

3 RECONSTRUCTION UPDATE



RECONSTRUCTION UPDATE CONTENTS

Overview	67
Funding for Afghanistan Reconstruction	70
Status of Funds	72
Security	86
Governance	120
Economic and Social Development	150

Photo on previous page

Secretary of State Kerry stands with Afghan presidential candidates Ghani, center, and Abdullah, right, after announcing a plan to resolve the disputed outcome of their runoff election. (State Department photo)

RECONSTRUCTION UPDATE

OVERVIEW

The following section summarizes the status of U.S. funding and describes developments SIGAR observed this quarter in the security, governance, and economic and social sectors of the reconstruction effort in Afghanistan.

The Consolidated Appropriations Act of 2014 provided an additional \$7.5 billion for Afghanistan relief and reconstruction for fiscal year (FY) 2014, bringing the cumulative total appropriated since FY 2002 to approximately \$104.1 billion. On June 26, 2014, President Obama submitted his updated FY 2015 overseas contingency operations (OCO) budget request for the Departments of Defense and State to Congress. The addition of the updated OCO request brings the total amount requested for the seven major reconstruction funds for FY 2015 to \$5.8 billion—a 9% decrease from the amount appropriated these funds for FY 2014.

DOD requested \$4.11 billion for the FY 2015 Afghanistan Security Forces Fund (ASFF). The majority of the funding is to sustain the 195,000-strong Afghan National Army, the 157,000-strong Afghan National Police (ANP), and 30,000 Afghan Local Police. The request provides funding for Coalition advisors to focus on Afghan National Security Forces (ANSF) capability gaps and improving logistics, medical, and counter-improvised-explosive-device systems; and to purchase light air-support and basic-training aircraft for the Afghan Air Force.

DOD is no longer requesting funds for the Afghanistan Infrastructure Fund (AIF), and amounts requested for the Task Force for Business and Stability Operations (TFBSO) and the Commander's Emergency Response Program (CERP) have been substantially reduced. The AIF was created in FY 2011 to pay for high-priority, large-scale infrastructure projects. DOD and State have experienced challenges executing such large infrastructure projects. Less than 21% of AIF funds, \$274 million of the \$1.3 billion appropriated, have been disbursed since the fund's inception, as shown in Table 3.0. To date, most of the funds disbursed paid for diesel fuel for the generators used to power Kandahar City.

During this reporting period, Afghanistan held a runoff election for president on June 14, 2014, between Abdullah Abdullah and Ashraf Ghani. Unlike the first round, in which the leading presidential candidates largely

TABLE 3.0

AIF CUMULATIVE AMOUNT APPROPRIATED AND DISBURSED (\$ MILLIONS)		
	Appropriated	Disbursed
DOD	\$1,223	\$274
USAID	101	0
Total	\$1,324	\$274
Remaining to be disbursed		\$973

Notes: Numbers have been rounded. \$101 million of FY 2011 AIF was transferred to USAID's Economic Support Fund to execute an AIF project. Amount remaining excludes \$77 million that expired before being obligated.

Sources: DOD, responses to SIGAR data call, 7/22/2014, 7/18/2014 and 7/17/2014; USAID, response to SIGAR data call, 7/10/2014. DFAS, response to SIGAR data call, 7/17/2014; P.L. 113-76, 1/17/2014.

RECONSTRUCTION UPDATE

accepted the results, the Abdullah campaign contested the voter turnout estimates and accused the Afghan elections bodies of massive fraud. On July 7, the Independent Election Commission (IEC) announced that preliminary results showed Ghani with 56.4% and Abdullah with 43.6% of the vote. According to the IEC, some 8.1 million votes were cast—over one million more than the seven million originally estimated and an increase of approximately 1.5 million votes over the number of validated votes from the first round. On July 12, Secretary of State John Kerry, along with candidates Abdullah and Ghani, announced the terms of an agreement to resolve the dispute between the two campaigns. These include an audit of each ballot cast in the runoff and an agreement between the candidates to form a government of national unity once the winner is declared.

On May 27, 2014, President Obama announced that the United States will end its combat mission in Afghanistan in 2014. By the beginning of 2015, the U.S. troop strength will reduce from approximately 32,000 to approximately 9,800, with further reductions in 2015.

NATO Secretary General Anders Fogh Rasmussen warned that Afghan failure to sign the negotiated Bilateral Security Agreement (BSA) by the end of September would cause serious problems for the Coalition and put Afghanistan's future security arrangements in jeopardy. Although both presidential candidates have said they will sign the BSA, it remains on hold until the election dispute is resolved.

In June, the United Nations Secretary-General reported an increasing volatile security situation in Afghanistan, with the first quarter of 2014 having the second-highest level of violence since the fall of the Taliban. In a worrying sign of spreading conflict, he added, ground combat is causing more deaths and injuries than improvised explosive devices. The United Nations Assistance Mission in Afghanistan (UNAMA) observed a direct correlation between International Security Assistance Force (ISAF) base closures and the rise in civilian casualties.

DOD described the Afghan force emerging from the 2013 fighting season as competent and confident. Assessments of the ANSF were mostly positive this quarter, while recognizing that capability gaps remain. The ANSF have held against the insurgency and successfully secured both the presidential and provincial-council elections of April 5, 2014, and the runoff elections on June 14, 2014.

Also this quarter, USAID said there will be no new reviews of Tokyo Mutual Accountability Framework (TMAF) intermediate targets for Afghan progress. According to the United Nations Secretary General, the TMAF serves as the agreed instrument of civilian development assistance to Afghanistan. The United States and international partners are developing a new set of targets for the future implementation of TMAF that will be discussed with the new post-election government. According to USAID, the process of finalizing these new targets will likely continue through the

RECONSTRUCTION UPDATE

international conference on Afghanistan tentatively planned for November in London and into early 2015.

Afghanistan enacted Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) laws, allowing it to narrowly avoid being blacklisted by the Financial Action Task Force (FATF), an intergovernmental policy-making body that sets standards and promotes effective measures against threats to the integrity of the international financial system. FATF will evaluate compliance standards and implementation of Afghanistan's AML/CFT laws during its next plenary in October 2014. A downgrade determination could damage Afghanistan's banking relationships around the world.

Meanwhile, in the first four months of Afghan FY 1393 (December 21, 2013–December 20, 2014), domestic revenues missed Ministry of Finance budget targets by 20%, with non-tax and customs revenues also falling short of amounts collected for the same period last year. Afghanistan's fiscal sustainability ratio—domestic revenues versus operating expenses—declined to approximately 57% in the first four months of FY 1393, compared to 60% and 65% in the previous two fiscal years. Afghan government expenditures are expected to continue rising, which will require continued donor financing and improved domestic-revenue mobilization, according to the World Bank.

The latest United Nations Office of Drugs and Crime (UNODC) World Drug Report notes that for the third consecutive year, Afghanistan, already the world's largest producer and cultivator of opium poppies, saw an increase in the area under cultivation (from 154,000 hectares in 2012 to 209,000 hectares in 2013)—a 36% increase.

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 \$7.5 billion in on-budget assistance. This includes about \$4 billion to Afghan government ministries and institutions, and more than \$3.5 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	\$2,905
State	92
USAID	986
Multilateral Trust Funds	
LOTFA	\$1,369
ARTF	2,039
AITF	105

Notes: Government-To-Government figures reflect amounts the United States has committed in direct or bilateral assistance, commitments to Multilateral Trust Funds constitute the other form of on-budget assistance. Multilateral Trust Funds figures reflect amounts the United States has paid in to each trust fund.

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; USAID, response to SIGAR data call, 7/10/2014; World Bank, "ARTF: Administrator's Report on Financial Status as of June 21, 2014 (end of 6th month of FY 1393)," p. 5; UNDP "Law and Order Trust Fund for Afghanistan (LOTFA) 2014 First Quarter Project Progress Report," 6/9/2014, p. 28; SIGAR analysis of UNDP's Quarterly and Annual LOTFA reports, 7/16/2014.

RECONSTRUCTION UPDATE

- 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 over \$104.1 billion for Afghanistan relief and reconstruction. Of this amount, \$87.9 billion (84%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

As of June, 30, 2014, approximately \$15.9 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 \$5.6 billion of the \$15.9 billion remaining has been obligated.

FIGURE 3.1

CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

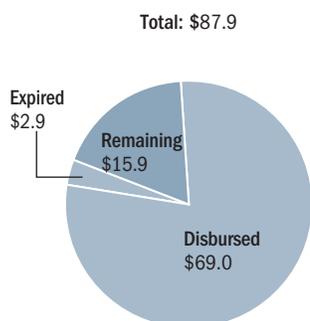


TABLE 3.2

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2014 (\$ BILLIONS)

	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$57.33	\$50.03	\$48.23	\$8.10
CERP	3.67	2.28	2.26	0.05
AIF	1.22	0.70	0.27	0.87
TFBSO	0.81	0.74	0.58	0.19
DOD CN	2.93	2.61	2.61	0.32
ESF	17.53	14.69	12.09	5.06
INCLE	4.41	3.56	3.00	1.35
Total 7 Major Funds	\$87.90	\$74.61	\$69.04	\$15.95
Other Reconstruction Funds	7.29			
Civilian Operations	8.91			
Total	\$104.10			

Notes: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$2.9 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, 7/20/2014.

The President's FY 2015 budget request, if appropriated, would add another \$5.8 billion for the seven major reconstruction funds. Amounts requested for four of these funds—ASFF, DOD CN, ESF, and INCLE—account for over 99% of the FY 2015 request. Only \$20 million was requested for CERP and TFBSO combined. No additional funding was requested for the AIF. SIGAR's audit of the AIF, issued in July 2012, raised concerns that most AIF projects were 6–15 months behind schedule, potentially limiting the projects' counterinsurgency benefits and necessitating continued funding of \$80–100 million a year for diesel fuel to power Kandahar City. More than \$973 million of the \$1.3 billion appropriated the AIF since FY 2011 remains to be disbursed when the amount transferred to the ESF for USAID's infrastructure project is included.

RECONSTRUCTION UPDATE

Congress appropriated more than \$8.1 billion to the seven major reconstruction funds for FY 2013. Of that amount, more than \$4.4 billion remained for possible disbursement, as of June 30, 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	\$3,350	\$3,056	\$1,890
CERP	200	42	34	8
AIF	325	80	28	297
TFBSO	138	136	101	37
DOD CN	296	296	296	0
ESF	1,623	15	0	1,623
INCLE	594	27	18	576
Total 7 Major Funds	\$8,122	\$3,946	\$3,533	\$4,431

Notes: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$158 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, 7/20/2014.

Congress appropriated nearly \$6.5 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than \$6.4 billion remained for possible disbursement, as of June 30, 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	\$24	\$0	\$4,727
CERP	30	2	0	30
AIF	199	0	0	199
TFBSO	117	82	25	92
DOD CN	321	1	1	320
ESF	852	0	0	852
INCLE	225	0	0	225
Total 7 Major Funds	\$6,470	\$108	\$26	\$6,444

Notes: 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, 7/20/2014.

FIGURE 3.2

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

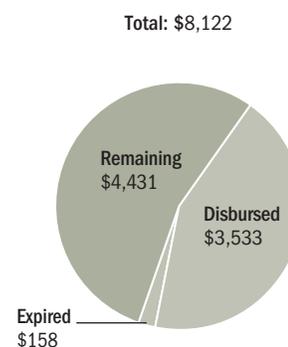
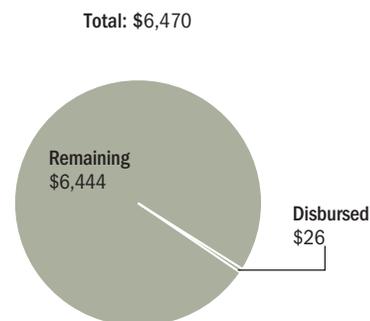


FIGURE 3.3

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



STATUS OF FUNDS CONTENTS

U.S. Reconstruction Funding for Afghanistan	74
Afghanistan Security Forces Fund	76
ASFF Budget Activities	77
Commander's Emergency Response Program	78
Afghanistan Infrastructure Fund	79
Task Force for Business and Stability Operations	80
DOD Drug Interdiction and Counter-Drug Activities	81
Economic Support Fund	82
International Narcotics Control and Law Enforcement	83
International Reconstruction Funding for Afghanistan	84

STATUS OF FUNDS

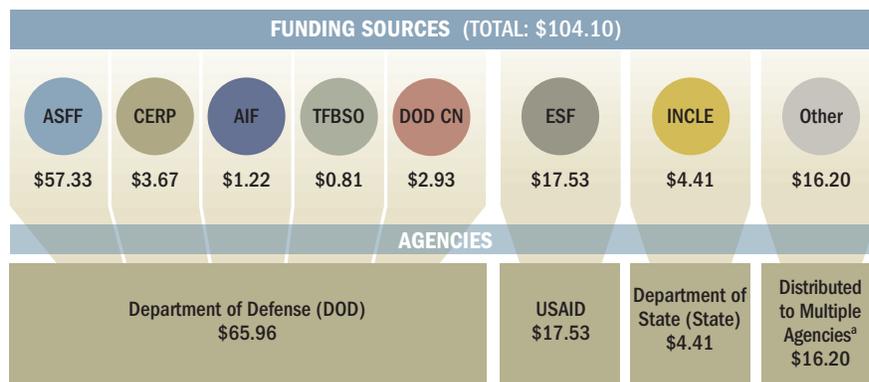
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of June 30, 2014, the United States had appropriated approximately \$104.10 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$61.77 billion for security (including \$4.25 billion for counternarcotics initiatives)
- \$30.59 billion for governance and development (including \$3.38 billion for counternarcotics initiatives)
- \$2.84 billion for humanitarian aid
- \$8.91 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)



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

Notes: Numbers have been rounded.

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

Source: DOD, responses to SIGAR data call, 7/18/2014, 7/17/2014, 7/8/2014, 7/3/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 7/16/2014, 7/3/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/10/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 7/10/2014, 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, response to SIGAR data call, 7/17/2014; 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



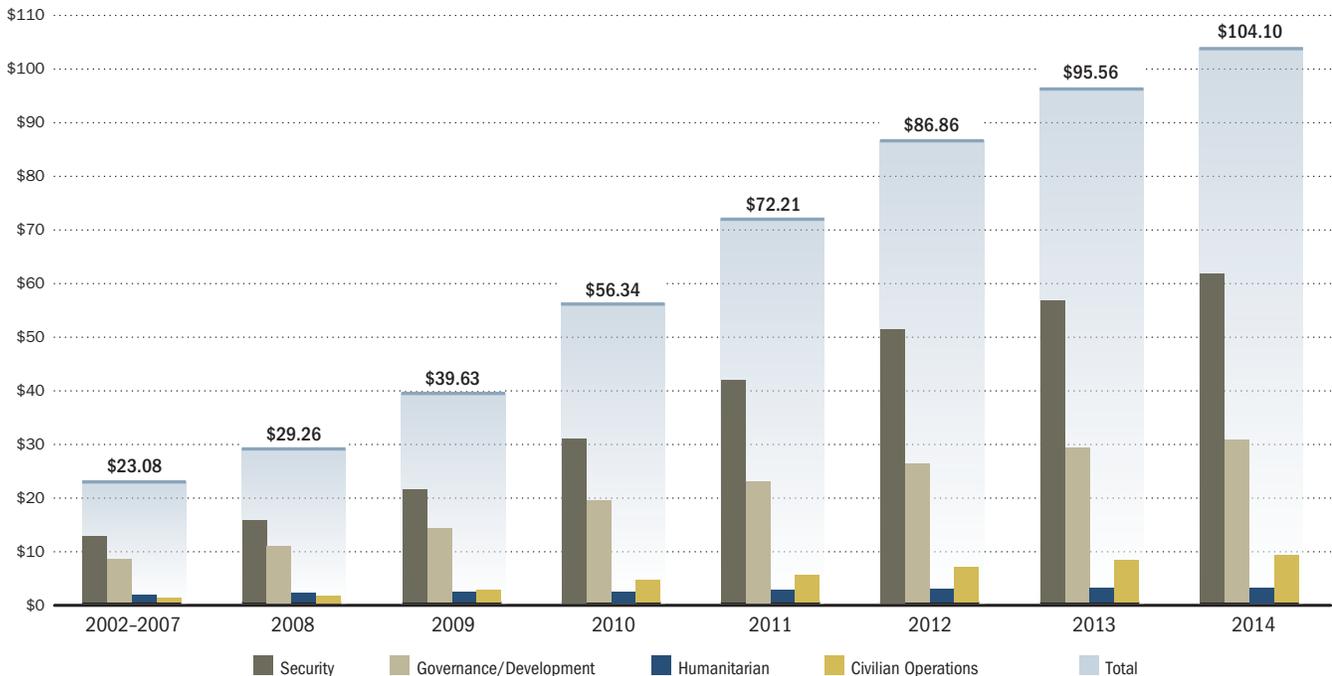
U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of June 30, 2014, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$104.10 billion, as shown in Figure 3.5. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and civilian operations. Approximately \$7.62 billion of these funds support counter-narcotics initiatives which crosscut both the security (\$4.24 billion) and governance-and-development (\$3.38 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

The Consolidated Appropriations Act, 2014, provided an additional \$7.55 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,

The amount provided to the seven major U.S. funds represents over 84.4% (more than \$87.90 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 84.9% (nearly \$74.61 billion) has been obligated, and over 78.5% (more than \$69.04 billion) has been disbursed. An estimated \$2.91 billion of the amount appropriated these funds has expired.

FIGURE 3.5
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF JUNE 30, 2014 (\$ BILLIONS)



Notes: Numbers have been rounded. Updated data for State and USAID Civilian Operations accounts resulted in a higher appropriation figure for FY 2014 than reported last quarter. 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.

Source: DOD, responses to SIGAR data call, 7/18/2014, 7/17/2014, 7/8/2014, 7/3/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 7/16/2014, 7/3/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/10/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 7/10/2014, 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, response to SIGAR data call, 7/17/2014; 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

approximately 55% of all reconstruction funding.⁵⁶ The ASFF supports the development, operations, and sustainment of the Afghanistan National Security Forces.⁵⁷

On June 26, 2014, the President submitted his updated FY 2015 overseas contingency operations budget request to Congress for DOD and State.⁵⁸ The \$5.83 billion requested for the seven major reconstruction funds for FY 2015 is approximately 9% lower than the amount appropriated these funds for FY 2014. DOD is not requesting funds for the Afghanistan Infrastructure Fund for FY 2015 and is requesting only \$5 million for the Task Force for Business and Stability Operations—a 92% decrease from the \$63.8 million appropriated to the task force for FY 2014, as shown in Table 3.5. As reported in prior quarters, a significant amount of reconstruction funding is still in the pipeline. Approximately \$15.95 billion remains for potential disbursement. For more information about the reconstruction funding pipeline, see pages 70–71.

TABLE 3.5

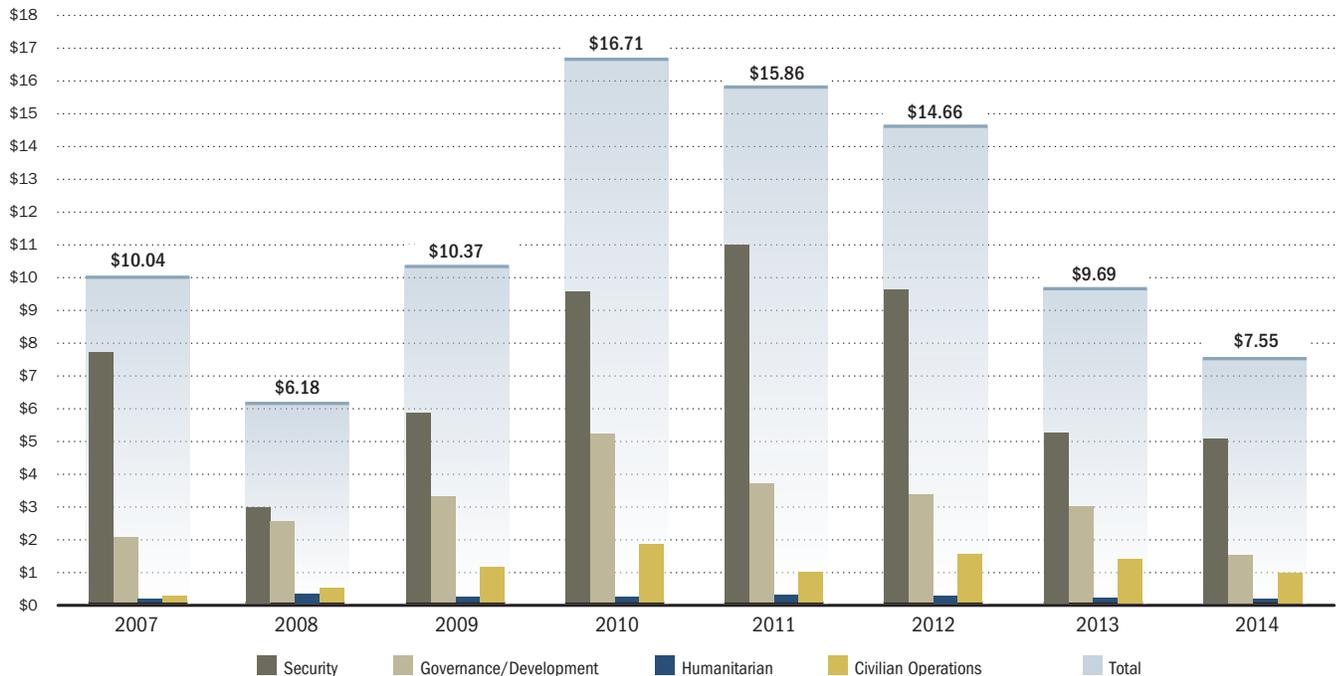
FY 2014 APPROPRIATIONS COMPARED TO THE FY 2015 BUDGET REQUEST (\$ MILLIONS)		
	FY 2014	FY 2015 Req
ASFF	\$4,726	\$4,109
CERP	30	15
AIF	199	0
TFBSO	64	5
DOD CN	321	148
ESF	852	1,225
INCLE	225	325
TOTAL	\$6,417	\$5,827

Notes: Numbers have been rounded. TFBSO amount excludes funding from the Operations and Maintenance, Army, account used for the task force's operational costs.

Sources: OMB, "Amendments to the President's Fiscal Year (FY) 2015 Overseas Contingency Operations (OCO) Request for the Department of Defense (DOD) and the Department of State and Other International Programs (State/OIP)," 6/26/2014; State, response to SIGAR data call, 4/15/2014, OMB, request to SIGAR data call, 7/16/2014.

FIGURE 3.6

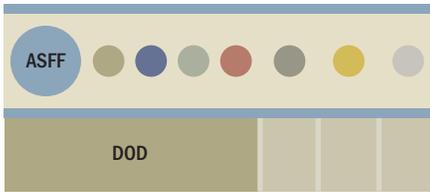
APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY (\$ BILLIONS)



Notes: Numbers have been rounded. Updated data for State and USAID Civilian Operations accounts resulted in a higher appropriation figure for FY 2014 than reported last quarter. 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.

Source: DOD, responses to SIGAR data call, 7/18/2014, 7/17/2014, 7/8/2014, 7/3/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 7/16/2014, 7/3/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/10/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 7/10/2014, 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, response to SIGAR data call, 7/17/2014; 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.⁵⁹

The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan.⁶⁰ A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.⁶¹

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.⁶² As of June 30, 2014, nearly \$50.03 billion of total ASFF funding had been obligated, of which nearly \$48.23 billion had been disbursed.⁶³ Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by nearly \$1.11 billion over the quarter, and cumulative disbursements increased by nearly \$1.58 billion.⁶⁴ 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)

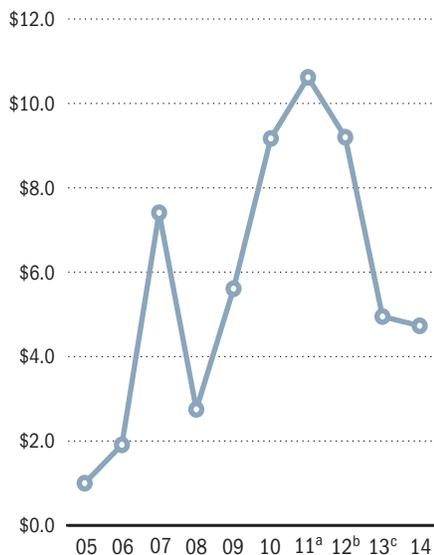
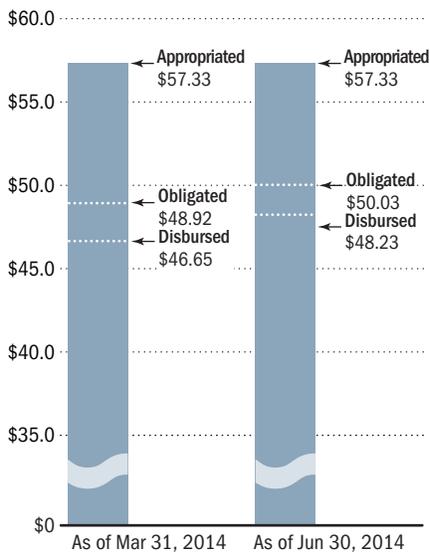


FIGURE 3.8

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, 7/17/2014 and 4/15/2014; 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.⁶⁵ 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.⁶⁶

As of June 30, 2014, DOD had disbursed nearly \$48.23 billion for ANSF initiatives. Of this amount, nearly \$31.93 billion was disbursed for the ANA, and nearly \$15.94 billion was disbursed for the ANP; the remaining more than \$358.91 million was directed to related activities.⁶⁷

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—more than \$12.26 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—more than \$5.96 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.⁶⁸

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

Subactivity 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 SUBACTIVITY GROUP, FY 2005-JUNE 30, 2014 (\$ BILLIONS)

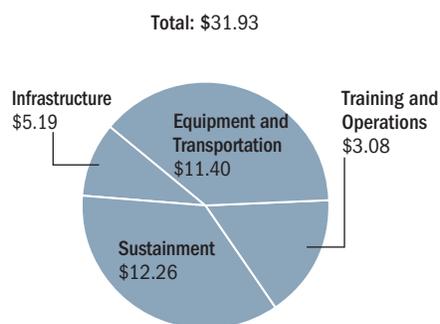
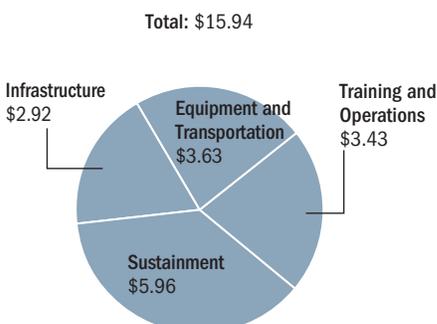


FIGURE 3.10

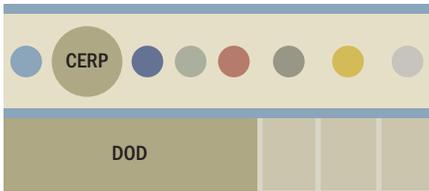
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005-JUNE 30, 2014 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 7/17/2014.

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.⁶⁹ 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.⁷⁰

The Consolidated Appropriations Act, 2014, appropriated \$30 million for CERP, increasing total cumulative funding to nearly \$3.67 billion.⁷¹ Of this amount, DOD reported that nearly \$2.28 billion had been obligated, of which nearly \$2.26 billion had been disbursed as of June 30, 2014.⁷² 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)

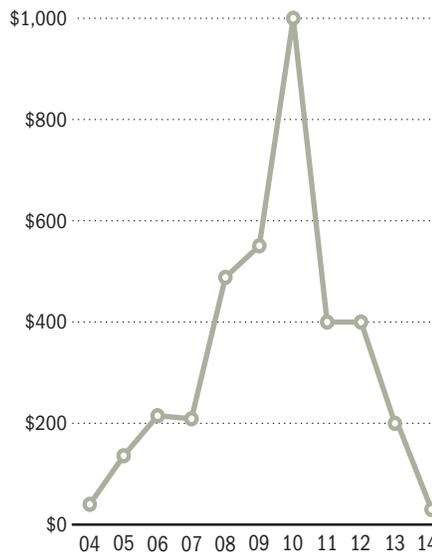
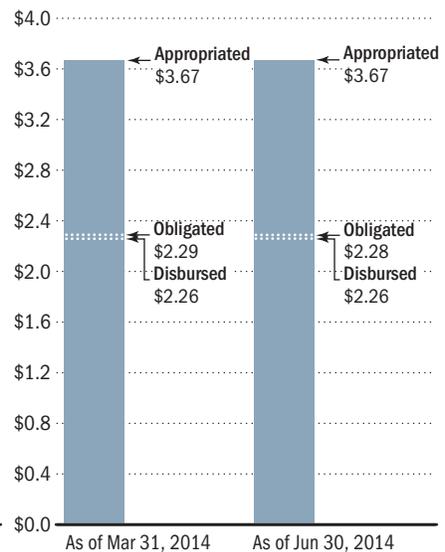


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



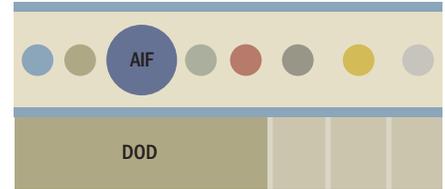
Notes: Numbers have been rounded. Data may include inter-agency transfers.

Source: DOD, responses to SIGAR data call, 7/17/2014 and 4/17/2014; 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 project execution plans, and the Secretaries of State and Defense must notify Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counterinsurgency strategy in Afghanistan.⁷³

The Consolidated Appropriations Act, 2014, appropriated \$199 million for the AIF, increasing total cumulative funding to more than \$1.22 billion.⁷⁴ Figure 3.13 shows AIF appropriations by fiscal year. As of June 30, 2014, more than \$701.55 million of total AIF funding had been obligated, of which more than \$273.95 million had been disbursed.⁷⁵ In June 2014, DOD cancelled the second phase of the Dahla Dam Improvement Project, decreasing AIF obligations by more than \$184 million from the amount reported last quarter, as shown in Figure 3.14. The project was funded with FY 13/14 AIF funds. DOD has until the end of the current fiscal year to obligate the funds on another project.⁷⁶



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.

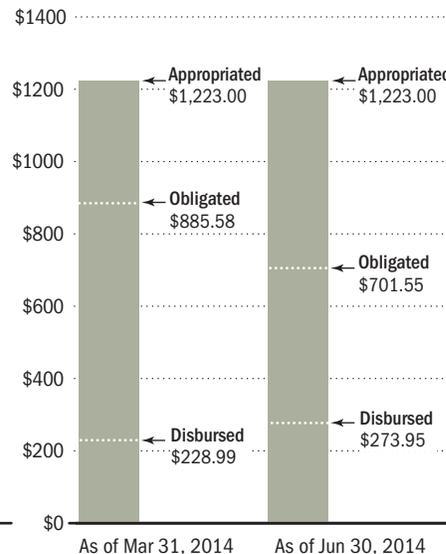
FIGURE 3.13

AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.14

AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)

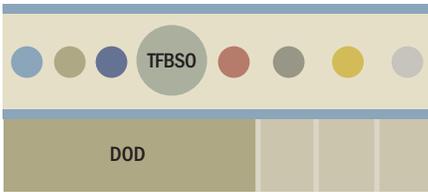


Notes: Numbers have been rounded. Updated data resulted in a lower obligation figure than reported last quarter.

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

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2014," 7/18/2014; 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.

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.⁷⁷

TFBSO has two separate funding streams, the **National Defense Authorization Act (NDAA)** and the **Operations and Maintenance, Army, (OMA)**. Through June 30, 2014, the TFBSO has been appropriated more than \$116.94 million for FY 2014, increasing cumulative appropriations for the task force to nearly \$809.53 million.⁷⁸ Of this amount, nearly \$741.16 million had been obligated and more than \$578.99 million had been disbursed.⁷⁹ 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)



Notes: Numbers have been rounded.

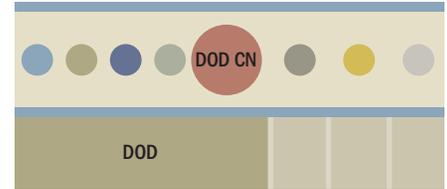
Sources: DOD, responses to SIGAR data call, 7/8/2014, 4/4/2014, and 10/4/2011; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

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 counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.⁸⁰

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.⁸¹

DOD reported that DOD CN received nearly \$320.79 million for Afghanistan for FY 2014, bringing cumulative funding for DOD CN to more than \$2.93 billion since fiscal year 2004. Of this amount, more than \$2.61 billion had been transferred to the military services and defense agencies for DOD CN projects, as of June 30, 2014.⁸² 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.

