

# 3 RECONSTRUCTION UPDATE



# RECONSTRUCTION UPDATE CONTENTS

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U.S. Ambassador James Cunningham shakes hands with Afghan National Security Adviser Hanif Atmar after signing the Bilateral Security Agreement between the countries on September 30, while Afghanistan's new Chief Executive Officer Abdullah Abdullah, center, and other officials look on. The new Afghan government also signed a Status of Forces Agreement with NATO. (State Department photo)

## RECONSTRUCTION UPDATE

### OVERVIEW

On September 29, 2014, Ashraf Ghani was inaugurated president of Afghanistan following a highly contentious election process. President Ghani's inauguration marked the first democratic transition of power in Afghanistan's history.

The messy aftermath of the Afghan presidential election dominated the quarter. After a June runoff election, presidential candidate Abdullah claimed victory in July and again in September, while the Independent Election Committee (IEC) released preliminary results showing Ghani to be the presumptive victor. President Barack Obama and Secretary of State John Kerry made significant interventions, encouraging the candidates to agree to an audit process and form a national-unity government. Following the June 14 runoff election, President Obama called both candidates six times, Secretary Kerry called the candidates 30 times and twice visited the country, and U.S. Ambassador James Cunningham held 81 meetings with the candidates. The European Union Election Assessment Team (EU EAT) labeled the audit process "unsatisfactory" and claimed the audit produced clear evidence of large-scale fraud, particularly ballot stuffing. EU EAT estimated that between two million and three million runoff votes were fraudulent.

On September 30, 2014, one day after President Ghani's inauguration, Afghan and U.S. officials signed the long-awaited Bilateral Security Agreement (BSA)—formally the Security Cooperation and Defense Agreement between the United States of America and the Islamic Republic of Afghanistan. Afghan and NATO officials also signed the NATO Status of Forces Agreement. In a statement, the International Security Assistance Force (ISAF) said "the two agreements provide the legal framework for the United States, NATO, and its partner nations' continued commitment to train, advise, and assist Afghan National Security Forces (ANSF)."

This quarter also brought a change of command of ISAF with General John Campbell assuming command of the force from General Joseph F. Dunford. General Campbell will be the last ISAF commander, as that organization will be replaced by an advisory mission at the beginning of 2015. In addition, during a September summit in Wales, NATO allies and ISAF

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partners reaffirmed their intent to continue training, advising, and assisting ANSF beyond 2014.

SIGAR is closely following developments in the security sector. SIGAR is concerned about ISAF's recent classification of a previously unclassified ANSF assessment report summary, accountability for DOD contracting, high levels of ANSF attrition, continued uncertainty about the Afghan government's plan to provide site and convoy security for U.S. and international personnel, and increasing violence around the country.

Afghanistan is suffering from acute budgetary shortfalls threatening to affect payments of civil servant salaries, pensions, and operating and development spending. In the first seven months of Afghan FY 1393 (December 21, 2013–December 20, 2014), domestic revenues missed Ministry of Finance (MOF) budget targets by 22% and decreased by about 3.8% from the same period last year. At the same time, Afghan government expenditures are expected to continue rising—to 30.5% of GDP in 2016 versus 27.3% in 2014, according to World Bank projections. This will limit Afghanistan's ability to pay for discretionary services without significant donor support and improved revenue mobilization. The MOF is in discussion with donors for additional monies to cover the budget shortfall for remainder of FY 1393.

In one his first official actions upon being sworn into office, President Ashraf Ghani directed Afghan government officials to immediately reopen the Kabul Bank case, recover stolen funds, hold accountable those involved in the theft of \$982.6 million, and move ahead with privatizing the successor New Kabul Bank. According to the Independent Joint Anti-Corruption Monitoring and Evaluation Committee, only \$175.2 million has been recovered so far—less than 18% of total amounts owed. Seven offenders charged in the original indictment have reportedly been re-arrested, but others are no longer in Afghanistan.

The United Nations Office of Drug and Crime (UNODC) and Ministry of Counternarcotics (MCN) published their final poppy eradication verification report for the year. Compared to 2013, there was a 63% decrease: only 2,692 hectares were eradicated in 2014. The MCN attributes the reduced number to the reallocation of resources for election security. Interdiction results likewise decreased this quarter with the reduced Coalition footprint. According to the Department of Defense (DOD), drug labs, storage sites, and major trafficking networks are concentrated in rural areas and are increasingly denied to Afghan forces due to the ISAF drawdown and declining security in these areas.

As of September 30, 2014, approximately \$104.1 billion had been appropriated for Afghanistan relief and reconstruction since 2002, and approximately \$14.5 billion remained in the funding pipeline for potential disbursement. On September 19, 2014, President Obama signed the Continuing Appropriations Resolution, 2015, funding the government

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through December 11, 2014, at the FY 2014 enacted levels. While Afghanistan reconstruction funding levels for FY 2015 cannot be determined until a full-year appropriations bill is passed, the FY 2015 budget request would add another \$5.8 billion to six of the seven major reconstruction funds if enacted. DOD is not requesting additional funding for the Afghanistan Infrastructure Fund (AIF) for FY 2015.

The United States provides on-budget assistance to Afghanistan through direct payments to Afghan government entities and through contributions to multinational trust funds. Since 2002, the United States has provided more than \$7.7 billion in on-budget assistance. This includes about \$4.1 billion to Afghan government ministries and institutions, and nearly \$3.6 billion to three multinational trust funds—the World Bank’s Afghanistan Reconstruction Trust Fund (ARTF), the United Nations Development Programme’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

<b>U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)</b>	
<b>Government-To-Government</b>	
DOD	\$2,905
State	92
USAID	1,152
<b>Multilateral Trust Funds</b>	
LOTFA	\$1,446
ARTF	2,039
AITF	105

Note: Government-To-Government figures reflect amounts the United States has committed in on-budget assistance, excluding commitments to multilateral trust funds. Multilateral trust fund figures reflect amounts the United States has paid in to each trust fund.

