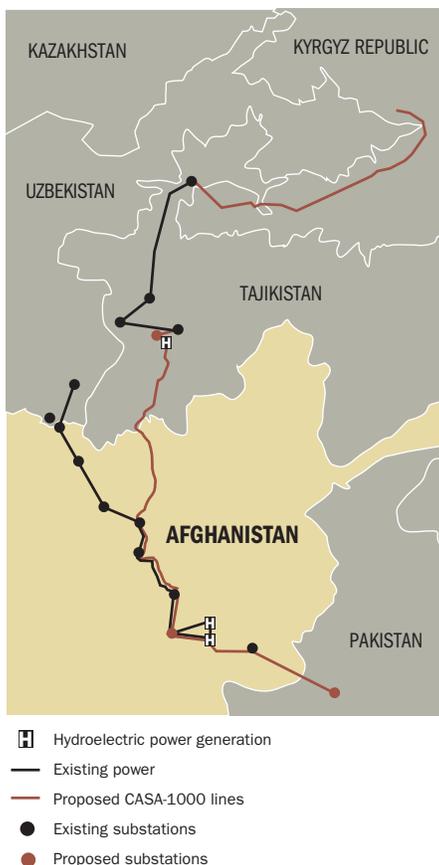
The Kandahar Food Zone (KFZ) program is designed to identify and address the drivers of poppy cultivation in seven targeted districts.⁷⁰⁸ It has two major components: capacity building at the Ministry of Counter Narcotics (MCN) and alternative livelihood projects. The capacity-building component seeks to build up the MCN's ability to create, implement, and manage alternative livelihood projects. The alternative livelihood component aims to improve community infrastructure and increase legal economic opportunities.⁷⁰⁹ KFZ has completed its performance management plan, program design, staff training and orientation, district maps, and community outreach. As of December 31, 2013, KFZ had begun two community-level projects.⁷¹⁰ The KFZ program objective is to engage with

communities to identify the social, political, and economic drivers of poppy cultivation, and then tailor appropriate projects to them.⁷¹¹

USAID reported that the KFZ office in Kandahar is closed because the APPF has not fulfilled its contractual obligations to provide uniforms and weapons to APPF guards. KFZ Kandahar staff are currently working out of their homes until that situation is resolved. Despite this impediment, USAID is pleased with KFZ collaboration across ministerial and provincial entities, and told SIGAR that the project identification process has been smooth.⁷¹²

FIGURE 3.36

CENTRAL ASIA-SOUTH ASIA POWER TRANSMISSION PROJECT, CASA-1000



Source: CASA-1000.org, via World Bank, accessed 4/3/2014.

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 electricity 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.⁷¹³

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 2002.⁷¹⁴ From FY 2002 to FY 2012, the United States spent more than \$2 billion on Afghanistan's power sector.⁷¹⁵

On March 27, 2014, the World Bank approved \$526.5 million in transmission infrastructure grant and credit financing for the Central Asia-South Asia (CASA-1000) electricity transmission project. The Islamic Development Bank and USAID will also provide funding.⁷¹⁶ Late last quarter, the United States committed \$15 million. CASA-1000 will allow Tajikistan and Kyrgyzstan to sell their excess summer generation electricity to Afghanistan and Pakistan. As a consumer, Afghanistan would add 300 MW to its energy supply. As a transit country, it would generate revenue as electricity passed through its territory to Pakistan.⁷¹⁷ The total estimated cost for CASA-1000 is \$1.17 billion.⁷¹⁸

CASA-1000's proposed transmission line routes and infrastructure, encompassing more than 746 miles, can be found in Figure 3.36.

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.⁷¹⁹ 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.⁷²⁰

Afghanistan currently has nine separate power systems. The primary two are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**, as shown in Figure 3.37 on the following page. 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.⁷²¹

Sheberghan Program

Afghanistan currently imports more than 70% of its energy, according to USAID.⁷²² Together with the ADB, USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation. The Overseas Private Investment Corporation, which was slated to participate, likely will not, according to USAID.⁷²³ Gas reserves in northern Afghanistan are estimated to be capable of generating up to 10,000 MW per year for 25 years, according to USAID. A study to confirm that will be completed later this year.⁷²⁴

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).⁷²⁵ 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. If 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.⁷²⁶ No disbursements have yet been made.⁷²⁷