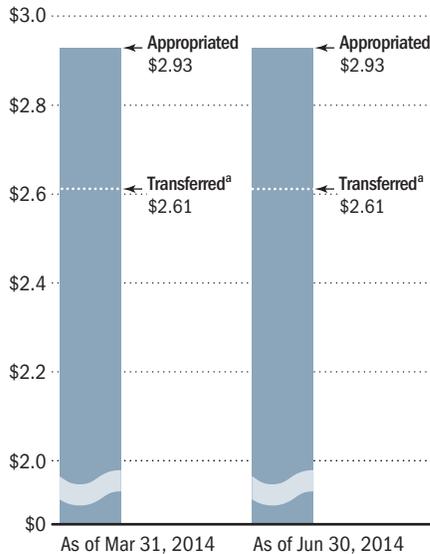
FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

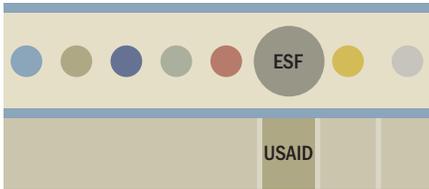


Note: Numbers have been rounded.

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

Source: DOD, responses to SIGAR data call, 7/3/2014, 4/16/2014, 3/28/2014, and 1/22/2014.

STATUS OF FUNDS



ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counterterrorism, bolster national economies, and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.⁸³

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 \$14.69 billion had been obligated, of which nearly \$12.09 billion had been disbursed.⁸⁴ Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of June 30, 2014, increased by more than \$24.65 million from the amount reported last quarter. Cumulative disbursements as of June 30, 2014, increased by nearly \$378.92 million over cumulative disbursements as of March 31, 2014.⁸⁵ Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

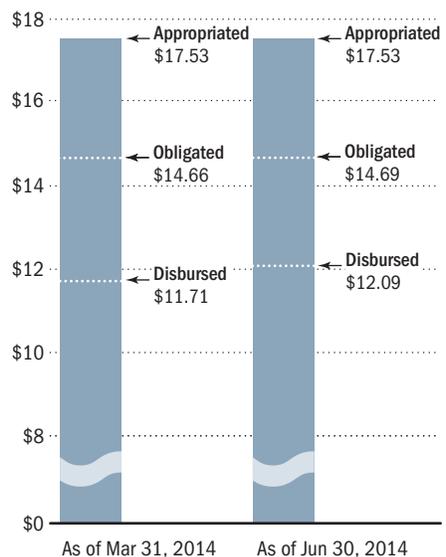
FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR
(\$ BILLIONS)



FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

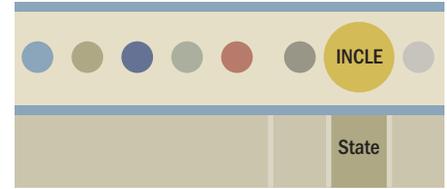
Sources: USAID, responses to SIGAR data call, 7/10/2014 and 4/7/2014; State, responses to SIGAR data call, 4/15/2014 and 6/27/2013.

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, counter-narcotics, and rule of law and justice.⁸⁶

State reported that INCLE was appropriated \$225 million for FY 2014, bringing cumulative funding for INCLE to more than \$4.41 billion. Of this amount, nearly \$3.56 billion had been obligated, of which more than \$3.00 billion had been disbursed.⁸⁷ Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of June 30, 2014, increased by more than \$13.53 million compared to cumulative obligations as of March 31, 2014. Cumulative disbursements as of June 30, 2014, increased by more than \$54.04 million over cumulative disbursements as of March 31, 2014.⁸⁸ 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)

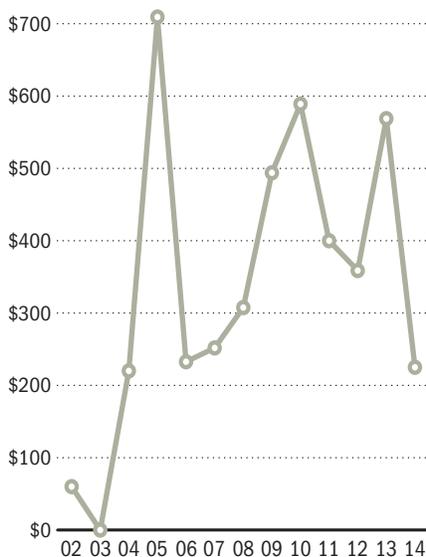


FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. Data may include inter-agency transfers. Updated data resulted in a lower appropriation figure than reported last quarter.

Source: State, response to SIGAR data call, 7/16/2014, 4/15/2014, and 4/11/2014.

STATUS OF FUNDS

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

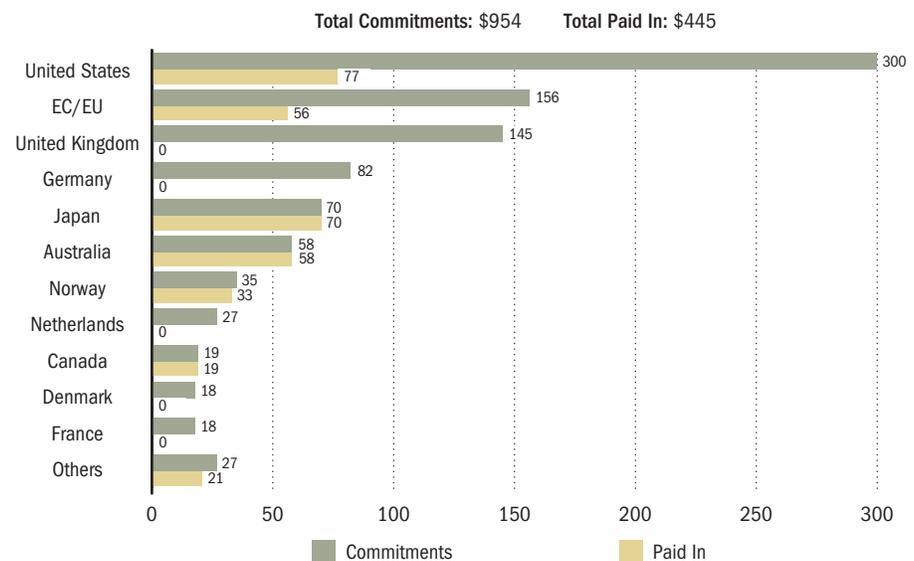
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust 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).⁸⁹

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 June 21, 2014, the World Bank reported that 33 donors had pledged nearly \$7.86 billion, of which more than \$7.24 billion had been paid in.⁹⁰ According to the World Bank, donors had pledged approximately \$954.16 million to the ARTF for Afghan fiscal year 1393, which runs from December 21, 2013, to December 20, 2014.⁹¹ 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 JUNE 21, 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 June 21, 2014 (end of 6th month of FY 1393)," p. 1.

STATUS OF FUNDS

As of June 21, 2014, the United States had pledged more than \$2.26 billion and paid in nearly \$2.04 billion since 2002.⁹² 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.⁹³ As of June 21, 2014, according to the World Bank, nearly \$3.06 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.⁹⁴ The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.⁹⁵

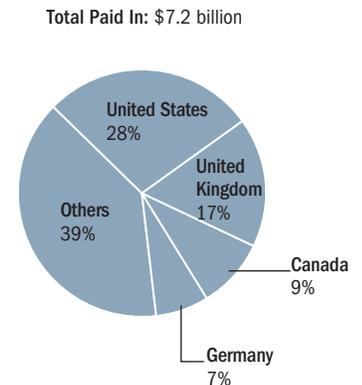
The Investment Window supports the costs of development programs. As of June 21, 2014, according to the World Bank, more than \$3.64 billion had been committed for projects funded through the Investment Window, of which nearly \$2.60 billion had been disbursed. The World Bank reported 23 active projects with a combined commitment value of more than \$2.41 billion, of which more than \$1.37 billion had been disbursed.⁹⁶

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.⁹⁷ Since 2002, donors have pledged nearly \$3.72 billion to the LOTFA, of which nearly \$3.56 billion had been paid in, according to the most recent data available.⁹⁸ 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, 2014.⁹⁹ In the 39 months since Phase VI began, the UNDP had transferred more than \$1.64 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional \$42.14 million for capacity development and other LOTFA initiatives.¹⁰⁰ As of March 31, 2014, donors had committed more than \$2.18 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly \$967.10 million, and Japan had committed more than \$744.76 million. Their combined commitments make up more than 78% of LOTFA Phase VI commitments. The United States had contributed nearly \$1.37 billion to the LOTFA since the fund’s inception.¹⁰¹ 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, SY 1381 (2002)–JUNE 21, 2014 (PERCENT)

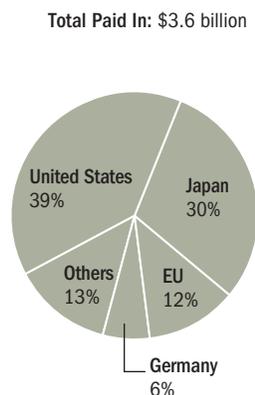


Notes: Numbers have been rounded. "Others" includes 29 donors.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of June 21, 2014 (end of 6th month of FY 1393)," p. 5.

FIGURE 3.25

DONORS' CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF MARCH 31, 2014 (PERCENT)



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

Source: UNDP, "Law and Order Trust Fund for Afghanistan (LOTFA) 2014 First Quarter Project Progress Report," 6/9/2014, p. 28; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 7/16/2014.

SECURITY CONTENTS

Key Issues and Events This Quarter	87
U.S. Forces in Afghanistan	92
DOD Reports Steps To Improve Contract Management	92
ANSF Strength	93
Ministry of Defense and Ministry of Interior Assessments	99
Afghan Local Police	100
Afghan National Army	101
Afghan National Police	107
ANSF Medical/Health Care	110
Removing Unexploded Ordnance	111
Counternarcotics	112

SECURITY

As of June 30, 2014, the U.S. Congress had appropriated more than \$61.8 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 \$50.0 billion had been obligated and \$48.2 billion disbursed as of June 30, 2014.¹⁰²

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 of transitioning to Afghan-led security by the end of 2014.

KEY ISSUES AND EVENTS THIS QUARTER

Key issues and events this quarter include President Obama's announcement of a troop-withdrawal schedule, the release of the Department of Defense's (DOD) overseas contingency operations (OCO) budget request for fiscal year (FY) 2015, continuing U.S. concerns over the lack of a signed U.S.-Afghan Bilateral Security Agreement (BSA), and the transition of convoy and facility security responsibilities from the Afghan Public Protection Force (APPF) to the ANP. In addition, the United Nations (UN) reported an increase in violence in Afghanistan.

President Obama Announces Troop-Withdrawal Schedule

The United States will keep troops in Afghanistan after 2014 if the Afghan government signs a BSA shielding them from prosecution under the Afghan legal system. Both candidates for president in the Afghan run-off election have said they would sign the agreement. On May 27, 2014, President Obama announced the number of U.S. forces that would remain in Afghanistan under a BSA.

The United States has been steadily reducing its troop strength from a peak of 100,000 in 2011. President Obama announced that from the current strength of 32,800, the U.S. force will be reduced to approximately 9,800 by the beginning of 2015. That number will decline by half during 2015; remaining U.S. forces will be consolidated at Bagram Airfield and in Kabul. By the end of 2016, the force will be reduced to a normal embassy presence with a security-assistance component.¹⁰³

President Obama said post-2014 U.S. objectives are to disrupt threats posed by al-Qaeda, support Afghan security forces, and give the Afghan people the opportunity to succeed. He also announced two other missions after 2014: training Afghan forces and supporting counterterrorism operations. The president cautioned that Afghanistan will not be a perfect place nor is it America's responsibility to make it one.¹⁰⁴

President Karzai released a statement the following day welcoming President Obama's decision. However, members of the National Assembly and civil society expressed concern about the readiness of Afghan security forces and the withdrawal's impact on the broader international commitment to Afghanistan.¹⁰⁵

ANSF Secures Runoff Election

The ANSF succeeded in securing the runoff presidential election held on June 14, 2014, despite threats of violence.¹⁰⁶ ISAF reported the ANSF conducted non-stop security operations following the initial elections, leading all aspects of security, and securing approximately 6,200 polling centers across the country. General Joseph F. Dunford, Commander of ISAF and U.S. Forces-Afghanistan (USFOR-A) commended the professionalism and commitment of the ANSF, "Once again, the Afghan security forces have provided the Afghan people with the opportunity to vote."

ANSF performance was consistent with a DOD assessment that the ANSF emerged from the 2013 fighting season as a competent and confident force, capable of providing security for Afghanistan.¹⁰⁷ During his nomination hearing, General John F. Campbell testified that "the ANSF have proven their combat capability through success in two fighting seasons, two national elections, and multiple high profile events."¹⁰⁸

FY 2015 ASFF Budget Request Increases Funding for ANSF Sustainment

This quarter, DOD released its FY 2015 Overseas Contingency Operations (OCO) budget request for the ASFF. The \$4.11 billion request is \$3.62 billion less than the FY 2014 request and \$617 million less than the final amount appropriated for FY 2014.¹⁰⁹ During FY 2015, Coalition advisors will focus on capability gaps and on improving systems for logistics, medical care, and countering improvised explosive devices.¹¹⁰ Over 84% of the request is for ANSF sustainment costs, such as salaries, fuel, and maintenance—more than

two and a half times the amount appropriated for this purpose in FY 2014. Although no FY 2014 funding was appropriated for ANP infrastructure, \$15 million was requested in the FY 2015 budget, \$10.2 million of which is for fire department facilities.¹¹¹ The amounts requested for other funding categories were far less than the FY 2014 appropriations, as shown in Table 3.6.

TABLE 3.6

AFGHANISTAN SECURITY FORCES FUND			
	FY 2014 ASFF Current Distribution	FY 2015 Overseas Contingency Operations (OCO) Request	Change
MOD/ANA			
Sustainment	\$890,078,000	\$2,514,660,000	182.5%
Infrastructure	278,650,000	20,000,000	-92.8%
Equipment and Transportation	1,688,382,000	21,442,000	-98.7%
Training and Operations	628,550,000	359,645,000	-42.8%
MOI/ANP			
Sustainment	\$605,020,000	\$953,189,000	57.5%
Infrastructure	10,000,000	15,155,000	51.6%
Equipment and Transportation	167,896,000	18,657,000	-88.9%
Training and Operations	441,419,000	174,732,000	-60.4%
Related Activities			
Sustainment	\$14,225,000	\$29,603,000	108.1%
Infrastructure	0	0	NA
Equipment and Transportation	0	0	NA
Training and Operations	2,500,000	2,250,000	-10.0%
Total	\$4,726,720,000	\$4,109,333,000	-13.1%

Notes: MOD = Ministry of Defense; MOI = Ministry of Interior.

Sources: DOD, "Justification for FY 2015 Overseas Contingency Operations, Afghanistan Security Forces Fund (ASFF)," 6/2014; DOD, response to SIGAR data call, 7/17/2014.

The FY 2015 OCO request for ANA equipment funding is to purchase light air-support and training aircraft, as well as maintenance, test, and ground-support equipment for the Afghan Air Force. The additional request for ANA infrastructure is to fund major projects that the Ministry of Defense (MOD) has deemed necessary to meet its requirements. The majority of the ANP equipment and transportation request is to cover transportation costs of previously procured equipment, such as vehicles, weapons, and radios. (\$18.2 million).¹¹²

Bilateral Security Agreement Remains Unsigned

The negotiated BSA between the United States and Afghanistan to define 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. The U.S. and Afghan governments agreed on a draft text of the BSA and a *Loya Jirga* (tribal assembly) approved the document in November 2013.¹¹³ President Hamid Karzai refused to sign it. However, both candidates in Afghanistan's runoff presidential election have said they will sign the BSA if elected.¹¹⁴ NATO Secretary-General Anders Fogh Rasmussen warned that failure to sign the BSA by the end of September would cause serious problems for the Western allies and put future security arrangements in jeopardy.¹¹⁵

Transition of Afghan Public Protection Force Responsibilities Leaves Project Security Uncertain

The Afghan Public Protection Force (APPF), a state-owned enterprise under the authority of the Ministry of Interior (MOI), was established to provide contract-based facility and convoy security services in Afghanistan following President Karzai's 2010 decree prohibiting operation of private security companies.¹¹⁶ However, on February 17, 2014, the Council of Ministers (COM), acting on President Karzai's orders, directed the APPF to be dissolved and its guard functions transitioned to the ANP.¹¹⁷ The United States has provided more than \$51 million to support the APPF, which provided security for many U.S.-funded programs and projects.¹¹⁸

In response to a SIGAR request for information about why the APPF was dissolved, the NATO Training Mission-Afghanistan (NTM-A) explained that the Minister of Interior on June 10, 2014, told ISAF that the APPF "worked," but President Karzai "was not happy with its existence." It was not clear why President Karzai was dissatisfied with a program he created. According to NTM-A, four committees were tasked to develop a plan for transitioning APPF operations into the ANP. Although the committees reportedly completed their work, the Minister of Interior, under considerable pressure from President Karzai, was dissatisfied with the progress of the transition, and ordered the APPF's convoy security operations to transfer to the ANP on May 22, 2014.¹¹⁹

NTM-A said that qualified APPF personnel could join the ANP. However, due to the ANP's age policy, guards over age 35 would lose their jobs. Those choosing to transfer to the ANP would be sent to the ANP training academy and would sign a three-year contract. NTM-A noted that all security operations would continue under the control of the MOI's Deputy Minister for Security and the ANP.¹²⁰

The transition of convoy-security responsibilities from the APPF to the ANP is already creating some legal hurdles for the United States. The United States contributes to the Law and Order Trust Fund for Afghanistan (LOTFA), which covers ANP salaries and expenses. Because

the APPF was a state-owned enterprise not funded by LOTFA, the United States paid for its services on a contract basis. However, with the ANP assuming convoy-security responsibilities from the APPF, CSTC-A believes the United States can no longer legally pay for those services because it would, in effect, be paying double. Accordingly, on May 23, 2014, USFOR-A stopped paying the security fees for APPF services. Unfortunately, provincial police chiefs, who would assume convoy-security duties within their jurisdiction, have indicated they do not have the personnel, fuel, and vehicles necessary to cover this new requirement. NTM-A stated that “discussions indicate MOI is working to establish a process closely resembling APPF in order to mitigate concerns.”¹²¹ This again raises the question of why the APPF is being dissolved.

Static security—guarding fixed facilities—has also been affected by the transition. As of June 30, 2014, the APPF provided security for five ISAF forward operating bases (FOBs); another 22 FOBs were secured by private security companies. NTM-A said salary payments to FOB guards have now been interrupted by the MOI’s “directed blockage of funds” to pay them.¹²² However, NTM-A noted that the MOI’s current plan for transitioning static-security responsibilities could also create the same legal hurdles for the United States as with convoys.¹²³ USAID and its implementing partners rely on APPF to provide site security for nearly \$2 billion in development-assistance projects. Their implementing partners currently have 26 contracts with the APPF state-owned enterprise valued at over \$13 million. CSTC-A reported that without security, USAID cannot continue some of its projects. CSTC-A also reported the U.S. Foreign Assistance Act prohibits USAID funds from being used to fund the services of police or soldiers. In order to comply with U.S. law, USAID needs written confirmation from the MOI that services will continue to be provided by security guards, as had been the case with the APPF state-owned enterprise. According to NTM-A, ISAF, USAID, and others are assessing the viability and feasibility of MOI proposed solutions.¹²⁴

According to NTM-A, the most recent tally showed that the APPF comprised 19,912 personnel, including approximately 3,800 convoy-security guards. However, this does not take into account the recent transitions. NTM-A reported that “verifying exact numbers is not possible at this time.”¹²⁵ It is unclear what the APPF or its successor organization will look like.

According to NTM-A, the MOI has admitted to making mistakes and is “working to find a way to effectively transition security services without impacting security services.”¹²⁶ A senior MOI official said they should have developed, reviewed, approved, and implemented a plan. Instead, they were told to make a change, which they did, without a clear plan in place. NTM-A noted that, “In addition to affecting ISAF interests, USAID, U.S. Embassy, and other elements within the International Community are impacted with respect to projects within their interests.”¹²⁷

APPF transition to the ANP leads to legal issues as U.S. development funding cannot be used for police services.

Source: CSTC-A, response to SIGAR data call, 7/1/2014.

In the first half of 2014, UNAMA observed a direct correlation between closures [of ISAF bases] and a rise in civilian casualties in some areas.

— UN Secretary-General

Source: UNAMA, *Afghanistan Midyear Report 2014, Protection of Civilians in Armed Conflict*, 7/2014, p. 7.

Coalition Forces Withdraw

Denmark's mission in Afghanistan came to an end with a ceremony at Camp Bastion on May 20, 2014. This year marked their 17th rotation and final deployment to Afghanistan. Throughout their mission, over 18,000 Danish soldiers deployed and 33 were killed in action.¹²⁸ Romania ended its combat operations on June 29, 2014, but will continue its support operations.¹²⁹

UN Reports Afghan Violence on the Rise

According to the UN Secretary-General, the conflict in Afghanistan is intensifying. In his June 18 report to the UN Security Council, the Secretary-General said that the first quarter of 2014 had the second-highest level of violence since the fall of the Taliban; 2011 had the highest. Between March 1 and May 31, 2014, the number of security incidents increased by 22% versus the same period a year earlier. The increase is attributed mainly to the election, with 476 security incidents recorded on polling day.¹³⁰ The majority of the 5,864 security incidents occurred in the south, south-east, and east.¹³¹ Armed clashes and improvised explosive device (IED) events accounted for 74% of all security incidents.¹³² In a worrying sign of spreading conflict, ground combat is causing more deaths and injuries than IEDs, with women and children increasingly caught in the crossfire.¹³³

“The nature of the conflict in Afghanistan is changing in 2014 with an escalation of ground engagements in civilian-populated areas,” warned Ján Kubiš, the UN mission chief in Afghanistan. “The impact on civilians, including the most vulnerable Afghans, is proving to be devastating.”¹³⁴ The United Nations Assistance Mission in Afghanistan (UNAMA) observed a direct correlation between ISAF base closures and the rise in civilian casualties.¹³⁵ Additionally, the UN recorded 229 assassinations and failed assassination attempts, an increase of 32% over the same period in 2013.¹³⁶

U.S. FORCES IN AFGHANISTAN

According to ISAF, 32,800 U.S. forces were serving in Afghanistan as of June 30, 2014. Approximately 17,102 Coalition forces were serving as of June 1, 2014.¹³⁷ On May 27, 2014, President Obama announced U.S. forces in Afghanistan will reduce to approximately 9,800 by January 2015 and will be reduced further throughout 2015.¹³⁸ Since operations began in 2001, a total of 2,197 U.S. military personnel have died in Afghanistan—83% of whom were killed in action—and 19,728 were wounded as of July 3, 2014.¹³⁹

DOD REPORTS STEPS TO IMPROVE CONTRACT MANAGEMENT

DOD has advised SIGAR of several steps taken to address what a January 2012 contracting conference identified as the “failure to enforce existing standards, policies and procedures by all entities” involved in federal contracting in Afghanistan. The conclusion appeared in a memo on the contracting “shura” or conference in Kabul attended by more than 100 representatives of U.S. Central Command (CENTCOM), USFOR-A, ISAF Joint Command, contracting organizations, and others.¹⁴⁰ As described in prior SIGAR quarterly reports, SIGAR has repeatedly asked about follow-up steps

for the shura, whose summary memo also noted “poor accountability” for failure to enforce standards, policies and procedures.”¹⁴¹

In response to a fourth SIGAR request for information on the measures taken to address deficiencies in the contracting process, DOD has now reported that “initiatives to improve adherence to existing standards, policies, and procedures for Contingency Contracting Officers and Contingency Contracting Officer’s Representatives” (CORs) include new certification standards and curriculum content; efforts to improve acquisition workforce staffing; distribution of 40,000 copies of new COR handbooks and increased Internet information; joint exercises in contract support; a web-based COR tracking tool to manage the nomination, training, and tracking of CORs and their assigned contracts; a contract command officer liaison at CSTC-A to assist in building Afghan contracting capacity; and “numerous policy documents,” expanded guidance, and compliance monitoring for contracting entities.¹⁴²

SIGAR is reviewing the details of DOD’s response to questions on the important issues of contract management, oversight, compliance, and accountability, and will seek further information on the practical impacts of follow-up steps to the 2012 contracting shura. SIGAR is also reviewing the response to determine if DOD substantively addressed the full set of questions posed.

ANSF STRENGTH

This quarter, ANSF’s assigned force strength was 340,293, according to CSTC-A.¹⁴³ This is 97% of the ANSF’s end-strength goal of 352,000 ANSF 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.¹⁴⁴ The ANA and ANP are within 3% of their target end strength and the Air Force (expected to reach its goal at the end of the year) is within 16%, as shown in Table 3.7. However, as noted on the following page, ANA strength continues to include civilian personnel.

SIGAR AUDIT

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

TABLE 3.7

ANSF ASSIGNED FORCE STRENGTH, MAY 2014

ANSF Component	Current Target	Status as of 5/2014	Difference Between Current Strength and Target End-Strength Goals
Afghan National Army	187,000 personnel by December 2012	181,439 (97%)	-5,561 (3%)
Afghan National Police	157,000 personnel by February 2013	152,123 (97%)	-4,877 (3%)
Afghan Air Force	8,000 personnel by December 2014	6,731 (84%)	-1,269 (16%)
ANSF Total	352,000	340,293 (97%)	-11,707 (3%)

Sources: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; CSTC-A, response to SIGAR data call, 7/1/2014; SIGAR analysis.

TABLE 3.8

	CIVILIANS COUNTED TOWARD ANA STRENGTH									
	2012			2013				2014		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Civilians Included in Force Strength?	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	
Number of Civilians Included	NA	NA	NA	NA	7,806	8,698	9,336	9,486	9,647	

Note: Reflects calendar year quarters; NA = Unknown.

Source: CSTC-A responses to SIGAR data calls, 7/1/2014, 3/31/2014, 1/6/2014, 10/1/2013, 7/2/2013, 4/1/2013, 1/2/2013, 10/1/2012, and 7/2/2012.

ANA Civilians Still Count Toward ANSF Strength

SIGAR has long been concerned about the issue of civilians being counted as part of ANA force strength. In July 2012, CSTC-A told SIGAR that civilians were included in the assigned strength of the ANA.¹⁴⁵ In October 2012, CSTC-A said that civilians had been accounted for and removed from the ANA’s “end strength number.”¹⁴⁶ However, after a few quarters, civilians were again included in the ANA’s force strength, as reflected in Table 3.8. This quarter, CSTC-A reported 9,647 civilians in the force strength of the ANA and Afghan Air Force.¹⁴⁷

According to CSTC-A, the 187,000 authorized positions in the ANA includes civilians and that “civilians have to be reflected against ANA end strength if the 352K goal [for the ANSF] is to be the point of comparison.”¹⁴⁸

In February 2012, a DOD Office of the Inspector General (OIG) report identified the issue of and risks associated with civilians being counted as part of the ANA. In that report, the 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 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.¹⁴⁹

According to CSTC-A, U.S. funding is provided assuming 100% *tashkil*, or authorized staffing.¹⁵⁰ This raises the question: is the United States still paying civilian salaries?

According to the Center for Naval Analyses (CNA) independent assessment released last 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.”¹⁵¹

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 provide both U.S. and Afghan stakeholders with updates on

“Civilians have to be reflected against ANA end strength if the 352K goal [for the ANSF] is to be the point of comparison.”

Source: CSTC-A, response to SIGAR vetting, 4/10/2014.

Tashkil: Lists of personnel and equipment requirements used by the MOD and MOI that detail authorized staff positions and equipment items. The word means “organization” in Dari.

Source: GAO, GAO-08-661, *Afghanistan Security*, 6/2008, p. 18.

the status of these forces as transition continues and Afghanistan assumes responsibility for its own security. ISAF uses the Regional ANSF Status Report (RASR) to rate the ANSF.¹⁵²

According to ISAF Joint Command (IJC), the RASR provides a monthly operational-level update on readiness, long-term sustainability, and associated shortfalls of the ANA and ANP.¹⁵³ The RASR uses rating definition levels (RDLs), based upon ANSF capabilities, to assess ANSF units at the brigade level.¹⁵⁴ The RDLs use an assessment matrix tailored to the specific unit type (e.g. infantry, intelligence, signals) and identifies the capabilities a unit must possess in order to be assessed “Fully Capable.” According to IJC, “this simplified system is easily observable, not as labor intensive or complex [as the previous system], and could form the basis of Afghan ‘self reporting’ as ISAF continues to draw down.”¹⁵⁵

A February 2014 report by SIGAR 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.¹⁵⁶ ISAF will continue to use the RASR in this situation as long as it provides substantial value to understanding the ANSF.¹⁵⁷ To address the decreased insight, ISAF developed a four-point plan: continue the RASR at ANA corps level and ANP brigade level; make partnered staff-assistance visits focused on units not covered by Coalition advisors; mature ANA and ANP readiness-reporting systems; and use a recently established Security Force Assistance working group to build long-term Afghan sustainability. ISAF’s Security Force Assistance resources are being realigned to focus on developing eight essential functions within the ANSF.¹⁵⁸

The RASR rates ANA brigades in six areas:¹⁵⁹

- 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, 92% were “fully capable” or “capable” of planning and conducting joint and combined-arms operations. This is an increase from the 87%¹⁶⁰ assessed at those levels last quarter.¹⁶¹ This was due to one brigade improving from “partially capable” to “capable” and one brigade, not assessed last quarter but earlier deemed “capable,” being assessed as “capable.” In most assessment categories, the ANA’s capability showed some improvement, as shown in Table 3.9 on the following page.¹⁶²

According to the latest RASR report, the delivery of radios over the last two months dramatically improved the materiel readiness of 207th Corps

SECURITY

TABLE 3.9

REGIONAL ANSF STATUS REPORT - ANA ASSESSMENTS, QUARTERLY CHANGE																				
	Fully Capable				Capable				Partially Capable				Developing				Not Assessed			
	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-
Combined Arms Operations	8	8	0		12	14	2		3	2	-1		0	0	0		1	0	-1	
Leadership	15	16	1		6	6	0		2	2	0		0	0	0		1	0	-1	
Command & Control	9	12	3		14	12	-2		0	0	0		0	0	0		1	0	-1	
Sustainment	6	5	-1		11	14	3		6	5	-1		0	0	0		1	0	-1	
Training	6	6	0		13	14	1		3	3	0		1	1	0		1	0	-1	
Attrition	1	5	4		9	8	-1		0	0	0		14	11	-3		0	0	0	

Notes: Numbers represent brigades. Attrition assessment is based on the following monthly attrition rates: 0–1.99% = Fully Capable; 2–2.99% = Capable; 3%+ = Developing. Quarters are calendar-year.

Sources: IJC, March 2014 RASR Status Report, Executive Summary, 4/9/2014; IJC, June 2014 RASR Status Report, Executive Summary, 6/1/2014.



The first sale of useable non-military vehicles, appliances, and furniture no longer needed by the United States took place in Bagram on June 25, 2014, the first of several planned across Afghanistan. (ISAF photo)

communication equipment. However, other units had a shortage of radios, and most corps have shortages of machine guns, fuel, and water trucks.¹⁶³ This quarter, the ANA's equipment readiness status reflected a reduction in the number of equipment types where it met or exceeded the amount of equipment authorized to fulfill its mission.¹⁶⁴ IJC noted that sustainment continues to be an impediment for progress for the ANA, mainly as a result of a supply system in which headquarters determines what is to be requisitioned, and slow resupply of spare parts.¹⁶⁵

Significant improvement was reported in attrition with 54% of brigades rated “fully capable” or “capable,” an increase over the 42% rated last quarter. Forty-six percent of brigades were still considered “developing,” meaning that attrition in these brigades is 3% or more per month. However, this is a notable improvement from the last two quarters, when 58% and 71% were rated as “developing.”¹⁶⁶ In other areas, most ANA brigades were rated “fully capable” or “capable,” including leadership (92%), command and control (100%), sustainment (79%), and training (83%).¹⁶⁷

The RASR rates ANP components in six areas:¹⁶⁸

- 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 22 regional ANP components—the Afghan Uniform Police (AUP), Afghan Border Police (ABP), and the Afghan National Civil Order Police (ANCOP)—in seven different zones. IJC notes the four components were

TABLE 3.10

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

Notes: Numbers represent brigades. Attrition assessment is based on the following monthly attrition rates: 0–1.99% = Fully Capable; 2–2.99% = Capable; 3%+ = Developing. Quarters are calendar-year.