Source: 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, 10/9/2014; World Bank, ARTF: *Administrator’s Report on Financial Status as of September 22, 2014*, p. 5; UNDP, *Law and Order Trust Fund for Afghanistan (LOTFA) 2014 Second Quarter Project Progress Report*, 9/24/2014, p. 33; SIGAR analysis of UNDP’s quarterly and annual LOTFA reports, 10/19/2014.

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

## FUNDING FOR AFGHANISTAN RECONSTRUCTION

Since 2002, Congress has appropriated nearly \$104.1 billion for Afghanistan relief and reconstruction. Of this amount, \$87.7 billion (84%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

As of September, 30, 2014, approximately \$14.5 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. Approximately 40% of the funding in the pipeline has yet to be obligated. About \$8.7 billion of the \$14.5 billion remaining has been obligated.

FIGURE 3.1

### CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

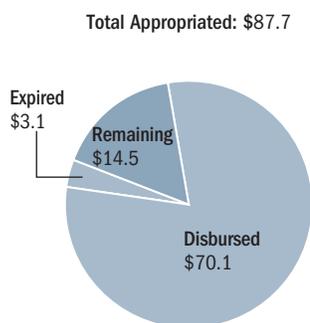


TABLE 3.2

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

	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$57.33	\$51.77	\$48.94	\$7.26
CERP	3.67	2.28	2.26	\$0.02
AIF	1.04	0.75	0.30	\$0.65
TFBSO	0.81	0.77	0.60	\$0.19
DOD CN	2.70	2.62	2.62	\$0.09
ESF	17.72	16.43	12.25	\$5.04
INCLE	4.44	4.16	3.15	\$1.23
<b>Total 7 Major Funds</b>	<b>\$87.72</b>	<b>\$78.78</b>	<b>\$70.11</b>	<b>\$14.47</b>
Other Reconstruction Funds	7.36			
Civilian Operations	9.00			
<b>Total</b>	<b>\$104.08</b>			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$3.1 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, 10/21/2014.

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. Nearly \$943 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 nearly \$8.1 billion to the seven major reconstruction funds for FY 2013. Of that amount, nearly \$3.8 billion remained for possible disbursement, as of September 30, 2014, as shown in Table 3.3 and Figure 3.2.

TABLE 3.3

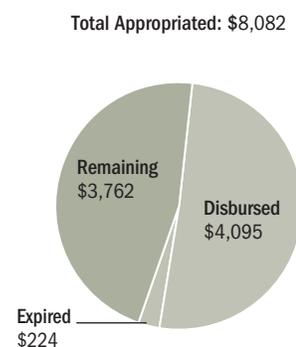
<b>FY 2013 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED</b> (\$ MILLIONS)				
	<b>Appropriated</b>	<b>Obligated</b>	<b>Disbursed</b>	<b>Remaining</b>
ASFF	\$4,946	\$4,946	\$3,621	\$1,325
CERP	200	42	36	6
AIF	146	137	37	100
TFBSO	138	136	103	33
DOD CN	256	256	256	0
ESF	1,803	1,748	1	1,747
INCLE	594	594	42	552
<b>Total 7 Major Funds</b>	<b>\$8,082</b>	<b>\$7,858</b>	<b>\$4,095</b>	<b>\$3,762</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$224 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, 10/21/2014.

FIGURE 3.2

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



Congress appropriated more than \$6.2 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than \$6 billion remained for possible disbursement, as of September 30, 2014, as shown in Table 3.4 and Figure 3.3.

TABLE 3.4

<b>FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED</b> (\$ MILLIONS)				
	<b>Appropriated</b>	<b>Obligated</b>	<b>Disbursed</b>	<b>Remaining</b>
ASFF	\$4,727	\$302	\$162	\$4,565
CERP	30	7	2	4
AIF	199	0	0	199
TFBSO	122	109	39	83
DOD CN	86	1	1	85
ESF	852	0	0	852
INCLE	225	3	3	222
<b>Total 7 Major Funds</b>	<b>\$6,241</b>	<b>\$420</b>	<b>\$206</b>	<b>\$6,011</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$23 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, 10/21/2014.

FIGURE 3.3

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



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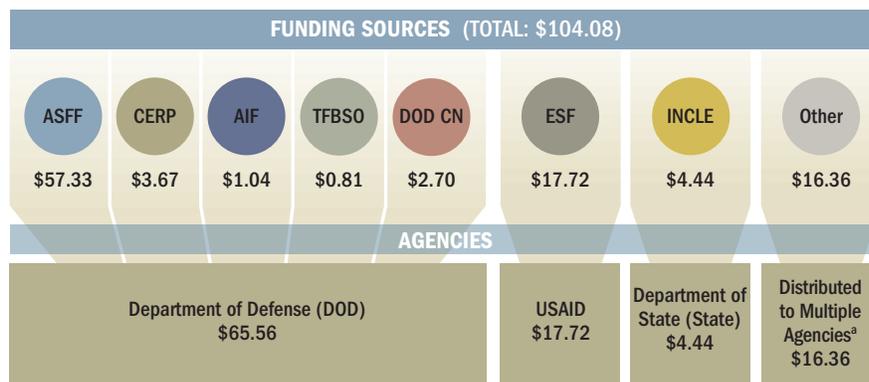
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of September 30, 2014, the United States had appropriated approximately \$104.08 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$61.54 billion for security (\$4.07 billion for counternarcotics initiatives)
- \$30.65 billion for governance and development (\$3.69 billion for counternarcotics initiatives)
- \$2.89 billion for humanitarian aid
- \$9.00 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

Note: Numbers have been rounded. Total funding decreased this quarter due to a reduction in DOD CN funding. DOD transferred \$179.5 million from FY 2013 AIF to the ESF for USAID’s Northern Electrical Power System project.