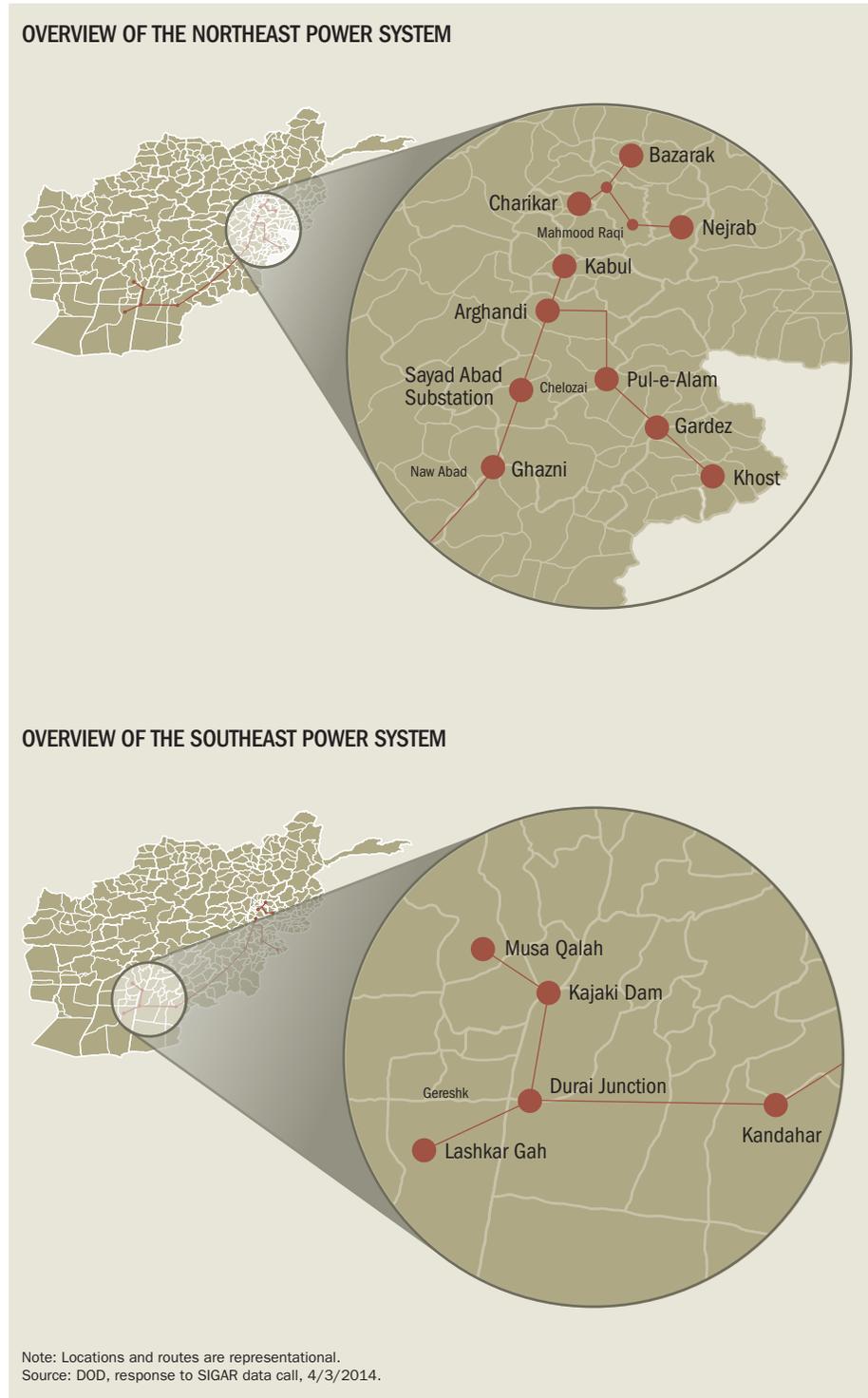
The off-budget SGGA component is being implemented under a contract task order with Advanced Engineering Associates International to provide technical assistance to the MOMP to drill three gas wells and to help the MOMP tender the Engineering/Procurement/Construction contract for the gas-gathering system and gas-processing plant. As of March 31, 2014, approximately \$23 million has been obligated, of which more than \$13 million was disbursed.⁷²⁸

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.