Sources: IJC, March 2014 RASR Status Report, Executive Summary, 4/9/2014; IJC, June 2014 RASR Status Report, Executive Summary, 6/1/2014.

not assessed due to reduced Security Force Assistance Advisory Teams coverage.¹⁶⁹ Of the 18 that were assessed, 67% were “fully capable” or “capable” of carrying out law-enforcement operations, as shown in Table 3.10. The RASR defines law-enforcement operations as “making arrests and prosecuting those arrested.”¹⁷⁰ The common shortfalls are lack of investigative, evidence collection, and crime-scene processing skills.¹⁷¹

IJC noted that ANP rates of materiel readiness or equipment levels are generally similar to the previous reporting period.¹⁷² Attrition has improved, but continues to be a challenge for the ANP as 32% of regional components are considered “developing,” meaning attrition in these units is 3% or more per month. That is a reduction since last quarter, when 45% of regional components were considered “developing.” In other areas, the ANP regional components are mostly “fully capable” or “capable”: leadership (88%), command and control (83%), sustainment (72%), and training (56%).¹⁷³

Notwithstanding the RASR assessments, General Joseph F. Dunford, Commander of ISAF and USFOR-A, has told the Congress that the ANSF will need continued support after 2014.¹⁷⁴

ANSF to Begin Providing Literacy Training

Although the NTM-A said it met its goal to have 100,000 ANSF personnel (both ANA and ANP) functionally literate by December 2014, NTM-A is unable to confirm how many of those trained personnel are still in the ANSF, based on the lack of personnel-tracking capabilities within the ANSF.¹⁷⁵ This raises the question: was the intent of the goal to train 100,000 personnel or to have 100,000 functionally literate personnel in the ANSF?¹⁷⁶ NTM-A estimated that “due to attrition less than 30% of the ANSF will be functionally literate [level 3 literacy] by the end of December 2014.”¹⁷⁷

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

“If we leave at the end of 2014, the Afghan security forces will begin to deteriorate, the security environment will begin to deteriorate, and I think the only debate is the pace of that deterioration.”

—General Joseph F. Dunford

Source: U.S. Senate Committee on Armed Services, Hearing to Receive Testimony on the Situation in Afghanistan, 3/12/2014, p. 13.

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.”¹⁷⁸

Since 2009, NTM-A has viewed increasing literacy rates as critical to developing a capable, professional, and sustainable ANSF. NTM-A said Coalition forces consider literacy a cornerstone of education.¹⁷⁹ A former NTM-A commander, Lieutenant General William B. Caldwell, estimated that the ANSF’s overall literacy rate in 2010 was 14%.¹⁸⁰ 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. 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 352,000.¹⁸¹

As of June 30, 2014, NTM-A reported that 104,042 ANSF personnel have completed the level 3 literacy course, as shown in Table 3.11.

TABLE 3.11

ANSF LITERACY TRAINING, AS OF JUNE 30, 2014				
Literacy Trained	ANA	ANP	Total ANSF	Goal End 2014
Level 1	176,668	97,097	273,765	Up to 300,000
Level 2	63,159	63,504	126,663	120,000-130,000
Level 3	61,623	42,419	104,042	100,000-110,000

Source: CSTC-A, responses to SIGAR data call, 6/30/2014.

From 2010 through 2013, the United States has funded three literacy contracts for the ANSF. In 2014, the NATO Trust Fund will provide \$24.6 million for literacy contracts. The final task orders will expire on December 31, 2014. The MOD and MOI will then assume total program management and contracting responsibility for the literacy and language programs.¹⁸² NTM-A is assisting the MOD and MOI in planning and implementing the literacy training program transition.

Acting on recommendations made in the January 2014 SIGAR audit report on the ANSF literacy training program (SIGAR Audit 14-30-AR), NTM-A implemented a change that has increased program efficiency. Specifically, NTM-A now hosts monthly working-level meetings with the ANSF and the literacy contractors to address program-execution issues.¹⁸³ NTM-A also noted they halted the use of language in their contracts that gave contractors too much flexibility in course delivery. As a result, overall graduation rates for the first five months of 2014 compared to the last five months of 2013 have noticeably increased (level 1 increased 54%; level 2 increased 116%; level 3 increased 77%).¹⁸⁴

The SIGAR audit highlighted NTM-A’s inability to fully measure the effectiveness of the literacy program for lack of independent verification of testing or personnel tracking.¹⁸⁵ NTM-A proposed an improved program

plan, incorporating five years of lessons learned, for the MOD and MOI. NTM-A recommended that ANSF utilize the Ministry of Education (MOE) for personnel verification and tracking and capitalize on the MOE’s “train the trainer” capability currently being developed.¹⁸⁶

It is noteworthy that both the MOD and MOI agreed to full ownership of their respective literacy programs beginning January 1, 2015. The ANSF, with the advice and assistance of NTM-A, is postured to have finalized program plans with validated requirements that focus on two specific lines of effort by July 31, 2104:

- centralized institutional literacy training for new recruits at regional training centers
- continued development of a literacy-training capability via a train-the-trainer program

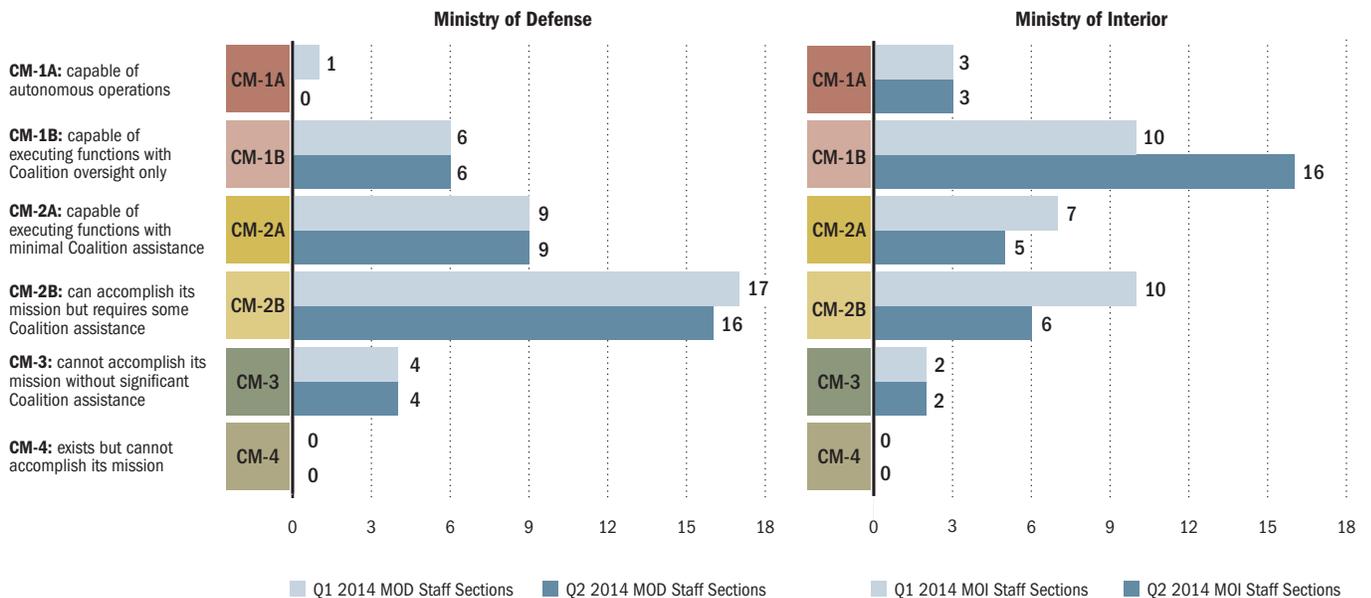
NTM-A will continue to assist, but MOD and MOI procurement advisors will take the lead for the final transition in January 2015.¹⁸⁷

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

DOD reported this quarter no improvements in developing MOD and MOI capacity to perform critical functions, as shown in Figure 3.26. To rate

FIGURE 3.26

CAPABILITY MILESTONE RATINGS OF MOD AND MOI, QUARTERLY STATUS



Note: Quarters are calendar-year.

Sources: CSTC-A, responses to SIGAR data call, 3/31/2014, 7/1/2014, and 7/3/2014.

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:¹⁸⁸

- 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

This quarter, SIGAR was provided CM ratings for 35 MOD staff sections and cross-functional areas, down from 37 last quarter and 46 in quarters prior. Six offices were rated CM-1B; the others are not expected to attain this rating until after 2014. The only office that had achieved the top rating of CM-1A as of last quarter, the Communications Support Unit, did not retain that rating this quarter.¹⁸⁹

All 32 staff sections at the MOI were assessed; 10 progressed and none regressed since last quarter, according to CENTCOM. However, the projected date for three staff sections to achieve CM-1B was extended from one quarter to one year.¹⁹⁰ Three MOI staff sections are rated CM-1A: 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. In addition, 16 MOI staff sections have attained a CM-1B rating; an increase of six since the last reporting period.¹⁹¹

SIGAR SPECIAL PROJECT

In a Special Project report released last year, 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.

AFGHAN LOCAL POLICE

The Afghan Local Police (ALP) is under MOI authority and functions under the supervision of the district Afghan Uniform Police. ALP members are selected by village elders or local power brokers to protect their communities against Taliban attack, guard facilities, and conduct local counterinsurgency missions.¹⁹² As of June 1, 2014, the ALP comprised 26,698 personnel, all but 1,625 of whom were fully trained, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A). The current goal is to have 30,000 personnel in 150 districts by the end of December 2014.¹⁹³

As of June 11, 2014, nearly \$214 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 the United States has provided the ALP with 23,246 AK-47 rifles, 4,045 PKM machine guns, 2,057 light trucks, 4,950 motorcycles, and 2,686 radios.¹⁹⁴

According to NSOCC-A, between June 1, 2013, and May 31, 2014, the ALP had a retention rate of 84.5%. During that period, 691 ALP personnel quit their job, 118 were fired, and 2,038 left due to undefined administrative actions and other losses. NSOCC-A reported that 1,028 or about 4.1% of the force were killed in action.¹⁹⁵

According to an independent assessment released last quarter, public perceptions of ALP's value to community security were overall very positive: the ALP was perceived as a crucial Afghan-owned and Afghan-led institution, although with room for improvement.¹⁹⁶ Those who reported negative perceptions were usually responding to the actions of neighboring communities' ALP units. The assessment found that reports of unpaid ALP salaries rose dramatically. The unpaid ALP units were accused of predatory behavior, corruption and criminality.¹⁹⁷ The assessment, conducted by NSOCC-A and based on data provided by Eureka Research and Evaluation focus-group surveys in ALP districts, reports that future ALP success can be achieved with:¹⁹⁸

- support and supervision from the ANP
- transparent, locally-owned recruitment processes
- balanced tribal representation
- regular information exchanges between community leaders and ALP commanders

SIGAR AUDIT

SIGAR announced an audit this quarter on the Combined Joint Special Operations Task Force-Afghanistan's implementation of the Afghan Local Police program. For more information, see Section 2, page 29.

AFGHAN NATIONAL ARMY

As of June 30, 2014, the United States had obligated \$33.1 billion and disbursed \$31.9 billion of ASFF funds to build, train, and sustain the ANA.¹⁹⁹

ANA Strength

As of June 30, 2014, the overall end strength of the ANA was 188,170 personnel (181,439 Army and 6,731 Air Force), according to CSTC-A.²⁰⁰ However, as noted previously, these numbers include 9,394 ANA civilians and 253 Air Force civilians. The total is more than 96% of its combined end-strength goal of 195,000 ANA personnel. Most components increased, but the numbers of assigned personnel in the ANA's 111th Capital Division declined for a second quarter. The number of personnel in training also declined, as shown in Table 3.12 on the following page. Personnel absent without leave (AWOL) increased from 5,154 last quarter to 5,746 this quarter, but were still significantly less than the AWOL count from the last quarter of 2013 (10,292).²⁰¹

According to the DOD-commissioned independent assessment by the CNA released last quarter, "Afghanistan has a significant need for special operations forces [SOF], but the ANSF cannot support more SOF."²⁰² CNA also said "ANA SOF currently depends on the U.S. and ISAF for logistics, intelligence, and air mobility. Simply increasing the number of ANA SOF personnel without

TABLE 3.12

ANA STRENGTH, QUARTERLY CHANGE						
ANA Component	Authorized			Assigned		
	Q1 2014	Q2 2014	Quarterly Change	Q1 2014	Q2 2014	Quarterly Change
201st Corps	18,130	18,130	None	17,489	17,606	117
203rd Corps	20,798	20,798	None	20,029	22,114	2,085
205th Corps	19,097	19,097	None	17,891	18,534	643
207th Corps	14,879	14,879	None	13,806	14,204	398
209th Corps	15,004	15,004	None	14,554	14,674	120
215th Corps	17,555	17,555	None	16,310	16,999	689
111th Capital Division	9,174	9,174	None	8,921	8,356	-565
Special Operations Force	12,149	11,013	-1,136	10,458	10,649	191
Echelons Above Corps ^a	34,866	36,002	1,136	29,727	36,610	6,883
TTHS ^b	-	-	-	24,356 ^c	12,299 ^d	-12,057
Civilians	-	-	-	9,236	9,394	158
ANA Total	161,652	161,652	None	182,777	181,439	-1,338
Afghan Air Force (AAF)	7,097	7,370	273	6,513	6,478	-35
AAF Civilians	-	-	-	250	253	3
ANA + AAF Total	168,749	169,022	273	189,540	188,170	-1,370

Notes: Quarters are calendar-year; Q1 2014 data is as of 3/31/2014; Q2 2014 data is as of 5/31/2014.

^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 4,701 cadets

^d Includes 5,157 cadets

Source: CSTC-A, responses to SIGAR data calls, 3/31/2014 and 7/1/2014.

“I view it as serious and so do all the commanders. I’m not assuming that those casualties are sustainable.”

—General Joseph F. Dunford

Source: ISAF Commander General Joseph F. Dunford, on casualties in the ANSF, interview with *The Guardian* (UK), 9/2/2013.

addressing these support requirements would not increase the overall capability of SOF to disrupt insurgent and terrorist networks.”²⁰³

ANA Attrition

Attrition continues to be a major challenge for the ANA. Between June 2013 and May 2014, 39,136 ANA personnel were dropped from ANA rolls. The ANA has suffered serious losses from fighting. Between March 2012 and May 2014, 2,330 ANA personnel were killed in action (KIA) and 12,696 were wounded in action (WIA).²⁰⁴ In a media interview in September 2013, General Joseph F. Dunford expressed his concern about ANSF casualties.²⁰⁵

ANA Sustainment

As of June 30, 2014, the United States had obligated \$12.5 billion and disbursed \$12.3 billion of ASFF funds for ANA sustainment.²⁰⁶

ANA Salaries, Food, and Incentives

As of June 30, 2014, CSTC-A reported that the United States had provided \$2.4 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 ANA base salaries, bonuses, and incentives at \$693.9 million. Since December 21, 2013, CSTC-A no longer provides funding for food. However, CSTC-A noted that when funding was provided, it was on the basis of 100% of the ANA's authorized strength.²⁰⁷

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—a *cumulative* total that should rise rather than fall every quarter—CSTC-A reported a slight increase last quarter. This quarter, CSTC-A reported no change. 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 April 2014, CSTC-A reported total costs of \$461 million. The trend in total ANA weapons, vehicles, and communication equipment costs is shown in Table 3.13.

TABLE 3.13

CUMULATIVE U.S. COSTS TO PROCURE ANA 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
December 2013	439.2	4,385.8	612.2	5,437.2
March 2014	461.2	4,385.8	670.3	5,517.3
July 2014	461.2	4,385.8	670.3	5,517.3

Source: CSTC-A, responses to SIGAR data calls, 4/1/2013, 7/2/2013, 10/1/2013, 12/30/2013, 3/31/2014, and 7/1/2014.

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, an extensive internal audit that revealed double-counted equipment, and discovery of incorrect pricing during an internal audit.²⁰⁸ 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.”²⁰⁹

The ongoing corrections to the cost of equipment procured raise questions about accountability for U.S. funds used to equip the ANA.

Additionally, CSTC-A reported the cost of ANA equipment remaining to be procured stands at \$89 million, unchanged from last quarter.²¹⁰

As of June 30, 2014, the United States had obligated and disbursed \$11.4 billion of the ASFF for ANA equipment and transportation.²¹¹ Most of these funds were used to purchase vehicles, weapons, and related equipment, communications equipment, aircraft, and aviation-related equipment.

SIGAR AUDITS

In an audit report released this quarter, SIGAR found that DOD needs to take actions to account for and safeguard the small arms it supplies to the ANSF. When SIGAR compared the data in the two systems DOD uses to maintain information on the weapons, it found that the databases did not always match; some records were duplicated, and some records were incomplete. For more information, see Section 2, page 24.

A SIGAR audit this quarter on ANA Mobile Strike Force Vehicles (MSFV) found that the security environment limited the contractor from providing training and maintenance services; U.S. government oversight personnel had limited ability to visit MSF brigade locations outside Kabul; an absence of spare parts hindered vehicle operability; a need for MSF vehicle operator training; and difficulties with ANA supply-chain ordering and distribution of spare parts. For more information, see Section 2, page 26.

More than 79% of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Table 3.14.

TABLE 3.14

COST OF U.S.-FUNDED ANA WEAPONS, VEHICLES, AND COMMUNICATION EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$461,197,802	\$32,055,904
Vehicles	4,385,763,395	8,260,489
Communications	670,307,101	48,810,799
Total	\$5,517,268,298	\$89,127,192

Source: CSTC-A, response to SIGAR data call, 7/1/2014.

The United States has also procured \$1.6 billion in ammunition for the ANA and \$7.1 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.²¹²

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.

ANA Infrastructure

As of June 30, 2014, the United States had obligated \$6.1 billion and disbursed \$5.2 billion of the ASFF for ANA infrastructure.²¹³ At that time, the United States had completed 316 infrastructure projects (valued at \$4.1 billion), with another 56 projects ongoing (\$1.1 billion) and 9 planned (\$168.5 million), according to CSTC-A.²¹⁴

As with last quarter, the largest ongoing ANA infrastructure projects this quarter were brigade garrisons for the 2nd Brigade/201st Corps in Kunar (at a cost of \$115 million), the 3rd Brigade/205th Corps in Kandahar (\$91 million), and the 1st Brigade/215th Corps in Helmand (\$87 million).²¹⁵ In addition, two projects were awarded this quarter at a cost of \$19 million, 17 projects were completed at a cost of \$325 million, and one contract worth \$59 million was terminated.²¹⁶

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 now \$168 million a year, or a total of \$840 million.²¹⁷

According to DOD, the MOD Construction Program Management Division's ability to plan, design, contract, and execute new construction is limited to \$20 million per year until greater capacity is demonstrated.²¹⁸

ANA and MOD Training and Operations

As of June 30, 2014, the United States had obligated and disbursed \$3.1 billion of the ASFF for ANA and MOD operations and training.²¹⁹ Aside from literacy training discussed previously in this section, the other training

includes English-language training, explosive ordnance, and mobile strike force vehicle (MSFV) training. Earlier in this reporting period, 280 students completed MSFV training; 260 students currently are in training, and an additional 20 students are scheduled to begin class. During this reporting period, 173 students attended explosive-ordnance training.²²⁰ The MSFV and explosive-ordnance training contract is \$42.4 million for May through December 2014, bringing the total contract cost to date to \$287.3 million.²²¹

Women in the ANA and Afghan Air Force

Women currently make up less than 1% of the ANA, despite the current recruitment and retention goal, last published in September 2013, for 10% of the force 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. Additionally, assignment locations are being reviewed to pinpoint locations with accommodation for females, such as separate restrooms. The ANA Recruiting Command also airs commercials on local television stations targeting women beginning 20 days before training classes.²²²

CSTC-A stated the Coalition believes that by having more women in the ANSF, men will learn to accept and respect women in the workplace. The involvement of families and communities is critical to recruiting women. CSTC-A has requested funding for media advertisements and programming to educate the Afghan public about the need for women to join the army and police.²²³

This quarter, the ANA reported to CSTC-A that 711 women serve in the ANA: 663 in the Army and 48 in the Air Force. Of those, 272 are officers, 268 are non-commissioned officers (NCOs), 69 are enlisted, and 102 are cadets. However, according to CSTC-A, Coalition advisors cannot validate these numbers and assume they include civilians. CSTC-A noted that by the end of Solar Year 1393 (March 20, 2015), MOD is expected to modify the way personnel are counted to reflect only active-duty military personnel and not civilians.²²⁴

The ANA's 12-week Basic Warrior Training course includes a class on behavior and expectations of male soldiers who work with ANA women. The Afghan Independent Human Rights Commission conducts two-day seminars for the ANSF that include training in eliminating violence against women.²²⁵

The National Defense Authorization Act for FY 2014, Pub. L. 113-66, authorizes \$25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and treatment of women in the ANSF.²²⁶

Afghan Air Force

This quarter, the NATO Air Command-Afghanistan (NAC-A) reported the Afghan Air Force has 95 aircraft, excluding aircraft "no longer in service

SIGAR ALERT LETTER

SIGAR's preliminary review of an audit of AAF capability to absorb additional equipment indicates DOD's plan is to provide two more C-130 aircraft that may not be needed or sustainable. SIGAR reported its concern to DOD, CENTCOM, ISAF, and NTC-A. For more information, see Section 2, page 21.

SECURITY

TABLE 3.15

U.S. FUNDING TO SUPPORT AND DEVELOP THE AFGHAN AIR FORCE, 2010–2015 (\$ THOUSANDS)						
Funding Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 (request)
Equipment and Aircraft	\$461,877	\$778,604	\$1,805,343	\$111,129	\$2,300	\$21,442
Training	62,438	187,396	130,555	141,077	164,187	123,416
Sustainment	143,784	537,650	571,639	469,230	520,802	780,370
Infrastructure	92,200	179,600	113,700	53,000	0	0
Total	\$760,299	\$1,683,250	\$2,621,237	\$774,436	\$687,289	\$925,228

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; DOD, Budget Fiscal Year (FY) 2015, Justification for FY 2015 Overseas Contingency Operations Afghanistan Security Forces Fund, 6/2014, pp. 10, 24, 26, and 29.



Helicopter flying over Zabul Province. (Photo by Alan B Bell)

(crashed)” and eight Mi-17 helicopters that are on loan to Afghanistan’s Special Mission Wing (SMW).²²⁷

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 \$5.8 billion to support and develop the 6,731-person Afghan Air Force, including over \$3 billion for equipment and aircraft. In addition, DOD requested an additional \$1 billion, including \$23.7 million for equipment and aircraft, in FYs 2014 and 2015 for the Afghan Air Force. However, the majority of the funding is being requested for sustainment and training, as shown in Table 3.15.

According to CENTCOM, the Afghan Air Force inventory consisted of 102 aircraft:²²⁸

- 58 Mi-17 transport helicopters (includes eight on loan to the SMW)
- 26 C-208 light transport planes
- Six C-182 fixed wing training aircraft
- Five MD-530F rotary-wing helicopters
- Five Mi-35 attack helicopters
- Two C-130H medium transport aircraft

Beginning in the fourth quarter 2015, the first of 20 A-29 Super Tucanos, a light attack aircraft for counterinsurgency, close air support, and aerial reconnaissance, will be delivered: four a year in 2015, 2016, and 2017; and eight in 2018.²²⁹ The SMW provides intelligence, surveillance, and reconnaissance (ISR) capability to support counterterrorism and counternarcotics operations, and is the only ANSF unit to be night-vision goggle-qualified for air-assault and fixed-wing ISR capability.²³⁰ The SMW can support one air-assault operation per week and one partnered reconnaissance mission per day with no impact on developmental training. During the period from April 1–June 11, 2014, the SMW executed 39 non-training missions.²³¹

A 2013 SIGAR audit found that DOD was moving forward with a \$771 million purchase of aircraft for the SMW that the Afghans could not operate or maintain.²³²

In July, a Taliban attack on Kabul International Airport damaged two SMW helicopters and destroyed President Karzai's helicopter. The aircraft were not occupied at the time. The same month a suicide bomber killed eight members of the Afghan Air Force when he attacked an Afghan military bus.²³³

According to the CNA independent assessment released last 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."²³⁴



The first C-130 manned by an all-Afghan aircrew flew from Kabul to Kandahar and back on June 16, 2014. (U.S. Air Force photo)

AFGHAN NATIONAL POLICE

As of June 30, 2014, the United States had obligated \$16.5 billion and disbursed \$15.9 billion of ASFF funds to build, equip, train, and sustain the ANP.²³⁵

ANP Strength

This quarter, the overall strength of the ANP totaled 152,123 personnel, including 113,385 Afghan Uniform Police (AUP), 21,667 Afghan Border Police (ABP), 12,731 Afghan National Civil Order Police (ANCOP), 4,313 students in training, and 27 "standby" personnel awaiting assignment.²³⁶ Of the 113,385 personnel in the AUP, 28,092 were MOI headquarters staff or institutional support staff, an increase of 5,530 staff over last quarter.²³⁷ Overall, the ANP's authorized strength increased 3,323 since last quarter, as shown in Table 3.16.

According to CSTC-A, the MOI, unlike the ANA, does not report ANP personnel who are on leave, AWOL, sick, or on temporary assignment in its

TABLE 3.16

ANP Component	Authorized			Assigned		
	Q1 2014	Q2 2014	Quarterly Change	Q1 2014	Q2 2014	Quarterly Change
	AUP ^a	115,527	122,644	+7,117	109,184 ^b	113,385 ^c
ABP	22,955	23,573	+618	21,616	21,667	+51
ANCOP	14,518	13,106	-1,412	14,477	12,731	-1,746
NISTA	6,000	3,000	-3,000	5,916	4,313	-1,603
Standby ^d	-	-	None	2,076	27	-2,049
ANP Total	159,000	162,323	3,323	153,269	152,123	-1,146

Notes: Q1 2014 data as of 2/2014; Q2 2014 data as of 5/2014; AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; NISTA = Not In Service for Training.

^a Includes MOI headquarters and institutional support and CNPA personnel.

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

^c Includes 28,092 MOI headquarters staff.

^d Personnel that are pending assignment.

Sources: CSTC-A, response to SIGAR data calls, 3/31/2014; DCOM MAG, responses 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.²³⁸

ANP Sustainment

As of June 30, 2014, the United States had obligated \$6.1 billion and disbursed \$6 billion of ASFF funds for ANP sustainment.²³⁹ This includes \$1.34 billion that the United States has contributed to the Law and Order Trust Fund for Afghanistan (LOTFA) to support the ANP.²⁴⁰

ANP Salaries

From 2008 through June 30, 2014, the U.S. government had provided \$1.34 billion, 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.²⁴¹

According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require an estimated \$521.2 million per year to fund salaries (\$275 million) and incentives (\$246.2 million). This is a decrease from earlier estimates as food costs are no longer covered by CSTC-A.²⁴²

ANP Equipment, Transportation, and Sustainment

As of June 30, 2014, the United States had obligated and disbursed \$3.6 billion of ASFF funds for ANP equipment and transportation.²⁴³ Most of these funds were used to purchase weapons and related equipment, vehicles, and communications equipment.²⁴⁴ More than 83% of U.S. funding in this category was for vehicles and vehicle-related equipment, as shown in Table 3.17.

TABLE 3.17

COST OF U.S.-FUNDED ANP EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$187,251,477	\$4,093,066
Vehicles	1,966,075,183	3,744,582
Communications Equipment	211,062,672	544,573
Total	\$2,364,389,332	\$8,382,221

Source: CSTC-A, response to SIGAR data call, 7/1/2014.

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 decreased from \$369 million in October 2013 to \$137 million in December 2013.²⁴⁵ At the time, CSTC-A said the decrease in total cost was due to actual, contracted

SIGAR INQUIRY

SIGAR sent a follow-up letter this quarter to CSTC-A expressing concern that some ANP salary payments are at risk of diversion because not all salaries are paid via the “mobile money” electronic-transfer program. See Section 2, page 42.

equipment pricing being lower than estimated pricing.²⁴⁶ Then CSTC-A said the following quarter's increase was "caused by inclusion of weapons procured through [alternative] funding vehicles."²⁴⁷ The cumulative cost of equipment—a figure which should only go up or stay the same—has declined since July 2013, although the total cost this quarter did not change from last quarter.

While CSTC-A's estimate of the total cost of vehicles procured for the ANP has decreased since last year, the total cost this quarter did not change from the last two quarters.²⁴⁸

The United States has also procured \$366 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.²⁴⁹

ANP Infrastructure

As of June 30, 2014, the United States had obligated \$3.3 billion and disbursed \$2.9 billion of ASFF funds for ANP infrastructure.²⁵⁰ At that time, the United States had completed 669 infrastructure projects (valued at \$3.2 billion), with another 59 projects ongoing (\$345 million), and three planned (\$42 million), according to CSTC-A.²⁵¹

This quarter, three projects valued at \$3 million were awarded, 32 projects valued at \$167 million were completed, and eight valued at \$28 million were terminated.²⁵² The largest ongoing ANP infrastructure projects were a building and utilities (\$34.3 million) at the MOI Headquarters, an ANP patrol station in Helmand (\$28.5 million), and an ANP provincial headquarters in Kandahar (\$25 million).²⁵³

According to CSTC-A, the projected annual operations and maintenance, sustainment, restoration, and minor construction cost for ANP infrastructure for FY 2015 through FY 2019 ranges from \$131–147 million (\$655–735 million over five years), an increase over the \$98–102 (\$485 million total) last reported.²⁵⁴

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 that could affect cost estimates.²⁵⁵

ANP Training and Operations

As of June 30, 2014, the United States had obligated \$3.5 billion and disbursed \$3.4 billion of the ASFF for ANA and MOD operations and training.²⁵⁶ Since January 1, 2014, the NATO Trust Fund has paid the cost for all ANSF literacy training. Additionally, Japan has assumed the cost of most of the police academy training in Turkey formerly funded by the United States. Aside from the literacy training discussed on page 97, English language training is the only remaining course funded by the ASFF this fiscal year. According to NTM-A,

SIGAR INQUIRY

In FY 2011, CSTC-A requested border-patrol boats for the ANP. CSTC-A canceled the \$3 million procurement when the boats were nearly finished. The boats remain in Virginia, accruing storage costs while awaiting disposition. For more information, see Section 2, pages 44–47.

the number of ANSF (both ANA and ANP) students enrolled in English language training this quarter is 2,539, of which 88% completed training. However, the percentage of students who graduated with an English comprehension-level score required for follow-on training was only 12%.²⁵⁷

Women in the ANP

As in prior quarters, the number of women in the ANP is increasing, but the ANP is far from reaching its goal of 5,000 women by the end of 2014. Women still make up only 1% of the force. This quarter, ANP personnel included 1,971 women—280 officers, 826 NCOs, and 865 enlisted personnel—according to CSTC-A.²⁵⁸ This is an increase of 228 women since last quarter and 767 women since August 22, 2011.²⁵⁹

CSTC-A said the ANP is focused on finding secure workplaces with appropriate facilities for women and developing strategies to attract and retain qualified female recruits.²⁶⁰

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."²⁶¹

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 same number as last quarter.²⁶² A CSTC-A gender advisor is working with the director of education on a course that will cover topics such as eliminating violence against women, international criteria for human rights, and self-defense for women in law enforcement.²⁶³

As noted previously, the National Defense Authorization Act for FY 2014, Pub. L. 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.²⁶⁴

ANSF MEDICAL/HEALTH CARE

As of March 31, 2014, the United States had funded construction of 176 completed ANSF medical facilities valued at \$155 million, with an additional 11 projects ongoing valued at \$15 million.²⁶⁵ This quarter, an additional hospital valued at \$21 million was completed. Another four facilities or expansions valued at over \$8.5 million are in progress.²⁶⁶

This quarter, IJC reported the ANSF health-care system had 959 physicians, a decrease of seven. Of these, 559 were assigned to the ANA and 400 were assigned to the ANP, which reflects an increase of 45 for the ANP. The ANA has a shortage of 182 physicians and the ANP a shortage of 112.²⁶⁷ The

ANSF also had 1,843 nurses, physicians' assistants, and other medical personnel, reporting a shortage of 497 positions.²⁶⁸

IJC reports both the ANA and ANP need support in forecasting medical supplies needed using historic and consumption data. The ANP plans to provide clinics with a standard list of items to be stocked, develop a regional logistic system for solar year 1394, and develop a standard operating procedure for outfitting ambulances with equipment.²⁶⁹

REMOVING UNEXPLODED ORDNANCE

Since FY 2002, the U.S. Department of State (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).²⁷⁰ 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 (ERW) and support removal and destruction of abandoned weapons that insurgents might use to construct IEDs.²⁷¹

During the reporting period, the Mine Action Coordination Centre of Afghanistan added former U.S. firing ranges to their database of contaminated areas in Afghanistan. Consequently, the reporting metrics for this report show an increase in remaining contaminated area of approximately 100 million square meters or nearly 39 square miles since 2013.²⁷² (See Table 3.18.)

As of March 31, 2014, State-funded implementing partners have cleared more than 154 million square meters of land and removed or destroyed approximately 7.8 million land mines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and home-made explosives.²⁷³ PM/WRA defines a minefield as the area contaminated by land mines, whereas a contaminated area can include both land mines and other ERW.²⁷⁴

SIGAR AUDIT

SIGAR conducted a financial audit last year of several Department of State grants for demining activities to Afghan Technical Consultants (ATC). The audit covered money spent between April 2007 and August 2012 totaling over \$13.4 million. ATC reported clearing over 2 million square meters of land, which it achieved through the location and demolition of antipersonnel and antitank mines, unexploded ordnance and fragments. The audit found no concerns with the financial statements, findings from prior audits, or assessments for follow-up or corrective action. The report did identify six internal-control weaknesses and five compliance findings. It also uncovered \$200,000 in unsupported costs and nearly \$9,000 in interest earned from revenue advances not remitted to State.