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

Source: DOD, responses to SIGAR data call, 10/20/2014, 10/16/2014, 10/6/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 10/20/2014, 10/17/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 10/9/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 10/9/2014, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, responses to SIGAR data call, 10/17/2014 and 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



The amount provided to the seven major U.S. funds represents nearly 84.3% (nearly \$87.72 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, over 89.8% (over \$78.78 billion) has been obligated, and over 79.9% (more than \$70.11 billion) has been disbursed. An estimated \$3.14 billion of the amount appropriated for these funds has expired.

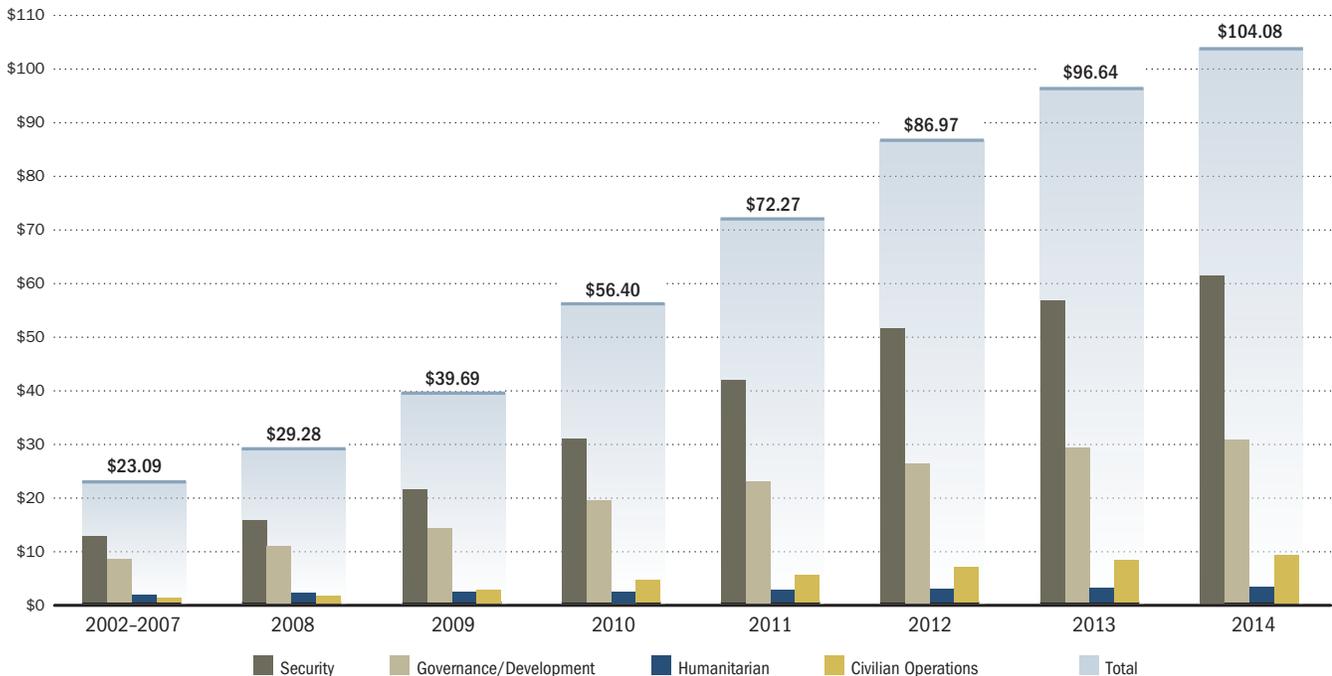
## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of September 30, 2014, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$104.08 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 oversight and operations. Approximately \$7.76 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.07 billion) and governance and development (\$3.69 billion) categories.

The Department of Defense (DOD) reported an overall funding reduction of \$225.58 million for the DOD Drug Interdiction and Counter-Drug Activities fund from \$2.93 billion reported last quarter to \$2.70 billion due in part to the threat of sanctions against parts suppliers for the Russian Mi-17 helicopters used by the Afghan Air Force Special Mission Wing as well as reductions in the overall scope of Afghanistan counternarcotics operational support from prior years. For complete information regarding U.S. appropriations, see Appendix B.

FIGURE 3.5

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF SEPTEMBER 30, 2014 (\$ BILLIONS)



Note: Numbers have been rounded. Total funding decreased this quarter due to a reduction in DOD CN funding. DOD transferred \$179.5 million from FY 2013 AIF to the ESF for USAID's NEPS transmission lines project. 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, 10/20/2014, 10/16/2014, 10/6/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 10/20/2014, 10/17/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 10/9/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 10/9/2014, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, responses to SIGAR data call, 10/17/2014 and 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, 10/16/2014 and 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.

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The Consolidated Appropriations Act, 2014, provided an additional \$7.44 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.<sup>91</sup>

On September 19, 2014, President Obama signed the Continuing Appropriations Resolution, 2015, funding the government through December 11, 2014, at the FY 2014 enacted levels. The FY 2015 budget request for the seven major reconstruction funds is approximately 5% 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, as shown in Table 3.5.