FIGURE 3.37



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 hydropower, and reduce losses while strengthening the SEPS transmission and distribution system.⁷²⁹ USAID reported that the majority of KHPP components are closed or closing.⁷³⁰

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.⁷³¹ 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.⁷³²

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 yet occurred as required under the Black & Veatch KHPP contract.⁷³³ The turbine installation requirement contained within the Black & Veatch KHPP contract has been descoped.⁷³⁴

Afghanistan's national utility, Da Afghanistan Breshna Sherkat (DABS), has assumed responsibility for carrying out the terms and conditions of the implementation letter.⁷³⁵ 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.⁷³⁶ USAID negotiated a sole-source contract extension of KHPP with Black & Veatch for technical support services—ending in 2015—to DABS and USAID in support of the third turbine installation. Black & Veatch would provide project documentation and Kajaki hydropower plant design support. USAID based its decision on Black & Veatch's experience with the Kajaki hydropower plant.⁷³⁷

DOD is using the AIF to fund fuel for the U.S. Army Corps of Engineers-installed generators in Kandahar City through 2014. 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 to install Kajaki's third turbine, which, when operational, should generate additional power and revenues.⁷³⁸

Improving revenue collection, however, will be challenging. This quarter, USAID reported that it does not know about DABS' financial status, its ability to pay its bills without government subsidies or donor assistance after

USAID's last visit to Kajaki Dam was in the fall of 2013. USAID and U.S. Embassy Chief of Mission (COM) personnel are currently not able to visit Kajaki due to Mission policy that requires U.S. military, NATO, or Embassy Protective Detail forces be in sufficient proximity during any COM travel around Afghanistan. With the withdrawal of U.S. Marines from Kajaki in 2013, these requirements cannot be met. SIGAR refers to these inaccessible reconstruction sites as areas outside of "oversight bubbles." In an October 2013 letter to Secretary of State Kerry, Secretary of Defense Hagel, and USAID Administrator Shah, SIGAR expressed concern about the impact of the Coalition troop drawdown on security and the related implications for ensuring adequate oversight of U.S. reconstruction efforts in Afghanistan.

Sources: USAID, response to SIGAR data call, 3/31/2014; USAID, response to SIGAR vetting, 4/12/2014; SIGAR, 14-4-SP Oversight Access Inquiry Letter to Department of Defense, Department of State and U.S. Agency for International Development.

SIGAR SPECIAL PROJECT

This quarter, SIGAR issued a letter of inquiry to USAID requesting the agency address SIGAR's concerns that the estimated cost of installing an additional power generating turbine at the Kajaki Dam has increased significantly. SIGAR's analysis concluded that the costs of the KHPP project to the United States now outweigh its benefits to Afghanistan. USAID, in its response letter, disagreed with that conclusion. For more information, see Section 2, page 43.

2014, or its plans to generate sufficient revenues.⁷³⁹ Additionally, USAID's assistant to the administrator in the Office of Afghanistan and Pakistan Affairs stated in Congressional testimony that he cannot confirm that the revenues DABS generates covers its costs for providing fuel.⁷⁴⁰ This contrasts with USAID's April 3, 2014, statement for the (congressional) record, which touted USAID's assistance as helping put DABS on the path of self-sustainability.⁷⁴¹

Additionally, 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 2014.⁷⁴² As of March 1, 2014, USAID had obligated \$228 million for the KHPP, and of that, approximately \$217 million had been disbursed, an increase of \$17.9 million from last quarter.⁷⁴³

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.⁷⁴⁴ The \$814 million PTEC programs includes \$357.4 million for on-budget support to DABS—which is responsible for DABS PTEC contracts—and \$37 million for off-budget support to the Ministry of Energy and Water, and educational institutions.⁷⁴⁵

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. Connecting NEPS to SEPS is a multi-donor effort. 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.⁷⁴⁶

As of March 31, 2014, 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 while \$60 million was disbursed in December 2013 pursuant to an ADB request.⁷⁴⁷

The ADB is responsible for the first 25-mile section from Kabul to Arghandi. 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 has also obligated \$263.3 million in on-budget assistance to the MOF and DABS for PTEC and formalized the bilateral agreement for this segment in February 2013. This on-budget assistance

culminated in a \$56.7 million contract award to construct the Arghandi to Ghazni transmission line. A public awareness campaign was also launched to help prevent attacks against the transmission line.⁷⁴⁸

Other DABS contracts signed this quarter using USAID's on-budget assistance include:

- Two Corporate Management Support projects to help DABS manage contracts and improve its financial and corporate management—\$17.9 million and \$18.8 million⁷⁴⁹
- Construction of substations at Sayadabad (Wardak Province) and Ghazni—\$48.1 million⁷⁵⁰
- Procurement and Billing Implementation Program “mPower,” billing, collections, revenue, connection, service, meter data, maintenance, and workforce management—\$10 million⁷⁵¹

USAID also plans to contribute \$417.6 million from its \$814 million PTEC project to ADB's 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.⁷⁵²

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.⁷⁵³

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:⁷⁵⁴

- 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.⁷⁵⁵



Diesel generators are used to provide electricity until NEPS and SEPS can be expanded and connected. (SIGAR photo by Steven Mocsary)