TABLE 3.18

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1, 2013–MARCH 31, 2014						
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
10/1–12/31/2013	8,211	2,460	54,240	3,064,570	5,729,023	518,000,000
1/1–3/31/2014	1,780	254,734	245,380	262,750	5,473,170	638,400,000
Total	14,276	397,769	552,944	9,803,342	28,996,370	638,400,000

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

Source: State, PM/WRA, response to SIGAR data call, 6/30/2014.

Comprehensive third-quarter FY 2014 reports are not yet available. Quarterly reports are generally available one month after the end of each quarter; thus, the third quarter FY 2014 (covering April 1, 2014, through June 30, 2014) will be published in SIGAR's upcoming quarterly report (October 2014).²⁷⁵

COUNTERNARCOTICS

As of June 30, 2014, the United States has provided approximately \$7.6 billion for counternarcotics efforts in Afghanistan since 2002. Congress appropriated most of these funds through the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$2.93 billion), the ASFF (\$1.31 billion), the Economic Support Fund (\$1.42 billion), and \$1.76 billion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account. In addition to reconstruction funding, the Drug Enforcement Administration (DEA), receives funding through direct appropriations to operate in Afghanistan. These appropriations fund DEA salaries and expenses in Afghanistan.²⁷⁶ (See Appendix B.)

U.S. drug-control policy has shifted in recent years from eradication to interdiction and agricultural-development assistance that aims to provide farmers with alternative livelihoods.²⁷⁷ Eradication activities predominantly occur under the Governor Led Eradication (GLE) and the Good Performer's Initiative (GPI) programs. Interdiction activities fall under the Ministry of Counter Narcotics (MCN), which shares responsibilities with the MOI, the MOD, and the Ministry of Public Health (MOPH). The Counternarcotics Justice Center (CNJC), in partnership with the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC), also assist in combating the illicit drug trade. The Counter Narcotics Police of Afghanistan (CNPA) conducts interdiction operations with DOD and ISAF elements providing training and support.²⁷⁸

The latest United Nations Office of Drugs and Crime (UNODC) World Drug Report notes that for the third consecutive year, Afghanistan, already the world's largest producer and cultivator of opium poppies, saw an increase in the area under cultivation (from 154,000 hectares in 2012 to 209,000 hectares in 2013)—a 36% increase.²⁷⁹ However, UNODC's estimate for 2013 was higher than the U.S. government's estimate of 198,000 hectares under poppy cultivation for that year.²⁸⁰ The report also notes that Afghan heroin is increasingly reaching new markets, such as Oceania and South West Asia, that had been traditionally supplied from South East Asia.²⁸¹ USAID funds agriculture and alternative-livelihood programs to counteract farmers' dependence on opium-poppy cultivation; these programs are discussed in the Economic and Social Development section of this report on page 170.

The drawdown of Coalition personnel has impacted interdiction results, particularly in southern regions of the country. The reduced troop presence

limited the number of joint operations between Coalition and Afghan forces or U.S. drug-enforcement personnel and Afghan forces.²⁸² Similarly, poppy eradication decreased this year since security forces were diverted from that effort to assist with election security.²⁸³ Opium-cultivation results are not yet available, but final results will likely exceed last year's all-time record. According to the United Nations, more land is being cultivated with poppy in 2014 than in 2013 in Helmand, Afghanistan's chief opium-producing province.²⁸⁴

Drug Use in Afghanistan

The UNODC's April 2014 study of drug use shows that consumption of heroin and other opiates has far-reaching consequences on Afghan society. Drug use leads to domestic violence, impedes children's progress in school, and is a problem in most Afghan communities.²⁸⁵

Between 2005 and 2009, consumption of heroin and other opiates doubled. The total number of heroin users was estimated at 120,000, a 140% increase since 2005. Approximately 8% of 15 to 64 year-olds are drug users, twice the global average.²⁸⁶ Among drug users interviewed:

- nearly 80% were male²⁸⁷
- 56% said they did not attend school, 19% attended primary school, and 2% attended university²⁸⁸
- 40% were 10–24 years old, 42% were 25–39 years old, and 15% were 40–54 years old²⁸⁹
- 64% indicated they had been unemployed for the previous year²⁹⁰

Governor Led Eradication Program

INL funds the Afghan government's GLE Program. The MCN, in partnership with UNODC, is responsible for verifying poppy cultivation and eradication.²⁹¹ GLE occurs at different times of the year depending on the climate of the province, according to INL. Cumulative results are tracked by the MCN, and subjected to UNODC verification on a rolling basis. A significant amount of the eradication in the southern provinces begins late in the second quarter and is completed early during the third quarter of the fiscal year.²⁹²

According to INL, the Afghan government's eradication target for 2014 is 22,500 hectares.²⁹³ Eradication began early March 2014 in Helmand and continued as of late June 2014. Verified eradication, conducted in 12 provinces, reached 2,796 hectares as of July 2, 2014, compared to 7,348 hectares eradicated for the entire year of 2013.²⁹⁴ The Afghan government attributed the decrease in GLE in part to the elections taking place during the eradication season in certain provinces. Security forces detailed to the elections were not available to assist with operations. Coordination between ministries to organize GLE efforts was also hampered by the elections and an approved plan was not issued until late in the season, limiting its effectiveness. INL noted that political will at the national and provincial level is necessary for the GLE program to be effective.²⁹⁵

INL told SIGAR that GLE is a tool that is most effective when combined with a long-term, multifaceted approach, integrated with broader efforts to support good governance and sustainable economic growth.²⁹⁶ Total GLE eradication results at year-end will likely be significantly lower than the previous year. According to the late May MCN eradication report, operations will no longer occur in provinces where opium has already been harvested (Farah, Herat, Kabul, and Nimroz) and were concluded in several provinces including Helmand and Kandahar—two of the largest poppy cultivating provinces.²⁹⁷

Good Performer's Initiative

INL also supports the MCN's efforts to achieve and sustain poppy-free provinces through the 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 GPI program incentivizes continued counternarcotics performance in the year ahead.²⁹⁸ It also shows provincial leadership and citizens that there are tangible benefits to countering poppy cultivation, and it reinforces the writ of the government in the province, district, and community.²⁹⁹

Since the start of the GPI program in 2007, 215 development projects have either been completed or are in process in all 34 of Afghanistan's provinces; these projects include school construction, road and bridge projects, irrigation structures, farm machinery projects, and hospital and clinic construction. INL is currently collaborating with the MCN to redesign the GPI program to encourage greater action on counternarcotics and provide greater support for rural alternative livelihoods.³⁰⁰ Alternative-livelihood programs such as the Kandahar Food Zone are discussed in the Economic and Social Development section of this report on page 172.

As of May 31, 2014, a total of 215 GPI projects with a value of \$106.6 million had been approved. Of those, 115 were completed, 96 were ongoing, and four were nearing completion.³⁰¹ Based on third-party audit recommendations, GPI changed its practice of using a flat conversion rate of 1 U.S. dollar to 50 afghanis (AFN), to using the actual conversion rate on the day of the project bid, per Da Afghanistan Bank's official website. The total value of GPI projects in prior quarterly reports is therefore not directly comparable to the values in this report.³⁰²

Demand Reduction

During this quarter, INL signed a commitment letter at a stakeholders' meeting with the MCN, the MOPH, the **Colombo Plan**, and local Afghan NGOs operating treatment programs. The signed document ensures the transition of INL-supported treatment centers to MOPH authority.³⁰³ This quarter, INL provided support for clinical-staff training, treatment services, and outpatient and village-based demand-reduction programs, while continuing to

Colombo Plan: The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific was instituted as a regional intergovernmental organization to further economic and social development of the region 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 developing a professional-certification process for addiction professionals in Asia and Africa.

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

implement a transition plan to transfer 13 treatment programs to Afghan authorities. INL supports 76 treatment programs.

The transition plan includes building staff capacity and promoting continued cooperation between the MCN and MOPH. 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. Under the plan, treatment programs will transition to the Afghan government as INL support to programs slowly decreases over the coming years.³⁰⁴

Counter Narcotics Community Engagement

INL also funds the Counter Narcotics Community Engagement (CNCE) program, which assists the Afghan government in combating the production, trafficking, and use of narcotics in Afghanistan through periodic communication and outreach campaigns in targeted provinces. CNCE, implemented through Sayara Media Communications, targets farmers through national and local public awareness and media campaigns in opium poppy-growing areas. Sayara monitors the effectiveness of media campaigns through target audience analysis reports, including a baseline report to identify provincial drivers of drug trafficking and cultivation, and public sentiment about narcotics.³⁰⁵

Sayara also conducts geographic information system mapping in partnership with a contractor and has 42 observers placed in all provinces, which are ranked in tiers based on cultivation levels. The observers gather information on and gauge perceptions of the counternarcotics message campaigns. Sayara also conducts monthly media monitoring, assesses how counternarcotics media products fit into the current Afghan media landscape, and evaluates counternarcotics-related items in the media. Sayara and the CNCE program operate throughout the nation; in some areas where the program operates cultivation has decreased, according to INL.³⁰⁶ INL said the CNCE program will eventually transition to the MCN as a result of capacity-development efforts.³⁰⁷

Aga Khan Foundation Grant

From September 2010 through May 2014, INL provided assistance to local governance institutions to shift six provinces in central and northern Afghanistan away from growing poppies and toward licit livelihoods under a two-phase grant with the Aga Khan Foundation (AKF) at a cost of \$6 million. According to INL, the project benefitted over 32,100 participants, including 8,776 women, through training workshops for agricultural management, organizational capacity, good governance, budgeting, and participatory planning. The project also enabled district and provincial officials to connect with members of **community-based savings groups** and other community groups. INL told SIGAR it is currently finalizing a new grant

Community-based savings groups:

provide sustainable access to credit and savings for the most vulnerable members of rural communities, particularly in areas lacking formal credit mechanisms through financial institutions. Participants are mobilized to self-select and form self-led savings groups that voluntarily contribute every month to a loan fund. Group members can access the loan fund to invest in public goods, businesses, or emergency needs. Each year, savings are paid out in full to all members and each individual may choose to reinvest. In the interim, groups can decide to grant small loans to individual members and recoup the credit with interest.

Source: State, INL, response to SIGAR vetting, 7/11/2014.

with the AKF that will build upon its past subnational governance work in a third phase of activities, and expand to 16 provinces across Afghanistan, including poppy-cultivating provinces in the South.³⁰⁸

South Asian Association for Regional Cooperation (SAARC):

fosters economic and political cooperation among member nations. Its founding charter was signed in December 1985 by Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan joined in 2007.

The Istanbul Process: Launched in 2011, the process enables discussion between Afghanistan and its neighbors in order to enhance political, economic and security cooperation. Over 20 nations and organizations along with the United States provide support on issues such as counterterrorism, counternarcotics, poverty and extremism.

The Paris Pact: The partnership of several countries and international organizations to combat illicit opium traffic from Afghanistan. It originated from a meeting of various ministers held in Paris in 2003 on central Asian drug routes. It aims at reducing opium poppy cultivation, production and global consumption of heroin and other opiates, and at the establishment of a broad international coalition to combat illicit traffic in opiates.

Sources: SAARC website: "About SAARC, Charter" <http://www.saarc-sec.org/> accessed, 7/16/2014; State, Bureau of South and Central Asian Affairs Factsheet, "US Support for the Istanbul Process, 4/29/2013; Paris Pact, website "What is it?" <https://www.paris-pact.net>, accessed, 7/16/2014.

Ministry of Counter Narcotics Capacity Building Program

The MCN and INL signed the MCN Capacity Building Program/Advisor Support memorandum of understanding on February 18, 2014. The program, which was renewed for 18 months, provides funding for 24 local and national advisors and helps build the MCN's capacity. INL has implemented a performance measuring plan to track and evaluate the program's effectiveness.³⁰⁹ 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 coordinated and completed installation of information technology for the MCN's provincial offices. INL also enhanced MCN security by installing two new security towers and procuring communication equipment and metal detectors.³¹⁰ During this quarter, the MCN hosted a conference to launch a new integrated regional and international counternarcotics policy with the participation of ambassadors from several countries in the region, including Russia.³¹¹ The policy lays out a framework for working through existing mechanisms and processes such as the **South Asian Association for Regional Cooperation (SAARC)**, the **Istanbul Process**, and the **Paris Pact**, to achieve regional and international cooperation. INL told SIGAR that the Afghan government used the conference to launch the new policy with its regional partners.³¹²

Effect of the Coalition Drawdown on Counternarcotics Operations

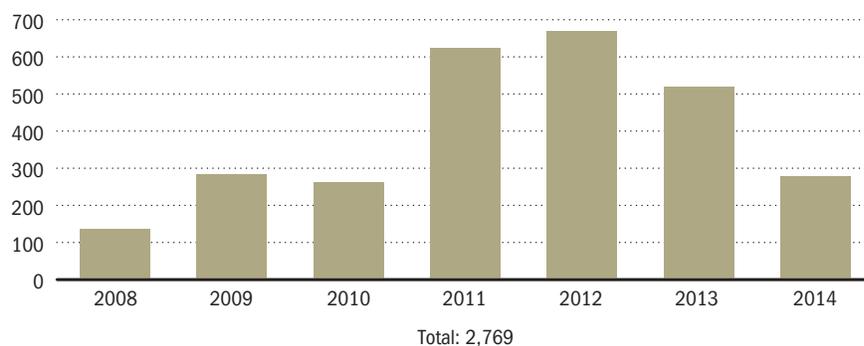
According to DOD, the drawdown of Coalition forces has hurt the CNPA and other Afghan counternarcotics agencies. The number of operations has been declining since 2012, as shown in Figure 3.27. According to the Consolidated Counterdrug Database:³¹³

- Counternarcotics 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 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

FIGURE 3.27

INTERDICTION OPERATIONS, 2008-2014



Note: Fiscal year.

Source: DOD, response to SIGAR data call, 7/9/2014.

significantly by losing access to ISAF-provided enablers.³¹⁴ These vetted units are critical to U.S. counternarcotics efforts in Afghanistan.³¹⁵ According to INL, U.S. drug-enforcement personnel may not be able to participate in operations in certain areas due to a reduction in ISAF capability including ISAF Special Operations Forces (SOF).³¹⁶

The decrease in overall counternarcotics missions was likely the result of reduced partnering of ISAF with Afghan forces conducting counternarcotics operations. According to DOD, the majority of current 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 drug investigations and operations without Coalition assistance.³¹⁷

Interdiction Operations

DOD reported that from April 1, 2014, to June 30, 2014, Afghan security and law-enforcement forces conducted 57 drug-interdiction operations resulting in the detention of 88 individuals during the third quarter of this fiscal year. To date, 375 individuals have been detained this fiscal year (168 detainees during the first quarter and 119 detainees during the second quarter).³¹⁸ These operations included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. Afghan

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.

operations during this period also resulted in the seizures of the following narcotics contraband:³¹⁹

- 6,464 kg of opium
- 931 kg of heroin
- 11 kg of hashish/marijuana
- 34 kg of precursor chemicals

According to DOD, most interdiction activities occurred in southern and southwestern Afghanistan, where the majority of opiates are grown, processed, and smuggled out of the country. Almost all U.S. interdiction activities partnered with Afghan forces as ISAF continued its drawdown during this reporting period. U.S. forces conducted six unilateral operations resulting in the detention of one individual and the seizure of 96 kg of opium and 0.5 kg of heroin. Interagency elements, including the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC), continued to support combined Afghan and ISAF interdiction efforts. Both CJIATF-N and IOCC integrated data from military and law enforcement sources to enable operations against corrupt narco-insurgent elements. All operations were coordinated with and received support from U.S. and Coalition military commanders on the ground.³²⁰

Special Counternarcotics Police Units

During the quarter, INL provided mentors and advisors to develop the capability and independence of the specialized Afghan units and provided various types of support at NIU/SIU facilities. INL also developed plans to draw down U.S. government support to the Regional Law Enforcement Center in Herat. According to INL, SIU engaged in 14 law-enforcement operations the first quarter of 2014 and performed 25 counternarcotics-related arrests.³²¹

Interdiction Results

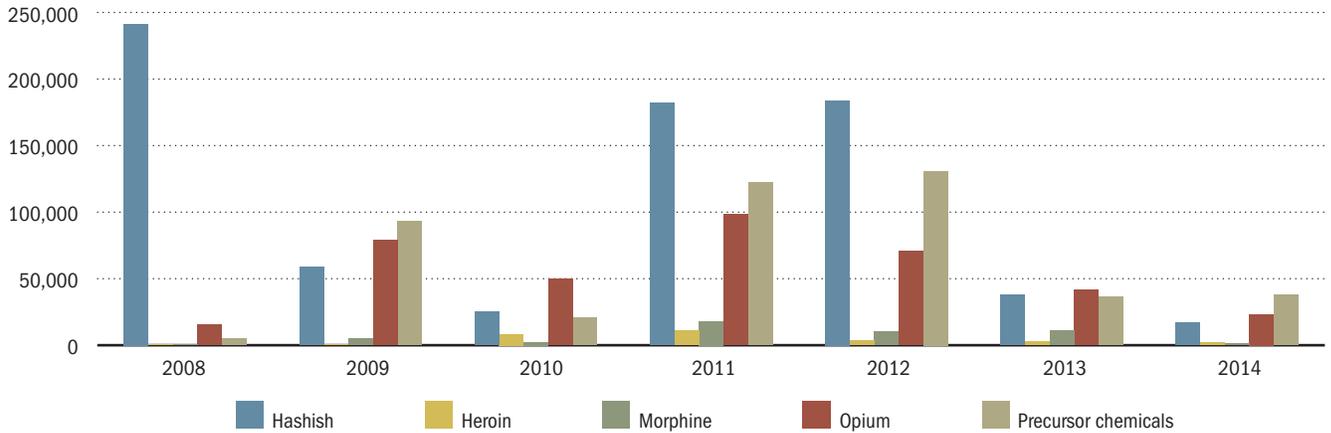
Since 2008, a total of 2,769 Afghan and Coalition interdiction operations have resulted in 2,865 detentions and seizure of the following narcotics contraband:³²²

- 746,040 kg of hashish
- 378,231 kg of opium
- 48,105 kg of morphine
- 28,289 kg of heroin
- 445,205 kg of precursor chemicals

However, as shown in Figure 3.28, seizures have been declining since 2012.

FIGURE 3.28

DRUG SEIZURES, 2008–2014 (KILOGRAMS)



Note: Fiscal year.

Sources: DOD, response to SIGAR data call, 7/9/2014.

Aviation Support

During this reporting period, Department of State aircraft provided a total of 200.5 flight hours, conducted 135 sorties, moved 1,105 passengers, and transported 36,812 pounds of cargo.³²³ According to INL, counternarcotics support to DEA consisted of 18.7 flight hours supporting intelligence, surveillance, and reconnaissance missions, 31.5 flight hours supporting interdiction efforts, and 69 flight hours supporting Afghan NIU and DEA passenger movements.

INL also noted that DEA support included 16.5 hours of flight training. DEA flight hours are lower this quarter due to Embassy designation of no-fly days because of the Afghan elections.³²⁴ INL maintains an air wing at Kandahar Airfield with dedicated helicopters supporting DEA missions in southern Afghanistan.³²⁵

GOVERNANCE CONTENTS

Key Events	121
Elections	122
National Governance	129
Subnational Governance	134
Reconciliation and Reintegration	139
Rule of Law and Anticorruption	141
Human Rights	147

GOVERNANCE

As of June 30, 2014, the United States had provided nearly \$30.6 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).³²⁶

KEY EVENTS

On June 14, Afghanistan held a second round of presidential elections between Abdullah Abdullah (who received 45% of validated votes in the first round) and Ashraf Ghani (who received 31.6%).³²⁷ Unlike the first round, in which the leading presidential candidates largely accepted the results, the Abdullah campaign contested the reports of voter turnout estimates and accused the Afghan election bodies of massive fraud.³²⁸ The outgoing Special Envoy for Afghanistan and Pakistan, Ambassador James Dobbins, was quoted saying the “election impasse at the moment is serious and could present a real danger of a division in the country.”³²⁹

On July 12, Secretary of State John Kerry, along with candidates Abdullah and Ghani, announced the terms of an agreement to overcome the impasse. The terms included:

- Within 24 hours of the announcement, an audit examining each of the ballots cast in the runoff election would begin;
- The International Security Assistance Force (ISAF) would be responsible for transporting ballot boxes from the provinces to Kabul;
- The ballots would be secured by ISAF and the Afghan National Security Forces (ANSF);
- The auditing process would be internationally supervised in accordance with a proposal from the United Nations Mission in Afghanistan (UNAMA) and with the participation of the two presidential campaigns; and
- Both candidates would commit themselves to abiding by the results and forming a “government of national unity.”³³⁰



Secretary of State Kerry raises hands with Afghan presidential candidates Ghani, center, and Abdullah, right, in Kabul, July 12, 2014, after announcing agreement on a plan to resolve the disputed election outcome. (State Department photo)

Both Abdullah and Ghani stated that they had agreed to a framework for a national unity government.³³¹ The following day, however, each candidate’s campaign offered differing interpretations: Abdullah’s spokesmen proposed a “shared government” with an executive prime minister who would be appointed by presidential decree, while Ghani’s spokesmen stated that the losing candidate can participate in the new government “through legal ways” but that the details would be negotiated after the presidential winner is announced.³³² Abdullah’s first-vice-presidential running mate was quoted saying that the teams had agreed to form a coalition government in which the losing candidate will serve as a chief executive for two years after which a constitutional amendment will change the chief executive to a premier. Ghani’s second-vice-presidential running mate, however, has responded that “the perception that the winner should be the president or the loser chief executive is a wrong and extrajudicial perception.”³³³

The inauguration of the new president was scheduled to take place on August 2, 2014, but due to the comprehensive audit of run-off ballots, UNAMA requested that the inauguration be delayed.³³⁴ A summary of the preliminary results appears in Table 3.19.

Also this quarter, USAID said there will be no new reviews of the Tokyo Mutual Accountability Framework (TMAF) intermediate “hard deliverables” targets for Afghan progress.³³⁵ According to the United Nations Secretary-General, the TMAF serves as the agreed instrument of civilian development assistance to Afghanistan.³³⁶ The United States and international partners are developing a new set of targets for the future implementation of TMAF that will be discussed with the new post-election government. According to USAID, the process of finalizing these new targets will likely continue through the international conference on Afghanistan tentatively planned for November in London and into early 2015.³³⁷

TABLE 3.19

PRELIMINARY RESULTS OF THE JUNE 14 PRESIDENTIAL RUN-OFF ELECTION

Name of Candidate	Number of Votes	Percent
Ashraf Ghani	4,485,888	56.44
Abdullah Abdullah	3,461,639	43.56
Total Votes	7,947,527	

Source: Independent Election Commission, “Runoff Presidential Election Preliminary Results,” 7/7/2014.

ELECTIONS

Afghanistan held its first round of presidential elections on April 5. None of the presidential candidates secured a majority of votes cast, triggering a legal requirement for a second, runoff election.³³⁸

According to the Independent Election Commission (IEC), of the 6,423 planned polling centers for the April 5 round of voting, 6,124 actually opened.³³⁹ The United Nations Secretary-General reported that the Afghan public and media reacted positively to the performance of the national security forces in securing the first round, despite threats from the Taliban. International partners also praised the army and police.³⁴⁰

Afghanistan held the second round of presidential voting on June 14. On election day, the IEC Chairman Yousaf Nuristani announced that approximately seven million Afghans voted in the second round, up from 6.6 million validated votes from the first round.³⁴¹ For the June 14 runoff voting, 6,365

polling centers planned to be open, and 6,223 actually opened.³⁴² According to the National Democratic Institute (NDI), a nongovernmental organization funded by USAID to support the Afghan election process, Afghans came out in large numbers to participate in the country's first presidential runoff election.³⁴³ Members of the Free and Fair Election Forum of Afghanistan (FEFA), the Transparent Election Foundation of Afghanistan (TEFA), the Afghanistan Youth National and Social Organization (AYNSO), the Afghanistan National Participation Organization (ANPO), the New Line Organization (NLO), and domestic monitoring groups were present on June 14 in most polling stations. Collectively, these monitoring groups deployed more than 18,000 observers and covered all 34 provinces with most reporting that their monitors were able to access stations and observe polling activities without hindrance.³⁴⁴

On July 7, the IEC announced that preliminary results showed presidential candidate Ashraf Ghani with 56.4% and Abdullah Abdullah with 43.6% of the vote. According to the IEC, 8.1 million votes were cast—over one million more than the seven million originally estimated. This was an increase of approximately 1.5 million votes over the number of validated votes from the first round.³⁴⁵ Following the announcement, Abdullah's first-vice-presidential candidate described the results as a “coup” against voters and said Abdullah's team had the right to form a government. This was reiterated by the governor of Balkh Province, who said the results pave the ground for “massive protests to the formation of a parallel government.”³⁴⁶

The United States called on both presidential campaigns to remain calm. President Obama called Abdullah on July 7 and Ghani on July 8 to caution that any move toward violence or extra-constitutional measures would endanger financial and security assistance from the United States.³⁴⁷ Secretary of State John Kerry also issued a public statement that “any action to take power by extra-legal means will cost Afghanistan the financial and security support of the United States and the international community.”³⁴⁸ State also called on the Afghan electoral bodies to address all credible allegations of fraud through a thorough audit “whether or not the two campaigns agree.”³⁴⁹

On July 11, Secretary Kerry met with President Karzai, Ghani, and Abdullah in Kabul to discuss the elections impasse.³⁵⁰ According to Secretary Kerry, “the election legitimacy hangs in the balance [and the] future potential of a transition hangs in the balance.”³⁵¹

On July 12, Secretary Kerry announced that all the ballots cast in the run-off were to be audited following procedures proposed by UNAMA with the winning candidate forming a national-unity government following the audit.³⁵² The current IEC audit checklist was enhanced to include the following UNAMA recommendations to review:

- ballots which are obviously similarly marked



Agents for the Abdullah and Ghani campaigns look over ballot boxes from Balkh Province before the boxes are loaded onto an ISAF aircraft for transport to Kabul. (U.S. Army photo)



Secretary of State Kerry sits with Afghan presidential candidates Abdullah Abdullah, left, and Ashraf Ghani, right, at the U.S. Embassy in Kabul, Afghanistan, on July 12, 2014. (State Department photo)

- evidence of tampering with the results sheet and coherence with the number of ballots in the box
- comparison of the results sheet copy with that processed in the national tally centre
- information on the polling station journal and list of voters

Moreover, ballot boxes will receive particular attention from international and domestic observers and agents when they register results that, according to best international practices, require special scrutiny (for example, when there are significant differences between first-and second-round tallies).³⁵³

The audit began on July 17 and the IEC estimated that the runoff audit would take three weeks.³⁵⁴

Accusations of Fraud

Fraud was a concern during the first round of presidential voting (see pages 123–125 of the April 2014 *Quarterly Report to Congress* for more information), but the runoff has proven even more controversial. Starting on the evening of the runoff, the Abdullah campaign began contesting the IEC's initial voter turnout estimates and later accused the Afghan elections bodies of participating in massive fraud.³⁵⁵ Domestic elections observers also questioned IEC reports of high turnout. According to Radio Free Europe, FEFA and TEFA reported that turnout was down compared to the first round, while fraud was up. TEFA head Naeem Ayubzada called the IEC's turnout

figures of seven million voters “inflated,” as estimated turnout was between five and six million, and said that the number of votes from several eastern provinces exceeded each province’s entire adult population. He concluded that “the increase in numbers was due to fraud.”³⁵⁶

A focal point of controversy was the IEC Head of the Secretariat, Zia ul-Haq Amarkhail. On the day of the runoff, the Kabul chief of police accused Amarkhail of misconduct after police stopped Amarkhail’s staff with unused ballots in their vehicles. According to the IEC Chairman, Amarkhail dispatched extra ballots to rectify a ballot shortage residents had protested.³⁵⁷ Later, the Abdullah campaign released a series of audio recordings that they claim show Afghan government officials, including Amarkhail, colluding to commit or allow for fraud. The recordings purport to document Amarkhail discussing plans to stuff ballots, a provincial governor advising an Afghan army officer not to interfere with fraud, and Amarkhail and another provincial governor discussing how to deal with an Afghan army officer who detained IEC officials on charges of ballot stuffing.³⁵⁸ Abdullah’s campaign also released a video they claim showed ballot stuffing in Paktika Province.³⁵⁹

A day after the first recordings were released, Amarkhail resigned and later left the country. In a reversal from his previous defense of his IEC colleague, the head of the IEC expressed his views regarding Amarkhail by stating, “if Amarkhail was not involved in election fraud, he would not have escaped from the country.”³⁶⁰ Amarkhail returned to Afghanistan to reject accusations of a plot to escape and the validity of the audio recordings. He said he had resigned to allow the process to go forward and called on the Electoral Complaints Commission (ECC) to investigate the claims against him.³⁶¹

On June 18, Abdullah announced that he had cut off ties with the Afghan election commissions and withdrew his observers. He also accused President Karzai of not remaining neutral during the runoff.³⁶² He later participated in protests in Kabul that reportedly involved thousands of people.³⁶³

During the preparation for the June 14 runoff, the deputy head of UNAMA warned that, “the worst-case scenario would be if the election is both polarising and the results are not accepted by one of the candidates—that has the potential to lead to conflict.”³⁶⁴

As of July 3, the IEC has detected enough suspicious data to conduct a country-wide audit of 1,930 polling stations. However, the European Union Election Assessment Team Afghanistan (EU EAT) reported that the number of problematic polling stations from the runoff election could well exceed 6,000 out of a total of 22,828.³⁶⁵ On July 10, the European Union team expressed concern that only 135 polling stations, out of 2,229 problematic polling stations, were excluded from the announced preliminary results following an “unsatisfactory, hasty, audit conducted at provincial level” that “was not sufficient to identify proxy voting, ballot stuffing, early shortages



An election worker in Herat prepares to issue a ballot to a voter. (USAID photo)



A policeman hangs a results list at a polling center in Kabul. (USAID photo)

of ballot papers, and other illegal acts or unusual events.” Additionally, the IEC had invalidated 90% fewer problematic elections stations than in the first round. EU EAT recommended that an additional two million to four million votes should be further investigated.³⁶⁶

Approximately 375,000 votes were invalidated from the first round on April 5, down from the 1.2 million votes declared fraudulent in the 2009 presidential election.³⁶⁷ Between the first and second rounds, the IEC announced that 5,388 (of 100,000) elections staff from 525 polling stations across the country were blacklisted for misconduct and around 440 were fired for underperformance in the first round. Because of a lack of evidence, referral to the judiciary is still pending. Most of the affected staff held lower positions within the electoral administration.³⁶⁸

Election Security

According to the EU EAT, security challenges increased in the second round of voting.³⁶⁹ The most prominent security incident occurred on June 6, when two suicide bombers attacked the convoy of presidential candidate Abdullah Abdullah in the west of Kabul. Abdullah was unharmed, but 13 civilians were killed and 43 others were injured.³⁷⁰ According to NDI, there were fewer security incidents on June 14 compared to previous elections, but more incidents than on April 5. The IEC reported 130 security incidents on June 14, along with the deaths of six IEC officials. Major Afghan cities, including Kabul, experienced attacks in the early hours of polling day—a tactic meant to intimidate and prevent voters from going to the polls. However, NDI observers and domestic monitoring groups noted that these attacks did not deter Afghans from participating in significant numbers.³⁷¹

Domestic monitoring groups reduced the geographic coverage of their elections monitoring during the runoff due to insecurity in the first round. This may impact the elections-complaint process since both the IEC and ECC relied upon the information provided by these domestic monitoring groups to invalidate ballots.³⁷² Also on election day, two of 173 health clinics and 45 of 3,546 educational facilities designated as polling locations were affected by election-related violence. According to the UN, this represents a two-thirds reduction in the number of incidents compared with 2009.³⁷³

To improve security as well as increase female voter turnout, the Ministry of Interior (MOI), with financial support from the United States and Republic of Korea, recruited and trained up to 13,000 female volunteers to serve as subsidized personnel to conduct body searches of female voters. According to DOD, the Afghan government was able to recruit and deploy sufficient female searchers for the April 5 election to cover 70% of open polling centers with polling stations for women.³⁷⁴ According to State, anecdotal reports indicated an adequate female searcher presence during the runoff.³⁷⁵ Deploying women to search female voters was important because Afghan custom forbids men to touch unrelated women. The goal of this project was to prevent women with weapons—or men disguised as women—from entering polling places to conduct attacks.³⁷⁶ State contributed \$1.7 million to this \$3.7 million project via the United Nations Development Programme’s (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA).³⁷⁷

U.S. Support for the Elections

The U.S. government funded programs providing technical support, outreach, and deployment of domestic and international observers to help the Afghan government hold credible, inclusive, and transparent elections.³⁷⁸

USAID contributed \$55 million to the UNDP Enhancing Legal and Electoral Capacity for Tomorrow-Phase II (ELECT II) to help the Afghan electoral management bodies by providing technical assistance to the IEC, the ECC, and the Media Commission (MC). Additionally, UNDP ELECT II develops the capacity of the electoral management bodies to administer elections on its own for future elections cycles. UNDP ELECT II is supported through a multilateral “basket fund” that includes funding from at least a dozen other donor countries. For instance, the United Kingdom, the European Union, Italy, Germany, France, Netherlands, Sweden, Denmark, Norway, and Japan contributed the remainder of the \$129 million that ELECT II estimated was necessary to support the elections.³⁷⁹

USAID supported election-observation missions through awards to three organizations: NDI via the Supporting Political Entities and Civil Society (SPECS) program; Democracy International (DI); and the Organization for Security and Co-operation in Europe (OSCE). SPECS awarded sub-grants to four Afghan civil society organizations to deploy approximately 2,200



An Afghan National Army (ANA) officer shows his vote-confirming inked finger at a polling center in Kabul. (USAID photo)

GOVERNANCE

TABLE 3.20

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 6/30/2014 (\$)
Afghan Civic Engagement Program (ACEP)*	12/04/2013	12/03/2018	\$70,000,000	\$4,996,608
Enhancing Legal and Electoral Capacity for Tomorrow (ELECT) II	9/28/2013	9/27/2014	55,000,000	11,821,602
Electoral Reform and Civic Advocacy (AERCA)	7/7/2009	12/31/2015	38,702,682	29,831,936
Supporting Political Entities and Civil Society (SPECS)	7/7/2013	7/6/2016	18,000,000	7,542,077
International Election Observation (NDI)	2/1/2014	8/1/2014	4,000,000	2,342,783
International Election Observation (DI)	2/1/2014	8/1/2014	3,999,925	3,092,937
Peaceful Elections Campaign**	9/10/2013	9/30/2015	3,000,000	451,496
Election Support Team to Afghanistan (OSCE)	2/20/2014	7/15/2014	1,500,000	1,500,000

Notes:
 *ACEP programming that contributed to the April and June 2014 elections cost approximately \$1.4 million.
 **As of March 25, 2014. These disbursements do not reflect operational expenditures.