As reported in prior quarters, a significant amount of reconstruction funding is still in the pipeline. Approximately \$14.47 billion remains for potential disbursement. For more information about the reconstruction funding pipeline, see pages 68–69.

TABLE 3.5

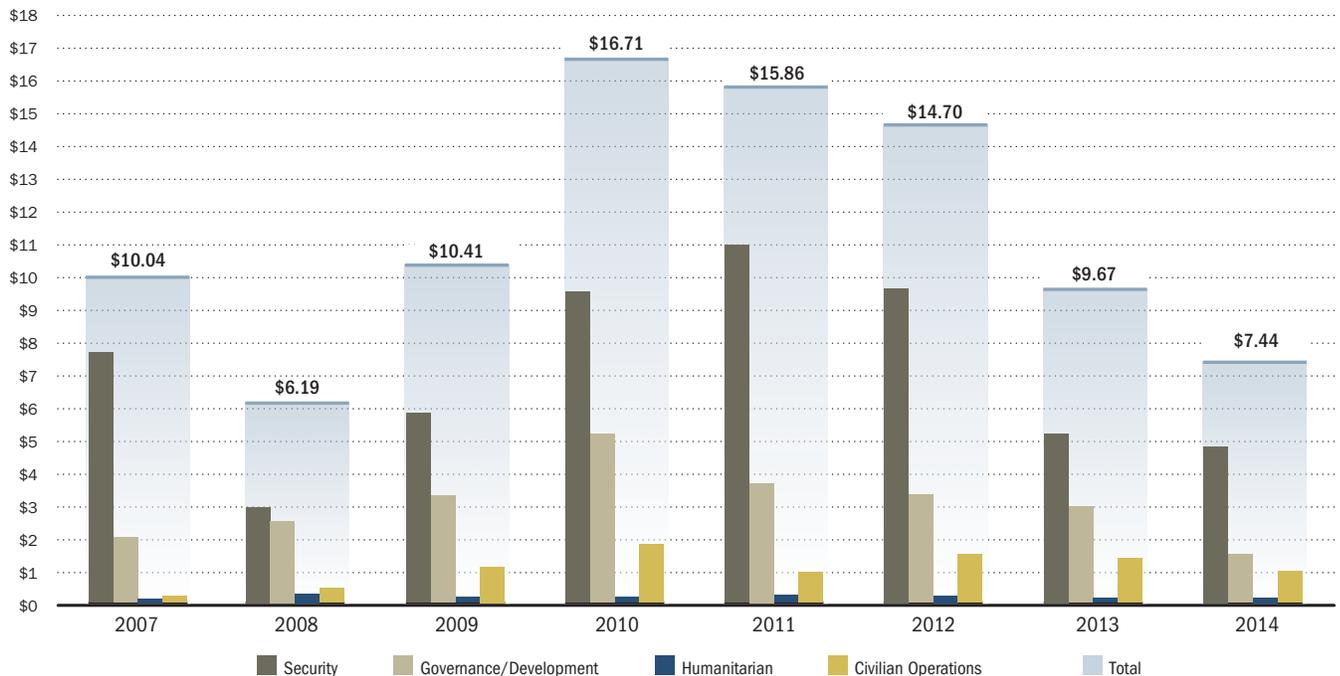
FY 2014 APPROPRIATIONS COMPARED TO THE FY 2015 BUDGET REQUEST (\$ MILLIONS)		
	FY 2014	FY 2015 Req
ASFF	\$4,726	\$4,109
CERP	30	15
AIF	199	0
TFBSO	64	5
DOD CN	86	148
ESF	852	1,225
INCLE	225	325
<b>TOTAL</b>	<b>\$6,182</b>	<b>\$5,827</b>

Note: Numbers have been rounded. TFBSO amount excludes funding used for the task force's operational costs.

Source: 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, response to SIGAR data call, 7/16/2014.

FIGURE 3.6

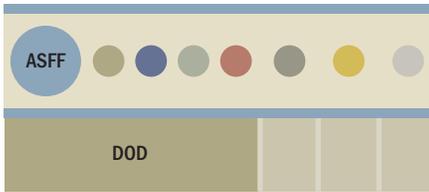
APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY (\$ BILLIONS)



Note: Numbers have been rounded. Total funding decreased this quarter due to a reduction in DOD CN funding. DOD transferred \$179.5 million from FY 2013 AIF to the ESF for USAID's NEPS transmission lines project. 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, 10/20/2014, 10/16/2014, 10/6/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 10/20/2014, 10/17/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 10/9/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 10/9/2014, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, responses to SIGAR data call, 10/17/2014 and 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, 10/16/2014 and 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.<sup>92</sup> The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan.<sup>93</sup> A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.<sup>94</sup>

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.<sup>95</sup> As of September 30, 2014, more than \$51.77 billion of total ASFF funding had been obligated, of which nearly \$48.94 billion had been disbursed.<sup>96</sup> Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by more than \$1.74 billion over the quarter, and cumulative disbursements increased by nearly \$712.11 million.<sup>97</sup> 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)