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 FY 2013 cost is \$100 million, which includes \$90 million for fuel and \$10 million for O&M.⁷⁵⁶ DOD’s fuel contract is scheduled to taper off in the coming months and end on December 31, 2014. If DABS cannot secure funding for alternative power supplies, it may disconnect residential users until the third turbine at Kajaki Dam is installed.⁷⁵⁷

Congress cut the President’s FY 2014 budget request of \$279 million for AIF to complete DOD’s portion of the NEPS and SEPS to \$199 million. Congress also set the following restrictions:⁷⁵⁸

- No more than 50% of AIF funds can be used until 15 days after the Secretary of Defense certifies to Congress that the United States signed a Bilateral Security Agreement with Afghanistan that is in the national security interest of the United States.⁷⁵⁹
- AIF funds in the FY 2014 Consolidated Appropriations Act cannot be used to plan, develop, or construct any project for which construction did not start before the legislation’s enactment (January 17, 2014).⁷⁶⁰

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.⁷⁶¹ 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.⁷⁶² 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.⁷⁶³

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, awarded 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.⁷⁶⁴

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 \$580,000.⁷⁶⁵

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.⁷⁶⁶ However, SIGAR has raised questions about DABS' capacity, and other audits have said Afghanistan lacks the resources necessary to pay for O&M.⁷⁶⁷

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 nine 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.⁷⁶⁸

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 sustainment, according to DOD.⁷⁶⁹ As noted above, SIGAR audits have raised concerns about DABS' capacity and resources to undertake O&M.

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.⁷⁷⁰ 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 3/31/2014
Assistance in Building Afghanistan by Developing Enterprises	10/16/2012	10/16/2016	\$104,997,656	\$16,839,439

Source: USAID, response to SIGAR data call, 4/7/2014.

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.⁷⁷¹

Since ABADE's launch in February 2013, USAID reported that 30 public-private alliances were finalized—compared to five reported seven months ago—and 10 applications are awaiting approval, as of March 31, 2014. Another 81 applications are in development and internal review. Additionally, business-outreach and government capacity efforts continued this quarter.⁷⁷²

ABADE implementation continues to face restrictions from Presidential Decree 62, which requires the use of APPF and Risk Management Companies for security. The APPF has been unable to provide adequate mobile escort units or vehicles, making it difficult for ABADE staff to travel across the region, according to USAID.⁷⁷³ Since the Ministry of Interior announced the disbandment of the APPF this quarter, it is unclear who will provide security to international development projects and staff.⁷⁷⁴ For more information about the APPF, see pages 87 and 96.

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 development.⁷⁷⁵

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 offset declining aid.⁷⁷⁶ This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, sustaining operations and maintenance, and complying with international standards.⁷⁷⁷

Roads

While the United States has provided \$2 billion cumulatively for road construction and O&M and currently spends about \$5 million annually for O&M efforts, Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to the U.S. Department of Transportation (DOT).⁷⁷⁸ Moreover, the lack of a functioning Roads Authority has significantly affected road infrastructure across Afghanistan.⁷⁷⁹ Although the Cabinet and the President gave approval in August 2013 for the Ministry of Public Works (MOPW) to create a Road Authority and Road Fund, the authority has not yet been established.⁷⁸⁰

DOT said the primary challenge for establishing a Road Authority is political—comprising an outdated transportation law, overlapping, unclear, and undefined institutional authorities, including roles and responsibilities of various ministries and local municipalities. Compounding these challenges are the uncertainties surrounding the April 2014 election, the resulting new government, funding, and coordination among donor countries.⁷⁸¹

DOT led an international donor coordination initiative to pursue an Afghan-led strategy and system approach to the construction, operation, and maintenance of Afghanistan's roadways. This initiative was recently transferred to the MOPW to continue coordination among various donors.⁷⁸² However, DOT said that Afghanistan's road network will significantly degrade if the challenges outlined above are not properly mitigated soon.⁷⁸³

Road Sector Sustainability

USAID approved its Road Sector Sustainability (RSS) project design on July 14, 2013. The project has four main activities:⁷⁸⁴

- Activity 1-Emergency O&M (\$5 million). A request for proposal was issued February 18, 2014, proposals were due March 18, and contracts are expected to be awarded in April.
- Activity 2-Technical Assistance to the MOPW for the creation of a Road Authority and Road Fund (\$25 million phase I; \$10 million phase II).

The U.S. Department of Transportation's (DOT) primary function in Afghanistan is to provide strategic technical advice to Afghan transport ministries, U.S. government agencies, the U.S. military, and non-governmental organizations, as well as other international civil and military organizations in order to build sustainable Afghan-centric transportation systems. DOT receives funding from the State Department.