Source: USAID, responses to SIGAR data call, 6/30/2014 and 7/10/2014.

domestic elections observers.³⁸⁰ NDI also deployed 100 NDI Afghan staff to observe the runoff elections at 312 polling stations in 26 provinces.³⁸¹ According to USAID, the DI International Election Observation program deployed 16 international observers for the first round and eight international observers for the second round.³⁸²

USAID further supported the elections through the Initiative to Promote Afghan Civil Society (IPACS II) and the Afghan Civic Engagement Program (ACEP) as well as the Peaceful Election Campaign (PEC). IPACS II and ACEP contributed to the elections through small-grant support to civil society and media partners for conducting civic-education activities, get-out-the-vote-out election awareness sessions, distributing election-related publications, and radio and television advertisements. IPACS II ended on March 31, 2014, and spent approximately \$800,000 in support of the election while ACEP spent approximately \$1.4 million.³⁸³ PEC supported a “Vote for Peace” elections campaign using community-outreach events such as athletics and poetry, as well as a multi-media program using radio, television, and the Internet to increase voter turnout, reduce violence and raise awareness that future peace and stability in Afghanistan requires a peaceful transfer of power.³⁸⁴

A summary of USAID programs that supported the 2014 elections appears in Table 3.20.

The International Security Assistance Force (ISAF) provided limited direct support to the Afghan elections including aerial transportation of sensitive election material from Kabul to regional, provincial, and district hubs at the request of the IEC. ISAF unilaterally delivered and retrieved election materials in seven districts and provided aerial security to the Afghan Air Force for the delivery and retrieval of elections materials in 12 districts.³⁸⁵

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. 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.³⁸⁶

According to the UN Secretary-General's Special Representative for Afghanistan, the Tokyo Mutual Accountability Framework (TMAF) serves as a cornerstone of international engagement and is the agreed instrument for deploying civilian development assistance in Afghanistan. The international community and Afghan government agreed to the TMAF at the Tokyo Conference of Donors in July 2012. Later the TMAF was augmented with intermediate targets for the Afghan government and the international community called "hard deliverables," such as the passage of a mining law.³⁸⁷

Last quarter, SIGAR reported on the progress of TMAF "hard deliverables." (See pages 127–129 of the April 2014 *Quarterly Report to Congress* for more information.) 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.³⁸⁸ According to USAID, the JCMB meeting was the final opportunity for reviewing the existing set of hard deliverables. The United States temporarily extended the window for passage of a mining law to April 16, 2014, but the window closed before the government passed the law.³⁸⁹

This quarter USAID reported that it is working with interagency and international partners to develop a new set of targets for the future implementation of TMAF to be discussed with the new government, once the election is resolved and a new president takes office. According to USAID, the process of finalizing these new targets will likely continue through the international conference on Afghanistan tentatively planned for November in London and into early 2015.³⁹⁰

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.³⁹¹

According to USAID, although most nonsecurity donor contributions to the Afghan government are to the development budget and intended to be spent on development project activities, in practice, the provision of donor funding for a particular purpose can free Afghan government funds that

GOVERNANCE

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. USAID says the Afghan government only 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.

Sources: USAID, OPPD, response to SIGAR data call, 12/30/2013 and USAID, *U.S. Foreign Assistance for Afghanistan: Post Performance Management Plan 2011-2015: Annex VIII – Assistance Objective 8: Increased Management Effectiveness of GIROA Institutions*, 10/2010, p. 7.

would have otherwise been expended for that particular item. This means that donor funding can, in effect, provide the Afghan government with the budgetary latitude to prioritize and redistribute its own funding based on its most pressing needs, including to cover recurrent costs such as salaries.³⁹²

USAID provides 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).³⁹³ According to USAID, all bilateral-assistance funds are deposited in a separate bank account established by the Ministry of Finance expressly for each program.³⁹⁴ 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.³⁹⁵ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.³⁹⁶ 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.³⁹⁷

DOD provides on-budget assistance to the Afghan government through (1) direct contributions to the Ministry of Defense (MOD) and the MOI and (2) through contributions to a multi-donor trust fund called LOTFA. LOTFA, administered by the UNDP, primarily funds the Afghan National Police (ANP) salaries.³⁹⁸ Direct-contribution funding is also provided to the Ministry of Finance, and later allotted incrementally to the MOD and MOI, as required.³⁹⁹ According to DOD, the Combined Security Transition Command-Afghanistan (CSTC-A) has 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 for proper utilization of CSTC-A funds (including purpose, time, and amount) and the possible consequences of improper use of funds.⁴⁰⁰

As shown in Table 3.21, USAID expects to spend \$986 million dollars on direct bilateral assistance. It also expects to contribute almost \$1.9 billion to the ARTF and more than \$180 million to the AITF.⁴⁰¹ DOD expects to spend approximately \$2.09 billion through the LOTFA.⁴⁰²

According to USAID, the actual disbursement of funds through bilateral on-budget programs is slower than either side would like. USAID has attributed the low budget-execution rate to limited Afghan government capacity and the risk-mitigation measures USAID applies to on-budget assistance.⁴⁰³ The Afghan Minister of Finance was recently quoted saying that donors have not released funding to the Afghan government, creating “a major hole in [the Afghan government’s] development budget.”⁴⁰⁴

CSTC-A’s assessment is that once funds enter the Afghan government’s bank account, oversight becomes significantly more challenging.⁴⁰⁵

GOVERNANCE

TABLE 3.21

ON-BUDGET PROGRAMS							
Project/Trust Fund Title	US Government Agency	Afghan Government On-Budget Partner	Special Bank Account?	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 06/30/2014 (\$)
Bilateral, Government-to-Government Projects*							
Power Transmission Expansion and Connectivity Project (PTEC)	USAID	Da Afghanistan Breshna Sherkat (DABS)	Yes	12/5/2012	12/31/2016	\$342,000,000	\$5,306,141
Partnership Contracts for Health Services (PCH) Program	USAID	Ministry of Public Health (MOPH)	Yes	7/20/2008	1/31/2015	236,455,840	181,207,908
Sheberghan Gas Development Project (SGDP)	USAID	Ministry of Mines and Petroleum (MOMP)	Yes	5/26/2012	4/30/2015	90,000,000	0
Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)	USAID	DABS	Yes	4/30/2013	12/31/2015	75,000,000	5,593,727
Agriculture Development Fund (ADF)	USAID	Ministry of Agriculture, Irrigation and Livestock (MAIL)	Yes	7/18/2010	12/31/2014	74,407,662	54,000,000
Basic Education and Literacy and Vocational Education and Training (BELT) - Community-Based Education	USAID	Ministry of Education (MOE)	Yes	8/25/2013	8/25/2017	56,000,000	0
Civilian Technical Assistance Program (CTAP)	USAID	Ministry of Finance (MOF)	Yes	9/30/2009	9/30/2014	36,256,560	28,810,610
Afghanistan Workforce Development Project (AWDP)	USAID	MOE	Yes	7/31/2013	7/31/2017	30,000,000	0
Basic Education and Literacy and Vocational Education and Training (BELT) - Textbooks Printing	USAID	MOE	Yes	11/16/2011	12/31/2014	26,996,813	21,955,403
Civil Service Reform Support	USAID	Independent Administrative Reform and Civil Service Commission (IARCSC) and MOF	Yes	10/30/2011	7/31/2014	15,000,000	13,000,000
E-Government Resource Center (EGRC)	USAID	Ministry of Communications and Information Technology (MOCIT)	Yes	8/28/2013	6/1/2016	3,900,000	0
Multi-Donor Trust Funds							
Law and Order Trust Fund for Afghanistan (LOTFA)	DOD	Ministry of Interior	No	2008	2024	\$2,086,000,000	\$1,160,700,000
Afghanistan Reconstruction Trust Fund (ARTF) (current award)**	USAID	Multiple	No	3/31/2012	3/31/2017	1,900,000,000	604,829,100
Afghanistan Infrastructure Trust Fund (AITF)	USAID	Multiple	No	3/7/2013	3/6/2018	180,000,000	105,000,000

Notes:

*Does not include DOD direct contribution funds.

**USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements.

Sources: USAID, OPPD, response to SIGAR data call, 6/30/2014; CSTC-A, response to SIGAR data call, 7/1/2014.

GOVERNANCE

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 simplicity and provides the Afghan government flexibility, but requires additional effort from CSTC-A to reconcile the reported use of funds.⁴⁰⁶ CSTC-A is exploring the option of using a separate bank account, such as those used by USAID. CSTC-A notes that whereas USAID funds programs that are focused or limited-duration with significant USAID involvement in procurement and execution, CSTC-A direct contributions support multiple MOD and MOI requirements and are primarily executed by the Afghan government.⁴⁰⁷

Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries' ability to prepare, manage, and account for on-budget assistance. SIGAR's January 2014 audit of USAID's assessments of seven Afghan ministries receiving on-budget assistance from the U.S. government found that none of these assessments and reviews identified a ministry capable of effectively managing and accounting for funds without implementing risk-mitigation measures.⁴⁰⁸ As shown in Table 3.22, 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.⁴⁰⁹ USAID is also funding the \$15 million Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE) project, which among other things assists the ministry to improve its financial management, as required for future on-budget assistance.⁴¹⁰

National Assembly

According to State, the Afghan legislative branch remains weak in comparison to the executive, but members of parliament appear to be trying to strengthen their hand vis-a-vis the executive branch. However, staffing

TABLE 3.22

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL						
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/30/2014 (\$)	
Leadership, Management, and Governance Project	Ministry of Public Health Ministry of Education	9/25/2011	9/24/2016	\$ 32,000,000	\$22,826,010	
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2017	23,455,326	4,067,868	
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2015	5,000,000	2,955,012	

Source: USAID, responses to SIGAR data call, 7/10/2014 and 7/13/2014.

struggles, corruption, and low levels of education and experience continue to plague the body.⁴¹¹

The major legislation passed this quarter included the Anti-Money Laundering Law, signed into law by President Karzai on June 25.⁴¹² The lower house of parliament passed the Access to Information Law three years after its submission.⁴¹³ The law, which prevents government officials from refusing to provide information to journalists and the public, is now with the upper house. Civil-society organizations have stated that the law will be the first of its kind in Afghanistan's history and could noticeably lower the scale of corruption in the country.⁴¹⁴ In May, the lower house also passed a new law to regulate the mining sector.⁴¹⁵

Parliament also held hearings involving several Afghan government ministers on topics including university entrance exams, flood relief, women's issues, crime, the execution of Afghans in Iran for drug smuggling, electronic identification (*e-taskera*), and narcotics eradication and treatment.⁴¹⁶

In May, neither house of parliament could conduct much business because a majority of representatives were absent. For example, the *Meshrano Jirga* (the upper house) failed to achieve a quorum, with only 30% participation in both plenary and commission sessions during one of the weeks. In May, the *Wolesi Jirga* (the lower house) achieved quorum only twice in two weeks. Many parliamentarians were reportedly in the provinces to contest vote counting from the recent provincial council elections and participate in the presidential runoff campaign.⁴¹⁷ According to a report by Tolo News, the Wolesi Jirga's Administrative Committee found that absenteeism is a major impediment to the parliament's functioning and members of the lower house are taking more leave than the 15 days allotted every four months.⁴¹⁸

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.⁴¹⁹ In the last quarter, ALBA focused on initiatives to help members of parliament and their staff to improve their capacity. ALBA supported the Parliamentary Anticorruption Caucus, worked with the 21 members of parliament to draft amendments to the Access to Information Law and Anticorruption Law, and contributed amending language to the Mining Law and Procurement Law.⁴²⁰

According to USAID, the greatest institutional-capacity shortfall of parliament that ALBA needs to address is lack of subject-matter expertise in both houses of parliament to properly analyze specialized legislation. Although the secretariats of both houses have researchers and legal experts, these individuals are not always qualified to carry out these duties and serve as resources to the members of parliament.⁴²¹ An ALBA review of parliament's research and budget staff found that capacity is extremely low and that parliamentarians do not consider the staff's work valuable.

Parliament's current research and budget staff reportedly are not up-to-date on various policy issues and reforms—including program budgeting, provincial budgeting, and the medium-term fiscal and budget framework—used to prepare the annual budget. According to the review, despite reforms that increased salaries and aimed for more competitive recruitment, nepotism continued to undercut internal research capacity as incumbent unqualified staff were re-recruited.⁴²²

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.⁴²³

This quarter, DOD reported that the Village Stability Operations (VSO), a bottom-up counterinsurgency strategy aimed at connecting local governance to the Afghan district and national government, has ended.⁴²⁴ The VSO initiative originally had three primary components: local governance, development, and security. The Afghan Local Police (ALP) program, originally the security component of VSO, is the only remaining portion.⁴²⁵ According to DOD, although VSO has ended, some remnants of the VSO remain at the district and provincial levels in support of the ALP program. The district and provincial elements will complete their mission by October 31, 2014.⁴²⁶ SIGAR reported last quarter on the challenges DOD faced in assessing the impacts of VSO on Afghan governance. See pages 132–143 of the April 2014 *Quarterly Report to Congress* for more information.

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 the ARTF's National Solidarity Program (NSP). The United States has requested that \$865 million of its ARTF contributions support the NSP.⁴²⁷ Table 3.23 summarizes total program costs and disbursements to date.

Stability in Key Areas (SIKA)

The objective of SIKA is to help district- and provincial-level Afghan government officials respond to the local population's development and governance concerns, instilling confidence in the government and bolstering stability.⁴²⁸ 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

GOVERNANCE

TABLE 3.23

USAID SUBNATIONAL (RURAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/3/2014 (\$)
National Solidarity Program (NSP) via the Afghanistan Reconstruction Trust Fund (ARTF)*	2004	2012	\$865,000,000	\$865,000,000
Stability in Key Areas (SIKA) South***	4/10/2012	9/3/2014	177,565,498	39,523,359
SIKA East	12/7/2011	9/6/2015	177,054,663	68,371,001
Community Cohesion Initiative (East, South, Southwest)**	3/1/2012	2/28/2015	161,499,422	7,373,529
Afghanistan Civilian Assistance Program (ACAP II)	9/27/2011	9/26/2014	64,000,000	45,194,000
SIKA West	1/29/2012	8/31/2015	62,998,824	30,049,405
SIKA North	3/15/2012	6/14/2015	45,633,274	20,318,357
Community Cohesion Initiative (North, West)**	9/10/2013	9/9/2015	36,221,640	451,496

Notes:

*This includes USAID contributions to the ARTF with an express preference for the National Solidarity Program (NSP). 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. The remaining, unpreferred funds provided to the ARTF may also be used to support NSP

**As of March 25, 2014. These disbursements do not reflect operational expenditures.

***The disbursement data includes the totals for both SIKA South awards.

Source: USAID, responses to SIGAR data call, 6/30/2014, 7/10/2014, 7/13/2014, and 7/14/2014.

Afghan Ministry of Rural Rehabilitation and Development (MRRD).⁴²⁹ The four SIKA contracts require the MRRD, as primary partner, to have representation in a district in order for SIKA to operate there. 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).⁴³⁰

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 mid-term performance evaluation of the SIKA West program. According to the evaluation, SIKA West is meant to be an Afghan-led, government-owned program with quick-delivery projects that have long-term results.⁴³¹ The evaluation raised questions about how SIKA projects connect to its purpose and how USAID would even know if projects are having an effect. The review concluded:

The inherent issue with SIKA West’s programming is its lack of a properly articulated theory of change which would explain to management and stakeholders what the results of implemented activities should be. This lack of a defined theory of change results in sub-optimal implementation and assessment of the four [intermediate results,] and without outcomes measurement in its [performance monitoring plan], SIKA West performance measurement is likely to result in fewer lessons-learned (both positive and negative) that can tie directly back to improving the performance of implemented activities.⁴³²

GOVERNANCE



SIKA West road-rehabilitation project in Muqur District, Badghis Province. (USAID photo)

Calling SIKA West’s currently reported outcomes “misleading outputs,” the evaluation recommends that SIKA West revise its performance-monitoring plan to include outcome indicators that measure whether the program actually had an effect.⁴³³

The evaluation offered a mixed assessment of SIKA West’s projects. According to the evaluation, infrastructure-development activities in Farah and Herat Provinces by and large met the stabilization objectives: support for the government increased due to the projects, many beneficiaries reported that employment opportunities reduced support for insurgent groups, and infrastructure development tied to agriculture or transportation (the types of projects sampled) had beneficial effects on society as they improve agricultural potential and connect villages to one another.⁴³⁴ The evaluation questioned the value of other projects, however:

SIKA West conducts multiple activities it says are part of stability programming, but are in effect small-scale interventions at the district level that may end quickly once project funding dries up. Two-hour communications trainings, English classes for [Provincial Ministry of Rural Rehabilitation and Development staff], and a variety of similar activities are not generally considered stabilization programming. If the goal of SIKA West is to increase confidence in local government through provision of service delivery, it needs to focus more on increasing the government’s capacity to understand what services are needed and how best to provide them through available mechanisms.⁴³⁵

SIKA West produced mixed results. On one hand, SIKA West programs did improve communications between district governments and their communities, especially through District Stability Committee (DSC) meetings.⁴³⁶ On the other hand, SIKA West actions have had a negative effect on district government empowerment and decision-making. District governors complained about the deterioration in their authority due to the DSC process and the direct funding of Community Development Councils (CDC).⁴³⁷ The evaluation also found that there is very little inclusion of government entities in the monitoring of projects. Afghan government participation in these visits are important for transparency, accountability, and showing government involvement in a project.⁴³⁸

Community Cohesion Initiative (CCI)

USAID’s 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 vulnerable to violence and insurgent exploitation. 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.⁴³⁹ The Afghan government was

awarded 84% of the 720 CCI activities while 7% were awarded directly to community groups.⁴⁴⁰

During the quarter, MISTI issued a mid-term performance evaluation of CCI as implemented in the east, south, and southwest.⁴⁴¹ The evaluation examined 61 projects from eight CCI districts.⁴⁴² The evaluation noted that a lack of trust between USAID and the implementing partner due to challenges in project start-up and operations made it difficult for the evaluation team to gather information on CCI processes, performance, and perspectives.⁴⁴³

The evaluation reported that CCI strengthened ties between local actors, customary governance structures, and the Afghan government. Afghan government officials increased their presence in communities for events such as CCI-grant opening and closing ceremonies. CCI staff, Afghan government officials, and community leaders reported that there is increased demand for Afghan government services following CCI grant implementation as evidenced by the increased number of community members petitioning district governors.⁴⁴⁴

According to CCI staff, CCI monitoring and evaluation of ties between the Afghan government and communities now includes whether people in a district sought access to Afghan government officials and whether Afghan government officials travelled outside the district center.⁴⁴⁵ CCI staff noted value in beginning work with the Afghan government at the district center, building trust and credibility through a few projects in the district, and then extending CCI implementation to villages a few kilometers out from the center or to more remote areas. The geographic spread from these district centers has been modest with grants often concentrated in or near district centers.⁴⁴⁶

The evaluation also found that CCI increased cohesion among communities. CCI staff, Afghan government officials, and community members reported that grants that originated from community processes were implemented in communities with community members as beneficiaries, or were granted to community actors who supported cohesion. The evaluation noted that the objective of supporting cohesion was a conceptually more difficult objective than increasing ties between the Afghan government and population and that CCI staff had differing interpretations of how projects supported cohesion. While some CCI staff viewed the defining aspect of cohesion projects as those that originated from the community, other CCI staff saw cohesion projects as those that benefited more people, such as schools and roads, or connected people across communities.⁴⁴⁷ It was not clear from the evaluation how cohesion projects per the second definition differed from a school or road project implemented by another program without a cohesion objective.

The evaluation noted that monitoring and evaluation were a challenge for CCI.⁴⁴⁸ Although many of those interviewed testified to the effectiveness of CCI, the evidence they offered in support was not always clear.

For example, CCI staff in some districts noted that it was not their responsibility to follow up after vocational training to gather data on whether beneficiaries were employed after training.⁴⁴⁹ Also, CCI staff interviewed sometimes struggled with articulating how communications efforts were successful beyond having more people come to CCI events.⁴⁵⁰

National Solidarity Program (NSP)

The ARTF supports both Afghanistan's operating and development budgets. As part of the development budget it funds the Afghan government's National Solidarity Program (NSP), 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).⁴⁵¹ USAID previously, at Congress's direction, "preferenced" (earmarked) funds to the NSP, via the ARTF, to advance counterinsurgency objectives in areas newly under Afghan government control. USAID has acknowledged a lack of evidence that NSP increases stability in insecure parts of Afghanistan and adjusted its funding accordingly.⁴⁵²

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.⁴⁵³ USAID stated that they pay less attention to NSP than to other ARTF programs for which USAID expresses a preference. USAID preferences through the ARTF now support programs for education, health, public financial management, and land reform.⁴⁵⁴ Prior to FY 2013, USAID had preferenced a total of \$865 million directly for NSP.⁴⁵⁵

Afghan Civilian Assistance Program (ACAP)

In June, the USAID Inspector General issued an audit of the Afghan Civilian Assistance Program II (ACAP II). The primary objective of ACAP II was to provide Afghan civilian victims of confrontations between international military forces and Taliban insurgents with appropriate and timely assistance to recover and rebuild their lives. Program assistance included nonmonetary immediate assistance such as foodstuffs, small household items, and repairs to damaged homes and other properties. The program also provided assistance tailored to the needs of the victims to help them recover lost livelihoods. Tailored assistance included grants to start small businesses such as clothing shops, grocery stores, and livestock farms.⁴⁵⁶

Among the findings, USAID found that ACAP II did not provide timely assistance or adequate verification of beneficiaries. While the program required delivery of immediate assistance within two to seven days, during its first and second years implementers took an average of 50 days and 28 days, respectively. In addition, the program's procedures for verifying beneficiaries were weak. As a result, the report concluded that assistance could have gone to beneficiaries who were not genuine. Also, the audit found that

the Afghan Ministry of Labor, Social Affairs, Martyrs, and Disabled cannot sustain ACAP II activities. To sustain assistance to Afghan civilians after the program ends in September 2014, the ministry had planned to assume leadership of assistance activities by September 2013. However, as of June 2014 it had not done so.⁴⁵⁷

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.”⁴⁵⁸ However, the UN Secretary-General recently noted little progress in establishing a formal dialogue between the Afghan government and armed opposition groups.⁴⁵⁹

According to a UN Sanctions Monitoring Team report, reconciliation has stalled, although Afghan government efforts to promote political contacts continue. The primary impediment to reconciliation appears to be the lack of consensus on the Taliban side. The report found that the past year has been a bumper year for Taliban revenues, boosted by booming narcotics income, revenue from corruption and extortion, and increasingly drawing on the illegal exploitation of natural resources. As their finances have improved, the Taliban have become more of an economic actor, with incentives to preserve this income and possibly with less incentive to negotiate with the Afghan government.⁴⁶⁰

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. State reported that the HPC continues to conduct regular meetings, but State has no visibility on the results.⁴⁶¹

Five Taliban members were exchanged in May an American prisoner, U.S. Army Sergeant Bowe Berghdal. A senior member of the HPC expressed hope that the release of the Taliban members would help start peace talks in Afghanistan. A spokesman for the Taliban, however, discounted this sentiment, stating that the exchange had no impact on the peace process.⁴⁶²

According to a State spokesperson, the U.S. government and the government of Qatar agreed to severe restrictions on the five released Taliban as a condition of their release.⁴⁶³ An Afghan Ministry of Foreign Affairs spokesman was quoted calling for the lifting of any restrictions imposed on the five Taliban members with anything less than “full freedom” a violation of international law.⁴⁶⁴

On June 21, the Secretariat Chief for the High Peace Council, Masoom Stanekzai, survived a suicide attack that killed one civilian and injured four others in Kabul. A September 2011 attack injured Stanekzai while killing former Afghan president and HPC head Burhanuddin Rabbani.⁴⁶⁵

Afghanistan Peace and Reintegration Program

The Afghanistan Peace and Reintegration Program (APRP), an Afghan-led program to reintegrate low-level insurgent foot soldiers and their commanders into Afghan civil society, is financed by \$182.3 million in contributions from 12 donor nations. Operational funding for the program is provided by seven donor nations (primarily Japan and Germany). The United States provides funding towards community-recovery efforts administered by the World Bank.⁴⁶⁶

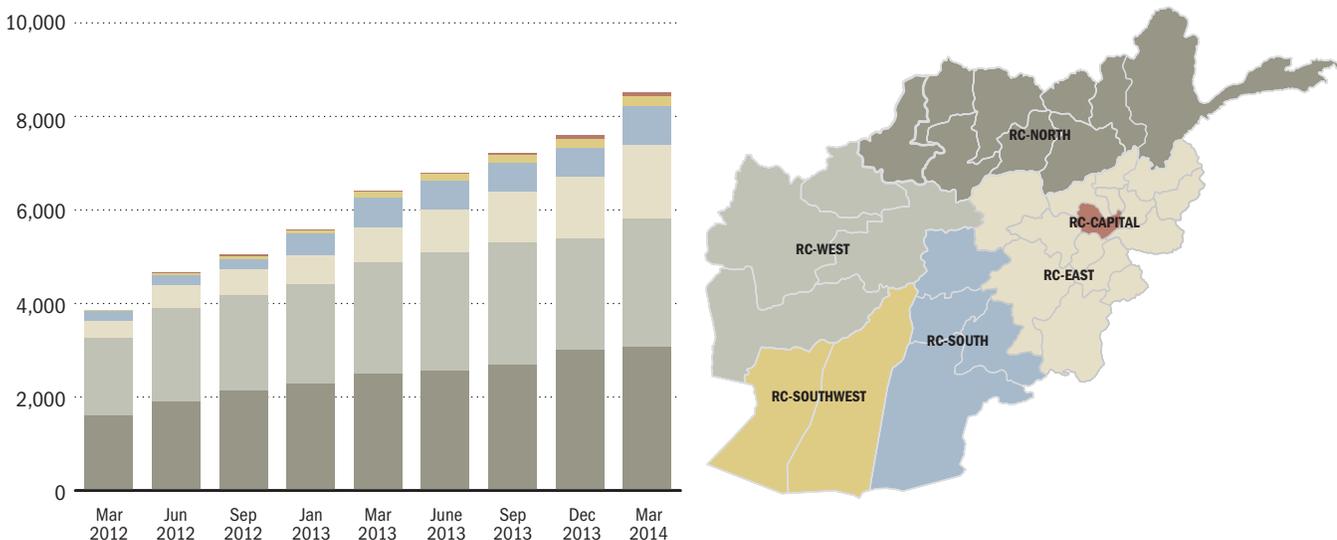
According to the Force Reintegration Cell (FRIC), an ISAF element supporting the APRP, the APRP Joint Secretariat and Provincial Joint Secretariat Teams continue to make outreach a priority through local peace meetings and radio and television advertisements.⁴⁶⁷

The FRIC also reports 53 small grant projects and 1,162 Afghan government projects are under way in 32 provinces and 190 districts.⁴⁶⁸

From January to March 31, 451 new reintegrees joined the program, increasing the total to 8,503 reintegrees, as shown in Figure 3.29.⁴⁶⁹ 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.⁴⁷⁰

FIGURE 3.29

REINTEGREGES BY REGIONAL COMMAND



Notes: DOD provided updated numbers as of March 2014. Sources did not explain why the cumulative number decreased in RC-North (from 3,244 to 3,071) and RC-Southwest (from 218 to 195) this quarter; the current number of confirmed recidivists has remained at 16 individuals.

Source: State, response to SIGAR data call, 10/4/2013, 7/1/2013, 4/2/2013, 1/2/2013, 10/2/2012, 7/5/2012, and 3/30/2012; DOD, responses to SIGAR data call, 6/30/2014, 3/31/2014, and 12/31/2013.

GOVERNANCE

In a report released in June by the Afghanistan Independent Human Rights Commission (AIHRC) and 11 Afghan civil society groups, the APRP was criticized for what some label as “rewards” offered to insurgents such as the economic opportunities, amnesties, and reinstatement of reintegrees into positions of power, that they say served to fuel impunity. The report quoted interviewees that called for community-based development projects and, through vetting, identifying, and removing those insurgents who are clearly responsible for gross human-rights violations. Furthermore, reintegrees interviewed by the authors expressed dissatisfaction with the APRP, stating that it failed to deliver on its promises and left them feeling used, unsupported in the long run, and vulnerable to attack for their cooperation with the Afghan government. The report concluded that “in essence, the APRP is viewed as a failure by all intended recipients.”⁴⁷¹

RULE OF LAW AND ANTICORRUPTION

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 State Department Justice Sector Support Program (JSSP), and the State Department Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown 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.⁴⁷²

TABLE 3.24

USAID RULE OF LAW AND ANTICORRUPTION PROGRAMS					
Project Title	Agency	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/30/2013 (\$)
Justice System Support Program II (JSSP II)*	State	5/31/2010	12/31/2014	\$301,971,225	\$152,088,263
Corrections System Support Program (CSSP)*	State	5/1/2010	12/31/2014	198,586,208	171,569,427
Rule of Law Stabilization - Formal Component	USAID	7/16/2012	7/14/2014	22,581,128	19,068,556
Justice Training Transition Program (JTTP)*	State	1/2/2013	7/1/2015	20,000,000	20,000,000
Rule of Law Stabilization - Informal Component	USAID	7/16/2012	3/13/2014	15,651,679	15,080,799
GAPS Anti-Corruption Grant	USAID	6/7/2012	6/6/2014	1,292,379	720,467
Fight Corruption Tooth and Nail	USAID	7/4/2012	7/3/2014	997,000	528,783

Note: *Disbursements as of May 14, 2014.

Sources: USAID, response to SIGAR data call, 7/10/2014; SIGAR analysis of State response to data call, 5/27/2014, 6/3/2014, and 7/16/2014.

SIGAR AUDIT

SIGAR has an ongoing 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; (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.