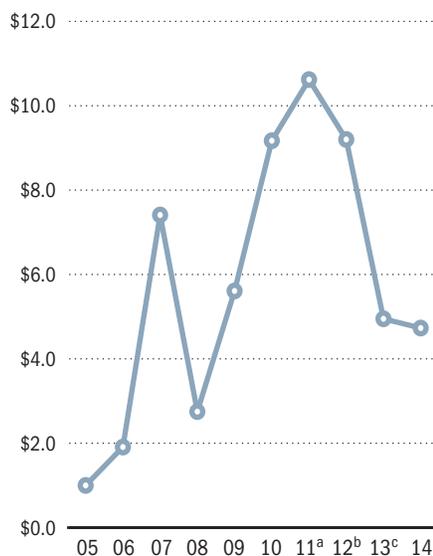
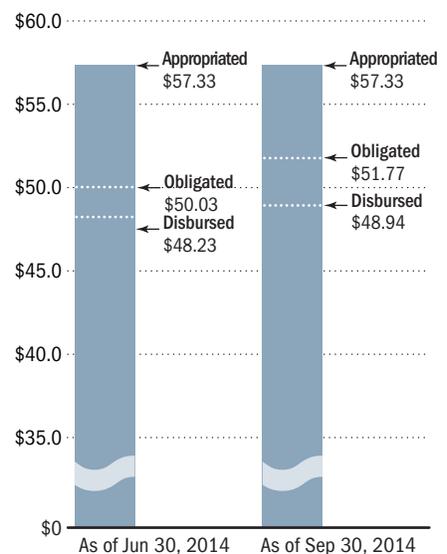


FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers have been rounded.

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

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

<sup>c</sup> DOD reprogrammed \$178 million of FY 2013 ASFF.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2014," 10/16/2014; DOD, response to SIGAR data call, 7/17/2014; 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.<sup>98</sup> 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.<sup>99</sup>

As of September 30, 2014, DOD had disbursed nearly \$48.94 billion for ANSF initiatives. Of this amount, more than \$32.40 billion was disbursed for the ANA, and more than \$16.17 billion was disbursed for the ANP; the remaining nearly \$364.49 million was directed to related activities.<sup>100</sup>

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$12.45 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—more than \$6.31 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.<sup>101</sup>

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

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

Source: 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–SEP 30, 2014 (\$ BILLIONS)

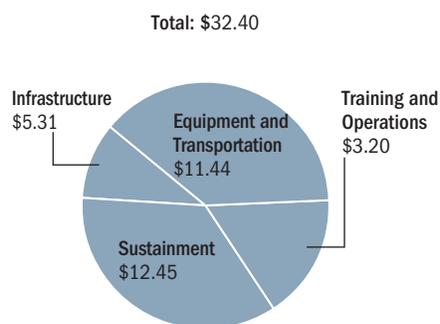
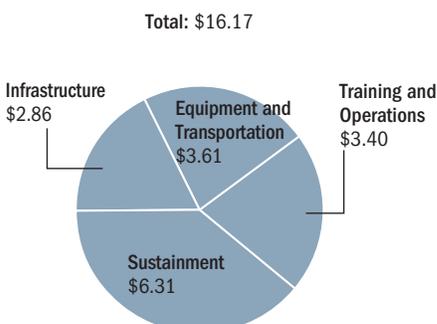


FIGURE 3.10

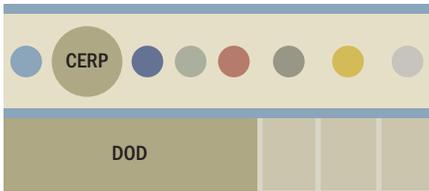
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005–SEP 30, 2014 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2014," 10/16/2014.

# 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.<sup>102</sup> Projects with cost estimates exceeding \$1 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over \$5 million require approval from the AROC. CERP-funded projects may not exceed \$20 million.<sup>103</sup>

The Consolidated Appropriations Act, 2014, appropriated \$30 million for CERP, increasing total cumulative funding to nearly \$3.67 billion.<sup>104</sup> Of this amount, DOD reported that nearly \$2.28 billion had been obligated, of which nearly \$2.26 billion had been disbursed as of September 30, 2014.<sup>105</sup> 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)

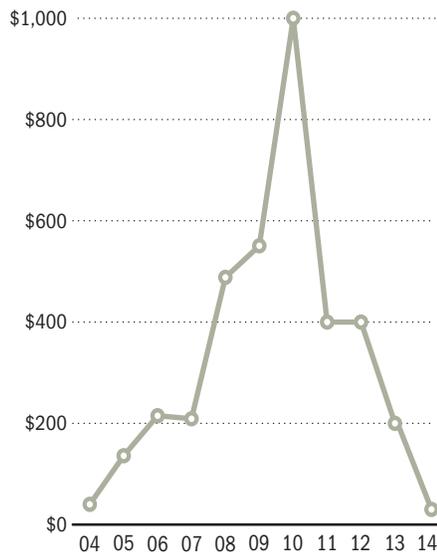
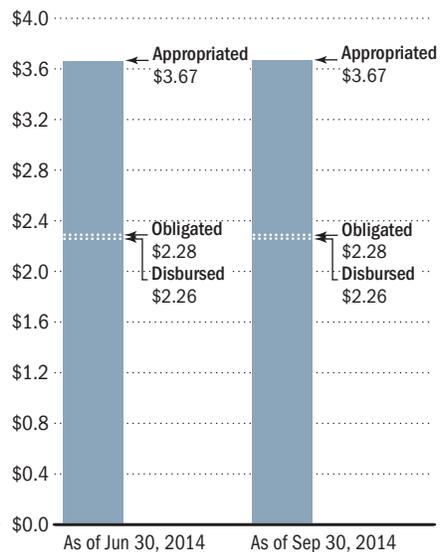


FIGURE 3.12

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



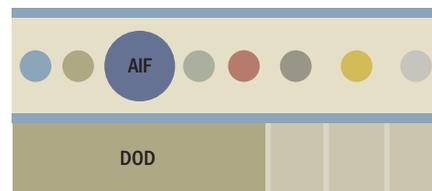
Note: Numbers have been rounded. Data may include inter-agency transfers.