Sources: DOT, response to SIGAR data call 3/31/2014; DOT, response to SIGAR vetting 4/6/2014.

Phase I proposals were received January 29, 2014, technical and cost reviews are ongoing, and a contract is expected to be awarded in April.

- Activity 3-Capacity Building for the MOPW (\$38 million). The Statement of Work is being developed based on a needs assessment that is underway. A contract is expected to be awarded by September 2014.
- Activity 4-Road O&M Activity. (\$33 million) USAID funding—proposed for September 2014—will go through the AITF once an operations and maintenance incentive window is developed by the ADB.

Rail

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.⁷⁸⁵ 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 2013.⁷⁸⁶

EDUCATION

According to the most recent data available from the Ministry of Education’s (MOE) Education Management Information System (EMIS), Afghanistan had a total of 14,740 primary, lower-secondary, and upper-secondary schools in FY 1391 (March 21, 2012–December 20, 2012). The same data showed approximately 4.2 million students **enrolled** in primary, government lower-secondary, and government upper-secondary schools in FY 1391. There are 4.2 million enrolled students, 3.27 million categorized as **present**, and 931,347 students considered **absent**, according to EMIS records.⁷⁸⁷

According to USAID, the total number of students attending school is derived by adding enrolled and present figures, which totals 7.48 million students in FY 1391. The MOE includes absent students in the enrollment total because they are considered to have only temporarily dropped out and have the potential to return to school. Absent students are kept in this category for three years before they are taken off the enrollment records. With absent students included, the MOE considers the total number of students in Afghanistan to be 8.4 million.⁷⁸⁸

USAID has previously 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 the data cannot be verified. 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.⁷⁸⁹

Enrolled: total number of new student enrollees in a fiscal year

Present: total number of prior year students attending in a fiscal year

Absent: number of students who have temporarily dropped out, but still included in enrollment figures.

Source: USAID, response to SIGAR vetting, 4/12/2014.

Similarly, despite USAID efforts to strengthen the education-management capacities of the MOE, it said the ministry does not have an established system to track the number of school monitoring visits made by district education department officials, and when schools are visited, it is not reported to the MOE at the central level. Therefore, the number of schools visited, the percentage of students served by those schools, and percentage of teachers observed is unknown. Because of this, neither USAID nor the MOE have established targets against these indicators. Security issues are a factor, according to MOE officials, especially in the south and southeast.⁷⁹⁰ SIGAR remains concerned that U.S. government agencies and international donors are unable to verify Afghanistan’s oft-cited gains in education.

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)
- American University of Afghanistan (AUA)

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

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Basic Education, Literacy, and Technical-Vocational Education-Textbooks	11/16/2011	12/31/2014	\$26,996,813	\$21,955,403
Teacher Training	3/4/2012	11/6/2014	62,000,000	62,000,000
BELT-Community Based Education	10/29/2013	10/28/2017	56,000,000	0

Sources: USAID, response to SIGAR data call, 4/7/2014; USAID, response to SIGAR vetting 4/14/2014.

Basic Education, Literacy, and Technical-Vocational Education and Training (BELT)–Community-Base Education aims to improve access to quality basic education in communities typically beyond the reach of the government. The program currently funds MOE textbooks for grades 1-6, provides teacher training, and community-based education programs.⁷⁹¹ Two other components under design are: capacity-building for the MOE and Technical Vocational Education and Training (TVET) to meet unmet labor-market needs.⁷⁹²

BELT Community-Based Education (CBE) provides accelerated and remedial education, allowing students to attend schools in remote locations outside the reach of MOE schools.⁷⁹³ A BELT CBE implementation letter signed with the MOE and MOF spells out substantive matters such as

SIGAR AUDIT

The unreliability of MOE data and SIGAR’s ongoing concern about MOE capacity have prompted a SIGAR audit to examine the U.S. government’s efforts to assist and improve the education sector in Afghanistan.

SIGAR INSPECTION

A SIGAR inspection of the Balkh Education Facility, published last quarter, found that the facility has not been completed or constructed in accordance with contract requirements and technical specifications; five years after construction began, it cannot be turned over to Afghan authorities; and Afghan faculty and students were using the facility although it was not approved for occupancy.⁷⁹⁴

This quarter, USAID reported that it recently awarded a contract to complete the remaining work and correct the deficiencies at Balkh University. Construction activities were expected to begin on April 10, 2014, for 180 calendar days and end on October 10, 2014. USAID informed the Ministry of Higher Education to have students and faculty vacate the facilities during the construction period.⁷⁹⁵

student targets, performance milestones, means of verification, and funding levels.⁷⁹⁶ However, USAID reported delays in the creation of an adequate work plan and implementation schedule for the CBE milestone by MOE.⁷⁹⁷