This quarter, USAID issued a performance evaluation of the third and final phase of RLS-I that ran from July 2012 to March 2014. The review focused on three RLS-I objectives: to strengthen and improve traditional dispute-resolution mechanisms, strengthen linkages between formal and informal justice sectors, and facilitate cooperation to address longstanding, intractable disputes.⁴⁷³ Approximately 76% of direct beneficiaries (those who received RLS-I training) indicated high levels of satisfaction with the training, and many felt their knowledge of Afghan law had improved.⁴⁷⁴ However, 88% of participants reported that female trainers lacked sufficient knowledge of Afghan law, and that training was conducted over too short a period of time.⁴⁷⁵ The review questioned the value of RLS-I sponsored Community Cultural Centers (CCC) that were meant to help distribute booklets and other media produced by RLS-I. The evaluation teams were unable to identify any CCC members despite having been given contact information for CCCs in six provinces.⁴⁷⁶

While the evaluation found that harmful social practices such as *baad*, the practice of exchanging women to settle a dispute, were generally reduced in target communities, it is not entirely clear the degree to which the RLS-I training was responsible for this reduction compared to other possible factors such as training by other programs. Similarly, data from in-depth interviews and focus-group discussions indicated little to no progress towards the resolution of long-standing disputes, with many respondents indicating that such disputes continued to exist with no resolution expected. The quantitative survey data indicated, however, that 58% of indirect beneficiaries, or residents who did not receive training, believed that more long-standing disputes had been resolved in the past two years compared to previously, with only 9% of respondents reporting no change.⁴⁷⁷

The evaluation also found that few cases were referred from the informal justice sector to the formal justice sector, while case referrals from the formal to informal sector were common throughout target provinces. Traditional decision-makers had a generally low opinion of formal justice institutions, while formal justice actors had respect for informal institutions. Respondents including traditional dispute resolution practitioners and formal justice sector actors generally preferred the informal over the formal justice system.⁴⁷⁸ The evaluation concluded that the relationship between the formal and informal systems is largely one-way, with the formal system referring cases to the informal system but the latter not reciprocating.⁴⁷⁹

The State Department's JSSP objectives include developing a case-management system (CMS) to track cases throughout Afghanistan's justice system and building the capacity and administrative skills of ministry officials.⁴⁸⁰ According to the latest JSSP quarterly report, seven of the 34 provinces are actively using CMS, while two provinces received CMS equipment in May.⁴⁸¹ JSSP completed baseline assessments of the Afghan justice ministries this quarter and plans to deliver training, mentoring, technical

advice, and material support to improve transparent justice services and to address areas for improvement identified in the baseline assessments.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.⁴⁸³ In the last quarter, JTTP delivered 46 training courses for 1,098 participants in 17 provinces.⁴⁸⁴

The Supreme Court and the Formal Justice Sector

According to State, there were no notable rulings by the Supreme Court during the quarter.⁴⁸⁵

Afghan Correctional System

According to State, 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. As of May 20, the GDPDC incarcerated 27,827 individuals.⁴⁸⁶

As of April 20, the Ministry of Justice's Juvenile Rehabilitation Directorate (JRD) incarcerated 1,071 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, although reduced by new prison beds added through State-funded prison construction and by significant reductions in prison population due to presidential amnesty decrees. As of May 20, 2014, the total male provincial-prison population was at 279% 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 116% 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 May, a delegation from the Afghan upper house of parliament visited Herat Province to oversee the justice and judicial organs of the province. The delegation found that there are between 3,000 and 4,000 prisoners in the Herat prison, which was built to house 700 to 800 prisoners. The Ministry of Interior reportedly has land to build a new facility but lacks the funding to do so.⁴⁸⁹



CSSP trainee prison guards simulate responding to prisoners out of their cells at the Counter Narcotics Justice Center in Kabul. (CSSP photo)

SIGAR INSPECTION

SIGAR issued an inspection report this quarter on the State Department-funded Baghlan Prison which found that the facility requires extensive remedial action. See Section 2, page 34.

Anticorruption

Afghan anticorruption efforts showed no significant progress during the quarter. State is not aware of any high-level Afghan government officials facing prosecution or investigation during this quarter. The Afghan government continues to prosecute only the lowest-level supervisors and officials below them for corruption.⁴⁹⁰

In June, the Carnegie Endowment for International Peace issued a report on the impact of corruption on international security. Among the findings, the report notes that acute corruption should be understood not as a failure or distortion of government, but as a functioning system in which ruling cliques, best thought of as networks, use selected levers of power to capture specific revenue streams. The effort to capture revenue streams often overshadows activities connected with running a state.⁴⁹¹

Systematic corruption, however, evokes indignation in the populace, making it a factor in social unrest and insurgency.⁴⁹² Afghanistan was singled out as an example of corruption that is relatively structured and where governing systems have been bent to benefit one or a very few networks. According to the report, President Karzai regularly calls his attorney general to influence cases or personally orders the release of suspects from pre-trial detention, quashing the cases against them.⁴⁹³ The report questioned the value of international anticorruption initiatives that let the Afghan system itself take the lead in eradicating corruption, labeling this a “policy oxymoron.”⁴⁹⁴

In June, Integrity Watch Afghanistan issued their national corruption survey. The report was based on interviews with 7,798 men and women across all provinces. Corruption and unemployment tied as the second-greatest challenge facing Afghanistan after security. While 18% of respondents in 2012 faced corruption within the last 12 months, 21% of respondents faced corruption in the 2014 survey. Of those who experienced corruption in the 2014 survey, 65% paid money; the rest experienced some sort of non-monetary corrupt practices such as offering gifts to corrupt actors.⁴⁹⁵ The survey found that the presence of the government in an area increases the interaction with civil servants and, subsequently, increases perceptions of corruption.⁴⁹⁶

In May, the lower house of parliament accused the Kabul mayor of corruption, and the speaker of the lower house said it no longer recognizes the mayor’s authority. The AGO has established a 12-member commission to investigate corruption accusations against the Kabul mayor and some lawmakers. The commission was established following protests against the mayor that halted municipal activities and the receipt of a dossier from the Presidential Palace.⁴⁹⁷

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. According to State, the election made the pursuit of high-level corruption cases less likely.⁴⁹⁸

According to State, the Anticorruption Unit (ACU) of the AGO is able to prosecute lower-level corruption cases but faces obstacles prosecuting higher-level corruption. The ACU has been unreceptive to State and Department of Justice (DOJ) engagement, and suffers from low morale. The ACU has little technical capacity and has demonstrated little interest in developing the techniques to effectively pursue more sophisticated corruption cases. However, it is capable of prosecuting simple cases of graft. The U.S. Embassy Kabul's Office of the Justice Attaché has refocused their assistance on the Internal Control and Monitoring Unit and Financial Dispute Resolution Committee where there is greater receptivity.⁴⁹⁹

The Major Crimes Task Force (MCTF) is the investigatory arm for the AGO internal-control and monitoring unit.⁵⁰⁰ 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. Following the presidential elections, State plans to assess whether the new government has sufficient political will for an effective MCTF. State will examine Afghanistan's anti-corruption initiatives to determine whether Afghanistan enacts financial regulation legislation; whether it brings corruption charges against higher-status and -rank defendants; whether MCTF's resource needs have changed; and how the MOI, AGO, and other Afghan agencies incorporate, or omit, MCTF's role in their anticorruption efforts.⁵⁰¹

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

According to USAID, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) has sufficient technical capacity and political will to address some of the toughest corruption-related questions confronting Afghanistan. State notes, however, that the MEC lacks the authority to do more than call attention to poor or corrupt practices.⁵⁰²

During the quarter, the MEC issued reports on customs, the Supreme Auditing Office, the Afghanistan Telecommunications Regulation Authority, and the Afghan Red Crescent Society.

According to the MEC, Afghanistan loses a substantial amount of its customs revenue due to corruption: almost half of expected revenue was not collected due to smuggling at the borders and some 25% more was lost due to the influence of high-ranking officials and individuals on custom officials. The MEC found that dishonest custom officials and brokers abuse the system of data entry and divert government revenue. The MEC recommended that the Afghanistan Customs Department should develop a technological

mechanism (scanner, barcode, X-ray, etc.) to ensure that data entered into the system by customs brokers and verified by customs officials is accurate. Also, the MEC recommended that the Afghanistan Customs Department reassess activities of brokers involved in custom proceeding, identify abusers, and create a blacklist of those found to be abusing the system.⁵⁰³

In an examination of the Supreme Audit Office (SAO), the MEC found that the SAO's enabling legislation does not include any administrative procedures for reporting or penalizing Afghan government institutions that unjustifiably refuse to implement SAO recommendations. The MEC also found that Afghan government embassies and consulates are audited only every five years, which does not provide for sufficient scrutiny of their activities. The MEC recommended that the SAO, in coordination with the Ministry of Justice, should develop amendments to the Audit Law to provide for administrative procedures to report and penalize institutions that unjustifiably do not implement SAO audit recommendations. Also, the MEC recommended that the SAO audit Afghan embassies and consulates every two years.⁵⁰⁴

In a report on the Afghanistan Telecommunications Regulation Authority (ATRA) and the Afghan Red Crescent Society, the MEC found deficiencies that create opportunities for corruption. The MEC identified a discrepancy in revenues and expenses stated by communication companies in their audit reports versus those provided within tax documents. Communications companies are reporting minimal amounts of revenue and profit within tax documents, thereby creating a low tax burden, which reportedly contrasts with the audited financial statements filed with ATRA. According to the MEC, this raises concerns that corrupt practices are being undertaken. The MEC recommends that the Ministry of Communications, which oversees the ATRA, should share the audit reports of the communication companies with the Ministry for Finance for a comparative evaluation of audit reports and tax documents.⁵⁰⁵

In reviewing the Afghan Red Crescent Society, the MEC identified systemic failure and gaps that can expose vulnerable areas to corruption. The MEC recommended that the Afghan Red Crescent Society adopt a financial and accounting policy and publish it on their website. Also, the MEC recommended that the SAO conduct a financial audit of the Afghan Red Crescent Society.⁵⁰⁶

High Office of Oversight and Anticorruption

State and USAID have reported previously that the High Office of Oversight and Anticorruption (HOO) is dysfunctional, ineffective, and politicized.⁵⁰⁷ Neither State nor DOJ engaged with the HOO during this quarter.⁵⁰⁸

In July, the HOO survived an attempt by the lower house of parliament to dissolve it when the upper house rejected the proposal. The HOO's future will be discussed in a joint commission of parliament.⁵⁰⁹

HUMAN RIGHTS

Human Trafficking

On June 20, State released its annual *Trafficking in Persons Report*. The goal of this report, mandated by Congress, is to stimulate action and create partnerships around the world in the fight against modern-day slavery. Afghanistan's score increased this year to **Tier 2**, which means that while the Afghan government does not fully comply with the Trafficking Victims Protection Act's (TVPA) minimum standards, it is making significant efforts to bring itself into compliance.⁵¹⁰ From 2010 to 2013, Afghanistan's rank was lower, **Tier 2 Watch List**; the last time it was Tier 2 was 2009.⁵¹¹

According to the report, the Afghan government's response to the extensive human trafficking in its country and of its citizens was deficient. While victims of sex trafficking were routinely prosecuted and convicted as criminals for moral crimes, the government failed to hold the vast majority of traffickers criminally accountable for their crimes. Government complicity remained a serious problem and political will to combat the crime was low. The majority of the government's plan to address trafficking was not completed.

There were areas of small improvement, however. During the past year, the government issued a decree directing law-enforcement agencies to cease prosecuting trafficking victims. It also took some limited steps to implement its antitrafficking plan, including through making executive branch efforts to ratify the 2000 UN Trafficking in Persons Protocol. Despite extensive international support of the government's antitrafficking programming, the level of understanding of human trafficking among Afghan government officials remained very low.⁵¹²

The report notes that Afghanistan is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Internal trafficking is more prevalent than transnational trafficking. The majority of Afghan victims are children subjected to human trafficking in carpet-making and brick kiln factories, domestic servitude, and in commercial sexual exploitation, begging, transnational drug smuggling, and assistant truck driving within Afghanistan, as well as in the Middle East, Europe, and South Asia. Most Afghan victims exploited in Iran are boys under age 18 who are compelled to work in forced labor in the construction and agricultural sectors upon their arrival. The majority of Afghan victims in Pakistan are women and girls who are trafficked for the purpose of commercial sexual exploitation, including by forced marriages.⁵¹³

This quarter, SIGAR's Office of Special Projects wrote to several DOD contractors about their recruitment of third-country nationals (TCN) to work at U.S. military bases in Afghanistan. Officials of a large DOD contractor have told SIGAR investigators that more than 2,400 of these TCN workers reported that they had paid recruiters a few hundred to several

Tier 2: Countries whose governments do not fully comply with the Trafficking Victims Protection Act's (TVPA) minimum standard, but are making significant efforts to bring themselves into compliance with those standards.

Tier 2 Watch List: Countries whose governments do not fully comply with the TVPA's minimum standards, but are making significant efforts to bring themselves into compliance with those standards and:

- a) The absolute number of victims of severe forms of trafficking is very significant or is significantly increasing;
 - b) There is a failure to provide evidence of increasing efforts to combat severe forms of trafficking in persons from the previous year; or
 - c) The determination that a country is making significant efforts to bring itself into compliance with minimum standards was based on commitments by the country to take additional future steps over the next year
-

Source: U.S. Department of State, *Trafficking in Persons Report*, 6/20/2014.

thousand dollars each for jobs on Logistics Civil Augmentation Program (LOGCAP) contracts. Such fees violate Federal Acquisition Regulation provisions and the United States' zero-tolerance policy on human trafficking. TCN workers often borrow substantial sums of money at high interest rates in their home countries to pay these recruitment fees. The high levels of indebtedness make it very difficult for the TCNs to leave their jobs. For more information, see Section 2, page 49.

Refugees and Internal Displacement

According to State, there have been no recorded outflows of Afghan refugees and no new developments affecting Afghan refugees in Pakistan or Iran during this quarter. On June 26, the UN High Commission for Refugees (UNHCR) estimated more than 65,000 persons have crossed from Pakistan into Afghanistan's Khowst Province and more than 20,000 in neighboring Paktika Province due to large-scale Pakistani military operations in neighboring North Waziristan. In the first five months of 2014, returns totaled 6,698 individuals, which is 63% lower than the 18,175 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 elections, and the extension of proof-of-registration cards for Afghan refugees in Pakistan. Afghans remain among the largest group of asylum seekers worldwide with 38,653 claims in 2013.⁵¹⁴

As of June 12, UNHCR recorded a total number of 672,736 registered conflict-affected Internally Displaced Persons (IDPs) compared to 654,664 registered IDPs since April 30. According to State, the actual number of internally displaced could be much higher and is difficult to verify.⁵¹⁵

In February, the Afghan government launched a 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 State, the implementation of this policy will require developing substantial capacity that does not currently exist within the Afghan government along with changes in land tenure laws and regulations. Municipal leaders will need to be convinced to allow many, if not most, IDPs to settle in urban areas rather than return to their places of origin. State's view is that the success of the IDP policy depends to a large extent on work done by subnational governments. UNHCR and the Ministry of Refugees and Repatriation have developed an implementation plan that begins with educating actors in key provinces and ministries on their responsibilities. Ideally, provincial-level implementation plans will be completed by the end of 2014 and ready for presentation to possible donors and, to a lesser extent, worked into the national budget.⁵¹⁶

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.⁵¹⁷

This quarter, the AIHRC, along with 11 Afghan civil-society organizations, issued a report on achieving lasting peace in Afghanistan. The report summarizes the views of 4,648 Afghans from all 34 provinces. According to the report, a common theme was the discontent Afghans feel with their government due to corruption, weak rule of law and pervasive impunity for human rights violations.⁵¹⁸ The report found that Afghans seek accountable, transparent, and efficient local government which they view as central to ensuring durable peace. Afghans also reported that the lack of Afghan government presence in remote, insecure, and contested areas is a key driver of the armed conflict. The report recommended that rather than outsource security to local militiamen, the Afghan government should disarm illegal armed groups and pro-government militia.⁵¹⁹ Finally, the report recommended that the Afghan government promote equitable development across Afghanistan, prioritize education, empower Afghan youth, promote an inclusive peace process, reform the Afghan Peace and Reintegration Program, and protect and promote human rights and women's rights.⁵²⁰

ECONOMIC CONTENTS

Key Events	151
Economic Profile	152
Extended Credit Facility Arrangement	155
Banking and Finance	156
U.S. Economic-Support Strategy	160
Development of Natural Resources	163
Agriculture	169
Essential Services and Development	173
Private-Sector Development	178
Transportation	179
Education	180
Health	183

ECONOMIC AND SOCIAL DEVELOPMENT

As of June 30, 2014, the U.S. government has provided nearly \$30.6 billion to support governance and economic and social development in Afghanistan. Most of the appropriated funds flowed into four major programs and accounts, as shown in Table 3.25. Of the \$23.2 billion appropriated for these funds, approximately \$18.4 billion had been obligated and \$15.2 billion disbursed as of June 30, 2014.

TABLE 3.25

CUMULATIVE APPROPRIATIONS FOR AFGHANISTAN DEVELOPMENT, AS OF JUNE 30, 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.

KEY EVENTS

This quarter the Afghan economy continued to grow at a slower rate as a result of political uncertainty and the drawdown of U.S. and Coalition forces.

After being downgraded to “dark gray” status by the international Financial Action Task Force (FATF) last quarter, Afghanistan narrowly avoided being blacklisted as a high-risk, non-cooperative jurisdiction for insufficient progress on improving its anti-money laundering regulations.⁵²¹ Afghanistan’s parliament passed anti-money laundering and anti-terrorist financing legislation in late June, just before FATF’s June plenary meeting deadline.⁵²² A blacklist designation by the 36-member intergovernmental body could have further affected Afghanistan’s banking relationships around the world and weakened its economy.⁵²³

The annual United Nations Analytical Support and Sanctions Monitoring Team report found the Taliban is deriving so much income from narcotics

and illegal mining that its incentive to seek a lasting peace settlement with the Afghan government may have been reduced.⁵²⁴ The political and security transitions—compounded by rising security costs and lower government revenues—are fueling consumer and investor doubts, and slowing economic growth.⁵²⁵ The report added that continuing international economic support to Afghanistan after the transition will be crucial.⁵²⁶

Both houses of parliament passed new mining, anti-money laundering, and combating-terror-financing laws this quarter, which could improve prospects for foreign aid, private investment, and broad-based job creation in Afghanistan.⁵²⁷ Since legislative passage occurred late in the quarter, U.S. implementing agencies could not assess these laws before this report went to press.⁵²⁸ A new banking law remains delayed.⁵²⁹

So far, Afghanistan's domestic revenues in Afghan fiscal year (FY) 1393 (December 21, 2013–December 20, 2014) were 20% lower than Ministry of Finance (MOF) budget targets. Although tax revenues have exceeded those for FY 1392 year-to-date, they still fell short of FY 1393 targets. Non-tax revenues and customs duties fell short of both the amounts collected in FY 1392 (year-to-date) as well as FY 1393 targets.⁵³⁰

During this reporting period, the International Monetary Fund's (IMF) Extended Credit Facility arrangement review and disbursement remain delayed due in part to insufficient Afghan progress toward meeting domestic-revenue collection and legislative requirements. The IMF also issued an updated assessment of the Afghan economy—known as the Article IV Report—its first since November 2011. It concluded that while progress has been made, Afghanistan's economy is vulnerable to political and security-related uncertainty.⁵³¹

Finally, the Afghan government has not held any more individuals accountable for the Kabul Bank scandal, nor has it reported any new cash recoveries this quarter.⁵³²

ECONOMIC PROFILE

Afghanistan's GDP growth has slowed significantly over the last year. The IMF, the World Bank, and the Asian Development Bank (ADB) all projected that Afghanistan's GDP growth (excluding opium production) will fall from a high of around 14% in 2012 to an estimated 3–4% for 2013 due to increasing uncertainty about the volatile political and security environment.⁵³³

With an expected reduction in international aid and spending after 2014, the World Bank projects average real GDP growth at about 5% annually through 2018 under its baseline assumptions. More uncertainty, fueled by insecurity and instability, could further dampen growth. By contrast, Afghanistan's economy grew by an annual average of 9.4% from 2003 to 2012, when it was boosted by international military spending and development assistance.⁵³⁴

Consumer prices were relatively stable over the past two years, with inflation in 2013 calculated at 7.7%, according to the World Bank, compared to 6.3% in 2012.⁵³⁵ The IMF found that Afghanistan's macroeconomic policy is appropriately balanced. Its fiscal policy, financed by donor grants, is also broadly balanced, but the IMF recommends the government do more to increase domestic revenues and improve budget management. To maintain low inflation, Afghanistan's monetary policy should maintain its international reserves, continue to limit money-supply growth, and preserve a flexible exchange rate.⁵³⁶ The IMF said this strategy depends on continued donor assistance pledged at the 2012 Chicago and Tokyo conferences, as well as on Afghanistan's fulfilling its commitments, which "will be critical towards sustaining donors' confidence."⁵³⁷

Fiscal Sustainability

The World Bank describes Afghanistan's fiscal outlook as subpar and likely to delay progress to self-reliance.⁵³⁸ Afghan government expenditures are expected to continue rising, largely due to spending on security, service delivery, building essential infrastructure, and operations and maintenance.⁵³⁹ This will require continued donor financing and improved revenue mobilization.⁵⁴⁰

Afghanistan's fiscal sustainability ratio—domestic revenues versus operating expenses—declined to approximately 57% in the first four months of FY 1393, compared to 60% and 65% in the previous two fiscal years.⁵⁴¹

For the first quarter of Afghanistan's current fiscal year, domestic revenues stood at 23.41 billion afghanis (AFN), versus 22.32 billion AFN for the same quarter of the prior year.⁵⁴² The 4.88% quarter-to-quarter increase in domestic revenues, however, did not keep pace with the World Bank-reported rate of Afghan price inflation, so the actual purchasing-power value of the revenue growth is less than it appears.

The gap between the government's domestic revenues—derived primarily from taxes and custom duties—and integrated budget (**operating budget** and **development budget**) expenditures is large, as depicted in Figure 3.30 on the following page.⁵⁴³ The IMF estimated Afghanistan's financing gap, comprising on and off-budget needs, at \$7.7 billion (33% of GDP) on average, annually through 2018.⁵⁴⁴ 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.⁵⁴⁵

Revenue Generation

Raising domestic revenue is a priority for Afghanistan's fiscal sustainability, according to the IMF.⁵⁴⁶ In the first four months of FY 1393, total domestic revenues increased by 3.6% from the same period in FY 1392, but missed MOF targets by 20%.⁵⁴⁷ Moreover, revenues in FY 1393 have been outpaced by expenditures.⁵⁴⁸

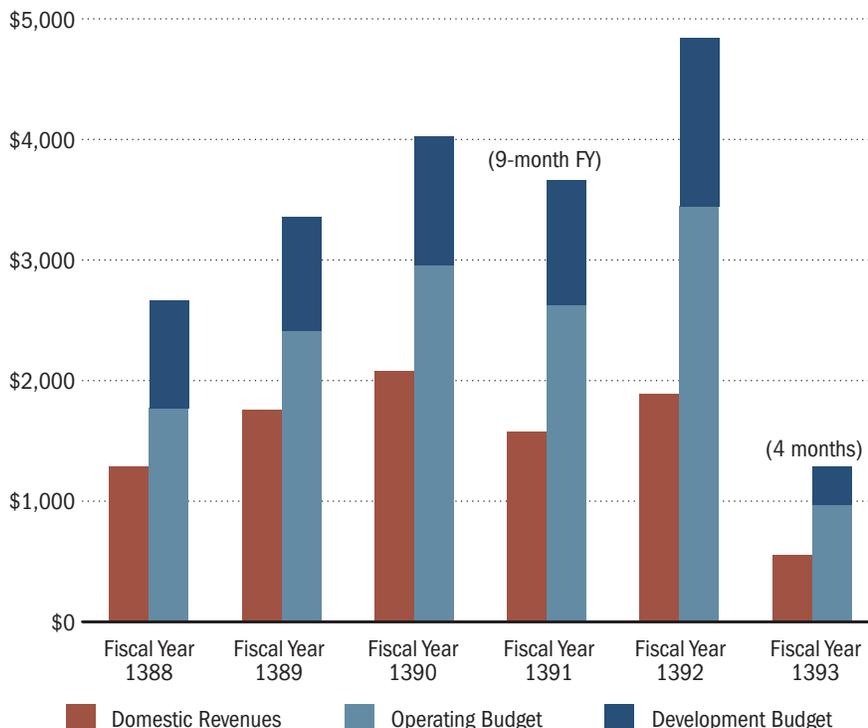
Operating budget: consists mainly of recurrent expenditures, such as salaries for public servants, running costs for ministries, barracks, etc.

Development budget: the government's budget for development projects implemented by government agencies, such as building new schools or roads. These projects are mainly donor-funded.

Source: MOF, "FY 1393 Monthly Fiscal Bulletin, Month 4," 5/25/2014, accessed 7/2/2014.

FIGURE 3.30

AFGHANISTAN'S DOMESTIC REVENUES COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (\$ 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. FY 1393 represents the first four months only. Donor aid covers "fiscal gap" between domestic revenue and budget outlays.

Source: 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; MOF, "FY 1393 Monthly Fiscal Bulletin, Month 4," 5/25/2014, accessed 7/2/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," 2/14/2014, accessed 4/14/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," 5/25/2014, accessed 7/2/2014.

SIGAR AUDIT

A SIGAR audit report published last quarter found that, despite the U.S. allocation of \$198 million to develop Afghan capacity to assess and collect customs revenue, its potential as a stable source of government income remains uncertain.

Revenues as a percentage of GDP have also declined. The World Bank calculated domestic revenues at 9.6% of GDP in calendar year 2013—compared to 10.3% in 2012 and 11% in 2011—as a result of continued government weakness in revenue enforcement as well as the economic slowdown, generally.⁵⁴⁹

The IMF's Chief of Mission for Afghanistan explained in May 2014 that the government's strategy for increasing revenues has four main pillars: improved tax compliance, implementing a value-added tax (VAT), developing the Afghan mining sector, and imposing new taxes in addition to a VAT.⁵⁵⁰ This quarter, VAT legislation passed both houses of parliament and is

awaiting a joint commission to reconcile the legislative differences between them.⁵⁵¹ Once that happens, the IMF said, Afghanistan will need one year to prepare for the tax’s introduction.⁵⁵²

Trade

Afghanistan’s largest trading partner is Pakistan, followed by the United States, the European Union, and regional neighbors.⁵⁵³ Trade-related taxes represented 45% of Afghanistan’s total tax revenues from 2006 to 2013.⁵⁵⁴

Afghanistan Trade and Revenue Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Afghanistan Trade and Revenue	11/7/2013	11/6/2017	\$77,754,267	\$6,367,032

Source: USAID, response to SIGAR data call, 7/10/2014.

The Afghanistan Trade and Revenue (ATAR) Project is USAID’s trade-facilitation program designed to (1) support Afghanistan’s accession to the World Trade Organization (WTO), (2) support bilateral and multilateral regional trade agreements, and (3) improve and streamline the government’s ability to generate revenue.⁵⁵⁵ ATAR is supporting Afghanistan’s WTO accession in 2014, and while Afghanistan is positioned to do so, USAID said the government must resolve laws that are inconsistent with WTO standards and improve ministerial capacity. ATAR is helping the government draft WTO-related legislation and with the market-access negotiations that are part of the WTO-accession process. It is also working with Afghan customs officials to modernize and streamline customs processes.⁵⁵⁶

EXTENDED CREDIT FACILITY ARRANGEMENT

The IMF’s \$129 million **Extended Credit Facility (ECF)** loan agreement signed in November 2011 makes disbursements contingent upon completion of program reviews, as determined by IMF management and its 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, due to missed performance targets, inadequate policy responses to economic shocks, and delays in structural reform.⁵⁵⁷

Weaker-than-expected economic conditions led the IMF to revise the ECF in May 2013 to account for lower revenues, expenditures, and international monetary reserves, while it adjusted money-growth targets to preserve macroeconomic stability. Despite these adjustments and

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 TAFE and ATAR contract documents, the ATAR contract does not require the implementing partner to meet annual targets for the implementation of the systems. USAID said implementation is the responsibility of the Afghan government.

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

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

government-reform efforts, quantitative targets were missed, delays in structural reform persisted, and the expectation of a newly elected government caused further reviews to be postponed. The current ECF expires in November 2014.⁵⁵⁸

SIGAR AUDIT

A January 2014 SIGAR audit concluded that without U.S. assistance, and with only limited World Bank and IMF involvement, the banking sector remains unstable and at risk of further instability, threatening sustainable economic and financial growth.

Loan-to-Deposit Ratio: is used to assess a bank's liquidity 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.

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.⁵⁵⁹

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.⁵⁶⁰ State said Afghanistan's banks also suffer from political interference and lack of oversight.⁵⁶¹ In addition, Afghanistan's existing controls against money laundering and terrorist financing are widely viewed as deficient.⁵⁶²

Many Afghans distrust banks, preferring to borrow and save with family and friends, and to transfer money through informal, trust- or honor-based *hawala* networks.⁵⁶³ Commercial loans plummeted in the wake of the Kabul Bank crisis, according to the World Bank, and the banking sector's **loan-to-deposit ratio** dropped from 56.8% in 2010 to 22.6% in 2013.⁵⁶⁴ Afghans also regularly use foreign currency rather than their national currency, the afghani (AFN), which is depreciating against the dollar.⁵⁶⁵ In early January 2012, a U.S. dollar cost about 49 AFN; on June 30, 2014, it cost about 58 AFN, according to the Afghan central bank.⁵⁶⁶

Banking Law

Afghanistan's new banking law remains pending before parliament.⁵⁶⁷ According to Treasury, failure to enact it will likely lead to weaker financial-sector governance and supervision: Da Afghanistan Bank (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 be no clear legal framework in place for a resolution process.⁵⁶⁸

Money Laundering

The State Department lists Afghanistan as a major money-laundering country and categorizes it as a jurisdiction of primary concern whose "financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes or are particularly vulnerable to such activity

because of weak or nonexistent supervisory or enforcement regimes or weak political will.”⁵⁶⁹ Afghanistan was also ranked as the most vulnerable country at risk for money laundering and terrorist financing, closely followed by Iran, according to a 2013 Basel Institute on Governance study.⁵⁷⁰

Narcotics, corruption, and contract fraud are major sources of the country’s illegal revenues and laundered funds, according to State’s 2014 International Narcotics Control Strategy Report. The report says illegal financial activities “continue to pose serious threats to the security and development of Afghanistan.” This is largely perpetuated by hawala methods of transferring money without moving it. Afghans rely upon hawala networks because of official corruption and weakness in the banking sector. Unlicensed and unregulated hawala brokers in drug-producing areas like Helmand are responsible for much of the money laundering through Afghanistan’s financial system. But Afghan business consortiums that own hawalas and banks are also complicit.⁵⁷¹

Financial Action Task Force

The **Financial Action Task Force (FATF)** held its latest plenary meeting June 25–27, 2014, noting that Afghanistan had taken steps toward improving its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime. Afghanistan was moved off the list of jurisdictions not making sufficient progress—FATF’s “dark-gray” list—and placed on the Improving Global AML/CFT Compliance: On-Going Process or “gray” list.⁵⁷²

Afghanistan’s parliament passed anti-money laundering legislation on June 24, just one day before FATF’s June plenary meeting deadline; President Karzai signed it into law on June 25, the first day of the plenary.⁵⁷³ Parliament also passed anti-terrorist financing legislation on June 25, and President Karzai signed it on July 3—six days after the plenary ended.⁵⁷⁴ Although FATF was not able to thoroughly review the legislation before the plenary given its last-minute parliamentary passage, it determined that Afghanistan had made progress. FATF will evaluate compliance standards and implementation of Afghanistan’s AML/CFT laws during its next plenary in October 2014.⁵⁷⁵

A majority of Afghan banks have been affected either by closure or restriction of one or more of their **correspondent accounts**, and are at risk of future closures due to deficiencies in Afghanistan’s AML/CFT regime and in bank compliance processes.⁵⁷⁶ Treasury said international banks have moved to reduce their compliance risks in response to a less forgiving regulatory environment. However, Treasury expects that some key correspondent accounts will be maintained.⁵⁷⁷

This quarter, Aktif Bank in Turkey reportedly closed U.S. dollar accounts it was holding for Afghan banks.⁵⁷⁸ Media reports also quoted Afghan central bank officials who said Chinese banks have halted dollar transactions with Afghan banks, making it difficult for businesses to pay

“Afghanistan is not capable of independent and sustainable financial investigation without international assistance at the present time; additional mentoring and training is needed in this critical area post-2014.”

Source: DEA, response to SIGAR data call, 6/30/2014.

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.

Correspondent Accounts: Accounts established by a financial institution of one country so it can take deposits or make payments through the financial system of another country, and make use of products and services that may not be available in its own jurisdiction.