Source: DOD, responses to SIGAR data call, 10/20/2014 and 7/17/2014; 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 counter-insurgency strategy in Afghanistan.<sup>106</sup>

The Consolidated Appropriations Act, 2014, appropriated \$199 million for the AIF. During the quarter, DOD transferred \$179.5 million of FY 2013 AIF funds to the Economic Support Fund for USAID's Northeast Power System transmission lines project, decreasing AIF's cumulative appropriated amount to \$1.04 billion from the \$1.22 billion reported last quarter. To date, \$280.5 million has been transferred to USAID to carry out AIF-funded projects.<sup>107</sup> Figure 3.13 shows AIF appropriations by fiscal year. As of September 30, 2014, nearly \$751.63 million of total AIF funding had been obligated, of which more than \$296.91 million had been disbursed, as shown in Figure 3.14.<sup>108</sup>



### 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)

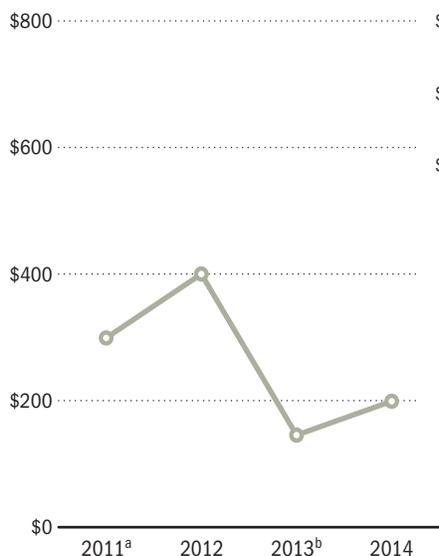
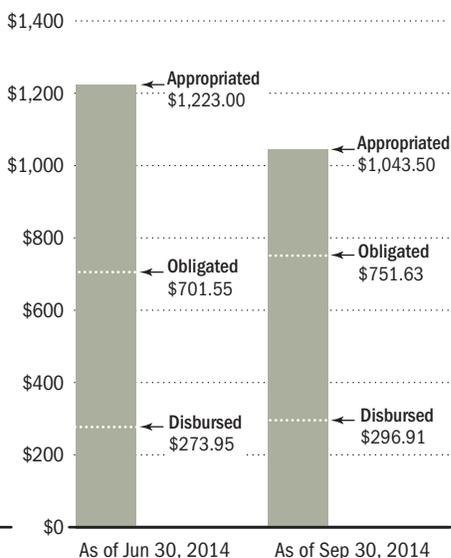


FIGURE 3.14

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



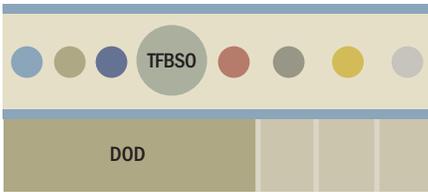
Note: Numbers have been rounded.

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

<sup>b</sup> FY 2013 figure excludes \$179.5 million that was transferred to USAID to execute an AIF project.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2014," 10/16/2014; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2014," 7/18/2014; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

# STATUS OF FUNDS



## TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

In 2010, the Task Force for Business and Stability Operations (TFBSO) began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial-system development, agricultural diversification and revitalization, and energy development.<sup>109</sup>

Through September 30, 2014, the TFBSO has been appropriated more than \$122.24 million for FY 2014, increasing cumulative appropriations for the task force to nearly \$814.83 million.<sup>110</sup> Of this amount, more than \$767.78 million had been obligated and more than \$595.12 million had been disbursed.<sup>111</sup> 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.

FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)



FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON (\$ MILLIONS)



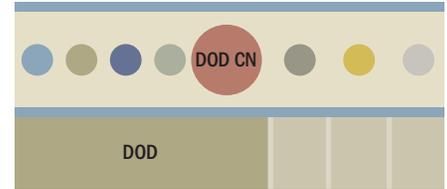
Note: Numbers have been rounded. Of the \$814.83 million appropriated for the TFBSO, \$358.03 million was from the Army's Operations and Maintenance account to pay for the sustainment of U.S. assets, civilian employees, travel, security, and other operational costs.

Source: DOD, responses to SIGAR data call, 10/6/2014, 7/8/2014, 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.<sup>112</sup> 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.<sup>113</sup>

As of September 30, 2014, DOD CN has been appropriated \$2.70 billion since 2004. Of this amount, nearly \$2.62 billion had been transferred to the military services and defense agencies for DOD CN projects. DOD reported an overall funding reduction of \$225.58 million for the DOD CN fund from \$2.93 billion reported last quarter to \$2.70 billion due in part to the threat of sanctions against parts suppliers for the Russian Mi-17 helicopters used by the Afghan Air Force Special Mission Wing as well as reductions in the overall scope of Afghanistan counternarcotics operational support from prior years.<sup>114</sup> 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

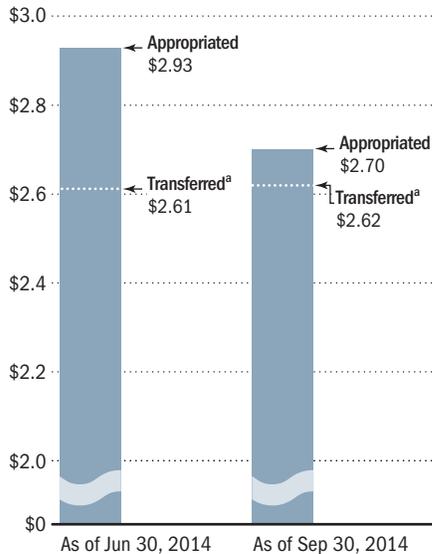
**DOD CN APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)



Source: DOD, responses to SIGAR data call, 10/20/2014 and 7/3/2014.