Other ongoing challenges are MOE's capacity to design, procure, and implement on-budget activities in a timely fashion; and the MOF's improper deduction of taxes on U.S. government assistance, which significantly delayed USAID payments for on-budget activities. USAID has since worked with the MOE and MOF to establish procedures for granting tax-exempt status for on-budget activities and returning withheld taxes to the MOE's special account for BELT activities.⁷⁹⁸

The implementation letter USAID signed with the MOE in 2011 to print approximately 50 million textbooks through the BELT program obligates the MOE to make efforts to ensure that "approved texts address the needs of women and girls." However, a USAID-funded gender assessment found that boys and men are mentioned more than twice as often as girls and women, and pictured almost three times as often. The report data indicates clear discrepancies in mentioning, naming, and picturing women and men, as well as in the contexts the pictures appear. It concludes that gender-equity efforts in textbooks have done little to promote girls' and women's active participation in society.⁷⁹⁹

Higher Education Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Higher Education Project	2/23/2011	2/28/2014	\$21,216,813	\$18,548,120

Source: USAID, response to SIGAR data call, 4/7/2014.

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.⁸⁰⁰ This quarter, the *Wolesi Jirga* still 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 2014.⁸⁰¹

American University of Afghanistan

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
American University of Afghanistan	8/1/2013	7/31/2018	\$40,000,000	\$4,395,826

Source: USAID, response to SIGAR data call, 4/7/2014.

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. The four components of this agreement aim to strengthen academic and professional development programs, expand programs for women, and increase financial self-sufficiency.⁸⁰²

AUAF met its cost-sharing goals, collecting \$3,265,765 in tuition and donations from November 1, 2013, to January 31, 2014.⁸⁰³ USAID also reported that AUAF's female undergraduate population is 31.9%, as of March 2014. However, security remains a concern, and attracting and retaining female students continues to be a challenge.⁸⁰⁴

Other Active USAID Education Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Global Partnership for Education	10/11/2012	3/31/2015	\$2,500,000	\$438,683
Afghanistan Reads	6/1/2013	5/31/2014	380,000	300,000
Afghanistan Technical Vocational Institute	6/15/2013	6/14/2015	1,000,000	475,000
Strengthening Education in Afghanistan	8/8/2010	6/30/2014	10,225,847	9,949,051
Afghan Tuition Scholarship Program	8/21/2011	7/31/2017	7,384,665	5,311,003

Source: USAID, response to SIGAR data call, 4/7/2014.

HEALTH

Afghanistan has experienced significant improvements in its health indicators since 2002, according to USAID. Although the country still has one 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 since 2002.⁸⁰⁵ However, other institutions have suggested that the gains are more modest. The CIA World Factbook gives the Afghan life expectancy from birth as 50 years, while the World Bank, which calculates life expectancy in 2012 at 60.5, starts from a base of 55.26 years in 2001—a 5.25-year gain. Moreover, in 1991, the World Bank determined life expectancy at 49.4 years, showing that they measure life expectancy in Afghanistan growing by about 5–6 years every decade, regardless of U.S. intervention efforts.⁸⁰⁶

From FY 2002 through FY 2012, U.S. on- and off-budget assistance to Afghanistan's health sector totaled \$1.06 billion.⁸⁰⁷ 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

SIGAR INVESTIGATION

In an ongoing investigation of MOPH's Grants and Contracts Management Unit, which provides oversight and guidance to NGOs that operate health facilities, SIGAR is reviewing NGO invoices, funding for closed health facilities, solicitation of bribes, and falsified timesheets.

assistance includes activities to strengthen health systems, engage the private sector, and procure pharmaceuticals and contraceptives.⁸⁰⁸

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 3/31/2014
Partnership Contracts for Health Services	7/20/2008	1/31/2015	\$236,455,840	\$164,648,037

Source: USAID, response to SIGAR data call, 4/7/2014.

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 641 of these health facilities, including.⁸⁰⁹

- 5 Provincial Hospitals
- 27 District Hospitals
- 14 Comprehensive Health Centers+ (“+” indicates expanded services)
- 163 Comprehensive Health Centers
- 278 Basic Health Centers
- 144 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.⁸¹⁰

PCH delivers health care ranging from primary care to essential hospital services. It also supports the Community Midwifery Education program, which helps to increase the number of female healthcare workers and contributes to reducing maternal and child mortality.⁸¹¹

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 parliament's late approval of the national budget and deteriorating security conditions, have temporarily closed health facilities, delayed management activities, staff deployment, monitoring, and supervision activities.⁸¹²

PCH reports semi-annually to USAID.⁸¹³ 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.⁸¹⁴

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% of total—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.⁸¹⁵ 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 last quarter. Data collection was completed in October 2013 and LMG has issued a report in Dari.⁸¹⁶ For more information about the LMG program, see page 130.