Sources: Financial Action Task Force website, “Who We Are,” accessed 4/2/2014; Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering InfoBase, “Correspondent Accounts (Foreign)—Overview,” accessed 10/1/2013; Financial Crimes Enforcement Network, Factsheet: Section 312 of the USA PATRIOT Act Final Regulation and Notice of Proposed Rulemaking,” 12/2005, accessed 7/18/2014.

for imports.⁵⁷⁹ However, China’s state-owned news agency called the report “utterly groundless.”⁵⁸⁰

A FATF blacklisting does not trigger mandatory severance of correspondent banking relationships, but in extreme cases where the international financial system is deemed threatened—as with Iran and North Korea—FATF members may be asked to apply financial countermeasures, such as rejecting correspondent relationship requests from high-risk countries to open branches and subsidiaries in their jurisdictions.⁵⁸¹

The loss of correspondent accounts could potentially damage the profitability of Afghan banks for which international trade and transaction fees are an important revenue source, and some banks have become more selective in accepting new customers in the tighter regulatory environment. Treasury said any increased difficulty for Afghan customers in gaining access to banks with correspondent relationships could disrupt normal trade and financing. Treasury also said the economic consequences of lost correspondent accounts could be severe, although difficult to predict.⁵⁸²

The Kabul Bank

Afghanistan’s Attorney General’s Office (AGO) filed no new charges, launched no new prosecutions, and indicted no additional beneficiaries since the Special Tribunal of the Supreme Court issued its judgment of 21 individuals charged with fraud on March 5, 2013, despite both primary and appellate court orders to do so or explain why it did not.⁵⁸³ State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) noted these beneficiaries have millions of dollars worth of assets that could be subject to forfeiture.⁵⁸⁴

The U.S. Department of Justice (DOJ) attaché in Kabul again raised the issue of pursuing additional prosecutions with the Attorney General this quarter, to no avail. Scheduled meetings have been repeatedly cancelled—a pattern that has extended to other senior U.S. Embassy officials.⁵⁸⁵

On March 16, 2013, the AGO appealed the verdict of all 21 cases, including the two leaders of the fraud, ex-chairman Sher Khan Farnood and ex-CEO Khalilullah Ferozi, who were given modest five-year prison sentences and required to pay only partial restitution.⁵⁸⁶ DOJ believes the primary court’s verdict revealed a fundamental misunderstanding of the crime, most notably the mistaken belief that money laundering did not occur.⁵⁸⁷ The appellate court’s decision is still pending.⁵⁸⁸

This quarter, DOJ reported that the lead AGO prosecutor on the appeal said he does not intend to convene the court-ordered meeting at which uncharged shareholders—together with Farnood and Ferozi—were to meet with prosecutors and the Kabul Bank receiver to resolve disputes over defendants’ monetary liabilities, until after a new administration is in place.⁵⁸⁹ In April, DOJ met with the Chief Justice of the Supreme Court and asked what Afghan law required the appellate court to resolve accounting

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.

Source: Independent Joint Anti-Corruption Monitoring and Evaluation Committee, *Report of the Public Inquiry Into the Kabul Bank Crisis*, 11/15/2012, pp. 2, 9.

issues prior to rendering a verdict of guilt or innocence. According to DOJ, the Chief Justice responded as if a different question had been asked.⁵⁹⁰

Limited Cash and Asset Recoveries

During this reporting period, no new information was available on recoveries of money stolen from the Kabul Bank.⁵⁹¹ Total recoveries remain \$174.5 million—less than 20% of stolen funds—as of September 30, 2013, according to Afghanistan’s central bank, which is the sole source of that information.⁵⁹² DOJ cautioned that the Afghan government may claim that it should be credited with recovering an additional \$24 million from the sale of Pamir Airlines, which was owned by Kabul Bank shareholders, to Ariana Afghan Airlines Co. Ltd., a wholly government-owned entity.⁵⁹³ DOJ said there is no indication that Ariana actually needed the additional airplanes, and one of the recently transferred planes, a Boeing 737, promptly crashed at Kabul International Airport. There were no serious injuries, but the airplane was a complete loss and the crash caused roughly \$600,000 in damage to the airport’s flight-control equipment.⁵⁹⁴

DOJ was not aware of any new or additional repayment plans, or of punitive measures taken by the AGO this quarter, against those who are failing to fulfill the terms of existing repayment plans. However, the commercial tribunal convened to assist civil recovery efforts has reportedly issued an order to banks and municipalities to freeze the assets of 52 Kabul Bank loan beneficiaries. Banks have complied with the requests, but municipalities have not. When Kabul Bank Receiver representatives attempted to enforce the order in Mazar-e-Sharif, they were driven away at gunpoint.⁵⁹⁵ Although some individuals within the Afghan government are serious about Kabul Bank accountability, DOJ said the general will among the political elite and senior leadership is “grossly lacking” and their efforts have been “lackluster at best.”⁵⁹⁶ The government has failed to take “all possible steps” to recover stolen assets, as called for in the “hard deliverable” indicators of the Tokyo Mutual Accountability Framework.⁵⁹⁷ DOJ repeatedly suggested to the AGO and senior government officials steps that could have been taken but were ignored, including:⁵⁹⁸

- providing recipients of the original mutual legal-assistance requests with copies of the Special Tribunal’s verdict, and requesting the freezing of assets based on those convictions
- indicting the remaining beneficiaries (as ordered by both the primary and appellate court) and issuing accompanying orders to freeze their domestic assets
- designating a team of attorneys and/or specialists dedicated to asset tracking and recovery, and authorizing them to work freely with international counterparts

Enforcement of asset recovery and accountability for those responsible for the Kabul Bank crisis are Afghan commitments under the Tokyo Mutual Accountability Framework and IMF agreements.

Source: Tokyo Conference on Afghanistan, *Tokyo Mutual Accountability Framework*, 7/8/2012, accessed 7/4/2013; IMF, 2014 Article IV Consultation—Staff Report; Press Release; And Statement By The Executive Director For The Islamic Republic Of Afghanistan, 5/2014.



A jetliner transferred to the Afghan government-owned airline lies wrecked at Kabul’s airport. (FAA photo)

- identifying and confiscating all domestic assets belonging to ex-chairman Sherkhon Farnood and ex-CEO Khalillullah Ferozi, in fulfillment of the primary court’s restitution order

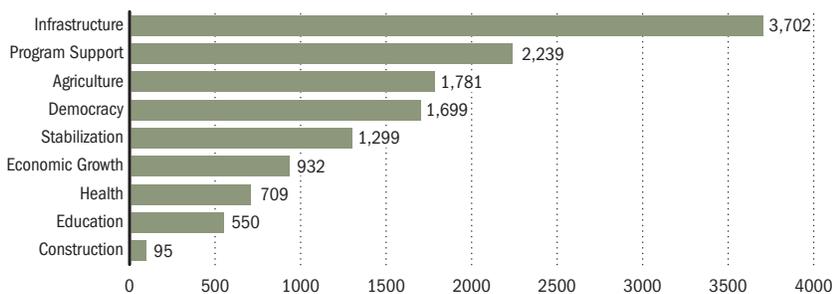
U.S. ECONOMIC-SUPPORT STRATEGY

The economic-transition strategy in Afghanistan 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.⁵⁹⁹ The United States uses policy advocacy, provides technical assistance, and supports efforts by multilateral institutions like the IMF and World Bank to help Afghanistan increase domestic revenue. According to State, U.S. economic strategies are coordinated at an interagency level through the National Security Council.⁶⁰⁰

Most assistance from the Economic Support Fund (ESF) goes toward USAID’s development programs. Figure 3.31 shows USAID assistance by sector.

FIGURE 3.31

USAID DEVELOPMENT ASSISTANCE, AS OF JUNE 30, 2014 (\$ MILLIONS)



Notes: Numbers have been rounded. 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, 7/10/2014.

USAID is targeting its economic and agricultural programming in four regional economic zones centered on major municipalities, markets, and trade routes. Stabilization and subnational governance programs will focus on areas in and around the zones to protect against destabilizing forces. Water management, education, health, and governance activities will remain national in scope.⁶⁰¹

As shown in Figure 3.32, the eastern zone stretches from the Torkam Gate, which provides access to Pakistan, through Jalalabad, and on toward Kabul. The northern zone continues north from Kabul toward Kunduz and

SIGAR SPECIAL PROJECT

This quarter, SIGAR’s Office of Special Projects provided USAID with an analysis of the 19 contracts USAID has terminated in Afghanistan since 2008. SIGAR suggested that USAID assess its current process for terminating contracts, in order to safeguard against the reflexive use of terminations for convenience in situations where a termination for default would be warranted and typically less costly to the U.S. government. For more information, see Section 2, page 43.

FIGURE 3.32

USAID REGIONAL ECONOMIC ZONES



Source: USAID, response to SIGAR data call, 6/30/2014.

Balkh, through Mazar-e-Sharif, ultimately connecting with Afghanistan’s northern neighbors, Tajikistan, Uzbekistan, and Turkmenistan. The western zone centers on Herat and is organized in a “hub and spoke” configuration that is favorable to cross-border trade. The southern zone connects Helmand with Kandahar, reaches into Pakistan through the Spin Boldak gate, and connects to Kabul and Herat via the ring road.⁶⁰²

These zones already contain most economic activity in Afghanistan, having a skilled workforce; access to transportation, energy, and water infrastructure; connections to domestic and international markets; agricultural and mineral resources; and entrepreneurs and financing to expand small and medium enterprises. USAID programs will leverage the potential and comparative advantages of each zone.⁶⁰³

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, the United States has been gradually increasing the amount of development assistance it

provides on-budget to the Afghan government, but in FY 2012 and FY 2013 did not reach the 50% threshold pledged at Tokyo.⁶⁰⁴

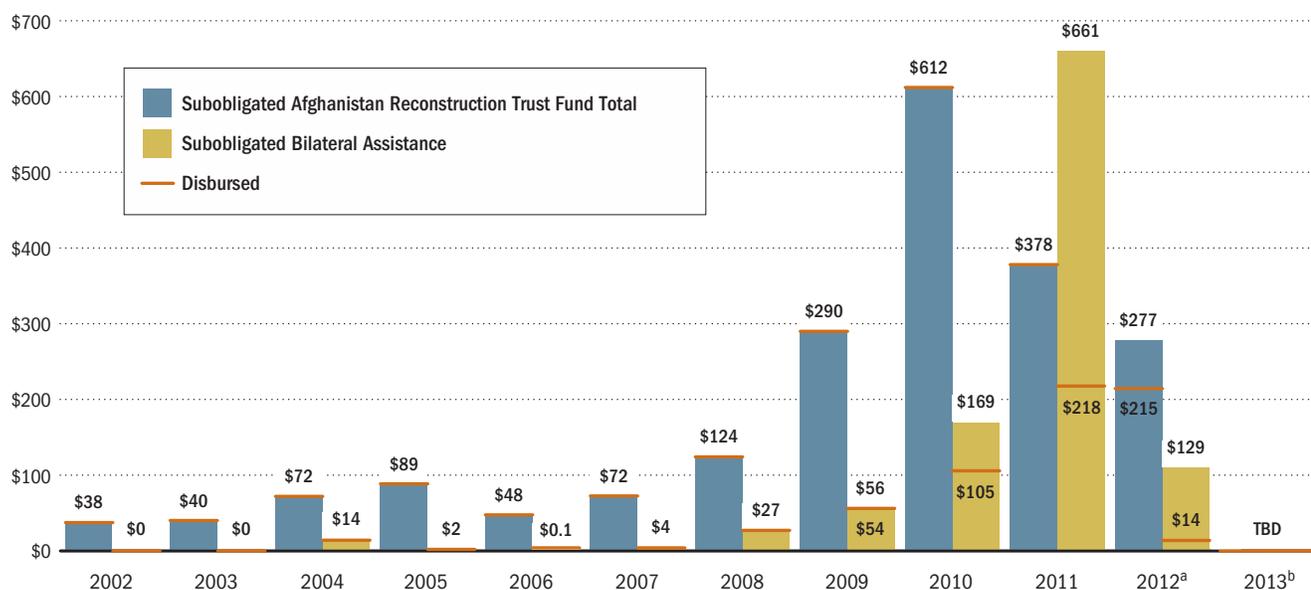
Most U.S. government agencies include as on-budget assistance both (1) direct, bilateral or government-to-government transfers, and (2) contributions to multilateral trust funds such as the Law and Order Trust Fund for Afghanistan (LOTFA), the Afghan Reconstruction Trust Fund (ARTF), and the Afghanistan 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 its control.⁶⁰⁵

By contrast, a large part of public expenditure in Afghanistan is off-budget, directed entirely by international donors or nongovernmental organizations, with no role for the Afghan government. See page 69 for details about all U.S. on-budget funding to Afghanistan.

This quarter, USAID obligated approximately \$86 million and disbursed \$279 million in on-budget assistance, including ARTF, from prior fiscal-year funds. Cumulatively, USAID has obligated \$3.09 billion and disbursed \$2.42 billion in on-budget assistance, as of June 30, 2014, as shown in Figure 3.33.⁶⁰⁶

FIGURE 3.33

USAID ON-BUDGET ASSISTANCE SUBOBLIGATED AND DISBURSED, FY 2002-FY 2013, AS OF JUNE 30, 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 June 30, 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, 7/10/2014.

DEVELOPMENT OF NATURAL RESOURCES

The United States, the Afghan government, and the international donor community count on 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.⁶⁰⁷

The World Bank estimates annual extractive-sector revenues could reach between \$0.7 billion and \$1.5 billion by 2022–2024.⁶⁰⁸ However, the United States Institute for Peace warned that revenue projections from mineral extraction are often difficult to make with any accuracy, given commodity-price fluctuations and uncertainty whether identified resources can be fully extracted. Moreover, the government will not necessarily receive the full value of Afghanistan's mineral wealth in revenues.⁶⁰⁹

SIGAR has long cautioned that the Afghan government may not be able to earn substantial revenues from Afghanistan's natural resources any time soon because of the considerable infrastructure investment required to develop them, especially given the difficult security environment.

In addition, the Revenue Watch Institute gave Afghanistan a failing grade in 2013 for its minimal oversight of the mining-licensing process and of state-owned mining companies. It said lawmakers do not receive regular reports on licensing decisions, which cannot be appealed, and are denied access to certain major mining contracts deemed confidential. Allegations that members of the executive and legislative branches benefit from contracts won by relatives cannot be confirmed; Afghanistan's Audit and Control Office does not specifically review resource revenues, and the reports it does prepare are not published.⁶¹⁰

An Integrity Watch Afghanistan report this quarter compared Afghanistan's governance of its mining-industry to best practices in six countries in order to help highlight Afghanistan's opportunities and challenges. It found that corruption is a major investor concern in Afghanistan, and that mining-sector transparency—in licensing process, tax and royalty data, distribution of funds, and public access to information—along with good governance were essential to sustainable development that benefits the public.⁶¹¹

New Minerals Law

The *Wolesi Jirga*—Afghanistan's lower house of parliament—passed a new minerals law on May 3, 2014, followed by the *Meshrano Jirga*—the upper house—on July 1.⁶¹² The president has not yet signed it. The law is meant to better protect Afghan resources, encourage investors, and align regulations to international best practices. As currently written, however, the law requires mining companies to give preference to Afghan labor and

to prioritize purchasing Afghan, rather than foreign goods. These provisions do not comply with WTO rules and could deter private investment.⁶¹³ Moreover, the World Bank assessed large gaps in the quality and availability of local Afghan goods and services needed for the extractives sector.⁶¹⁴

The Task Force for Business and Stability Operations (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.⁶¹⁵ TFBSO believes, but cannot confirm, that the lower house-passed version includes that linkage. Other investor concerns include the right to transfer licenses from one company to another if the original company is purchased—a standard practice in the mining community—and the critical ability to transfer funds in and out of the country through a functional banking system.⁶¹⁶

Passing a new law is an important Tokyo Mutual Accountability Framework benchmark to improve Afghanistan's revenues and overall fiscal and external sustainability.⁶¹⁷ The law must still be approved by the president.⁶¹⁸

Impediments to Investment

The delayed new mining law, TFBSO notes, is not the only impediment to investment in Afghanistan's extractive industries.⁶¹⁹

Private mining companies are concerned about the country's lack of security. There is also a lack of available capital in the mining industry. Commodity prices, including for copper, gold, natural gas, and other fuels, are expected to be flat or declining over the next 12 months, giving investors less incentive to invest in riskier countries.⁶²⁰

A number of contracts remain unsigned this quarter, including Shaida (copper, awarded in November 2012); Badakhshan (gold, November 2012); Balkhab (copper, November 2012); and Zarkashan (gold, December 2012).⁶²¹ These are exploration contracts that were negotiated under the existing minerals law and do not contain extraction rights. TFBSO reported these contracts have twice been submitted by the Ministry of Mines and Petroleum (MOMP) for cabinet consideration, but with no action taken.⁶²²

There is also no reported change in contract negotiations for the Hajigak iron-ore concessions this quarter.⁶²³ 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.⁶²⁴ News reports indicate that AFISCO is considering cutting its initial investment from \$11 billion to \$1.5 billion, and that they are waiting for approval of the new mining law.⁶²⁵

Currently there is no work under way at the Mes Aynak copper mine in Logar Province other than continuing archeological mitigation of cultural relics in the area.⁶²⁶ TFBSO suspects other factors contributing to the delay

include unwieldy contract terms, volatility in the minerals market, and China's penchant for arranging mineral projects, then "shelving" them for future use.⁶²⁷ The Afghan government awarded the contract for extraction rights at Mes Aynak in 2008, but its hoped-for royalties have not yet been realized.⁶²⁸ Afghanistan's FY 1393 national budget does not anticipate any revenue from Aynak; the FY 1392 budget had projected \$50 million that never materialized.⁶²⁹

Illegal Mining

The majority of mines operating in Afghanistan, 1,400 by some estimates, are unlicensed and illegal.⁶³⁰ The lack of proper government regulations and licensing rules is one contributing factor. Illegal mines operate with little or no regard for worker health and safety, and without proper procedures for extraction, placing workers at tremendous risk of injury or death. Workers in these mines also have limited or no recourse if injured or unpaid. Additionally, the government misses out on royalty, tax, and land-rent revenues. Often, extracted minerals are sold on the black market to insurgent groups or other buyers at much lower prices than if they were sold legally.⁶³¹

The United Nations (UN) reported that Taliban income derived from narcotics and illegal mining allow it to resist a lasting peace settlement with the Afghan government, while denying the government much-needed revenue.⁶³² In Helmand, for instance, the Taliban were expected to receive \$50 million from the May 2014 poppy harvest alone and \$10 million annually from operating 25–30 illegal marble-mining sites in the province. In contrast, Afghanistan's official marble industry generates \$15 million in annual government revenue.⁶³³

Combating illegal mining is difficult, given that it is often done on family or tribal land whose owners claim rights to its resources. Also, the workers employed by these mines might otherwise join the insurgency as a means of financial support. Moreover, TFBSO said the government's limited number of capable staff is not focused on small, artisanal mining operations at this time.⁶³⁴

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

The United States continued to provide technical assistance this quarter to the MOMP, the ministry's Afghanistan Petroleum Authority (APA), and the Afghan Geological Survey (AGS), largely through TFBSO and the U.S. Geological Survey. These organizations are supporting mineral and hydrocarbon tenders as well as oil-and-gas data management. This quarter, the U.S. Geological Survey continued its 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.⁶³⁵

TFBSO also continued its subject-matter-expert support to the APA—technical (oil and gas engineering), legal (contract implementation), and financial (accounting and analysis) services; classes on exploration and production-sharing contracts; and on-the-job training, as needed. On-the-job training topics include contractor communication (email and letter writing); work program and budget analysis; market research; and health, safety, and environment protection.⁶³⁶

TFBSO awarded a grant to the Missouri University of Science and Technology—partnered with the University of Nebraska, Omaha, and Turkey’s Middle East Technical University—to train Kabul Polytechnic University faculty in geology and mining exploration. This grant will help Kabul Polytechnic University develop curricula and provide professional development.⁶³⁷ Finally this quarter, TFBSO facilitated evaluation by Afghanistan’s inter-ministerial evaluation committee for two cement tenders.⁶³⁸ TFBSO obligated \$10.7 million in FY 2014 for mining-sector development, as of June 30, 2014.⁶³⁹ TFBSO’s authority is scheduled to expire at the end of 2014.⁶⁴⁰

USAID is funding ongoing technical assistance to the APA with training this quarter focused on natural-gas processing and gas-utility business methodologies, and gas-well drilling operations and maintenance. These capacity-building efforts are expected to continue through March 2015.⁶⁴¹

Mining Investment and Development for Afghan Sustainability

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Mining Investment and Development for Afghan Sustainability	03/31/2013	03/31/2017	\$41,670,943	\$7,525,325

Source: USAID, response to SIGAR data call, 7/10/2014.

SIGAR AUDIT

An ongoing SIGAR audit focuses 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.

USAID’s only mining program, the Mining Investment and Development for Afghan Sustainability (MIDAS), has 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.⁶⁴² As of June 30, 2014, USAID had obligated \$16 million and disbursed approximately \$5.72 million to begin off-budget implementation.⁶⁴³

This quarter, MIDAS held several workshops for MOMP, USAID, and U.S. Embassy Kabul officials on legal and regulatory reform. MIDAS also identified three drilling locations in northern Afghanistan that could be ready for

near-term exploration or extraction, and provided training to AGS geologists and small-to-medium enterprises.⁶⁴⁴

Capacity of the Ministry of Mines and Petroleum

The MOMP has capacity, monitoring, and oversight weaknesses, according to TFBSO. A small group of knowledgeable and capable, yet overworked, employees do most of the work. Although several key mid-level MOMP staff left after months of not getting paid, TFBSO believes incremental progress is still being made at the ministry.⁶⁴⁵

The MOMP has either taken the lead or is close to taking the lead in tender evaluation, contract negotiation, and awards. However, there is no formal capacity-building program in place other than the AGS training described on page 165. Monitoring and oversight will be crucial as mineral exploration contracts are signed; TFBSO recommended that USAID focus its MIDAS program in these areas. TFBSO views effectively managing existing tenders as more important than offering new ones.⁶⁴⁶

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.⁶⁴⁷ 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.⁶⁴⁸

Despite 75 billion cubic meters of known natural gas reserves and an estimated 444 billion cubic meters in **undiscovered but technically recoverable reserves**, Afghanistan's gas sector is "mired with infrastructure and regulatory deficits," according to the ADB. The ADB said capital investments from public- and private-sector funding are needed to help Afghanistan overcome its challenges and realize its resource potential. Currently, Afghan Gas Enterprise, the national gas utility, produces approximately 380,000 cubic meters per day from four gas fields it owns and operates, nearly all of which is supplied to the Northern Fertilizer and Power Plant.⁶⁴⁹

Amu Darya Basin

The three blocks of the Amu Darya Basin awarded to the China National Petroleum Corporation Watan Energy Afghanistan in 2011 are estimated to contain 87 million barrels of crude oil.⁶⁵⁰ One of the three blocks has infrastructure in place to begin producing 5,000 barrels per day. Production was stalled but restarted this quarter, averaging 35,000 barrels per month (or 1,141 per day) from March to May 2014.⁶⁵¹

So far, the government has received \$1.8 million in royalties from this award.⁶⁵² A \$500,000 royalty payment was due the Afghan government on

Undiscovered, technically recoverable resources: model-based assessments based on geophysical, geological, technological, and economic information.

Source: U.S. Bureau of Ocean Energy Management, "Assessment of Undiscovered Technically Recoverable Oil and Gas Resources of the Nation's Outer Continental Shelf, 2011," 11/2011, accessed 7/10/2014.

May 31, 2014, but had not been paid as of July 1. The government expects about \$60,000 per day from the basin at full production.⁶⁵³

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.⁶⁵⁴ The contract area contains 28 billion cubic meters of reserves in two known gas fields and more than 50 proven and prospective subsurface structures.⁶⁵⁵ Two international/Afghan consortiums submitted bids this quarter. The MOMP expects to announce the winning bid and sign a contract in late summer 2014.⁶⁵⁶ TFBSO provided tender-preparation assistance to the MOMP, as well as technical, legal, commercial, and transparency advisory services.⁶⁵⁷

Independent Power Producer Program

Seeing a need to leverage Afghanistan's natural gas to generate domestic power, reduce power imports, and promote economic growth, TFBSO performed due diligence on several independent power producers this quarter and connected them with Afghan government officials. A U.S.-based private-investor consortium was chosen to build, own, and operate a 16 MW capacity modern natural-gas power plant adjacent to the Northern Fertilizer and Power Plant in Mazar-e-Sharif. The investors will buy approximately 110,000 cubic meters of natural gas per day from Afghan Gas Enterprise, produce electricity through high-efficiency natural gas generators, and sell the plant's full electricity production to Afghanistan's national utility company, Da Afghanistan Breshna Sherkat (DABS).⁶⁵⁸

TFBSO believes in-country independent producers will reduce imported power in the Mazar-e-Sharif region from \$48 million to \$34 million annually; that the investors will be able to sell reliable electricity to DABS at prices competitive with imports; that reliable power will promote industrial development; and that the additional domestic power can increase Afghanistan's GDP by an estimated \$140 million annually.⁶⁵⁹

Sheberghan Program

Gas reserves in northern Afghanistan are estimated to be capable of generating up to 10,000 MW hours per year for 25 years, according to USAID. A study will be completed later this year.⁶⁶⁰ Sheberghan holds the potential for cheap natural gas and could be competitive with imported power from Uzbekistan, according to the World Bank.⁶⁶¹ Both USAID and TFBSO have active programs in the area.⁶⁶²

USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation through two mechanisms: the \$90 million, on-budget Sheberghan Gas Development Project (SGDP), and the \$35 million, off-budget Sheberghan Gas Generation Activity (SGGA).⁶⁶³ USAID will pay \$30 million on budget through SGDP to rehabilitate two wells and drill one well in the Juma and Bashikurd field in

the Amu Darya Basin. An additional \$7 million will come from Afghanistan's national budget.⁶⁶⁴ Drilling is scheduled for July/August 2014.⁶⁶⁵ If the gas wells have sufficient capacity to fuel a 200 MW gas 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.⁶⁶⁶

The off-budget SGGA component will 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.⁶⁶⁷ As of June 30, 2014, approximately \$23 million has been obligated, of which more than \$14.8 million was disbursed.⁶⁶⁸

TFBSO is helping Afghan Gas Enterprise rehabilitate the existing 55.4 mile Sheberghan to Mazar-e-Sharif pipeline, and improve the pipeline's capacity as well as the quality of the gas flowing through it. The pipeline currently transports 380 million cubic meters of natural gas per day and is expected to increase to 680–960 million cubic meters per day upon project completion.⁶⁶⁹

Compressed Natural Gas

TFBSO is helping Afghanistan develop a compressed natural-gas (CNG) industry. It constructed a CNG station in Sheberghan (CNG #1), which was awarded to a private operator: Qashqari Oil and Gas Services began operating CNG #1 independently on May 12, 2014. Qashqari also won the right of first refusal for a CNG station in Mazar-e-Sharif (CNG #2), which TFBSO is now developing.⁶⁷⁰

AGRICULTURE

Agriculture continues to be the main source of employment and subsistence for the Afghan population. Only 12% of the land is arable and cultivated areas are substantially less, 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.⁶⁷¹ Given its importance, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.⁶⁷²

Between FY 2002 and FY 2012, USAID provided approximately \$2.46 billion for agricultural and alternative development funding to improve production, increase access to markets, and provide alternatives to poppy cultivation.⁶⁷³ Of that, USAID has obligated and disbursed \$54 million in direct assistance to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL).⁶⁷⁴

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

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

Alternative Development Programs

USAID's Alternative Development (AD) programs aim to promote licit crop production where poppy has been or is currently cultivated. However, AD efforts are not sufficient to reduce poppy cultivation directly because that would require improved security and the Afghan government's commitment to eradicate poppy, especially in areas where viable economic alternatives exist. Therefore, USAID said AD projects do not directly measure changes in poppy-cultivation levels.⁶⁷⁵

AD programs measure indicators such as the percentage increase in household income from licit agriculture in targeted areas; the number of households benefited by alternative development interventions in targeted areas; and the number of farmers growing high-value crops as a result of U.S. assistance. The Kandahar Food Zone (KFZ) does not receive AD funding and uses indicators of reduced poppy cultivation in its targeted areas to measure progress.⁶⁷⁶

USAID's AD assistance is not conditioned on community or household commitments to abstain from poppy cultivation. USAID assumes that once alternative high-value and economically competitive licit crops produce income, rural households would be more willing to stop poppy production.⁶⁷⁷ USAID said AD interventions and poppy cultivation are not necessarily exclusive. For example, farmers can grow high-value vegetables in the summer and poppy in the winter. Furthermore, converting land used for poppy to less labor-intensive crops such as wheat has had the unintended consequence of displacing sharecroppers and landless laborers, some of whom have migrated to areas outside of government control to continue growing poppy.⁶⁷⁸

Five Active Projects Receive Alternative Development Funding

1. Regional Agricultural Development Program-South (RADP-S)
2. Regional Agricultural Development Program-West (RADP-W)
3. Regional Agricultural Development Program-North (RADP-N)
4. Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW)
5. Commercial Horticulture and Agricultural Marketing Program (CHAMP)

Regional Alternative Development Programs aim to accelerate regional economic growth and provide alternative income sources for those who currently depend on illicit activities. Program activities include cash-for-work programs, developing livestock and horticulture, supporting business development, and improving infrastructure.

Sources: USAID, response to SIGAR data call, 6/30/2014; USAID, Alternative Development Programs/Northern Region, 8/22/2013; USAID, Alternative Development Programs/Southern Region, 8/22/2013.

Agricultural Credit Enhancement and Agricultural Development Fund

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Agricultural Credit Enhancement	7/15/2010	1/15/2015	\$75,175,296	\$67,656,768
Agriculture Development Fund	7/18/2010	12/31/2014	\$74,407,662	\$54,000,000

Source: USAID, response to SIGAR data call, 7/10/2014.

The Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE) are two complementary activities that aim to support MAIL's efforts to provide credit and build ADF staff capacity to manage a credit program. ADF was established to provide loans across the agricultural value chain through banks, farm stores, leasing companies, and food processors. Much of this credit is then extended to farmers. ACE is a technical-assistance component that manages all ADF lending activities and helps build MAIL capacity.⁶⁷⁹

As of April 30, 2014, ADF's loan portfolio was \$91.8 million, and loans disbursed were \$44.5 million, with \$24.5 million repaid. Another 21 loans are in the pipeline. According to USAID, the 4.65% of its portfolio was at risk, which is within the standard acceptable rate in developed countries. ADF has provided direct loans to 23,068 farmer households through farmer associations and networks.⁶⁸⁰

Incentives Driving Economic Alternatives-North, East, and West

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Incentives Driving Economic Alternatives-North, East, and West	3/2/2009	2/28/2015	\$159,878,589	\$143,385,995

Source: USAID, response to SIGAR data call, 7/10/2014.

Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW) is a cooperative-agreement project that provides agricultural assistance to farmers and agribusinesses in eastern, northern and western provinces. IDEA-NEW promotes high-value, legal agricultural production that can serve as an alternative to poppy cultivation 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.⁶⁸¹

Commercial Horticulture and Agricultural Marketing Program

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Commercial Horticulture and Agricultural Marketing Program	2/1/2010	12/30/2014	\$40,320,241	\$36,489,341

Source: USAID, response to SIGAR data call, 7/10/2014.

The Commercial Horticulture and Agricultural Marketing Program (CHAMP) aims to displace poppy cultivation by helping farmers plant and operate more profitable orchards and vineyards, and 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.⁶⁸³

Under the program's Cooperative Agreement, extended until December 2014, CHAMP has shifted to a value-chain approach that emphasizes post-harvest handling and market activities. CHAMP carries out activities throughout five main value chains (grapes, almonds, pomegranates, apricots, and apples) and one subvalue chain (melons).⁶⁸⁴

Kandahar Food Zone

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Kandahar Food Zone	7/31/2013	7/30/2015	\$18,695,804	\$3,876,000

Source: USAID, response to SIGAR data call, 7/10/2014.

Although the Kandahar Food Zone (KFZ) program is one year into implementation with only one year to go, less than 21% of committed funds have been disbursed, raising questions about the program's implementation.⁶⁸²

The Kandahar Food Zone (KFZ) program is designed to identify and address the drivers of poppy cultivation in seven targeted districts, which represent 89% of total poppy cultivation.⁶⁸⁵ KFZ 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.⁶⁸⁶

USAID reported that the KFZ office in Kandahar was closed from February 27 to March 19, 2014, because the Afghan Public Protection Force (APPF) had not fulfilled its contractual obligations to provide uniforms and weapons to its guards, forcing the Kandahar office staff to work from home.⁶⁸⁷ As noted in the Security section of this report, the APPF is currently in a state of transition; it is uncertain who will be providing these types of security services in the future. For more information, see Security, page 90.

In this reporting period, the Kandahar provincial governor approved concept notes for 13 projects: two dams and 11 irrigation canals. By the end of May 2014, the provincial governor had approved only one of 29 alternative-development concept notes. These projects are expected to address the lack of irrigation water, which has been identified as one of the root causes of farmers' turning to poppy cultivation.⁶⁸⁸

Other Active USAID Agriculture Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Famine Early Warning System Network (FEWSNET) Phase III	12/29/2011	12/28/2016	\$4,375,792	\$2,420,553

Continued on the next page

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Strengthening Afghanistan Agricultural Faculties (SAAF)	3/25/2011	12/31/2016	\$7,824,209	\$5,561,658
Afghan Agricultural Research and Extension Development (AGRED)	7/17/2012	7/16/2017	23,638,611	5,383,925
Improving Livelihoods and Governance Through Natural Resource Management	4/10/2010	12/31/2014	14,000,000	12,023,167
IWMP-Irrigation and Watershed Management Program	12/21/2012	12/19/2017	129,963,114	13,475,767
Regional Agriculture Development Program (RADP)-South	10/7/2013	10/6/2018	125,075,172	5,238,808
Regional Agriculture Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	0

Source: USAID, response to SIGAR data call, 7/10/2014.

ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase electric supply and access, electricity, build roads and bridges, and improve health and education in Afghanistan. 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

Afghanistan imports approximately 73% of its total power supply. Electricity imports are expected to rise in the near term, according to a recent World Bank report, which also noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.⁶⁸⁹ It has one of the lowest rates of electrification in the world, with only 25% of Afghans connected to the power grid. Of those who are connected, an estimated 75% live in urban areas.⁶⁹⁰

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 2002.⁶⁹¹ From FY 2002 to FY 2012, the United States spent more than \$2 billion on Afghanistan's power sector.⁶⁹²

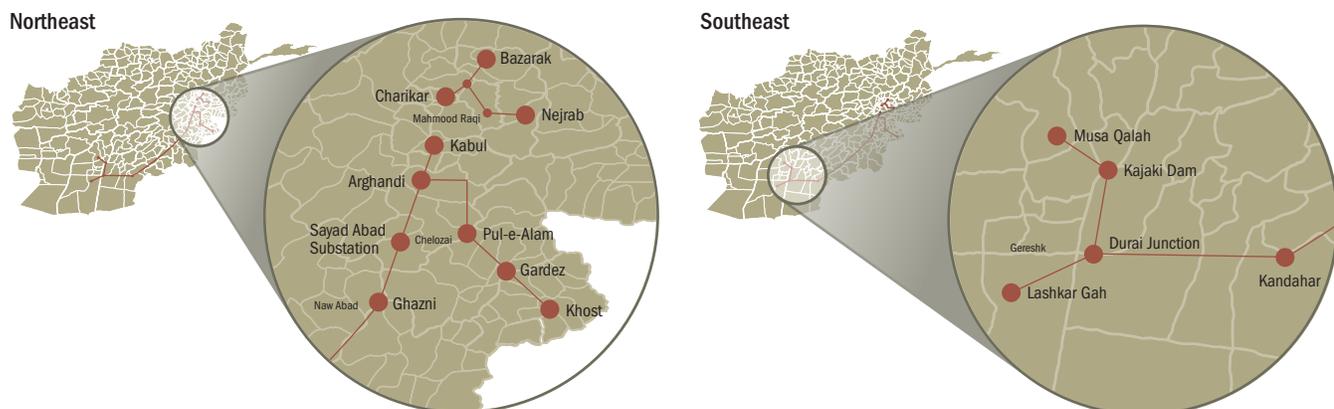
From 2002 through 2012, USAID alone provided more than \$2 billion from the ESF to build generators, substations, and transmission lines, and provide technical assistance to the sector. It plans to spend at least \$814 million more over the next few years using FY 2010–2013 funds.⁶⁹³ In

SIGAR SPECIAL PROJECT

This quarter, SIGAR's Office of Special Projects wrote to the U.S. Department of Agriculture (USDA) about its review of USDA's \$34.4 million Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI). USDA had confirmed that soybean production in Afghanistan has not met expectations and there are doubts about the long-term sustainability of a soybean-processing factory built as part of the project. SIGAR suggested that prior to any further investment in SARAI, USDA implement a thorough and comprehensive evaluation of the project's future sustainability, including a review of existing research on the economic viability of growing and marketing soybeans in Afghanistan. For more information, see Section 2, page 42.

FIGURE 3.34

Overview of the Northeast and Southeast Power Systems



Note: Locations and routes are approximate.

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

NEPS: imports 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 to provide power in the Helmand and Kandahar areas.

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

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.⁶⁹⁴

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 3.34. USAID has three projects to connect and increase the electricity supply in both systems—Sheberghan (discussed on page 168); 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.⁶⁹⁵

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 from Kajaki Dam, and reduce losses while strengthening the SEPS transmission and distribution system.⁶⁹⁶ USAID has transferred responsibility for installing a third turbine at Kajaki to Da

Afghanistan Breshna Sherkat (DABS), Afghanistan's national utility. USAID also turned over the remaining components, two substations and two diesel generation plants, to DABS.⁶⁹⁷ DOD is using the AIF to fund fuel for the U.S. Army Corps of Engineers-installed diesel generators in Kandahar City.⁶⁹⁸

This quarter, fighting in southern Afghanistan reportedly led to long power outages in Helmand and Kandahar. Power cables from Kajaki Dam to Lashkar Gah and to Kandahar City were damaged.⁶⁹⁹ While attempting to repair the broken transmission lines, the deputy head of the Sangin district power department was killed.⁷⁰⁰

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.⁷⁰¹ Toward that end, PTEC's commercialization and capacity-building components aim to reduce technical and commercial losses.⁷⁰² DABS is responsible for procuring all PTEC contracts with significant support from USAID.⁷⁰³

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 funded through the ADB-administered Afghanistan Infrastructure Trust Fund (AITF), which funds projects on-budget through DABS or other Afghan government ministries.⁷⁰⁴ As of June 30, 2014, USAID has obligated \$180.3 million to AITF and disbursed \$105 million.⁷⁰⁵

A USAID audit published this quarter found that the \$307 million, 105 MW-capable, USAID-funded Tarakhil Power Plant was not being operated and maintained in a sustainable manner by DABS. The plant was still dependent on external technical assistance even though it was turned over to DABS in June 2010. It was not being used regularly—operating only at 2.2% of its capacity—and thus not increasing Kabul's power supply. Additionally, the plant did not track inventory, DABS did not provide adequate management support, and DABS had not developed a proper operating budget for the plant. USAID has since begun building the capacity of DABS Tarakhil Power Plant staff under a project called DABS PTEC Commercialization Part 2 Contract for Power Generation.

Several SIGAR audits have questioned U.S. sustainment plans

for U.S.-funded energy projects, which rely on DABS and the Afghan government assuming responsibility for the projects. SIGAR pointed out that these Afghan government entities have questionable capacity and lack the resources—financial and otherwise—necessary to fulfill its commitments. In January 2010, SIGAR said the long-term sustainability of the Kabul Power Plant—also known as the Tarakhil Power Plant—depends, in part, on the Afghan government's ability to fund the required fuel purchases and operations and maintenance costs. At that time, SIGAR predicted Afghanistan would need assistance for fuel purchases and warned that if DABS commercialization efforts falter, the United States may face the difficult decision of whether to continue funding Kabul Power Plant operations or allowing it to fall into disuse.

Sources: USAID, Review of Sustainability of Operations at Afghanistan's Tarakhil Power Plant (Report No. F-306-14-002-S), 6/19/2014; SIGAR, Audit Report 12-12, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are Behind Schedule and Lack Adequate Sustainment Plans*, 7/2012; SIGAR, Audit Report 10-4, *Afghanistan Energy Supply Has Increased But An Updated Master Plan Is Needed And Delays And Sustainability Concerns Remain*, 1/15/2010; SIGAR, Audit Report 12-12, *Contract Delays Led To Cost Overruns For The Kabul Power Plant And Sustainability Remains A Key Challenge*, 1/20/2010.

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. Completion of the NEPS-SEPS connector is expected in the 2017/2018 timeframe.⁷⁰⁶

Congress cut the President's FY 2014 budget request for AIF to complete DOD's portion of the NEPS and SEPS from \$279 million to \$199 million. Congress also mandated that no more than 50% of FY 2014 AIF funds can be used until 15 days after the Secretary of Defense certifies that the United States has signed a Bilateral Security Agreement with Afghanistan that is in the U.S. national-security interest. Furthermore, FY 2014 AIF funds cannot be used to plan, develop, or construct any project for which construction did not start before the legislation's enactment (January 17, 2014).

Sources: National Defense Authorization Act for Fiscal Year 2014, Sec.1224, pp. 253-254; Consolidated Appropriations Act, 2014, Sec. 9016, p. 344; Library of Congress, Bill Summary & Status, 113th Congress, H.R. 3547, Major Congressional Actions; DOD, response to SIGAR data call, 4/3/2014.

DOD-Funded Programs

This quarter, DOD continued implementing several priority energy-sector projects using FY 2012 and FY 2013 AIF money. On June 20, 2014, the U.S. Army Corps of Engineers (USACE) issued a request for proposals to design and construct SEPS transmission lines from the Tangi substation near Kajaki Dam to the Lashkar Gah diesel power plant. This project aims to provide a reliable source of electricity to unserved populations, underpin the national grid, and allow for the grid's expansion.⁷⁰⁷ Phase I proposals were due July 21, 2014.⁷⁰⁸

AIF projects are supposed to contribute to counterinsurgency strategy and development. AIF notifications to Congress describe these contributions in detail. The most recent notification was dated August 2013.⁷⁰⁹ However, DOD has located no studies that explore the relationship between electrical power and reduced violence in Afghanistan. Moreover, DOD explained that because AIF-funded projects are still under construction, their long-term counterinsurgency and economic development benefits "cannot be assessed at this time."⁷¹⁰

Ongoing AIF projects include:⁷¹¹

- 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.⁷¹² The generators at Shorandam Industrial Park and Bagh-e-Pol have a combined average output of 8–13 MW, and were transferred to DABS in December 2013, along with six months of spare parts and consumables. DOD technical assistance to DABS will continue throughout 2014.⁷¹³ DOD plans to provide fuel through September 2015 at a declining subsidy each month.⁷¹⁴

DABS officials told SIGAR that if DOD had stopped providing fuel at the end of 2014 as previously planned, DABS might not have the money to keep the generators fueled. The officials also cautioned that it appears unlikely that DABS will have sufficient alternative energy sources to offset

lost diesel power. Since Kajaki Dam's third turbine and the NEPS–SEPS Connector projects will take time to complete, it is possible that thousands of Kandahar homes and businesses will not have access to electricity in early 2015.⁷¹⁵

DOD 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.⁷¹⁶ Additional measures to integrate the power grid in the area—the Kandahar Power Management project—were set aside after Congress reduced FY 2014 AIF appropriations.⁷¹⁷

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. Completion of this project is essential to distribute power generated by the third turbine awaiting installation at Kajaki Dam, according to DOD.⁷¹⁸

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 an August 2013 DOD notification to Congress. Annual estimated O&M costs for the transmission lines and substations are \$580,000.⁷¹⁹

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.⁷²⁰ However, SIGAR has raised questions about DABS' capacity and said Afghanistan lacks the resources necessary to pay for O&M.⁷²¹

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

SIGAR SPECIAL PROJECT

This quarter, SIGAR's Office of Special Projects wrote to DOD about the U.S. government's plan to provide electrical power in Kandahar after December 2014, including any interim bridging solutions, the timelines for completing NEPS and SEPS, updates on Kajaki Dam power generation, and DABS's financial ability to sustain the two diesel generators in Kandahar after DOD subsidies end.

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.⁷²²

Other components of the project are designed to help integrate SEPS projects into a single, interconnected system. DABS will assume responsibility for O&M. Increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainability, according to DOD.⁷²³ As noted above, SIGAR audits have raised concerns about DABS's capacity and resources to undertake O&M.

PRIVATE-SECTOR DEVELOPMENT

Despite the uncertainty surrounding Afghanistan's security and political transitions in 2014, private-sector investment has not ceased and according to USAID, the government has the political will to continue promoting private-sector development.⁷²⁴ 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.⁷²⁵ One of USAID's major ongoing economic-growth projects, 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 6/30/2014
Assistance in Building Afghanistan by Developing Enterprises	10/16/2012	10/16/2016	\$104,997,656	\$20,479,012

Source: USAID, response to SIGAR data call, 7/10/2014.

USAID's 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 (PPAs). It does so through three components: implementing approved public-private alliances; identifying, selecting, and supporting the alliances; and working with the Afghan government to improve the environment for business.⁷²⁶

USAID reported that ABADE has struggled to reach its target number of PPAs; only 13 of 90 targeted PPAs were finalized in the program's first year. After meeting in April 2014, USAID and ABADE set a new short-term target: 100 PPAs to be in place by July 1. As of July 1, 2014, a total of 101 PPAs were submitted to USAID, of which 51 were approved with an additional 50 awaiting USAID action. USAID is reevaluating the overall program targets

given its start-up challenges, including hiring staff, setting up offices, advertising, and lengthy partner-vetting processes.⁷²⁷

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.⁷²⁸ Afghanistan’s infrastructure shortcomings particularly constrain the service and agriculture sectors, currently the leading contributors to GDP.⁷²⁹ They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining aid.⁷³⁰ This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, sustaining operations and maintenance, and complying with international standards.⁷³¹

Roads

While the United States has provided \$2.2 billion cumulatively for road construction and O&M and currently spends about \$5 million annually for O&M efforts, the World Bank said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles.⁷³² 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).⁷³³ Moreover, the lack of a functioning roads authority has significantly affected road infrastructure across Afghanistan.⁷³⁴ Although the Cabinet and the President gave approval in August 2013 for the Ministry of Public Works (MOPW) to create a roads authority and road fund, the authority has not yet been established.⁷³⁵

Road Sector Sustainability

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Road Sector Sustainability	8/1/2014	8/1/2019	\$111,000,000	\$0

Source: USAID, response to SIGAR data call, 7/14/2014.

USAID’s Road Sector Sustainability (RSS) project has four main activities:⁷³⁶

- Activity 1: Emergency O&M (\$5 million). Contracts are now expected to be awarded in August instead of April 2014 due to delays in the procurement process.⁷³⁷
- 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). A contract is now expected to be awarded in August instead of April 2014.⁷³⁸

SIGAR SPECIAL PROJECT

This quarter, SIGAR’s Office of Special Projects wrote to USAID and DOD about over a billion dollars they have invested in road projects. SIGAR said it was concerned that roads, built at great risk and expense by the United States and other donors, are not and will not be properly maintained and that roads are still being built in Afghanistan despite the apparent shortage of effective maintenance plans or capacity. For more information, see Section 2, pages 46 and 48.

- Activity 3: Capacity Building for the MOPW (\$38 million). The Statement of Work is being developed based on a needs assessment that is under way. A contract is expected to be awarded in mid-2015.⁷³⁹
- Activity 4: Road O&M Activity. (\$33 million) USAID funding, proposed for January 2015, will go through the AITF once the ADB develops an operations-and-maintenance incentive window.⁷⁴⁰

Gardez-Khowst Highway Rehabilitation Phase IV

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Gardez-Khowst Road	7/10/2014	12/30/2015	\$32,760,000	\$0

Source: USAID, response to SIGAR vetting 7/14/2014.

Phase IV rehabilitation of the 63-mile Gardez-Khowst highway will construct the remaining 15.5 miles, including two major bridges and several retaining walls, culverts, and drainage systems. This all-weather, asphalt-paved highway gives Khowst and Paktiya Provinces access to major trading routes to Pakistan, to Kabul, and to the Ring Road connecting Kabul, Kandahar, and Herat.⁷⁴¹

EDUCATION

The United States aims to improve Afghan access to quality education by promoting capacity building, responding to urgent needs for learning materials, schools, and teacher development, as well as increasing opportunities in adult literacy, employment skills, and youth development.⁷⁴²

SIGAR is concerned about the accuracy of the data provided on Afghanistan's educational system. According to the most recent data available from the Ministry of Education's (MOE) Education Management Information System (EMIS), Afghanistan had a total of 14,166 primary, lower-secondary, and upper-secondary schools in FY 1391 (March 21, 2012–December 20, 2012).⁷⁴³

This quarter, USAID provided two inconsistent sets of MOE data for the number of students enrolled in 1391. Data generated from EMIS shows approximately 7.62 million students were **enrolled** in primary, lower-secondary, and upper-secondary schools in FY 1391. Of the enrolled students, 6.26 million were categorized as **present**, while 1.36 million students were considered **absent**.⁷⁴⁴ Another unspecified MOE source showed higher enrollment numbers—7.78 million students (an additional 160,000 students over EMIS data) enrolled in primary, lower-secondary, and upper-secondary schools in FY 1391, with 6.86 million students present and approximately 922,000 students absent.⁷⁴⁵ USAID also provided a third MOE source containing Afghanistan's total enrollment in general education for FY 1392—8.2 million students enrolled. This number was not broken down

SIGAR AUDIT

An ongoing SIGAR audit is examining the U.S. government's efforts to assist and improve the education sector in Afghanistan.

Enrolled: total number of new students enrolled in an academic year

Present: total number of students attending in an academic year

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

into the numbers of students present and absent.⁷⁴⁶ The number of days of attendance required for a student to be counted as “present” for the entire year was not known as this report went to press.

According to USAID, the MOE includes absent students in the enrollment total until three years have elapsed, because absent students are considered to have the potential to return to school. However, a MOE Education Joint Sector Review from September 2013 recommended the MOE revise its regulations and no longer consider permanently absent students to be counted as enrolled.⁷⁴⁷

In order to assess student learning achievement, this quarter USAID continued to design an early-grade program with assessments of student performance in reading and math. USAID is also contributing to the multi-donor supported Education for Quality Improvement Program II, through which the MOE is implementing a national teacher-credentialing system to set minimum performance standards for teachers. No data on student reading and math proficiency or teacher proficiency currently exists.⁷⁴⁸

USAID’s ongoing priority education programs funded through the ESF this quarter include:

- Basic Education, Literacy, and Technical-Vocational Education and Training (BELT)
- American University of Afghanistan (AUA)
- Afghanistan University Support and Workforce Development Program (USWFD)

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

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
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, 7/10/2014; USAID, response to SIGAR vetting 4/14/2014.

BELT aims to improve access to basic education in communities typically beyond the government’s reach. BELT has four components: capacity-building for the MOE, teacher training, procurement of textbooks for grades 1–6, and community-based education.⁷⁴⁹

BELT Community-Based Education (CBE) provides accelerated and remedial education, allowing students to attend schools in remote locations.⁷⁵⁰ This quarter, USAID and the MOE agreed on a rationale for

SIGAR’S CONCERNS

The number of students attending school in Afghanistan is often cited as evidence of Afghanistan’s progress in education. For example, in a *Washington Post* op-ed published on May 30, 2014, Dr. Rajiv Shah, the Administrator of USAID wrote, “Education is another bright spot [in Afghanistan.] Three million girls and 5 million boys are enrolled in school.”

However, the reliability of EMIS—the only database at the MOE tracking education metrics—cannot be confirmed. Data is not available on time, and indicators such as net enrollment ratios, repetition rate, and dropout rate are unavailable. Insecurity limits visits to schools. In the most recent EMIS Statistical Analytical Report from FY 1390, the MOE admitted that only 1,000 schools (7% of all general education schools) were visited for data verification in FY 1390. Additionally, schools may be tempted to inflate their attendance figures because access to funding (such as EQUIP II School Grants) can be linked to enrollment levels.

This quarter, SIGAR learned that USAID’s definitions of enrollment used in EMIS last quarter were double-counting the number of students enrolled in Afghanistan. The previous definition of total enrollment added three figures: enrolled, present, and absent students. However, as USAID clarified this quarter, the number of enrolled students is actually the sum of present and absent students. Thus, the total enrollment figures reported last quarter counted each student twice.

Sources: *Washington Post*, “Rajiv Shah: How to Keep Afghanistan on the Right Track,” 5/30/2014; MOE, Education Joint Sector Review 2012, 9/2013; USAID, response to SIGAR data call, 3/31/2014 and 6/30/2014; MOE, 1390 EMIS Statistical Analytical Report, 2012; World Bank, *Project Paper for a Proposed Grant in the amount of SDR 18.9 million to the Islamic Republic of Afghanistan for the Second Education Quality Improvement Project*, 1/4/2008; USAID, response to SIGAR vetting, 4/12/2014 and 7/9/2014.



Global Partnership for Education. Mosque Based Education Center, Pashtha Ghla village, Shahrak district, Ghor Province, January 2014. (UNICEF photo)

provincial allocations of CBE classes, allowing the MOE to begin finalizing the CBE annual work plan. The MOE also started delivering textbooks to provinces in the central region of Afghanistan.⁷⁵¹ However, textbook delivery does not necessarily lead to learning. Field-visit reports in 2012 indicated textbooks are sometimes stocked in district offices and not distributed to schools due to lack of funds.⁷⁵² Next quarter's nationwide textbook distribution will be audited.⁷⁵³

BELT also continues to face delayed payments from USAID for textbooks due to improper deduction of taxes on U.S. assistance by the MOF. This quarter, the MOF Budget Committee officially ruled that taxes withheld on textbook contract payments would be returned to the BELT special account; returned funds are still pending. USAID also faces challenges with the MOE's ability to implement on-budget activities in a timely fashion.⁷⁵⁴

American University of Afghanistan

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
American University of Afghanistan PDI	8/1/2013	7/31/2018	\$40,000,000	\$6,447,328

Source: USAID, response to SIGAR data call, 7/10/2014.

USAID's second, five-year cooperative agreement continues support for the American University of Afghanistan's English-language undergraduate and continuing-education programs. The agreement aims to strengthen academic- and professional-development programs, expand programs for women, and increase financial self-sufficiency.⁷⁵⁵

Afghanistan University Support and Workforce Development Program

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Afghanistan University Support and Workforce Development	1/1/2014	12/31/2018	\$91,927,769	\$2,330,336

Source: USAID, response to SIGAR data call, 7/10/2014.

The Afghanistan University Support and Workforce Development program (USWFD) aims to improve the management capacity of the Ministry of Higher Education and 10 public universities by training officials, funding scholarships, and facilitating partnerships between U.S. and host country universities.⁷⁵⁶

USAID said that USWFD faces implementation challenges such as a lack of leadership skills among senior faculty, outdated curriculums, and inadequate facilities. Additionally, the Universities Financial Autonomy Law,

which would allow universities to assess student and business fees for services, is still stalled in the lower house of parliament.⁷⁵⁷ Insecurity and the elections have hindered recruitment, and inadequate staffing resources may be a problem as implementation moves forward.⁷⁵⁸ A performance evaluation is planned for the second year of the project.⁷⁵⁹

Other Active USAID Education Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/30/2014
Global Partnership for Education	10/11/2012	3/31/2015	\$2,500,000	\$495,655
Afghanistan Reads	6/1/2013	5/31/2014	380,000	380,000
Afghanistan Technical Vocational Institute	6/15/2013	6/14/2015	1,000,000	475,000
Strengthening Education in Afghanistan (SEA)	8/8/2010	6/30/2014	10,225,847	10,205,932
Strengthening Education in Afghanistan (SEA II)	5/19/2014	5/18/2019	29,835,920	3,265
Afghan Tuition Scholarship Program	8/21/2011	7/31/2017	7,384,665	5,770,465

Source: USAID, response to SIGAR data call, 7/10/2014.

HEALTH

U.S. assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities at central and subnational levels, particularly in provinces to the south and east, where services are largely lacking.⁷⁶⁰

The Agency Coordinating Body for Afghan Relief & Development—an advocacy organization comprising 128 national and international NGOs working in Afghanistan—recently issued a report on how the security transition in 2014 has burdened health-care delivery. While civilian and military casualties rise, Afghan troops are increasingly depending on ground evacuation for their injured and often must make use of civilian instead of military health services. Additionally, the United Nations Mission in Afghanistan documented 32 attacks against health-care facilities and personnel in 2013, compared to 20 attacks in 2012. The majority of incidents involved threats, intimidation, and harassment, followed by abductions and targeted killings of medical personnel.⁷⁶¹

USAID Mortality Survey Findings

One oft-cited indicator of USAID success comes from the USAID-funded Afghanistan Mortality Survey in 2010, which found that life expectancy in Afghanistan has increased by as much as 20 years to an average of 62–64 years since 2002.⁷⁶² However, other institutions suggest that gains are more modest, with models indicating only an increase of two or three years in life

SIGAR'S CONCERNS

USAID's Afghanistan Mortality Survey (AMS) results are frequently used as evidence that U.S. intervention efforts have contributed to remarkable improvements in Afghanistan's health system. In a *Washington Post* op-ed published on May 30, 2014, Dr. Rajiv Shah, the Administrator of USAID, cited Afghanistan's "largest increase in life expectancy" to highlight Afghanistan's progress in health.

However, there is an enormous gap between USAID estimates and the estimates of other institutions. Table 3.26 on the following page compares AMS results to life-expectancy models of other institutions. Most institutions estimate a two- to five-year increase in life expectancy over six years, while the mortality survey finds a 20-year increase for the same time period.

Reasons why USAID's estimates differ from those of other institutions could include factors such as AMS inability to survey completely in insecure southern provinces, and Afghan cultural reluctance to speak about female and infant mortality with strangers.

Sources: *Washington Post*, "Rajiv Shah: How to keep Afghanistan on the right track," 5/30/2014; USAID, *Afghanistan Mortality Survey 2010*, 11/2011.

TABLE 3.26

USAID LIFE EXPECTANCY FINDINGS COMPARED TO OTHER LIFE EXPECTANCY MODELS (YEARS)						
	USAID (Afghanistan Mortality Survey)	CIA World Factbook	World Bank (World Development Indicators)	UN Population Division (World Population Prospects)	U.S. Census Bureau (International Database)	World Health Organization (Global Health Observatory)
Estimated Life Expectancy Increase from 2004–2010 (6 years)	20	2.2	3.0	2.6	2	5
Estimated Life Expectancy Increase from 1990–2010 (20 years)	--	Data not available	11.0	12.0	7	11
Estimated Life Expectancy in 2010	62	44.7	59.6	58.4	49	60
Estimated Life Expectancy in 2004	42	42.5	56.6	55.8	47	55
Estimated Life Expectancy in 1990	--	Data not available	48.6	46.4	42	49

Notes: Numbers have been rounded. Data as of 6/17/2014. WHO calculations based on data available from the years 1990, 2000, and 2012.

Sources: CIA, "World Factbook: Afghanistan," accessed 6/17/2014; World Bank, World Development Indicators, accessed 6/17/2014; UN Population Division, World Population Prospects, accessed 6/17/2014; U.S. Census Bureau, International Data Base, accessed 6/17/2014; World Health Organization, Global Health Observatory, accessed 6/17/2014; USAID, "Health Programs, Health Snapshot," accessed 7/6/2013; USAID, *Afghanistan Mortality Survey 2010, Key Findings*, 12/2011.

expectancy from 2004 to 2010. Institutions that also find Afghan life expectancy may have increased to 60 years in 2010, but all calculate from higher base life expectancies. For example, the World Bank, which calculates life expectancy in 2010 at 59.6, starts from a base of 56.6 in 2004—a three-year gain. Moreover, in 1990, the World Bank determined life expectancy at 48.6 years, showing that they measure life expectancy in Afghanistan growing five to six years every decade, regardless of U.S. intervention efforts.⁷⁶³

USAID Funding

From FY 2002 through FY 2013, U.S. on- and off-budget assistance to Afghanistan's health sector totaled \$1.2 billion.⁷⁶⁴ From FY 2014 through FY 2018, USAID assistance will total \$477 million.⁷⁶⁵ On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, supplies and equipment, in-service training, minor renovations of facilities, and monitoring and supervision. Off-budget assistance includes activities to strengthen health systems, engage the private sector, and procure pharmaceuticals and contraceptives.⁷⁶⁶

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. Both NGOs and GCMU staff conduct routine monitoring of health facilities and document the number of patients who have received key services, and the type and quality of health services provided.⁷⁶⁷

USAID also relies on the MOPH's Health Management Information System (HMIS) for Afghan health data. The USAID Leadership, Management, and Governance (LMG) project is assisting the MOPH to improve data quality and reporting. LMG supported the development of data quality assessment (DQA) tools, which compare monthly reported data with registers of the health facilities of the same month, measure health workers' knowledge of HMIS definitions, and evaluate data utilization. The DQA was conducted in 416 randomly selected health facilities from July to December 2013, and its results were shared with NGOs. The DQA assessment will be conducted on a routine basis.⁷⁶⁸ For more information about the LMG program, see page 187.

Polio

Afghanistan is one of three countries—along with Pakistan and Nigeria—where polio is still endemic.⁷⁶⁹ As of July 2, 2014, seven polio cases have been confirmed in Afghanistan in 2014, down from 14 cases in 2013, 37 in 2012, and 80 in 2011.⁷⁷⁰ USAID said polio immunization rates have remained low as a result of increasing insecurity.⁷⁷¹ This quarter, the MOPH launched the second round of its annual spring anti-polio vaccination campaign in the southern, southeastern, and eastern regions, excluding Helmand Province, which has been inaccessible since February 2014.⁷⁷² Approximately 8.9 million children ages five years or younger were targeted for vaccination, while about 8 million children between the ages of six months and five years were to receive vitamin A tablets to strengthen their immune systems.⁷⁷³

USAID Health Programs

USAID's highest-priority programs in the health sector this quarter include:⁷⁷⁴

- 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 6/30/2014
Partnership Contracts for Health Services	7/20/2008	1/31/2015	\$236,455,840	\$178,784,131

Source: USAID, response to SIGAR data call, 7/10/2014.

The host-country contract PCH program supports the MOPH's efforts to provide the Basic Package of Health Services (BPHS) in 13 provinces and the Essential Package of Hospital Services (EPHS) in five provinces.⁷⁷⁵ PCH supports health care at over 6,000 health posts and more than 540 facilities, including hospitals and health centers. It also supports tertiary health-care services at five provincial hospitals and one national hospital. In addition,

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.

On July 7, 2014, the Afghan Taliban reportedly announced a ban on polio vaccinations in Helmand Province. The Pakistani Taliban has banned polio vaccinations since 2012.

Source: The Wall Street Journal, "Afghan Taliban Bans Polio Vaccination in Southern Province," 7/7/2014.



An Afghan child receives medication through a donor-sponsored health program. (UNAMA photo by Fardin Waezi)

PCH supports the Community Midwifery Education program, which aims to reduce maternal and child mortality.⁷⁷⁶

This quarter, USAID reported election-related security issues closed health facilities and threatened workers in insecure areas. Furthermore, the lengthy procurement process of host-country contracts delayed implementation of PCH activities, and the quality of NGO-provided health services delivering BPHS needed improvement.⁷⁷⁷

PCH reports semiannually to USAID.⁷⁷⁸ Yet SIGAR's September 2013 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 waste.⁷⁷⁹

To mitigate these risks, USAID reported this quarter that PCH is now implemented by the off-budget Grants and Contracts Management Unit (GCMU) of the MOPH. The GCMU submits requests for advance funds and for permission to liquidate those funds. USAID monitors this process and has set up a dedicated, noncomingled account at the central bank, to which it has access. PCH is also audited by independent auditors. Ernst & Young conducted an assessment of MOPH, which is in process of implementing their recommendations. USAID reviewed the MOPH's progress toward addressing the recommendations, and is planning a second review after Ramadan.⁷⁸⁰

Health Policy Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Health Policy Project	4/2012	1/2015	\$28,000,000	\$18,418,498

Source: USAID, response to SIGAR data call, 7/22/2014.

The Health Policy Project (HPP) builds the MOPH's capacity through design, negotiation, and management of hospital public-private partnerships. The project also aims to strengthen financing and management of health resources, support gender roles in health-sector activities, and build the capacity of local private organizations to partner with the Afghan government in changing behaviors for the benefit of individuals or society.⁷⁸¹

This quarter, USAID said election-related insecurity delayed arrival of international technical assistance, and closed the HPP office for a few days. HPP is also awaiting MOPH approval of procurement documents for hospital public-private partnerships and vetting approval for local subcontractors to obtain materials to promote maternal and child health commodities.⁷⁸²

Despite these challenges, this quarter HPP supported the MOPH's Health Economics and Financing Directorate (HEFD) to launch the Expenditure Management Information System, which supports regular reporting of national health expenditures. Following the launch, HPP supported the

HEFD to train more than 51 NGOs on the system. HPP also conducted training sessions for hospital staff on minimum required standards, for health workers on gender-based violence, and for MOPH Provincial staff on behavior change/interpersonal communication training.⁷⁸³

Leadership, Management, and Governance Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Leadership, Management, and Governance/Field Support	9/1/2012	10/31/2014	\$32,000,000	\$22,826,010

Source: USAID, response to SIGAR data call, 7/10/2014; USAID response to SIGAR vetting, 7/11/2014.

The LMG project works with the MOPH and the MOE at the central and provisional levels to build governance capacity, improve accountability, and help manage on-budget assistance within Afghanistan's health and education systems.⁷⁸⁴

This quarter, USAID said LMG conducted several workshops regarding data utilization and evidence-based decision-making at central, provincial, and facility levels. LMG continued to train health-care staff in basic care, data quality, and hospital management. Seven regional training-of-trainer courses were conducted, with USAID stating that Community Health Worker (CHW) trainers and Community-Based Health Care Officers would cascade their training to CHWs across the country. LMG also launched the Health Quality Improvement Program in select provinces.⁷⁸⁵

USAID also noted several challenges from working with the MOPH this quarter, including a high degree of bureaucracy, busy leadership schedules, and ad hoc requests that delay implementation of approved work plans.⁷⁸⁶

Other Active USAID Health Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2014
Strengthening Pharmaceutical System	8/28/2011	8/27/2015	\$24,499,936	\$14,365,800
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

Source: USAID, response to SIGAR data call, 7/10/2014.