FIGURE 3.18

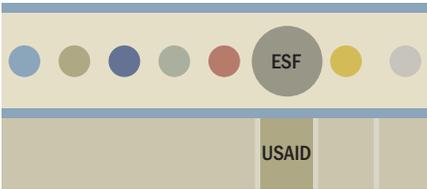
**DOD CN FUNDS, CUMULATIVE COMPARISON**  
(\$ BILLIONS)



Note: Numbers have been rounded. Prior-year adjustments are done periodically to reflect deobligation and/or realignment of multi-year procurement funding. Obligations of FY14 appropriated funds have been significantly lower than the planned \$317.7 million. Factors causing the under-execution included a temporary lapse in global DoD CN authorities that were absent from the FY14 Continuing Resolution, tension in U.S.-Russia political relations and the threat of sanctions against Mi-17 parts suppliers, and reductions in the overall scope of Afghanistan operational support from prior years as the overall U.S. support footprint has declined.

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

# STATUS OF FUNDS



## ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.<sup>115</sup>

The ESF was appropriated \$852 million for FY 2014. During the quarter, DOD transferred \$179.5 million of FY 2013 AIF funds to the ESF for USAID's Northeast Power System transmission lines project, increasing cumulative funding for the ESF to more than \$17.72 billion. Of this amount, more than \$16.43 billion had been obligated, of which nearly \$12.25 billion had been disbursed.<sup>116</sup> Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of September 30, 2014, increased by nearly \$1.74 billion from the amount reported last quarter. Cumulative disbursements as of September 30, 2014, increased by nearly \$157.31 million over cumulative disbursements as of June 30, 2014.<sup>117</sup> 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)

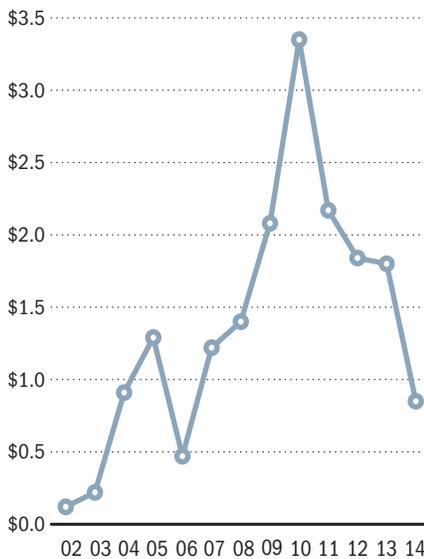
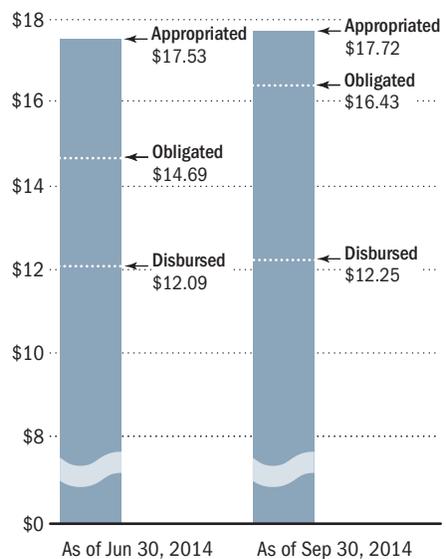


FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers have been rounded. FY 2011 figure includes \$101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund (AIF). FY 2013 figure includes \$179.5 million that was transferred to the ESF from the AIF.

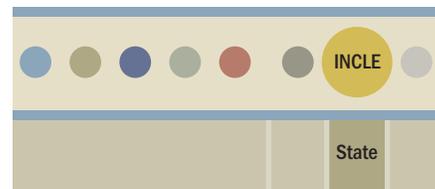
Source: USAID, responses to SIGAR data call, 10/9/2014 and 7/10/2014; State, responses to SIGAR data call, 4/15/2014.

## INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counternarcotics, and rule of law and justice.<sup>118</sup>

State reported that INCLE was appropriated \$225 million for FY 2014, bringing cumulative funding for INCLE to more than \$4.44 billion. Of this amount, more than \$4.16 billion had been obligated, of which, more than \$3.15 billion had been disbursed.<sup>119</sup> Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of September 30, 2014, increased by more than \$600.55 million compared to cumulative obligations as of June 30, 2014. Cumulative disbursements as of September 30, 2014, increased by nearly \$150.55 million over cumulative disbursements as of June 30, 2014.<sup>120</sup> 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)

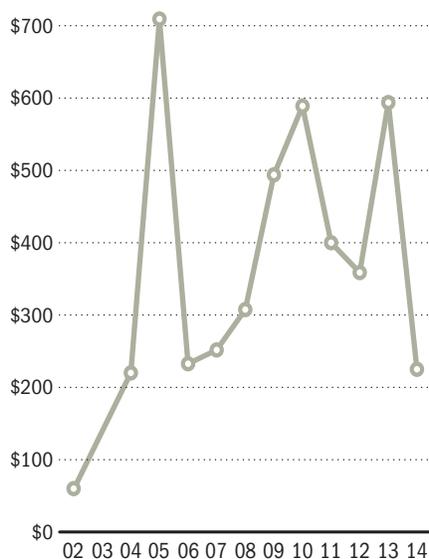


FIGURE 3.22

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



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

Source: State, responses to SIGAR data call, 10/17/2014 and 7/16/2014.