Health Policy Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Health Policy Project	6/2012	10/2014	\$28,000,000	\$13,700,000

Source: USAID, response to SIGAR data call, 3/31/2013.

The Health Policy Project (HPP) is building the Ministry of Public Health's (MOPH) capacity to address basic health needs through design, negotiation, and management of hospital public-private partnerships (PPPs). The project also aims to strengthen health financing and management of health resources, strengthen gender roles in health sector activities, and 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 marketing—an approach used to change people's behaviors for the benefit of individuals and society.⁸¹⁷

This quarter, USAID said continued insecurity, especially leading up to the elections, affected aspects of HPP's work, while the uncertainty surrounding the election process had few international investors interested in PPPs with the MOPH. At the same time, limited availability of qualified international consultants willing to travel to Afghanistan to help train

SIGAR INSPECTION

A SIGAR inspection published last 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. U.S. Forces-Afghanistan's comments were published this quarter. For more information, see Section 2, page 36.

MOPH's PPP unit is delaying PPP activities, as is getting Afghan government approval (district, provincial, and national) and security clearance to conduct gender-based violence workshops outside of Kabul.⁸¹⁸

Despite these challenges, HPP worked with the MOPH to develop a promotional video encouraging private sector investment in three hospitals in Kabul with an accompanying investment promotion event, and developed two radio advertisements that discourage early marriage and gender discrimination in health service delivery. HPP-supported training programs also continued this quarter, centered on efforts aimed at reducing maternal and child mortality, and on understanding and improving the role of advocacy in private sector health policy development.⁸¹⁹

Leadership, Management, and Governance Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Leadership, Management, and Governance	9/25/2011	9/24/2016	\$26,000,000	\$15,657,888

Source: USAID, response to SIGAR data call, 4/7/2014.

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.⁸²⁰

This quarter, Afghanistan's Civil Service Commission granted human-resources autonomy—the right to hire and fire staff—to Kabul-based national hospitals.⁸²¹ These hospitals' internal staffing decisions were suffering from social and political interference that USAID said was challenging LMG efforts to provide technical assistance.⁸²² USAID also reported that 14 of these hospitals as well as a blood bank and clinic closed out their most recent fiscal year with an average budget expenditure rate of 89%.⁸²³

USAID also noted several challenges, including heavy reliance on consultants and advisors by senior MOPH officials, inadequate MOPH response to provincial health development needs, coordination of MOPH health information components housed under multiple directorates, and field monitoring limitations due to logistics and security issues.⁸²⁴

Other Active USAID Health Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2014
Strengthening Pharmaceutical System	8/28/2011	8/27/2015	\$24,499,936	\$12,933,500
Polio Eradication Activities	9/30/1996	9/30/2022	10,750,000	9,415,102
TB = Field Support	9/29/2010	9/28/2015	4,600,000	1,252,370
University Research = Field Support	9/30/2009	9/29/2014	13,950,000	12,950,000
USAID Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	91,927,769	335,229

Source: USAID, response to SIGAR data call, 4/7/2014.

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 \$167 million annually in revenue.⁸²⁵ In a forthcoming economic impact study, USAID found the ICT sector generated \$1.8 billion in gross revenue in 2013, while employing an estimated 138,500 Afghans.⁸²⁶

The MCIT has set priorities to increase mobile service coverage to the remaining 20% of the population without access, extend the fiber optic cable infrastructure, implement faster internet service, introduce electronic governance, and convert to a digital television system.⁸²⁷

Afghan Telecom—wholly owned by the MCIT and whose board of directors is chaired by MCIT Minister Amirzai Sangin and composed of MCIT, MOF officers, and other Afghan corporate representatives—is executing an aggressive expansion into the 3G market that will entail the construction of an expansive mobile tower network, including many in remote and dangerous areas where private operators do not engage. Many of these towers will replace those lost due to the closure of Coalition bases and provide around-the-clock service, unlike private operators who turn their towers off at night due to insurgent threats.⁸²⁸

Afghan Telecom’s relationship with the MCIT could constitute a conflict of interest and its sole national unified license could give it an unfair advantage over other telecom operators.⁸²⁹ TFBSO said Afghan Telecom struggles to meet reliability, responsiveness, and availability demands, and cited Afghan Telecom’s fiber-optic network access monopoly as a challenge and risk to the ICT sector.⁸³⁰ The World Bank said Afghan Telecom’s management of the national backbone network that ties together interconnecting

SIGAR SPECIAL PROJECT

This quarter, SIGAR’s Office of Special Projects sent an inquiry letter to Secretary of State Kerry, Secretary of Defense Hagel, General Austin, and General Dunford expressing concern about six communications towers built in Afghanistan but never used. SIGAR’s letter requests information about the decision to build the towers, the cost to maintain them, and the plans to turn over the towers to DOD or the Afghan government. For more information, see Section 2, page 42.