# STATUS OF FUNDS

## INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

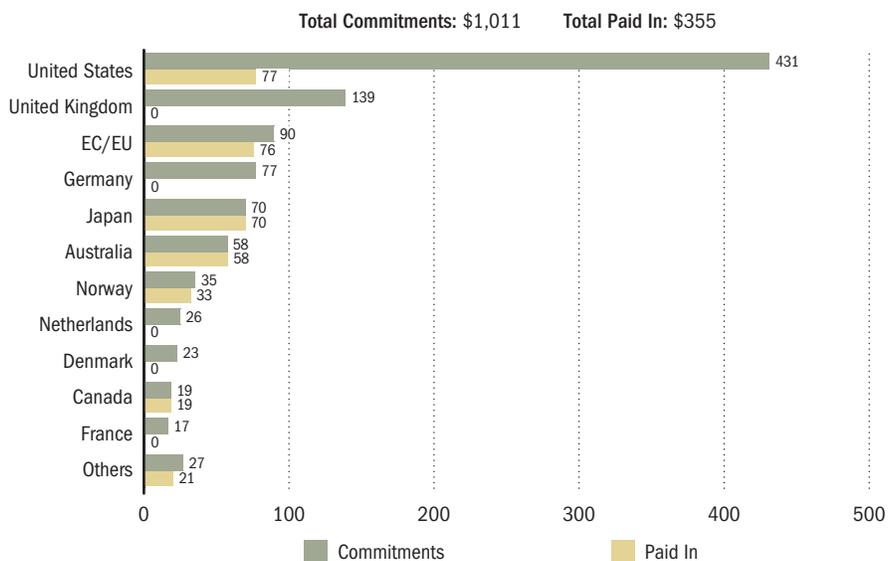
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust 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).<sup>121</sup>

### 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 September 22, 2014, the World Bank reported that 33 donors had pledged nearly \$7.92 billion, of which more than \$7.26 billion had been paid in.<sup>122</sup> According to the World Bank, donors had pledged more than \$1.01 billion to the ARTF for Afghan fiscal year 1393, which runs from December 21, 2013 to December 20, 2014.<sup>123</sup> 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 SEPTEMBER 22, 2014 (\$ MILLIONS)



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

Source: World Bank, ARTF: Administrator's Report on Financial Status as of September 22, 2014, p. 1.

# STATUS OF FUNDS

As of September 22, 2014, the United States had pledged more than \$2.39 billion and paid in nearly \$2.04 billion since 2002.<sup>124</sup> The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 45% 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.<sup>125</sup> As of September 22, 2014, according to the World Bank, nearly \$3.14 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.<sup>126</sup> The RC Window supports the operating costs of the Afghan government because the government's domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “prefer” (earmark) more than half of their annual contributions for desired projects.<sup>127</sup>

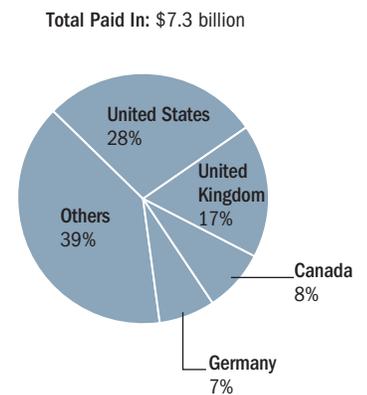
The Investment Window supports the costs of development programs. As of September 22, 2014, according to the World Bank, more than \$3.64 billion had been committed for projects funded through the Investment Window, of which nearly \$2.70 billion had been disbursed. The World Bank reported 22 active projects with a combined commitment value of more than \$2.33 billion, of which more than \$1.39 billion had been disbursed.<sup>128</sup>

## 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.<sup>129</sup> Since 2002, donors have pledged nearly \$3.83 billion to the LOTFA, of which nearly \$3.63 billion had been paid in, according to the most recent data available.<sup>130</sup> 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.<sup>131</sup> In the 42 months since Phase VI began, the UNDP had transferred nearly \$1.76 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional \$47.10 million for capacity development and other LOTFA initiatives.<sup>132</sup> As of June 30, 2014, donors had committed nearly \$2.30 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 nearly 75% of LOTFA Phase VI commitments. The United States had committed more than \$1.52 billion and paid in nearly \$1.45 billion to the LOTFA since the fund's inception.<sup>133</sup> 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)–SEPTEMBER 22, 2014 (PERCENT)**

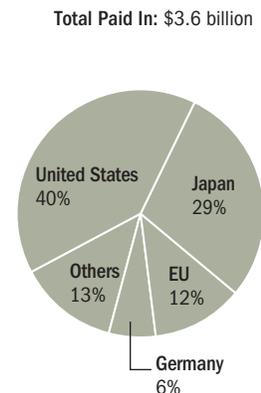


Note: Numbers have been rounded. “Others” includes 29 donors.

Source: World Bank, *ARTF: Administrator's Report on Financial Status as of September 22, 2014*, p. 5.

FIGURE 3.25

**DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF JUNE 30, 2014 (PERCENT)**



Note: Numbers have been rounded. EU = European Union. “Others” includes 18 donors.

Source: UNDP, *Law and Order Trust Fund for Afghanistan (LOTFA) 2014 Second Quarter Project Progress Report*, 9/24/2014, p. 33; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 10/19/2014.