SIGAR SPECIAL PROJECT

This quarter, SIGAR wrote a letter of inquiry to U.S. military commanders in Afghanistan about the current status of a 2009 MOI pilot program using mobile money technology to pay salaries to the Afghan National Police. SIGAR uncovered information that Afghan police commanders began registering their own phone numbers in lieu of those of their subordinates, and resumed their past practice of claiming a portion of the salaries paid out to individual police officers. For more information, see Section 2, page 46.

From January 1–March, 31, 2014, eight personnel were assigned to the TAT—six civilian expeditionary workforce personnel and two contractors. Cost: \$468,000. Funding organization: Defense Information Systems Agency.

Source: DOD, response to SIGAR data call, 4/3/2014.

networks helped keep internet prices artificially high compared to other countries in the region.⁸³¹

Mobile Money

In an overall effort to help build a sustainable, diverse, and inclusive financial sector, USAID has sought to expand access to credit in Afghanistan through mobile money and branchless banking through its Financial Access for Investing in the Development of Afghanistan (FAIDA) project. Mobile money is the use of cell phones to store currency, pay for goods, and receive and transfer funds. Other aspects of FAIDA include agribusiness activities and capacity-building efforts at Afghanistan's central bank.⁸³²

A USAID audit issued this quarter found that mobile money has not caught on in Afghanistan. Less than 1%—10,642 of almost 21 million people with mobile phones—were active mobile-money users (conducting at least 12 transactions per month). USAID said the commercial viability of mobile money in Afghanistan is 20% of mobile phone users using this service within four years. It went on to say that FAIDA did not significantly enhance the capacity and reach of mobile money, and 19 months into the project there was no improvement. Additionally, so little information exists on mobile money in Afghanistan, USAID found it difficult to determine what FAIDA's results should have been in this area. USAID is planning a financial audit of this program in FY 2014.⁸³³ As of March 31, 2014, USAID has disbursed \$73,462,780 for FAIDA, of which mobile money is one part.⁸³⁴

Assistance to the Ministry of Communications and Information Technology

The U.S. Defense Information System Agency supports Afghanistan's telecommunications efforts through its support to DOD's Afghanistan Telecom Advisory Team (TAT).⁸³⁵ The TAT trains, advises, and assists the MCIT in several areas; however it does not have or use quantifiable metrics to track progress or results. The TAT helped develop a business case analysis and strategy to broaden mobile service coverage to remote locations; contributed to the development of a national cyber security strategy for Afghan ministries and security institutions, and provided cyber security training; helped identify specific sources of interference affecting cellular network frequencies, although a resolution is still pending; and organized a joint MCIT, TAT, and Mobile Network Operator active monitoring program of specific interference points, which identified several commercially generated interference issues that are pending Afghan governmental resolution.⁸³⁶

The TAT also facilitated meetings between the Afghanistan National Army (ANA) and Afghan Telecom to prioritize ANA network expansion and secure connections to the fiber optic network; advanced ministerial meetings to solicit Ministry of Defense and MOI security support to the MCIT in high risk areas; promoted discussions between Afghan Telecom and the

international business unit of Turkish Telekom centered around reducing the price of IP transit services and Afghan internet services; and met with the U.S. Embassy Kabul and CSTC-A to discuss the option of using mobile money to pay the remaining 20% of ANSF (approximately 70,000 personnel) still paid in cash.⁸³⁷

USAID obligated \$3.9 million for its on-budget E-Government Resource Center project with the MCIT. No funds have yet been disbursed as of March 31, 2014. The project is designed to build the MCIT's capacity to provide timely, high-quality advice, training, consulting, and other electronic-governance (E-Gov) and cyber-security services to Afghan ministries.⁸³⁸ DOD's TAT reported the E-Gov department at the MCIT started construction planning for a E-Gov complex. The staff at the complex will provide full electronic and in-person government services such as issuing e-taskera (electronic identity) cards and government licenses, and processing tax payments.⁸³⁹

Additionally, USAID commissioned a \$150,000 ICT sector economic impact study (2001–2018) so MCIT can better understand past and anticipated economic effects, and plan accordingly.⁸⁴⁰

SIGAR AUDIT

Last 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.

